BEHAVIOUR & ATTITUDES
MARKETING RESEARCH

ALDI

LIDL

Grocery Shopping

September 2004

A Barometer Report

DB/bs/mt

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INTRODUCTION

This report presents the findings of the latest phase of the Behaviour & Attitudes Shopping Barometer Survey.

In autumn 2002 a number of our clients had expressed interest in the impact of Aldi and Lidl on grocery shopping behaviour in Ireland. An appropriate questionnaire was included in our Barometer survey at that time.

The survey was repeated last year at the request of The Marketing Society of Ireland. The resultant report was presented at an evening meeting of the Society and the results were subsequently posted on our website (www.banda.ie)

Reflecting the continued interest of our clients in the subject matter, we repeated the survey for a third time in September 2004.

NOTE ON SURVEY METHOD

The questionnaire used for the current survey was identical to that used in 2003. The questionnaire was included in the Behaviour & Attitudes Barometer survey for 2004 with fieldwork conducted between 27th August and 7th September 2004.

The sample for the Barometer survey covers a nationally representative sample of adults aged 15+, quota controlled to reflect the demographic characteristics of the population as a whole.

The appendices to this report includes an analysis of the effective sample, a listing of the sampling locations and a copy of the questionnaire.

NOTE ON REPORT FORMAT

Following on from this introduction we present a brief resume of the key findings from the research. This is then followed by a more detailed commentary supported by relevant charts and summary tables.

SUMMARY

The main findings of this study may be summarised as follows:-

BACKGROUND

- There has been a further increase in the proportion of people who become involved in shopping at all nowadays.
- This increase has occurred primarily among people with joint (rather than primary) responsibility for shopping.
- There has been little change in the typical pattern of shopping. The bulk of people still do one main trip per week with topping up.
- There has been a 3% rise in the typical household spend on grocery shopping over the past year.
- This is identical to the increase recorded last year.
- However, when shoppers are asked how much they think their shopping bill has increased by, they estimate the increase at 15% for the current year. The equivalent estimate for last year was 19%.
- In other words, people have had an average increase of about 6% in their grocery shopping over the past two years but they believe the increase was 34%.
- The indicators suggest that consumers detect a slowing down in this perceived rate of increase from year to year.

SHOPPING

- The evidence suggests that the momentum behind Aldi and Lidl has ameliorated significantly in 2004. There has been very little increase in the proportion of people who ever shop in these outlets and a slight decrease recorded in the proportion claiming to use them for their main grocery shopping.

- Dunnes seems to have been the brand which has recovered most as a consequence and they continue to vie with Tesco for the dominant share in the Irish market.

- Supervalu and Superquinn seem to be coming under some pressure over the longer term.

- Our evidence suggests a slight decline in the combined Aldi and Lidl market share over the period.

- If we disaggregate the performance of the two main stores we find that Lidl has made modest gains but there has been a more significant expansion in the availability and trial levels of Aldi (who, we believe are, set for a significant expansion in their number of stores in the months ahead).

- Both Aldi and Lidl continue to be well regarded for quality of products, range, value for money and price comparisons.

- However the general ratings of both stores have slipped back somewhat in comparison with 2003 on all these measures.

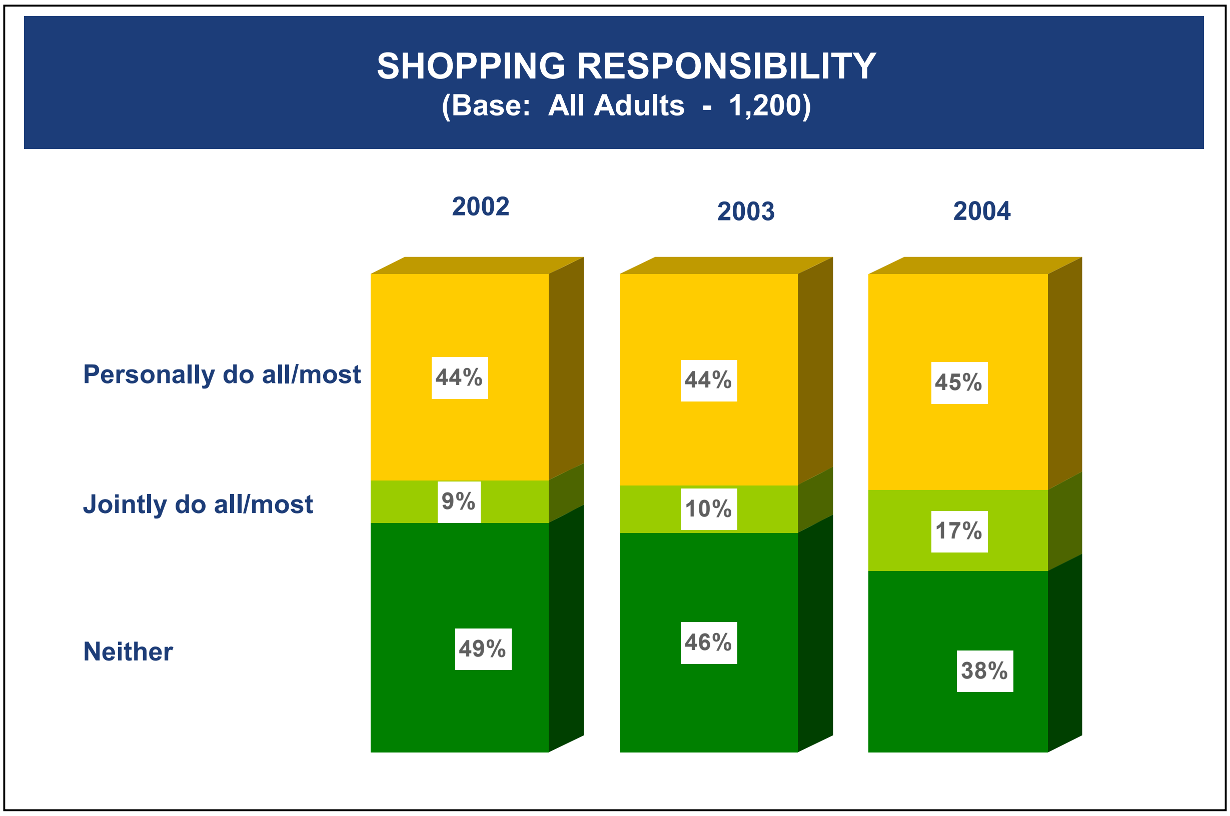
- Projected future usage of Aldi and Lidl suggests the possibility of further gains in the future, but at a slower rate than in the past. This, however, ignores the possibility of an expanded base for these stores.

CHAPTER ONE
SHOPPING RESPONSIBILITIES

1.1 Main shoppers

As in earlier studies, we began the survey by asking people to what extent they personally were responsible for shopping for their household.

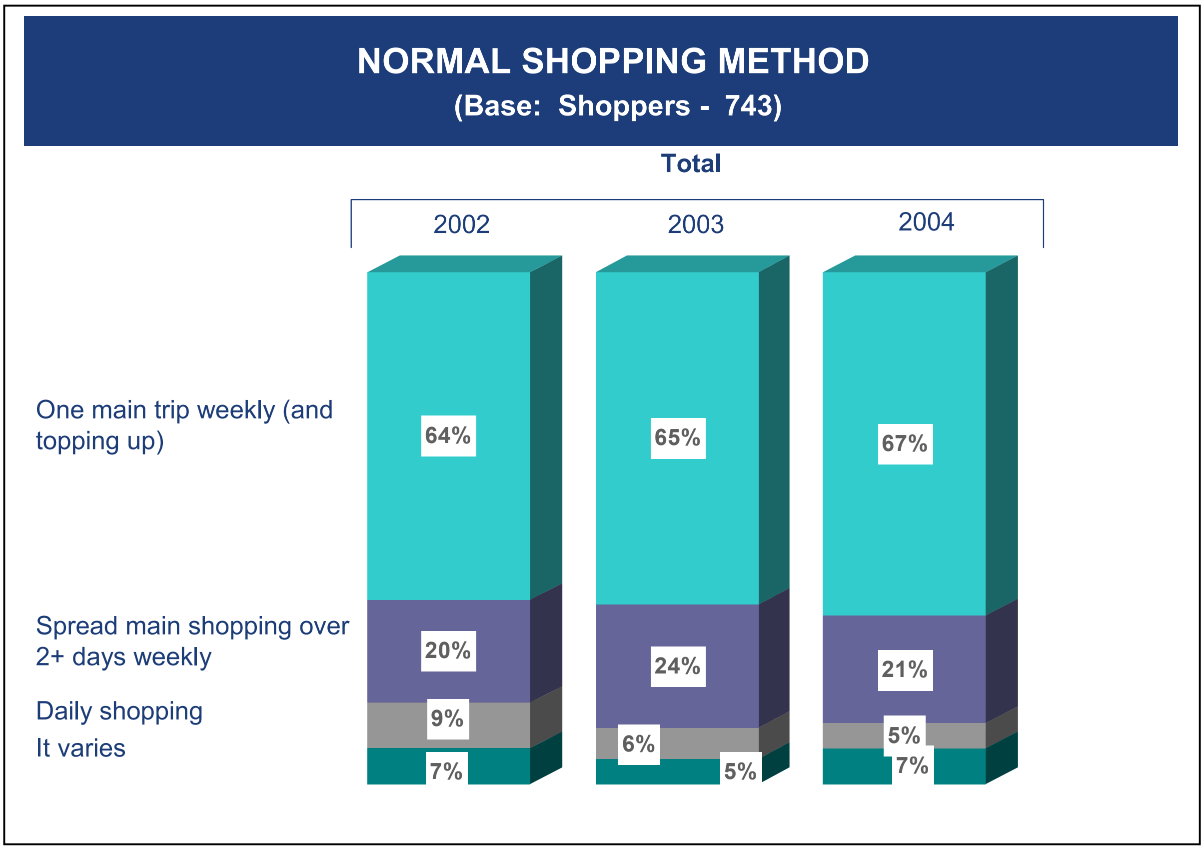
As can be seen from the following chart, the base of shoppers is expanding over time:-



The proportion claiming to be responsible for all or most of the shopping has remained relatively stable but there has been a significant increase in recent years in the number of people taking partial responsibility for shopping.

1.2 The normal shopping routine - relatively little change

As can be seen from the following chart there has been relatively little change in the typical pattern of weekly shopping;-



Two thirds of shoppers claim to make just one main shopping trip per week with occasional topping up.

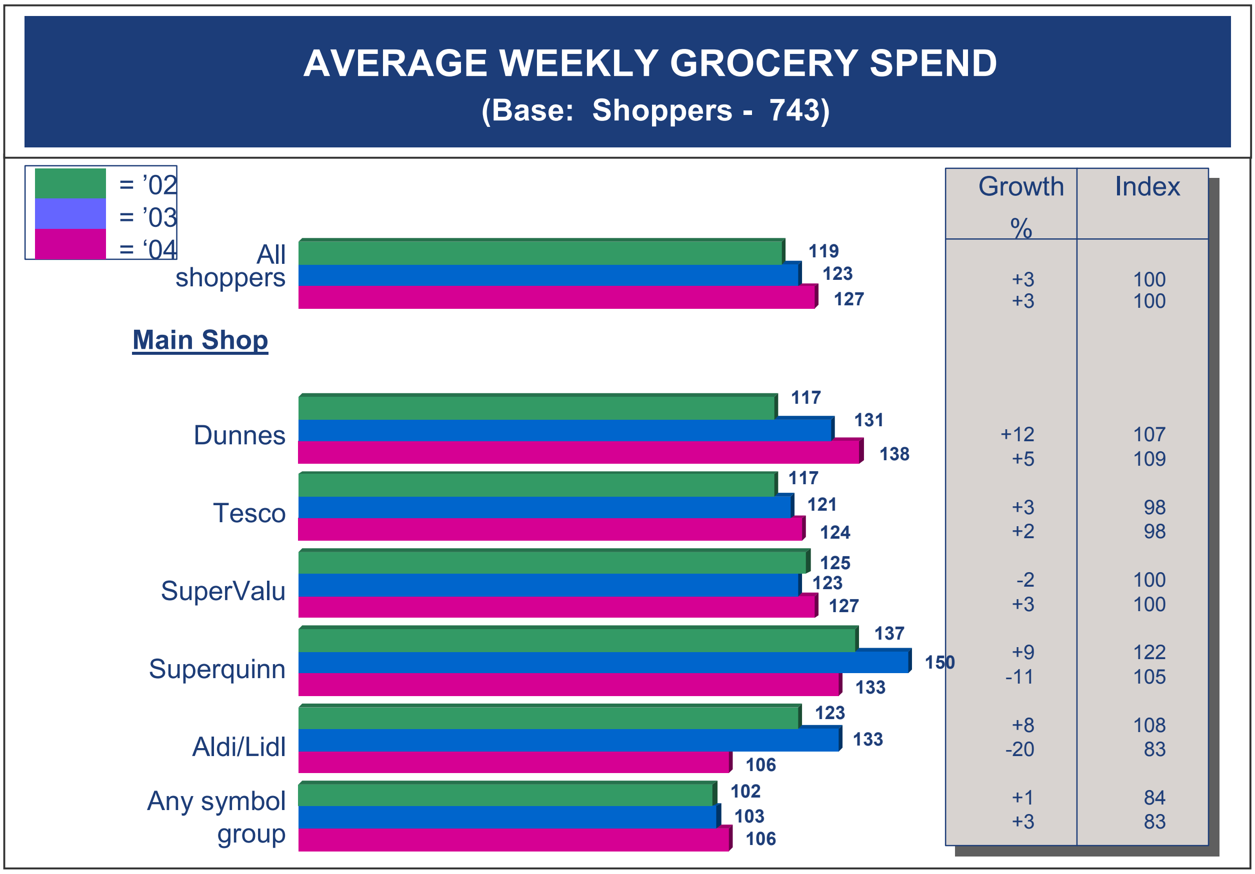
The bulk of the remainder, spread their main shopping over two or more shopping days per week. Only a small proportion continue to shop on a daily basis.

CHAPTER TWO
GROCERY SHOPPING SPENDING PATTERNS

2.1 Increases - keeping pace with inflation

In the current survey, as in earlier ones, respondents who were responsible for their main grocery shopping, were asked how much they would spend in a typical week on their grocery shopping.

The following chart summarises results and compares patterns for people who do their main shopping at each of the main grocery options:-



The typical consumer claims to spend €127 per week nowadays on shopping. This represents a 3% increase on last year; exactly the same percentage increase as was recorded the previous year.

The typical expenditure per week on groceries is, broadly speaking, keeping place with inflation.
If we examine the expenditure per main store however we see an interesting pattern.

There is considerable variation between the stores but the range of prices - from the most to the least expensive, is narrower than was the case last year. Expressed as an index, in 2003 the most expensive score was 122; the least expensive 83. In this current year the range has narrowed to an index of 109 (most expensive) to 83 (the cheapest).

It is, of course, the case that these variations in pricing are not an indicator of relative value.   People may be buying different types of items in the different stores. It is also true that different sizes of household may focus on particular stores and the pattern of spending can shift significantly if these household size differences are taken into account. This is done in the following table.

AVERAGE WEEKLY SPEND LINKED TO HOUSEHOLD SIZE

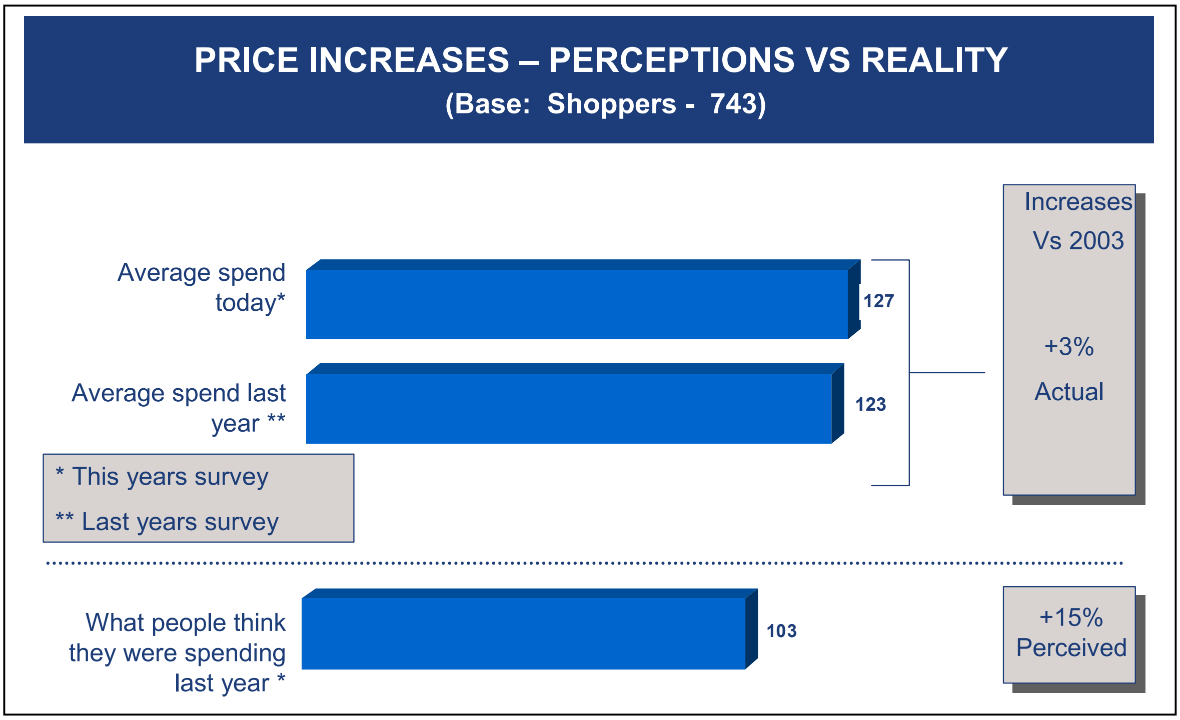
It can be seen that when differences in household size are taken into account the gaps in expenditure per head widen to approximately €64 per head in Superquinn compared to about €42 per head in Aldi/Lidl.

2.2 Spending patterns - belief vs. and reality

In the preceding section we have shown details of typical spending patterns (at time of interview) for each of the last three years.

In last year's survey, for the first time, we added an additional question which asked people how much they **thought** they had been spending on their groceries a year earlier. We demonstrated then that people's recall of their increased spending was significantly in excess of the reality.

That pattern has been replicated in the current year as is evident here:-



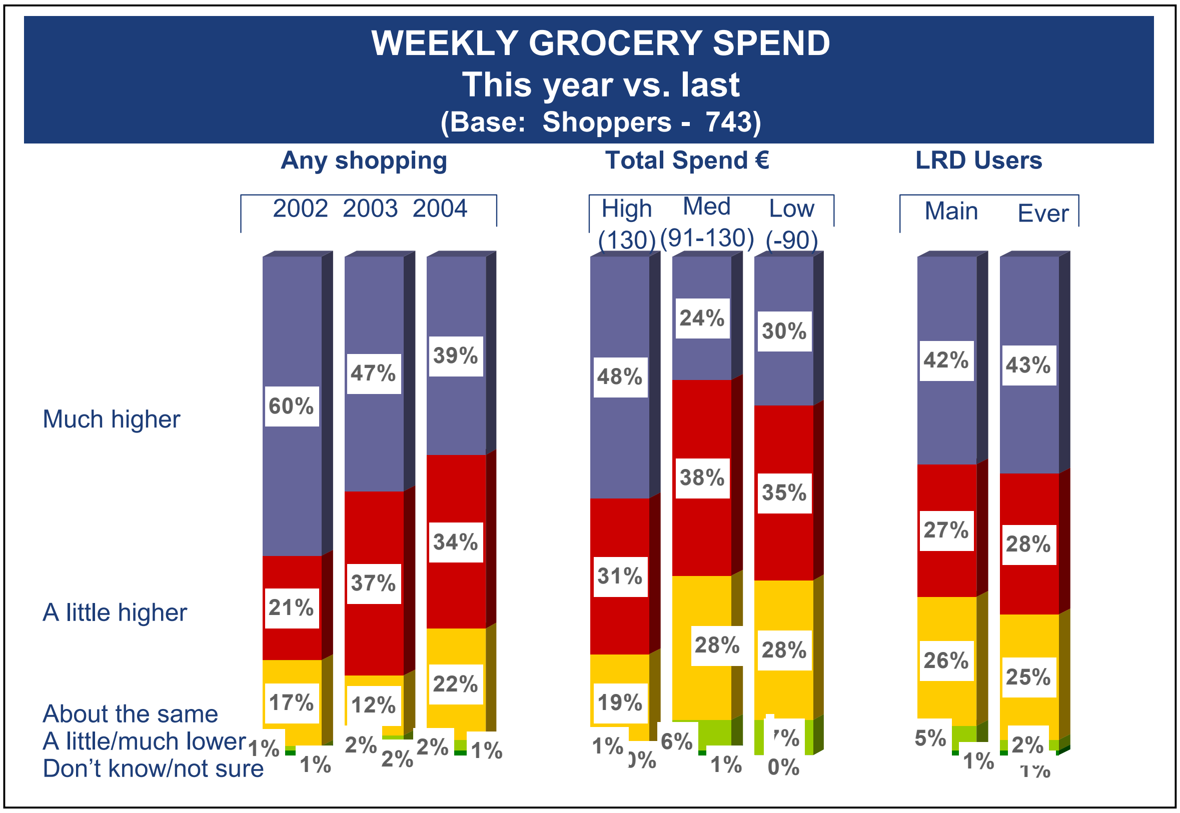
Comparing this years spend pattern with that for last year shows a 3% real increase. However people think they were spending much less last year and their believe that the increase has been of the order of 15% over that one year period.

The pattern was even more exaggerated last year where people felt that they were then spending 19% more than in 2002. Thus over the last two years the typical household is spending just over 6% more on grocery shopping but shoppers feel (and believe) that the increase has been of the order of a third. This illustrates the extent to which people can exaggerate price increases in their minds and demonstrates why shoppers are a great deal more “grumpy” than cost of living increases might lead one to expect.

Our Consumer Confidence Index (see www.banda.ie) shows a dramatic downturn in consumer confidence in the period immediately after the switchover to the Euro. It would appear that consumers became somewhat disoriented by the changeover (despite the seamlessness at a technical level). The Confidence Monitor suggests that things are returning to where they were before the Euro changeover and this is reflected in how people perceive the rate of change in their weekly grocery spend, as indicated in the following section.

2.3 Some slowdown in the rate of increase

We have seen evidence which shows the disparity between actual increases in expenditure and the consumer's perception of those increases. One needs to bear that disparity in mind in considering the following chart which compares survey results for the last three years on consumer perceptions on the rate of change in grocery shopping prices.



Throughout the period, consumers have been convinced that grocery prices are increasing at a much faster rate than is in reality the case. However there is some evidence now of a decline in that 'conviction'.

In 2002, six out of ten shoppers felt their grocery bill was much higher than the previous year. The current survey results show this declining to four in ten.

The public mood is still one of high anxiety about price increases but there is some evidence of a tail-off in those exaggerated concerns.

However as can be seen from the chart, the people who spend most each week on their grocery shopping are the ones most convinced that prices are increasing sharply.

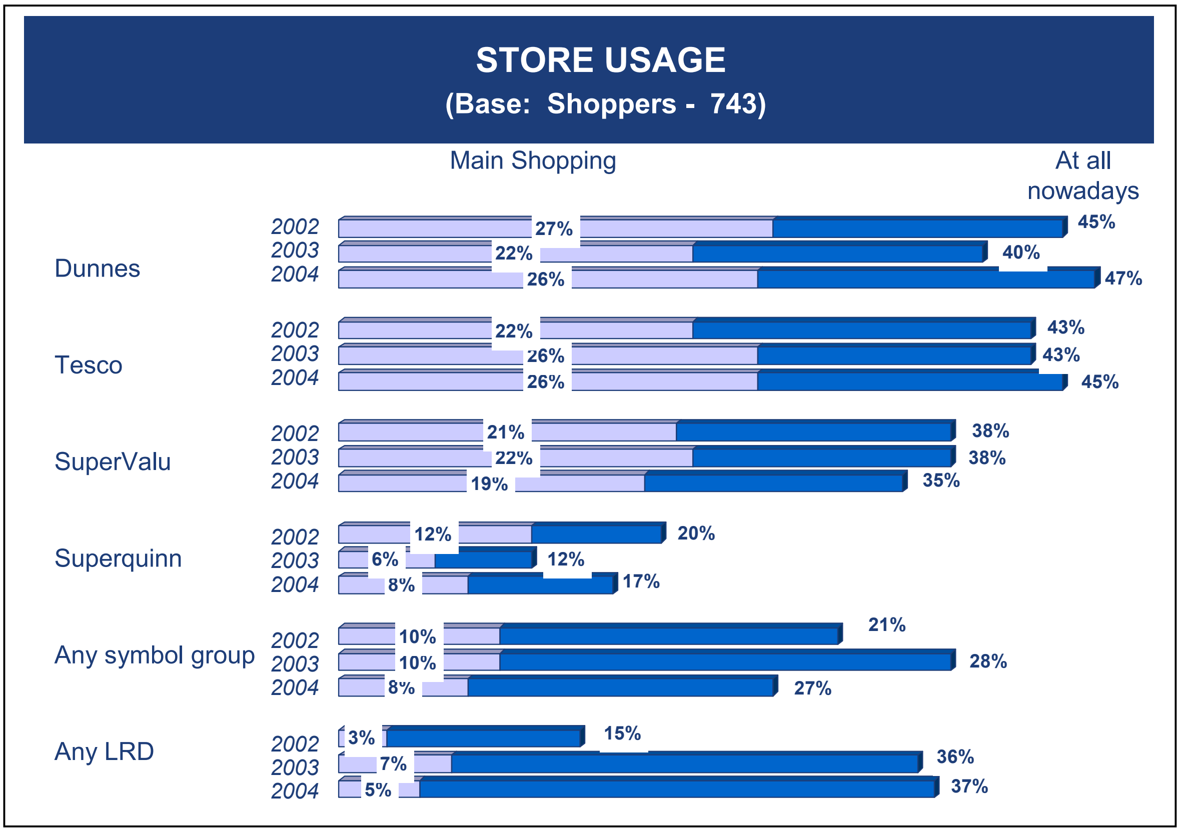
It is also evident from the chart that people who use Aldi and Lidl (the LRD's) have a higher than average tendency to believe that prices are increasing at an excessive rate. This is particularly true of occasional rather than regular users of the LRD's.

CHAPTER THREE
ALDI LIDL SHARE GAINS

3.1 Evidence of loss of momentum

In 2003 there were major changes recorded in the incidence of using Aldi and/or Lidl at all and in the proportion of shoppers claiming to use these outlets for their main grocery shopping

As can be seen below, that momentum seems to have stalled latterly.



The proportion of people claiming to use Aldi or Lidl at all nowadays stands at 37% (only one percentage point higher than last year). The proportion of people claiming to use these stores for their main grocery shopping is slightly lower than last year (5% vs. 7%)

The evidence suggests that Dunnes Stores have won back some of the losses recorded in 2003. Tesco has maintained its level of strength of usage.

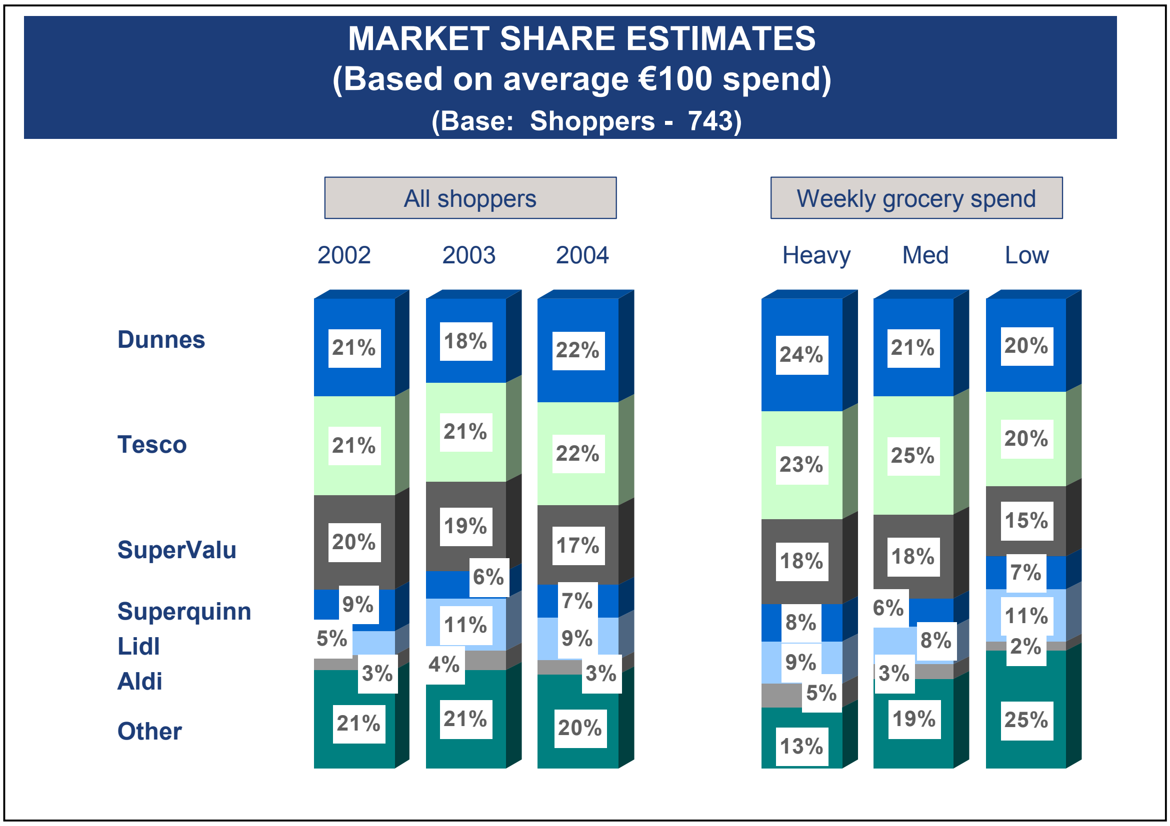
Superquinn shows slight signs of recovery but with figures that are lower than in 2002.

Supervalu and the symbol groups show some signs of coming under pressure.

3.2 Market share estimates

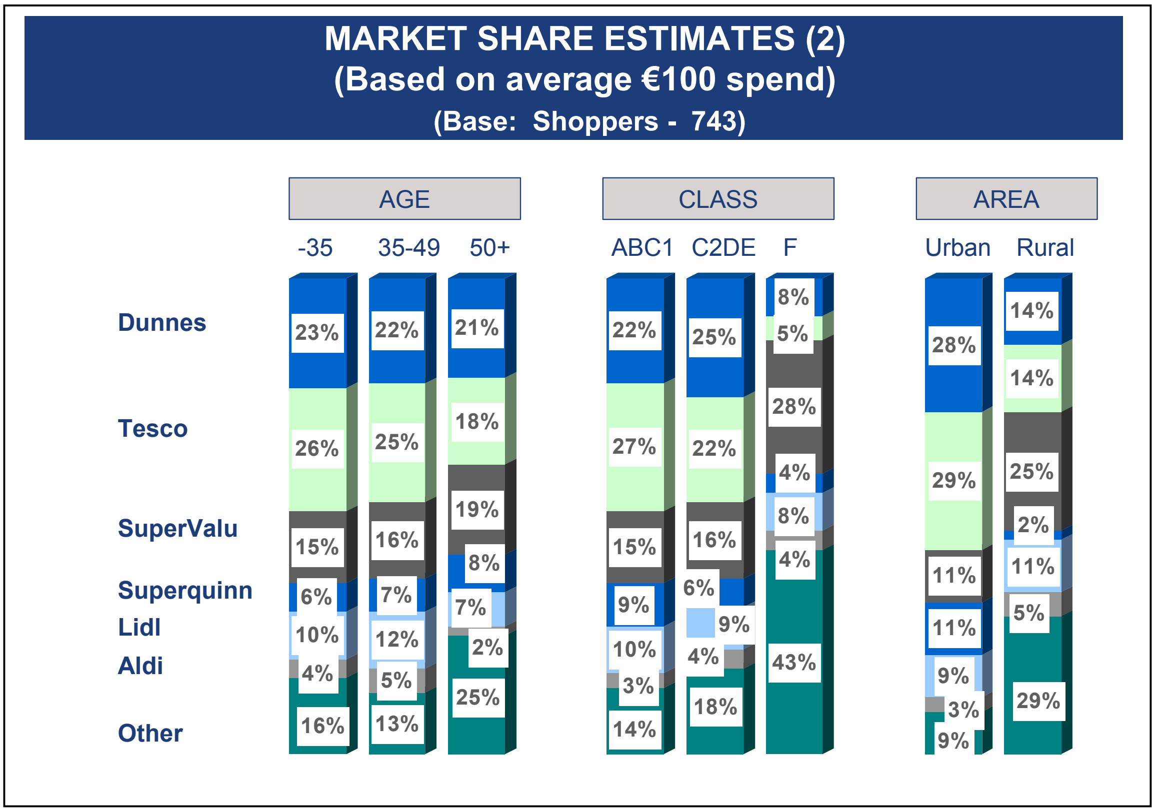
In this survey, as in earlier ones, we have made a rough attempt at estimating market shares by asking respondents to indicate how much out of a typical spend of €100 they might spend in each of the main outlets.

Results are summarised for the last three years below:-



The indicators confirm the evidence from the preceding section. Perhaps the most important indicator is the fact that the Aldi and Lidl market share is estimated to have slipped back slightly in this current year (from 15% in 2003 to 12% currently).

Dunnes and Tesco vie for first place in market share terms. Dunnes tends to fare slightly better with heavy spenders while Tesco has its main strength among medium category spenders. The analysis continues below:-



Dunnes Stores fares equally well across all age groups but is more successful among working class urban dwellers. Tesco has its main strength among middle class urbanites, aged under 50.

Supervalu has its major strength in rural areas, and among older shoppers.

Superquinn fares better among middle class urbanites with a slight bias towards the older end of the age spectrum.

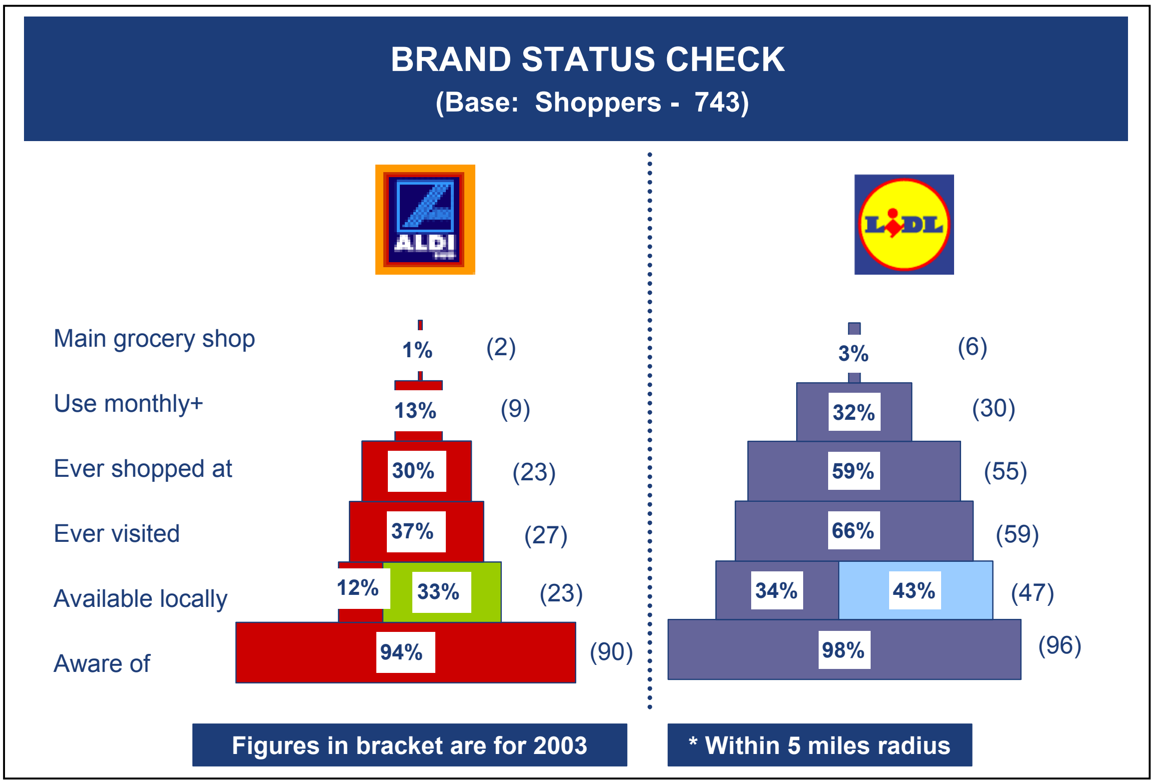
Aldi and Lidl fare best among 35 – 49 year olds with a slight bias towards rural areas but with no particularly marked social class bias.

CHAPTER FOUR
ALDI AND LIDL - CURRENT STATUS CHECK

So far in this report we have focussed on Aldi and Lidl in combined terms (the LRD's). In this section we look at matters from the standpoint of the two stores individually.

4.1 Aldi, coming from behind

In the following chart we show the key indicators of awareness, trial and conversion for both stores independently.



Traditionally, Lidl has been significantly ahead of Aldi in terms of penetration in the Republic of Ireland. The gap is beginning to diminish slightly latterly.

There has been relatively modest growth in availability and trial of Lidl in the past twelve months. The bottom line is that almost a third of shoppers now use Lidl on at least a monthly basis but only 3% claim to use that store as their main choice for grocery shopping. This suggests a slight increase by comparison with last year in the number of monthly shoppers but a decline in the proportion of those using the store most often.

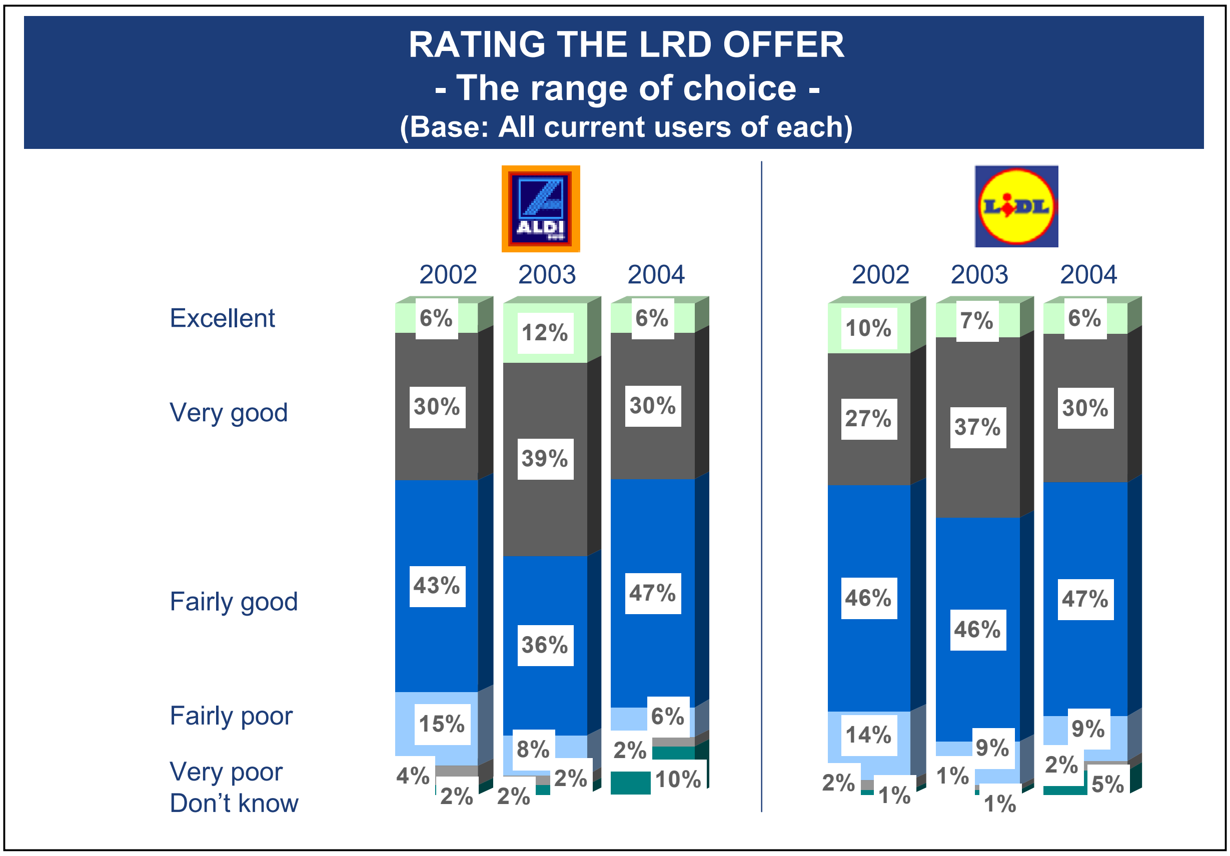
The increases in availability and trial are more marked in the case of Aldi.

13% of shoppers now claim to use that store on a monthly basis with 1% choosing it as their main grocery shop.

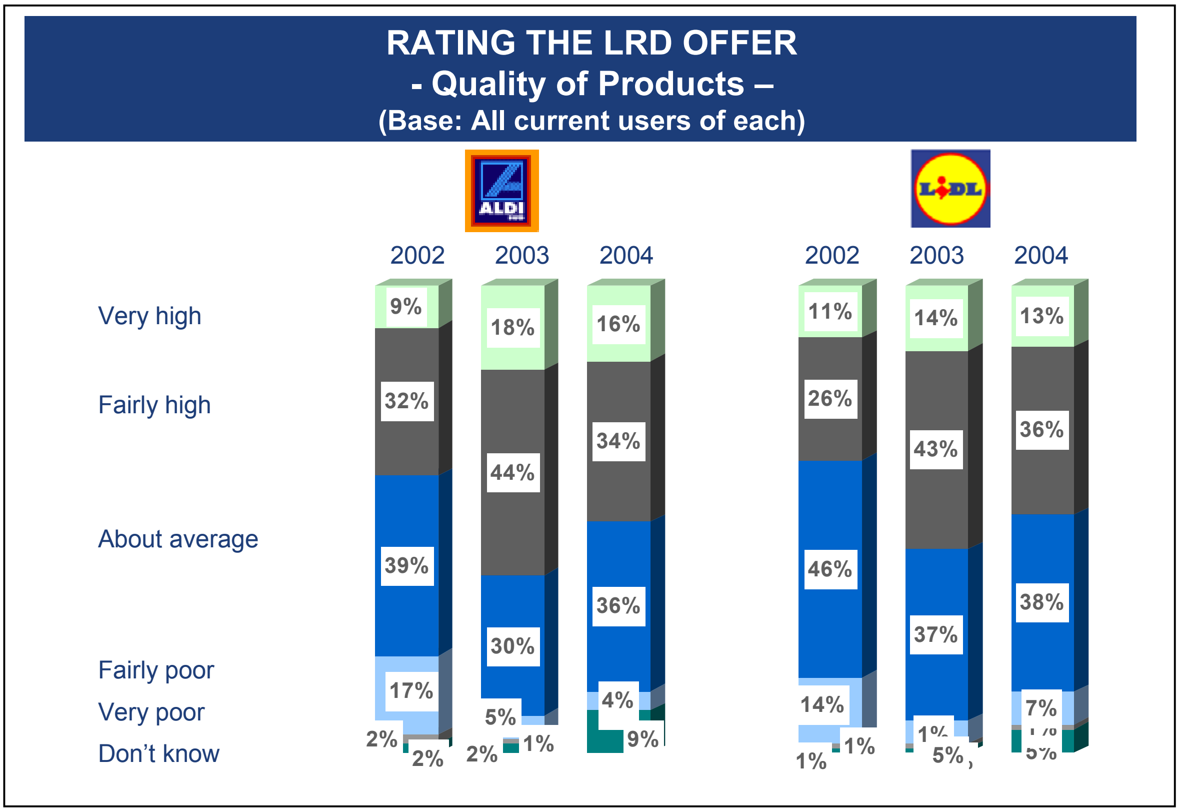
The general pattern for both options is therefore quite different to that which applies to the longer established retail groups. Both Aldi and Lidl have a higher dependence on occasional rather than regular shoppers.

4.2 General rating of the LRD offer

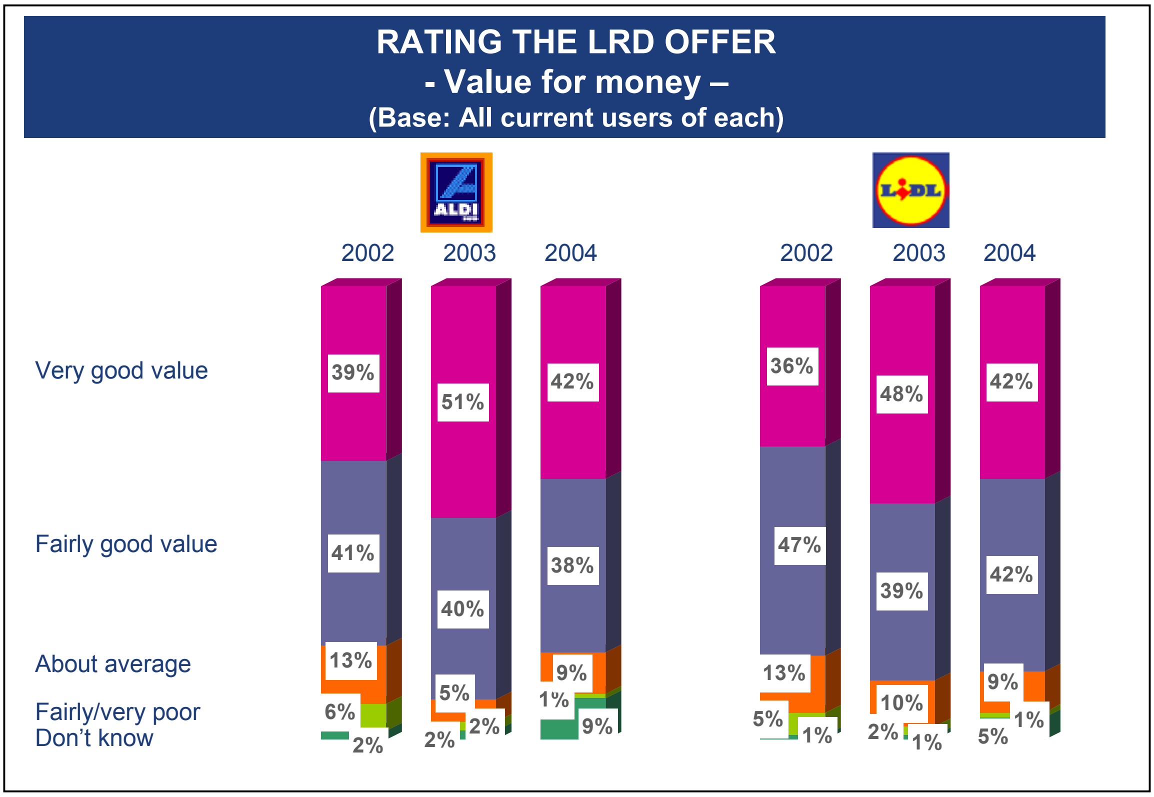
The general rating of the range on offer in Aldi and Lidl continues to be quite highly regarded but has slipped by comparison with 2003 as is evident here:-



The quality of produce in Aldi and Lidl is also quite highly regarded but again the evidence suggests some slippage recently after significant gains in the previous year:-

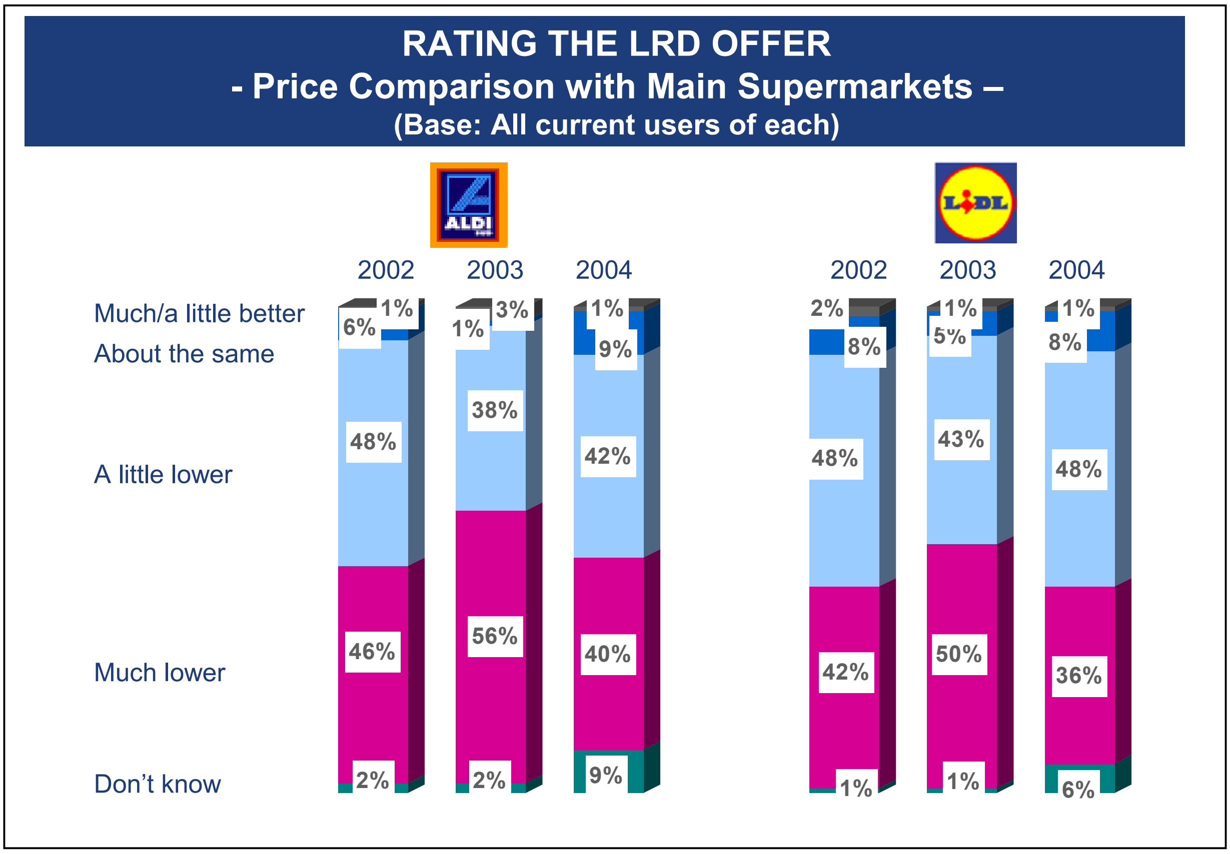


This general pattern is continued if we consider value for money perceptions:-



In 2003, both Aldi and Lidl had a significant improvement in their perceived relative value. This has slipped back slightly in 2004 although it must be said that the majority of shoppers stills see these two options as offering good value.

The final element considered in this set of image attributes is in regard to price comparisons as compared to the main supermarkets. The general pattern indicated by the data is in line with the earlier evidence, as can be seen here:-

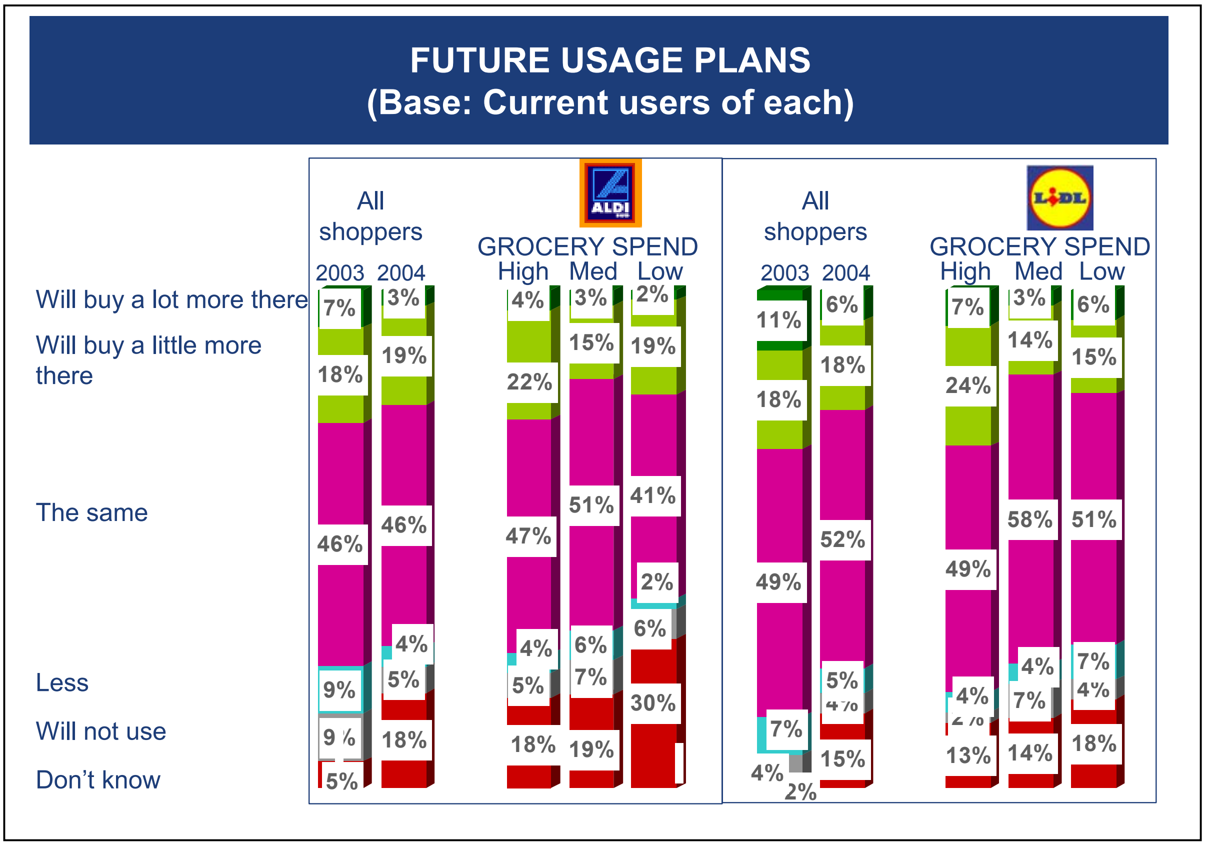


In 2003 there was a significant increase in the tendency to see Aldi and Lidl offering much lower prices than average. That image has slipped back slightly in 2004 although it must be stressed again that both stores are regarded by the majority of shoppers as offering lower than average prices. Indeed four out of 10 current shoppers in either store believe that they offer <u>much</u> lower prices than average.

The general indicators from these data however suggest that some of the initial "magic" is fading slightly as shoppers become more used to the Aldi and Lidl offering.

4.3 Future prospects

Finally, in this survey as in the earlier ones, shoppers were questioned about their future shopping intentions with Aldi and Lidl. The questions are confined to current users of either store and they suggest that both Aldi and Lidl can expect to make further gains but probably at a slower rate than heretofore.



The pattern is very similar for shoppers in both outlets. These predictions do of course ignore the possibility of any significant expansion in the available of Aldi or Lidl stores in the Republic of Ireland. As this report nears completion we have seen reports of a significant proposed expansion in the number of Aldi outlets in the country in the year ahead. The impact of this broadening availability will require careful monitoring in the months ahead.