

1.

(i) Shopping Patterns

Whilst we agree that primary and secondary shopping patterns differ in terms of the number of items purchased and the frequency of shopping, they do not necessarily differ in terms of the store where the shop is undertaken. For a variety of reasons – convenience of location, price, range exclusivity, quality - stores offering a full range of grocery items (sufficient to undertake a one-stop shop) are also used for top up shopping.

(ii) Store Size

It is not store size but the make up of the range of products offered that determines whether or not customers can carry out a one-stop shop at a grocery store.

Aldi offers around 850 grocery lines, virtually all of which are own brand, in stores that are typically 760 sq metres to 850 sq metres in size (considerably smaller than the minimum 14,000 sq metres suggested). The number of lines is also considerably less than supermarket competitors'. However, Aldi's customers use Aldi stores as a one-stop shop destination.

The products in Aldi's stores have been selected to offer all the most popular items – those regularly bought in a weekly shop – and there are virtually no duplications of products. To be included in the range, each product must be in the most popular pack size, in the most popular flavour variants, be better than or equivalent to the market leader in terms of quality, and be priced to offer exceptional value. For example, in all Aldi stores customers will find just one line of Tomato Ketchup whereas in competitor's stores they will find ketchup in a variety of sizes and brands. The one ketchup at Aldi is an own brand product, in a 730g squeeze bottle. It has been taste tested to ensure it is as good if not better than Heinz Tomato Ketchup (the market leader), is made with a high tomato content and is priced to be up to a third cheaper than ketchups sold by competitors.

We continuously monitor sales of specific product lines and work with suppliers to develop new products and improve existing ones. The 850 lines on offer are thus evolving and the range is adjusted and amended in response to customer demand.

By avoiding duplications, constantly reviewing and refreshing the range, and because the range is virtually 100% own brand, Aldi's business model ensures that Aldi can fulfill customer's one-stop shop needs in relatively smaller stores.

(iii) Travel Time

(iv) Urban/rural Split

We have no firm evidence to confirm or deny these two points. However, anecdotally, we are aware that, particularly in areas where we have lower market penetration; customers will travel for longer than 10 to 15 minutes to shop at one of our stores.

2.

Primary shopping – Tesco, ASDA, Sainsbury, Morrisons, Somerfield, Co-op, Waitrose, M&S, Budgens, Lidl, Kwik Save, Netto, Ocado, Booths.

Secondary shopping - All retailers of groceries in the UK in all formats are our competitors.

Competitor	Key competitive factors compared with Aldi
Tesco/Tesco Extra/ASDA/Sainsbury's/Morrisons	<ul style="list-style-type: none">• Bigger product range (niche items, brands, size variants)• Broader range of services (e.g. toilets, cafes, ATMs, 24 hours trading, free buses, free carrier bags, service counters e.g. deli counter, pharmacy, bakery, butchery counter, fish counter, shoe repairers, dry cleaners, Post Office)• Higher prices for like-for-like quality• Greater investment in marketing
Waitrose/M&S/Booths	<ul style="list-style-type: none">• Bigger product range (niche items)

	<ul style="list-style-type: none"> • Broader range of services (e.g. toilets, free carrier bags, service counters) • Higher prices for like-for-like quality • Greater emphasis on premium quality • Greater investment in marketing
Somerfield/Budgens/ Co-op	<ul style="list-style-type: none"> • Product range bigger in larger stores • Higher prices • Poorer value for money • Broader range of services (e.g. ATMs, free carrier bags, service counters) • Greater investment in marketing
Lidl	<ul style="list-style-type: none"> • Continental as opposed to UK market product range • Poorer value for money • Poorer store environment
Netto	<ul style="list-style-type: none"> • More brands • Poorer value for money • Poorer store environment
Kwik Save	<ul style="list-style-type: none"> • Poorer value for money • Poorer store environment
Tesco Metro / Sainsbury's Local	<ul style="list-style-type: none"> • Smaller product range • No car park • No non-foods • Broader range of services (e.g. ATMs, 24 hours trading, free carrier bags) • Higher prices for like-for-like quality • Greater investment in marketing
Tesco/ASDA/Sainsbury's/ Waitrose/ Ocado home delivery	<ul style="list-style-type: none"> • Home delivery service • Bigger product range • Higher prices for like-for-like quality • Greater investment in marketing

Customers are increasingly demanding value for money i.e. quality at the best price, and all grocery competitors respond to this.

In 2000, we took the decision to re-position the Aldi brand in the UK and to move it to be in line with the Aldi brand globally i.e. of a quality and value for money that appealed to all UK consumers. In practice we are successfully shifting our positioning from being mainly C2DE and are stretching it to include ABC1s. We are doing this through the improved quality and breadth of our product offer, improved store environment and customer communication. We continue to emphasize the price of our products but do so now in the context of the quality of the product i.e. value for money.

With the exception of Morrison's takeover of Safeway, no other competitor has significantly shifted its competitive positioning since 2000.