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Assessment 3
Case Study Analysis
Aldi's Venture into China

Executive Summary

The purpose of this report is to discuss the international marketing strategies of Aldi in China. Aldi is a discount grocer, founded in 1913 in Germany. In 1948, Aldi separated into Aldi Nord and Aldi Sud, and is still separate to this day. Aldi operates in three continents and has over 10,000 stores. They are known globally for having good prices and no-frills products. Aldi Sud decided to enter the Chinese market in 2017 through online retailer TMall before opening up two flagship stores in Shanghai the following year. The Chinese market has been notoriously difficult for international retailers to enter, but Aldi has done its homework.

The first section of the report looks into Aldi's capabilities, completes a SWOT analysis, and discusses Aldi's competitive strategy. Aldi's main capabilities are cost control, logistics, and targeting. Cost control permits Aldi to provide good prices. The logistics of Aldi's global supply chain allows for foreign products to be sold in their markets. The targeting capability means that Aldi knows their target market is middle class, and aims all marketing material at this target. A SWOT analysis looks into the Chinese market's preference for imported goods at good values as well as brand names. Aldi has worked with the consumer to develop a store that provides online delivery and a market-style environment. Lastly, Aldi's competitive strategy is identified as operational excellence. This means they consistently offer good prices and the goods are conveniently located.

The second section discusses the market by completing a PESTLE analysis and identifying the target market and competition. The PESTLE analysis highlights that China's politics prevented international retailers from operating in their country until 2005. As a result, the rapidly growing middle class considers imported goods to be a status symbol. Also, technology has allowed for online shopping and high convenience. The target market was identified as middle-class consumers that are interested in luxury and a good deal. The Chinese market is also highly differentiated depending on region. Main competitors in China are online retailers and convenience stores, such as Alibaba, JD.com, and 7Eleven.

The next section analyses Aldi's marketing strategy by completing a marketing mix analysis and assessing the marketing strategy. The marketing mix confirmed that Chinese middle-class consumers enjoy markets and have community values, so Aldi designed their shops to be small and welcoming. Also, both imported and local products are featured in the stores. Aldi's marketing strategy was determined to be an export entry strategy. Aldi originally exported goods from Australia and Europe through their online program, and their shops now will feature imported goods. This works well due to Chinese consumers' desire for imported goods.

Lastly, this report made three recommendations for Aldi. First, Aldi should continue to develop their online presence to continue to appeal to the large market of online shoppers. Second, Aldi can look to incorporate more brand names into their shops to appeal to consumers that are interested in brand names. Third, Chinese shoppers are usually looking for a bargain, so Aldi can feature more "in-store sales." Aldi has made a successful splash in the Chinese market, and by remaining cautious and tuned into the behaviour of Chinese consumers, they can continue to grow.

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1.0 Introduction

1.1 Aldi's History

Aldi is known as one of the top supermarkets in the world. Aldi was founded in 1913 in Germany by Anna Albrecht. Her two sons succeeded her in 1948, founding Aldi Nord and Aldi Sud, two separate chains chains, with different focuses on the international markets they chose to enter (Tyler 2018). Over time, Aldi became known for great value, low prices, bare bones design and for pioneering the concept of “self-service” shopping. They run thousands of stores across three continents (Aldi History 2020). Aldi is a staple in the Australian grocery market and consumers country-wide appreciate their great prices.

1.2 Aldi in China

Aldi first entered China in 2017 through TMall Global online. They opened their first physical location in Shanghai the following year (About Aldi 2020). The intention was to design the Chinese stores differently to the other locations - they are more modern, and have a more streamlined focus on products (Stockdill 2018). Aldi also delivers to consumers within three kilometres of the store. China is expected to be the top consumer for groceries by 2030, and Aldi chose to capitalise on this growing population and purchasing power (Stockdill 2018). Aldi's venture into the Chinese market has been successful; their future here looks bright.

2.0 Company Capabilities

2.1 Aldi's Capabilities

Aldi's capabilities are twofold: inside-out and marketing. Cost control and strong logistics are the inside-out capabilities for Aldi. Aldi stocks their shelves with small, private brands (About Aldi 2020). This eliminates the cost of stocking bigger brands, providing Aldi to have more control over their prices and can offer better deals because of the lower cost. Aldi also has multiple locations all over the world, and this allows products to be available in Europe, Australia, America, and even China. Retail specialist, Maggie Gao, indicated that Aldi offered a selection of western brands that were hard to find in Shanghai (Gao 2019). These logistics aren't always available for local grocery distributors. Targeting is Aldi's primary marketing capability. Aldi knows that the target market is middle-class consumers, and their slogan is “everyday value – hand picked for you” (About Aldi 2020). This sends the message to their target market that they are getting the best value for their dollar when they shop at Aldi.

2.2 SWOT Analysis

Table 1: SWOT Analysis

Strengths	Weaknesses
Aldi has a strong global presence	Aldi features smaller brands, and Chinese consumers prefer known brands
Aldi stores feature imported and locally sourced products	Not a “Chinese” brand
Consumers can purchase Aldi products online through TMall and WeChat	No bargains offered in store

Opportunities	Threats
Aldi can look to stock more well-known brands	Online retail is very popular in China
China has a large, growing middle class that is interested in imported products	China can prove to be a difficult market to enter due to fast changes
The Chinese community prefers small, market-like shops	

Analysing the SWOT tables provides a clearer picture of what Aldi's position is. Chinese consumers are interested in online shopping, and Aldi has looked to overcome this threat by working with online retailers such as TMall and WeChat (Moon 2019). This provides Aldi with the upper hand in China's constantly evolving retail landscape (Hancock 2019). Aldi also took note that the middle-class consumers in China prefer imported products, so they offer a wide variety of imported and local wares. The biggest weakness for Aldi is that Chinese consumers are very brand oriented (Hancock 2019), but this can be overcome by Aldi either establishing themselves as a popular brand or looking to stock some more well-known names.

2.3 Competitive Strategies

Aldi's competitive strategy is a focus on operational excellence. This means Aldi are leaders when it comes to price, and they make reliable, quality goods easily accessible. Aldi's website states: for over one hundred years, their guiding principle is to provide high quality products to their customers at a great value (About Aldi, 2020). As mentioned, one of Aldi's capabilities is cost control. They are able to work with small brands to find no-frill products, which eliminates the cost of stocking big brands while retaining quality (Tyler 2018). As a result, consumers have come to know Aldi as a basic grocery store where they can get what they need at a great price. Other large grocery chains tend to offer too many options or expensive items, and so Aldi stands out. When Aldi entered the Chinese market in 2017, they were a follower. They were using TMall to help establish brand awareness, and were following other international brands such as Tesco and Walmart. However, as these other brands have faltered, Aldi has stayed strong (Hancock 2019). As a result, Aldi has become a challenger in the Chinese market. It is likely they will become the market leader for international grocers in China.

3.0 Market Overview

3.1 PESTLE Analysis

Table 2: PESTLE Analysis

Political	Political strife has left China with a large gap in classes for many years. The middle class now is growing quickly.
Economical	Shanghai's middle class is showing rapid growth. China is expected to become the top grocery market by 2030.
Social	High quality, imported products are considered desirable for consumers.
Technological	Shopping online and paying digitally are preferred.
Legal	International businesses were not allowed to operate in China until 1992. Even then, there were restrictions until 2005.
Environmental	Chinese consumers usually shop in several small markets, and the design of Aldi's Chinese shops recreates this shopping environment with market-style stores.

This PESTLE analysis provides a glimpse into what the Chinese grocery market looks like. China experienced political strife in the past century which created a retail desert. All retailers were owned by the government until the late 1970's (Hardaker 2016). However, once some restrictions were relaxed, local markets opened up. In the early 1990's, a handful of Asian international businesses were able to enter China, and in 2005 all of these restrictions were dropped (Hardaker 2016). Now, China has a quickly growing middle class that considers owning imported goods to be a sign of social status (Moon 2019). The years of small retailers have left their mark, though. Chinese consumers still enjoy visiting smaller markets because they provide a sense of community (Mortimer 2019). Aldi needs to consider all of these points to have a successful breakthrough in the Chinese market.

3.2 Target Market

As mentioned, the city of Shanghai has a growing middle class that enjoys purchasing imported goods. This made Shanghai an ideal place for Aldi to open their first stores. Shoppers in Shanghai might be driving to Aldi in a luxury car, but they are still looking for a good value when shopping (Hardaker 2018). The Chinese retail market is considered to be heterogeneous, with each region having different cultural values (Hardaker 2018). Therefore, Aldi needs to tailor their stores to each new city or region they enter. By constantly customising their stores, they will be more likely to find success.

3.3 Competition

China's middle class consumers are interested in fast and convenient shopping, making online retail highly popular (Stockdill 2019). Aldi noticed, and worked with Alibaba to start selling their products on TMall. Alibaba is one of China's largest online retailers, as is JD.com (Tan & Kastner 2019). They offer quick delivery to their consumers. However, convenience stores, such as 7Eleven, are also highly popular (Hardaker 2018). By offering a cross between an online delivery service and a convenience store, Aldi is able to capture both of these target markets. Other international stores, such as Tesco and Walmart, have struggled because, unlike Aldi, they didn't consider the heterogeneous market or China's dependence on small, convenient shops.

4.0 Analysis & Evaluation of Aldi's International Marketing Strategies in China

4.1 Marketing Mix

Table 3: Marketing Mix

Product(s)	Chinese stores will feature imported products from Australia and Europe, as well as local produce.
Price	Aldi specialises in providing low cost products.
Promotion	Posted signage is at eye level to compel consumers to browse the entire store.
Place	Flagship stores are located in Shanghai due to their growing middle class.
Packaging	Products are placed on wooden shelving with soft lighting to create a warm environment.

The marketing mix here shows that Aldi is trying to capitalise on Shanghai's middle class, as well as echoing the preferred method of shopping for consumers: small, market-style shops, with a wide variety of imported goods.

4.2 Marketing Strategy

When Aldi entered the Chinese market, they used an export based entry strategy. Aldi used their distribution centres in Australia and Europe to export products to China when they began selling online through TMall (Moon 2019). This allowed Aldi to create brand awareness before actually taking the plunge on a physical location. Even now, Aldi will trial new products online before bringing them into their new stores (Moon 2019). Once the flagship stores opened, Aldi continued to use exports, such as dairy products from Australia, and other shelf stable products from Europe (Stockdill 2019). Aldi's Chinese shops also feature dining sections where consumers can try the imported products (Hancock 2019). These have proved hugely popular amongst consumers. There have not been too many shortcomings due to the entry strategy. One of the only complaints is because Aldi is already so heavily discounted, there are few in-store bargains, which are essential to Chinese consumers (Gao 2019). Overall, Aldi has been able to enjoy success in the Shanghai market. They are currently planning on opening 50-100 more stores (Moon 2019). In the future, Aldi will work with consumers to find the best way to integrate.

5.0 Recommendations

Aldi has accomplished something incredible: successfully entering the Chinese market. By offering imported products, a dining section, and a community market environment, they are able to appeal to the Shanghai consumers. The only recommendations for Aldi would be to continue to develop online shopping, offer in-store "bargains", and work with consumers to find what brands interest them the most. Chinese consumers are brand focused and like to find good deals, and these are both possible for Aldi to incorporate into their strategy. Aldi is also being cautious about opening too many stores at once, which is a strategic move after watching the failures of other retailers in China. By keeping a "local" feel while still featuring imported products, Aldi will be able to enjoy some success not otherwise found by international grocers in China.

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