



# Aldi's time comes as shopping habits change

The grocer has achieved stellar growth in the past year and it has now won Retailer of the Year and International Retailer of the Year. In their debut interview with Retail Week, joint managing directors Roman Heini and Matthew Barnes tell Alex Lawson about their success

**A**ldi's irrepressible momentum in attracting hordes of shoppers and winning market share has been one of the talking points of the past 12 months.

Every new release of industry data leaves commentators blinking as they attempt to fathom how the grocer's sales growth rate is blazing so far ahead of its rivals.

Soaring profits and snappy marketing have accompanied Aldi's increasing popularity among the sought-after British middle-class shopper.

Its success led judges to name Aldi both the Oracle Retailer of the Year and the Heidrick & Struggles International Retailer of the Year.



Aldi's popularity and market share have been growing rapidly

"It's been a fantastic year, customers really understand us," says Aldi UK joint managing director Matthew Barnes in his, and fellow managing director Roman Heini's, maiden interview with *Retail Week*.

The judges agreed, saying: "Customers have clearly chosen Aldi. Anybody who can make the big four think about where they position their business has done something incredible."

Aldi is riding the crest of a wave that was powered, Barnes says, by the firm's Swap & Save advertising campaign last summer. This campaign helped lead to a Christmas season dominated by Aldi.

The results were evident in Morrisons' plummeting festive



**Aldi focuses on transparent pricing and building customer trust**

like-for-likes, as customers who might have shopped with Morrisons rather than discounters opted to stick with Aldi. Meanwhile, the latter tempted new customers with a range of high-quality products, including fresh lobster, whole legs of Serrano ham and its free range Roly Poly turkey.

"We invested in Christmas and were rewarded. If anything, January has raised the bar and we have had a really good start to the year," says Barnes. The duo believe the secret to Aldi's rapid rise is simple and driven by product quality.

"Whenever we review our performance, we always start with our product range," says Barnes. "We recognised a few years ago from research that customers did not feel our product range was broad enough or British enough.

"We have increased our buying team at our offices in Atherstone, invested in margin, expanded our range in fresh and ambient, and become nimble to turn customers from top-up to weekly shoppers."

It is this last transition that has helped Aldi wring market share from its squeezed big four rivals, says Barnes.

Shoppers who once nipped to the discounter for the odd German brand not only decided to grab a trolley, but told friends to go. In a low growth grocery market, rivals have been looking over their shoulders as Aldi's march has continued.

As bargain hunting has become increasingly cool, so Aldi's basket size has risen to be almost on a par with the average in Sainsbury's and Morrisons. Customers have been surprised by the retailer's quality

and, despite the knock taken by Aldi and the rest of the sector during the horse meat saga, its sourcing credentials. "People understand the range. It's a smaller number of SKUs at 1,350 than in a 30,000 to 40,000 supermarket, but customers believe we can give them everything they want," says Barnes.

This point has been countered by industry heavyweights including departing Sainsbury's boss Justin King and Asda chief Andy Clarke, who argue Aldi's limited ranges hold back the discounter's growth potential.

Asda, particularly, has responded to Aldi's threat by lowering the price of specific lines to keep customers that might otherwise be tempted to Aldi, and has set out a five-year plan called Redefine Value Retailing to attract cash-strapped shoppers with long-term low prices.

"We are the only true 'everyday low price' retailer in the market place," says Heini, pointedly referencing Asda's core principle. "Customers are fed up with the smoke and mirrors in the market. It's about transparent pricing and trust, they know what their weekly shop will cost. It's not just about putting a handful of lines on special offer."

The pair are also keen to distance themselves from German peer Lidl, to which Aldi is often compared. "Given the differences in our Kantar sales growth, we are often surprised we are always mentioned together," says Heini. "We do both originate from Germany, but we are a British business sourcing British food and that's what we continue to focus on," adds Barnes.

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**Matthew Barnes (left)**  
**and Roman Heini**

**"WE ARE A BRITISH BUSINESS SOURCING BRITISH FOOD"**

Matthew Barnes, Aldi



## ◀ INTERNATIONAL ACHIEVEMENT

The Anglo-German duo have one of the most unusual job characteristics at the top of UK retail – shared responsibility. How do they cope with four hands on the tiller when many in their equivalent positions are often strong individuals?

“We have a very interesting and unique scenario,” says Heini, whose 18-year career with Aldi has included stints at its German arm and setting up its Swiss business before taking the reins in the UK in 2010. “We share all decisions and departmental responsibilities and work closely together.”

“The only things we do individually are regional visits. We usually spend two days a week with the buying teams and two on the road. It’s very hands-on compared with a public company chief executive.”

Bath-born Barnes, who has also been with the business for 17 years and worked in Aldi’s Australian arm as well as a regional director in the UK, adds: “We do not always agree on everything but it’s a great thing to have the [shared] responsibility of two heads making the decisions.”

The pair, who insist on sampling every product before it hits Aldi’s stores, are keen to keep a low profile. “We much prefer being under the radar. We do not really engage with the press but we realised it was important that we did because, with our growth, comes a degree of inquisitiveness and speculation.”

Aldi’s UK growth trajectory, which is reflected in every market it trades in, has not been without consequences. Barnes admits the



**Aldi’s non-food deals have captured the imagination of shoppers**

retailer has experienced growing pains in expanding to an operation with 20,000 staff and more than 500 stores, a milestone it reached last year.

The retailer intends to address this with a new Aldi academy in Manchester to help attract talent and learn from the rest of the industry, as well as opening its eighth depot in South Yorkshire to support growth in the North. It is due to open next year.

Barnes and Heini will hope the bolstered infrastructure can provide a platform to support the rapid planned store investment.

The duo forecast opening 55 new stores a year for the foreseeable future, targeting some “white spots” in the South, but also adding to its existing store base. Aldi made its debut on the Isle of Wight last year, for example, and has two further stores planned there.

A key area of focus for Aldi is London. The capital is a hotbed of grocery competition as the major multiples have opened a raft of convenience shops. Aldi’s store pilot, which opened in Kilburn last year, smashed its targets and, Heini says, provided a learning curve.

“It has given us experience in different opening hours, average spend and delivery times,” he says. “We want to open more central London stores in the next year or two.”

The discounter’s existing store estate will also receive a “multi-million pound” investment, with a cash injection planned for all of its

shops through a refresh due to complete in September.

Aldi intends to expand its fresh products, make the stores easier to shop and invest in improving the merchandising of its non-food.

Heini adds: “All the casualties on the high street have left a vacuum for non-food, which has not moved online.”

Aldi’s presence in non-food is not to be underestimated. Its Special Buy ‘when it’s gone it’s gone’ deals on everything from cycling gear to wellies have captured the imagination of shoppers. Last year, it ran 4,000 such deals. Moreover, its own-brand £79 Lifetab tablet shot off the shelves faster than you can say ‘iPad’ over Christmas.

But, while Heini acknowledges the impact of online retail, a transactional website is not planned in the short term. “At the moment our format is working. We have not yet seen the evidence that it’s a profitable part of the market.”

Aldi intends to continue to make waves through a raft of store openings and the kind of cheeky advertising that has made its pensioner pin-up Jean a household name. The retailer has clearly ruffled a few feathers in the grocery trade as suppliers fall over themselves to snare large-volume supply to Aldi and, with strong like-for-likes to keep up, this looks likely to continue. “It will be a big year for us,” says Barnes. “But we are geared up for the challenge.”

On the evidence, Aldi will continue to call the shots in grocery. ★



## OUR JUDGES

- **Chris Bush**, UK managing director, Tesco
- **Andy Clarke**, chief executive officer, Asda
- **Ian Filby**, chief executive, DFS
- **Alan Giles**, associate fellow, Saïd Business School, University of Oxford
- **Vanessa Gold**, managing director, Ann Summers
- **Chris James**, regional director – Northern Europe, Oracle
- **John King**, chief executive officer, House of Fraser
- **Catriona Marshall**, chief executive, HobbyCraft
- **Mark Newton-Jones**, non-executive director, Boohoo
- **Richard Pennycook**, group chief financial officer, The Co-operative/chairman, The Hut Group
- **Mike Shearwood**, chief executive officer, Aurora Fashions
- **Angela Spindler**, chief executive officer, N Brown
- **Euan Sutherland**, group chief executive, The Co-operative
- **Sarah Taylor**, senior director, Oracle
- **Rob Templeman**, deputy chairman, British Retail Consortium
- **Matt Williams**, chief executive officer, Topps Tiles
- **Nikki Zamblera**, HR director for retail, Debenhams
- **Liz Bell**, group talent development director, Kingfisher
- **Stephen Robertson**, non-executive director, Timpson Group

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