

# How Do Lidl's Grocery Ambitions Stack Up?

## Article

It's been one year since Germany-based retailer Lidl debuted in the US, but the deep discounter hasn't quite taken the grocery industry by storm.

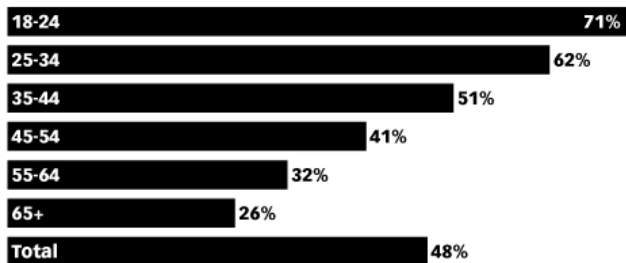
Consulting firm **Oliver Wyman** took the temperature of Lidl shoppers to see how the brand is faring perception-wise. Among its customers, Lidl received surprisingly high marks. On average, 40% of consumers who said they were loyal to a particular supermarket now shop at Lidl at least twice a month.

Still, most US consumers haven't even shopped at any of its stores. That's because there are currently just 50 locations in six states (South Carolina, North Carolina, Virginia, Delaware, New Jersey and Georgia). Promises to open 100 stores along the East Coast haven't materialized as Lidl slowed its expansion plans as 2017 unfolded.

Lidl is most popular with younger consumers. According to Oliver Wyman, a majority of US Lidl customers under the age of 45 shop there at least twice a month, with 71% of those 18 to 24 doing so. Younger shoppers not only shop more, they also spend more. Fully 53% of those under 45 spend over \$50 during each visit, compared with 34% of older shoppers.

**US Lidl Shoppers Who Regularly\* Shop at Lidl, by Age, April 2018**

% of respondents in each group



Note: n=600 who have tried Lidl; \*more than twice a month  
Source: Oliver Wyman as cited in press release, June 7, 2018

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Low prices were the primary reason all consumers shopped at Lidl, but this was more important to those 35 and older. Indeed, 46% of respondents in that age group cited price as a top reason, compared with 28% of younger shoppers.

Before Lidl arrived, speculation swirled about the no-frills grocer's reputation for fiercely competitive prices. Articles and analysis pitted the newcomer against long-established **Walmart** and other supermarkets. A January 2018 study published by the **University of North Carolina Kenan-Flagler Business School** discovered that when Lidl entered a market, competing retailers did lower their prices on average by 9.3%—and a whopping 55% for milk. And Aldi, Lidl's closest competitor, set its prices up to 19% lower in shared markets.

Consumers also perceived the competition adjusting prices; 67% of respondents in the Oliver Wyman survey believed that nearby grocers had lowered prices since Lidl opened. When compared with a variety of grocery retailers, Lidl excelled in two categories: value and freshness of goods. Lidl didn't excel when it came to assortment, though, especially

compared with **Kroger**, Harris Teeter and **Publix**. Only fellow Germany-based discount grocer Aldi scored worse on selection than Lidl.

So far, Lidl doesn't have the presence to completely disrupt the US grocery industry. With roughly 1,750 US locations, Aldi is **considerably ahead of Lidl** in conquering the US discount grocery market, especially when you add in the 475 or so Trader Joe's stores, also owned by Aldi.

Last year, visits to "deep discounters" like Aldi, Lidl and Trader Joe's outpaced conventional **grocery stores, supercenters, warehouse clubs and mass merchandisers**, according to **Nielsen** data. Trips to deep discounters increased 2.8%, while all other offline channels grew only 0.5%.

Around 90% of the products that Lidl carries are private-label, a model that benefits from a **growing consumer preference for value over name brand**. According to Nielsen, private-label brands steadily rose from negative growth in 2016 to 3.2% growth by Q4 2017, more than 3 times the rate of branded products.

Low prices can't make up for all shortcomings, though. Inconvenient locations were cited as the leading reason for not shopping more at Lidl, according to Oliver Wyman. In December 2017, the company started shifting away from its original strategy of building stores from scratch to leasing smaller already established locations.

This move is in keeping with retail trends. **Kohl's** announced in March 2018 that it would begin reconfiguring 12 of its stores to a smaller format and begin leasing the extra space to Aldi.