The sojourn of Aldi in Greece

Sophia Skordili
Department of Geography
Harokopio University, Athens, Greece

Key Words
Grocery retail, discount chains, international divestment, Aldi, Greece

Abstract
In a context of generalized economic recession consumers turn to cheaper foodstuffs and discounters expand their market share at the expense of conventional food retailers. Discounter’s international expansion is proceeding in many locations simultaneously, with varying results. There are several success stories but international expansion not infrequently ends in failure and withdrawal from the foreign market. Quite recently, at the end of 2010, the German discounter Aldi withdrew from Greece abandoning an ambitious investment programme. The aim of this paper is to investigate the crucial factors behind the recent withdrawal of the Aldi discount chain from Greece. Company sources have placed unilateral emphasis on the external environment and encourage the idea that all have to do with the unfavorable external conditions. However ex post scrutiny of Aldi’s investment programme in Greece reveals a number of mistaken appraisals and unfortunate choices which took place during the phases of preparation and implementation of the investment. It is argued that, among other factors, overestimation of the size and potential of the domestic discounters’ market and incoherent elaboration of the network of retail outlets were largely responsible for the failure of the undertaking.

1. Introduction
In a context of generalized economic recession consumers turn to cheaper foodstuffs and discounters expand their market share at the expense of conventional food retailers. In aggregate EU15 market for the 2000-09 period the increase was impressive, from 14.9% to 20% (Colla, 2003; The Economist, 08/07/2010). The trend is upwards all over Europe but the size and the dynamics of discount markets differ significantly from country to country. The food discount chain model is particularly well-established and popular in certain countries, whereas in others its proliferation encounters resistance.

The mature markets of northern and western Europe, above all Germany and the Scandinavian countries, are markets of preference for the discount chains. This spartan, no-frills sales model is entirely compatible with the predominant consumer behavior in these countries. A recent study confirmed that Germans prefer to have a lower standard of service or narrower range of products at lower prices than to have the opposite (The Economist, 08/07/2010). Or to put it differently there are three marketing tools in Germany: price, price and price (Fernie and Arnold, 2002). It is estimated that more than 15,000 discount shopping outlets serve even the country’s remotest regions (Dawson, 12/03/2010). In order to survive and grow in conditions of such fierce competition big discounters are currently implementing two basic strategies: upgrading of the services they provide, to gain market shares from conventional chains, as well as, expansion of their
networks into foreign countries. The internationalization was significantly intensified after the year 2000 (Wortmann, 2003; Delloite, 2009; Burt, 2010).

Transnational discount chains do not meet with the same degree of acceptance everywhere. Penetration of the large and competitive East Coast USA market by Aldi and the expansion of Schwartz group in France are distinctive success stories (The Economist, 23/06/2011; Dawson, 05/07/2010). But international expansion not infrequently ends in failure and withdrawal from the foreign market. Grocery retailing directly engages day-to-day habits such as food choices and diet hence there are definitely significant barriers and limits to internationalization. The recent experience has shown that competency at home is not automatically transferable to different locations (Aoyama, 2007). Among others, during the last decade the Schwartz group was obliged to withdraw from Norway, the DIA and Tengelmann chains from Italy, Rewe from Spain and the Norwegian Rema from Sweden (Colla, 2003; The Economist, 14/08/2008).

Relatively recently, at the end of 2010, Aldi abandoned its attempt to establish itself in the Greek market and withdrew from the country after two years of trying. The aim of this paper is to investigate the crucial factors behind this withdrawal. It seeks to make a contribution to discussion of the processes that lead international expansion of grocery retail chains to failure. Withdrawal from the international market is an intrinsic element in the internationalization process in retailing (Alexander and Quinn, 2002). Investigation of the decisive factors that lead in each individual case to retail TNCs abandoning a market is a necessary prerequisite for in-depth understanding of the internationalization process (Burt, et al., 2004). Company sources have placed unilateral emphasis on the external environment and encourage the idea that all have to do with the unfavorable external conditions (Kathimerini, 14/08/2010). The paper attempts an ex post scrutiny of Aldi’s investment programme in Greece in order to conclude whether investment plans and implementation procedures were the more suitable ones given the peculiarities of the Greek grocery retail market, the conjuncture and the level of competition.

Only a small number of studies have examined the international expansion of discount chains by comparison with the large body of relative research on conventional retail chains. This lack of interest is attributable not only to the fact that conventional companies are active on a larger scale internationally. A second significant factor has to do with the notoriously inward-looking and secretive behavior of prominent discount chains. The Aldi and Schwartz groups are characteristic examples of companies that avoid publicizing their plans and their intentions. It is entirely typical that the impending commencement of operations in Greece by the Schwartz group, under the banner Lidl, was discovered by chance when a Greek journalist reading a German newspaper saw the group advertisement is seeking a financial director to work in Greece (To Vima, 06/09/1998). They also have the right, taking advantage of the relevant legislation, not to publish data on their economic activity. Such information as is available is based on estimates by market sources. So in contrast to the large conventional retail food chains that are highly exposed to the influence of public opinion and provide a constant stream of information on their activities and their investment plans, there is a serious information gap on the subject of the main discount chains. To cover this gap an extensive enquiry was conducted, with cross-checking via alternative sources: the European and Greek financial press, sectoral reports, corporate and journalistic websites and blogs. A small number of interviews were also carried out with key informants.
Following the introduction, the second section examines the expansion of Aldi into Greece, highlighting a series of misjudgments by the planning team handling the investment, along with some false moves and other problems that emerged during the implementation phase of the project. The third section, summarizing the findings, ventures a preliminary assessment of the decisive factors leading to the failure of the investment, contrasting them with the positions put forward by the company.

2. Ex-post analysis of investment plan and implementation

Aldi investment plan for Greece provided for creation of 400 stores and 5 distribution centers at a projected cost of €1.5 billion, rapidly revised to €2 billion. Hofer, Aldi Sud Austrian subsidiary was responsible for operations in Greece. The objective was to secure a 20% share of the country’s organized retail food market within a ten-year time-frame (Kathimerini, 14/08/2010). The first Aldi outlets in Greece opened in November 2008. In July 2010, after only 18 months in operation, the company announced its intention of abandoning the country by the end of the year, which it duly did. Seven hundred workers immediately lost their jobs and another 500-700 workplaces in local companies that had been collaborating with the discounter were placed in jeopardy.

The point of departure for any analysis that seeks to trace the crucial factors leading to Aldi’s exodus from Greece cannot be other than the conjuncture in the course of which the company decided to launch its Greek operations. From as early as the end of ‘90s the financial press was making frequent references to Aldi’s imminent entry (To Vima, 06/09/1998; Kathimerini, 09/12/2006). Finally, after considerable temporizing, the company’s first stores in Greece opened for business in November 2008.

At that time, high levels of concentration, intense competition and a low rate of development were the key characteristics of the country’s grocery retail market. Three TNCs (Transnational Corporations) and another local competitor, namely (in hierarchical order) Carrefour, Delhaize, (AB), Lidl and Sklavenitis, accounted for 55% of the sales and more than 80% of the profits of the country’s total organized grocery retailing (2009). All three of the leading international companies had penetrated Greece from as early as the 1990s. First to set up operations in the country was Delhaize (1991), followed by Promodes (1995), which was later taken over by Carrefour, and Lidl (1997) (Skordili, 2012). Throughout the 1990s the organized grocery retail market was growing at a double-figure rate. The sector was going through a period of great upheaval and the big international companies had all the time and space they needed to elaborate the appropriate development strategies in a market with great development potential.

As for the discount chains, at the end of 2006 their market share of the country’s organized retail food trade was estimated below 7% (Kathimerini, 09/12/2006). At the EU level this is undoubtedly one of the poorer performances. The discount market for food was dominated by Lidl, followed by Dia, with a small number of local chains also present to a limited and diminishing extent. It should be noted that during the brief period between March 2006 and the end of 2007 the German chain Tengelmann also commenced operations, establishing a network of 33 discount stores trading under the banner plus, mostly in Northern Greece. During its brief passage from Greece Tengelmann did not have time to become big enough to pose a real threat to the dominant chains.
Competition between the two key discount chains was not intense because they focused on different sections of the discounting market. Dia chose to launch itself onto the Greek market with two alternative store formats: the majority were soft discount stores with brand-name and private-label foods in a ratio of 60% - 40% in small (less than 400m²) neighborhood shops and secondly hard discounting supermarkets (maxi Dia) with a floor area of 1000-1200m² (To Vima, 05/10/2007). Lidl involved itself almost exclusively in hard discounting, where indeed it has come to dominate the market. Its network, of approximately 200 stores, sells not only food but also a wide variety of other products (stationery, clothes, electronic goods, etc.) (To Vima, 11/10/2009).

Summarizing, at the end of the first decade of the 21st century Aldi had to deal with a very competitive and in many ways fully stabilized environment with typically narrow margins for development. It was an environment whose growth entailed a number of strict limitations, boundaries and obligations. The two pioneering discounters with more than 10 years presence in the country were enjoying first movers advantages, including experience and learning effects, as well as, scale effects (Destadli, et al., 2004). To become established in the Greek market under such conditions was not impossible but required very special handling, with no room for oversights or delays. Ex post scrutiny of Aldi’s investment programme in Greece reveals a number of mistaken appraisals and unfortunate choices which took place during the phases of preparation and implementation of the investment. It is arguable that, among other factors, overestimation of the size and potential of the national discounters’ market and incoherent elaboration of the stores network were largely responsible for the failure of the undertaking.

2.1 Overestimation of the size and potential of discounters’ market

During the planning period for Aldi’s investment in Greece the emerging data for a number of key quantitative indices indicated that there would be a significant growth in demand in this country for cheap food. The purchasing power of consumers in the middle-income range was falling, while more than 19% of the population was living below the poverty line threshold (Hel. Stat., 2008). At the same time the country had become a destination for more than 1,5 million economic immigrants.

In many European countries the increase in demand for cheap food is leading automatically to a corresponding increase in the consumer market for the discounters. Greece does not belong in this category. There is far more to supermarket shopping than just the dry, rational transactions of the mythical homo economicus (Chemawat, 2001). Partly cultural, partly emotional, shopping reveals much about our societies and where we fit into them (The Economist, 28-04-2009). A closer look at the dietary patterns, the consumption habits and other deeply rooted characteristics of Greek society and the Greek economy indicates that a significant proportion of the increased demand for cheap food was absorbed both by small-scale food retailing and by conventional supermarket chains. In Greece both of these channels are very strong and successfully oriented towards many different types of consumer.

A significant part of the demand for cheap food continues to be served more effectively by the flexible and familiar small-scale independent food grocers and farmers markets and does not appear readily integrable into the impersonal and standardized model of major retailers. In every urban neighborhood there is a network of small shops catering for everyday needs, along with the weekly farmers market for fruit and vegetables. Figures from late 2006 indicate that still 79% of total purchases of fruit and vegetables continued to be made from street markets and greengrocers (To
It is well-known that in the afternoon before closing time the goods at farmers markets are sold at lower prices than at any discount chain store.

Notwithstanding the growing concentration in retail food trading, tens of thousands of small food outlets have demonstrated remarkable resilience and adaptability. Often what these small shops are selling is higher-quality expensive alternatives to the mass foods that are on sale in the supermarkets. But many of them cover the lower segment of the market, retailing cheap food. These shops constitute a market of preference and a haven for lower income groups. But even if the products they have on sale are a little more expensive than at discount chains, they are at an advantage because of their superior capacity to meet consumer needs (smaller packages, greater familiarity from the viewpoint of taste, proximity to customers’ homes, longer opening hours). Because of the high frequency of food purchases, lasting relationships of mutual trust develop between consumers and the families of proprietors of small shops, making possible a number of ancillary services that are very important for people on low incomes. The shopkeeper provides a personal guarantee of the quality/price relationship of the products and can take into account customers’ economic problems, offering lower prices and - not infrequently – also informal credit for people well-known to him, who may not have access to the banking system.

On the other hand discount chains also face stiff competition from conventional food retailing chains in attracting medium and low-income consumers who make regular purchases from the larger chains. The variety and quality of the goods on sale through the conventional chains and the pleasant shopping environment are crucial factors with a significant power of attraction for the average Greek consumer.

The dominant nutritional pattern, the Mediterranean diet, is based on a wide variety of fresh foods. The range of 1,000 coded items, found on sale at a typical discount outlet, is in no way sufficient to cover the basic purchasing requirements of the average Greek family. Moreover own-label foods have encountered a great deal of suspicion and rejection from Greek consumers. As late as in 2006 the totality of own-label products (including non-food items) comprised only at 8-10% of the sales of conventional chains (Kathimerini, 09/12/2006). In Greece there is a deeply rooted perception that the anonymous product is cheap and of inferior quality. It is a stance that is explicable in terms of perennial characteristics of local retail trading. Strict health regulations have never been imposed on the food market. There was always room for violation of the quality controls prescribed under the relevant legislation. So the idea has come to prevail that the factory brand is a guarantee of the product quality. It should be noted that the recent (2009) food scandal over the sale by Lidl of sunflower oil adulterated with engine oil did nothing to counter this outlook.

Moreover, the climate of misery and frugality that pervades the discount stores is off-putting for the average Greek family. In the mature consumer markets of the northern European countries all social classes shop from the discount centers because what has priority are the requirements of the quality/price indicator. This is not the case in Greece where the average family still enjoys weekend shopping in the big hypermarkets as an opportunity for a family outing, as well as, a hallmark of relative prosperity to small extravagances of impulse buying, in accordance with the children’s desires or the dictates of popular culture (e.g, exotic products recommended by television chefs).
With a view to satisfying the increased demand for cheaper food, the big conventional chains operating in Greece recently embarked successfully on a program of reducing their product prices and developing new, more attractive, stores formats. The great size of these companies and the privileged links they are able to maintain with their suppliers makes it possible for them to sell at reduced profits, or even without profit, to absorb price increases, to implement extensive special-offer systems, to develop ranges of cheaper private-label products. They have also focused their attention on the big urban centers, establishing various types of convenient small neighborhood stores. Relevant research has shown that Greek consumers attach high significance to proximity in grocery store selection. These stores are a very suitable response to present-day needs of low-income consumers, which could be summarized by the triptych “less – cheaper – closer” (Skordili, 2013).

Such initiatives have yielded an increase in conventional chains sales in the midst of the crisis. By contrast, for the discount chains seeking to upgrade their image in a small market such as Greece, the room for maneuver is very limited. At the beginning of 2006 Lidl attempted to deal with the lack of confidence shown by Greek consumers in their products by including in their inventory 250 well-known brands (To Vima, 20/08/2006). The number of brand-name products was gradually increased to a total of 400 coded items. This move met with a positive response from Greek consumers and led to an increase in sales but there was also a 3.9% selling price increase for these products (Kathimerini, 14/11/2009). In early 2009 the parent company concluding that this initiative was altering the company profile, proceeded to replace the management team and withdraw the majority of brand-name products (Isotimia, 30/05/2009). Also the soft discount model that Dia had attempted to implement was not working in Greece. After ten years of operating more or less at a loss finally in the summer of 2010 Dia was taken over by Carrefour and its shops converted into Carrefour outlets.

2.2 Incoherent elaboration of the store’s network

Aldi chose to embark on operations in Greece through organic network growth. Discount chains are at an advantage vis-à-vis conventional supermarket chains by virtue of the fact that the time required for establishment of their stores is clearly less and building construction costs are clearly lower (Bradley and Chemawat, 2002). Establishing the Aldi network in Greece was neither fast nor cheap.

The company’s initial plan provided for the establishment of approximately 40 stores each year so as to attain the goal of opening 400 stores within a time-frame of ten years (Tsireka, 18/11/2008). This was an extremely ambitious objective unsubstantiated by anything in the recent record either of the company or of the country in question. After 16 years in the big British market for food, Aldi at the end of 2008 had a network of 382 stores (BBC Business, 20/11/2008). The performance in Portugal was even less encouraging. After 3 years of operations in the country at the beginning of 2009 the company had established only 13 stores. In Greece, in much more favorable market conditions, Lidl needed 11 years to establish a network of 200 stores; while it took 20 years to AB chain to establish a network of 216 stores of various formats (Skordili, 2012).

The company commissioned a large Greek real estate firm to search for appropriate large sites at conveniently accessible positions, to construct buildings of 1,000 - 1,200m² floor space with parking space for 50 vehicles. After two years of operating in the Greek market, Aldi had succeeded in establishing only 38 stores and 1 distribution center. It also had in its possession 24 building sites
earmarked for further expansion of its network. The overall cost of the investment was by some accounts €600 million, though a figure of €800 million has also been cited (Dawson 23/07/2010). This amount is considerably more than the estimated value of the company’s fixed assets at the time of withdraws.

There are records of a number of cases of land purchases at high prices that can be attributed to time considerations and therefore seen as conjunctural. In 2008-09 prices on the Greek real estate market had peaked. Also the competition with other chains for land was stiff. In urban centers, by 2008-09 the most sought-after building sites had already been occupied by other big supermarket chains. Their installation had drawn in other big retail trading chains and brought about a very considerable hike in land prices. At the same time construction costs for company premises were fluctuating at a very high level. Representatives of company employees and reliable journalistic sources maintained that the average cost of an Aldi building was € 2.3 million while the corresponding cost for Lidl was € 850 thousand. There was also much published comment on the high cost of constructing the distribution center in Thessaloniki. It was claimed that the building work was assigned to a venture between Austrian and Greek construction companies for a sum of €85 million when a €48 million tender had been submitted by a Greek company (Kathimerini, 14/08/2010).

Whatever cost overruns there were or delays in opening new stores acquired a particular specific weight on account of the irrational choices made during the process of expanding the network of stores. In markets characterized by stagnation or low growth rates rapid development of a dense network of stores is a basic option for every retailer. The prime concern of each chain is to expose itself as quickly as possible to a large number of consumers, leading in turn to increases in the volume of sales, while at the same time keeping the cost of supplying the stores at low levels (Burch and Lawrence, 2007).

Major food retailers operating in Greece, in line with the above principle, have followed a common course in expanding their network of stores. For almost all of them the starting point for their growth was the large and cohesive market of the greater Athens area, the undisputed centre of consumption of the country. A densely populated area of 4.5 million, with excellent transport facilities and average GDP per inhabitant well above the national average. Expansion into the periphery was decided upon quite late, only after they had established themselves in the extensive market that embraces the precincts of the capital and neighboring prefectures. Expansion beyond Attica was confined to a few big urban centers in mainland Greece, gradually encroaching - sometimes more, sometimes less - on more remote areas (Skordili, 2012). The Dia chain is a typical case. It operated exclusively in Attica for a decade until the decision was taken to expand to include Thessaloniki in 1999.

Aldi pursued an entirely different strategy for expanding its network. Its brief break in Greece was long enough for it to succeed in establishing a sparse and scattered network of stores at a considerable number of locations in mainland Greece with a minimal presence in the country’s two large urban areas, particularly Athens.

From the viewpoint of geographical distribution, the stores are more conspicuously present in Northern Greece. Under the initial investment plan it was projected that around ¼ of the stores in the chain, 80-100 out of the total of 400, would be situated in greater Thessaloniki and the
neighboring prefectures (Tsireka, 18/11/2008). The focus on the northern Greek market was a strategic choice of Lidl. Lidl’s plan was to start its expansion into Greece from the country’s second largest market so as to benefit from the close links that this region maintains with the company’s home-country. Northern Greece is the region par excellence for sending migrants to Germany in the great exodus that took place at the beginning of the 1960s. Almost all families include migrants who have either returned to their place of origin or continue to live in Germany but maintain strong links with their mother country. Lidl therefore judged, correctly, that in this part of Greece their name would already be known or could quickly become known by word of mouth to the general consuming public and would be accorded the high regard that is enjoyed by German companies.

Moreover at this time, at the end of the 1990s and first years of the decade of 2000, the presence of the big conventional supermarket chains in Northern Greece, and even in the large urban center of Thessaloniki, was marginal and the only competition was with a few local supermarket chains. Ten years later, at the end of 2008, Aldi faced an entirely different environment, with not only Lidl but also all the country’s big conventional supermarket chains present on the ground in Northern Greece.

The majority of the Aldi stores were in prefectural capitals or big provincial towns situated on or near the Patras-Athens-Thessaloniki-Evzones and Egnatia Odos national road axes linking them with Thessaloniki, where the sole distribution center was located. It is interesting that the choice was made in quite a few of the country’s prefectures to open for business not in the main commercial center of the prefectural capital but in secondary towns (Aridaia, Vrasna, Amaliada, etc.), avoiding initial establishment in the main market, where competition would be intense and the price of land high. This arrangement obviously burdened the company with high costs for supplying the stores from the sole distribution center in Thessaloniki and lower sales figures.

More significantly, the network of 37 stores targeted only a small segment of the company’s potential clientele. There were only 5 stores serving the big urban center of Thessaloniki and only 4 in the environs of Athens. The descent into Attica was in fact decided upon precipitately because under the initial plan the expansion into Attica was not projected to commence until 2012 (Tsireka, 18/11/2008).

3. Discussion and Conclusions

In search for the crucial factors culminated in Aldi’s withdraw from Greece company sources place unilateral emphasis on the external environment and encourage the idea that all have to do with the unfavourable external conditions. In particular the inflexible and bureaucratically organized public sector, the unstable economic environment and emergency policies of imposing high taxes on business enterprises are identified as the main obstacles to projects success (Kathimerini, 14/08/2010).

There is no doubt that the Greek business environment and the Greek economy have their peculiarities. It is a commonplace that the black economy is flourishing, that the public sector is bureaucratically organized and slow to issue permits, that the institutional framework that determines how business activity is to be conducted is subject to frequent changes. Moreover, in the context of the ongoing severe fiscal crisis, emergency direct and indirect taxes have been imposed. However we are not ready to conclude that they generate an especially unfavourable and hostile business environment for grocery retailers. In fact many aspects of the business environment in Greece are much more favorable than in other European countries where Aldi has operations. The
institutional framework prescribed by the regulations for the establishment of new retail outlets in Greece is much less binding than in many other countries of Western Europe, such as the UK, France, or Norway where there are strict land use regulations and in most cases chains can be expanded only through buyouts over existing enterprises and premises (Guy, 2001; Coe & Wrigley, 2007). When it comes to the mode of operation of businesses Greek legislation is also more discretionary than, for example, in Germany where stringent regulations for opening hours, pricing of goods and labour collective agreements were insuperable obstacles before the activities of the gigantic American Wal-mart chain in the country (Fernie and Arnold 2002; Christopherson, 2007). Also, the public sector does not suffer from the problem of long-term corruption and businesses are not exposed to threats from the mafia that is still active in quite a few post-Communist states.

In corroboration of the above, all three of the top grocery retailer’s chains in Greece are transnational corporations. Correspondingly, in all significant branches of retail trade international corporations are dominant and among them the German companies have pride of place. By definition big companies are less influenced by the economic conjuncture and by external factors. Large TNCs have been characterized as rather “immune” to divestment decisions due to short-term environmental changes (Alexander, et al., 2005:18). They are equipped with deep pockets, knowledge and advanced management skills to back their decisions in unfavorable external environments as long as they are committed to their projects. It is characteristic that until the withdrawal from Greece, Aldi had not withdrawn from any other target country, though things are not rosy everywhere. It is said that certain executives were very hesitant, if not opposed, about expansion in Greece from the very beginning (Dawson, 23/07/2010). Their promotion to top management posts just at the beginning of 2010 it could be directly associated with the final decision to exit the country. Nevertheless the arrival of new top management is frequently associated with divestment decisions (Alexander and Quinn, 2002).

Furthermore, the economic crisis may cause problems for other sectors of retail trade but it offers an opportunity for the discount chains. Available data show that economic crisis was an opportunity for large grocery retailers to strengthen their position and gain market shares from minor chains and independent stores in Greece (Skordili, 2013). The mother of the Albrechts brothers, founders of Aldi, owner of a grocery store in Essen, used to say that “when things get worse for others, for us they get better”. Or, as the Economist magazine put in a relevant article, “anger in the streets, smiles in the aisles” (The Economist, 02/06/2011).

The overstatement of the significance of unfavourable external factors is a common factor in company’s justification of international failure. According to Lidl the reasons for its withdrawal from Norway, a country where the discount model enjoys great popularity, must be sought in the difficulties it has encountered with expansion beyond the capital due to certain local authorities refusal to issue permits for installation. Lidl attributed these difficulties to the close relations maintained by the number-one local retail trading chain Reitan with local politicians (Afterposten, 17/02/2002). However in related local press coverage a different view was put forward, namely that Lidl was obliged to abandon the country largely because of the unwillingness of Norwegian consumers to shop from the chain’s outlets since company’s image was very poor in this country. In the listing of companies in Norway with criterion their degree of commitment to responsible business practices, Lidl came last. Also, its secretive mode of operation runs counter to social and commercial practice in Norway, where transparency and publicly visible procedures are held in high esteem. Moreover, the very strong Norwegian labor unions condemned the company for the
bad labor practices it implements in other countries, and it is well-known that Norwegian society is particularly sensitive to proper observance of labor legislation (Afterposten, 26/06/2006).

The previous analysis has exposed the significance of internal factors to Aldi’s withdraw from Greece. A series of crucial false moves in the planning and implementation stage of the investment had led to failure of the project.

Despite its great size, Aldi remains a private family business that does not trade on the stock exchange. The prime objectives of businesses of this kind, which are very common in Germany, are to secure the long-term viability of the business and not the short-term maximization of profits (The Economist, 24/09/2009). One of their common characteristics is that they methodically organize their business moves on the basis of careful planning. Meticulous attention to the detail of business strategy has saved Aldi from large-scale failures in the course of their international expansion. Nevertheless, the boundaries between careful, methodical planning and conservative and timid managerial practices are not always clear. Inability to make prompt business decisions and predilection for initiatives entailing little risk are not always the best options in today’s rapidly changing business environment. The company’s fixation on involvement in mature markets that are similar to what they know in their country of origin and their reluctance to establish themselves quickly in the CEE countries has led to their missing significant opportunities to gain a foothold in these markets where discount chains are favorably placed (Hanf and Dautzenberg, 2009).

The same conservatism and timidity was evident in the case of Greece. At the end of 2008, following repeated delays, the company finally made its belated entry into Greece. This was not the best time to be embarking on such an initiative. The country’s organized grocery retail sector was characterized by fierce competition, with the margins for significant regroupment already very narrow. In the hard discounting market in particular, the Lidl stores enjoyed absolute predominance. With a ten-year presence in the Greek market, Lidl was already quite well-known, and familiar to Greek consumers, having constructed an extensive network of stores throughout the country. With proper handling by the management team the consequences of this belated launching of operations in Greece could perhaps be modified, but the specific choices that had been made were not helpful.

The lost opportunity to buy out the Plus network only a few months before Aldi’s final departure from the country, the slow, and largely predictably slow, rate at which new stores were being brought into operation and, more significantly, the wrong priorities in constructing the network of stores, were most likely decisive factors for the success or failure of the undertaking. Aldi’s unwillingness to move promptly into the Athenian market confined it to small and competitive regional markets which were objectively incapable of leading to the rapid growth of revenue that was a prerequisite for the company’s becoming a real threat to Lidl and acquiring the ability to finance further growth. Moreover the competitive strategy that was chosen was not the most suitable. The company initiated a short-sighted campaign of cut-throat competition with Lidl. The two chains embarked on a war of discounts and special offers to lure away consumers from the limited pool of customers patronizing the discount houses, without bothering themselves at all with the conventional supermarket chains or the small-scale retail trade which, particularly in Greece, comprise important sources of potential consumers.
The abovementioned mistaken choices led to cost overruns, delays and reduced revenues, which the company management attempted to deal with through continual changes of the administrative staff, thus exacerbating the problem. It is obvious that the German and Austrian managers who had undertaken co-ordination of the investment in Greece did not respond in the best possible way to the peculiarities of the Greek market. As Christopherson aptly commented, discussion on the global expansion of international corporations usually confines itself to studying the characteristics of the host country, ignoring the characteristics of the home-country (Christopherson, 2007). Aldi attempted to establish itself in Greece by transferring the meticulousness and the inflexibility of the German administrative model which, as it turned out, is not the most suitable in the case of Greece.

Large international retailers seek to simplify their networks and expose themselves to fewer different environments so as to reduce risk (Coe and Wrigley, 2007). In the context of the current global recession this trend has been intensified. Aldi’s hasty departure from Greece reduces by one the company’s exposed flanks. That is not negligible, since it enables the company to concentrate on the mature markets of the USA, the UK and Australia, where it judges that there are opportunities for growth.

References
Aftenposten (17/02/2002) “German chain hits barriers in Norway” at http://www.aftenposten.no/english/local/article457367.ece
Aftenposten (26/06/2006) “Business has a bad image” at http://www.aftenposten.no/english/business/article1367576.ece


Kathimerini (14/08/2010)”The main causes that led to the Greek ‘wreck’ of Aldi”, at http://news.kathimerini.gr/4dcgi/_w_articles_economyepix_1_14/08/2010_411446 (in Greek)


The Economist (02/06/2011) “Spanish aisles: why a low-price retailer is thriving”, at http://www.economist.com/node/18775460

The Economist (08/07/2010) “Getting Germans to open their wallets is hard” at http://www.economist.com/node/16542846

The Economist (14/08/2008) “The Germans are coming: Germany’s “hard discount” model of supermarket retailing is spreading in Europe”, at http://www.economist.com/node/11920665

The Economist (23/06/2011) “Businesses are learning to serve the growing number of hard-up Americans” at http://www.economist.com/node/18863898

To Vima (05/11/2006) “2.5 bil. euros the annual revenues of the...greengrocer”, Δ9, (in greek).