

# Aldi eyes smaller stores, e-commerce

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Aldi Australia plans to open smaller stores in urban locations and launch an e-commerce offer, possibly later this year, to underpin the next stage of growth as it nears its original 600-store target.

Twenty years after opening its first store in Marrickville, Sydney, in January 2001, Aldi opened 24 stores in 2020 and plans to open 20 this year, taking its network to 590, just shy of the 600 stores the German-based discounter initially thought feasible.

Chief executive Tom Daunt said small format stores in densely populated urban locations had outperformed larger stores during the pandemic and there was scope to move into new markets by opening stores that were smaller than Aldi's existing format.

Aldi's existing stores range from 1000 to 2000 square metres and are one-third to one-half the size of Woolworths' and Coles' supermarkets. They carry about 1500 stock keeping units, compared with 25,000 in a traditional full-service grocery store.

"We're already the beneficiary of having a relatively small store format," Mr Daunt said yesterday after releasing new PwC estimates showing Aldi had contributed \$30.2 billion to the economy since 2001.

"Our ability to put our stores very close to customers in convenient locations is superior already than large format supermarkets – the development of even more convenient Aldi stores is on the horizon."

Aldi is also working on plans to launch an online store this year, start-

ing with alcoholic beverages and "special buys" – the deeply discounted general merchandise it uses to lure customers into stores.

"There's no question that Aldi's future in Australia will include e-commerce," Mr Daunt said. "The fact is right now e-commerce is an expensive way for customers to shop ... as technology evolves and the online market evolves, we will find ways to bring that lowest price offer online."

"But we're not going to do that if it compromises our value proposition."

According to overseas reports last month, Aldi's German parent, Aldi Süd, is rolling out a globally standardised IT system, laying the groundwork for an online offer, while Aldi stores in the UK are trialling online deliveries.

Aldi has a limited partnership structure in Australia and is not required to disclose its annual accounts. However, in 2017 it signed up to the federal government's voluntary tax transparency code, revealing income and other taxes paid and pre-tax profits.

Mr Daunt said net sales rose about 10 per cent to \$10.5 billion in calendar 2020 – boosted by panic hoarding in the June quarter – and Aldi maintained its market share of about 10 per cent.

But like Woolworths, Coles and other beneficiaries of the pandemic, Aldi is facing a "COVID wall" as it cycles elevated demand from panic buying and working from home last year.

"Last year during March, April and May to June there was a huge surge in demand, so it's not realistic at all to expect that we would have the same

sales this year," he said.

"We're not particularly focused on market share or a specific number of stores."

"What we are focused on is making sure we can always deliver the best value in the market."

According to analysis by PwC, Australian shoppers in total save \$2.4 billion a year when they shop at Aldi, which claims a basket of groceries is 15 per cent to 40 per cent cheaper than a similar basket at Woolworths or Coles.

Over the last 20 years, Aldi's downward pressure on grocery industry prices had enabled shoppers to save \$6.6 billion and had led to increased consumption of private label goods, helping shoppers save another \$29.3 billion, PwC found.

Mr Daunt, who took the helm of the Australian business in 2011, hopes the company's legacy will go beyond lowering grocery prices.

After taking the lead on initiatives such as consistent national pricing, unit pricing, charging for plastic bags and supplier trading terms, Aldi has set more ambitious renewable energy targets than its major competitors, Coles and Woolworths.

Last year, Aldi committed to 100 per cent renewable energy use by the end of 2021 by using power purchase agreements with two wind farms and 102,000 solar panels on more than 250 stores and six distribution centres.



Aldi chief executive Tom Daunt hopes the company's legacy will go beyond lowering grocery prices. PHOTO: JAMES ALCOCK