Aldi’s Mission To Brazil

ABSTRACT

Exploring market entrance issues and identifying marketing approaches to succeed in Brazil.

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Introduction

This report's primary objective is to explore the key market entrance issues Aldi may face when they enter the Brazilian market by segregating the issues into cultural, economic, competitive, and demographic categories. In addition to this, the report also seeks to identify the marketing approaches Aldi will need to undertake, in order to succeed in the Brazilian market by segregating the approaches into The Marketing Mix, as well as branding and logistical techniques to best navigate this market. By the end of this report, Aldi should have a greater understanding of the Brazilian market, and should then be able to make a distinct decision about whether this market is the best opportunity to expand their business.

Market Entrance Issues

Aldi’s strongest foothold is currently in Europe with a smattering of stores in Australia and the US, mostly due to the fact that Aldi originated in Europe, but as Aldi’s success in these European markets continues, especially Britain, where it has been opening a store a week since 2008 (Wallop, 2008), it may be time for them to look beyond Europe at markets less explored. Therefore, Aldi’s eyes should turn to Brazil. Currently, Aldi has no stores in South America, but establishing a foothold in this region is important to Aldi’s overall Global Marketing Environment, and this report is going to explain why.

Demand & Demographics

Brazil is the largest country in South America in both land size, in which is comparable to the US, and in population, with a consistently growing population of 207 million people in 2015, according to the World Bank (2017). This is drastically different from Aldi’s home nation of Germany wherein the population is projected, by the United Nations (Kotkin, 2017), to decline by 7.7% by 2050. This is an issue that Aldi needs to be closely monitoring as other European countries, such as Spain, a large market for Aldi currently, is also expected to see a population decrease of 11% by 2050 (Burgen, 2016), according to the Spanish National Statistics Office (2016). Brazil, however, is not seeing this same type of slowdown in population which leads to greater prospects of future demand for businesses operating in the country. Overall, this demographic information demonstrates a strong pull factor for entry into the Brazilian market, especially as Aldi’s core market, Europe, sees a slowdown in demographic trends.

Culture

The cultural identity of a nation is formed by several key components, including its history, topography and climate, religion, ideology, its economic landscape, and its expressions of art, food, literature, and music (Shavitt & Hyewon, 2016, p149-154). The study and integration of these components into a marketing campaign, is integral to the success of any international marketing technique, so that it aligns with the national culture, because if this isn't properly executed, the target audience will not relate to the campaign, thus leading to lower sales as a result.

This is the same for Brazil, but due to the immense size of the country, the food culture is vast and differs from region to region. However, rice, beans and manioc are considered the main foods for Brazilians (Food In Every Country, 2017). This introduces a potential market for Aldi from the start, and demonstrates an early pull factor for the business. As many Brazilian's diets are made up of these staple vegetables, Aldi can expand their sales of vegetables, as well as fruits for fresh juices, as Brazilians prefer to squeeze their own juices rather than buy bottled (Dawson, 2014), and other basic, typically non-packaged, foodstuffs.

In addition to this, Brazil has experienced a rapid urbanisation in the last twenty years with its largest city, São Paulo, coming in at fourth place with an urban population size of 21.1 million people as of 2015, according to The World Bank (Khokhar, 2016). This unprecedented urban growth has lead to major cultural shifts towards mainstream products, and has seen increases in Western companies doing business in Brazil, such as Coca-Cola (Yahoo! Finance, 2016), Apple (Duran, 2013), and Dunkin' Donuts (2014), indicating another pull factor towards the Brazilian market.

With 80% of Brazilians now living in urbanised areas, according to The Borgen Project (Logan, 2015), there has been major changes in Brazilian households which Aldi must understand if they wish to be successful in Brazil. According to the statistics of a report about Brazilian household trends published in April 2017 (Euromonitor International, 2017) (Appendix 1), the number of households in Brazil has increased from 58.4 million in 2011, to 62.8 million in 2016. This increase in households, which is relative in size to the entire population of the UK at 65.1 million in 2015, according to The World Bank (2017), portrays the immense size and scope of the Brazilian market for Aldi, and again, demonstrates a strong pull factor.

As a final note on the cultural aspect of the Brazilian market, using the research of Geert Hofstede and his Country Comparison Index (2017), by comparing Brazil and Spain, as one of Aldi’s largest markets currently, it is striking how similar both of these countries are. As seen in the chart (Appendix 2), Hofstede’s research has concluded that four out of the six total variables have a point difference no larger than twelve, thus identifying that these two markets show major cultural similarities. Aldi can then use this information in its marketing approaches by taking inspiration from its Spanish business, and applying some of its strategies, to the Brazilian market.

Competition & Economics

Aldi's business centres around offering a cheaper alternative from the well-established supermarkets, and has managed to achieve this very well in Europe, yet by looking at the Aldi Group's revenues in Euromonitor International's Revenues Chart (2017) (Appendix 3), it is clear that their European business is fairly unstable with revenues fluctuating in all categories, especially around the 2014 to 2015 period. This instability could be efficiently resolved by expanding into other regions of the world in order to reduce dependency on the European market, thus demonstrating a solid pull factor for Aldi to enter the Brazilian market. However, contrasting this with a push factor, Brazil's corporate taxation rate stands at 34% as of March 2017 (Deloitte, 2017), putting it significantly above countries such as Germany, Spain and The Netherlands, three countries in which Aldi already trades.

Regarding competition, Brazil is a competitive market as it is constantly growing in its potential and size, which has attracted some of the largest supermarket giants to the country, including Wal-Mart, and Carrefour (Fujikawa Nes, 2015), but by analysing Aldi's triumphant battle against "The Big Four" supermarkets in the UK (Wild, 2017), it is clear that Aldi is no stranger to battling larger foes for market share. Therefore, the company perhaps wouldn't consider this large competition as a push factor, but rather a pull factor by taking the viewpoint that these large companies are in Brazil for a reason and if they see enough potential to continue their operations, then Aldi should look toward this market too.

Focusing on the wider Brazilian economic landscape, however, comes with it, some of the market's most troubling issues for potential entrants. In the last three years, Brazil's economic growth has collapsed, amid government corruption scandals (BBC News, 2016) and the drop in commodity prices, which has lead to a drastic fall in the country's GDP, standing at $1.8 trillion in 2015, according to The World Bank (2017). This has, as a consequence, affected the GDP per capita for the people of the country as it stood at $11,211 in 2015 down from $11,750 in 2014, according to The World Bank (2017), in the wake of these economic struggles and government scandals. As a direct consequence, the business environment, and the ease-of-enterprise has deteriorated somewhat, thus introducing a major push factor that Aldi should closely consider before entering the market.

Marketing Approaches

Branding Techniques

The Marketing Concept, as defined by Brassington and Pettitt (2006, p7), can be applied during the analysis of the Brazilian market by firstly interpreting the needs of the Brazilian people and satisfying those needs profitably by charging appropriate prices for goods and positioning the business in such a way, that is both relatable and attractive to the Brazilian customer base. Finally, to complete The Marketing Concept, it is important for the business to keep ahead of its competitors by improving its operations, and constantly reinventing itself, so as not to become stagnant.

One of Aldi's greatest marketing successes in the UK has been its introduction of the Union Jack on its shopping bags, lorries, and on its website (Aldi, 2017) in its support of Team GB. This nationalistic strategy adopted by Aldi in the UK, could easily by translated to the Brazil market, as implementing national heroes, the national flag, and showing support for the national sports team, is clearly an affective branding technique, especially when introducing the business into a new market, as a mass audience can relate to this kind of patriotism.

As another branding technique, Aldi could label its Brazilian business with some relation to Latin America, making it easier to expand its business into neighbouring countries with emerging markets, such as Colombia and Argentina. This rebranding of Aldi to suit the South American region as whole would set it on a course for stability and open further doors for potential growth.

Using information from The World Bank (2017) about Brazilian Internet usage, it is clear that there is a rapid growth in Internet use throughout Brazil with the 2015 data counting 59% of the country's entire population using the Internet, a significant growth from the 2014 figure of 54%. This offers an important route into developing the Brazilian market, by connecting Aldi stores, in a multichannel strategy, with mobile devices, the Aldi website, and an Aldi app, for a swift introduction to online food shopping and delivery. Grasping this fast-growing audience of Internet users may be crucial to the success of Aldi's business in the Brazilian market by using contemporary strategies such as the multichannel technique.

Suppliers, Standardisation & Adaptation

When entering a new market, the question of standardisation or adaptation, almost always appears, due to necessary decisions that must be made as to how a business is going to represent its brand in this new market. Standardisation involves the positioning of a brand almost exactly how it is positioned in other markets with only small changes made to the branding (Khan & Rao-Nicholson, 2017, p138-158), whereas adaptation involves the positioning of a brand in a new and unique way tailored for the market, usually because the market's needs and tastes differ so drastically that standardising the brand would lead to significant losses in sales (Campomar, M & Flores Falcão, R et al., 2016, p64-77).

In this sense, Aldi would employ both strategies, as it standardises its brandname as Aldi, but adapts its services to meet the needs of the Brazilian market profitably, such as printing the Brazilian flag on its products and sourcing its foods from local Brazilian farmers. Utilising this "local suppliers" branding technique has become a mainstay strategy for Aldi's campaign in the UK market, and due to the fact that Brazilian consumers value fresh, and locally produced goods, just as much as any other consumer group, it is assured that this same strategy will be successful in Brazil as it has been in many of Aldi's other markets currently.

The Marketing Mix

The Marketing Mix, as defined by Fill (2009, p12-13), involves the implementation of price, place, promotion, product, packaging, people, and positioning, as the seven fundamental components of a successful marketing campaign, and is thus, closely associated with the fulfilment of The Marketing Concept. Aldi must integrate each aspect of The Marketing Mix into their campaign if they intend to reap success in the Brazilian market.

Beginning with price, Aldi is already well-practiced in the art of price margining and has built its entire business, especially in the UK, around the concept of offering prices below the supermarket average, but still within good margin to make a profit, which is how Aldi have managed to take market share from “The Big Four” UK supermarkets consistently.

Focusing on place and promotion, Aldi will have to adapt their business specifically to complete these two components of The Marketing Mix. While taking inspiration from their Spanish business, Aldi will also have to create a dedicated team of marketers who are experts on how best to target the Brazilian audience, from the layout and locating of the Aldi stores, to the avenues of promotion that will create the largest impact.

Concerning product, and packaging, again, whilst taking inspiration from its Spanish business, Aldi will have to adapt their operation to best suit the needs and tastes of the Brazilian consumers profitably, by sourcing the most popular products used in Brazilian cuisine, and by packaging those products in such a way that makes them attractive for consumers to purchase.

Finally, the people and positioning components of The Marketing Mix are, again, two more aspects that must be adapted rather than standardised, as the Brazilian consumers, suppliers, and distributors are people that Aldi hasn’t yet dealt with, therefore, it is imperative that the company does attempt to understand these people and position itself in such a way that it meets the needs of consumers and understands how suppliers and distributors conduct business in Brazil.

Conclusion

In this report, the key market entrance issues of Brazil have been explored with the use of relevant and credible data and information to uphold all statements, as well as the successful identification of various marketing approaches that could be undertaken by Aldi, if they were to enter the Brazilian market. This was all coupled with an in-depth analysis of the consumer demand and demographics of Brazil, the Brazilian economic landscape, as well as the culture of the nation, with reference to The Marketing Concept, The Marketing Mix, and push and pull factors throughout the report.

Recommendations

- Conduct preliminary investigations into the stability of suppliers and distributors throughout Brazil.
- Balance the Aldi brand between its standardisation and adaptation for the Brazilian market.
- Take close inspiration from Aldi's existing business in Spain.
- Use similar tactics as the UK business when facing competition in Brazil.
- Consider the higher corporate taxation rates in Brazil as a negative impact on potential profits.
- Initially focus on the largest urban centres for Aldi stores, such as São Paulo, Rio de Janeiro and Recife.
- Closely monitor the projected economic statistics for Brazil as an indicator of potential expansion.
- Adapt the business towards the Brazilian consumer culture by offering popular and traditional foods.

Word Count - 2,415

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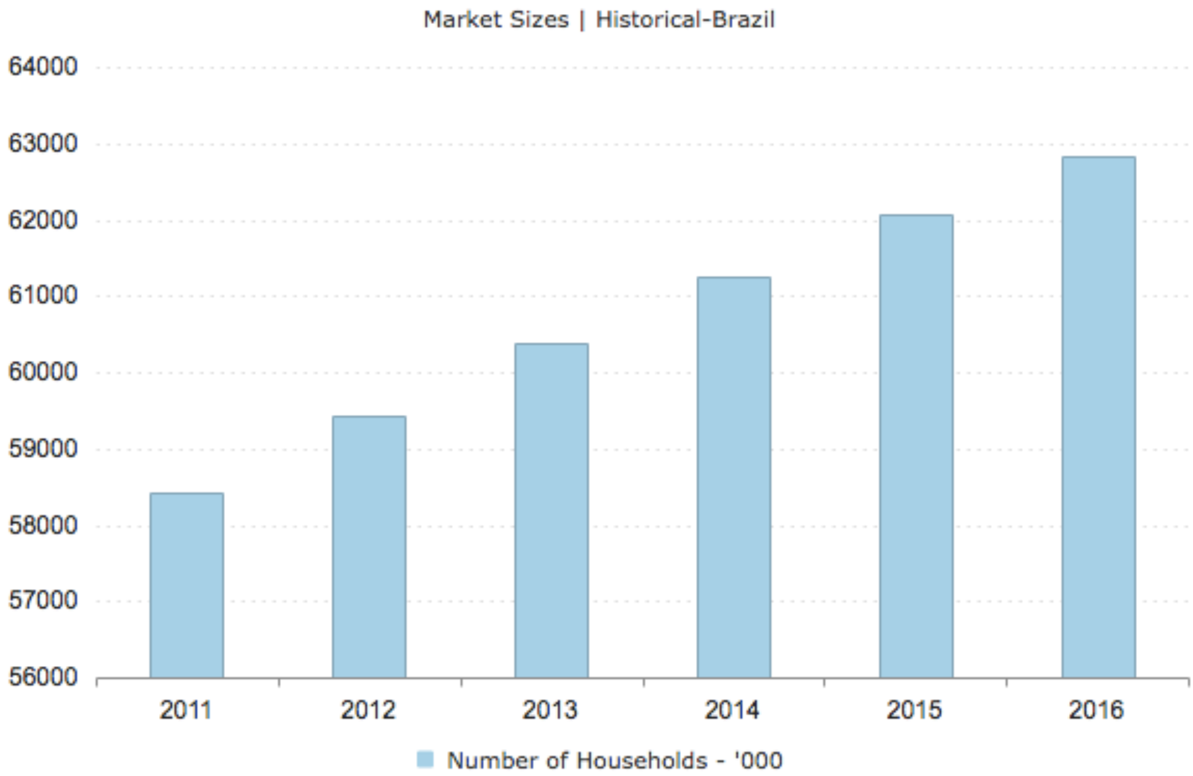
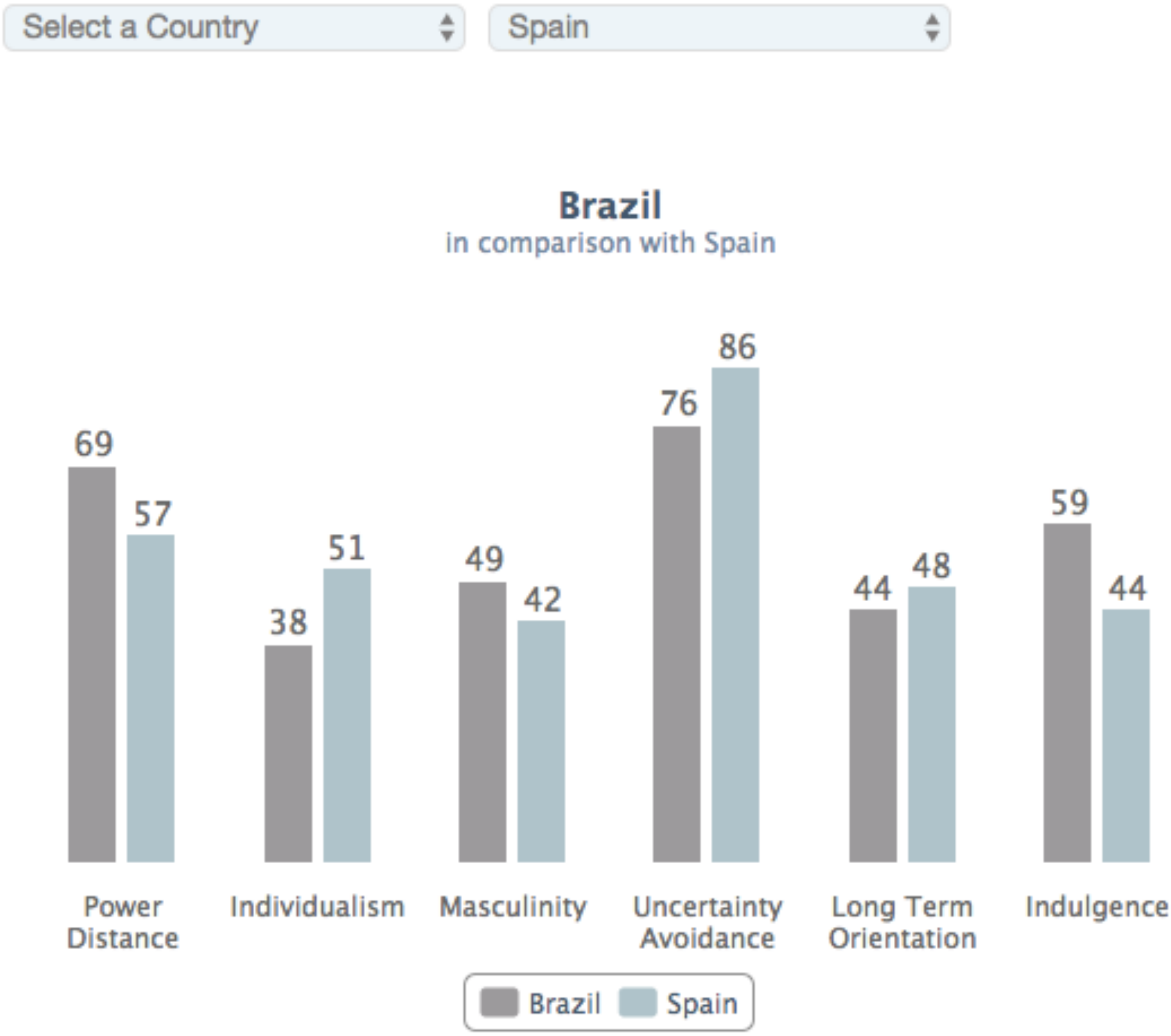
Appendices

Appendix 1



Appendix 2


Select a Country
Spain
Brazil
in comparison with Spain
69
57
38
51
49
42
76
86
44
48
59
44
Power Distance
Individualism
Masculinity
Uncertainty Avoidance
Long Term Orientation
Indulgence
Brazil
Spain

Appendix 3

Market Sizes | Historical | Retail Value RSP excl Sales Tax | US$ mn | Current Prices

Key: Related Analysis View Chart Company Shares Brand Shares

Change View		2011	2012	2013	2014	2015	2016
World							
	Retailing	13,404,416.6	13,680,445.2	13,984,767.0	14,110,589.4	13,339,064.3	13,619,201.3
	Store-based Retailing	12,532,250.2	12,718,224.8	12,914,734.3	12,893,031.7	12,019,146.9	12,122,282.6
	Grocery Retailers	5,803,736.6	5,895,459.2	5,995,179.0	5,972,420.4	5,550,189.4	5,594,443.5
	Non-Grocery Specialists	5,691,569.9	5,759,458.0	5,857,170.8	5,867,442.0	5,470,749.7	5,525,648.4
	Mixed Retailers	1,036,943.7	1,063,307.6	1,062,384.5	1,053,169.3	998,207.8	1,002,190.8
	Non-Store Retailing	872,166.4	962,220.4	1,070,032.6	1,217,557.7	1,319,917.4	1,496,918.7

Category Definitions | Region Definitions | Calculation Variables

Research Sources:

1. Retailing: Euromonitor from trade sources/national statistics