

# LIDL Operations Analysis -

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## **Critically assess the development and strategic importance of operations management.**

Operations analysis (M6X01290)

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## **Abstract**

This report will analyse the operations of the supermarket Lidl. For that, firstly It will describe the types of products and services provided by Lidl, who are the customers of the company and how it has addressed their expectations. Secondly, It will analyse the 5 performance objectives as defined by Slack et al. (2019). Thirdly, It will discuss the impact of Covid-19 pandemic to the operations and provide recommendations for addressing these issues.

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## Introduction

In this report we will see what is the operation management of Lidl but firstly It will explain what it is and a brief story of the firm.

“Operations management is the activity of managing the resources which are devoted to the production and delivery of products and services” (Slack, 2019).

The operations represent all actions needed between the seller and the customer to provide product or service. The operation management is required for any company and can be very different like manage the labor, the storage of a warehouse, create a delivery timetable...

This is a core function and the operation manager usually has a team to manage. For example, in factory, the operation manager has to satisfy the demand of products from customers, for that he need to has inputs for production. After he will manage the labor and machines to create outputs then he can manage the transport to ship goods in the stores. So, the operation manager deliver on promises that are made by the business to the customers.

Lidl has a long story nearly one century. At the begining, Lidl was a fruit wholesaler in 1930 and the company became partner with Josef Schwarz to develop the firm in a general food wholesaler. It is the son of Josef Schwarz : Dieter Schwarz who developed the discount supermarket Lidl that we know. The first store was opened in 1973 in Germany and today the company is international and has more than 10 000 locations in Europe and United States (since 2017). In United Kingdom Lidl has more than 800 supermarkets but it is not the store reference in the country with 5% of grocery market share. The market of grocery is very competitive with more than 10 brands like Sainsbury's, Tesco, Mark and Spencer, Asda, Aldi, Morrisons...

We will see how Lidl had this growth with her mix marketing, after what are the performance objectives of the firm and then we will see if the company needs to changes operations due to Covid-19.

# 1. Marketing mix of Lidl

Firstly, we will see what is the marketing mix of the company to understand what kind of products and services are provided, who are the customers of Lidl, where are the location of the supermarkets and what marketing strategy is doing by the firm.

Marketing have relations with all services of company because they highlight the products or services sell by the firm. Marketers identify needed of customers and establish a sells plan, that enable objectives at operation service which will makes actions to implement them.

Manager is needed in every services of company like in operation, finance, human resources, marketing... Objectives of the manager are to coordinate actions in their service to enable at firm to sell, make benefit and to supply product or service at customers (internally or externally) (Hooley, Piercy, Nicoulaud, 2012).

## 1.1.Products and services

« Most market offers are combinations of physical, tangible product and intangible service. » (Hooley, Piercy, Nicoulaud, 2012).

Lidl is an international brand of supermarket, his activity of service is to provide a wide range of food products but also non-food items like clothes, homeware and tools. She diversifies her activities because now she sells travels. Lidl has her own label of products and other huge brand of goods.

## 1.2.Prices and expectations from customers

« the lower the price, the more of a product is purchased » is the guideline of the firm (Hooley, Piercy, Nicoulaud, 2012).

Lidl is a discount retailer, the prices of products are very cheaper compared to the competition and that made the reputation of the brand. The slogan of the company is « Big on quality, Lidl on price » so the firm want to find the lowest prices for all products of the supermarket. The customers are very prices sensitive and they do not want the best quality of products on the market so if the cost of goods increase Lidl will lost their clients.

### 1.3.Place

The company sells its products in more than 10 000 supermarkets in the world. The stores usually have not got best localisation because the company wants find cheaper property cost. Moreover, the Lidl stores were less attractive than Sainsbury stores or other supermarket chain. But since few years, the company changes the architecture and the design of their stores to be more tall and conspicuous with huge front window that is more attractive for customers.

### 1.4.Promotion

« adverstising is one of the ways in which firms communicate with their customers and prospective customers. The range of communications tools available is increasing as new technologies present new opportunities. » (Hooley, Piercy, Nicoulaud, 2012).

Lidl uses an application on mobil to communicate special promotions, and weekly offer also, the firm collects mobil number and e-mail to send these commercial promotions (Bashin, 2019).

The company makes a marketing ploy with her « special day » where they made huge promotion on famous brand. This allows them to retain customers and provide occasional customers interest on some promotions.

Their weekly promotion begin on Thursday. Smart idea because that brings more customers on a day with less sales and that provides to customers a need to go in Lidl on Thursday at the risk of out of stock if they wanted product with promotion.

Another example of a success promotion is : « Big on the Big Shop campaign is paying off, with new Kantar research revealing that two thirds of its 7.5% growth is coming from full weekly shops - and looking at its latest performance you can see why.

The discounter's £45.42 basket was £3.85 (or 7.8%) cheaper than nearest rival Asda, and while that's down on the 13.4% gap in its last Grocer 33 guest retailer appearance, alongside the gap over Sainsbury's (12.2%), Tesco (17.4%), Morrisons (17.9%) and Waitrose (31.9%) it is still sufficient to make a meaningful difference for shoppers on a tight budget. » (Leyland, 2020).

## 2. Performance objectives

« It is no exaggeration to view operations management as being able either to 'make or break' any business – not just because the operations function is large and, in most business, represents the bulk of its assets and the majority of its people, but because the operations function gives the power to compete by providing the ability to respond to customers and by developing the capabilities that will keep it ahead of its competitors in the future. » (Slack, 2019).

The operations management provide advantage at the firm with the satisfaction of consumers, we will see how Lidl stand out from the supermarket competition with his five performance objectives.

The objectives enable to defined day-to-day tasks for the operations manager and the team who supervises.

### 2.1.Quality

« Quality is consistent conformance to customers' expectations... » (Slack, 2019).

To conform at the customers expectations Lidl has changed of store design which are more attractive with largest enter with front window at the exterior.



*Figure 1 - Old store*



*Figure 2 - New store*

Then, inside, the departments are largest and shelving units smaller and more luminous to be more comfortable for consumers. But, also it is twice advantages because the employees have more place to provide goods in shelves so the work is easier (Lidl, 2020).

Lidl is a discount retailer so the quality of products will not be the best of the market. But the firm is trying to find the best products as possible while keep their customers so at lowest cost.

In supermarket the quality can be judge, by the visual quality of products in departements, the cleanliness of the store, in this time of pandemic the protection of people with hydroalcolic gel at the enter of store, if there is not too people in the supermarket at the same time.

However the service provides at consumer is also important aspect. Lidl employees are multipurpose and available to do a lot of things in the store like stock shelves, cashier, do the cleaning or welcoming and helping customers (Lidl, 2020).

## 2.2.Speed

« The main benefit to the operation's customers of speedy delivery of goods and services is that the faster they can have the product or service, the more likely they are to buy it, or the more they will pay for it, or the greater the benefit they receive » (Slack, 2019).

For any business, « customer is the king » so in the supermarket, the out of stock is worse thing. The managers must avoid this situation by making good sells forecast and to be sure that shelves are supply.

Speed to supply is to be sure, that the warehouse ship the merchandises at the store and avoid out of stock.



*Figure 3 – Map of Lidl distribution centers and warehouses*

On this map we can see all distribution centers in yellow and in blue the warehouses of the firm in United-Kingdom. Through the locations these centers and warehouses enable to supply all stores and make a minimum of out of stock.

### 2.3.Dependability

« Dependability means doing things in time for customers to receive products or services exactly when they are needed, or at least when they were promised. » (Slack, 2019).

- Externally

Customers have to access at the store when they want on opening hours. Lidl stores have to be accessible without difficulty like disruption with automatic doors, if checkout which don't run, the maintenance service needs to be efficient every time. A good functioning of every

equipments in the supermarket save money because consumers can do their errand normally and will comeback.

- Internally

Equipments need to be run enable to save time for employees who are paid for tasks, a problem on staff equipment can stop work or slow down their activities.

The managers needs to make good predictions on busy period of store to avoid longer queuing time for customers. Also, they have to make good predictions to do not have out of stock of products espacially on common goods and avoid dissatisfaction of customers.

To be supply, Lidl has logistics service contactable 24/6 and on Sunday between 8 am and 5 pm. That enable to supply stores all time when there are open (Supply chain solution, 2020).

## 2.4.Flexibility

« Flexibility means being able to change the operation in some way. This may mean changing what the operation does, how it is doing it, or when it is doing it. » (Slack, 2019).

Internally Lidl has a flexibility with a lot of checkouts and the staff who is able to make diferent tasks in the store like be cashier if there is busy times of customers. The equipments give huge flexibility with the automatic checkouts, control by the consumers that avoid to have too much cashiers at the same time.

« They have a diversified and variety of offering to its customer. They have anything from essential for the home like small appliances or kitchen gadget to stylish gear for the whole family, toys, power tools, to home décor and gardening supplies and much more. » (Bashin, 2019).

Also, customers have lot of choice of products and Lidl makes promotions on new products every weeks which started on Thursday.

## 2.5.Cost

« To the companies that compete directly on price, cost will clearly be their major operations ojective. » (Slack, 2019).

For a discounter like Lidl, the operations costs have to be reduced everywhere as possible. To reduce exploitation costs, the company has polyvalent employees be able to do different tasks in the store, presentation of products is simple with open-carton display, uses pallet to present products promotion.

## 2.6.Sustainability

The sustainability is not mentioned in the five performance objectives but it is one important aspect since a few years.

Most companies want to be more sustainable to earn money, to reduce their environment impact, to be more attractive for customers who are attentive to the ecosystem so many firms develop a sustainable service. A survey made in 2014 by the Carbon Disclosure Project showed that firms which made the sustainability one of the spearhead and outperformed earn more money and shareholders receive more dividends (Freya Williams, 2015).

Lidl gives important objectives to reduce his impact like :

- Reduce food waste

With basket of fruit and vegetables at 1€ in France ; targeted promotions on products with a consumption cut-off date or optimal use cut-off date close ; donation at charities of food whose expiry date is exceeded.

- Reduce energy use

As we can see the picture 2 of the new store of Lidl, the huge front window helps to reduce the usage of energy with natural light and also installation of energy efficient equipment in the store.

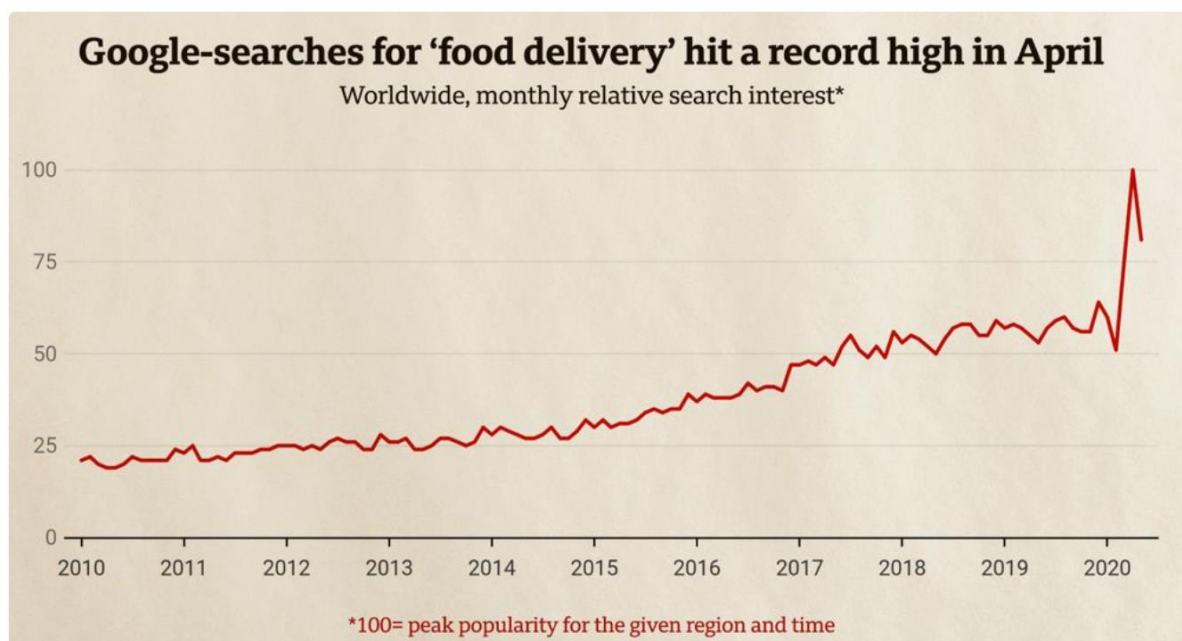
- Lidl engaged to reduce waste

The firm engaged to withdraw products single-use plastic since 2019. However, Lidl puts in every stores, warehouse and headquarters bins to sorting and recycling wastes (Lidl, 2020).

### 3. Impacts of Covid-19 on the operations

#### 3.1.Home deliveries

« home deliveries are the future. » that what Krystina Shveda BBC reporter said on her article. With the Covid-19 pandemic the home deliveries have increase because some people do not want to go to store with the virus. The frail peoples have to stay at home. And the governments says to stay at home as far as possible. So the home deliveries have prospect for months and maybe more because there is not solutions to stop the virus for now.



(Credit: Krystina Shveda/ Datawrapper Source: Google Trends)

Figure 4 - Food delivery research

On this graph we can see the huge increase of the « food delivery » research on google in april 2020 when most lockdown started.

Lidl do not offers delivery service at customers, they can develop this aspect to keep their customers when there are pandemic like Covid-19 and maybe gain new consumers who search food deliveries.

#### 3.2.Health protection

The stores have to protecte their workers and customers. Internally, Lidl has to prodive mask, and hydroalcolic gel to workers. In relation to the flexibilty, the managers has to be responsive

for any absence of workers because of virus and replaces employee. Externally, the company has to manage the number of people in their stores, provide hydroalcolic gel at the enter of each store (KPMG, 2020).

Moreover, the retailers need to hire new employees to control if every shopper has his mask at enter. For exemple « Asda has said it will introduce 1,000 new Covid-19 marshals on the doors of its supermarkets to ensure customers wear masks properly. » (Press assocaition, 2020).

## **Conclusion**

Through this report we have seen the operation management of Lidl with marketing mix strategy, what kind of operations and resources the firm needs to supply products and services at consumers

Firstly, we have seen the type of products and services supply, in which quality it is sell, the prices, the clientele and the price elasticity in relation to demand, which kind of distribution channel is used by the company and where are situated the stores of the brand.

Secondly, we described the five performance objectives of the operations. Starting by quality of products and services supply at consumers who are internally or externally. After, we explained the speed, the dependability, the flexibility and the cost objectives. Finishing, by studied the sustainability which is an important aspect and objective of firm since few years.

Thirdly, we explained the impact of Covid-19 on the operations of supermarket Lidl and what they can do to keep their consumers or even gain new customers with the home deliveries and then how they can still have good operations in all supply chain to be reactive face a lack of workers due to the virus.

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