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## Supermarket wars are gaining traction

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Australia's supermarkets are at war and the battle is only beginning as more entrants start to eye off possible sites.

It comes as Woolworths is undertaking a review of some of its store locations, while Aldi is taking market share from Woolworths and Coles.

However, the much-vaunted arrival of the German-based Lidl seems to have lost some momentum, with leasing agents saying the tough competition in Australia has been a deterrent for the group.

According to Michael Bate, head of retail at Colliers International, Lidl executives first came out to Australia 18 months ago to have a good look at the market.

Colliers International's Munich office has an established relationship with Lidl and said while the brand was serious about global expansion, it found that between Coles, Woolworths and Aldi, a large slice of the market was already taken, and the Australian market was too small at this point. Instead, Colliers International is helping the brand to further its push into the US market.

A spokesman for Lidl, via Colliers Munich, said it was in expansion mode across the US where there was a big gap in the market as Aldi did not have a hold, and it was closer and more accessible from its European headquarters.

Mr Bate said Lidl had registered its brand in Australia and found some great Australian names, products and manufacturers that were supplying Lidl throughout Europe and the US, including the Golden Valley brand.

He said information received through the Colliers German office highlighted that Lidl had made it clear the Australian market was not at a size it would be interested in, but it would continue to nurture the Australian supply chain relationships feeding stock back into Europe and the US.

Irrespective, Australian supermarkets, like department stores, are locked in a fierce battle for sites and other Asian-based entrants are said to be eyeing off possibilities.

These can range from Japanese supermarkets, which already have a small presence, to the bigger city supermarkets that operate in Hong Kong. The development of residential sites in Melbourne and Sydney, in particular, that have high Asian-based tenancies, are said to be talking to Asian operators for the food components.

Daniel Lees, head of research at Colliers International, said competition between Australia's supermarket players was intense, even on a global scale. Under Wesfarmers, Coles has gone from strength to strength, outstripping Woolworths on a like-for-like sales basis.

Mr Lees said this prompted the beginning of a price war between the two companies, initially in the form of private label brand development, but more recently this price competition had evolved.

"Since Aldi has entered the Australian marketplace, Coles and to an even greater extent Woolworths, have realised that more investment is required into food pricing in order to

remain competitive," Mr Lees said.

"The issue for Coles and Woolworths, is that consumers are not comparing Aldi products to private labels. The comparison is being made to headline or premium brands."

He added that the heightened level of price competition between supermarkets would not abate soon and would probably heighten due to a reinvigorated turnaround strategy being implemented by Woolworths and the reluctance of Coles and Aldi to give up hard-won gains.

*This story was found at: <http://www.smh.com.au/business/property/supermarket-wars-are-gaining-traction-20160804-gql47t.html>*