

BEHAVIOUR & ATTITUDES
MARKETING RESEARCH



Grocery Shopping
September 2005

A Barometer Report

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INTRODUCTION

This report presents the findings of a grocery shopping survey carried out by Behaviour & Attitudes during September 2005.

The survey is the latest in a series which began in 2002, designed to track the impact of Aldi/Lidl in the Irish market.

The questionnaire for the survey was very similar to that used in earlier phases of the tracker but with a couple of additional questions designed to establish frequency of shopping in Aldi and Lidl, and items bought on the last occasion.

The questionnaire was included in our Barometer survey for September 2005. Barometer is a syndicated survey covering a nationally representative sample of 1,200 adults. The bulk of the questionnaire for this survey focussed on people within that sample who claimed to be mainly responsible for household shopping: 676 people in total.

The sample for the survey is quota controlled to be representative of the national population in terms of gender, age, social class, region and area of residence.

All interviewing on the project was conducted by trained members of the Behaviour & Attitudes fieldforce, working under supervision and within the guidelines of AIMRO and ESOMAR.

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.

The report is completed by a set of technical appendices covering an analysis of the sample, the sampling locations for the survey and a copy of the questionnaire used. Full tabular results of the survey are available on request.

SUMMARY & CONCLUSIONS

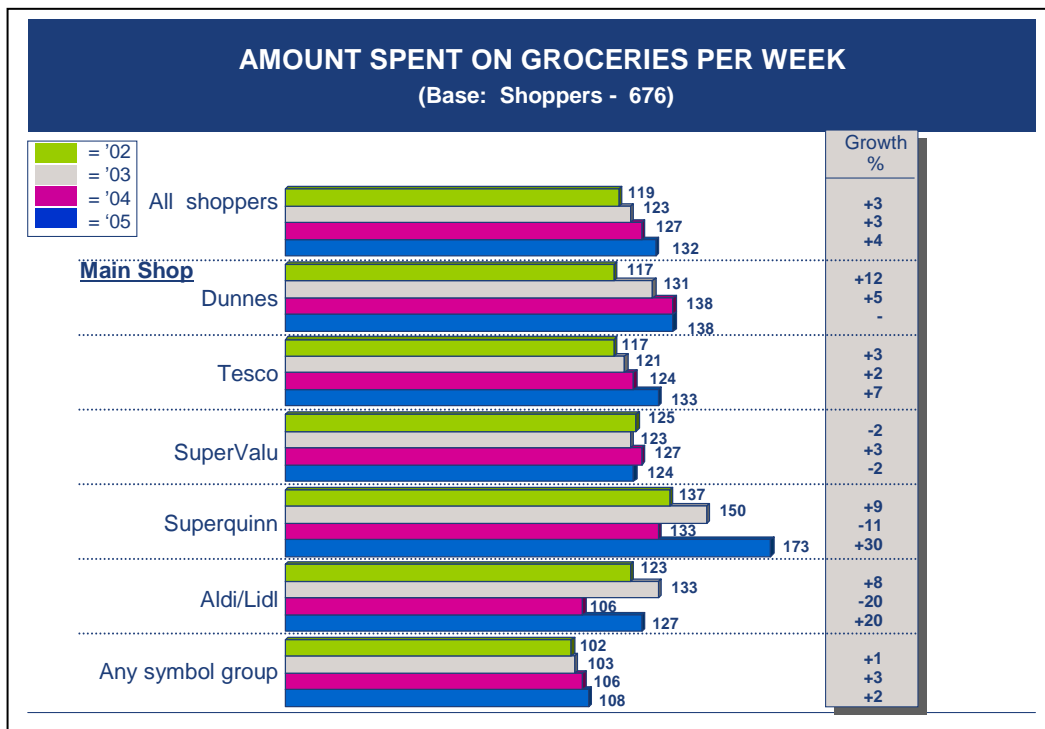
- The average household now spends an estimated €132 per week on groceries; a 4% increase as compared to last year.
- However shoppers continue to believe that grocery price inflation is running ahead of the recorded (authentic) levels of increase.
- Tesco seems to be gaining market share, primarily at the expense of Superquinn and SuperValu.
- Although Aldi and Lidl are continuing to grow in terms of overall usage:
 - There is no real growth in the numbers choosing LRD's for their main shopping and ...
 - Only a minority of users shop in these stores regularly.
- Although Aldi and Lidl continue to be seen to offer lower prices and good value, the gap relative to more established competition is seen to be narrowing.
- As a result, prospects for future market gains by the LRD's seem to be slowing down.

CHAPTER ONE

GROCERY PRICE PERCEPTIONS

1.1 Survey data confirms CPI increases

In each of the surveys in this sequence, respondents who claimed to be responsible for grocery shopping for their households were asked how much they normally spent on their grocery shopping in a typical week. The average figure for this year comes out at €132 per household. This represents a 4% increase on last year: very much in line with the pattern of increases recorded in preceding surveys as can be seen below.



The pattern of price increases recorded here is very much in line with the evidence available from the Consumer Price Index.

As one would expect, there are some differences in spending patterns, depending on the main store used for grocery shopping. These tell a broadly consistent story over time although some of the store data (where the base of users is relatively smaller) is slightly more volatile over time.

1.2 A continuing conflict between perceptions and reality

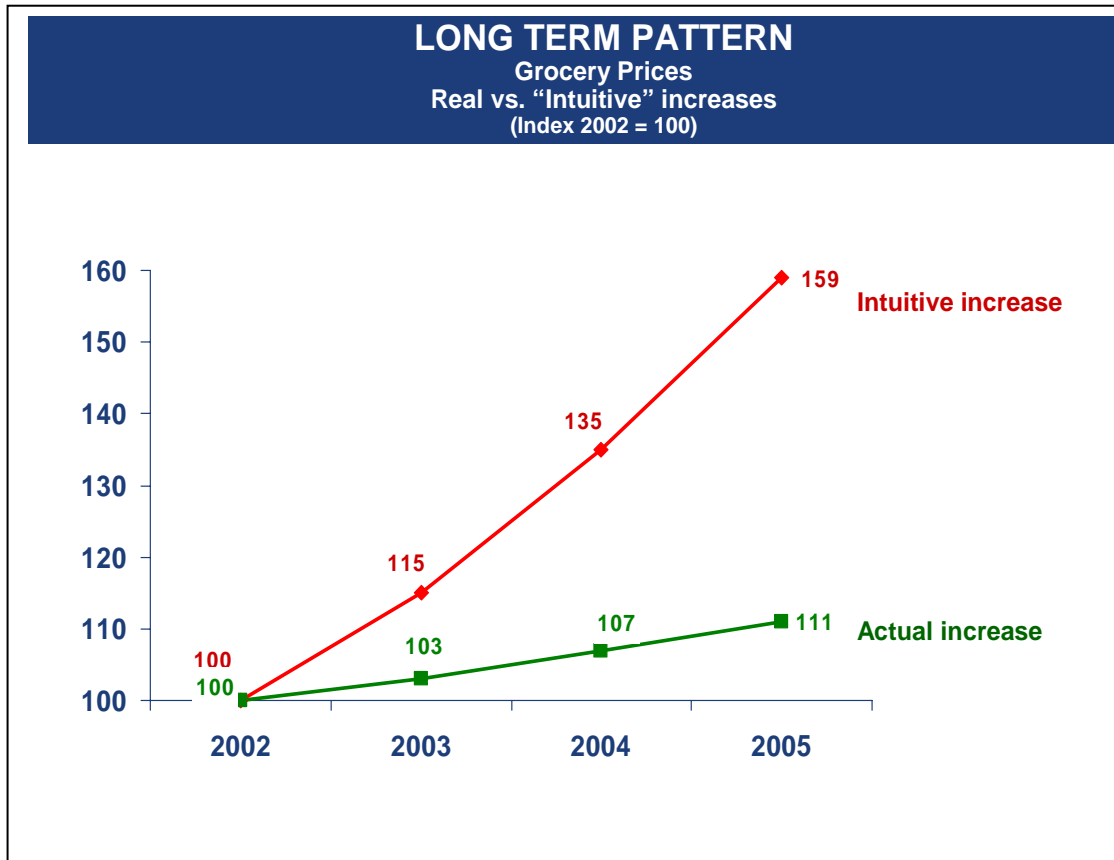
Earlier in this sequence of surveys we discovered that, if one asked people how much they were spending currently and how much they were spending a year earlier, there was a strong tendency for people to exaggerate the pattern of increase.

In the current survey, as we have just seen, the average household spends €132 per week. When these same people were asked how much they were spending last year their average estimate was significantly lower - €112.

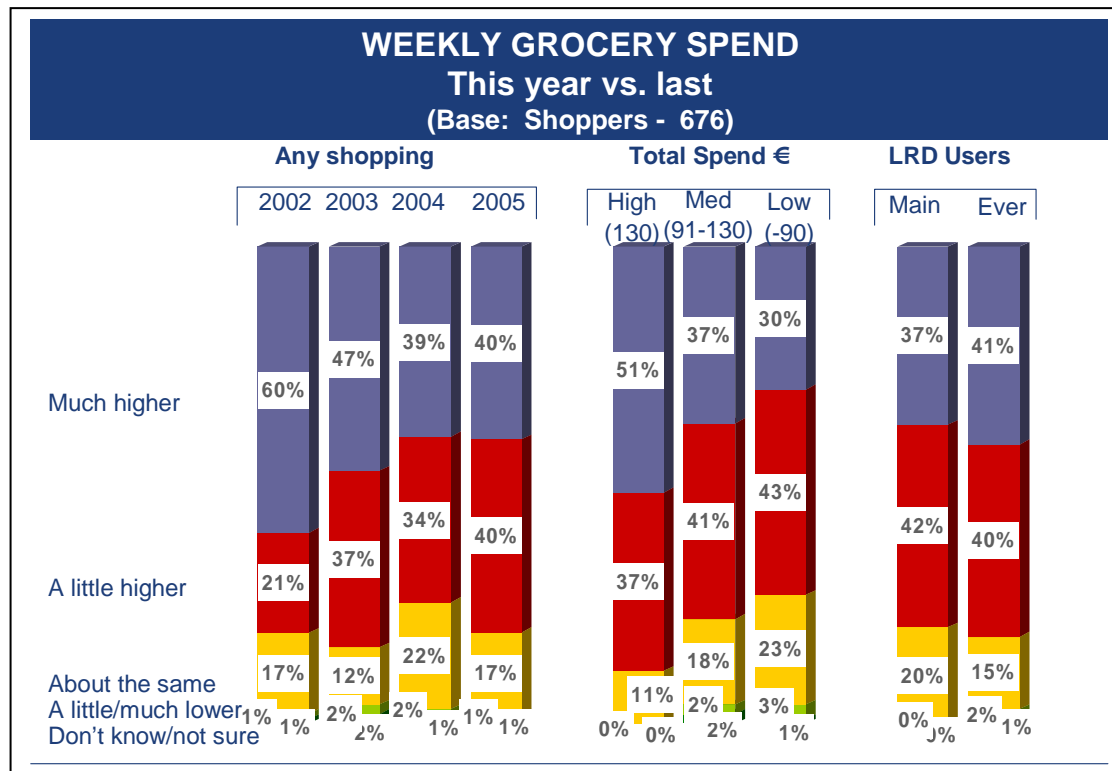
In other words, these consumers felt that prices had inflated over the 12 month period by approximately 18%.

In reality, as we know from the preceding chart, the typical household last year was spending €127 per week on grocery shopping. In short, the real increase in grocery spending has been of the order of 4% over the year while people feel their expenditure has increased by 18%.

This pattern has been a consistent one over the four years of this programme of research so there is an ever-widening gap between the actual increase in grocery shopping expenditure and the intuitive belief that people have about price increases. This gap is illustrated below:



Against that background it is not too surprising to find that a very substantial proportion of shoppers feel that grocery prices are now much higher than they were last year. This is evident in the following chart:



There has been some amelioration in this tendency in the past couple of years but it is nevertheless the case that 4 in 10 shoppers believe that grocery prices are much higher this year than last and a similar proportion believe they are a little higher.

As can be seen from the chart, people who have a higher than average weekly spend, are more prone to this perception of prices increasing sharply.

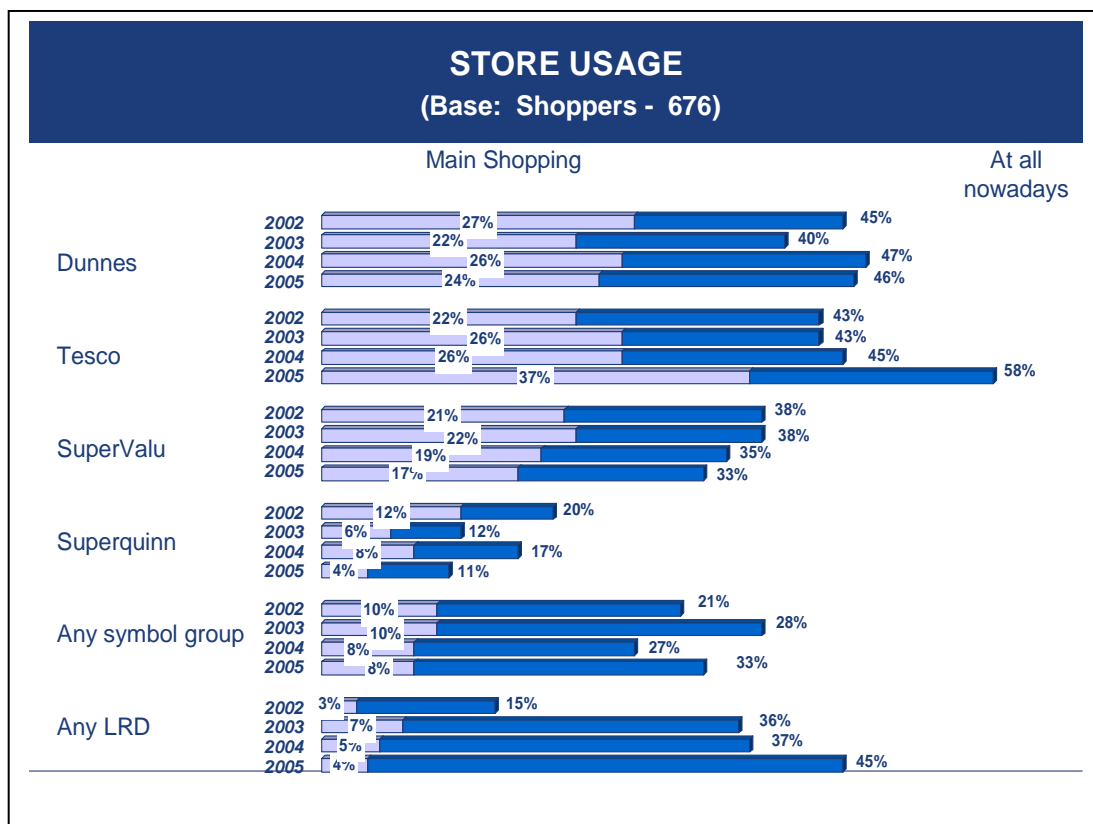
LRD users (that is people who shop at Aldi and Lidl) are now very much in line with general perceptions of how grocery prices are increasing. Two years ago, Aldi and Lidl shoppers had a much higher than average propensity to believe that grocery prices were increasing particularly quickly.

CHAPTER TWO

STORE USAGE

2.1 Changes in Usage over time

The following chart summarises changes over time in the proportion of people who ever shop at each of the main grocery options and those who do their main shopping in each store.

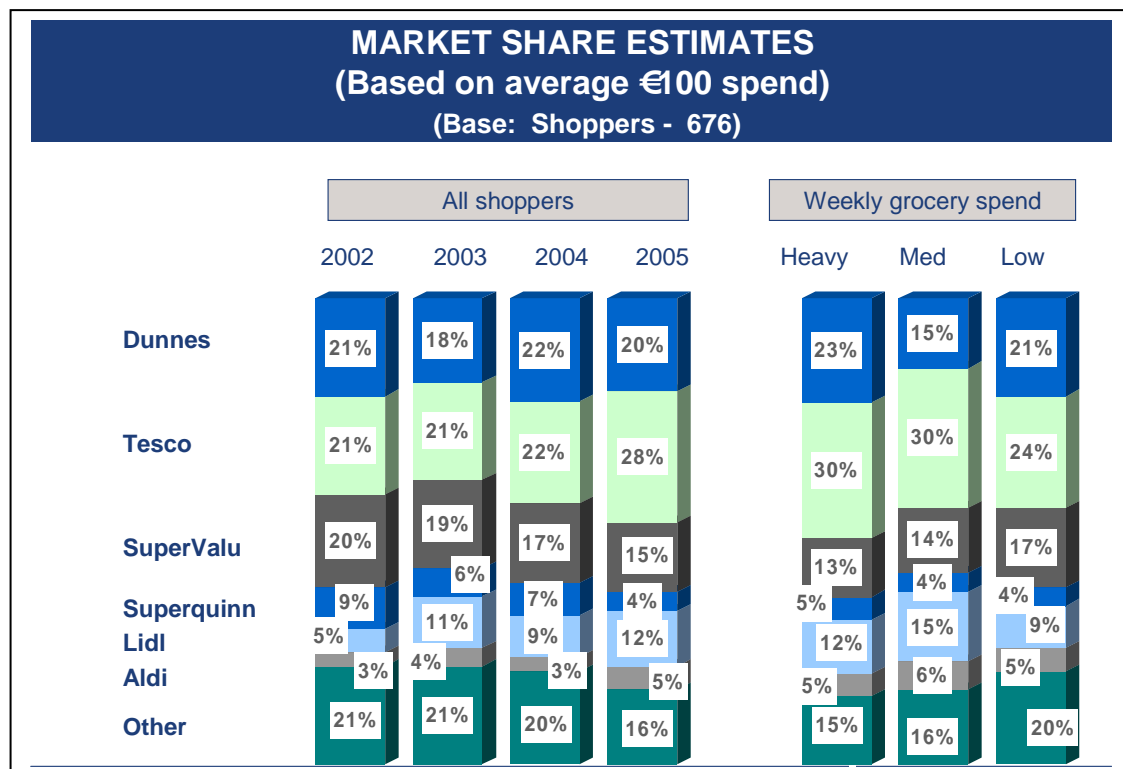


The overall indicators would suggest that Tesco has fared particularly well recently, primarily at the expense of SuperValu and Superquinn.

The proportion of people who ever do their shopping at LRD's has increased but the numbers claiming to do their main shopping at Aldi or Lidl have slipped back from the peak recorded in 2003.

2.2 Market Share Estimates

In the surveys in this series we have attempted to make approximate market share estimates. Shoppers are asked how much, out of every €100 they spend on groceries, they would spend with each of the main retailers. The resultant estimates are summarised below



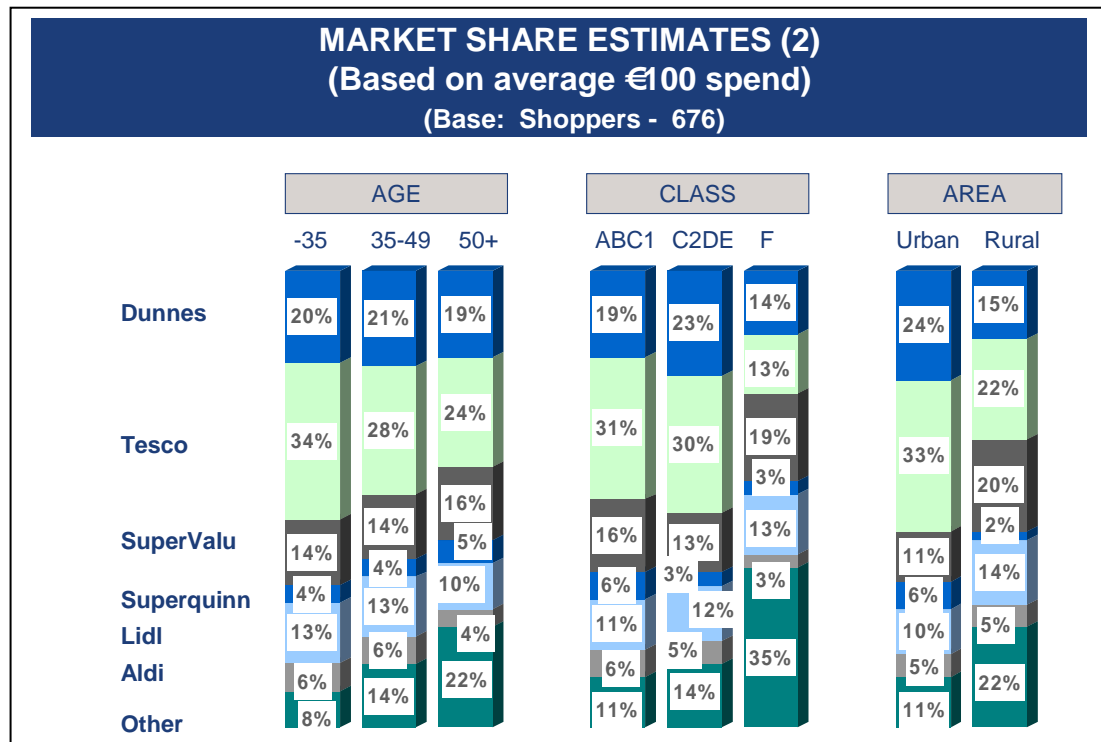
This tends to broadly confirm the evidence from the preceding chart on general levels of usage.

By these estimates, the market share for Tesco has grown significantly. The Dunnes Stores' share has been stable over the period, allowing for normal sampling variations, while the indicators suggest some loss of share for Superquinn and SuperValu.

The share estimate for Aldi and Lidl has varied from survey to survey: reflecting the relatively small base of users. However the indicators are that the 2005 market share is the highest recorded across the four years for the LRD's.

Aldi and Lidl seem to fare particularly well with those people whose grocery spend falls into the medium category.

The following chart presents a further breakdown of the data by age, social class and area.



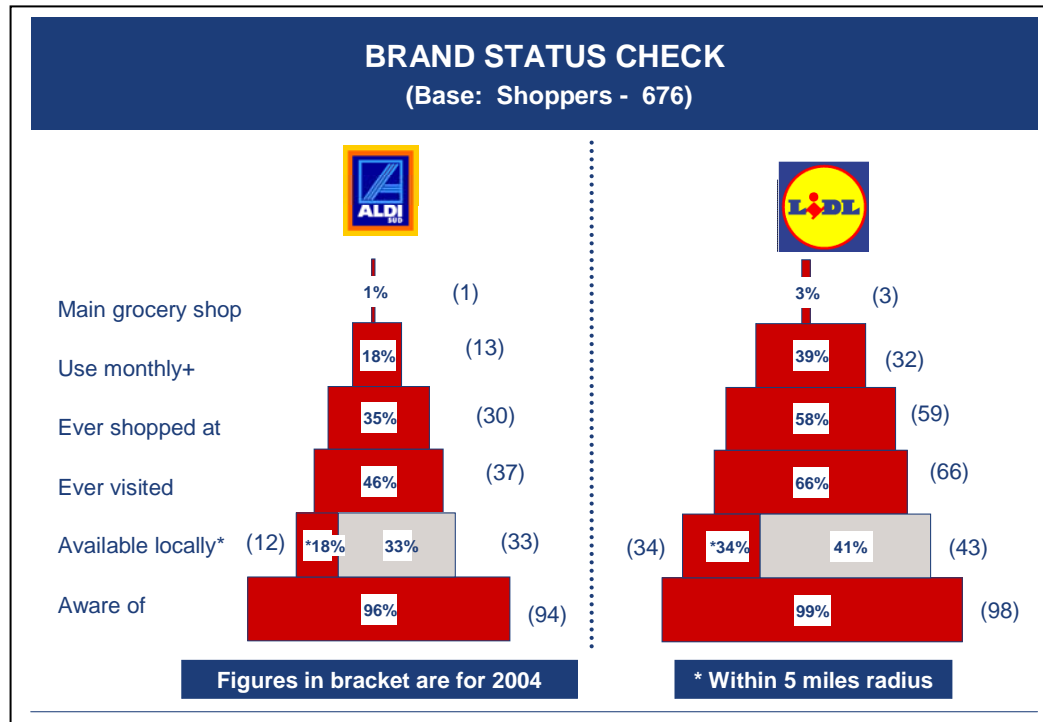
Tesco seems to be faring particularly well with younger urbanites.

Dunnes Stores market share is more heavily working class, urban and is very evenly distributed by age.

Aldi and Lidl seem to fare equally well with all shopper groups up to the age of 50. Their share is well spread in social class terms but is higher in rural than in urban areas.

2.3 Aldi/Lidl Brand Status Check

The following chart summarises the key indicators in the performance of Aldi and Lidl for 2005, with figures for 2004 shown in brackets.

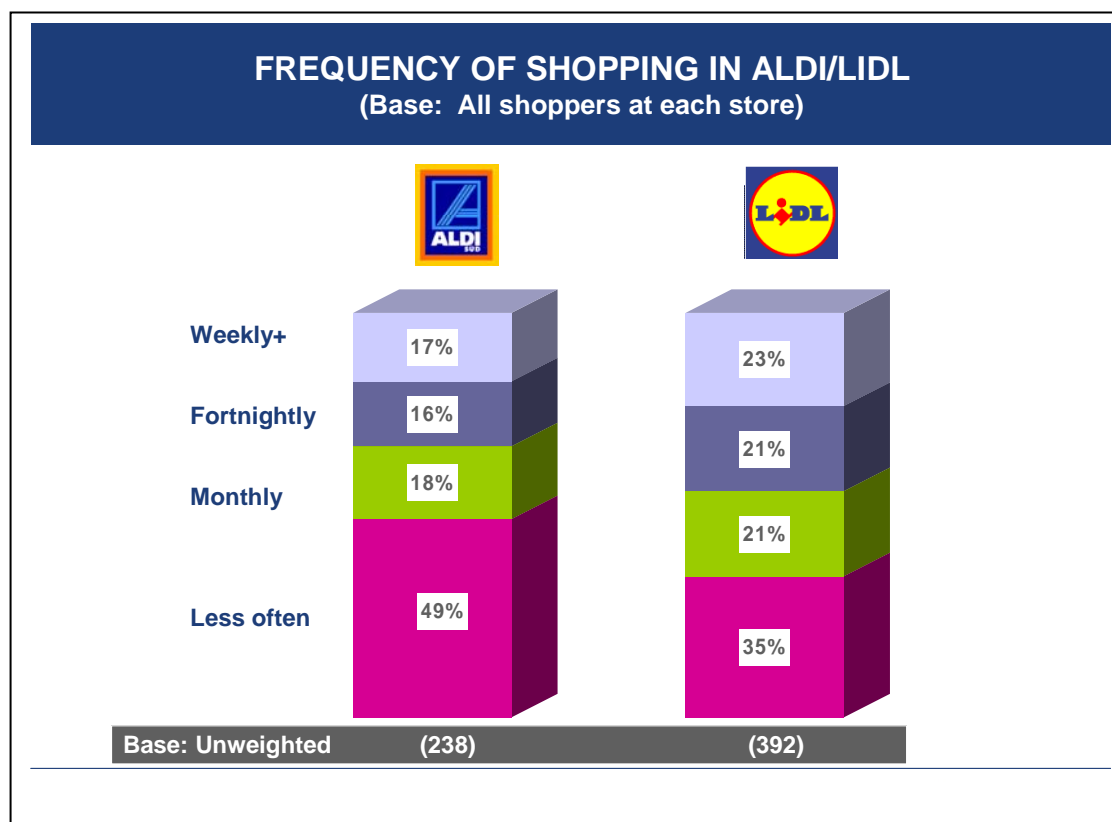


Both stores are almost universally known at this stage. There has been relatively little change in the number of shoppers who fall within the catchment area of either store in the past 12 months.

In the case of Lidl there has been little advance in the numbers who have visited or ever shopped at the stores. These indices are continuing to grow for Aldi.

The main growth, for both stores has been in the number of shoppers visiting them on a monthly basis. The numbers using either store for their main grocery shopping have remained static.



This pattern of development was beginning to become evident over the past couple of years so and, in the current survey, we added questions to establish how often shoppers use either of the two stores. The relative frequency patterns, for those who ever shop at either store are as follows:-



The frequency pattern for Lidl is higher than that for Aldi but for both stores occasional shoppers outnumber regular visitors.

2.4 A wide range of Items bought

The general perception is that shoppers with Aldi and Lidl tend to buy a relatively narrow range of products. In fact, when we asked people which items they had bought on their last visit, a very wide listing of items emerged, as can be seen in the following chart

ITEMS BOUGHT ON LAST VISIT (1) Aldi & Lidl		
		
Base:	376	223
	%	%
Household cleaners	46	42
Fresh fruit & veg.	45	39
Biscuits	42	38
Toilet tissues/rolls	43	31
Cheese	41	34
Toiletries	39	33
Detergents/washing powder	35	33
Juices/fruit juices	33	29
Household products	28	29
Wine	27	28
Bacon/Rashers	23	21
Cereals	21	21
Frozen foods	19	23
Soft drinks	19	18
Tinned fruit	20	15
Cakes	18	18
DIY items	18	16
Confectionery	15	19
Pet food	15	15
Ice cream	16	12
Hardware	16	11
Beer	15	12
Electrical appliances	16	8
Pasta/noodles	12	14
Pizzas	12	12
Fresh meat	12	10
Sauces/ketchup	11	10
Chips	11	10
Tinned food (other)	9	13
Squash/fruit squash/cordials	11	7
Tools	11	7
Frozen chicken	10	9
Desserts/chilled desserts	9	8
Nuts	7	7
Spirits	6	8
Rice/cous cous	6	6
Footwear	7	3
Nappies	5	5
Flour	6	4
Furniture	5	2
Pickles/chutney/relish	3	3
Other	7	10
Not stated/dk	2	5

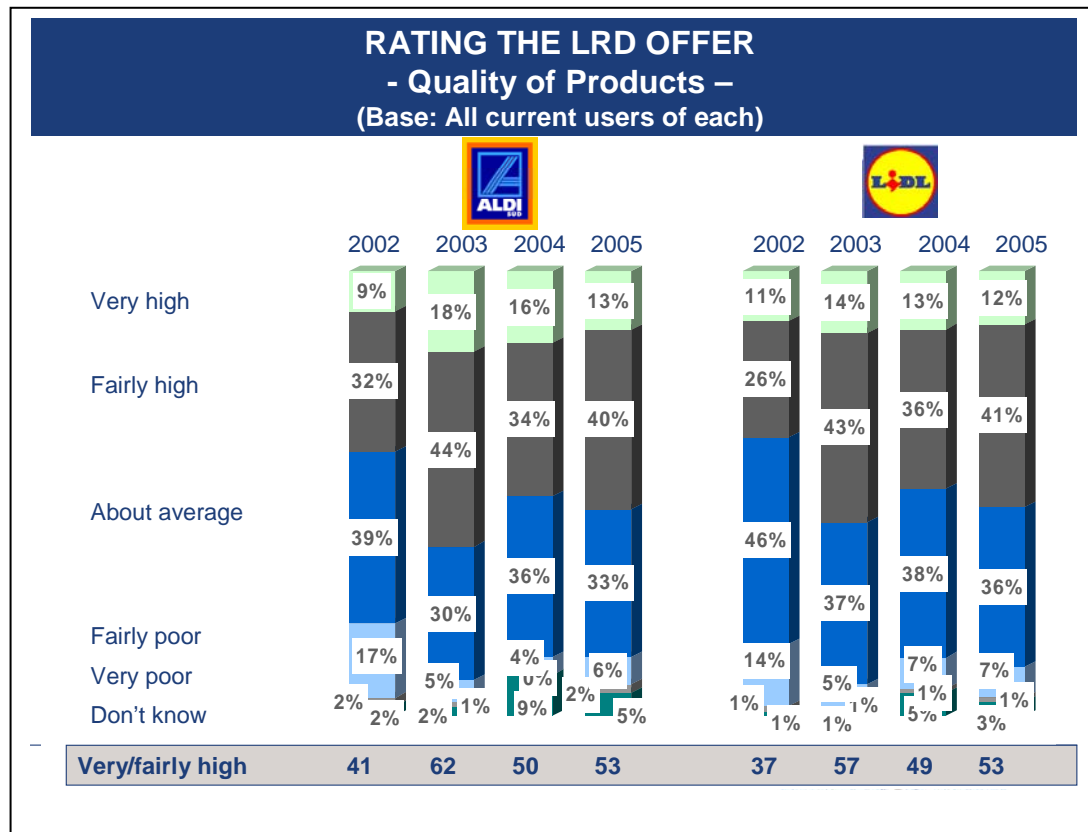
SECTION THREE

EVALUATING THE ALDI AND LIDL OFFER

As in earlier surveys, respondents who used either Aldi or Lidl were asked to assess the offering in these stores, under a number of headings:

3.1 Quality of products

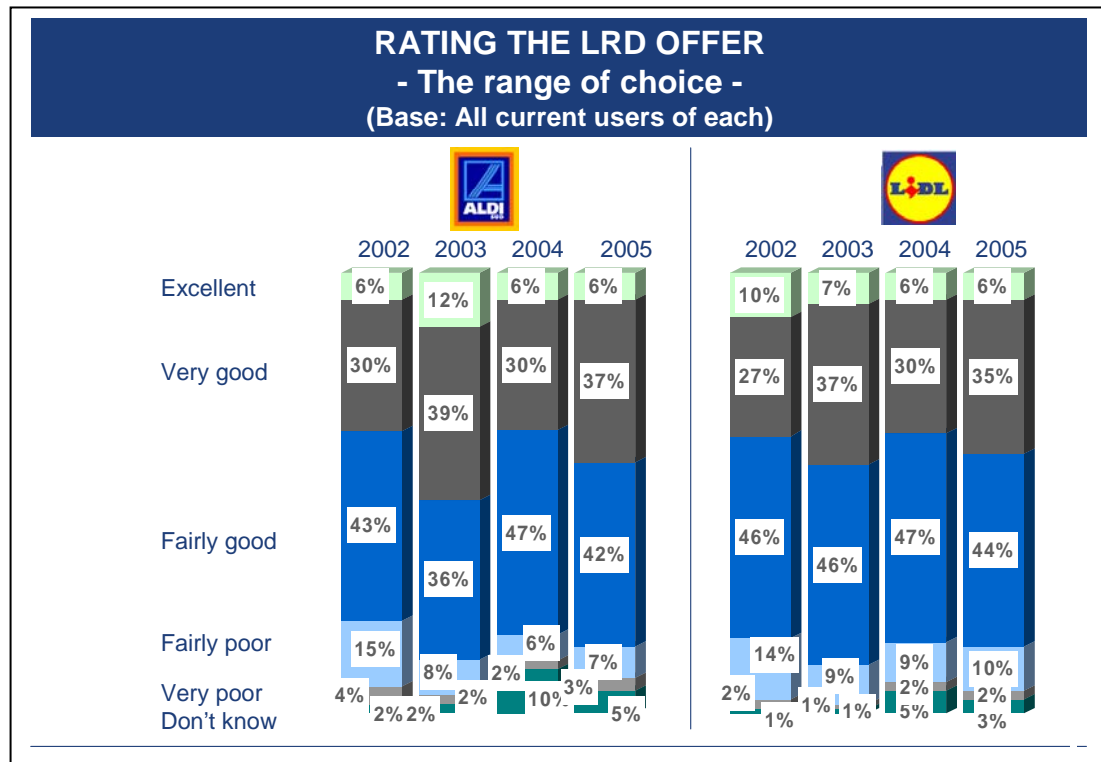
The rating of product quality in both Aldi and Lidl improved between 2002 and 2003 but has fallen back slightly since then, as is evident here:



The 2005 ratings are a slight improvement on those recorded in 2004.

3.2 Range of choice

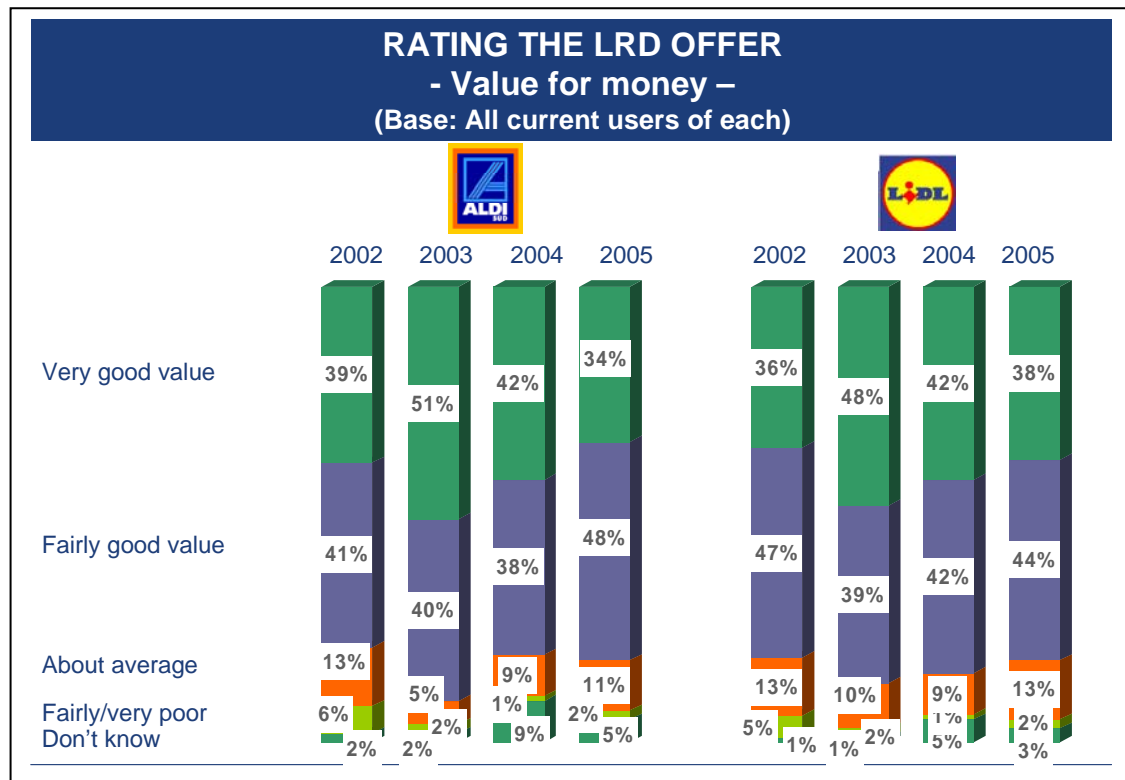
A similar pattern is evident in regard to ratings for range of choice



There was a significant improvement in ratings under this heading for both stores in 2003 as compared to a year earlier. These ratings fell back in 2004 and have improved, slightly, in 2005.

3.3 Value for money rating

Aldi and Lidl continue to be very well regarded in terms of value for money but their special proposition in this regard has slipped back quite considerably since the peak recorded in 2003:

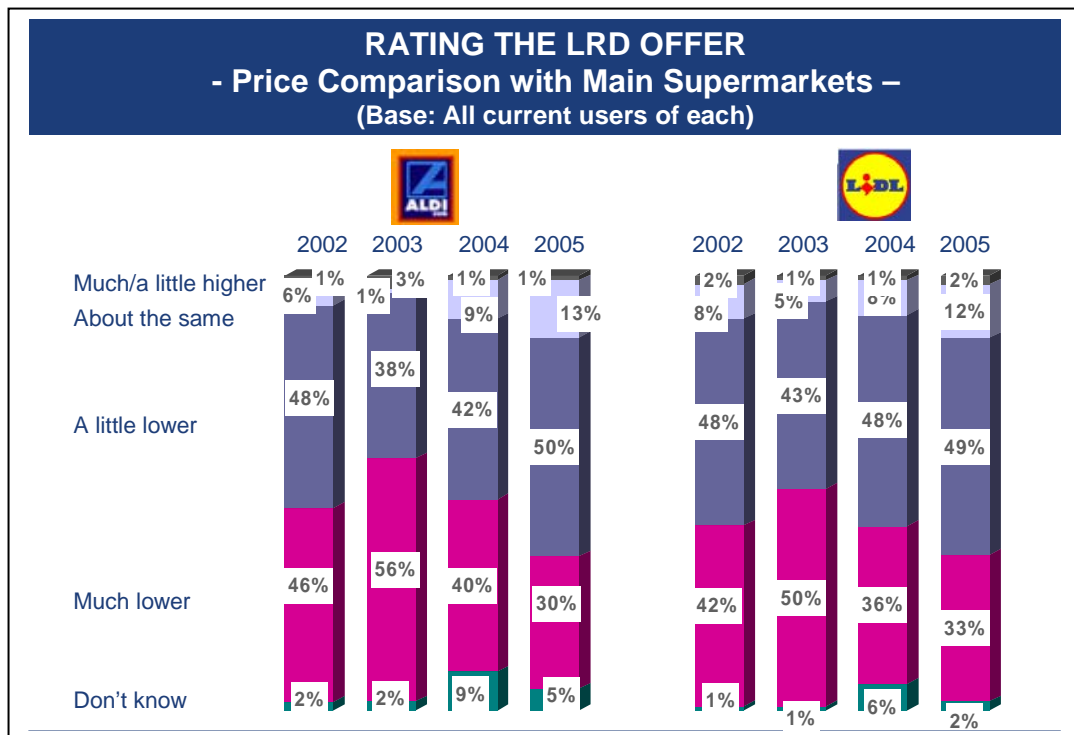


The proportion of shoppers rating Aldi's value for money as very good has fallen from 51% in 2003 to 34% in 2005. In the case of Lidl, the equivalent drop is from 48% to 38%.

3.4 Prices vs. Main Supermarkets

This shift in attitudes is also evident if we consider the perceived pricing of items, as distinct from value for money.

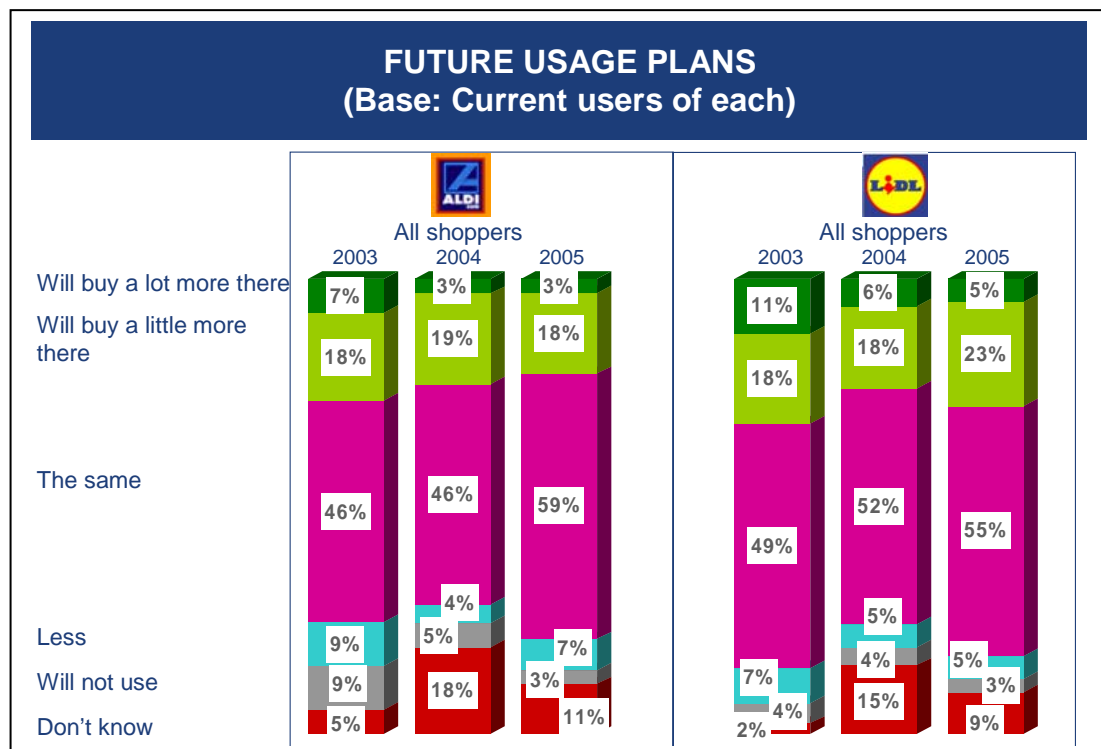
The vast majority of Aldi and Lidl shoppers still consider prices in these stores to be lower than competitors. The number who would go so far as to describe the prices in Aldi and Lidl as being much lower has declined quite sharply however.



In the case of Aldi, 56% of their shoppers described prices in Aldi stores as much lower than competition in 2003. By 2005 this has fallen to 30%. The comparable figures for Lidl show a decline from 50% to 33%.

SECTION FOUR FUTURE USAGE PLANS

Finally, current users of Aldi and Lidl were asked to describe their expectations in relation to future shopping in the two stores. Their answers are summarised below:



On the basis of these data, one might expect some slowdown in the rate of gains by these stores in future.