



**ALDI Stores**

(A Limited Partnership)  
ABN 90 196 565 019

1 Sargents Road, Minchinbury, NSW 2770, AUSTRALIA

**NATIONAL**

2 April 2024

Gina Cass-Gottlieb  
Chair  
Australian Competition and Consumer Commission  
23 Marcus Clarke St  
CANBERRA ACT 2601

Locked Bag 56  
St Marys Delivery Centre  
NSW 2760

**National Supply Chain**  
Telephone: (02) 9675 9000  
Facsimile: (02) 9675 9068

Via ACCC Consultation Hub

**ALDI Submission to Australian Competition and Consumer Commission (ACCC) Supermarkets Inquiry 2024-25**

Dear Chair,

Thank you for the opportunity to provide a submission to the ACCC Supermarkets Inquiry 2024-25. I present this submission acutely aware of what a challenging time this is for many Australian families and businesses.

At ALDI, we are committed to maintaining our competitive advantage and continuing to offer high quality groceries at the lowest possible prices to Australians. Our business model is unique and relies on measures such as having a limited range of products, an efficient supply chain and a smaller store footprint to keep operations efficient and costs low. In addition, ALDI does not have any loyalty programs or offer price mark ups and discounts. This means our customers can shop with confidence at ALDI knowing there will be no surprises in their grocery bill.

Over the past few years our business model has been tested by supply chain disruptions, the post pandemic recovery, geopolitical tensions, and high global inflation. We are proud that we have been able to maintain our price gap of between 15 and 20 per cent to our competitors during this time.

I acknowledge that Australians are deeply affected by a range of financial pressures, including the cost of groceries. ALDI supports all the current government reviews taking place which aim to enhance competition and choice for consumers, whilst ensuring sustainable returns for all stakeholders within the supply chain, from growers and producers to retailers. ALDI has welcomed the opportunity to engage with the ACCC on this inquiry and I note we have already shared some confidential data to assist with the inquiry.

Our submission below outlines our company's history in Australia as well as our operating model and approach to engaging with customers. I recognise what an important conversation this is and look forward to playing a productive role in this ongoing work.

Yours sincerely,



**Anna McGrath**  
Chief Executive Officer  
ALDI Stores Australia

## **About ALDI**

The ALDI South Group is present in 11 countries around the world. As a privately held company, ALDI's business model is about sustainable long term growth and we are 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.

ALDI's positive impact on the Australian retail sector is well established in terms of customer savings, competition, and choice. In 2008, the ACCC noted "ALDI has been a vigorous price competitor since its entry into Australia" and has significantly influenced pricing at competitor supermarket chains, particularly in private label (own brand) products where similar products are stocked by ALDI.

Our company principles of simplicity, consistency and responsibility are foundational to how we operate and underpin our every decision. Our business model is a balancing act between keeping our customers, supply partners and employees happy and treating them all fairly.

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.

## **Barriers to entry and expansion**

ALDI first entered the Australian market in 2001 when we opened two stores at Bankstown Airport and Marrickville, NSW. We had 174 supply partners and a small team operating out of our office in Minchinbury, NSW. We faced two barriers when we opened in Australia, 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 in 2009 and 2010 to stop anticompetitive behaviour, which allowed ALDI to open in the same shopping centres as our competition. Following that change, ALDI opened more than 110 stores nationally from 2010 to 2013. ALDI now has more than 10 per cent market share with over 590 stores in Australia and employs more than 16,000 people.

## **Consumer experiences**

ALDI is Australia's most affordable supermarket. 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.

Over 5 million Australian households shop with ALDI every month. This figure has grown by more than 4 per cent over the course of the last 12 months. Our research shows us that these customers are transferring their shop to ALDI in an effort to seek greater value for their money.

Unlike other major supermarkets, ALDI does not offer online shopping or loyalty programs. ALDI also does not offer price mark ups and discounts, otherwise known as high low pricing. While there may be some seasonal variation in relation to fresh produce, our commitment to customers is to offer everyday low prices. This allows our customers to shop with confidence and consistency.

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.

## **Pricing**

ALDI's business model has always been about providing our 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.

ALDI stocks a limited product range of about 1,800 products in contrast to around 25,000 products stocked at full line supermarkets. 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.

ALDI bases its pricing decisions on various factors. Competitor pricing is a significant consideration as we work to ensure we remain the most affordable supermarket in Australia. Other crucial elements are also considered such as product cost, pricing hierarchy, and customer centric factors, including the product's role in attracting and retaining customers.

Inflationary factors also play a role. Some of these pressures are starting to ease, but freight, labour, and many raw ingredient commodities are still adding costs to our supply partners businesses.

## **Grocery supply chain**

ALDI maintains its low prices by being extraordinarily efficient, with the lowest operating costs in the sector and a relentless focus on cost effectiveness at every stage of the process. 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. In addition, ALDI does not offer cooperative marketing to supply partners. This means we agree one rate with a supply partner that encompasses all costs and do not charge extra for marketing, shelf space or promotions.

## **Trading arrangements**

ALDI's view is that we have an interdependent relationship with supply partners, and one cannot succeed without the other. ALDI has many long standing relationships with supply partners whose businesses have grown with ALDI over the last twenty three years. We recognise 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. The most recent survey, undertaken in 2023, shows our suppliers consistently view their experience with ALDI as more favourable than other retailers because we are straightforward, collaborative and take an industry best practice approach to the way we do things.

As the first voluntary signatory to the Food and Grocery Code of Conduct in 2015, ALDI has a reputation as a fair and respectful partner to suppliers. In the 2022-23 Annual Report of the Food and Grocery Code Independent Review, ALDI performed the strongest across the board compared to other signatories. Independent Reviewer, Chris Leptos, commented that "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 previous reviews and ALDI has never received a formal supply partner complaint via the Code.