Just-in-time – Aldi

Since opening its first store in 1913, Aldi has established itself as a reputable retailer operating in international markets including Germany, Australia and the U.S. Aldi has over 7,000 stores worldwide. What distinguishes Aldi from its competitors is its competitive pricing strategy without reducing the quality of its products. In fact, in some cases Aldi's products are 30% cheaper than those offered by its competitors. Aldi can do this because the business operates so efficiently. Efficiency is the relationship between inputs and corresponding outputs. For Aldi operating efficiently involves reducing costs in all areas of the business. Some of the key areas where Aldi is able to minimise costs are by saving time, space, effort and energy. Aldi's approach to doing this is to run its business around the principles of **lean thinking**.

Lean production is quite simply about getting more from less. Lean production involves eliminating waste and therefore using less labour, materials, space and time. This in turn reduces costs. However, for Aldi, it is also about passing these savings on to its customers to offer value for money. Lean production is based on a number of efficiency concepts, such as:

- *Continuous improvement* – a culture whereby all employees are constantly involved in making improvements to quality
- *Time based management* – an approach that aims to reduce the time wasted in business operations. This usually requires a multi-skilled and flexible workforce.
- *Total quality management (TQM)* – a quality assurance ideal where all workers have a responsibility for getting it 'right first time'
- ***Just-in-time*** *production* – materials are received just as they are needed, eliminating the need to maintain large stock levels

Aldi uses a just-in-time approach to store management by only holding the stock that it needs. Stock is expensive. The company therefore only buys the stock required at any given time. When stock levels are reduced an organisations **working capital** is improved. In other words, Aldi is not tying up too much investment in stock that is then going to be held for a long period of time before it is sold to generate income. It also means Aldi does not pay for large warehouses to store stock or pay for additional staff to monitor warehouse stock. From the moment stock arrives at an Aldi store everything is focused on reducing the cost of holding and managing the stock. For example, products are delivered in display ready cases. Once the top of the case is removed it can simply be lifted onto a shelf for display to customers. Units of 12, 24 or more can be handled easily and quickly **merchandised**. It means that individual units are not picked and lined up on shelves. In fact some products are sold in store from a pallet. This is a platform for large loads that can be brought mechanically into a store. This is an efficient way of getting a large volume of products into the shop very quickly.

Questions

1. Just-in-time stock control is an efficiency concept used in lean production. What is lean production?

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2. Describe Just-in-Time?

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3. JIT is often used in manufacturing organisations. Explain how Aldi, a service organisation, uses Just-in-Time stock control.

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4. Analyse the benefits of using JIT to organisations like Aldi.

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Task

Poster – create an information poster about Just-in-Time stock control which explains what it is as well as outlining the advantages and limitations of using JIT.

What have you learned?

Deliberate mistake – write a paragraph about JIT. Include several 'deliberate mistakes' in your paragraph. Now swap with someone and try to identify the mistakes in each other's work.