

Aldi

Business, Management



ALDI Case Study Competitive Advantages In 1960, Albrecht's splits their store in two. One in north Germany and the other in south Germany. This saw the expansion of the store with independent management, however, they still linked the stores information allowing for diverse market exploration. The Aldi's opted for a simple, cost effective way of running their business with the main focus to optimally serve the customers (Cosgrave, 2014). Simplicity is seen to extend in the organization as the brothers opted to forego publicity, with the strict prohibition of the managerial staff to speak about the company's financials.

With already 90% of German shoppers, the organization saw it better to look into other markets. They ventured in the U. K. in 1980's and the U. S. A. in 1976. They capitalized on these markets by reducing the heavy reliance on individual labelled goods and began to stock various national brands. In 1991, the organization invested on outlets in existing Gateways food Marts sites with the hope of enticing new clients to the Gateways (Lane & Steen, 2014). In 2013, Aldi's U. K. product categories remained limited to approximately 1000 items (stock keeping units "SKU"), compared with 10,000 SKU managed by typical U. K. supermarkets. Cheap prices and limited SKU saw the company increase its client by 16% every year. Aldi's have been found to be 40% cheaper than Waitrose, plus an annual saving of 1,700 Euro.

It is clear that the company will be able to maintain its competitive advantages, as it has a simple business model of minimizing operational costs through purchasing only one line per item from suppliers, thus limiting choice for the consumers (Lane & Steen, 2014). Moreover, transportation

costs have been minimized through direct delivering from the warehouse and being merchandised on the pallets they arrived in. With the limited assortment, the organization can achieve substantial globalization. Their product ranges mainly specialize on their own-branded labels, thus assisting them in controlling their costs and product prizes.

Financial Information

Aldi as a discount organization has held a record year in the U. K. and Ireland, with a 65 percent increment in profits in the regions. The store found in Germany appreciated its lower prices as it drove the record results, with the discounter gaining pre-tax profit of £260. 9 million (\$423. 3 million) in 2013. In its U. K. and Irish store, profits went up from £157. 9 million on the previous year. This is by maintaining constantly low prices and ensuring product quality. Aldi currently controls around 4. 8 percent of the U. K. market share (Cosgrave, 2014). In 2012, Aldi was seen to pay the U. K. a tax of £30 million. It is seen to be one of the fastest growing retailer in the U. K. also, Aldis is expanding its market share rapidly. The results from 2012 reveal that the company increased its revenue to £3. 9 billion. This was a 40. 6 percent increase.

References

Lane, D. & Steen, E. V. (2014). Aldi: The Dark Horse Discounter. Harvard Business School.

Cosgrave, J. (2014, September 29). Aldi profit booms amid UK supermarket wars. CNBC. Retrieved April 14, 2015, from <http://www.cnbc.com/id/102040753>