



ALDI



Making a good difference

How ALDI contributes to the Australian economy



Executive Summary



In 2018, ALDI contributed **\$3.2** billion directly and indirectly to **Australia's gross domestic product (GDP)**



ALDI's operations in Australia supported 12,565 direct jobs and **11,730** indirect jobs in 2018



\$1.5 billion the **biggest contribution** to GDP was through ALDI's business partnerships



Business partners (suppliers) Net favourable score 64
ALDI voted **80%** more favourable than its nearest major competitor



\$2.2 billion **saved annually by ALDI shoppers** compared to shopping at major competitor

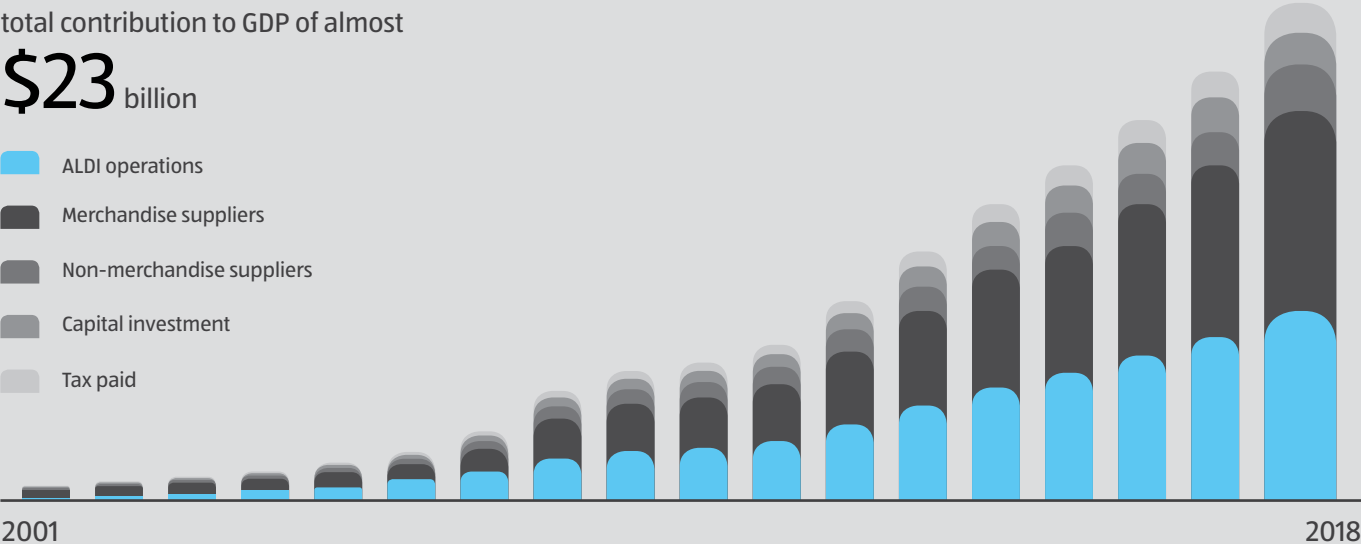


Shoppers at major competitors are saving **\$450** million annually due to ALDI's price competition

Since entering the market in 2001, PwC estimates ALDI has made a total contribution to GDP of almost

\$23 billion

- ALDI operations
- Merchandise suppliers
- Non-merchandise suppliers
- Capital investment
- Tax paid



Source: PwC analysis

Introduction

ALDI entered the Australian market in January 2001 with a new business model for selling groceries. Since opening our doors 18 years ago, our focus has remained on reducing prices via business efficiencies without increasing pressure on suppliers. These actions have led to price deflation in the grocery sector and more choice for Australians.

Our focus on providing an improved customer experience, strong company values, a long term approach to profitable supplier relationships, and a high bar for the quality of our exclusive branded products, has enabled us to grow to a network of 526 stores, 12,565 employees, and a local supplier base of more than 1,000 individual businesses. Through our supply chain, we indirectly support several thousand more Australian jobs, from growers, bakers and winemakers, to transport and logistics providers.

Over the years ALDI has operated in Australia, we have grown exponentially and shared this growth with our business partners, customers and local communities. The purpose of this report is to quantify this contribution to the Australian economy. For the first time, this report sets out ALDI Australia's direct and indirect contributions to the national economy as well as to customers, communities, business partners, employees and governments. Each of these contributions are quantified* and explored individually across the following pages.

By the end of 2018, ALDI had ...



526
stores

8

distribution centres



12,565
employees

More than
1,000
local business partners



* Figures throughout this report are presented in calendar year 2018 with the exception of tax data which is 2017



A word from our CEO

Eighteen years of sustained and sustainable growth

When ALDI entered the market 18 years ago, we introduced a new business model for selling groceries. Starting with just two stores in Sydney in 2001, we initially offered a range of 600 grocery products supplied by 174 business partners.

One of our founding business partners, for example, supplied us with just two types of laundry powder, which they first delivered to us on a single pallet delivered from the back of a ute. Today, that same business partner now supplies 75 cleaning and personal care products across 150 varieties to every one of our 500 plus stores.

But theirs is a growth story that is far from unique.

There are hundreds of Australian businesses with similar stories to tell, each supplying ALDI with exceptionally high quality products. And as they've grown and generated long-term prosperity for themselves, they've also created opportunities for those within their own extended supply chains.

Shared prosperity with our partners has always been a priority of our business. We've known anecdotally for a long time, that ALDI has played an essential role in the growth and success of an enormous number of our business partners. But as a top three supermarket in Australia, we wanted to better understand exactly how significant an impact we've had and quantify this impact more objectively.

Today, we've released the results of an economic impact report titled *'Making a Good Difference: how ALDI contributes to the Australian Economy'*, which has been prepared in partnership with PwC. The report has put a dollar figure to those relationships, as well as quantified the financial contributions of our business operations across Australia. And, the results are significant.

According to the report, ALDI has contributed \$23 billion to Australia's gross domestic product (GDP) since we opened our first stores in 2001. In 2018, our contribution to GDP was \$3.2 billion, about half of which came from our relationships with more than 1,000 valued Australian business partners that supply us with everything from fresh bread to nappies.

We've known too, that our presence in the grocery sector has created downward pressure on grocery prices across the market, even to the advantage of grocery customers that choose not to shop with us. For the first time, this report quantifies the financial and economic impact of that pressure and finds that even the grocery customers of other retailers have saved \$5.68 billion over the last 18 years.

ALDI's employment of the 12,565 people who work with us was found to have resulted in a contribution of more than \$1 billion to GDP in 2018 alone.

The PwC report is the beginning of an important journey for all of us at ALDI. We recognise that whilst we've been very successful in getting on with the business of selling high-quality, affordably priced groceries and always doing the right thing by our people and business partners, we've been less focused on sharing insights about those things which we believe most contribute to our success.

As one of Australia's top three supermarkets, we believe that we have a responsibility to incentivise positive change. It is with that in mind that in 2019 we will increase the level of transparency we provide to the market about key aspects of our operations. I am a firm believer that beyond our contribution to the Australian economy, our enduring value comes from openly sharing many of the business practices we are proud of that have helped us create such a positive impact.

We are proud of the reputation we have built for providing customers with a high quality and affordable shopping alternative. As we look to our future in Australia, we want to reassure our customers that how we conduct our business is just as important to us as the low prices we offer.

The economic impact report, launched today, goes a long way to highlight the extent of ALDI's positive impact on the Australian economy. But, it remains only one part of a far reaching story.

— Tom Daunt, CEO, ALDI Australia

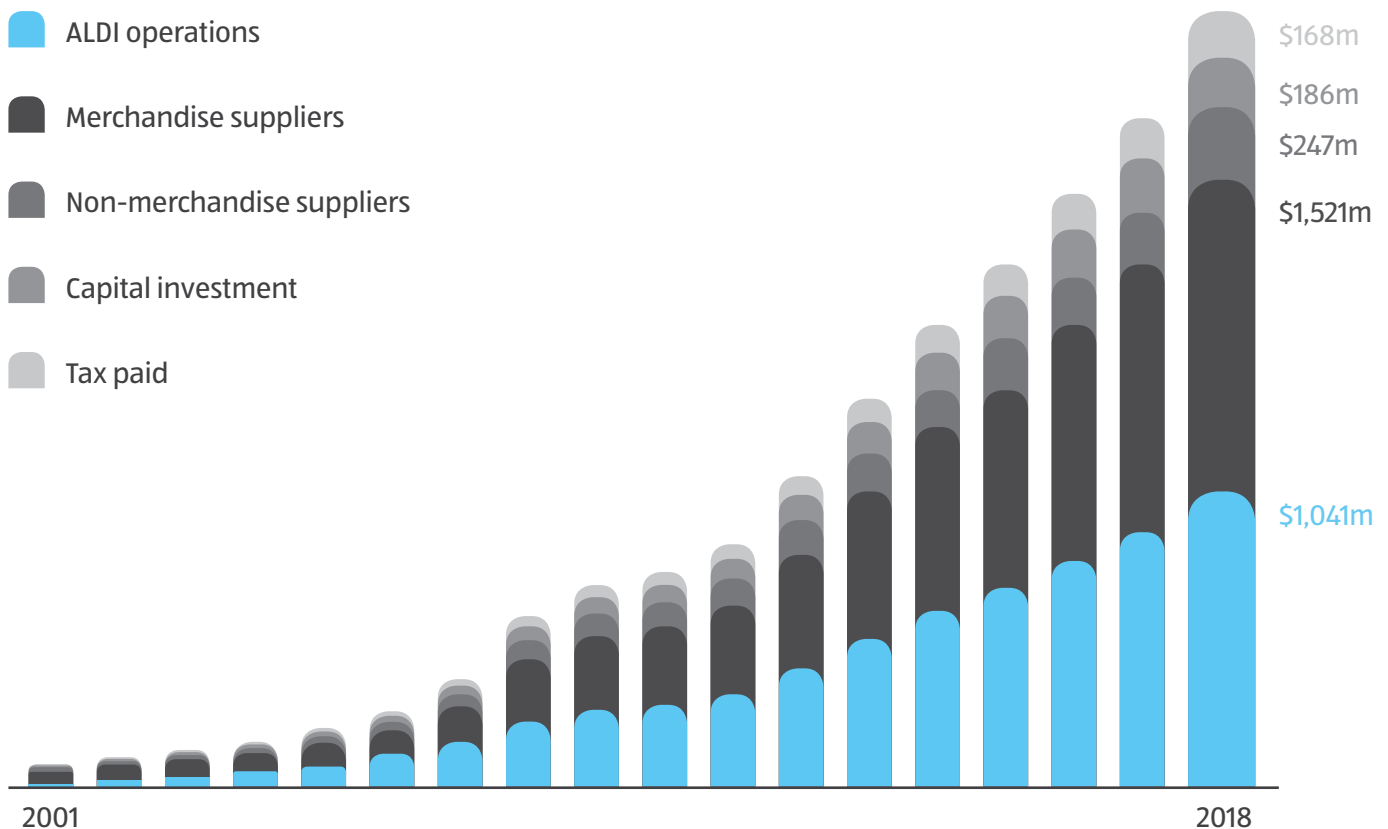
ALDI's contribution to the country



In 2018, ALDI contributed \$3.2 billion directly and indirectly to Australia's gross domestic product (GDP). We made this significant economic contribution through our own operations and strong partnerships with local businesses. The components of this contribution are explored through the remainder of this report.

We are proud that we have grown to contribute substantially to Australia's economy, having started from just two stores in 2001. Since that first store opening, it is estimated that we have contributed \$23 billion to GDP. Our growth has been defined by our Australia first buying policy and these partnerships represent the most significant component of our contribution to the Australian economy.

\$23 billion added by ALDI to the Australian Economy over 18 years



Source: PwC analysis

ALDI's contribution to customers



We offer clear price benefits for our customers. This ranges from a 10% saving compared to a private label basket at a major competitor, to a 65% saving compared to major brands according to independent Choice analysis.

Our range of over 530 award winning products has consistently been found by consumers and independent assessment to equal or outperform branded products for a fraction of the price.

However, price is only one part of the 'good different' experience. We also offer customers a distinct variety of choice compared to competitors. Alongside iconic brands, we offer a streamlined private label product range that meets the daily needs of our customers. By developing this product range in close partnership with local businesses, we give our customers the best in both price and quality.

Our entry in to the Australian market has driven a competitive force within the grocery sector, lowering the cost of groceries in all supermarkets.

The Australian Competition and Consumer Commission found in 2008 that "even if a customer does not shop at ALDI, they obtain significant benefits from having an ALDI in their local area".

Since then, ALDI has continued to drive competition and therefore deliver savings for customers, even if they do not shop at ALDI. Our competition is delivering savings for customers of major competitors in two ways. Firstly, our competition compels major competitors to lower prices across all of their ranges and in 2018 we saved non-ALDI customers \$450 million on products they would buy anyway (contributing \$180 million to GDP). Secondly, our high quality private label products have made the major competitors revisit their own offerings, increasing the attractiveness of their own private label products and saving their customers \$3.48 billion in 2018.

The market has adjusted to these competitive effects, so they are no longer directly observable or distinguishable from other economic effects on price (such as exchange rates), but they are real economic gains attributed to ALDI.

\$2.2 billion

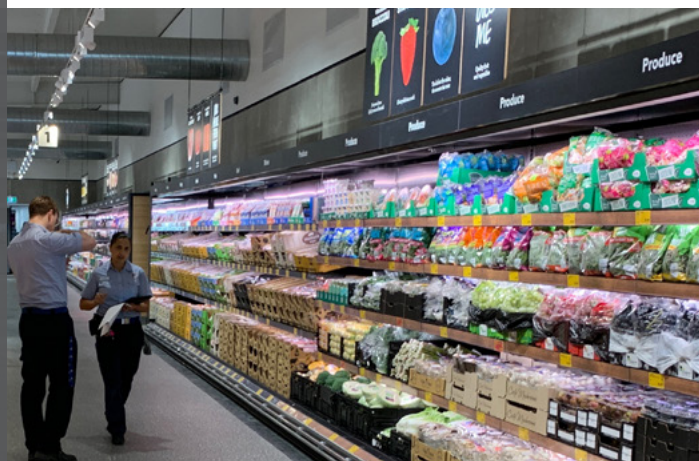
saved annually by ALDI shoppers compared to shopping at major competitors

\$450 million

saved annually by shoppers at other major competitors due to ALDI competition

\$180 million

additional annual GDP due to ALDI's competitive impact



ALDI has driven behaviour change in private label offerings, sales and customer savings

\$3.48 billion in 2018

\$18.7 billion since ALDI has been in operation

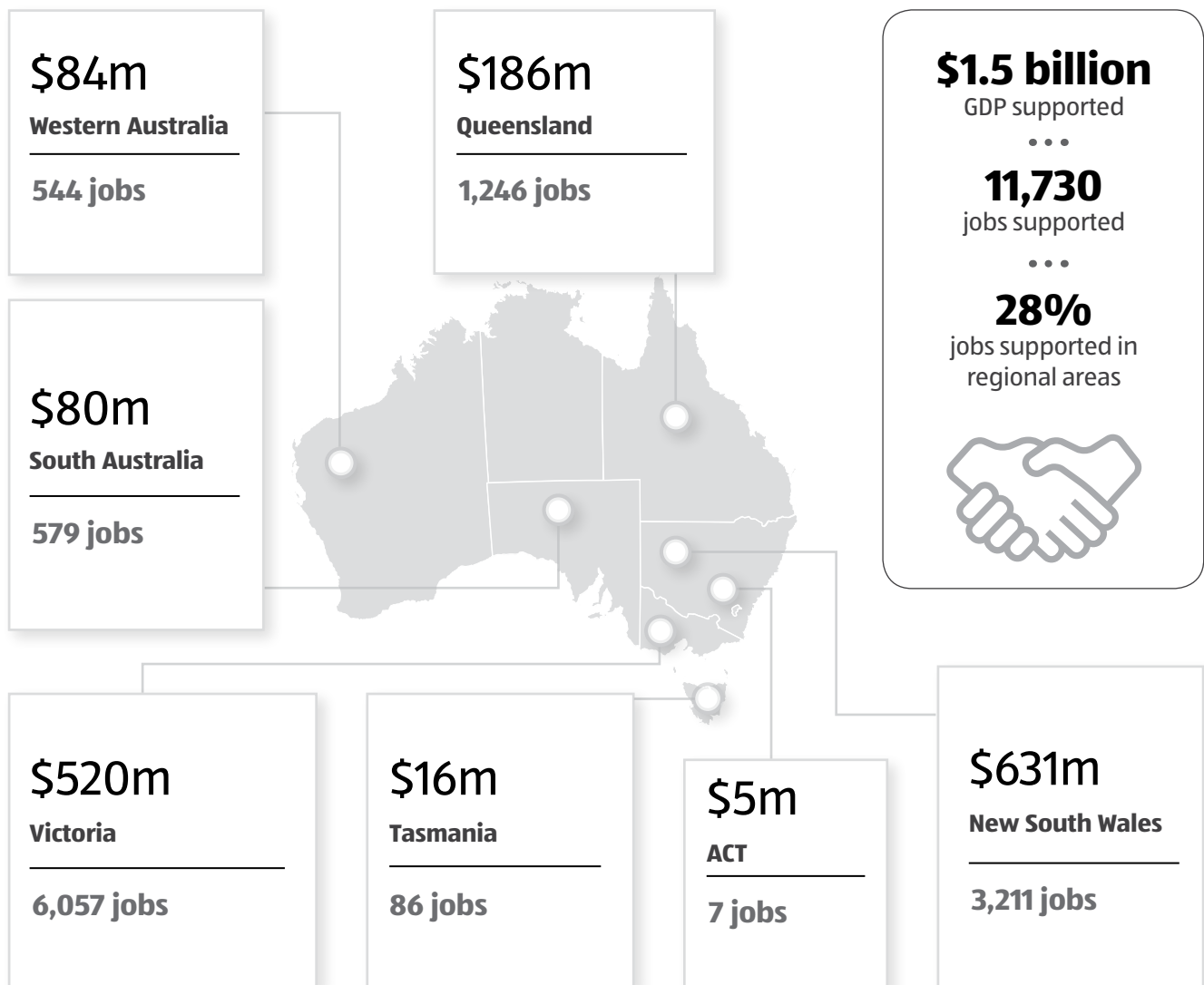
ALDI's contribution to local business partners



Over the past 18 years we've become a viable and compelling alternative for many Australian businesses to bring their product to market.

We have led to changes in consumer behavior and challenged the long-standing approach of the leading competitors. We have been able to grow our local business partners from 174 suppliers in 2001 to now over 1000 suppliers across the country. The most significant economic contribution quantified

in this report is the value created by these local businesses due to their partnership with ALDI. We are proud that we supported a \$1.5 billion contribution to GDP in 2018, as estimated by PwC, through local business partners in seven states and territories* across Australia. Partnership with ALDI has helped these businesses grow and create employment and development opportunities in their local communities, as demonstrated through real supplier stories in the following pages.



*Location of economic impact based on the production facility of the contract

ALDI's contribution to local business partners



Hinkler Books, VIC

The partnership with Hinkler Books was established 16 years ago. The two businesses came together after identifying a synergy that was simply too hard to ignore. **Nadika Garber, Managing Director of Hinkler**, is passionate about literacy development in children. Nadika and ALDI's Buying team identified opportunities to build a mutually beneficial relationship to make books, arts and craft and musical instruments accessible for Australian parents and children.

Over the last ten years the partnership has experienced strong growth. ALDI sales have increased from \$44,000 in 2002 to over \$3.5 million in 2018 as a result of selling over 1 million books as Special Buys in that year alone. The partnership also introduced Hinkler to new ALDI markets such as ALDI US and UK. Nadika credits the partnership on professionalism and open, strong and trusted relationships.



“ALDI are true professionals. I completely agree with their business model and we have a true relationship with the team. As our business has grown and volumes have increased with ALDI, we have had to learn to upskill our team and challenge ourselves on capabilities. We now work together to drive trends, content creation and design. There is value adding on every level and there is nothing that compares to the sense of work satisfaction that we get with our partnership with ALDI.”

— **Nadika Garber, Managing Director, Hinkler Books**

ALDI's contribution to local business partners



TrendPac, NSW

To say TrendPac came from humble beginnings is no understatement. The family owned business was founded by Jim Hyde in 1963 and is still family run and operated. TrendPac boasts a long list of products that they proudly supply to ALDI including mouthwash, shower gel, shampoo, soap and household cleaning products. A large part of their growth can be attributed to a strong and reliable partnership with ALDI since the business commenced in Australia, with ALDI now accounting for a large proportion of TrendPac's business.

"Our partnership with ALDI has provided the business with confidence to invest in new technology as a result of consistent growth with the company," explains **Steven Hyde, Managing Director at TrendPac**. The partnership with ALDI is built on a foundation of strong communication and rapport developed with ALDI's buying team over the years. "The businesses interact at many levels and the continuity of the staff in key roles in both businesses enables the partnership to be maintained."

TrendPac's dedication to ALDI doesn't stop at creating quality products. The business is eager to work with ALDI to achieve goals in areas such as sustainability. "We have made the move to using sustainable palm oil and certified materials in line with the guidelines set out by ALDI. Our Research and Development team are focused on making greener formulations so our products are as sustainable as possible, now and in to the future."

"Before ALDI entered the marketplace the quality of private label products was poor. We have risen to the challenge, developing market leading products in terms of quality, performance and packaging. The quality of our products in ALDI stores has changed shopper perception of private label products for the better."



Spring Gully Foods, SA

Established in 1946 in the Adelaide foothills, Spring Gully Foods is a fourth generation family business with a rich history. A partner since the opening of the very first store in Australia, Spring Gully Foods has come on the journey with the buying team and enjoyed growth as a direct result of their partnership with ALDI.

While the relationship with ALDI started with honey, Spring Gully Foods now supplies a range of its branded products to our South Australian stores, including Sweet Spiced Gherkins and Pickled Onions. The opportunity to supply products that are known and loved by locals has provided Spring Gully Foods with the opportunity to expand their product network, while demonstrating ALDI's commitment to supporting local business and meeting the needs of shoppers in that market.

"My step-grandfather and founder of Spring Gully Foods, Edward McKee, created home-grown pickled onions with a unique spice mix. He developed this recipe back in 1946 and from there expanded his product offering. We still use this recipe in the majority of our Spring Gully branded products. In fact, only a few select people know exactly what is in it," says **Kevin Webb, Managing Director at Spring Gully Foods**.

ALDI's contribution to local business partners



Turkish Bakeries, WA

Evolving from a small wood fired oven over 25 years ago, Turkish Bakeries has always been a local operation based in Victoria Park, Western Australia.

In 2001, Ceyda Genc, her father and a Turkish baker saw an opportunity to supply stone baked, preservative and additive free Turkish bread to the market and established Turkish Bakeries in a 140 square unit. Today the business has expanded to an even bigger facility, baking and producing a wide range of high quality Artisan breads.

Turkish Bakeries bake and deliver Turkish Pide, Turkish Rolls, Vienna and Rye loaf, Ciabatta, Pane Di Casa, sourdough, seeded sourdough and pizza bases fresh to ALDI stores in Western Australia every day.

The partnership has been mutually beneficial for ALDI and Turkish Bakeries. When ALDI expanded into WA in 2016, they saw the opportunity to partner with Turkish Bakeries as an important step in supporting local business, as well as providing Western Australian shoppers with fresh bread products that were locally made.

“Generally speaking, we initially found it challenging to get the Australian market to understand our international products. Partnerships like the one we have with ALDI have enabled our business to overcome this challenge. Our relationship with ALDI has allowed us to supply a range of Artisan products that are truly authentic to a broad consumer base in Western Australia.”

“We are thankful that the ALDI Buying team saw potential in our business. It is a fantastic opportunity for any business to build and grow products in Australia.” said **Ceyda Genc, Managing Director of Turkish Bakeries.**



Golden Cockerel, QLD

Golden Cockerel was founded in 1972 by the Benfer and Elks families in Mount Cotton, Queensland. For the last four years, the business has been supplying fresh poultry to ALDI's Queensland and NSW stores producing 100 tonnes of chicken every week for our stores. This includes chicken breast, wings, cutlets, thigh fillets and drumsticks and free-range chicken products.

CEO of Golden Cockerel, Alan Wilson explains that the partnership with ALDI is simple, personal and professional. “There is clear direction at every step. Our businesses also hold the same values of simplicity and efficiency – we just get on with the job and do it right.”

Through its partnership with ALDI, Golden Cockerel has experienced continued growth; originally supplying around 40 tonnes of poultry before increasing to the current level of production in a short period of time. The ALDI partnership has enabled the business to invest \$40 million to upgrade their plant facilities, with Golden Cockerel considering this new plant to be the most innovative in the country.

ALDI's contribution to local business partners



We commissioned independent research to observe our engagement, performance and capability with our business partners (suppliers) against other prominent retailers. The results, by a considerable margin, showed the integrity in which we conduct these relationships. We are seen as the most desirable partner by Australian grocery suppliers.

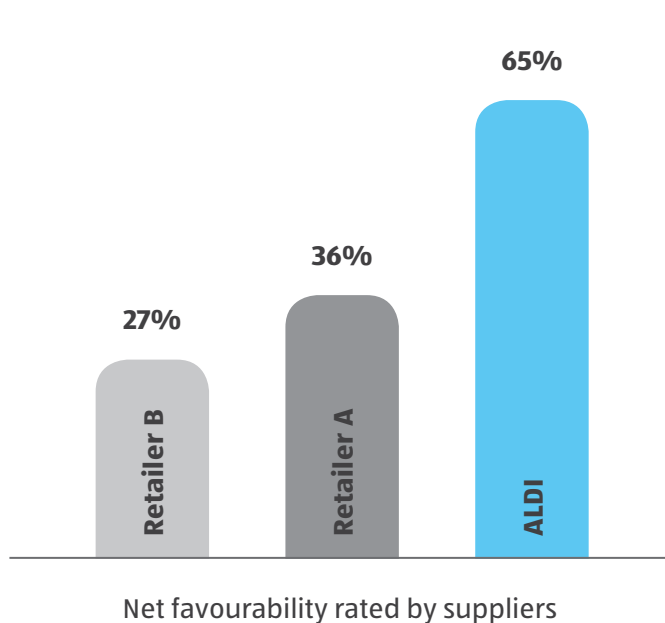
The research conducted independently by Advantage showed that suppliers rated our leading strengths (individually and when compared to other retailers) as the following:

- 'A good straightforward company to do business with'
- 'Implements agreed upon business plans and delivers on commitments'

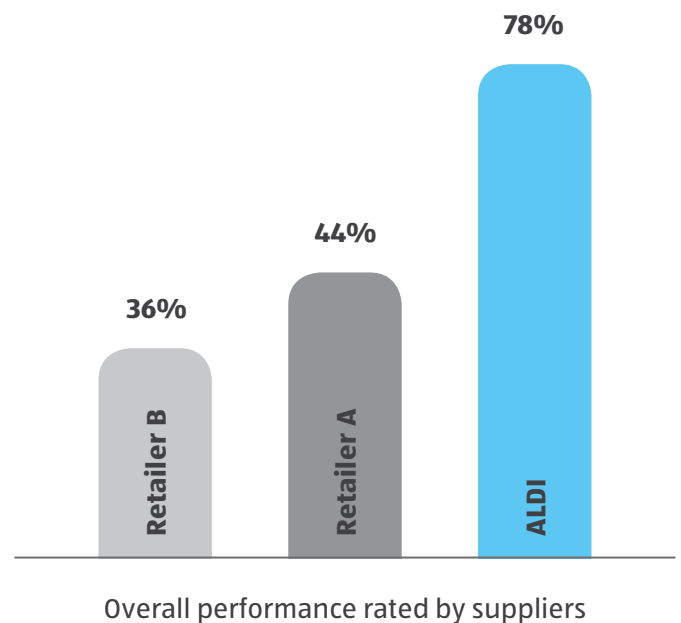
- Has an efficient payment process
- Expectations regarding product quality and food safety reflect industry best practice

This research shows the trust built by ALDI with local business partners through our net favourable score – which shows the proportion of suppliers that rated us favourable compared to unfavourable – the highest of the three retailers measured.

Suppliers consistently view their experience with ALDI as more favourable than other retailers



Suppliers rate ALDI's overall performance significantly higher than other retailers



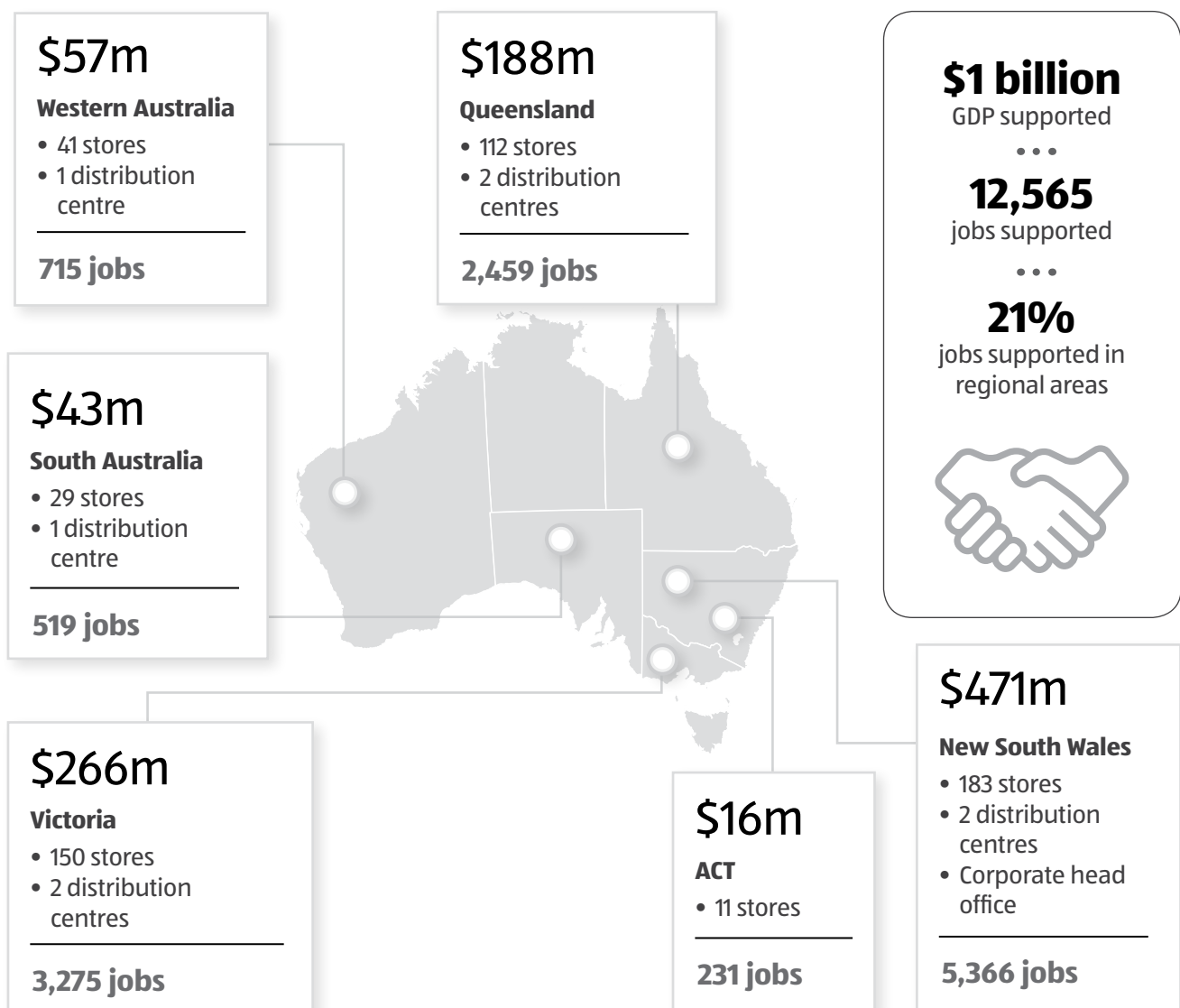
Source: Advantage research

ALDI's contribution to employees



PwC's independent analysis shows that ALDI's second largest contribution to the economy is through the employment opportunities we provide for our people. Through our employment of 12,565 people across six states and territories we supported over \$1 billion of GDP.

We're proud of the passionate employees that have helped create ALDI's loyal customer base and this economic contribution reflects the investment we make in our people, explored in examples across the following pages.



Source: PwC analysis

ALDI's contribution to employees



We believe that the best way to provide quality outcomes for our customers is to invest in our people.

Not only do our employees enjoy competitive remuneration, excellent work-life balance, and high degrees of responsibility, they're also given every opportunity to grow and develop, both professionally and personally.

Our highly skilled and dedicated employees are the secret to our success and we have a series of development and progression programs in place to support their growth. The emphasis we place on training and continuous improvement is one of the reasons that people really value working at ALDI. Whether it's leadership training for our management teams or operational equipment training for the people running our stores, these programs empower our people to make a difference and remain highly engaged, positive and future focused.

We pride ourselves on providing a working environment that fosters a high level of employee satisfaction. In our most recent employee satisfaction survey, our engagement score was in the top 10% of retailers. This reflects how connected our employees feel to ALDI and how we are helping them achieve their goals.

We acknowledge that as an employer, we have a responsibility to drive change. Our policies to support our employees reflect this, including an industry leading 10 days of Family and Domestic Violence Leave annually for all employees. Our parental leave policy of up to 18 weeks at half pay upon the birth of a child, is also available to staff.

By treating our people with respect, offering fair working conditions and providing opportunities for professional and personal development, we're an employer that Australians really want to work for. We are proud to showcase a few of our people over the following pages.



ALDI's contribution to employees



Having started as an Area Manager for ALDI in Queensland, Nicola Mendoza has grown alongside the company and continues to support ALDI's culture and success.

"What attracted me to work for ALDI was hearing about how simple, transparent and straight forward the business model was. Once I started working at ALDI, I realised this thread ran through the business with customers and employees."

As an Area Manager, Nicola was given a lot of autonomy and responsibility from the very beginning. She was taught to run the stores as her own business by overseeing all operations, increasing efficiencies and being responsible for managing a team of up to 60 employees.

"ALDI gives you a level of freedom and autonomy within your role that is unlike other places I've worked in. There are clear lines of responsibility which really help you make an impact or a difference to the business. At the end of the day, you know you worked hard for the result and can feel proud you did that."

In her 14 years with ALDI, Nicola has progressed to a Buying Director and manages her categories by running them like individual businesses, setting the specific strategy, developing and overseeing all operations with business partners and being responsible for her team and the products they put on the shelf.



**Nicola
Mendoza**

Buying Director

ALDI employee
since 2005

ALDI's contribution to employees



Ziegric (Ziggy) Orlovski

Corporate Logistics Specialist
ALDI employee since 2014

Five years ago, Ziggy sent off his application to a job agency for a role as a D-Pallet builder in ALDI's Minchinbury Distribution Centre (DC). Today, he's a Corporate Logistics Specialist, training employees in DCs across Australia.

Ziggy's role supports continuous improvement across the DCs by streamlining unnecessary

“It wasn't until I started working for ALDI that I discovered a real passion for my career. There are lots of moving parts in the logistics industry, so I feel challenged to keep learning and growing, while having a sense of ownership over each task.”

processes. His team meets daily to discuss elements such as safety, quality and productivity metrics. Ziggy credits ALDI's training and development for giving him the skills to take on new roles. “It's given me the confidence to move from a D-Pallet builder to a Picker, Assistant Section Leader, Section Leader and then overseeing the redevelopment of a DC, before taking on my current role.”



Paul Billingham

Store Manager
ALDI employee since 2015

From his early days as an Assistant Store Manager in Liverpool, Paul has taken advantage of every training opportunity with a firm determination to become a Store Manager. From Fire Warden and First Aid training, through to planning rosters, organising inventory and training new starters, working to the promotion of Store Manager was a busy time, but one that has allowed Paul to develop as a leader.

“Moving into a Store Manager role was also about the characteristics you show; making sure there's a real passion for the store, making the store yours, working hard and taking responsibility for it. It's the little things that you do every day that make the difference in the long run.”

Paul's learning and development continued after this promotion and he has recently completed the ALDI Management System Leadership Program. The training allowed Paul to provide strategic thinking and analysis to the varying situations that arise in his role.



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