

Cheap? No, we aim to be the best grocer on the High St



FOLEY'S FACTS

NAME: Paul Foley
JOB: Managing director, Aldi UK
AGE: 50
EDUCATION: Watford Grammar School
PREVIOUS EMPLOYER: Iceland
MARITAL STATUS: Divorced, three daughters
FAVOURITE ALDI PRODUCT: Stone-baked pizza
LEAST LIKELY TO SAY: For a treat, I like an M&S ready meal

Nice to be noticed: Boss Paul Foley says that perceptions of Aldi are changing

AS PAUL FOLEY freely admits, it was a great moment. There he was among the cream of food retailers. The really big boys were represented – Tesco, Morrisons, Sainsbury's, Asda.

So were those who pride themselves on catering for the discerning middle classes – Waitrose and Marks & Spencer. The retailers who think they can charge a bit more to shoppers prepared to pay for top quality.

All were vying for recognition at an awards ceremony for the best supermarket food in Britain. There were dancers, there was dry ice – all the razzmatazz associated with a big industry jamboree.

'We had nine products in the top 30 nominations,' recalls Foley, managing director of Aldi UK. 'Normally these things are won by M&S or Waitrose.'

And when it came to the prize? It was Aldi, with its Italian stone-baked pizza. 'You could have heard a pin drop,' recalls Foley.

Aldi, king of the cheap 'n' cheerful, we'll-cost-you-less grocery retailers, had beaten the creme de la creme of supermarket chains.

The prize-winning pizza cost Aldi customers £1.99. To the company, it was beyond price.

Aldi is a relative newcomer to these shores. It only opened its first store in 1990, the German firm leading the charge by Europe's 'hard discounters'.

Their particular style of food retailing was virtually unknown in the UK – a limited range of merchandise at rock-bottom prices, sold out of utilitarian premises devoid of adornment.

Joyless? Yes, the stores were rather bleak. But cheap? Oh, they were certainly cheap. Aldi – plus Netto of Denmark and Lidl of Germany – were pioneers of mass-market hard discounting.

Aldi now has 460 stores in the UK and Ireland. 'Over the past five years, we've grown from 180 to where we are now,' says Foley. 'And at the moment, we're opening 40 or 50 a year.'

He also reckons there is room for around 1,500 stores in the UK.

For a shopper used to buying their groceries from one of the big four food retailers, an Aldi feels distinctively different.

The shelves of a Tesco or a Sainsbury's will be peppered



THE CITY INTERVIEW

By Ben Laurance

with tags offering money-off or two-for-one deals.

In Aldi, they are absent. The approach is far more simple: everyday low prices. No special offers, no short-term promotions, just cheap groceries.

And for those who feel bewildered by the choices available in a mainstream supermarket, Aldi comes as a pleasant surprise.

Foley demonstrates his point by picking up a bottle of tomato ketchup. 'There you are,' he says triumphantly. 'That's what we sell. Just that one.'

He goes on: 'But the big supermarkets would have about 16 different types – different brands, sizes and packaging. Imagine all the cost that involves in your buying department, not to mention the shelving, the fixtures you need to display them.'

Ah the fixtures! Now that's something which, when Aldi first opened in Britain, would not have looked out of place in a Soviet-era shop.

Nowadays, the shelving and fixtures in an Aldi are still basic, but not brutally so. Foley reckons to spend about half as much per square foot as a mainstream supermarket.

And because the shop sells far fewer lines than its bigger competitors – typically about 1,000 lines – the shop can be relatively small at around 10,000 sq ft.

A self-respecting Sainsbury's or Tesco would normally be 25,000 sq ft and upwards.

But the intriguing thing about Aldi's approach is that it doesn't aim always to be the cheapest.

'You wouldn't say we are the cheapest on everything,' says Foley. 'But we would say we're the best quality.' It's not what you expect to hear from a discount retailer. But Foley is

adamant his big task is to get new customers through the door and let the merchandise do the rest.

'I think that people's perception of us is understandable,' he says. 'There is a healthy level of suspicion. People need to try what they buy from us to see if it's the quality that they require.'

'We hope that people will hear about a particular product from a neighbour, or read about something on the internet. But it takes six or seven visits before people are confident enough to come here to do a full shop.'

Certainly, judging by the demographic profile of an Aldi customer, the chain has managed to widen its appeal beyond those who have to shop there because of budgetary constraints.

'Ten years ago, less than 20pc of our customers were ABC1, says Foley. 'Now, it's about 50pc.'

In short, the message is clear: Aldi is no longer just for the poor. It has also shifted the range of what it offers towards more chilled and frozen products.

MEANWHILE, as part of Foley's campaign to get people through the door, the chain runs week-long themed promotions on non-food ranges.

These can seem a trifle bizarre. In the week that we met at Aldi's Finchley store in North London, the shop was offering an aerodynamic backpack for motorcyclists at £39.99.

But these apparently do the trick. More than once, Aldi has offered an air compressor for £49.99. A winner apparently.

'We are looking for a way to get the customer across the threshold,' says Foley. 'We have a new theme every week that's relevant to the season. After Christmas we'll sell everything to do with skiing – except the skis.'

Up to a fifth of a store's, total takings can be accounted for by these 'special buys'. And it does seem to work. Is Aldi challenging the likes of Tesco? No. Its share of the UK market is roughly one-tenth of the industry leader.

But Aldi is seeing a huge increase in takings – through new stores and rises in like-for-like sales.

And it is no coincidence that Tesco, aware of Aldi's success, has introduced a range of brands at rock-bottom prices. 'Well, it's nice to be noticed,' Foley smiles.

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