

CREATING VALUE BY DIFFERENTIATION: THE CASE OF ALDI'S SUSTAINABILITY MANAGEMENT

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In this case study, we examine the management and the effects of sustainable practices on value creation through differentiation in the discount retailer industry. Existing research on sustainability management focuses more on its impact on value creation through cost reduction or efficiency gains. International discount retailers are evolving and growing by adapting to the global business environment's economic, demographic and technological trends. Their types of sustainable practices and the approaches to their management are gaining recognition among consumers. Using ALDI's good practice, we examine the role of strategic and operational planning, the types of sustainable practices, and their effects on creating corporate value through differentiation. The case study reveals the role of analyzing the primary and supporting activities of a company's value chain in terms of opportunities to improve sustainability management and to find new sustainable practices, focusing on those that create value for the company through differentiation or innovation. It also raises awareness of the importance of sustainable consumption and the possibilities to support it.

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USTVARJANJE VREDNOSTI Z RAZLIKOVANJEM: PRIMER TRAJNOSTNEGA UPRAVLJANJA PODJETJA ALDI

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V tej študiji primera preučujemo upravljanje in učinke trajnostnih praks na ustvarjanje vrednosti z razlikovanjem v panogi diskontnih trgovcev. Obstoječe raziskave o upravljanju trajnosti se bolj osredotočajo na njegov vpliv na ustvarjanje vrednosti z zmanjševanjem stroškov oz. povečevanjem učinkovitosti. Mednarodni diskontni trgovci se razvijajo in rastejo s prilagajanjem gospodarskim, demografskim in tehnološkim trendom v globalnem poslovnem okolju. Njihove vrste trajnostnih praks in pristopi k njihovemu upravljanju so med potrošniki vse bolj prepoznavni. Na podlagi dobre prakse podjetja ALDI proučujemo vlogo strateškega in operativnega načrtovanja, vrste trajnostnih praks in njihove učinke na ustvarjanje vrednosti podjetja z razlikovanjem. Študija primera razkriva pomen analize primarnih in podpornih dejavnosti vrednostne verige podjetja z vidika možnosti izboljševanja upravljanja trajnosti in iskanja novih trajnostnih praks, s poudarkom na tistih, ki ustvarjajo vrednost podjetja z razlikovanjem oz. inovacijami. Prav tako ozavešča o pomenu trajnostne potrošnje in možnostih za njeno podporo.



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1 Literature Review

1.1 International Discount Retailers

Retailing includes selling goods or services directly to final consumers for personal, non-business use (Kotler & Keller, 2016). One of the major types of retailers - discount retailers - is gaining global market share. Discount retail market size was valued at USD 510.09 billion in 2022 and is anticipated to reach USD 834.74 billion by 2030 (Verified Market Research, 2024). Discount retailers offer a wide selection of goods at lower prices than traditional retail outlets, providing an affordable shopping option for budget-conscious consumers. They typically sell groceries, household items, clothing, electronics, and more, allowing for a one-stop shopping experience. The competitive advantages of discount stores stem from their strategic focus on cost efficiency and customer preferences. Increased demand for discount products enables discount retailers to innovate, increase efficiency, and improve the customer experience. They are taking advantage of several new trends in the global business environment, providing a conscious product assortment, introducing innovative store formats, using digital tools and e-commerce, and cooperating with third-party service providers (Marmon Retail Solutions, 2024).

1.2 Company's Value Creation and the Value Chain

To maximize the value of a company, managers must pursue strategies that increase the company's profitability and profit growth rate over time (Hill & Hult, 2019). Higher profitability and a higher rate of profit growth will increase the value of a company. Managers can increase a company's profitability by pursuing strategies that lower costs or by pursuing strategies that add value to the company's products. A company has high profits when it creates more value for its customers and does so at a lower cost. A company's strategy that focuses primarily on lowering production costs is a low-cost strategy, while a strategy that focuses primarily on increasing the attractiveness of a product is a differentiation strategy. According to Porter (1980), low cost and differentiation are two basic strategies for creating value and attaining a competitive advantage in an industry. The cost leadership champions efficiency, whereas the differentiation accelerates innovation (Daniels, Radebaugh & Sullivan, 2013). Superior value creation relative to rivals does not necessarily require a company to have the lowest-cost structure in an industry or to create the most

valuable product according to the consumers' perceptions. However, it requires that the gap between value and cost be greater than the gap attained by competitors.

A company's operations can be considered a value chain comprising a series of distinct value-creation activities categorized as primary and support activities (Porter, 1985). Generally, the primary activities are divided into two upstream functions – research and development (R&D) and production – and two downstream functions – marketing, sales, and customer service. The support activities of the value chain provide inputs that allow the primary activities to occur. Regarding the attainment of competitive advantage, support activities can be as important as, if not more important than, the company's primary activities. Critical drivers of value creation are the interrelations between primary and support activities (Hollensen, 2019).

The retail value chain encompasses the activities required to take a product from its initial conception to the hands of the end consumer. By ensuring the coordination and the integration among these activities, retailers can optimize their operations and significantly improve their cost performance and differentiation. The retail primary value chain activities can be divided into four upstream functions and five downstream functions (Bridges, 2024; Munteanu, 2024):

1. *Market research and consumer insights (upstream)*: Conducting comprehensive analyses of market trends and consumer preferences is essential for guiding product development and marketing strategies. By understanding consumers' evolving needs and desires, companies can tailor their offerings to meet market demands better, leading to increased customer satisfaction and loyalty.
2. *Product design and development (upstream)*: Creating innovative products that resonate with consumer needs and preferences is critical to success. Collaboration between cross-functional teams, including engineering, design, and marketing, ensures that the final product aligns with market expectations and provides unique value propositions that differentiate it from competitors.
3. *Sourcing and procurement (upstream)*: Effectively acquiring raw materials and finished goods from various suppliers is crucial for maintaining production efficiency and quality. This activity involves evaluating suppliers, negotiating contracts, and establishing long-term partnerships to ensure a reliable

supply chain. By optimizing sourcing strategies, companies can save costs while ensuring their products are made from high-quality materials that meet industry standards.

4. *Inventory management (upstream)*: Maintaining optimal stock levels is vital for meeting consumer demand without incurring the costs associated with overstocking. This involves implementing sophisticated inventory management systems that track stock levels in real-time, forecast demand accurately, and automate reordering processes. By optimizing inventory, companies can reduce holding costs and improve cash flow while ensuring that products are available when customers need them.
5. *Store operations (downstream)*: Managing physical retail locations requires creating exceptional shopping experiences and encouraging customer engagement and satisfaction. This encompasses everything from store layout and design to staff training and customer service protocols. Effective store operations also involve monitoring sales performance, managing in-store promotions, and ensuring that inventory is well-stocked and presented attractively to maximize sales opportunities.
6. *Online and e-commerce operations (downstream)*: In today's digital landscape, effective online platforms are essential for reaching broader audiences and facilitating seamless online shopping experiences. This includes managing website functionality, optimizing user experience, and ensuring secure payment processing. Additionally, companies must leverage digital marketing strategies, such as search engine optimization and social media marketing, to drive traffic and increase conversion rates on their e-commerce sites.
7. *Sales and marketing (downstream)*: Promoting products and driving sales across various channels is a multifaceted endeavor that includes developing targeted marketing campaigns, managing advertising budgets, and utilizing analytics to measure campaign effectiveness. Companies can use traditional and digital marketing strategies to reach their target audiences effectively, build brand awareness, and ultimately increase sales and market share.
8. *Distribution and logistics (downstream)*: Ensuring timely and efficient delivery of products to both stores and consumers is a critical component of the supply chain. This involves managing transportation logistics, warehousing operations, and order fulfillment processes. Companies can optimize

distribution channels and leverage technology to enhance delivery speed, reduce costs, and improve customer satisfaction.

9. *Customer service and support (downstream)*: Providing exceptional post-purchase support enhances customer satisfaction and fosters loyalty. This includes offering multiple channels for customer inquiries, such as phone, email, and live chat, and implementing robust return and exchange policies. Companies can build strong customer relationships by proactively addressing customer concerns and feedback, encouraging repeat purchases and positive word-of-mouth.

The retail support value chain activities can be divided into nine groups (Bridges, 2024; Munteanu, 2024):

1. *Information technology integration*: The focus is on implementing innovative technological solutions that streamline operational processes and significantly enhance customer experience. This includes the integration of software systems, the development of user-friendly interfaces, and the utilization of emerging technologies to improve efficiency and responsiveness.
2. *Human resource management*: The aim is to attract, develop, and retain top talent to drive the company's success. This involves creating a positive workplace culture, offering competitive benefits, providing ongoing training and professional development opportunities, and implementing effective performance management systems to align individual employee goals with the company's objectives.
3. *Financial management*: It involves carefully managing financial resources to support day-to-day operations and long-term strategic initiatives. This encompasses budgeting, forecasting, financial reporting, and investment planning, ensuring that resources are allocated effectively to maximize returns and achieve financial stability.
4. *Legal and regulatory compliance*: It ensures that a company adheres to all applicable laws and regulations, mitigating legal risks and protecting the company's reputation. This includes regular audits, employee compliance training, and establishing policies and procedures that align with legal requirements across various jurisdictions.

5. *Data analytics and business intelligence:* The focus is on leveraging data to gain actionable insights that drive informed decision-making. By utilizing advanced analytics tools and techniques, companies can identify trends, forecast future performance, and make data-driven decisions that enhance operational efficiency and competitive advantage.
6. *Cybersecurity management:* It is dedicated to protecting digital assets and consumer data from an ever-evolving landscape of cyber threats. This includes implementing robust security measures, conducting regular security assessments, and fostering a culture of cybersecurity awareness among employees to safeguard sensitive information.
7. *Sustainability management:* It is committed to implementing sustainable practices that minimize the environmental impact of operations and promote social responsibility. This includes developing strategies for waste reduction, energy efficiency, and sustainable sourcing and engaging stakeholders in initiatives that promote social responsibility and environmental stewardship.
8. *Partnership and vendor management:* Its aim is to build and maintain strong relationships with suppliers and partners to ensure a reliable supply chain and collaborative opportunities. This includes negotiating contracts, managing vendor performance, and fostering strategic alliances that align with a company's goals.
9. *Marketing and branding:* The focus is on developing a solid brand identity and effectively communicating value propositions to consumers. This encompasses market research, strategic marketing planning, advertising campaigns, and brand management efforts to enhance customer engagement and loyalty. A company can effectively position itself in the marketplace by understanding target audiences and leveraging multiple channels.

Value chain analysis aims to increase the company's efficiency and differentiation. By thoroughly knowing their primary and support activities and continuously assessing them according to cost-efficiency and differentiation, a company can anticipate emerging market trends and increase its competitive advantages and resilience.

1.3 Sustainability in the International Retail Value Chain

Sustainability emphasizes the goal, the tendency to preserve natural capital, and the long-term (sustainable) operation of the society and the society as a whole (Bradač Hojnik, Korez Vide & Štrukelj, 2022). Environmental sustainability emphasizes the importance of preserving the natural environment for the benefit of current and future generations. Some of its goals are to lower emissions from industrial processes, transportation, and energy production, to shift from fossil fuels to renewable energy sources, to protect ecosystems and wildlife by establishing conservation areas and promoting practices that maintain ecological balance, to encourage environmentally friendly farming techniques, such as organic farming, crop rotation, and agroforestry, and to foster community involvement in sustainability initiatives and support a circular economy where waste is minimized and the resources are reused and recycled. Social sustainability refers to the well-being of individuals and communities, prioritizing equity, human rights, and access to essential services such as education and healthcare. It seeks to create inclusive societies where everyone has the opportunity to thrive. Some of its goals are to ensure that the rights of all individuals are respected and protected, to foster an environment where everyone can live freely and without fear of oppression, to promote diversity and inclusion in all aspects of society, to ensure marginalized communities are represented and have equal opportunities, to enhance the quality of life for all individuals by providing access to adequate housing, clean water, nutritious food, and comprehensive healthcare services. Economic sustainability involves conducting economic activities that ensure long-term prosperity while balancing growth, resource efficiency, and social equity. It recognizes that a thriving economy is essential for supporting environmental and social goals. Some of its goals are to utilize natural resources judiciously to prevent their depletion, to encourage technological advancements and efficient practices that improve productivity while reducing environmental impact, to promote economic strategies that ensure stability and resilience, and safeguard livelihoods and investments, to foster a culture of corporate responsibility where companies actively contribute to societal well-being and environmental protection. Interconnectedness among environmental, social, and economic pillars of sustainability means that progress in one area can positively influence others. For example, promoting renewable energy addresses environmental concerns, creates jobs, and supports social equity through access to

clean energy. By recognizing and acting on these synergies, societies can work towards a sustainable future that benefits all stakeholders.

While the existing research on sustainability management in the retail sector focuses more on its impact on value creation in particular activities of value chain through cost reduction or efficiency gains (e.g., Ekinci et al., 2024; Fernando et al., 2024; Hübner, Kuhn & Weber, 2024), there is less research on its impact on value creation through differentiation in the whole value chain. Therefore, a research gap exists in analyzing the sustainability management of a retail company's value chain, particularly its impact on creating value by differentiation. This case study aims to explore the sustainability management of the selected international discount retailer's value chain and to formulate ideas for its new approaches and practices, aiming at increasing the company's value, particularly by differentiation.

2 Case Study

2.1 Learning Outcomes

By the end of this case study, students should be able to:

Learning Outcome 1: Describe a company's value creation and value chain and understand the role of its analysis and assessment;

Learning Outcome 2: Describe the retail value chain activities and identify their practices for a selected international discount retailer;

Learning Outcome 3: Describe the concept of corporate sustainability and identify its practices for a selected international discount retailer;

Learning Outcome 4: Identify corporate sustainability practices in the value chain activities of a selected international discount retailer;

Learning Outcome 5: Explain the impacts of corporate sustainability practices on value creation by differentiation in each value chain activity of a selected international discount retailer;

Learning Outcome 6: Explain the role of strategic planning, implementing, and assessing corporate sustainability practices for their positive impacts on value creation in a selected international discount retailer;

Learning Outcome 7: Formulate ideas for new corporate sustainability practices that would create value by differentiation in a selected international discount retailer;

Learning Outcome 8: Explain the role of corporate sustainability practices in international retail for sustainable consumption.

2.2 Story (i.e. Case)

2.2.1 History of Discount Retailer ALDI

The discount retail model, which has become a significant force in the grocery market, originated with the Albrecht brothers in 1946 when they took over their family business in Germany (ALDI SOUTH Group, 2024, 2024a). The brothers established the foundational principles of discount retailing, emphasizing low prices and efficiency. By 1955, their innovative approach had established 100 branches in Western Germany, marking a substantial expansion of their concept. The introduction of self-service shopping was a pivotal moment in this transformation. This revolutionary change allowed customers to select their groceries directly from the shelves, significantly altering traditional shopping habits and enhancing the overall shopping experience. In 1962, the Albrecht brothers introduced the name ALDI (an abbreviation for Albrecht Diskont). The company's evolution continued in the 1960s when it was divided into two entities: ALDI Süd and ALDI Nord. In Germany, ALDI Nord and ALDI Süd have been financially and legally separate since 1966. However, both divisions' names may appear as if they were a single enterprise with certain store brands or when negotiating with contractor companies. Each company is owned and operated independently, but they have contractual business with one another. This period also saw the launch of the first modern discount store, which featured a rationally designed salesroom where a limited selection of grocery items was displayed directly from boxes on pallets. This model not only differentiated discount retailers from full-range suppliers but also laid the groundwork for other discount chains, such as Norma, Plus, Lidl, and Penny, which entered the market in the early 1970s. Internationally, ALDI Nord operates in

Belgium, Netherlands, France, Luxembourg, Poland, Portugal, and Spain. In contrast, ALDI Süd operates in Australia, Austria, China, Hungary, Ireland, Italy, Slovenia, Switzerland, the United Kingdom, and the United States. In Austria and Slovenia, ALDI operates stores under the Hofer brand (ALDI SOUTH Group, 2024b).

2.2.2 ALDI's Business Model

ALDI has developed several key strengths that significantly enhance its position in the competitive discount retail market. It maintains its competitive pricing by limiting its product range, primarily offering private-label goods that enable bulk purchasing and reduced marketing expenditures (Pereira, 2024). Its simple store design, which includes essential layouts and self-service checkouts, allows ALDI to pass savings directly to consumers, fostering customer loyalty based on affordability. Retailer's limited selection of stock-keeping units makes inventory management more efficient and reduces waste. Additionally, investments in logistics improve delivery efficiency, ensuring that shelves are stocked with in-demand items. The company has adopted an aggressive expansion strategy, enhancing brand recognition, increasing its market share and decreasing costs across a more extensive retail network. ALDI's value proposition revolves around offering high-quality products at affordable prices. It enhances its market competitiveness through a shopping experience that prioritizes efficiency and ease. The retailer has tapped into the growing health and wellness trend by expanding its offerings of organic, gluten-free, and health-conscious products. By emphasizing nutritious, health-oriented products, ALDI is aligning itself with modern consumer preferences, making it a destination for shoppers who are increasingly concerned about their dietary choices. It sets itself apart from competitors with its strong commitment to sustainability and ethical sourcing. It has taken significant steps to minimize its environmental impact, such as sourcing sustainable seafood, reducing plastic usage, and adopting energy-efficient store practices.

2.2.3 ALDI SOUTH Group's Sustainability Implementation

This case study examines the ALDI SOUTH Group's (ASG) sustainability strategy since the company operates globally. ASG takes a multifaceted approach to sustainability, recognizing its role in the environment and long-term business

viability (ALDI SOUTH Group, 2024c). ASG's comprehensive sustainability strategy encompasses environmental stewardship, social responsibility, and economic viability. By focusing on these areas, the company not only aims to meet the expectations of its customers and comply with evolving legislation but also strives to be a responsible corporation, making a lasting positive impact on the world. ASG integrates sustainability in its activities towards customers, employees, community, environment, and supply chain. Sustainability Principles summarise ASG's commitments to people and the planet. They guide the company in day-to-day actions and are a strict requirement of its business partners (ALDI SOUTH Group, 2024d, n.d.).

ASG's Global Sustainability Strategy has six strategic dimensions: climate, agriculture and sustainable products, animal welfare, healthy nutrition, food waste, circularity, sustainable packaging, and human rights (ALDI SOUTH Group, 2024e).

Strategic sustainable goal 1: Climate, agriculture, and sustainable products¹

ASG is working towards net zero by reducing carbon emissions in its operations and supply chains. To progress toward this goal, the company is actively working on various initiatives to minimize its environmental footprint. This includes optimizing energy use, enhancing efficiency in logistics, and promoting sustainable sourcing practices. The company understands that collaboration with suppliers and other partners is essential for effectively reducing emissions across the supply chain, as their collective efforts can lead to significant improvements.

To guide its climate actions, ASG has identified key focus areas for reducing its carbon footprint, which include both operational and supply chain emissions. Regarding operational emissions, the company is committed to transitioning to renewable energy sources, investing in photovoltaic systems (solar panels), upgrading heating systems, and enhancing refrigeration technology. Notably, over 2,300 of its stores and regional distribution centers are now equipped with solar panels, and more than 6,700 stores have adopted natural refrigerants as part of their cooling systems.

¹ Adapted from ALDI SOUTH Group, 2024f, 2024g.

In tackling logistics emissions, ASG's logistics teams transport millions of products daily across its global markets. To mitigate environmental impact, the company is making strides toward transitioning its fleet to alternative fuel types, such as Hydrotreated Vegetable Oil (HVO), and is gradually introducing electric trucks into its operations. While the company works towards achieving a fully green fleet, it also implements fuel conservation measures within its logistics operations. Additionally, drivers are trained to adapt their driving styles to be more energy-efficient, further reducing emissions during transportation.

In 2020, ASG became one of the first international food retailers to establish company-wide science-based targets (SBTs) to reduce operational emissions. The company actively monitors its carbon footprint, with operational emissions—arising from sources the company owns and controls (scopes 1 and 2)²—accounting for less than 1% of the total greenhouse gas emissions across its entire value chain. These operational emissions stem primarily from electricity usage, refrigeration, heating, and transportation. ASG has made remarkable strides in reducing direct (Scope 1) and indirect (Scope 2) emissions associated with its operations in recent years. A significant milestone was achieved in 2022 when the company began purchasing green electricity in all its markets, resulting in over 99% of the electricity consumed in its stores, regional distribution centers, and offices from renewable energy sources.

Additionally, ASG has implemented natural refrigerants in several markets, further contributing to its sustainability efforts. By 2022, it had made remarkable progress, achieving a 63% reduction in its Scope 1 and 2 emissions compared to the 2016 baseline. This achievement is particularly noteworthy, given that the company expanded its store base from 5,600 to 7,100 during this period.

The remaining 99% of ASG's greenhouse gas emissions are indirect (Scope 3) emissions, originating from upstream and downstream supply chains. The majority of these emissions are linked to the products sold to customers. When factoring in

² The three scopes are a way of categorising the different kinds of emissions a company creates in its own operations and in its wider 'value chain' (its suppliers and customers). Scope 1 are those direct emissions that are owned or controlled by a company, whereas scope 2 and 3 indirect emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it (Greenhouse Gas Protocol, 2024; National Grid, 2024).

emissions from external logistics providers, the overall reduction in total operational emissions stood at 46%.

The Scope 3 emissions arise from the entire corporate value chain, including product sourcing and logistics. Recognizing the importance of engaging with its suppliers, ALDI has conducted annual surveys since 2021 to assess their climate commitments. The results from the latest survey indicate that 26% of strategic suppliers responsible for a significant portion of product-related emissions have either set targets aligned with the SBT criteria or are committed to doing so within the next two years. This collaborative approach supports suppliers' climate protection efforts and fosters a collective movement toward sustainability. The company aims to work closely with its suppliers to lower product-related emissions throughout the entire supply chain - from the farm level to manufacturing and end-use by consumers. As part of this effort, ASG encourages its suppliers to establish climate targets that align with the Science Based Targets initiative (SBTi). Specific commodity groups, including meat, dairy, chilled convenience products, and pantry items, will be prioritized in this initiative as the company addresses emissions challenges at a group level.

In 2023, ASG undertook a comprehensive inventory of its Scope 3 emissions, a foundation for developing its Zero Carbon Roadmap. Through this updated baseline assessment, the company has identified ten relevant Scope 3 categories based on the Greenhouse Gas Protocol (2024) (Figure 3). This strategic identification allows the company to focus on the most impactful emission areas, facilitating the implementation of effective reduction measures as it strives to minimize its Scope 3 emissions further.

An essential recognition in ASG's sustainability strategy is that a significant portion of its indirect product emissions is linked to land use, land management, and land use change. Therefore, the company acknowledges the critical need to protect these sectors and is actively working to understand its role in safeguarding these vital resources. Through these comprehensive efforts, ASG is positioning itself as a leader in climate protection and sustainable retail practices.

Strategic sustainable goal 2: Animal welfare³

The ASG is firmly committed to enhancing animal welfare standards, particularly given the significant role of meat, dairy, and eggs in their product offerings. The urgency of this commitment stems from the broader global challenges associated with food production, which are linked to numerous threats facing the planet, including environmental degradation, ecosystem disruption, and social welfare issues. The food systems in place today have become highly industrialized, with the livestock sector emerging as the largest consumer of agricultural land. The number of land animals slaughtered for food has surged eightfold since the 1960s, with most farmed animals raised in intensive systems that adversely affect their welfare.

Recognizing the high demand for animal products and customers' elevated expectations, the company actively addresses these challenges by implementing specific animal welfare standards tailored to meet the varied perceptions and legal requirements across their national markets. Its commitment encompasses several crucial aspects:

- *Ethical sourcing:* ASG ensures that none of its products contain raw materials derived from exotic or endangered animal species. It also maintains a strict policy against animal testing in their health and beauty products, detergents, and cleaners. ASG does not offer products containing angora wool or real fur, and they prohibit mulesing in merino wool production.
- *Humane treatment:* ASG prohibits suppliers from live-plucking and force-feeding ducks and geese. Furthermore, they do not produce or sell foie gras or meat from birds explicitly raised for foie gras, reflecting a clear stance against inhumane treatment. They are committed to sourcing 100% of their shell eggs from cage-free supply chains by 2025.
- *Slaughter practices:* There are stringent requirements placed on fresh meat and poultry suppliers to ensure that appropriate stunning methods are applied during slaughter. This step is critical in minimizing suffering and enhancing the welfare of the animals.

³ Adapted from ALDI SOUTH Group, 2024h, 2024i.

- *Organic animal products:* They offer and ensure that organic meat, poultry, eggs, milk, and dairy products are labeled on their packaging, in ASG's stores, and in advertising materials.
- *Non-animal food products:* They provide their customers with vegetarian and vegan products as alternatives to animal-sourced products.

ASG has emerged as a pioneering force in promoting better animal husbandry practices in Germany. Since 2019, they have voluntarily labeled their meat products, and, since 2022, selected dairy products, according to the "Haltungsform" system. This voluntary cross-sectoral guide provides a four-stage rating system that categorizes the conditions under which animals are kept, ranging from minimum (level 1) to premium/organic (level 4) conditions. Notably, 100% of drinking milk sold in Germany comes from husbandry levels 3 and 4, while 50% of fresh meat is sourced from the same higher welfare standards. ASG aims to achieve 100% sourcing of fresh and processed meat from suppliers, meeting these elevated standards by 2030.

The commitment to animal welfare also extends to ASG's operations in the UK through the ASG Dairy Farm Partnership with Arla Foods, a farmer-owned cooperative. This initiative focuses on developing best practices in animal welfare and farm management, thereby enhancing the overall welfare standards in the UK dairy industry.

In addressing the welfare of laying hens and broiler chickens, ASG recognizes the challenges posed by conventional cage systems, which currently confine nearly 85% of the world's 8.3 billion egg-laying hens. The welfare of these hens has been a significant concern for decades, and the company has made notable progress by ensuring that 95% of shell eggs sold by the ASG are now cage-free. Additionally, ASG Germany was the first market within the ALDI Group to commit to the European Chicken Commitment (ECC), which sets forth science-based welfare standards addressing breeding, housing, stocking density, and slaughter practices for broiler chickens. To further enhance welfare, HOFER Austria has begun introducing slower-growing breeds for certain products, emphasizing a commitment to more humane practices in poultry farming.

Beyond food products, ASG is also dedicated to improving animal welfare standards in their non-food offerings. They adhere to various certifications to ensure the ethical treatment of animals used in fibers and materials. These include the Downpass Traceability Standard, the Leather Working Group (LWG), the Responsible Down Standard (RDS), the Good Cashmere Standard (GCS), the Responsible Wool Standard (RWS), and the Global Organic Textile Standard (GOTS).

Through these multifaceted efforts, the ASG demonstrates a comprehensive animal welfare approach, addressing the ethical and practical dimensions of modern food production and retailing. Their commitment not only enhances the welfare of animals within their supply chains but also responds to the growing consumer demand for ethically sourced and produced products.

Despite the complexity of animal welfare considerations across products such as fresh meat, eggs, milk, dairy, textiles, and cosmetics, and the diverse markets in which the ASG operates, the company recognizes the industry's need to address the key challenges that impact core animal species (laying hens, broiler chickens and turkeys, pigs, dairy cows, and beef cattle). Its goal is to enhance animal welfare standards in their global supply chains, and they are actively working to tackle the challenges of close confinement, certification, environmental enrichment, antibiotics & growth promoting substances, routine mutilations, live transport and pre-slaughter stunning (ALDI SOUTH Group, 2024i).

The requirements and conditions of the national markets within the individual countries of the ASG vary widely, as do the approaches taken to improve animal welfare standards throughout their global supply chains.

Strategic sustainable goal 3: Healthy nutrition⁴

ASG is committed to promoting healthy nutrition as an integral component of sustainable food systems, emphasizing its critical importance for both individual well-being and the health of our planet. Their overarching goal is to make healthy food options not only simple and accessible but also sustainable and affordable for

⁴ Adapted from ALDI SOUTH Group, 2024j.

all consumers. This initiative is particularly relevant in light of the escalating global health challenges that stem from inadequate nutrition and rising obesity rates.

A balanced diet is fundamental in strengthening immune systems, supporting development, and reducing the risk of non-communicable diseases such as diabetes, heart disease, stroke, and cancer. Approximately 65% of the world's population currently resides in countries where obesity poses a more significant health threat than hunger. This stark reality underscores the urgent need for effective interventions to promote healthier dietary choices. In response, ASG is focused on making nutritious food readily available by offering a diverse array of fresh fruits, vegetables, and food products that cater to various dietary requirements, including those for special diets.

Recognizing its pivotal role as a global food retailer, ASG is determined to address the multifaceted challenges surrounding healthy nutrition. Their strategy extends beyond sustainable sourcing practices, ensuring that the food they stock is high-quality and nutritious. To achieve these aims, the company has established specific targets that are tailored to each country in which they operate. These targets include:

- *Product reformulation:* ASG is committed to reformulating existing products to enhance their healthiness. This involves reducing unhealthy ingredients such as fat, salt, and sugar levels while increasing fiber content and the proportion of plant-based proteins.
- *Innovative product portfolio:* The company is actively adjusting its product offerings to include healthier and more innovative types of food, mainly focusing on plant-based alternatives. This shift is designed to meet consumers' evolving preferences seeking nutritious options.
- *Nutrition labeling:* ASG provides clear and intuitive labeling of processed and packaged foods. This initiative empowers consumers to quickly assess the nutritional quality of their products, facilitating informed decision-making.
- *Nutrition education:* To encourage healthy eating habits, ASG promotes education around nutritious and balanced diets. This includes sharing recipes online and disseminating information through nutrition reports that help consumers understand the benefits of healthy eating.

In Germany, ASG has launched an ambitious healthy nutrition agenda to provide a wide variety of minimally processed, natural foods. Notably, their premium organic product line, "Nur Nur Natur," adheres to the highest organic standards while ensuring maximum flavour and the purest ingredients. This range is carefully crafted to be free from unnecessary additives, flavour enhancers, and artificial flavours, aligning with ASG's commitment to quality and health.

The connection between healthy diets and sustainable food production systems is a key focus for ASG. By addressing healthy eating as part of their Global Sustainability Strategy, they aim to impact public health and the environment positively. This includes efforts to reduce greenhouse gas emissions, promote animal welfare, and uphold human rights within their supply chains.

In a noteworthy demonstration of their commitment to social responsibility, ASG has partnered with Meleco and the non-profit organization SUNUA (Support Ukraine Now Upper Austria) to produce and deliver high-quality organic baby food to individuals affected by the ongoing Russia-Ukraine war. This initiative specifically targeted regions in Ukraine, including cities such as Kyiv, Kharkiv, Dnipro, Kramatorsk, Cherson, Mykolajiw, and various smaller towns and villages. Numerous hospitals, refugee camps, and orphanages received these essential supplies, including organic puree made from bananas, pears, apples, blueberries, blackberries, carrots, mangoes, sweet potatoes, and peas.

Strategic sustainable goal 4: Food waste⁵

Food waste is a pressing issue that significantly impacts the environment, contributing as much to greenhouse gas emissions as road transportation. The environmental implications of food waste extend beyond just the loss of nutritious food; they encompass the vast resources required to grow, process, package, and transport food. The later food is wasted in the supply chain, the more energy and natural resources are consumed. At the producer level, food waste often stems from mismatches in production - how much, what type, and when food is produced. More food is wasted on farms and during harvesting than in global retail, amounting to approximately 1.2 billion tonnes annually.

⁵ Adapted from ALDI SOUTH Group 2024k, 2024l.

The scale of food waste is staggering; globally, people discard the equivalent of 23 million fully loaded 40-tonne trucks of food every year. This waste typically ends up in landfills and incinerators or rotting in fields, exacerbating environmental problems. According to the UNEP Food Waste Index Report, the average individual throws away approximately 47 kilograms of food each year, a statistic that applies to both lower-middle-income and high-income countries. This waste is particularly troubling given that nearly 30% of the world's population experiences limited or uncertain access to nutritious food. It highlights the urgent need for collective action to address food waste and its consequences.

For ASG's stores and operations, the company reports an operational waste of around 149,000 tonnes per year, which translates to about 22 delivery trucks of waste each day. To address this, ASG is implementing strategies to limit in-store waste, manage inventory more effectively, and reduce issues related to delayed deliveries and overstocking. ASG has set ambitious goals to reduce food waste to enhance food security, tackle climate change, and protect the natural environment (ALDI SOUTH Group, 2024f).

Food waste occurs at every stage of the food supply chain, from production to consumption. Producers, suppliers, retailers, and consumers need to work together to combat this issue. The ASG has set a specific target to halve its operational food waste by 2030. This initiative includes diverting over 90% of unsold food through various means such as donations, animal feed, and composting, thus ensuring that food that is still good to eat does not go to waste (ALDI SOUTH Group, 2024f).

Household food waste is driven primarily by excessive purchasing and the lack of knowledge regarding food freshness and safety. Although ASG has limited control over household waste, the company is committed to helping customers make informed decisions through clear product safety labeling. The company is exploring cost-effective measures to encourage customers to minimize household food waste.

Recognizing that food waste primarily originates outside its operations, ASG works closely with suppliers to reduce and redistribute food waste throughout the supply chain. This involves better forecasting, accepting a wider variety of fruit and vegetable sizes, and utilizing any overproduction effectively.

To further combat food waste, ASG has introduced initiatives aimed at changing consumer attitudes, particularly in the German and UK markets, by promoting “Krumme Dinger” (crooked goods) and “Wonky Vegetables.” These products, though not aesthetically perfect, are still nutritious and tasty. The company also donates significant surplus food to charity partners and is exploring ways to convert food waste into animal and insect feed and biogas through composting.

In 2023, ASG UK achieved an impressive 57% reduction in food waste, setting a benchmark for the company’s global initiatives. The UK division has set a new target to achieve a 90% reduction in operational food waste and was the first to partner with the app Too Good To Go, which connects consumers with stores with surplus food still safe for consumption. This collaboration has already saved over 100 million meals from going to waste in Ireland alone, and the service is now also available in Austria.

Food waste presents significant opportunities for recycling and reuse. ASG aims to develop innovative solutions and partnerships that convert food surplus into valuable resources such as pet food, fertilizers, and bioenergy. By collaborating with waste management and recycling companies, the company seeks to close the resource loop and implement circular solutions that limit waste generation. To further this goal, the ASG is participating in the third phase of the HolyGrail 2.0 initiative, which leverages watermark technology to improve sorting processes in waste management facilities. This technology enhances the ability to recycle plastics efficiently, thereby supporting a circular economy. The group is also committed to ensuring that by 2030, 90% of its global operational and food waste will be diverted from landfills and incineration, showcasing its dedication to sustainable waste management practices. In Austria, ASG has launched the Rettenswert brand to repurpose surplus products and upcycle them into more valuable offerings. This initiative, trialed in 2022 and officially launched in 2023, includes products like pumpkin pesto made from imperfect pumpkins, antipasti from unevenly sliced courgettes, and chutneys and jams made from surplus fruits and vegetables. Notably, the Rettenswert ketchup, produced from an excess of seasonal tomatoes, is highlighted as the only ketchup made entirely from locally grown ingredients in Austria.

ASG is actively participating in the Consumer Goods Forum Food Waste Coalition of Action alongside other significant retailers, focusing on consumer engagement through campaigns that promote awareness and knowledge-sharing about food waste reduction strategies. The Coalition, launched in June 2020, aims to tackle this complex crisis, with 1.3 billion tons of food—valued at around USD 1.3 trillion—going uneaten each year, representing about one-third of all food produced. This waste leads to economic losses, exacerbates global hunger, and depletes essential resources like water and energy. Aligned with the UN Sustainable Development Goals, specifically Goal 12 on Responsible Production and Consumption, the coalition is committed to halving global food waste per capita at retail and consumer levels by 2030. It focuses on increasing transparency regarding food waste and developing innovative solutions to mitigate it. Activities for ASG and other coalition members include measuring food waste within their operations, collaborating with suppliers, and partnering with other companies to reduce food waste and help customers minimize their waste.

Strategic sustainable goal 5: Circularity and sustainable packaging⁶

ASG recognizes its influence in the packaging ecosystem as a major retailer and strives to drive system change toward a circular economy. This involves moving away from a linear consumption model—where products are used and discarded—to one that emphasizes elimination, reuse, and recycling of packaging materials. By circulating more packaging materials, the company aims to reduce waste and promote resource efficiency. Regarding product design, it understands that circularity begins at the design phase, where up to 80% of a product's environmental impact can be determined. The company focuses on creating durable, modular, and recyclable products that utilize more recycled materials and minimize the use of virgin materials. This includes exploring bio-based materials and designing products with a closed-loop approach, which ensures that materials can be reused effectively once a product reaches the end of its life.

ASG is actively pursuing initiatives to enhance the sustainability of its packaging, recognizing that packaging plays a vital role in modern life while posing significant environmental challenges. As an essential component of product delivery, packaging

⁶ Adapted from ALDI SOUTH Group, 2024m, 2024n.

helps maintain food freshness, facilitates handling, and reduces food waste. However, it also requires considerable raw materials, energy, and effective waste management, necessitating a shift towards more sustainable practices. To address these challenges, the company has established ambitious sustainability goals to improve its own-brand packaging. By 2025, the group aims to ensure that all own-brand packaging is reusable, recyclable, or compostable. Additionally, it is committed to increasing the recycled content in its plastic packaging, targeting a goal of 30% recycled materials. These efforts are part of a broader commitment to reduce overall packaging material usage by 15% and to cut the use of virgin plastic by 40% (ALDI SOUTH Group, 2024n).

ASG's approach includes innovative actions to reduce its packaging carbon footprint. The company is collaborating with packaging suppliers and recyclers to integrate more recycled content into its products while exploring new sustainable solutions. Some key initiatives include transitioning to clear product caps, establishing in-store collection systems for recyclables, promoting home composting, and eliminating plastic shopping bags. Moreover, it has removed plastic shrink wraps from bulk items to minimize plastic usage even further.

International Recyclability Guidelines provide clear recommendations for sustainable packaging design. These guidelines are designed to assist suppliers and purchasing teams in optimizing packaging solutions and improve communication across the supply chain. By making these guidelines publicly available, ASG seeks to enhance transparency and foster collaboration within the industry, ensuring that packaging adheres to current recycling standards and anticipates future regulatory requirements. Another important initiative is RecyClass, a cross-industry initiative aimed at improving the recyclability of plastic packaging and establishing standardized methods for calculating and tracking recycled content in Europe. It focuses on developing Recyclability Evaluation Protocols and scientific testing methods for innovative materials, which inform the Design for Recycling Guidelines and the Recycling Online Tool. Additionally, RecyClass provides Recyclability Certifications for plastic packaging and Recycled Content Traceability Certifications for plastic products.

Strategic sustainable goal 6: Human rights⁷

ASG is committed to respecting human rights in its operations and supply chains, guided by its "Human Rights and Environmental Due Diligence Policy." It supports mandatory human rights legislation for the industry. These rights are formulated in 'ALDI Business Partner Sustainability Standards' and encompass crucial areas such as non-discrimination, health and safety, freedom of association, promotion of gender equality, the right to fair remuneration, and prohibiting practices like human trafficking, child labor, and forced labor.

ASGThe Group strongly emphasizes supply chain transparency as the cornerstone of their sustainability efforts. Understanding the origin of products and raw materials is crucial for ensuring compliance with their human rights requirements, conducting risk analysis, monitoring activities, and implementing effective projects. ASG collaborates closely with business partners to enhance this transparency, allowing for a clearer understanding of each product's journey.

ASG identifies and prioritizes human rights risks within its operations and supply chains. The company conducts thorough risk analyses and human rights impact assessments (HRIAs) to pinpoint actual and potential risks. This process helps them address adverse impacts their business might cause, contribute to, or be directly linked to. These assessments follow a detailed methodological approach, including extensive background research and active engagement with stakeholders, such as workers, community members, smallholder farmers, and women. This engagement ensures a deep understanding of their business activities' potential and actual adverse impacts. Human Rights Impact Assessments (HRIAs) are essential tools that provide a company with a comprehensive understanding of its supply chains and their impacts on human rights. This knowledge is vital for identifying potential human rights risks and areas that require improvement. By promoting transparency, the company can build trust with stakeholders, including employees, consumers, and communities, fostering a culture of accountability. The findings from HRIAs play a vital role in strengthening ASG's standards and enhancing its due diligence processes. Each HRIA culminates in developing a supply chain-specific Human Rights Action Plan (HRAP). These action plans are designed to support the

⁷ Adapted from ALDI SOUTH Group 2024o, 2024p.

Sustainability and Buying Teams within the ASG in their efforts to deliver enhanced human rights outcomes for workers and communities. Implementing these plans is not a one-time effort; ASG is committed to monitoring progress and ensuring the effective execution of the initiatives outlined in the HRAPs. To maintain transparency and accountability, the company intends to publish progress reports that track improvements over time, allowing stakeholders to see the tangible impacts of its efforts in promoting human rights within its supply chains.

To prevent and mitigate human rights-identified risks, ASG implements several key measures:

- *Contractual requirements and capacity building:* The company enforces contractual requirements emphasizing sustainability and provides capacity-building initiatives for its buying departments and business partners. This ensures that all parties are well-informed and committed to sustainable practices.
- *Purchasing practices adjustments:* The company adjusts its purchasing practices better to address adverse impacts on human rights and environmental concerns. This proactive approach helps align their business operations with ethical standards.
- *Audit and certification requirements:* ASG mandates specific audit and certification requirements for supply chains based on identified risks. This ensures that suppliers adhere to necessary standards and practices.
- *Social audits verification:* Through the Global Social Monitoring Programme (SMP), ASG verifies and reviews third-party social audits at production facilities. Accepted standards for these audits include Amfori, BSCI, Sedex/SMETA, SA8000, and other industry-specific standards.
- *Supplier compliance evaluation:* The company evaluates suppliers' human rights and environmental compliance, especially those providing high-priority products, through the Corporate Responsibility Supplier Evaluation (CRSE). This assessment ensures that suppliers meet ALDI's ethical requirements.
- *On-site audits:* ASG conducts on-site audits through the ALDI Sustainability Assessments (ASAs) for high-priority products. These audits comprehensively evaluate supplier practices and adherence to sustainability standards.

The Corporate Responsibility Supplier Evaluation (CRSE) is an annual process implemented by the ASG to foster long-term relationships with business partners who excel in sustainability performance (ALDI SOUTH Group, 2024p).

This evaluation extends beyond traditional audits by utilizing a set of indicators to thoroughly assess the social and environmental compliance management systems of their business partners, as well as the performance of their farms or production facilities. The evaluation involves verifying results through ALDI Sustainability Assessments (ASAs) and is grounded in ASG's contractual sustainability requirements. Suppliers are rated on a scale from A to D, with the company prioritizing sourcing from those rated A and B. This rating system ensures that the company collaborates with partners who meet high sustainability standards. Suppliers rated D risk are removed from the list if they consistently fail to demonstrate improvement. This approach encourages continuous enhancement in sustainability practices among suppliers and ensures that ASG's supply chain aligns with its ethical and environmental goals. Through the CRSE, the company underscores its commitment to responsible sourcing and promoting sustainable practices across its supply chain. Its goals concerning business partners include:

- Ensuring all suppliers of in-scope products undergo an annual review to evaluate compliance with sustainability requirements.
- Enhancing business partners' knowledge and capacity to monitor sustainability, empowering them to meet these standards.
- Building long-term relationships with strategic partners who excel in sustainability, focusing on sourcing from A and B rated partners.

While ASG does not maintain direct contractual or investment relationships with lower supply chain activities—where the most significant human rights impacts have been identified—it remains essential for the company to understand how its business activities might connect to these critical issues. This understanding enables ASG to implement strategies that mitigate risks and promote better practices throughout its supply chain. Key areas where ASG can make a meaningful difference include supplier selection, purchasing practices, and pricing strategies. By carefully considering these factors, the company can influence positive change and contribute to improved human rights conditions.

The company has implemented comprehensive grievance mechanisms to address human rights and environmental concerns. Each ASG country offers platforms like the AlertLine or Council of Trust, allowing internal and external parties to report issues. These mechanisms are accessible in multiple countries, including Germany, Austria, Switzerland, Italy, the US, the UK, Australia, Ireland, Hungary, Slovenia, and Hong Kong.

In addition to these country-specific channels, ASG partners with civil society and industry stakeholders to establish multi-stakeholder grievance mechanisms in producer countries. These initiatives include the Amfori SPEAK FOR CHANGE Programme, the Impartial Worker Occupational Safety and Health Complaints Mechanism (RMG Sustainability Council), the Roundtable on Sustainable Palm Oil (RSPO) Complaints System, and the Issara Worker Voice Programme. Through these channels, affected rightsholders can submit complaints about human rights violations linked to ASG or its business partners.

Regarding remediation, ASG is committed to taking all allegations seriously. They take appropriate remedial actions if their business activities cause or contribute to negative impacts. This includes developing Corrective Action Plans (CAPs) with specific timelines to address and remediate issues. The company also works with remediation partners, multi-stakeholder initiatives, and local organizations to implement long-term solutions.

Internal processes, such as changes in purchasing practices, additional training, and audits, may be adjusted to address identified risks. Additionally, ASG may temporarily suspend business with partners who fail to comply with their standards.

Furthermore, ASG's commitment to fostering responsible and sustainable supply chains extends to its membership in the Consumer Goods Forum (CGF). This global network brings together CEOs and senior managers from over 400 retailers, manufacturers, and service providers, all focused on driving positive change across the industry. The CGF aims to address significant sustainability challenges, including human rights abuses, deforestation, and greenhouse gas emissions, emphasizing the necessity for collective action within the consumer goods sector. By joining the CGF, ASG collaborates with other industry leaders to implement effective strategies that promote responsible sourcing and carbon reduction, reinforcing their

commitment to corporate responsibility and sustainable development. The motto of the CGF, "Better Lives through Better Business," resonates with ASG's philosophy, as they believe that long-term partnerships within the industry are essential for advancing global sustainable development.

3 Assignments and Discussion Questions

In this case study, the task for students is twofold:

Phase 1: Study the existing aspects of sustainability that ASG implements in the primary activities of its value chain. For this purpose, the primary activities of the retail value chain (Section 1.2.), the concept of sustainability (Section 1.3.), and the global sustainability strategy (Section 2.2.2.) should be examined. List the findings for each of the nine primary value chain activities. For each of the identified aspects of sustainability, identify its possible effects on the company's value creation (efficiency and differentiation). Additional information on the company's corporate sustainability can be obtained from the ASG web resources listed among the references cited in this case study.

Phase 2: Develop ideas for sustainability management in ASG, aiming mainly at increasing the company's value by differentiation (innovation). Besides studying primary activities, discuss supporting activities from the aspect of possible sustainability approaches to increase the company's value by differentiation (Section 1.2.) as well. Write down the findings for value chain activities, and for each of the three aspects of sustainability (environmental, social and economic).

The following questions should guide you in your task completion:

1. What are discount retailers' key differentiating characteristics compared to other retailers?
2. Identify three activities for each of the nine primary activities of the discount retailer's value chain.
3. Identify three activities for each of the nine support activities of the discount retailer's value chain.
4. Describe the Sustainability Principles of ASG, using the document at <https://sustainability.aldisouthgroup.com/files/aldi-sustainability-principles>.

For each principle, list one possible sustainable practice that could increase the value for the company's customers.

5. Describe the sustainability implementation planning process for each of the six strategic areas of ASG's sustainability strategy.
6. List three key implementation activities for each of the six strategic areas of ASG's sustainability strategy.
7. Describe the process of monitoring the implementation of sustainability for each of the six strategic areas of ASG's sustainability strategy.
8. List three of the six strategic areas of sustainability strategy on which the retailer has the most direct influence.
9. List the key stakeholders and their roles for each of the six strategic areas of ASG's sustainability strategy.
10. List three complaint mechanisms ASG uses regarding unsustainable practices and describe their functions.
11. Describe ASG's Business partners' sustainability standards, using the webpage <https://sustainability.aldisouthgroup.com/files/2023-business-partner-sustainability-standards>. What kind of impact could these standards have on a company's value creation?
12. List five labels that ASG uses to demonstrate the implementation of sustainable practices and their potential impact on creating value for customers.
13. Find out whether the ASG standardizes its sustainable practices on international markets or localizes them and explain the reasons for the standardization or localization of these practices.
14. Describe three ASG's sustainable stories, using the webpage <https://sustainability.aldisouthgroup.com/making-change/sustainable-stories>. How did these sustainability activities increase the value for the company's customers?
15. Creating value through sustainability can be achieved through collective effort. Identify internal and external stakeholders who can contribute to this.
16. Critically assess the opportunities and challenges of discount retail in the area of sustainability (for example, <https://www.theretailbulletin.com/grocery/sustainability-in-grocery-retail-challenges-and-opportunities-21-06-2024/>, <https://businessmodelanalyst.com/aldi-swot-analysis/?srsltid=AfmBOoqe0vGPxCmMqIbGNANPaRlpQsqrqyhzBKW40QLHWqOiCpfiVgTc>, <https://www.iese.edu/insight/articles/hard-discount-retailers-secrets-success/>)

17. How can grocery stores encourage customers to sustainable consumption (see, for example, <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/consumer-industrial-products/ca-en-consumer-creating-value-from-sustainable-products-aoda.pdf>)?
18. Consider which aspects of the retailer's sustainability would convince you of sustainable consumption, how to co-create sustainable consumption as a consumer, and how to support it.

4 Conclusions

Various political, economic, social, technological, environmental, and legal factors are reshaping the global retail landscape, emphasizing the need for adaptability and innovation among retailers. Continuous innovation is essential for maintaining a competitive edge in the retail sector. It integrates the latest technologies, such as AI, AR, VR, and blockchain, to enhance operational efficiency, reduce costs, and provide superior customer experiences. Embracing innovation allows retailers to stay ahead in a fast-paced and dynamic industry.

In today's competitive landscape, mastering the retail industry value chain is essential for delivering seamless shopping experiences, optimizing operations, and driving growth. A well-integrated and innovative value chain ensures product availability, timely delivery, and high customer satisfaction, crucial factors for retaining loyal consumers. Value chain analysis is a powerful tool that could help retailers identify areas for improvement and efficiency and create new value for their customers. Companies can uncover value-creation opportunities by analyzing the value chain. Leveraging data analytics allows retailers to gain insights into consumer behavior and market trends, facilitating informed decision-making. By optimizing each value chain component—from product design to customer service—retailers can enhance value creation, reduce costs, and improve overall customer satisfaction, ultimately driving sustainable growth.

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Didactic Use: This case study is useful for courses in international business and marketing, where students analyze the role of sustainability management in value creation through differentiation within the discount retail industry. It is particularly relevant for topics covered in FEB courses such as *Basic of international business*, *Basic of international business and tourism*, *International marketing*, *International marketing management*, and *Strategic international marketing management* on undergraduate and master's programs.