



ALDI Stores

(A Limited Partnership)
ABN 90 196 565 019

1 Sargents Road, Minchinbury, NSW 2770, AUSTRALIA

NATIONAL

Locked Bag 56
St Marys Delivery Centre
NSW 2760

2 February 2024

Senator Nick McKim
Chair
Senate Select Committee on Supermarket Prices
Parliament House
CANBERRA ACT 2600

Via email: supermarketprices.sen@aph.gov.au

RE: ALDI Stores Submission to the Senate Select Committee on Supermarket Prices

Dear Senator McKim,

Thank you for the opportunity to provide a submission to the Senate Select Committee's Inquiry into the price setting practices and market power of major supermarkets across Australia.

I present this submission acutely aware of what a trying time this is for many Australian families and businesses who are affected by financial pressure such as rising rent, elevated interest rates and an increase in the cost of many basic goods, including groceries.

Delivering a limited selection of high quality, low cost groceries is ALDI's key point of difference and at the core of our customer proposition. Our success depends on being able to deliver good value for Australians.

As outlined in our submission, our unique business model relies on having a limited range, an efficient supply chain and a smaller store footprint. These all contribute to reducing our operating costs.

The value we offer customers does not come at the expense of our supply partners. We are proud of the recognition we have earned across the Australian supply base as a fair and reasonable partner, which has been mutually beneficial to hundreds of supply partners whose businesses have grown with ALDI over the past twenty three years.

I recognise what an important topic this is for Australia at this time. I want to acknowledge that ALDI has a role to play in this discussion and that we look forward to contributing to the inquiry.

Yours sincerely,

Anna McGrath
Chief Executive Officer - ALDI Stores



ALDI Stores

(A Limited Partnership)
ABN 90 196 565 019

1 Sargents Road, Minchinbury, NSW 2770, AUSTRALIA

2 February 2024

ALDI Stores Australia (ALDI) submission to the Senate Select Committee on Supermarket Prices

As Australia's most affordable supermarket, ALDI's positive impact on the Australian retail sector is well established in terms of customer savings, competition, and choice. Data independently analysed by PWC demonstrated that ALDI has a price gap of between 15 and 20 per cent on average and in 2023 ALDI shoppers saved \$3.4 billion on their grocery bills. An average family shopping at ALDI can save up to \$2,538 a year.

In 2008, the Australian Competition and Consumer Commission (ACCC) noted 'ALDI has been a vigorous price competitor since its entry into Australia'¹ and has significantly influenced pricing at competitor supermarket chains, particularly in private label (own brand) products where similar products are stocked by ALDI. We continue to earn recognition for our high quality, low price proposition through being awarded Canstar Blue's Most Satisfied Customers Award for 2023, for the sixth consecutive year and Roy Morgan's Supermarket of the Year last year, also for the sixth time.

ALDI is a significantly less complex business than our competitors. The company principles of simplicity, consistency and responsibility are foundational to how we operate with our three core stakeholders: our customers, supply partners and employees. Delivering long term sustainable growth relies on us treating all with fairness and respect.

ALDI's view is that we have an interdependent relationship with supply partners, and one cannot succeed without the other. ALDI has a reputation as a fair and equitable partner and has worked with some of our supply partners since day one in Australia (2001). Our highly efficient business model limits overheads and operating costs to ensure the lowest prices across our range of almost entirely exclusive brand products.

About ALDI

The ALDI South Group is present in 11 countries around the world and first entered the Australian market in 2001. When ALDI first opened in Australia, we faced two challenges - building a supplier network and finding suitable sites to establish our stores. The first challenge has been overcome by ALDI's focus on developing mutually beneficial relationships. ALDI now works with over 1,000 Australian supply partners and sources 97 per cent of our fresh produce and 100 per cent of our fresh meat, eggs, milk, salmon and poultry from local Australian producers and farmers. The second was overcome by government involvement to stop anti-competitive behaviour and allowed ALDI to open in the same shopping centres as our competition. ALDI now has over 580 stores in Australia and employs more than 16,000 people.

As a privately held company, ALDI's business model is about sustainable long term growth and ALDI is heavily invested in the Australian market. The focus of ALDI's investments is directed towards new distribution centres, additional store openings, refurbishments and extensions, and product innovation.

¹ [Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries - July 2008](#) p. xiv



ALDI Stores

(A Limited Partnership)
ABN 90 196 565 019

1 Sargents Road, Minchinbury, NSW 2770, AUSTRALIA

Operating environment

The last few years have been challenging, with supply chain disruptions, global conflicts and natural disasters significantly contributing to the increased cost of doing business. In 2022, fuel costs doubled and international container freight from some key export ports increased more than four times compared to the previous year. In 2023, international freight costs started to ease, but fuel remained on par with 2022 highs and overall transport costs for domestic products continued to climb. These factors all impacted ALDI's supply partners as well as our own operations.

In key categories such as fresh meat and fish, fresh produce and freezer, ALDI saw more cost inflation than retail inflation throughout the year. In the second half of 2023, as pressures started to ease, ALDI went through a process of reviewing increased costs across our supply chain to see where efficiencies could be found, ensuring the lowest possible retail prices could be offered to customers.

As cost of living pressures continued to mount, consumers increasingly sought value and more switched to ALDI resulting in a customer increase of approximately four per cent in 2023.

Supply partners

ALDI maintains our low prices by being extraordinarily efficient, with the lowest operating costs in the sector and a relentless focus on cost effectiveness. ALDI works closely with supply partners to find savings in the supply chain that provide value for both supply partners and customers.

ALDI has a flatter buying structure than some of our competitors, which means that every supply partner has a single point of contact within ALDI, dealing directly and consistently with a small team of buyers. This reflects ALDI's simpler and more streamlined model and is possible in part due to ALDI's limited product range and relatively small number of supply partners when compared with major supermarkets.

As the first voluntary signatory to the Food and Grocery Code of Conduct in 2015, ALDI has a reputation as a fair and reasonable partner for suppliers. ALDI was pleased to see in the 2022-23 Annual Report of the Food and Grocery Code Independent Review, that ALDI performed the strongest across the board compared to other signatories and the Independent Reviewer, Chris Leptos, commented "ALDI ranked the best across the board against other Signatories, particularly outperforming in questions on 'supplier experience'." This result is consistent with the outcomes of the first review. ALDI has never received a formal supply partner complaint via the Code.

ALDI has many long standing relationships with supply partners whose businesses have grown with ALDI over the last twenty years. We recognise that our ability to provide value to customers is directly related to supporting a strong and sustainable Australian food manufacturing and processing industry. ALDI periodically undertakes independent business partner surveys to benchmark ourselves against the industry and identify opportunities to further strengthen our supply partner relationships.

Customers

ALDI's business model has always been about providing customers with the best value. Last year, ALDI reaffirmed our commitment to customers that we won't be beaten on the cost of the weekly shop and this commitment is now more important than ever. Many Australians are struggling under the current economic conditions and while most customers first visit ALDI for our low prices, they usually remain customers because of the high quality products on offer.

ALDI does not offer price mark ups and discounts, otherwise known as high low pricing. Our grocery products are sold at everyday low prices which means ALDI's prices are more stable than at some of the other supermarkets. Fresh produce retail prices do fluctuate as they are priced according to market conditions,



ALDI Stores

(A Limited Partnership)
ABN 90 196 565 019

1 Sargents Road, Minchinbury, NSW 2770, AUSTRALIA

ensuring fair payment to Australian farmers. Permanently low prices across the majority of the ALDI range means more clarity and certainty for customers as well as more savings year round for shoppers; there are no tricks or gimmicks with ALDI's prices.

ALDI stocks a limited product range of about 1,800 products in contrast to around 25,000 products stocked at full line supermarkets. ALDI does not stock private label or home brand products, rather it stocks exclusive brand products that are commissioned by ALDI. Approximately 90 per cent of ALDI's products are exclusive brands and ALDI aims to ensure each item is of the highest quality and benchmarked against customer favourites and category leaders. These exclusive brand products also provide the best value for shoppers as ALDI sources them directly from manufacturers rather than paying for brand licences. Independent data from Circana shows customers are favouring own brand products as more affordable alternatives which has resulted in own brand products growing by 7.7 per cent in the last quarter of 2023.

Customers will also notice a range of other differences when shopping at ALDI including our smaller store footprint, efficient register processes, trolley tokens to reduce the cost of collecting and replacing trolleys and shelf ready packaging. These all contribute to ALDI's cost effective operating model that allows savings to be passed onto customers.

Comments on the regulatory framework

ALDI has been a signatory to the Food and Grocery Code since its inception in 2015 and welcomes the appointment of Dr Craig Emerson to lead the 2023-24 review. ALDI is proud of our reputation as a fair and reasonable partner to suppliers, but this is not something that is driven by the Code. Treating supply partners fairly is a cornerstone of ALDI's business and has been since ALDI opened our first store in Australia 23 years ago. The Code does however provide a positive framework for suppliers to voice any concerns. ALDI takes feedback from suppliers very seriously and always takes prompt action if there are areas identified for improvement.

ALDI would like to see more harmonisation across the states and territories on regulations impacting the industry. For example, in the plastics and packaging space, there are several discrepancies across jurisdictions which creates a significant administrative burden and is costly for suppliers and retailers, which in turn creates additional costs for consumers. ALDI welcomes the outcomes from the last Environment Ministers meeting in November 2023, where it was agreed that the Federal Government would be the sole overseer of packaging regulations in Australia.