

# Decision Analytics for Retail Growth: An Australian Case Study

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**Abstract:** *This case study examines how ALDI Australia can navigate market saturation and changing consumer preferences to sustain its retail growth. Using the Ansoff Growth Matrix, the study outlines strategic growth pathways, including the introduction of new store formats and online delivery through gig economy workers. Supported by ethnographic observations and a willingness-to-pay survey, the research demonstrates customer acceptance of premium pricing for convenience and highlights the operational challenges of expanding into new market segments. The findings provide practical recommendations for leveraging market research to guide strategic retail decisions in a highly competitive landscape.*

**Keywords:** retail strategy, market research, ALDI Australia, customer behavior, willingness to pay

## 1. Background

### 1.1 Introduction

According to the Chartered Institute of Marketing, the term marketing refers to “the management process responsible for identifying, anticipating and satisfying consumers’ requirements profitably.” (CIM, 2015). ALDI, the topic of this case study, is a German discount retailer founded in 1946 by the Albrecht brothers and since then expanded internationally. ALDI is a hard discounter, specialising in high turnover with lower margin in smaller footprint stores with reduced product choice.

ALDI had seized upon a gap in the Australian retail market left by two stores Bi-Lo and Franklins whose disastrous attempts to abandon the low cost model and go upmarket resulted in terminal decline. This market segment was still viable as ALDI continued to expand and by 2016 had a presence in every Australian state and was the third largest in the country by market share (Mortimer & Grimmer, 2021). The success of ALDI can be viewed as the bundling of several competencies and their interactive effect as described by

Porter (1996) and Roberts (2004). In particular, ALDI’s marketing strategy is unique in that the overall spend is lower than competitors (Qumer, 2008), however it has applied very thoroughly the principles of segmentation, targeting and positioning to carve out a niche and remain relevant to its target market, not to mention profitable.

This case study will explore the business strategy, marketing strategy and various elements of the ALDI business model that contribute to its success. In addition some challenges to continued growth (Mortimer, 2015) with potential solutions are discussed. By practical application, the case study will also demonstrate the relevance of market research techniques to marketing strategy. In particular ethnographic activities and a willingness to pay survey has been conducted and results presented. The purpose of this case study is to explore ALDI’s strategies for sustaining growth in the face of market saturation and shifting customer demographics, using market research and analytical frameworks to evaluate potential solutions. This study is significant because it offers practical insights into how discount retailers like ALDI can adapt their strategies to remain competitive in saturated markets while responding to evolving customer expectations.



Figure 1: Structure of this Study

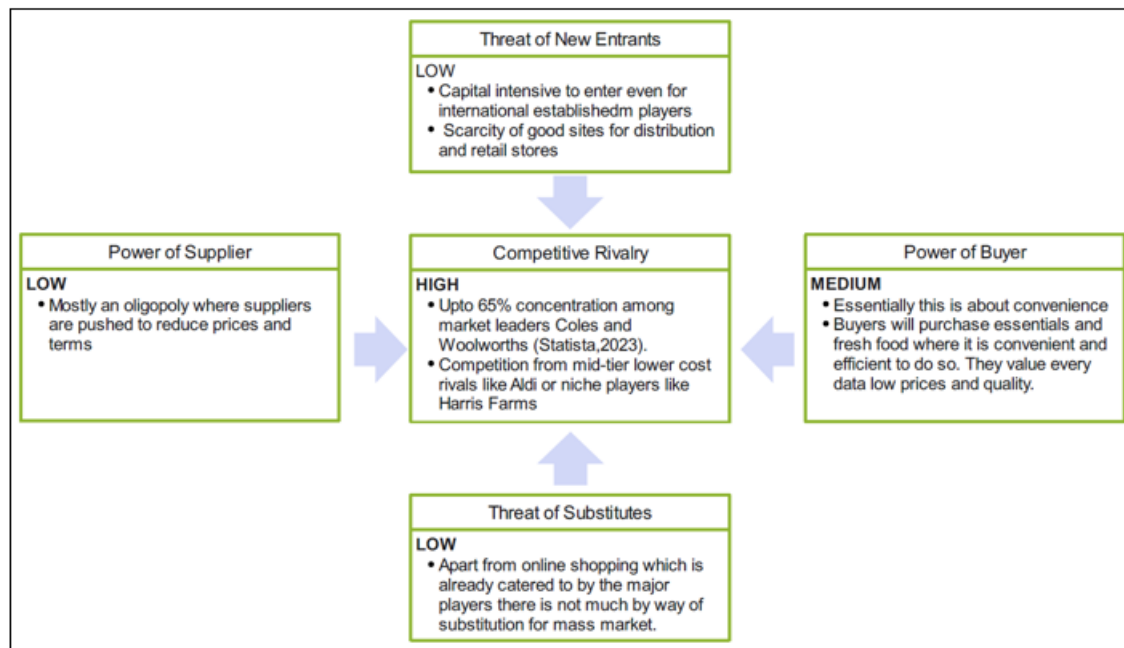
### 1.2 Australia’s Supermarket Industry

Coles and Woolworths are the dominant forces in the Australian supermarket industry commencing operations in 1914 and 1924 respectively and each operating approximately 800 stores nationally (Banerjee, 2022) and controlling approximately 65% of the market (Xu, 2023). Other market players include ALDI, IGA and a number of regional independent players. The size of the market is around 132 Billion (Statista, 2023) and is regulated by the Australian Competition and Consumer Commission. Despite this competitive environment, Coles and Woolworths enjoy an

oligopoly with favourable economies of scale and disproportionate negotiating power with suppliers (Xu, 2023). The reason for this oligopoly can be traced to several factors including Australia’s geographic distance with no land borders, the capital intensive nature of supermarkets, difficulties in securing favourable sites and the head start of approximately a century for the incumbent retailers to cement their position and develop good supply chains and systems (Xu, 2023). In addition, supermarkets in Australia are also known to stock kitchen appliances, deli, bakery, a selection of hot food and basic medicines. However the largest contribution to sales is the fresh foods section, being

approximately 80-90% share of basket (Gilbert et al, 2016). ALDI entered Australia in 2001, initially with two stores in New South Wales each stocking just 900 brands and by 2008

had established operations all across the East Coast (Qumer, 2008).



**Figure 2: Porter's Five Forces - Australian Supermarket Industry**

## 2. Analysis and Findings

### 2.1 ALDI's Strategy - Porter's Generic Strategies

The generic typology proposed by Porter (1998) is an approach to classify the strategies used by firms to gain competitive advantage. According to Porter, a firm could pursue a Cost Leadership strategy if its aim is to be most competitive on cost for an entire market. Similarly, a firm could choose to develop a product or service unique in features and design and then said to be pursuing a Differentiated Strategy. Finally, firms might choose to focus on a particular segment of a market and be cost competitive or differentiated for that segment, in which case they would be following a Focus Cost Leadership or Focus Differentiated Strategy (Porter, 1996 & 1998).

The ALDI strategy is one of Cost Leadership, however with the additional aspect of not sacrificing the quality of the goods it sells. However, it has made various compromises in the shopping experience for its customers by stripping out unnecessary operating costs (Myersohn, 2019). For example, ALDI does not provide shopping trolleys for free, instead customers pay a coin to obtain a trolley and need to return the trolley to receive their coin back. This simple adjustment means ALDI reduces costs associated with collecting abandoned trolleys. Additionally ALDI stores are smaller than those of competitors, carry a smaller range of mostly private label products and employ three to four (Qumer et al, 2008) cross-trained staff that can perform all the functions required within a store. The check out process at ALDI is optimised, shopping bags are not provided for free (Qumer et al, 2008) nor do staff assist with bagging items. Instead customers move to a separate area after checkout to pack their own bags (Myersohn, 2019). The ALDI marketing approach is also frugal with no expensive TV advertisements and

celebrities, instead relying on catalogues distributed within the store, email and web updates. ALDI marketing is designed to make customers feel like smarter shoppers, emphasising the message that they could "switch and save" without compromising quality.

In summary, ALDI's generic strategy can be regarded as cost leadership but within a niche market, otherwise termed as focused cost leadership (Porter, 1996 & 1998).

### 2.2 ALDI's segmentation, targeting and positioning

In a previous section, we mentioned that ALDI's generic strategy is one of focused cost leadership. The concept of focus is closely tied to segmentation. As no single product can satisfy every type of consumer, businesses will typically identify customer groups that exhibit similar characteristics and develop offerings to cater to their needs.

The process of dividing the addressable market into groups is called segmentation. Typically groups are created based on attributes such as geography, demographics or socio-economics. In order to be effective, segments must be identifiable, stable, marketable and large enough to be viable (Dibb et al, 1991).

Once segmentation is completed, the process of selecting which segments to focus on and how is called targeting. For example, a single product or brand could be used to target several segments or a one product/brand to one segment approach could be adopted (Nadube & James, 2018).

The final step in the process involves brand (or product) positioning which refers to how information about the brand or product is communicated to the consumer as differentiated from the competition, and occupying a particular space in the

market. Positioning focuses less on the product itself and more on shaping customer perception. (Kotler,1997). Based

on the above background, the ALDI Segmentation-Targeting-Positioning (STP) strategy can be outlined as follows:

Segmentation	ALDI segmentation approach has been along socio-economic lines. Typically when launching in a country, ALDI have chosen lower-middle income areas for their initial stores (Qumer, 2008). Examples being Western Sydney in Australia and the midlands region in the United Kingdom. The typical ALDI customer is cost conscious and mostly young parent families, though ALDI is also attracting a wealthier, older client base. They value everyday low prices, real specials, fast and efficient check-out, freshness and quality (Gilbert et al, 2016). ALDI is mostly interested in selling everyday essentials to their target market which includes basic groceries, pre-packed deli and bakery, fresh fruit and vegetables (Rice, 2019).
Targeting	ALDI provides private label brands, but as discussed earlier aligns these to the look and feel of mainstream brands for instant recognition. Products are made by suppliers who can provide equivalent quality at the best price and are sold only in the most popular size as opposed to mainstream supermarkets who will stock smaller to larger quantities of each item (Palmer, 2005).
Positioning	ALDI have positioned themselves for smart, value conscious customers but do not necessarily aspire to be the cheapest. As the demographics of their initial lower-middle income customers change and with it their tastes, the ALDI product lines have begun to increase (Rice, 2019). The entrance and maturation profiles of ALDI in each country commences with lower income customers and then expands to mature over a period of 15+ years where it is able to attract clientele from across the income spectrum (Gilbert et al, 2016).

### 2.3 ALDI's marketing mix - The 7Ps

The case study analyses the marketing strategy of ALDI using the 7Ps framework, a management approach that specifies the key factors in marketing a product or service, these being: product, place, price and promotion (McCarthy, 1960) and people, processes, and physical evidence (Booms & Bitner, 1982). Specifically, the Australian context is considered

though as part of the research, ALDI's approach in comparable markets will also be analysed. Finally, some risks are identified which will be analysed further in subsequent posts on this topic.

The marketing mix is a complex set of variables which will be different for each company.

Product	ALDI focusses on a narrow selection of products but ensures these products are perceived as being similar in look and quality to big name brands. The products are not ALDI branded, instead they are phantom brands (McCabe & Osegowitsch, 2018).
Price	ALDI's cost leadership focus has been discussed in an earlier section. Discount retailers like ALDI focus on cost savings through efficient supply chain, smaller store size, lower marketing budgets and reduced staff headcount compared to competitors. It is estimated that ALDI's internal costs only add between 13-14% to procurement price (Steencamp & Kumar, 2009)
Place	ALDI stores in Australia are either stand-alone or located in shopping centres with simple layouts with just a few aisles and no delis, cafes, in-store bakeries or butcheries. The average size of an ALDI store in Australia is around 850 square metres, compared to the about 3,500 to 4,500 square metres of their competitors (Qumer et al., 2008).
Promotion	ALDI uses a mix of Above the Line (ATL) and Below the line (BTL) promotional strategy. Through social media, email and promotional catalogues, ALDI promotes 'swap and save' to make customers switch to their brand from competitor's brand and the 'Like brands Only cheaper' concept to build customer trust in its products. One particularly successful feature of ALDI's promotion are the middle aisle specials, which are heavily discounted items generally not sold in supermarkets as diverse as ski-jackets, televisions, computers and gardening equipment (McCabe & Osegowitsch, 2018).
People	ALDI pays staff above award and higher than the competition where it operates (Rice, 2019). In addition, staff receive a monthly productivity bonus, training and opportunities to travel abroad for development (Palmer et al, 2005). ALDI culture has 3 core principles - simplicity, consistency and focus on environmental impact (ALDI, 2023) which are inculcated into everyday operational activity and decision making.
Processes	In keeping with efficiency and simplicity principles ALDI's supply chain is extremely streamlined. To reduce handling of items, ALDI suppliers manufacture and ship in pallets which are directly wheeled into the aisle by staff (Qumer, 2008). Once these items are replenished, staff simply bring in another pallet. Rather than using expensive IT systems, ALDI is relatively low-tech, relying on managers with hand-held computers to replenish stock based on items that turn over more rapidly in their stores, no loyalty program and no online e-commerce (Rice, 2019).
Physical Evidence	ALDI specialises in products which are not only equivalent in quality but similar in look and packaging to big name brands (Mortimer et al, 2021). This is a clever strategy to imitate a big brand sufficiently to signal to the customer that the ALDI product is equivalent, but not to the extent that could result in legal action (Rice, 2019).

### ALDI Marketing Channels

Integrated Marketing Communication is an approach to align all marketing communications activities across various distribution points across all audiences to achieve synergy and coherence (Nadube, 2018). ALDI engages in both mass media

ATL promotions as well as BTL targeted campaigns via social media and emails to its target and established customers (Gilbert et al, 2016). In the case of ALDI, the marketing touchpoints are listed in the table below.

Medium	Purpose	Description
ALDI Website	Above the Line	The purpose of ATL is brand building (Müller-Lankenau et al, 2005). The ALDI Australia website does not support online ordering, but outlines the basic product range, catalogue specials and promotional scroll-bars. Apart from this, a customer can subscribe to the newsletter, locate a store, read recipes and information about product recalls. The 'Sustainability' section of the website is all about brand building, where various sustainability goals and progress are outlined along with information about ALDI's contribution to the environment and economy.
Catalogue	Below the Line	The purpose of BTL is conversion (Müller-Lankenau et al, 2005). The catalogue which is handed out in-store at checkout or also via letter-box drop lists the upcoming specials. This is targeting existing as well as new potential ALDI customers.
Emails and Social Media	Below the Line Above the Line	ALDI uses social media to engage with customers and build advocacy via likes and retweets. A limited amount of surveying and polling occurs to understand customer preferences. Emails are used to notify of specials and send direct communication to customers about corporate activities, specials etc.
TV and Radio Advertising	Above the Line	On TV and radio, ALDI promotes a 'shop first at ALDI and save' message, which reinforces it's key themes of thrift and smart shopping (McIntyre, 2021). To a large extent, these are ATL broad reach campaigns, with the intention of creating interest in the brand and bringing new customers into the store.

### 3. Discussion

#### 3.1 Impediments to Growth

Broadly in Australia, ALDI faces two key risks, both relating to growth.

##### 3.1.1 Market Saturation for Private or Phantom label products

Eventually, there is market saturation for private and phantom label products. In Australia, this limit is gradually being reached and because of this ALDI have started to stock big name brands alongside its private and phantom labels. However, this poses a risk to its supply chain efficiencies and this balance must be carefully managed (Mortimer, 2015).

##### 3.1.2 Demographic changes

ALDI's initial consumer base in Australia were considered low income, however with shifting demographics they are

increasingly attracting middle income shoppers as well. To cater to this demographic, ALDI has recently introduced premium brands and new store layouts. However it is precisely this foray into premium segments that was the undoing of Bi-Lo and Franklin, Australia's original low-cost supermarkets almost two decades ago (Mortimer, 2015). ALDI will need to decide whether they can hold onto to their now middle-income trending towards high income clientele whilst not abandoning the low-income segment to be swallowed up by a nimble competitor.

#### 3.2 Potential Solutions

The Ansoff Growth Matrix developed in 1957 by Igor Ansoff considers the growth of a company via product and/or market diversification (Ansoff, 2007). We will understand the options available to ALDI via the lens of this framework.

Market Penetration	<b>Unlikely</b> As discussed above there is a finite market for discount retailers and private label products and ALDI has reached near saturation in Australia.
Product Development	<b>Possible</b> For ALDI this would need to take the form of offering new services to existing markets. There are some signs of this occurring already. For example, ALDI sells mobile phone plans in Australia to its current clientele marketed almost exclusively via its newsletter and in-store.
Market Development	<b>Possible</b> ALDI has the option of selling it's products and services to different market segments. This is an appropriate response to the risk of changing demographics. If ALDI were to undertake this approach, the products and services would need to slightly change to cater to the needs of the new segment.
Diversification	<b>Unlikely</b> Where diversification which is the development of new products and services for entirely new markets is not impossible, in practical terms it is likely that ALDI would attempt Product or Market development as a first step as these represent lower risk (Loredana, 2017).

#### 3.3 How has ALDI responded?

ALDI has adopted the Market development approach. In 2021, ALDI introduced the corner store concept to Australia. This is an urban grocer offering based in inner city locations offering convenience for city dwellers. A smaller store than typical, it would offer a bakery, cooked food, basic groceries, upmarket deli and cheese offerings. The prices should be less than competitor supermarkets in the area thereby staying true to ALDI's focus on every-day low prices. ALDI have introduced stores in inner city locations in Sydney and Melbourne (ALDI, 2023) however it is unclear if this strategy has the potential to be successful in attracting a new segment,

in this case a customer who values convenience as a first preference with low prices as an added benefit.

#### 3.4 Risks to the ALDI Corner Store concept

The following risks are associated with the identified solutions.

- 1) Loss of differentiation, where ALDI loses its uniqueness and becomes more like Coles and Woolworth. ALDI had attempted to sell middle-aisle specials online in recent times but has withdrawn that offering presumably for this reason (Cartwright, 2021).



- 2) Customers are not prepared to pay higher prices at the corner shop
- 3) Customers are only prepared to purchase a few items but not a full weekly shop at the corner shop. In short, this means lower value transactions and inability to fully capture the segment.

### 3.5 Proposed Solution: Online Delivery via Gig Economy Workers

The proposed solution belongs in the realm of Product and Service Development. ALDI in Australia is currently limited in the realm of online ordering and delivery. Historically, such a service is only viable with adequate volume (Hausmann et al, 2014), however the gig economy has opened up last mile same day delivery services and businesses as such as restaurants, corner grocery stores, online shopping websites can all utilise gig economy workers to deliver last mile in a cost-effective efficient manner (Courtin, 2022). Rather than collecting from a distribution centre, the local store would be used to fulfil the order.

#### 3.5.1 Perceived Strengths of the proposal

It is expected that this approach will increase sales growth and reach customers who prefer online-shopping or otherwise find it inconvenient to visit the store. It would also allow customers to seek all their needs from ALDI rather than ad-hoc grab and go type shopping. Finally, given online delivery is meant to enhance convenience, it is catering to the segment of inner city price conscious but time poor customers which is the target market of the corner store. The proposal's logic is consistent with work done by Elms et al (2016) who outline that internet shopping combined with retail shopping offer customers a lifestyle solution that can cater to various circumstances and urges retailers to craft marketing messages accordingly.

## 4. Data Gathering

### 4.1 Ethnographic Market Research

Marshall (1998) defines ethnography as directly observing a social group and providing a description of what was observed. It is seen as a qualitative research method and traditionally in an academic sense, involves long term embedment of the researcher within the group under study to produce rich in-person accounts and observations. However, increasingly this method has found use in market research which is characterised by commercial objectives and shorter timeframes (Elms et al 2016). Work by Aganoff (2006) illustrates the use of ethnographic market research applied to ad-hoc business problems. The following two activities are planned from a Non- participant observer' context as outlined by Gold (1958)

- Based on a similar study by Choice (2023), a price comparison will be conducted of grocery items that are part of the Australian CPI index (ABS, 2023) between an ALDI inner city store and an ALDI suburban store. See Appendix 1 for Data Collection Sheet
- Ethnographic observation will be conducted for one hour at an ALDI inner city corner store to understand the percentage of customers that complete a full shop as opposed to customers who only purchase a few

convenience items. See Appendix 2 for Data Collection Sheet.

- This approach is consistent with convenience sampling (Taherdoost, 2016) as the time, location and duration have been selected on the basis of what is practically available to the researcher.

### 4.2 Willingness to Pay survey

Willingness to pay (WTP) is defined as the maximum amount a consumer is willing to pay for goods or service (DFID, 1998). According to Wedgwood et al (2003), there are broadly two approaches to determine WTP : Revealed Preferences and Stated Preferences. The latter technique involves asking people directly what they are prepared to pay in the future for something, an approach also known as contingent valuation (CVM). CVM uses surveys or questionnaires to obtain WTP bids. The questionnaires can be open-ended or close-ended or dichotomous choice questions (Ogbeide, 2013). With single bounded dichotomous choice, a single price is posed and the respondent must answer Yes or No, whilst with double-bounded, the based on the response a higher or lower price is presented as a follow-up (Wedgwood et al, 2003).

- In this study, single bounded dichotomous question approach will be used to establish willingness to pay using the contingent valuation method.
- Customers of discount supermarkets were surveyed to understand if they are willing to pay for online delivery and the price elasticity of the offering. Qualification criteria for the survey included having been or currently customers of a discount supermarket, with examples of such organisations provided in the introduction for illustration.
- This approach is consistent with purposive sampling (Taherdoost, 2016), since a qualification criterion was applied to survey participants.

## 5. Data Analysis and Results

Two ethnographic research activities were conducted, the results for which are presented below.

### 5.1 Comparison between prices at Aldi corner store versus suburban store

- 1) The researcher visited a suburban Aldi Store at Hornsby, NSW and a corner store at North Sydney, NSW across two consecutive days.
- 2) The resultant price comparison of items which are part of Australian CPI are contained in Appendix 1
- 3) Generally, prices of goods are either the same or higher at Aldi corner stores but not lower.
- 4) Prices were higher for perishable goods such as bread, milk, vegetables etc indicating a localised logistics and procurement approach to such items. Costs of long shelf life items like crackers, peanut butter etc were the same.
- 5) The price difference ranged from 2.78% to 25.06%, however these are low value items and the absolute difference in price is rarely in excess of \$1

Item	Hornsby	North Sydney	% difference
Milk	\$1.75	\$1.80	-2.78%
Cheese	\$5.99	\$5.99	0.00%
Butter	\$6.39	\$6.50	-1.69%
Bread	\$3.75	\$4.25	-11.76%
Crackers	\$6.20	\$6.99	-11.30%
Canned Tuna	\$1.25	\$1.25	0.00%
Bananas	\$2.99	\$3.99	-25.06%
Broccoli	\$6.20	\$6.99	-11.30%
Chocolate	\$2.60	\$2.60	0.00%
Peanut Butter	\$4.40	\$4.40	0.00%
Pasta	\$1.49	\$1.49	0.00%
Canned Tomatoes	\$1.70	\$1.70	0.00%
Hommus	\$4.25	\$4.60	-7.61%

Figure 3: Price Comparison (The Author)

An Aldi customer of a corner store might be required to pay higher prices notably for perishable items. In percentage terms these differences could range upto 25% based on the research conducted however in absolute terms. It must be noted that the sample size of this research is extremely small and cannot be relied upon to draw hard conclusions. This activity and results presented are for illustration of the process involved

## 5.2 Store visit to Aldi corner store to determine the number of customers who do a complete weekly shop versus an occasional shop

This research was conducted in person at the Aldi corner store in North Sydney on 08 December. The researcher positioned himself outside the store and for the period of one hour observed customers exiting the store.

Summary results:

Max Purchase		Purchase Intention Answers			Translated to Probabilities		
		2.50	5.00	10.00	2.5	5	10
5.00	Customer 1	3	2	1	50%	25%	0%
10.00	Customer 2	3	3	2	50%	50%	25%
0.00	Customer 3	1	1	1	0%	0%	0%
0.00	Customer 4	1	1	1	0%	0%	0%
0.00	Customer 5	1	1	1	0%	0%	0%
0.00	Customer 6	1	1	1	0%	0%	0%
2.50	Customer 7	2	1	1	25%	0%	0%
10.00	Customer 8	3	3	2	50%	50%	25%

Figure 4: Gabor Granger Purchase Intention and Probability of Purchase (The Author)

### Step 1

Obtain the maximum purchase price from customers and code that to purchase intention scores. For example, if a customer's maximum purchase is \$2.5, they will not buy a \$5 or \$10 offering. With a \$10 maximum purchase, they are likely to also purchase at \$2.5 and \$5 price points. These intentions are further mapped to probabilities of actual purchase which are configurable.

- 12 customers purchased 8 items or less which we classify as a light basket
- 21 customers had a half full shopping trolley
- 9 customers appeared to complete their full weekly shop

Around 78% of shoppers appear to use the corner store for occasional shopping as opposed to their full weekly shop. This could be on account of limited range, the presence of full service grocery stores in the area or higher prices. This shopping pattern is different from the traditional ALDI approach to capture as much of their target customer's spend as possible. As previously mentioned, this is an extremely small sample size and cannot be used to draw firm conclusions. The activity has been conducted to illustrate the research process and will need to be scaled significantly to be valid and reliable.

## 5.3 Willingness to Pay using Gabor Granger Method

The Gabor Granger (GG) method is a direct pricing method which involves asking customers the maximum they are willing to pay for a product or service to determine the optimal price point which is the price where demand quantity is maximum. GG is suitable for new products and requires minimal pre-existing knowledge from respondents. One of the many variations of the GG model and the one deployed in this paper involves asking the customer the maximum they would pay and assuming that lower prices would also be acceptable without assuming a lower quality ((Lipovetsk et al, 2011)).

### 5.3.1 Overview of Process to analyse price elasticity for home delivery offering

A total of 34 survey responses were received, which is not sufficient for significant findings as discussed earlier in the paper. However, the process described below would be the same even with a larger sample size.

#### Intentions translated to Probabilities Table

1	Will not Buy	0%
2	May Buy	25%
3	Will Buy	50%

Figure 5: Probabilities Table (The Author)

### Step 2

Compute the Logit Model using initial values for slope and intercept, solving for least sum of squares error at each price

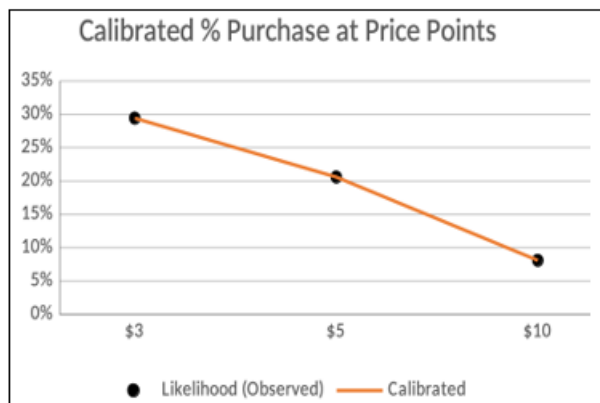
point. This calculation was done using the Solver function in Excel.

29.41%	20.59%	8.09%	<b>Average</b>	
29.41%	20.59%	8.09%	<b>Calibrated Logit Model</b>	
			Intercept (B0)	71.05458
			Slope (B1)	1.385601
			<b>Sum Sq Error</b>	0

**Figure 6: Logit Model (The Author)**

### Step 3

Plot the demand curve using the purchase volume indicated by the logit model at each price point.



**Figure 7: Demand Curve (The Author)**

	Quality	Everyday Low Prices	Instore Specials	Freshness	Efficient checkout
Least Important	4	3	11	3	3
Less Important	8	4	4	4	2
Neutral	7	13	10	8	13
Somewhat Important	8	7	6	12	8
Most Important	7	7	3	7	8

**Figure 7: Attribute Preferences (The Author)**

Overall, Freshness appears to be an important element to those surveyed as can be seen from the concentration of Somewhat Important - Important scores ( $n = 19$ ). Instore Specials appear to be of lesser significance based on the least Important - Less Important ( $n = 15$ ) scores. This survey did not ask customers to trade-off between the five elements. Such paired trade-off analysis would be an interesting follow-on to this research assignment but not in scope at this current time.

## 6. Conclusion

This research paper analysed the ALDI marketing strategy in relation to the introduction of the corner store concept. Seen through the lens of the Ansoff Growth Matrix, this is a market development approach, designed to tailor products and services to a changing demographic that might value convenience over traditional ALDI retail values. Online delivery was proposed as a further offering to complement the convenience theme offered by the corner store. To reduce capital investment and high staffing costs, the online delivery model included partnering with gig workers on a per job basis.

*As can be expected, price demand is highest at the \$2.5 mark, steadily declines till \$5 after which there is a steeper drop to \$10. This would indicate that the online ordering has maximum demand at the \$2.5 mark. However as discussed earlier, the sample size is not sufficient to make a deterministic conclusion. The results can also be impacted by the probabilities selected as input to the model which are of course fully configurable and in practical application would be adjusted by subject matter experts with intimate knowledge of the retail domain and the target market.*

### 5.3.2 Attributes desirable to customers

The survey also contained questions to determine which attributes were most desired by customers. The purpose of this research step is to ensure appropriate trade-offs against WTP and pricing. The attributes chosen were Quality, Freshness, Efficiency at checkout, Instore Specials and Everyday Low Prices which were identified by Gilbert et al (2016) as being important to supermarket customers.

The results of the survey from the same 34 respondents is presented in the table below,

Key findings from the ethnographic research and WTP survey are:

- Customers are willing overall to pay a few percentage points extra for convenience. Apart from convenience, freshness was highly valued.
- ALDI prices appear to be equivalent across suburban and inner city corner stores with the exception of perishables. This suggests that ALDI prioritises freshness by sourcing locally.
- In keeping with the theme of convenience, customers are prepared to pay for online delivery with the highest demand coming at the \$2.50 mark.
- The ALDI corner stores are used for occasional shop as opposed to the full weekly shop by their customers.

Future work could involve:

- Expanding the survey to reach more customers. At least 377 survey responses would be required, based on Aldi's target catchment size of 20,000 as reported by Gilbert et al (2016)
- Conducting additional ethnographic research varying location, duration and time of the day.
- Adding paired-trade off analysis to understand customer preferences more deeply



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