

Principles of operations management



1. How does ALDI's strategy lead to a competitive advantage? How does the company achieve this strategy? By putting such a huge focus on the quality of his products and even offering a no questions money back guarantee, ALDI's leads the way to a competitive advantage. Not only does the quality of the products allow ALDI's to pursue a differentiation strategy, but modern quality methods like total quality management (TQM) and just-in-time (JIT) also promote low-cost and response strategies. By only keeping max 2 brands per product and only 700 products in ALDI's stores the makes sure that stock moves fast and the possibility for old stock is very slim. ALDI also has a standard design for the entire group of stores, although where other countries and cultures are ALDI's adopts it to the country which in turn shows respect for other cultures.

This strategy is achieved by means of good quality at low price. Low cost strategy is achieved by using variety of methods:

1. Buy large quantities of good quality products helps to give the customer a better price for good quality.
2. Taking advantage of quantity discount and economies of scale
3. Stores are small and are standardized.
4. Stocks limited amount of different items
5. Only one or 2 of brand per item
6. Chooses inexpensive locations to minimize overheads
7. Products displayed on pallets, not shelves.

8. Employees are multi skilled. They can perform more than one task and therefore save cost on labour which in turn keeps overheads low. 9.

Customers give deposit for carts and get refund when they bring it back. This prevents ALDI's from buying new carts every now and then, keeping overheads low.

2. Does ALDI's low-cost strategy imply that the company offers low quality?

Why is quality important regardless of competitive advantage? Although the products are sold at very low prices, the quality is never neglected. ALDI's buys bulk and always make sure the quality of the products is still very good. ALDI's quality guarantee and no questions money back guarantee are always present.

The fact that ALDI's always makes use of small cheap store space, multi-skilled people, making sure people return the carts help to give the customer products at low prices without cutting down on quality.

Excellent quality is one of the most powerful ways to create a competitive advantage. Quality is associated with consistency. A customer who is happy with the first buying experience needs and wants to be equally happy on each further occasion.

Total Quality Management (TQM) is an approach that seeks to improve quality and performance which will meet or exceed customer expectations.

This can be achieved by integrating all quality-related functions and processes throughout the company. TQM looks at the overall quality measures used by a company including managing quality design and development, quality control and maintenance, quality improvement, and

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quality assurance. TQM takes into account all quality measures taken at all levels and involving all company employees.

TQM focuses strongly on the importance of the relationship between customers (internal and external) and supplier. These are known as the “quality chains” and they can be broken at any point by one person or one piece of equipment not meeting the requirements of the customer. Failure to meet the requirements in any part of a quality chain has a way of multiplying, and failure in one part of the system creates problems elsewhere, leading to yet more failure and problems, and so the situation is exacerbated.