

# Fwd\_ UKS31295

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**Submission date:** 10-Apr-2023 02:10PM (UTC-0500)

**Submission ID:** 2060805691

**File name:** Fwd\_ UKS31295.docx (27.39K)

**Word count:** 3441

**Character count:** 18324

# **STRATEGIC MANAGEMENT**

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### Question 1

Deliberate strategy arises from the organised action of the leadership it is generated from the data analysis which includes market growth, the needs of the customer, the strength and weaknesses of the competitors, upcoming technology, and the segmented size of the market. This strategy is mainly implemented by large companies that have an established and firm position in the markets (Sinha, 2019). On the other hand, an emergent strategy is one that arises from actions that are unplanned within the companies. It is generally based on sudden innovation and the daily decisions on the investment are made generally made by the contributors, financial staff, salespeople, and others. This strategy is flexible and adjusts according to the needs and grabs the opportunities as they emerge. The entrepreneurial business gives leverage to the emergent strategy.

Aldi company's current business adapts the emergent strategy in the past. The root of the company traced back in Essen, Germany where the mother of Karl and Theo Albrecht used to run a small store that deals in groceries. However, the city was devastated by the bombing but the store remains undamaged. The two brothers decided to take the business and expand it into a chain of small shops (The Guardian, 2023). But due to the lack of capital, they stock only a limited range of staple food like pasta and soap and plan to expand the range of product range later. They found out that the limited section of cheap and fast-selling products gives an opportunity for cash flowing and cut down their cost, thus they decided to invest in a new store. This is an example of the formulation of the emergent strategy approach by Aldi, as one of the key characteristics of the emergent approach is that it is based on the experimental value and the outcomes of that experiment.

After getting a firm position in the grocery market, the company launches its first self-service store in Germany, which enables the customers to pick up their goods by themselves ensuring a speedy shopping process without analysing the marketing environment. This is an example that the company has taken a deliberate approach. The company has also applied a deliberate approach while formulating its business strategy in the United Kingdom (UK). The company did not make any marketing on the habits and demands of the British customers while opening its

first in the UK. The strategy is mainly based on the decisions of the executive and the operations of the company followed it closely.

Aldi has used emergent strategies in their new stores, the new stores are the more refurbished ones, they are well lit up and there is a <sup>2</sup> space for fresh and chilled food which is very appealing to the up-market category of customers. These are the experimental changes and is evident that the company had applied the emergent approach which will contribute to the future of the company. However, the deliberate approach of the company is more prevalent than its emergent approach. The success of the company in Germany was the result of the deliberate strategy which also helps it to acquire a share in the market of the UK and this approach also helps the company to differentiate itself from the other supermarket chain in the country. The deliberate approach is closely related to the vision of the founders of the company that is based on cost-effectiveness, simplicity, and long-term strategy. As the company is owned privately the pressure of profit generation is much lesser than the other companies that implement harmful strategies to generate profits. Thus it can be said that the company has maintained a balance between the two approaches while formulating the strategy and their formulation is appropriate for the success of the company. Aldi has effectively run its business by striking the balance between the emergent and deliberate approach. However, to continue its growth in the future the company needs to slightly shift towards the emergent strategy as it is a more flexible approach than the deliberate approach (Hernández-Betancur, et al., 2020). The company's position is widely spread and is vulnerable to potential external threats <sup>4</sup> that include political, economical, social, technological, environmental, and legal factors, to mitigate those external threats, the company needs to adapt to the situation which is achievable through an emergent approach strategy. The best way to analyse the expected change, especially in the retail market is through surveying customer preferences and behaviors. The employees who are working in the frontline interact with the customers in a better way than the top-level managers, so the company needs to collect information about the preferences of the customers and their behaviors from those employees and apply the emergent approach to formulate the strategy of the business.

For the promotion of the recommended balance between the deliberate and emergent approaches of strategy the company need to keep communicating constantly between the store managers and

the top-level managers (Reuters, 2023). A survey can be done among the employees and the outcome can be analysed as efforts of the strategic planning. The emergent strategies can be formulated in some stores as the basis of the experiment. However, apart from communication, the proper implementation of the recommendation needs some financial and technical assistance which will be cost-effective for the company. But the required resources will be much lesser than compared to the result that will be acquired after making some strategic changes that the company needs to adapt for its future growth.

## Question 2

There are several macro environment factors that influence the operations of a company such as political, economic, demographic, and technological factors and many others. In the past, Aldi Company was affected by the most important factor which is the economy. In comparison to the other European countries, the UK generally has a higher income group and thus they show less interest in discounted stores. As a result, when Aldi, open its store in the UK, it fail to attract customers because the Britishers are satisfied with the existing supermarkets (Krazynski,2020). The economic environment of the company changed abruptly after the great recession it is challenging for the company and other supermarkets in the UK, as managing the costs of the companies is difficult at that time. The prime focus of the supermarket chain is to retail in the food sector, and the majority of the customers sought discounts and tend inclined to buy cheaper alternatives that are available in the market at the time of recession. Though Aldi always prefers to keep the prices of the product low but managing the cost during the recession has imposed a great challenge for them.

The company has also faced some industrial issues, of them the most important one is competition, as the company deals in the retail food sector there is a large number of competitors that are offering various alluring benefits to the consumers. Supermarket giants, such as TESCO, and Sainsbury are regarded as the tough competitors of Aldi. The environment of the UK market is already populated by Supermarket giants thus while expanding its business in Uk Aldi has faced a challenging environment as it is difficult to draw the attention of the customers from its established competitors. Managing the supply chain is another industrial issue that the company faced in Uk, it is important to find the suppliers, and managing them is essential for the performance of a company in a competitive market environment. In the initial stage, it was essential for the company to find out the proper supply chain and to manage them effectively as they decide to offer products of a similar category as that of other supermarket giants at a lower price. The company also faced labor shortage issues in the UK market.

To attract consumers from its competitors Aldi has applied a different strategy from that of the other supermarket giants that changed the attitude of the British customer towards discount stores. Aldi offers similar products from famous brands at much lower prices than its competitors

through which they gain the attention of Britishers those who are once reluctant to buy products from the discounted Store (Cancela, *et al.*, 2020). This response has been effective in the Macro environmental issues faced by the company earlier. The strategy of offering products at lower prices is an effective one after the great economic crisis of 2008.

Aldi has been able to manage to establish their supply chain in the market of the United Kingdom and compromises to some extent to expand the items that are offered in the stores. For instance, the suppliers of the corn flakes to all the stores of the Aldi are from France, they collaborate with suppliers from other countries when the British manufacturer company, refuses to enter into trading business with the company. There is an increasing range of products in the several stores of the Aldi which is quite evident that the company has successfully established its supply chain in the UK market. Diversification of the duties among the employees helps the company to respond to the labor issues that they faced in the past.

The most crucial economic factor that can adversely affect Aldi in its further growth in the future is its reluctance towards adopting advanced technologies. Reports suggest that the company has adopted some technologies to strengthen its business operations, yet the company does not show much enthusiasm to adopt and implement advanced technologies, which are already being leveraged by its competitors. As a result of Aldi's reluctance towards technology adoption, the consumer experience of this company will get affected simultaneously. It is because advanced technologies help to collect information about consumer needs and demands and this information can be utilised to develop new products or services.

Competition in the market has been working as a detrimental factor for Aldi in its business progression. Although reports suggest that the company has been able to fight its competition because of its product quality, in coming years due to the highly advanced technology and strategic business plans of its competitors, Aldi might fail to compete in the market. The changing demands of consumers require deep market analysis, Aldi is lacking in product development because the company does not have adequate knowledge and understanding of market needs and trends. Therefore, it can be concluded here that technical issues and competitive disadvantages are the major causes that can hinder Aldi's business development.



In each and every field of business, there are some important factors that control any business. Micro and macroeconomic factors are the most important factor of any business that is the main reason behind the success or the barrier of Aidl. In the past time or the history of the Aidl, several such kinds of issues have been found that have already been discussed in the above portion. The evaluation of this discussion provides a clear idea about the past barriers of Aldi.

### Question 3

Porter's value chain is basically a system of activities that is used by an organisation to create value for their customers and also to analyze the various activities of an organisation very effectively. In very simple words, it can be defined as how value to the customer is generated within an organisation and company. The activities related to the value chain can be split into the primary activities and the support activities. Among them, the former is supported or helped by the latter.

The primary activities are basically related to the involvement with the production and selling of the products to the customers. In the part of primary activities, there are some major points -

- Inbound logistics - it is a very important thing for every company or organisation to create a good relationship with their customers. In order to create a good relationship with customers a company or organisation must have some good inbound logistics to receive, store and distribute their product to their customers. Without the analysis of inbound logistics, it is not possible to know about all the aspects of a company which includes raw materials and the other components that are very necessary for a business purpose.
- Operations - it is the second process after the storing of raw materials that Aldi has to convert the raw materials to usable products by processing the raw materials. In this particular process, Aldi has to play some activities that are basically - preparing, packaging, testing and finally selling their product in the market. Every important thing that is required to complete this process comes under this operation stage. The operation process can also be named manufacturing.
- Outbound logistics - it is the stage that includes the activities to deliver the product to the customers. The process involves activities are - order collecting, processing and delivering it to its destination. Aldi can optimise the outbound logistics to achieve a high level of growth in the business field. Quick and safe delivery of products must be good criteria that can definitely enhance their outbound logistics in the market and also to flourish their business.
- Marketing and sales - marketing and sales are the next stage that comes after the outbound logistics. The process is nothing else the advertising or promoting the product in the market. In this stage, Aldi will highlight the most important point about their

products in the market that differentiates them from the others by providing several advertisements and promotional activities through various platforms.

- Service - the final part of primary activities and it also involves several things in it. Modern customers prefer post-sale service that is after purchasing the product they want a better response from Aldi. Aldi should respond to their customers in a friendly manner if there is any issue related to any specific product. Customer service also is a great part of Aldi to provide a better experience to their customer.

The support activities as the name suggest enhance the primary activities and also provide some important factors to coordinate and facilitate the primary activities. It also consists of a group of things -

- Firm infrastructure - the firm infrastructure basically involves a number of things that as all the internal processes related to the Aldi - the quality management, handling of legal matters, financing and accounting-related matter and the other strategic thing that is really able to increase the growth of Aldi.
- Human resource management - as each and every organisation has quite a similar hierarchy to organise their industrial work in a proper and specific way human resources or HR plays a very important role in the management of a company. Their role mainly in an organization is to control all the factors related to the employees of Aldi - recruiting and selecting the candidates and after that providing them training and finally rewards depending upon their performances. Time-to-time monitoring of the employee is also an important work of the HR department.
- Technology development - In today's modern world of science technology is the most necessary factor that has most of the control of an organisation. From the very beginning to the end that is from the manufacturing to the delivery to the customer, everything is done through the technological process. Software development is definitely a big help to the development of technology in Aldi. The management of Aldi has to realise the fact that Aldi will definitely perform better in the field of business if there must be some development in the software.
- Procurement - the thing which is most supportive to moving a business proper way is the procurement that provides the resources to an organisation which it needs. The resources can be found by finding vendors and getting the best prices from them. Aldi should

conduct their procurement in an effective way in order to control their inbound activities and all the important factors of their business.

From the analysis of Porter's value chain of the food company Aldi, all the important factors about this company have been evaluated in an effective way. After understanding all these activities it is clear in which field Aldi has played an effective and in which field it needs some improvement to provide its customers a better experience with its product. This value chain is also very effective to gain competitive advantages from the market.

#### Question 4

Aldi is a multinational account Supermarket chain based in Germany. The company has been successful and its market morning to its unique business strategy. This contact water general strategy framework provides a useful tool to analyse Aldi's previous strategies. This Framework identifies three main strategies that companies can adopt to gain a competitive advantage, cost leaders differentiation and focus

**Cost Leadership:** Aldi has been able to achieve cost leadership by offering an unlimited range of private-label products full-stop. The company's cost leadership strategy is based on efficiency and cost minimization. Aldi achieves this through a variety of methods including centralized purchasing, limited staffing and minimize advertising (Sarisa, 2021). The company also focuses on maintaining a lean supply chain to minimize cost and the strategy has enabled Aldi to offer products at a lower price than competitors which has held it to gain market share in many companies.

**Differentiation:** Aldi has also adopted a different CSN strategy by offering a unique and high-quality product. The company has introduced several products that are not available in other supermarkets at a full stop. For example, they all offer a range of organic and gluten products-free products, which are not easily available in other stores (Lauer, 2019). The company has also introduced high-end products such as RT channel Jesus cheese to Carter to the need of customers who are winning to pay a premium price. This product has helped all the two differentiate themselves from other discount stores and attract a broader range of customer base.

**Focus:** Aldi's focus strategy is based on a target in a specific customer segment. The company's target market is value-conscious customers who are looking for high-quality products at a lower prices. Aldi's focus is on these customers' and retailers' products and services to meet their needs. The company's office strategy is evident in the way it designs its stores which are smaller and more different from traditional supermarkets. This strategy has helped Aldi to gain a competitive advantage in many markets by offering a unique value proposition to its targeted customers.

Analysing the approach to the international market Aldi has adopted a combination of a water generic strategy to gain a competitive advantage in the market (Krazynski, 2020). The company's cost leadership strategy is evident in the way it minimises cost while offering quality products at a lower price. Aldi's differentiation strategy is based on offering unique and high-quality products that are not easily available in other stores to decrease 8 collaborative manners. All the

focuses strategy is based on targetting specific customer segments in the international market and its product and services to meet their needs. The company leads to apply more of a cost leadership strategy to invite a better market and provide different approval with the information as per the international marketers. Including different projections of the German market, Adil has strategies that provide roots to the retailers as being a supermarket more productive in nature is followed to gain a better return from the exciting market size.

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