xP Team Deliverable A

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Computers in Business 201
Aldi became the first ever discount store in the world when it was opened in Germany, in 1961, by the Albrecht family. It has since grown exponentially having opened close to 2,000 stores across the United States. Aldi’s main focus is giving their customers the most efficient shopping experience. They are able to do this by selecting the best, essential products that customers need so they can get in-and-out without a fuss. Most of the products they sell are Aldi exclusive brands, this way they can be competitive because their products are handpicked by taste, quality and most importantly price. Aldi buys in bulk to help lower the costs of their products. They buy the most commonly purchased grocery items. More than 90% of their products are exclusive to Aldi and test in the Aldi Test Kitchen. Aldi’s product selection exemplifies their values of keeping costs low by only offering the most common grocery items and buying them in bulk allows them to keep costs low for the customer. Also a lot of the brands sold in their stores are made by Aldi, which also allows them to limit their costs.¹

Aldi competes in a very competitive retail and grocery store market. With many different companies and substitutes its hard to convince customers that their own grocery store has the best products with also having low prices. Especially since most of the competitors are selling the exact same products. Aldi has a good example of The Five Forces Model in which they compete in with other companies. The first step of the Five Forces Model is bargaining power of customers. In Aldi’s case it is a strong force because they are able to keep customers shopping at Aldi by making their prices low. The way they are able to do this is by cutting costs in areas that aren’t as necessary. For example Aldi is only open during the most popular times to avoid high labor costs during hours that aren’t as busy. Another way is by training workers to multi tasks so

not as many employees are needed during each shift. Being able to cut costs and keep prices lower is how Aldi is able to attract customers. When managers treat their employees right, the quality of the customer service is improved. Having good customer service is what not only helps obtain customers, but is what makes repetitive customers. The next strategy in the model is threat of substitutes. Although Aldi provides very low-cost and high-quality goods, there are numerous other grocery stores that they share the market with. For this reason it is hard to say that they have a weak threat of substitutes because of all the competition they face daily. They also fail to market over social media, which could hurt them in the long run as following trends of your customers is the largest indicator in their willingness to pay. If a customer notices that a store is similar to Aldi, and this store happens to deliver online for the same prices, it is no mystery which way the consumer will lean. The third is bargaining power of suppliers. Aldi is strong on this force because of how they hand pick suppliers and how suppliers pick them. Aldi has the suppliers they choose in which they sell to their customers. But other supplier companies can reach out to Aldi as well. On their website there is an application for companies to become an Aldi supplier. This is attractive to start up businesses if they want to get their product on the market. Another benefit is that Aldi suppliers don’t have to pay or manage any extra costs such as unwarranted deductions, coupons, and instore displays. Aldi also emphasizes that they are always on time and never miss payments which attracts suppliers. All of these qualities are how Aldi is able to obtain satisfied suppliers. Next, we have the threat of new entrants. Aldi is a very well known chain, so new competition entering the market has little to no effect on them. This is mostly because of the fact that the new companies will not be able to sell goods at such a low

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price to start. Also, suppliers are required to apply to sell their products within Aldi. A startup business will likely not have suppliers throwing themselves at them and trying to be partners because it is a high risk for them that they are not willing nor comfortable to take. Aldi is hardly worried about these new companies and therefore definitely has a weak threat of new entrants. Lastly, we looked in depth into ALDI’s competitive market that they compete in and weighed them next to their rivals. Many grocery stores offer goods at a low/discounted price, like Walmart for example, but not all of them ensure freshness nor high quality products with as much enthusiasm and pleasure. The largest difference is that ALDI truly cares about each and every one of their customers, and for this reason consumers are much more likely to return there as opposed to a larger chain like WalMart or Target. Although they lie in an extremely competitive market, they have made a name for themselves by putting a spin on the classic grocery store model, and therefore know how to compete with their rivals.

ALDI is able to differentiate itself from other competitors due to their cost focused strategy, by having low cost they make their market extremely large. It is paramount to retain lower prices than competitors, the only way to keep lower prices while also maintaining profit is through cutting cost. ALDI maintains a good grip on buyer power, they need to continue to invest in good products that work in order to keep the value in their name. Consumers in the grocery industry aren’t very well informed on average and will follow brands that have a good name to them. If ALDI can continue to bring value to their name, then the customers will continue to come in. Although Aldi can provide the cheapest and best quality food, the company still faces a high threat of substitutes in such a competitive market. For example, “Whole Foods” and “Westside Market”, both provide a food delivery service that cooperates with Amazon. Both
of them attract more customers through different social media tools. So as our society develops, more people rely on internet and get information online. Online shopping and shipping have become a popular trend. So if Aldi wants to decrease the threat of other substitutes, the food delivery service should be considered. Additionally, they need to advertise themselves through the popular social media to inform customers about their company. ALDI is established all over the world and has many options in what products they carry and where they receive them from. Since they have such a large network they can draw supplies from any location and market it anywhere. They need to stick to their strategy by buying cheap products from suppliers and selling quality products that their customers are accustomed to seeing from them. As we discussed before in the threat of substitutes, the real competitors of ALDI are other well known grocery stores and not new entrants. New companies cannot offer low prices for their customers and their popularity doesn’t compare to ALDI’s. Unless the new company has a very mature supply chain and good online services, they have no chance to compete with ALDI. If ALDI starts to market online and continues providing products at such a low price, they will continue to expand. ALDI operates in multiple countries with customers all over the world. Due to this, they will constantly deal with new competitors. In every region in which they operate, there are a vast amount of competitors. ALDI has the ability to completely overpower their local competitors, but their main concerns are with major competitors such as Walmart or Target. In reality, most stores are selling products with similar quality. However, ALDI needs to perpetuate their reputation of selling higher quality products than others in their market. It’s possible through good customer service, marketing, and branding that ALDI can display a professional manner and connect with the customer.
ALDI is looking to improve their company as they begin their expansion throughout the United States. ALDI’s goal is to sustain their efficiency, while still improving and adding employees. ALDI is planning to hire and train many new employees this year, as the expansion will create new jobs. Additionally, ALDI is considering the use of an Enterprise Social Network (ESN) to disseminate information throughout the company. Their objective is to use analytics to explore ways to creatively engage its employees through a new network platform. Employees would be able to share critical information and solve problems, just like ALDI in the United Kingdom currently does. Our team will have to create a proposal for an Enterprise Social Networking platform. This platform will include all lessons learned from the ESN implementation from ALDI UK, all tangible benefits, and a projection for both implementation and maintenance cost.

In order to meet their goals, ALDI needs to lower their cost as much as possible. They also need to find a networking platform for their employees to communicate the critical information while making decisions. In order for their employees to collaborate, they must share information to increase their efficiency. ALDI has many social networking platforms such as Facebook and Instagram. They post most of their products in those social networks, with their product’s information. So, when customer view these social network, they might find something that interests. Using social media can help customer with the further problem. When a customer is confused and can’t find the information, they can easily go to any of ALDI’s social networking platforms for help. Also, they can write reviews through social media. Employees can improve their services by gathering valuable information through customers. Lastly, Customer can discover items they want to purchase through social media. For example, if Aldi
were to post a picture of a product, customers can buy through the link in the picture. In conclusion, through social media, ALDI can increase their following and inform more generations about their company.
Work Cited
