ALDI SUED 2019: complete overhaul of the business model, the consequences of FMCG A brands listings, SKU sales, 2020 forecasts

Changes to the business model in Germany will be replicated abroad, so what does the listing of FMCG A brands mean for Aldi? On the negative side, costs and complexity have gone up considerably. The discounter has to spend much more on replenishment, category management and buying and has started to use SAP to analyse its business processes and shoppers. It has also meant that Aldi has become price comparable for the first time and is being challenged by the promotions of the competition.

Now the retailer has reached a point where Aldi can not afford the listings of brands on a permanently lower level (around 5%) any more. Instead Aldi will invest much more in promotions and move towards a high/low model. (It should be noted that the private label ranges will still follow the EDLP model)

On a more positive note, there is great potential to raise more synergies with Aldi Nord on both private labels and brands, from buying to advertising and promotions, and great potential in international.

Looking ahead, the question is how many of the FMCG A brands will still be on Aldi's shelves in 5 years time?

researchFARM
Retail Analysts

Benefits

Understand how much a FMCG A brand will generate in any given Aldi country

Learn how to react when your brand gets challenged by Aldi's listings and promotions

Understand what happens when your brand gets promoted and discounted by Aldi and what the effect is on the entire category and market

Learn how many new shoppers and how much frequency an Aldi listing brings

Understand the market share shift impact and how competing retailers will react

Changes to the business model in Germany will be replicated abroad, find out now what's around the corner – understand the German perspective

Features

Forecasts and historic data on all relevant KPIs, based on actual Aldi data, covers all your Aldi data needs

From sales to store metrics, store count, space and sales densities to SKU ranges and brands sales in all Aldi Sued countries, brand multiplier effects, average sales per SKU and brand from 2015-2020 – not available elsewhere

Aldi's strategic business model change explained – from EDLP to high low promotions, how the discounter manages being price comparable and its range architecture pricing, where does the opportunity for collaboration with Aldi Nord lie?

Recommendations for FMCG A brand suppliers, Private label suppliers, competing retailers

Questions

How much money did Coke make from the Aldi Sued listing in 2018 on a SKU level? €50m, 100m? €150m? (And of course Coke has listed more than just 1 SKU across the entire Aldi network)

How much can a national champion brand expect to generate? And what is the forecasted sales volume for 2019 and 2020?

If you list your brand at Aldi what can you expect? What happens if your direct competitor does and you're frozen out? Can your brand be dragged into the price war too?

Who are the winners and the losers from Aldi's trading up and brand listing strategy?

Are the rapid promotions and deep discounts from the retail competition the right strategic response?

How does shopper behaviour change? How do Aldi shoppers react to the brands?

How has the Aldi business model changed – as a result of allowing FMCG A brands in – from the back end to advertising and promotions?

How has the market changed as a direct consequence, what has happened to private label sales volumes and pricing levels?

What does it mean for private label suppliers? For other retailers? For shoppers? For branded suppliers? For private label prices? For price deflation and the sector? For market share shifts?

What will happen with online at Aldi? Are the new store formats driving sales uplifts?

Aldi Sued: SKU Count Growth by country, 2015-2020f, in %

Table 14

Year to December	2015/6	2016/7	2017/8	2018/9	2019/20
Austria	3.8	3.7	3.6	1.7	1.7
Germany	6.7	6.3	5.9	2.8	2.7
Hungary	2.9	2.8	2.7	5.3	5.0
Ireland	2.9	2.9	2.8	2.7	2.6
Italy	---	---	0.0	2.6	2.6
Slovenia	3.6	3.4	0.0	3.3	3.2
UK	2.9	2.9	2.8	2.7	2.6
Australia	3.7	3.6	6.9	6.5	3.0
Switzerland	3.6	3.4	1.7	1.6	3.2
USA	3.6	3.3	5.4	3.7	4.4

Aldi Sued: Total Selling Space Growth by country, 2014-2020f, in

Table 8

Year to December	2014/5	2015/6	2016/7	2017/8	2018/9
Austria	0.7	4.3	1.4	2.1	1.5
Germany	1.5	0.3	1.4	0.7	1.5
Hungary	6.9	2.4	7.5	2.7	9.8
Ireland	7.5	5.6	1.1	2.3	6.4
Italy	---	---	---	---	55.6
Slovenia	1.8	2.9	1.7	-0.5	3.3
UK	12.3	10.6	9.1	15.6	10.3
Australia	10.9	17.1	10.8	4.1	5.0
Switzerland	3.8	4.8	2.3	0.5	5.7
USA	5.8	6.5	11.2	4.8	5.8
China	---	---	---	---	
Total	5.1	5.6	6.8	5.72	5.6

£995 excl. VAT

- 110 pages of insight
- Delivered as a PowerPoint and PDF file
- Flexible payment
- Order on website, by email or by phone

THREE EASY WAYS TO ORDER

ONLINE:	EMAIL:	PHONE:
store.researchfarm.co.uk	sales@researchfarm.co.uk	+44 (0) 207 193 6905

Table of Contents: Aldi Sued 2019

Table of Contents: Aldi Sued 2019

Table of Contents: Aldi Sued 2019

Table of Contents: Aldi Sued 2019

Table of Contents: Aldi Sued 2019

Table of Contents: Aldi Sued 2019

Charts

Tables

Table of Contents: Aldi Sued 2019

Executive summary: wide ranging changes to the model

Sample page

- While the introduction of FMCG A brands should be judged as a success, one aspect often gets overlooked. At sister company Aldi Nord sales per SKU of the private label range showed double digit declines in 2016, when the first big push of FMCG A brands introduction happened. While the situation has not been as bad at Aldi Sued, there was a new need to manage its private label supplier relationships as a consequence of sales growth being outpaced by range expansion growth. Again this showed a real need for a big data approach to understand all the implications of the change of the business model (on a category by category level).

- In July 2018 Aldi started harmonising ranges in Germany, as common private labels between Sued and Nord offer new advertising opportunities. Private label products are set to not only be bought together but also be offered in the same design, this saves costs and enables new marketing opportunities.

- Aldi is also innovating on store design with its store of the future model and by focusing on its fresh ranges and especially on organics. Whilst in other markets much of Aldi's future growth will come from store and space expansion, in Germany all the best sites have been snapped up and the discount channel is mature. So one obvious way out has been the introduction of brands. This need to list FMCG A brands is not as acute in some of its other foreign markets.

- Only in online not that much has happened at Aldi in Germany, apart from the roll out of Amazon lockers on the Aldi store estate and a non food home delivery service that is not really fit for purpose yet, as delivery times and payment methods are not up to scratch.

September 2018: hiring drive in US expansion, trialling e-trucks in Germany

- **In September 2018 Aldi geared up its hiring drive to support US expansion.** Aldi seeks to fill more than 1,000 store-level jobs across 380 locations in Ohio, West Virginia, Virginia, Maryland, Illinois, Indiana, Georgia and Michigan. By the end of 2022, Aldi aims to add 25,000 new jobs across its business, including positions in its stores and warehouses as well as at the corporate level. The company is 18 months into a $5.3bn, five-year expansion program that will upgrade most of its locations, grow its store base by nearly 50% and boost customers served per month from 45m to 100m. Now with about 1,800 stores in 35 states, Aldi is looking to expand its employee base from more than 28,000 currently to over 50,000 by 2022.

- While many retailers are closing locations and facing a challenging retail climate, Aldi is expanding stores and warehouses. This is actually the largest expansion the company has seen in a mission to help more than 100 million people save money on food every month by 2022. Aldi opened 135 new stores last year and expects to open 150 new locations this year.

- **In September 2018: Aldi was trialling e-trucks in Germany.** Around 50 Aldi stores in the Ruhr area will receive their goods from an electric truck. The vehicles weigh 40 tons and have an incorporated chiller/freezer element. Aldi is trialling alternative fuels in its transport logistics arm. The trial will run for 5 years and demonstrate whether the vehicles will be good enough for daily runs from DC to store network. The retailer is also testing LPG trucks. The major advantages of the electric trucks are no CO2 and exhaust emissions and them being relatively quiet (good for deliveries at night time or in early hours).

Sample page