

Competitive advantage through efficiency

Brief Case



Introduction

Aldi is an established retailer. It has over 7,000 stores worldwide. Aldi sells quality products at good prices. Some of Aldi's products are up to 30% cheaper than those of rivals. Aldi can do this because it is efficient. It keeps costs down in all areas. Aldi's focus is always on giving its customers value for money. It aims to save on time, space, effort and energy. Aldi's approach is to use lean methods.



Lean production

The aim of lean production is to reduce both waste and the quantity of resources used. This in turn reduces costs. Aldi passes these savings on to its customers to offer value for money. Lean production is based on:

- Continuous improvement - all workers are involved in quality improvements
- Just-in-time (JIT) - stock arrives just as it is needed, so little stock is held
- Time-based management - reduces time wasted
- Total quality management (TQM) - all workers have a responsibility for getting it 'right first time'.

The principles of lean production are vital to Aldi's business. The three core values of Aldi are simplicity, consistency and responsibility. Lean production ties in closely with these values. This starts within its supply chain. For instance, up to 60% of Aldi's fruit and vegetables are sourced locally. This reduces journey times. Training staff to be able to do many different tasks improves flexibility and lowers staff costs. Fewer staff are then needed. Aldi applies time-based management to its product range.



For instance, Aldi sells fewer variations of each product. This means less space is used for display. Stores can thus be smaller.

Reducing costs and eliminating waste

Lean principles involve less waste. This brings costs down. For instance, Aldi's shopping trolleys have a £1 coin system. This ensures customers return them. Aldi also reduces costs through its opening hours. It opens from 8 till 8 most days, in contrast to some 24-hour rivals. Aldi's sales are therefore contained within a shorter period. This reduces the use of energy and staff salary costs. Aldi provides staff with a full training programme. This helps them to become multi-skilled and carry out many roles within each store. This helps staff and rotas to be flexible. Even the checkout till process aims to be more efficient. For instance, all items have barcodes in a number of places to save time finding them.

JIT

Aldi uses a JIT approach by holding only the stock that it needs. It does not tie up cash or space investment in stock. From the moment stock arrives the focus is on reducing the cost of holding and managing it. For instance, products are delivered in display-ready cases. Some products are sold in store from a pallet or platform. This is an efficient way of getting a large volume into the shop very quickly.

Benefits of lean production

Cost savings are passed on to customers in the form of lower prices. Also, as money is not wasted, Aldi can spend on charities as part of its corporate social responsibility (CSR) programme. TQM also creates strong links with suppliers. These help Aldi to keep improving the products it offers.

Conclusion

Aldi aims to sell customers high quality products that are value for money. Aldi achieves this through efficient operations. It uses lean principles and methods to deliver cost-effective services to its customers.

