

Week 2 - Inside Aldi: Britain's Biggest Discount Store

Part A: BEFORE you start to watch

A good business student not only knows their theory, i.e. the content that is on the specification, but also thinks business. Business is a subject that surrounds us all day every day. We start to spot the actions taken by businesses and ask "Why?"; we start to question how we interact with business and the factors that influence our decisions; we start to question what is happening in society and the economy. A good business student is inquisitive.

1. Start by thinking about what you already know and what your perceptions are. In less than 15 words sum up what you think about Aldi.

2. Who are the key players in the UK's supermarket industry?

The pie chart below shows what % of the market the 6 biggest UK supermarket chains control.

3. Use your existing knowledge of the industry to try and identify which segment of the chart represents which supermarket chain. 10% of the chart can just be labelled 'other'.

Market share in the UK supermarket industry



Market share is the % of an industry controlled by one business. In the example above we could say that:

4. _____ is the dominant business in the UK supermarket industry with a market share of ____ %. We call this application, applying our knowledge to a specific business or industry.
5. We would describe the industry as competitive. What do you think this means?

A business will therefore take actions to try and gain market share by having a **competitive advantage**. This means a feature or features of the business that allows it to perform better than others in the industry.

Part B: First part of the documentary

Watch the first part (approx. 15 mins.) of the Channel 5 documentary "Inside Aldi".

1. Draw a spider diagram to show any actions that you think Aldi takes to gain a competitive advantage.



Whilst watching this video you were introduced to some key business concepts. The **marketing mix** is the combination of elements of marketing that are used to influence customers buying habits. The four Ps of the marketing mix are product, place, price and promotion. In your course, you will have to learn about the extended marketing mix: the 7 Ps. this includes people, physical environment and process.

2. Is there anything you could now add to your spider diagram?

Aldi gains a competitive advantage by charging low prices. It achieves this by making cost savings.

3. Watch this short YouTube video to learn about total costs. YouTube https://www.youtube.com/watch?v=CJEkTyj_3Fg&t=5s

In the first part of the programme you watched, a statement made about the growth of Aldi in the UK was "It is nothing but good for the supermarket industry and for shoppers". Here the industry would include competitors and suppliers. Shoppers would include customers and the community. These are called **stakeholder** groups.

A stakeholder is anyone who is affected by or interested in the actions of a business.

4. Consider the extent to which you agree with this statement based on each stakeholder's point of view. Justify your decisions.

Stakeholder	Strongly Agree							Strongly disagree			
Competitors	10	9	8	7	6	5	4	3	2	1	
Justification											
Suppliers	10	9	8	7	6	5	4	3	2	1	
Justification											
Customers	10	9	8	7	6	5	4	3	2	1	
Justification											
Community	10	9	8	7	6	5	4	3	2	1	
Justification											

Part C: Second part of the documentary

An important skill to practice and develop over your studies is the ability to make judgements and fully justify these. We call this skill evaluation.

1. Watch the second part (approx. 15 mins.) of the Channel 5 documentary "Inside Aldi". Add to your spider diagram to show any actions that you think Aldi takes to gain a competitive advantage
2. What evidence is there of Aldi successfully cutting costs and increasing efficiency?

A topic you will study is **motivation**. Motivation is the reasons why people behave in the manner that they do. A business that can motivate the workforce is likely to gain a competitive advantage. Motivation can take the form of financial incentives e.g. bonuses and non-financial incentives e.g. increased responsibility

3. What evidence is there of Aldi motivating its workforce?

Business is sometimes a power battle. Big businesses will use their power to influence suppliers. This can be in the form of forcing suppliers to offer lower prices or, in the video you have viewed, forcing suppliers to stop supplying products to a competitor.

4. Why do big businesses have power?

Ethics is behaving in a way that is thought to be morally correct.

5. To what extent do you think the big supermarkets behaved in an ethical manner when faced with the threat of Aldi entering their market?

Branding is a promotional method that involves the creation of an identity for the business that distinguishes the business and its products from its competitors.

How important is branding to you?

6. For each of the following products, rate how important brand is to you: 10 being I only ever buy one brand and 1 I will buy any brand. If you have a favourite brand what is it and why?

Product	Importance of brand 1-10	What brand and why?
Baked beans		
Cola drink		
Bottled water		
Trainers		
Chewing gum		
Chocolate		
Pens		
Note pads		
Batteries		
Smartphone		

7. How has Aldi challenged our perception of brands?

In 2013 Aldi had 300 stores in the UK. By 2017 this had increased to 2017 and 874 by 2020. An important quantitative skill in Business is the ability to calculate percentage change.

8. Fill in the table below to show percentage change between these years. If you are unsure how to do this watch the following YouTube clip <https://www.youtube.com/watch?v=FOsrkEiZUlg>

2013	2017	2020
300 stores	600 stores	874 stores
% change:		

Part D: Third part of the documentary

All business courses cover **legal structure** or **business ownership**. This is the legal ownership that a business adopts. This can be **unlimited liability** businesses such as a **sole trader** or **limited liability** companies, be they publicly or privately owned.

Unlimited liability means that the personal assets of the owner(s) are at risk. This means if the business got into debts the owner may have to sell their personal possessions to cover this debt. For example, a sole trader may have to sell their family home and car to cover the debts of the business.

Limited liability means that the owners are only responsible for, and therefore only risk losing, the amount they have invested or promised to invest. Their personal belongings are safe.

1. What is the legal ownership of Aldi?

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2. What are the advantages and disadvantages of this over being a public limited company?

Advantages to Aldi	Disadvantages to Aldi

3. Watch this YouTube video:

<https://www.youtube.com/watch?v=YuV9RRqahVY&t=107s>

One external factor affecting Aldi was the Financial Crisis.

4. Was the financial crisis a positive or negative influence for Aldi? Justify your answer.

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Businesses may target a specific **market segment**. Market segmentation is the process of categorising customers into groups with similar characteristics. One way of segmenting the market is by income or socio-economic group.

Socio-economic groupings

A – Higher managerial such as chief executives and directors

B – Intermediate managerial such as solicitors, accountants and doctors

C1 – Supervisory, clerical or junior professional such as teachers and junior managers

C2 – Skilled manual such as plumbers, electricians and carpenters

D – Semi and unskilled workers such as refuse collectors and window cleaners

E – Pensioners, casual workers, students and unemployed

5. What evidence is there of Aldi's market segment having changed over time?

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Consider the other supermarkets competing in this industry.

6. What do you think is the market segment targeted by each one? Remember one supermarket can target multiple segments

Socio economic group A	Socio economic group B	Socio economic group C	Socio economic group D	Socio economic group E

7. Promotion includes **advertising** and **sponsorship**. With reference to Aldi, write your own definition of each of these terms.

Advertising

Sponsorship

Part E: Final part of the documentary

Many established businesses will have an **objective** of **growth**. This can be done **internally (organically)** where the business grows in its own right e.g. opening new stores or expanding its product range. Or it can be done **externally (inorganically)** by acquiring other businesses.

Watch the fourth part (approx. 15 mins.) of the Channel 5 documentary "Inside Aldi".

1. Aldi has achieved growth. Write a paragraph to explain how Aldi has achieved growth and what evidence there is of this. Your challenge is to include as many of these terms in your paragraph as you can – show off your knowledge of business!
 - Market share
 - Competitive industry
 - Competitive advantage
 - Marketing mix
 - Organic growth
 - Inorganic growth

E-commerce is the selling of goods and services over the internet. Unlike other major supermarkets, Aldi does not offer e-commerce.

2. What are the advantages and disadvantages of this to Aldi?

Advantages to Aldi	Disadvantages to Aldi

SWOT analysis looks at the internal strengths and weaknesses and external opportunities and threats to a business. One threat is that of new entrants to the market. Tesco opened Jaks and Amazon has entered the grocery market. Should Aldi be worried? Mark your response on the spectrum below.



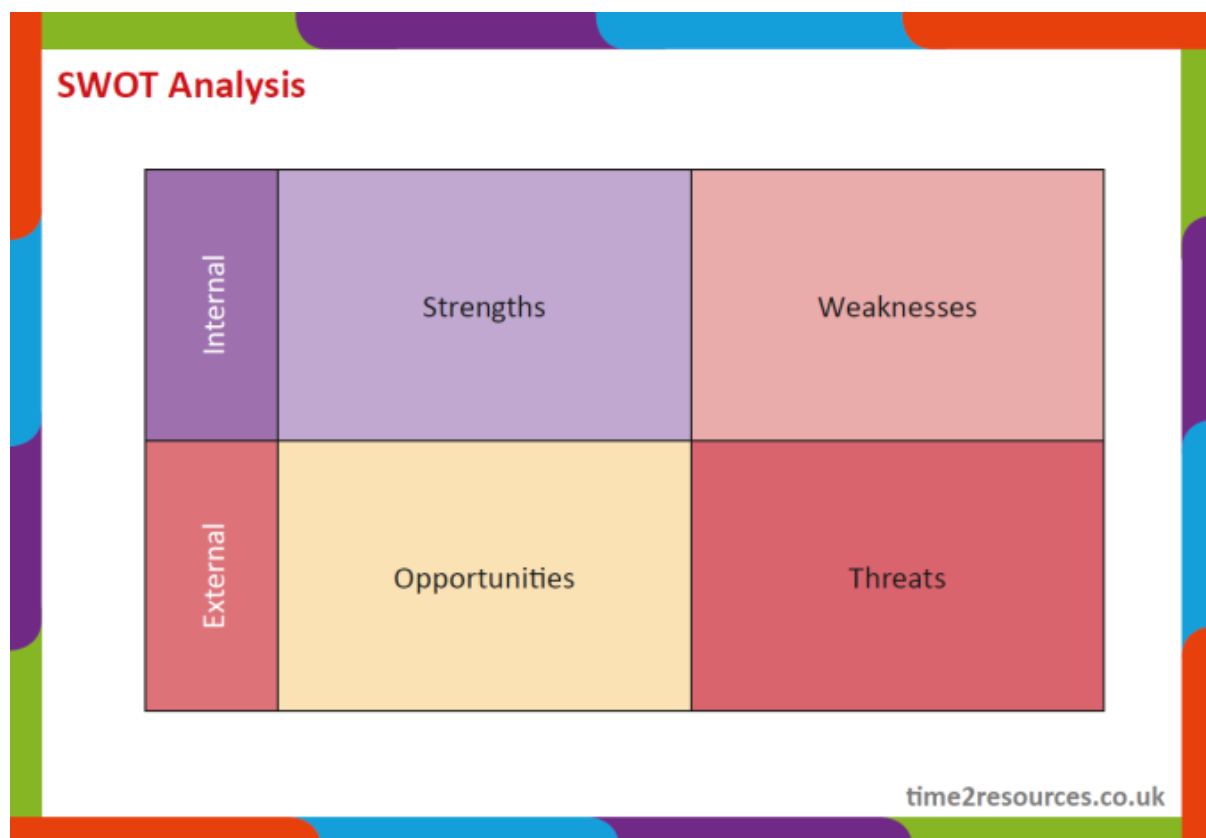
Justify your answer:

Part F: After the documentary

Corporate social responsibility (CSR) is a business' willingness to accept its ethical obligations to all of its stakeholders.

The ability to carry out independent research and read around your subject are important skills in all subjects in the sixth form and beyond.

1. Carry out some research into the Oxfam study <https://www.oxfam.org/en/take-action/campaigns/end-suffering-behind-your-food/supermarkets-scorecard>
2. Look at Aldi's commitments to corporate responsibility <https://www.aldi.co.uk/corporate-responsibility>
3. How would you rate Aldi's CSR?
4. Justify your answer
5. Consolidate all of your notes into a SWOT analysis for Aldi. You could produce this on the computer or by drawing it out on a large piece of paper.



6. Watch the documentary Inside Waitrose
7. complete a comparative study looking at the similarities and disadvantages.