

Impact of globalization on aldi – grocery stores assignment

[Sociology](#)



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History of ALDI, its core business and philosophy

Established in 1913 in Germany, ALDI operates what are known in the grocery business as “ limited-assortment” stores or “ hard discounters. ” ALDI has taken this retail concept, which features low overhead and scanty selection, to its leanest, meanest extreme. Unlike the vast majority of supermarket chains, ALDI store carries about 1, 400 regularly-stocked items, including fresh meat, and, in certain locations, beer and wine, of which nearly all are ALDI, select brands.

Though the original ALDI concept has been modified somewhat to accommodate the ever-changing tastes and preferences, the core concept and philosophy remains: “ Incredible Value Every Day. ” By limiting consumer choice, ALDI saves money in several ways. ALDI stores are correspondingly small-usually 8, 000 to 15, 000 square feet-compared to the 50, 000 to 125, 000 square feet typically utilized by competitors with larger catalogs of items. ALDI is currently under the direction of Theo Albrecht Jr. ith their global Headquarters located in Essen, Germany, ALDI reported sales in 2007 were about \$47 Bi. Drivers of globalization in the retail industry While we can talk about which are the drivers of globalization that has most impacted the retail industry, I think it is appropriate to state that the retail <https://assignbuster.com/impact-of-globalization-on-aldi-grocery-stores-assignment/>

business as much as many other business in the world, have been exposed to the globalization effect mainly driven by the creation of the Internet, significant improvement and growth of the logistics routes and companies bringing the logistics cost down and new demand coming from emerging markets like China. To discuss specifically about the drivers that have impacted the retail industry, I think E-commerce has contributed to the retail brokerage industry becoming more global and more contestable. By examining the different stages of the value chain, we can analyze the differential impact of the information and communication technology (ICT) revolution on each segment of the industry. To date, the primary drivers of globalization have been manifested at the ' wholesale' stage of the industry.

In contrast, important features of the broker-customer interface have perpetuated a multi-location competitive structure at the retail stage of the industry. Nevertheless, actual and potential competition has been significantly increased by the spread of e-commerce at all stages of the industry. E-commerce innovations encourage both standardization and variety within an increasingly competitive industry. Last but not least, the trade agreements signed within the last 20 years have also helped to foster globalization.

Free trade agreements signed in the NAFTA regions helped bring goods at a significant lower cost than what it would cost without this agreement. Same applies to the home land of ALDI (Europe) where goods and resources can flow throughout the countries that are part of the European community without any need of passports or tariffs. Impact of Globalization in ALDI Since

the inception of ALDI in 1913, ALDI has grown to be a multinational retail company. Through standardization of their business practices and taking advantage of the globalization drivers, ALDI has been successful in realizing the benefits of globalization in their business.

ALDI currently makes business in 18 different countries and even though ALDI does not sell over the internet, they market all their promotions through the WWW. As some of the articles read, despite of the economical recession the current worldwide economy is going through, ALDI is one of the few retailers that keeps growing their business mainly due to the cheap prices that they are able to offer. In times of recession people tend to be very conservative when spending and the people see that ALDI offers value add to their spending by saving them money in their groceries.

Globalization forces companies to standardize processes and ALDI has been very good at it, making sure their stores have the same concept everywhere they are located world wide. Economic and Technological forces influencing the global context of ALDI Despite the economical recession that the US currently faces, all around the country, ALDI continues to grow. ALDI is recently celebrating the opening of their 1, 000th U. S. store in West Haven, Connecticut. At a time when other retailers are cutting back and the recession is deepening, ALDI continues to build new stores in 29 states nationwide and also around the globe.

ALDI claims that when you shop at ALDI, you can always count on finding products that are consistently equal to or better than the top national brands in quality and taste, for up to 50% less than at traditional grocery stores.

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ALDI claims that by shopping at their stores, one can save an average of \$115 a month on family's groceries on staples like fresh produce, milk, bread and eggs. ALDI has been able to tap a niche in the market that is more appealing to small stores, do not care much about the brand of a product but more to the economic benefit by buying the product in a more economical way.

As we have discussed in the beginning of this paper, IT has played a big role in the retail industry. With the creation of the internet, the information can flow anywhere in the world within a matter of seconds and I think this is one of the biggest benefits from today's business environment. Specifically in the retail industry, information can be gathered on a global basis and dissected into many pieces to analyze important factors such as consumer patterns, inventories, quality data, delivery data, etc.

Consumer patterns or inventories study is not something that is just starting now but what is different today to what the retail industry was 20 years ago is that the information is on real time and can be shared globally. This gives companies the ability to better understand how to react to specific market segments and regions based on their consumer preferences. It can also help to better manage their inventories by setting up minimum and maximum inventory levels. The companies can also track delivery and quality performance of their supplier base and share it on a global basis.

Prices can also be shared globally and better leverage the global spend with vendors instead of cutting regional deals. Having on real time data allows companies to make changes in the business and track the reaction to these

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changes closer without having to wait long for results, allowing the business to make critical decisions affecting the profitability of the business on a much timely fashion. Political and Legal forces influencing the global context of ALDI Aldi is located in 18 countries, 16 of these are within the European community, USA and Australia.

The most political and legal influence that influences ALDI is the trade agreement in the European community where all resources are available without any tariffs across the countries that belong to the European community. This is probably one of the biggest advantages to ALDI since they can import/export not only products but also talent across countries (all within the European Community) without having to incur in delays and significant cost associated to it. The community also provides the legal support to foster their growth since the trading laws apply for all the countries within the community.

In USA and Australia, the legal and political forces are different; however both countries are fairly open and politically risk free hence it has a positive influence over the growth of ALDI since there is no negative political and legal factor that will prevent ALDI to continue growing. Cultural and societal forces influencing the global context of ALDI Looking at the location footprint from ALDI, ALDI is mainly located in developed countries where there is a more educated customer base which not necessarily is looking for the cheapest deal but looking for a more economical and ecological sustainable concept.

Additionally, there is a wave of planet care awareness and customers are more and more looking for products from companies that are more ecological sustainable and environmental friendly. ALDI has been smart enough to be able to market its cost savings ideas as “ green” ideas capturing those customers that appeal to environmental friendly companies. Culturally, ALDI has made some good strategic moves like backing up their quality of their products by what they call a “ Double Guarantee”: If for any reason, you are not 100% satisfied with any product, ALDI will replace the product and refund your money.

With this, ALDI has been able to eliminate the perception from some customers that the products sold at ALDI are low quality and that only poor people bought at ALDI. The fact that ALDI has so much confidence in their products to back them up to the point to replace them if you are not satisfied and also return your money show the commitment from ALDI to customer satisfaction. What Aldi has also done to adapt to the culture preferences within the region is to introduce products that are appealing to the culture like frozen products in North American, something that is not very much welcomed in Europe and Australia. *National and industrial policies influencing the global context of ALDI More than national or industrial policies I rather say that ALDI is being influenced by policies that are affecting the environment and their own internal policies to reduce their cost. There has been recently a push to go green on many products and I think that is something that ALDI will benefit of since the actual business policy of ALDI is to eliminate waste out of the value chain and deliver a product at the best possible price.

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ALDI has implemented policies like charging extra to the customers for Bags, since customers are expected to bring their own bags to carry the goods they buy or forcing the customers to return the shopping carts by having to insert a coin when pulling the cart and the coin will be returned when the cart gets back to the original location avoiding to spend money in people pulling the carts from the parking lot.

Role and impact of emerging markets in a global context of ALDI We previously had the opportunity to make the case of Wal-Mart where they were unsuccessful attacking emerging markets since their business model did not work in countries that are currently developing. In comparison to Wal-Mart, we have ALDI that has a complete different business model which focuses on only one small niche in the market who is customers that are willing to pay similar prices than the ones seen in Wal-Mart but without the brand backing up the product and also without having to buy in big quantities.

It is my personal belief that ALDI will do much better in developing countries since they offer something that the big retailers do not and this is products at a discount price without having to buy big quantities to reach out the savings. As we have seen before, people in developing countries can not afford to buy products in big quantities since they do not have either the money to buy products to store them or in other cases people may not have the space at home to store big quantities of product for future usage.

The emerging markets could represent a big success to ALDI if managed properly. Their business concept avoiding a big place, offering discounted

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products could work if working together with suppliers in China to offer appealing products for the specific market under the ALDI brand. This will be a brand new avenue for ALDI since they have only made business currently with western countries and a venture in China or Asia Pacific would be something risky but with potential big profits for ALDI.

Strategic issues faced by ALDI and its response to them in a global context

Grocery Destination Depends on Price - Low prices are considered a very important factor in choosing a supermarket, according to 2009 National Grocers Association Consumer Survey Panel. Consumers also cited sale items, private labels, and frequent shopper programs as growing in importance, as households try to save money. The survey shows that 84 percent of respondents buy most foods at the supermarket compared to seven percent at mass merchandisers and three percent at warehouse clubs.

ALDI will feel pressure from some giant companies like Wal-Mart trying to reduce their prices using their purchasing power to bring those prices from the suppliers down. ALDI will have to focus on how they can shift their production from high cost countries to low cost countries and rip off the benefit of it like the giant Wal-Mart does. Further market Segmentation driven by major competitors: New Wal-Mart Supermarkets Seek to Draw Hispanics - Wal-Mart will convert two of its Neighborhood Market concept stores to supermarkets aimed at Hispanic shoppers.

The stores will be called Supermercado de Wal-Mart and will open in Phoenix and Houston in summer 2009. Houston will also be home to a new Hispanic-themed Sam's Club, called Mas Club, opening this year. If the experiments

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succeed, Wal-Mart will likely open more Hispanic-themed stores, which would increase competition for Hispanic shoppers in the US grocery industry. As Wal-Mart gets ready to launch its pilot program to further break the market into more pieces, ALDI needs to understand this effect into their sales and strategize how they can capture some of this further market segmentation.

Maybe by launching a new retail brand specifically for Hispanic people or even probably attack that market by creating another store brand to compete with Wal-Mart's concept. Natural environment implications of the decisions made by ALDI ALDI has taken some steps to ensure that their business is not a source of waste to our planet, however I feel ALDI, as well as other retailers, could do more to ensure that the manufacturing process of the products they offer at their stores are environmental friendly. This should be one of the criteria to rate and chose suppliers, not only to ALDI but also to all retailers.

Some of the activities that ALDI has engaged to support their eco friendly philosophy which helped win the EcoBiz accreditation to the first grocery retailer in Australia are: 1. - Reusable shopping bags: means they never give away free plastic bags 2. - Reusable produce crates: protect the environment from excessive packaging waste 3. - Reducing energy out of hours: minimizes their cooling, heating and lightning consumption 4. - Putting lids on freezers: reduced the amount of lost chilled air and cuts energy consumption 5. Drought resistant native plants: planted at all ALDI stores mean they help the planet save water Trolley return deposit system: uses refundable coins to help reduce the number of abandoned trolleys ALDI

has definitely known how to market their cost savings ideas as “green” ideas. Rather than picking on ALDI criticizing their true commitment to the environment and just talking advantage of a couple of cost reduction ideas to make them look like they are doing something for the planet, we need to realize that in fact, cost saving ideas are eco-friendly and ALDI is a good example of it.

One does not need a big investment to pollute or waste less, it is just a change of habits and the impact in the environment is significant. We should take ALDI, not as an role model but as a good example on how implementing eco-friendly activities lead to a more cost competitive product. Ethical challenges faced by ALDI in a global context The biggest Ethical challenge for ALDI that I see is really their commitment to the environment and how much they advertise their environment friendly activities.

If ALDI advertises themselves as an environmental friendly company I think they should take further steps to ensure that they really comply with their advertising statements and not only implement those activities that are somehow easy and/or investment free. Another ethical issue I see in ALDI is to make sure that they bring wealth to the community and their employees. As we have seen, ALDI’s business model accounts for very lean stores, where there is a very few employees performing different task within the store to keep cost down.

Ensuring that employees are well paid and avoid overworking them is important. It is not good for the society and one would argue that is also not ethical, to subsidize a low cost product by a capitalist slavery. Conclusions

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and recommendations In conclusion, one can assert that ALDI is doing a very good job managing the global environment they operate in. ALDI has benefited by the effects of globalization and in my personal opinion; ALDI could even benefit more if they introduced their business concept in emerging markets.

As we referenced previously in this paper, for ALDI to be able to enter in the emerging markets, they most likely will need to work jointly with local suppliers to develop local products to satisfy the local preferences. This may take time and money but rather than making the introduction like Wal-Mart did which just dropped their business concept in a market that they did not understand how it operated, ALDI needs to spend some more time and money at front to rip the benefits off this market.

I feel also ALDI could do more for the environment and embrace activities that minimize pollution starting from the manufacturing process from their supplier base. This will only enhance the customer perception on how much ALDI is committed to the environment and will be reflected in incremental sales. One has also to remember that newer generations are going to be more sensitive to ecological friendly companies and if they start today, they could really benefit themselves and the environment.

The success of ALDI has been because the market perceives the value that ALDI brings to the people. If they are able to market more their concept, they could realize much more sales. I knew about ALDI because I had seen the stores in Europe and had bought there previously, but I really did not know they did exist in NA. Customer awareness needs to increase. Sources:

<http://www.fundinguniverse.com/company-histories/ALDI-Group-Company->

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