

Supermarket Pricing Inquiry

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ALDI Stores

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Mr Thomas Smith MP
Chairperson
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ALDI Stores Submission to the Supermarket Pricing Select Committee Queensland

Dear Mr Smith,

Thank you for the opportunity to provide a written submission to the Queensland Select Committee on Supermarket Pricing. I present this submission acutely aware of what a challenging time this is for many Queenslanders.

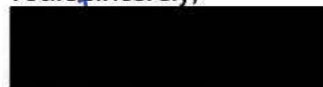
By way of background, ALDI is a growing limited partnership retailer with over 590 stores and more than 16,000 employees across the country. ALDI opened its first stores in Queensland in 2004 in the suburbs of Chermide and Sailsbury. Since then, we have grown to now employ over 3,300 people across more than 120 stores and two distribution centres in the state. Last year, we opened our most northern store in Townsville, and we will soon be opening another store in Mackay.

At ALDI, we are committed to maintaining our competitive advantage and remaining Australia's most affordable supermarket. Over 5 million Australian households shop with ALDI every month. This figure has grown by more than four 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. ALDI's national pricing strategy means that Queenslanders, whether located in the suburbs or in regional towns, all have access to the same high quality groceries at the same low prices as customers based in other states.

We acknowledge that Queensland families are currently deeply affected by a range of financial pressures, including the cost of groceries. ALDI supports all of the current government reviews taking place which aim to enhance competition and choice for consumers and ensure fair prices for producers. ALDI welcomes the opportunity to engage with the Queensland government on this important topic. I note we are also participating in a number of other government reviews aimed at improving transparency and lowering prices, including the Australian Competition and Consumer Commission (ACCC) Supermarkets Inquiry 2024-25 and the Independent Review of the Food and Grocery Code of Conduct.

Our submission below outlines provides some background on ALDI's pricing strategy, operating model, and our approach to engaging with customers. ALDI looks forward to playing a productive role in this ongoing work.

Yours sincerely,



Viktor Jakupc
Group Managing Director
ALDI Stores Australia

About ALDI

The ALDI South Group is present in 11 countries around the world. ALDI first entered the Australian market in 2001 and we now have close to a 10 per cent national market share.

When ALDI first opened in Australia, we faced two challenges, building a supply partner 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. This includes more than 100 Queensland based supply partners. 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.

Our company principles of simplicity, consistency and responsibility are foundational to how we operate and underpin our every decision. A core element of these principles is ensuring we act fairly and transparently in interactions with our customers, supply partners, and employees.

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 in 2023, for the seventh time.

Grocery prices

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.

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.

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.

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.

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. 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.

National pricing strategy

Importantly, ALDI has a uniform national pricing strategy across all of our stores in Australia, excluding fresh produce which is subject to market conditions. What this means is that an ALDI customer in Bundaberg pays the same prices as an ALDI customer in Burleigh Heads and that there are minimal price discrepancies and variabilities between our regional and metropolitan stores.

While there are currently more than a dozen ALDI stores located in regional Queensland, there are no stores located in remote Aboriginal and Torres Strait Islander communities; we therefore cannot comment on supermarket pricing within these communities.

Working with our supply and produce partners

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'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 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.

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 supply partners 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 reasonable partner for supply partners. 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. ALDI has never received a formal supply partner complaint via the Code.

Increasing competition opportunities in Queensland

While we understand the current focus of the Select Committee on the cost of produce, it's crucial to also recognise the unique regulatory landscape in Queensland that grants a select few supermarket chains significant dominance in liquor sales. This dominance, we believe, directly affects pricing for consumers at the checkout. Specifically, Queensland's liquor licensing laws create barriers for smaller or independent operators, as alcohol sales licenses are categorised under Commercial Hotel liquor licenses (CHLL), allowing sales either within the hotel premises or from detached bottle shops (DBS). Although initially intended to support independent hoteliers, these laws now effectively safeguard a duopoly of supermarkets that control a majority of hotel licenses and liquor sales in the state.

While data on the ownership of individual DBS is limited, it's estimated that major grocery retailers have heavily invested in these licenses, with two prominent brands collectively overseeing over 750 retail liquor stores in Queensland. This consolidation unnecessarily restricts consumer choice, convenience, and pricing competition.