

Aldi ramps up retail presence

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Discount retailer Aldi's investment in Australia is set to exceed \$500million after almost doubling last year as the German-based company increased its penetration of the \$60billion grocery market.

According to Aldi Pty Ltd's 2001 financial report lodged with the Australian Securities and Investments Commission its interest in Aldi Stores rose to \$472.9million last calendar year from \$261.8million in 2000.

Aldi opened its first shop in Australia in January last year and has launched new stores at a rate of more than two a month, taking total numbers in NSW to 31.

It is preparing to start trading in Victoria and Queensland, where it is building a warehouse and has secured more than a dozen sites.

There is growing speculation that it is also preparing to enter New Zealand. It has registered its business name and a domain name in New Zealand, and made modifications to its domain name as recently as Monday.

``Ultimately their strategy is to come to New Zealand," said retail consultant Tim Morris of Coriolis Research in Auckland. ``Their business runs on volume and I'm not sure the Australian population is enough for their business to reach critical mass even if they saturate the market."

Retail analysts believe Aldi is likely to delay its entry into New Zealand for 12 to 24 months to give it time to establish the Victoria and Queensland operations.

When it is ready to start trading across the Tasman, it is likely to establish a parallel infrastructure rather than run the operations from Australia, which retailers such as Coles Myer have tried to do, without success.

Aldi's progress in New Zealand will be watched by Foodland Associated managing director Trevor Coates, who ran Aldi's UK operations before joining Foodland last year. Foodland is now the second largest food retailer in New Zealand after outlaying \$600 million in June to acquire Woolworths NZ from Dairy Farm International.

Coriolis's Mr Morris said Progressive might try to pre-empt Aldi's arrival by setting up a limited chain of Aldi-like outlets, with low-cost formats and deeply discounted prices.

Analysts said the New Zealand grocery market was ideally suited to an operator such as Aldi, which had the potential to transform the industry with its low-cost offer and sophisticated distribution systems.

Consultant Geoff Cutler, of the Sydney-based Professional Assignments Group, said New Zealand consumers were considered more price sensitive than those in Australia but the New Zealand industry was less efficient due to a high level of direct store delivery.

``Aldi could drive a knife through that," he said. ``They're incredibly efficient in the way they work."

Meanwhile, Aldi continues to advertise for new sites in Australia and industry analysts believe its ultimate plan is to open about 150 shops nationally.

According to Jebb Holland Dimasi, Aldi's share of the national \$60billion take-home grocery market early this year was just 0.4 per cent. But in NSW it had 0.8 per cent.

KEY POINTS

* Aldi has opened 31 shops in NSW since last year; analysts believe its aim is to open about 150 nationally.

* There is speculation the company will enter the NZ market in the next 12 to 24 months.