

## Can Discount Pricing Be A Competitive Brand Strategy? An Evaluation of Aldi

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The aims of this exploratory research are to investigate the viability of Aldi's discount pricing strategy in the context of UK grocery retail and examine the impact of this approach on customer's perceptions of and loyalty to the Aldi brand. Using 191 self-completed questionnaires with Aldi customers in Edinburgh, Scotland, the research found that discount pricing was a useful competitive strategy to drive footfall to the Aldi store particularly if combined with perceived value for money. The research revealed that price and value for money influenced brand perceptions but did not necessarily make customers loyal to the brand. With regards to the research hypotheses, H1 discount pricing plays an influential role in the brand loyalty of customers was not supported and H2 customers patronise Aldi because of price was supported. The variables age, gender, income, spending on groceries, preferred grocery retailer and frequency of shop proved significant in a customer's patronage of Aldi. Given the context to this research, specifically the growth of discount retailing in the UK, mirrored by the increasing economic pressures on customers, the exploratory findings of this research should prove useful to academics researching the discount grocery retail sector and practitioners wishing to influence the brand loyalty and store patronage of their customers.

**Key words:** Aldi, Brand, Brand Preference, Consumer Sentiment

**JEL classification:** M31.

### 1. Introduction

In 2014 the grocery retail market of the UK was worth an estimated £174.5bn, an increase of 2.8% on 2013 (IGD, 2014). This figure translates to 54.5p in every £1 spent in the UK is in the grocery sector (IGD, 2014). It is perhaps unsurprising that there is so much consumer spend in this sector given the number and choice of grocery retail stores and formats available to the UK customer and the particular dominance of the so-called 'big four'<sup>8</sup>. Tesco is the largest of the grocery retailers with an online presence and over 3,000 stores in the UK (Barford, 2014). In contrast Aldi has a retail footprint of around 500 stores and plans to open between 50 and 65 every year until 2021 (Anon, 2014) as a means of increasing their market share. According to Ruddick (2014), this continued development of retail stores, particularly smaller convenience formats has raised an important question, are today's grocery shoppers increasingly shopping around because they have more stores to choose from? and therefore customer may become even more promiscuous than they currently are (O'Connell, 2014, Findlay and Sparks, 2008, McGoldrick and Andre, 1997). With more consumer choice and demand spread over the online and the diverse offline offer, which includes large hypermarkets, superstores and smaller convenience stores, retailers are increasingly looking for new strategies to remain competitive and attract customers, one such strategy which is currently en vogue is that of price discounting.

In February 2015 Tesco had a 29% share of the grocery market in the UK, ASDA's share of the market was 16.9%, Sainsbury's had a 16.7% share of the market, Morrisons share was 11.1%, the Co-operative had a 5.9% share, with Waitrose having a 5.2% share, Iceland 2.2% and Independents and other outlets having a 4.6% share of the market between them (Statista, 2015). With regards Aldi and Lidl, their share of the grocery market was 4.9% and 3.5% (Statista, 2015) respectively which may be considered

<sup>8</sup> Tesco, ASDA, Sainsbury's, Morrisons

modest but if examined in conjunction with their impact on the strategies of the other larger grocery retailers we begin to see a picture emerge where the discounting approach, offering customer low priced quality own-brand and branded products (Magazine Monitor, 2014, Rudolph and Meise, 2012, Beneke, 2010) appears to have struck a chord with the UK customer and caused the ‘big four’ to cut their prices (Butler, 2014). It is within the context that this research will investigate the viability of Aldi’s discount pricing strategy in the context of UK grocery retail and examine the impact of this approach on customer’s perceptions of and loyalty to the Aldi brand.

## 2. Literature review

When we investigate the make-up of the UK grocery market in more depth we can see that there has been a rise in sales from discount retailers to £10.8bn in 2014 (IGD, 2014). The rise of discount retailers and their policy of discount pricing as a strategy is argued to be as a consequence of the current economic climate, and has impacted directly on consumer shopping patterns, with customers increasingly becoming more price sensitivity, with unnecessary spending reduced and many customers seen to be more focused on just the essentials (Zurawicki and Braidot, 2005, Ang, 2001a, Ang, 2001b). The change in shopping behaviour either as a result of or in response to the rise of discount retailers has led to further discounting of brands and stocking of own brands (IGD, 2014) across the sector and increased price reductions. In the first instance sales of discounted brands and stocking of more own brand products has increased, sales of own brands are around 41% of all UK grocery sales (Sloan, 2012), and are being increasingly seen as an important part of a discounting strategy and vehicle for retailers to increase their market share and enhance turnover and profitability (Bolton, Shakar and Montoya, 2010). In the second instance the influence of Aldi with their “focus on price and simplicity, against a backdrop of falling living standards” (Butler, 2014, n/p) appear to have triggered rather intense price reductions among the ‘big four’ (Kantar, 2014, Stone, 2010). Although not solely because of Aldi’s discount pricing strategy, the economic recession has played a significant role in the strategic shift, the impact on the strategies of their competitors in the grocery retail market has been clear with Tesco adopting a ‘Prices down and staying down’ strategy, Asda adopting a ‘Price lock’ policy and Morrisons promoting ‘I’m cheaper – everyday low prices’ (Kantar, 2014). The extent to which these discounting strategies influence the brand perceptions and loyalty of the typical grocery shopper will be investigated in this research through H<sub>1</sub> discount pricing plays an influential role in the brand loyalty of customers.

### *The antecedents of loyalty*

Previous research has shown that customer loyalty can be to the brand and/or the store (Turner and Greene, 2015, Martenson, 2007, Bloemer and Odekerken-Schröder, 2002, Flavian et al, 2001, Knox and Denison, 2000, MacIntosh and Lockshin, 1997, East et al, 1995, Walker and Knox, 1995). For retailers to gain such customer loyalty is problematic particularly in a highly competitive marketplace where customers are presented with numerous online and offline solutions to their grocery needs. Customer loyalty may be the result of a lack of alternatives, price, value for money, quality or convenience (Lawson, 2013, Ehrenberg and Scriven, 2004, Brennan and Lundsten, 2000, Sweeney, Soutar and Johnson, 1999, Mitchell and Kiral, 1998, Sopanen, 1996ab, Buttle, 1985). Given customers can be loyal for a variety of reasons and that this loyalty could be occasional and temporary it is imperative that retailers ‘attempt to tick as many attitudinal and behavioural boxes’ in the eyes of the consumer in an attempt to achieve repeat patronage and ultimately loyalty.

Arguably, loyalty consists of the variables satisfaction (Helgesen, 2006, Bloemer and Odekerken-Schröder, 2003, Koo, 2003, Olsen, 2002, Bowen and Chen, 2001, Mittal and Kamakura, 2001, Hallowell, 1996, Rust and Zahorik, 1993, Bloemer and Lemmink, 1992); trust (Harris and Goode, 2004, Delgado-Ballester, Munuera-Aleman, and Guillen, 2003, Sirdeshmukh et al, 2002) and commitment (Fullerton, 2005, Kwon and Suh, 2005, Adamson et al, 2003, Bloemer and Odekerken-Schröder, 2003, Garbarino and Johnson, 1999, Pritchard, Havitz and Howard, 1999, Morgan and Hunt, 1994). To achieve satisfaction, trust and ultimately commitment Aldi have implemented their policy of price discounting, which is not simply about price reductions. Simply implementing a strategy of low or discount prices certainly appeal to customers and can positively impact on the short term footfall of customers but a reliance on this strategy in the longer term can, not only weaken the brand but have a negative effect on profits (Barnes 2004) particularly if you are one of the big four with ranges of over 40,000 products (Butler, 2014). Aldi have

attempted to create a discount pricing strategy which centres on firstly a relatively narrow product range, with 90% of that range being own-label (Butler, 2014). Aldi's strategy of stocking own brand and branded products appears to fit with the current customer perception that own brands are comparable to manufacturer brands in term of quality and reliability (Turner and Grant, 2011, De Wulf et al, 2005, Baltas, 1997, Richardson, 1997) and is arguably considered an important criteria in the choice of grocery store (Aalto-Seta and Raijas, 2003). Secondly, maximising retail space and reducing overheads, which includes having customers pay for grocery bags (a measure that has now been introduced by all grocery retailers) and creating the working customer through having them pack their own shopping (Bracey, 2013). These cost savings have allowed Aldi the financial flexibility to offer today's knowledgeable and price conscious customers low priced products (Dennis, Fenech and Merrilees, 2004) and perceived value for money. Price is considered a particularly emotive influencer, if not the main influencer on where a grocery shopper chooses to shop (Han, Gupta and Lehmann, 2001) which is why the research will investigate H<sub>1</sub> customers patronise Aldi because of price.

The extent to which this discounting strategy is sustainable will be partially addressed by this and the authors subsequent research into Aldi examining whether a strategy which includes reducing costs associated to customer operations, logistics, quantity and quantity of the product range and buying process (Walters and Knee, 1989) can continue to appeal particularly when the economy shows signs of recovery and consumer confidence improves. The introduction of brand-matched quality, weekly offers, and low prices supported by an aggressive media campaign has resulted in customers patronising and continuing to patronise Aldi, but the extent to which customers consider themselves loyal will also be considered in this research drawing conclusions and making observations on future activities to enhance Aldi's current discount pricing strategy.

### 3. Methodology

In February 2014 over a two week period the research used face-to-face self-completed questionnaires, which took between 5-10 minutes to complete, with 191 customers of Aldi Edinburgh. The research used convenience sampling on a pre-determined population, i.e. customers of Aldi (Saunders, Lewis and Thornhill, 2003) as they entered or exited the store. It was considered appropriate to use this approach as it permitted access to a wide range of customers, allowing them the opportunity to participate or not (Bryman and Bell, 2007). It is acknowledged however that the approach only questioned those willing to complete the survey but this was considered a minor limitation as the research was interested in the opinions of Aldi customers and the sample who completed the survey were those such customers. A further limitation of this research was the sample size, which although appropriate for exploratory research would benefit from being both a larger sample size and complimented by qualitative research.

To ensure the research was both reliable and valid a pilot study was conducted with 20 respondents which confirmed clarity and appropriateness of the questions, testing for ambiguity and the logic of the sequence of questions (Zikmund, 2003). The pilot study also allowed the researcher to familiarise himself with the survey and the data collection procedure involved (Bryman and Bell, 2007, Zikmund, 2003). In order to measure the internal consistency of the survey a Cronbach's Alpha coefficient was used. Cronbach's Alpha "is the average of all possible split half coefficients resulting from different ways of splitting the scale items" (Malhotra and Birks, 2003 p.314), with the coefficient value ranging from 0 to 10. With regards this research, using the Cronbach's Alpha coefficient test, the test revealed a figure of 0.927, which represents a good scale and valid test model (Malhotra and Birks 2003).

The research design of the survey was divided into four sections. Section A included questions relating to respondents demographic information. Section B included questions relating to a respondents shopping behaviour. Section C included questions relating to pricing and discount pricing and its relationship to patronage of Aldi and Section D included questions on the Aldi brand and brand loyalty.

### 4. Analysis and discussion

In terms of respondents demographics, 41% were male and 59% were female with 44% aged 18-34, 49% were aged 35-64 and 7% aged 65 and over. In terms of annual income, 40% of respondents earned than £19,000, 25% earned between £19,001 and £29,000, 21% earned between £29,001 and £39,000, 8% earned between £39,001 and £49,000 and 7% earned £49,001 and above. Regarding respondents mode of

transport for grocery shopping, 41% used a car, 32% used public transport, 21% walked which would imply relative close proximity to the store, 4% used a bike and 2% used another form of transport.

Regarding frequency of shop, 31% of the respondents shopped once a week, 23% shopped between 3 and 4 times a week, 21% shopped every fortnight, 10% shopped daily and 15% shopped once a month or less. In terms of monthly spending on groceries, 34% spent between £201-£300, 28% spent between £101-£200, with 20% spending less than £100, 9% spending between £301 and £400 and 9% spending £401 or more a month. These figures relating to shopping spend were to be expected given the earlier figures relating to annual income. With regards respondents preferred grocery retailer, the majority of respondents did not select only one grocery retailer and therefore the results are displayed in figures and not percentages, as the percentages would be misleading. Aldi was the preferred retailer, chosen by 131 respondents, Sainsburys was the second most preferred grocery retailer selected by 39 respondents, 38 respondents preferred Asda, 32 respondents selected Tesco as their preferred grocery retailer with 20 selecting Lidl as their preferred grocery retailer, 13 selecting Waitrose as their preferred grocery retailer, 12 selecting Morrisons as their preferred grocery retailer and 12 selecting the Co-Operative as their preferred grocery retailer. It is perhaps unsurprising that Aldi was the clearly preferred grocery retailer given respondents were customers of Aldi, what is surprising however is that Lidl was preferred by so few respondents. One would have expected that respondents would have preferred Lidl in greater numbers given both Aldi and Lidl are discounters and competing for similar customer so perhaps it is brand which plays a pivotal role in customers perceptions and patronage, something which will be investigated in the next section.

#### *Factors influencing choice of grocery retailer*

Respondents were asked which factors influenced their choice of grocery retailer, the most frequently selected variable was price, chosen by 48% of the respondents, the second most selected variable was value for money, selected by 14% of respondents, 13% selected quality, 8% selected brand, 6% selected convenient location, 5% selected discounts, 3% selected friends and 3% selected store reputation. The fact that price was considered the most important variable in a respondents choice of grocery retailer is supported by the literature, although it should be noted that in this research and that of previous research, price was not the sole reason for a customer patronising a grocery retailer. Factors such as value for money and quality were also considered important variables (Turner and Greene, 2015, Lawson, 2013, Mitchell and Kiral, 1998, Buttle, 1985) and arguably operate in tandem with price. The fact that brand was not considered particularly influential is also unsurprising given the circa 50/50 share between manufacturer and own-brand products in the grocery market (Beneke, 2010) with own-brand products now-a-days considered comparable to branded products in terms of quality, performance and reliability (Turner and Grant, 2011, De Wulf et al, 2005, Baltas, 1997).

#### *Loyalty to the Aldi brand*

There were low levels of agreement (33.5%) and relatively high levels of neutrality (39.8%) among respondents when asked the question 'I consider myself loyal to the Aldi brand', (see **Table 1**) which reflects the research findings of, amongst others, Turner and Greene (2015), O'Connell (2014), Findlay and Sparks (2008) and McGoldrick and Andre (1997) who found that that customers are not loyal to any particular retailer, rather they are promiscuous, willing to shop around and switch their allegiance to the retailer whose offer suits them best at any given time. Of the variables age, gender, income, spending on groceries, frequency of shop and preferred grocery retailer, which were tested for significance using multiple regression, age, gender, income, spending on groceries and frequency of shop proved significant.

Question	Percentage of those who Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I consider myself loyal to Aldi	33.5%	39.8%	26.7%	Age $p < .001$ Income $p < .001$ Frequency of shop $p < .001$ Spending on groceries $p < .001$ Gender $p < .007$

**Table 1: Statistics relating to loyalty to the Aldi brand**

To investigate the nature of loyalty towards the Aldi brand in more depth the research found that respondents agreed they were satisfied (64.4%) and trusted (75.4%) the Aldi brand but did not consider themselves committed (25.1%), or would remain loyal to the Aldi brand in the future if prices increased (see **Table 2**). The fact that respondents considered themselves satisfied is certainly a positive indicator for repeat patronage but the presence of satisfaction does not mean a customer is loyal (Hart and Johnson, 1999, Mittal and Lassar, 1998, Rust and Zahorik, 1993). Equally the fact that respondents trusted the Aldi brand does not mean a customer is loyal, a fact underlined by the low level of respondent agreement to the question relating to commitment. For loyalty to exist the antecedents trust and commitment are arguably necessary (Kwon and Suh, 2005, Adamson et al, 2003, Delgado-Ballester and Munuera-Aleman, 2001, Morgan and Hunt, 1994). In other words it appears that although satisfied and trusting of the Aldi brand, respondents did not consider themselves particularly loyal. In the next section the research will attempt to ascertain the reasons for customer's loyalty and patronage and the role pricing has on this behaviour. But prior to this the research will investigate the nature of loyalty in greater depth through a series of correlations using Spearman's Rho.

Question	Percentage of those of Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I am satisfied with the Aldi brand	64.4%	27.7%	8.8%	Income $p < .005$ Gender $p < .003$
I trust the Aldi brand	75.4%	15.7%	8.9%	None
I am committed to the Aldi brand	25.1%	45.0%	29.3%	None
I will remain loyal to the Aldi brand in the future if the prices increased	19.9%	34.6%	45.5%	None

**Table 2: Statistics relating to loyalty antecedents towards Aldi brand**

A series of correlations were conducted using Spearman's Rho, to compare antecedents of loyalty towards the Aldi brand. All correlations were statistically significant and positive with the strongest correlation for loyalty to the Aldi brand and the antecedent commitment, with  $r=0.600$ ,  $p < .01$ . The correlation between loyalty to the Aldi brand and the antecedent satisfaction was  $r=0.529$ ,  $p < .01$  and the correlation between loyalty to the Aldi brand and the antecedent trust was  $r=0.473$ ,  $p < .01$ . The fact that all antecedents' relationship with loyalty to the Aldi brand were statistically significant and positive indicates a level of customer loyalty to the Aldi brand, however, when the research examines the findings holistically in conjunction with the descriptive findings the research reveals that respondents were not particularly loyal nor committed to the Aldi brand, a result supported by the work of Turner and Greene (2015) on Aldi in Northern Ireland.

#### *The reasons for customers patronage of Aldi*

If respondents did not consider themselves particularly loyal to the Aldi brand, it is important to ascertain the reasons for their patronage of Aldi and consumption of the brand. As we can observe from **Table 3** the majority of respondents patronised Aldi because of value for money (83.8%), price (81.7%) and to a lesser extent convenient location (54.5%). However the majority of respondents were neutral (53.9%) or disagreed (25.6%) that they patronised Aldi because of the brand, were neutral (44.0%) or disagreed (27.7%) that they patronised Aldi because of the friendly staff and were neutral (40.8%) or disagreed (36.6%) that they shopped at Aldi because of their reputation. Respondents were neutral (36.6%) or disagreed that they patronised Aldi because of recommendations from friends and were neutral (30.4%) and disagreed (23.6%) that they patronised Aldi because of the offers and incentives. With regards the remaining two questions, the majority of respondents disagreed (64.4%) that they patronised Aldi because of habit and disagreed (67.6%) that they patronised Aldi because they had no choice. Of the variables age,

gender, income, spending on groceries, frequency of shop and preferred grocery retailer, which were tested for significance using multiple regression, gender, income, and particularly age, spending on groceries and frequency of shop proved significant.

Question	Percentage of those of Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I shop at Aldi because of price	81.7%	9.4%	8.9%	Frequency of shop $p<.001$
I shop at Aldi because of their reputation	22.5%	40.8%	36.6%	None
I shop at Aldi because I have no choice	11.5%	19.9%	67.6%	None
I shop at Aldi because of habit	14.6%	20.9%	64.4%	Frequency of shop $p<.001$
I shop at Aldi because of value for money	83.8%	9.9%	6.3%	Spending on groceries $p<.001$
I shop at Aldi because of its convenient location	54.5%	17.8%	27.3%	None
I shop at Aldi because of incentives and offers	46.1%	30.4%	23.6%	Age $p<.001$ Income $p<.001$ Frequency of shop $p<.001$ Spending on groceries $p<.001$ Gender $p<.001$ Preferred grocery retailer $p<.001$
I shop at Aldi because of recommendations from friends	24.6%	36.6%	36.6%	None
I shop at Aldi because of brand	19.8%	53.9%	25.6%	Age $p<.001$ Frequency of shop $p<.001$ Spending on groceries $p<.001$
I shop at Aldi because of friendly staff	27.8%	44.0%	27.7%	Age $p<.001$ Frequency of shop $p<.001$ Spending on groceries $p<.001$

**Table 3: Statistics relating to reasons for patronage of Aldi**

The fact that price and value for money were the most selected variables are in line with previous research into Aldi and echoes what the retailer stands for, low priced, value for money discounting (Turner and Greene, 2015, Magazine Monitor, 2014, Rudolph and Meise, 2012). Equally the fact that brand and reputation received a high degree of neutrality from respondents is perhaps unsurprising as this is a common theme to emerge in this research, supported by existing research that own-brand products are perhaps perceived as more comparable rather than inferior to branded products in terms of quality, performance and reliability (Turner and Grant, 2011, De Wulf et al, 2005, Baltas, 1997). The research findings are also

supported by the relatively low levels of loyalty towards the Aldi brand and in line with existing research which indicates that customers were not loyal to any particular retailer, rather they are promiscuous (Findlay and Sparks, 2008, McGoldrick and Andre, 1997) and willing to patronise the grocery retailer who is giving them the best deal, i.e. low priced products and perceived value for money.

*The role of pricing in a customer's patronage of Aldi*

The research has found that price and value for money are important variables in a respondent's patronage of Aldi, the extent to which pricing as a variable influences respondent's loyalty and patronage of the brand will be investigated in this section of the research. As it may be observed from **Table 4**, the majority of respondents patronised Aldi because of price (81.7%) and value for money (83.8%) and considered that Aldi's prices are generally cheaper than the competition (69.6%). Interestingly the majority of respondents were neutral (51.3%) or agreed (38.8%) when asked if they considered Aldi products to be priced much lower than branded products and the majority of respondents were neutral (54.5%) when asked if Aldi prices have changed their perception of the brand, a relatively equal proportion of respondents agreed (23.5%) or disagreed (21.9%) with the statement. In terms of affordable prices being the main reason for remaining with Aldi, the majority were agreeable (45.6%) or neutral (45.5%) and would remain loyal to the retailer even if they increased their prices with 46.6% agreeing and 41.4% neutral. In contrast and arguably in contradiction to the responses to the previous question, the majority of respondents were neutral (45.5%) when asked if they would remain with Aldi even if prices were cheaper elsewhere with 28.3% in disagreement and 26.2% agreeing. Of the variables age, gender, income, spending on groceries, frequency of shop and preferred grocery retailer, which were tested for significance using multiple regression, age, gender, income, preferred grocery retailer, spending on groceries and particularly frequency of shop proved significant.

Question	Percentage of those of Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I shop at Aldi because of price	81.7%	9.4%	8.9%	Frequency of shop $p < .001$
I shop at Aldi because of value for money	83.8%	9.9%	6.3%	Spending on groceries $p < .001$
Aldi products are priced much lower than branded products	38.8%	51.3%	9.9%	Preferred grocery retailer $p < .001$
Aldi prices have changed my perception of the brand	23.5%	54.5%	21.9%	None
Aldi prices are generally cheaper than its competitors	69.6%	22.5%	6.8%	None
I would remain with Aldi even if prices were cheaper elsewhere	26.2%	45.5%	28.3%	None
Affordable prices are my main reason for remaining with Aldi	45.6%	45.5%	8.9%	Age $p < .001$ Frequency of shop $p < .001$
I would remain with Aldi even if their prices increase	46.6%	41.4%	11%	Age $p < .001$ Income $p < .001$ Frequency of shop $p < .001$ Spending on groceries $p < .001$ Gender $p < .001$

**Table 4: Statistics relating to Aldi pricing**

The research findings support previous research into Aldi in Northern Ireland (Turner and Greene, 2015) and takes research forward into investigating the specific role of pricing as a mechanism to influence patronage of and loyalty to Aldi. The fact that the majority of respondents patronise Aldi because of value for money, price and to a degree, affordable prices and are considered cheaper than the competition, with a positive, significant relationship between price and loyalty to the Aldi brand with  $r=0.205$ ,  $p<.01$  supports H<sub>2</sub> customers patronise Aldi because of price. Respondents would also appear to perceive Aldi products (branded and non-branded) as low priced, not necessarily distinguishing Aldi products as cheaper than branded products, seeing the product range as low priced. This perception that Aldi are a low cost, discount retailer (Turner and Greene, 2015, Magazine Monitor, 2014, Rudolph and Meise, 2012) appears to have resonated with respondents given the fact that the majority of them did not consider Aldi's prices having changed their perception of the brand presumably because respondents already consider the Aldi brand to be associated with low price. Interestingly and to a degree, in contrast to the underlying theme of this research, those respondents were not particularly loyal, the majority of respondents either agreed or were neutral to the question that they would remain loyal to Aldi even if prices increased and were neutral that they would remain with Aldi even if prices were cheaper elsewhere. Perhaps the reasons for their responses are that they already consider Aldi to be cheaper than the competition, a fact illustrated earlier and therefore even an incremental rise in prices would not alter the fact that Aldi are still cheaper with perceived value for money and therefore would continue to patronise the brand. The fact that respondents were neutral or agree and disagree in relatively even numbers that they would remain with Aldi even if prices were cheaper elsewhere perhaps underlines the indifference that customers have towards loyalty to any one particular grocery retailer. Although playing a relatively influential role in a customer's preference and patronage of the Aldi brand, discount pricing (the price more than the brand component of this strategy) did not engender loyalty and therefore H<sub>1</sub> discount pricing plays an influential role in the brand loyalty of customers was not supported. It would appear, that similarly to other research in the area, that whatever the competitive strategy implemented by retailers is consumers simply patronise the retailer who gives them the best deal and any given time (Turner and Greene, 2015, Findlay and Sparks, 2008, McGoldrick and Andre, 1997).

## 5. Conclusion

This exploratory research examined the viability of Aldi's discount pricing strategy in the context of UK grocery retail and discussed the impact of this approach on customer's perceptions of the Aldi brand. The research consolidated existing literature on customer loyalty towards the Aldi brand and took research forward with reference to discount pricing as a strategy. The research found that price and to a lesser extent value for money and quality were important variables in their choice of store but when it came to Aldi the variables price and value for money were the most important variables for patronage. Aldi was the most preferred grocery retailer which is supported by the literature in that authors argue that Aldi has increased its popularity among consumers (Lawson, 2013). It should be noted however that preference does not translate to loyalty with only 33.5% of respondents agreeing and strongly agreeing that they were loyal to the Aldi brand. Respondents did consider themselves satisfied and trusting of the Aldi brand but did not consider themselves committed which is supported by previous research (Turner and Greene, 2015). In terms of pricing, the research revealed that price and value for money were the main motivators for patronage of Aldi which supports H<sub>2</sub> customers patronise Aldi because of price. However, despite there being a positive significant correlation between price and loyalty to Aldi the research could not support H<sub>1</sub> discount pricing plays an influential role in the brand loyalty of customers as although important to a customer's patronage of Aldi, respondents did not consider themselves loyal to the Aldi brand.

The findings from this exploratory research can be generalised to other retailers and Aldi's across other cities in the UK. In terms of further research, firstly research could be conducted in those cities which are dominated by the 'big four', those cities which have both a strong Aldi and Lidl presence and those cities which have more than one Aldi to understand if similar findings to this research are revealed in those cities which exhibit different characteristics. A second area for further research would be to examine customer perspectives of the Aldi brand, comparing branded and own-brand range of products to provide further insight into customer perceptions of the brand, brand loyalty towards Aldi and the viability of the Aldi discount pricing strategy. A final area for future research would be to conduct qualitative research into



the relationship between loyalty and prices to try and provide more detailed answers to the questions addressed in this particular research.

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