BEHAVIOUR & ATTITUDES
MARKETING RESEARCH

Barometer Research

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DB/bs

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Introduction

This report presents the findings of a quantitative study carried out by Behaviour & Attitudes during October 2002.

A number of our clients, not all of them in the grocery sector, have expressed an interest in the emergence of the Aldi and Lidl chains in Ireland.

We felt, in the circumstances, that it would be an idea to prepare a report on the current state of play.

With this in mind we included a questionnaire in our October Barometer Survey. This is a syndicated survey which we carry out on a fortnightly basis. Each Barometer survey covers a nationally representative sample of 1,200 adults, quota controlled by all the normal demographic variables to correctly reflect the known characteristics of the adult population of the Republic of Ireland. A freshly drawn sample is used on each occasion.

Fieldwork on this survey was carried out between 4th and 15th October 2002. All interviewing was carried out by trained members of the Behaviour & Attitudes fieldforce working under supervision, and within the guidelines set by the Marketing Society of Ireland.

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 then completed by a full set of tabular results and the following technical appendices:

- ➔ Appendix A — Analysis of Sample
- ➔ Appendix B — Sampling Points
- ➔ Appendix C — The Questionnaire

More detailed tabular results and additional analyses are available on request

Summary & Conclusions

The indicators from this research suggest that:-

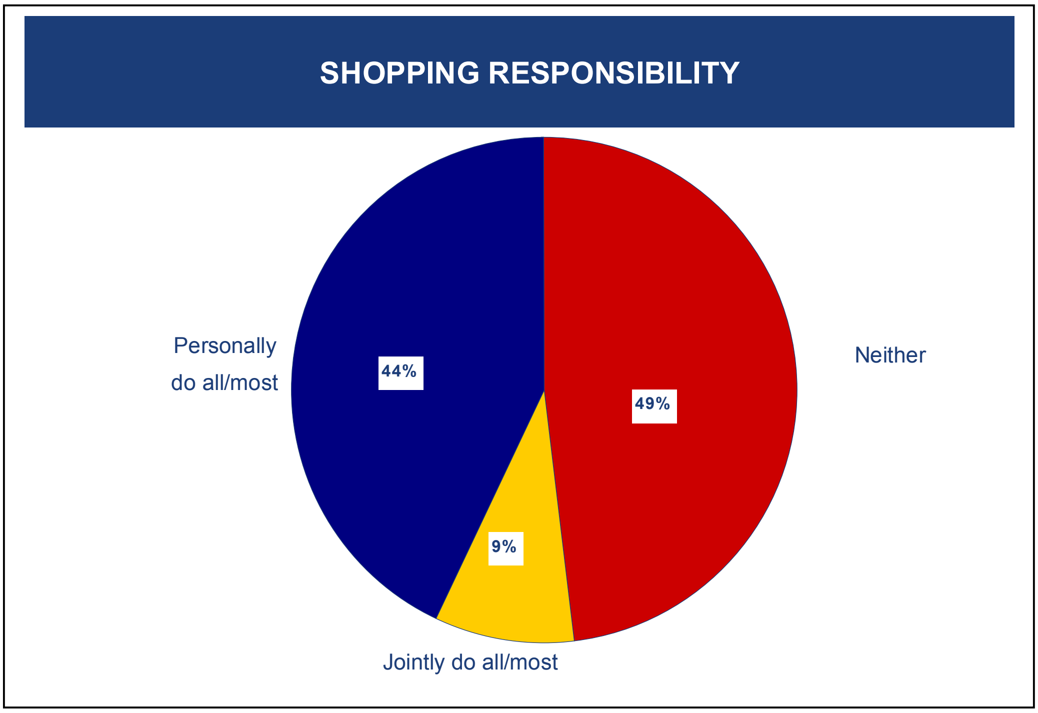
- Dunnes, Tesco and SuperValu continue to vie for supremacy in the grocery market in Ireland (each with a 20% plus share)
- Superquinn's market share estimated in the current study at 9%.
- Aldi and Lidl between them are currently estimated to account for 8% of the market.
- Penetration for LRD's is most acute among:
    - Shoppers aged 25-49
    - Those with young children
    - The heaviest spenders on grocery items weekly
- Penetration by the LRD's is approximately three times as strong outside of Dublin as in the Capital.
- There are clear indicators in the research to suggest that Lidl is evoking a more positive consumer response than Aldi
- This reflects in people's future intentions in regard to the LRD's
    - Lidl seems set for continued growth in share
    - The position in relation to Aldi seems more ambivalent.
- The indicators from the research suggest that Dunnes and Tesco have been the chains most affected by the impact of the LRD's
- The range of items purchased by shoppers in LRD's seems to be considerably wider than some commentators suggest.
- This is particularly true in the case of Lidl.

Section One – Current Shopping Behaviour

In this section of the report we summarise some of the key background information in relation to shopping patterns generally.

1.1 Half of all adults are shoppers

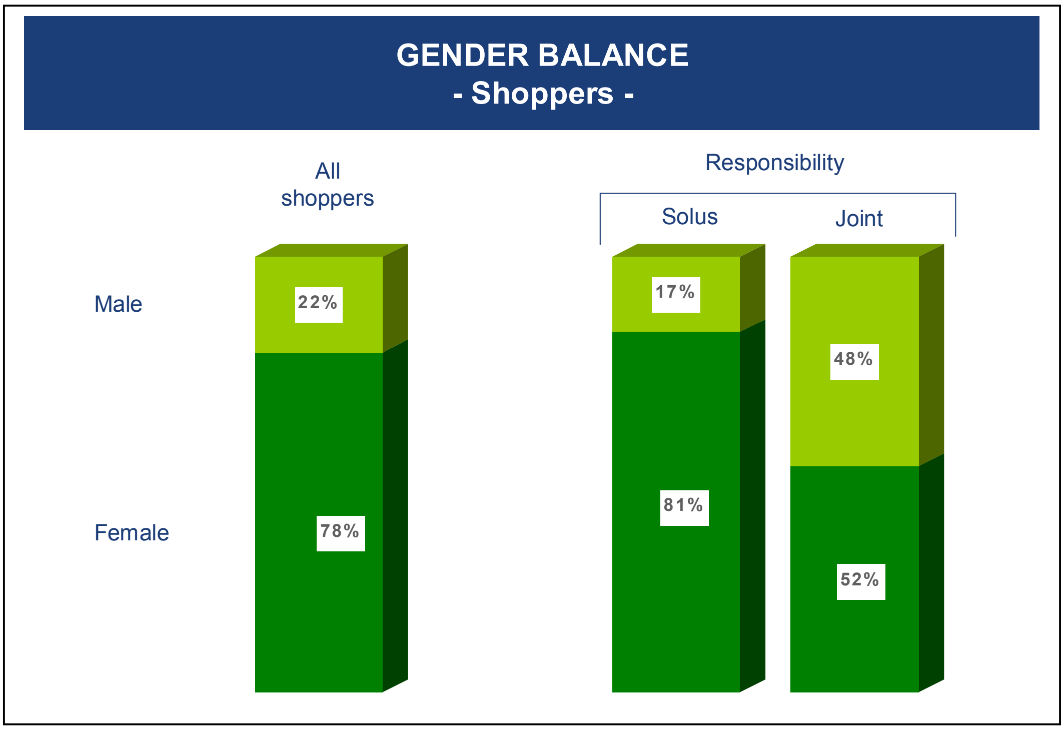
About half of all adults in the country claim at least some involvement in grocery shopping for their family units.



It can be seen that 44% of adults claim to be responsible for all or most of the shopping personally. A further 9% claim to share responsibilities with somebody else.

1.2 1 in 4 shoppers are men

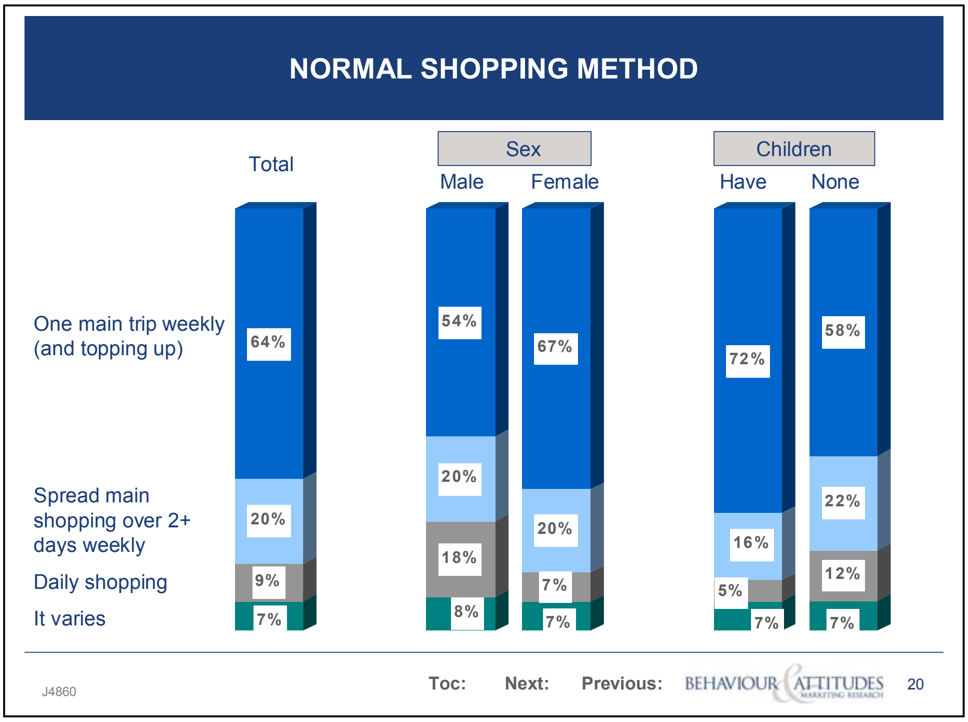
In overall terms 1 in 4 regular shoppers are men.



Among those who have solus responsibility for shopping, about 1 in 6 are men. In those households where the shopping arrangements are handled jointly, men make up almost half of the shopper base.

1.3 Two-thirds have one main weekly shop

When respondents were asked to describe their normal method of shopping, the following pattern emerged.



It can be seen that two-thirds of shoppers have one main weekly shopping trip at present with some topping up as necessary.

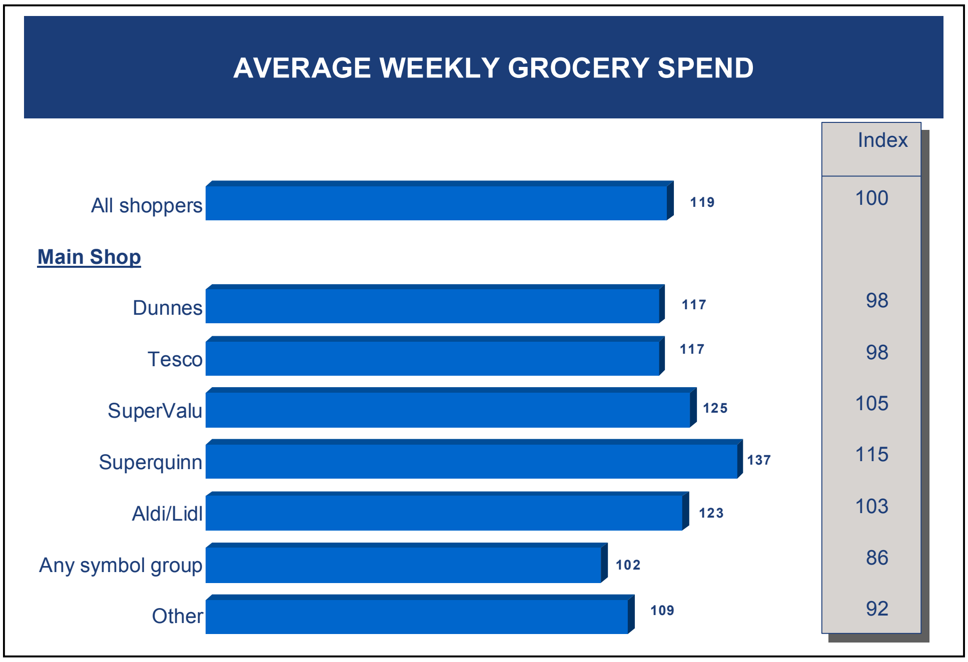
1 in 5 make two or more main trips a week. Almost 1 in 10 continue to shop on a daily basis and the remainder vary their pattern depending on circumstances.

There are, as can be seen, some interesting differences between men and women shoppers and between those who have or do not have young children. Women and particularly those with young children are the groups most likely to adhere to the routine of one main trip per week with appropriate top-ups.

1.4 Average Household Spend on Groceries – €119 per week

The typical grocery shopper claims to spend about €119 per week on average on grocery items. The bulk of this (about €100 per head) is apparently spent on the main shopping trip or trips.

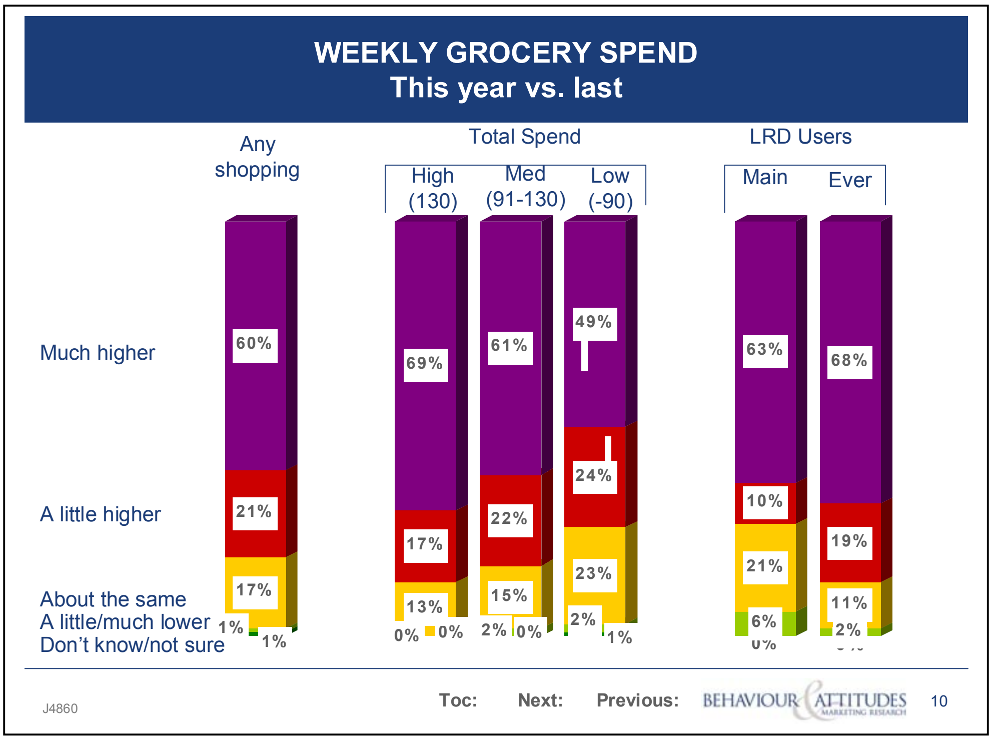
There are some differences evident between shoppers at the main retail options, evident below:



Shoppers at Superquinn tend to spend the highest amount on average. The opposite extreme is marked by those who use Symbol Groups for their main grocery shopping. Interestingly main shoppers at Aldi and Lidl spend slightly above average on their grocery shopping each week – approximately €123 per head.

1.5 Most people feel they are spending a great deal more than last year

8 out of 10 shoppers believe they are spending more for their grocery products now than they were at this time last year. As many as 6 in 10 believe they are spending a much higher amount as is evident here:



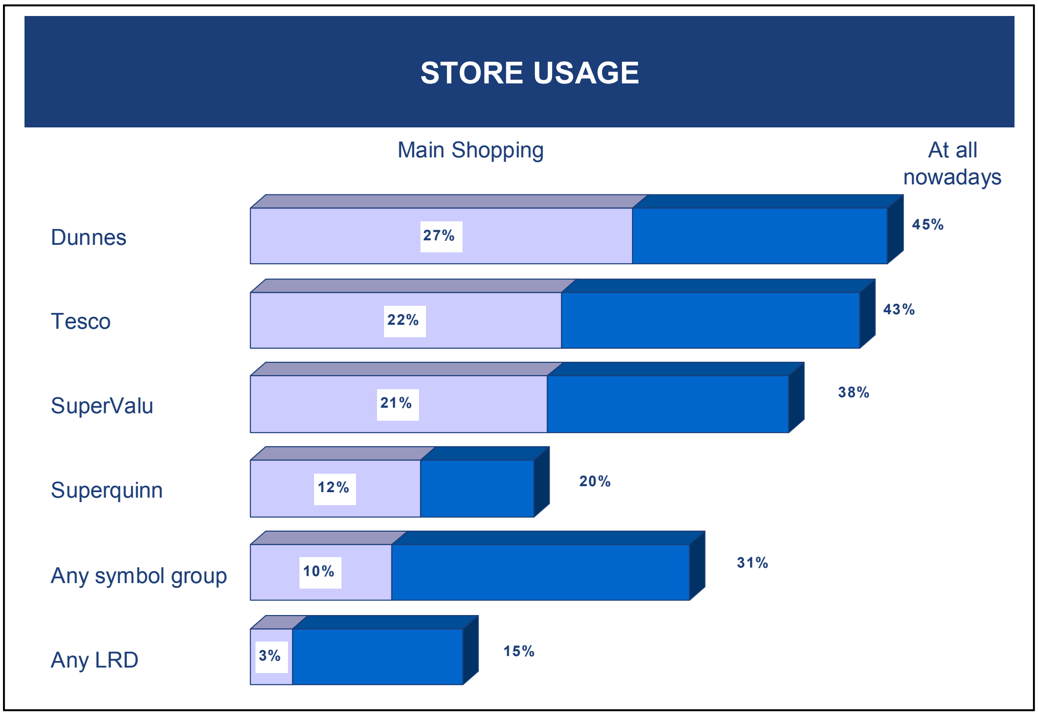
People who are currently heavy spenders are most sensitive to the increases which have occurred. It is interesting to see that those who use one of the LRD's (ever) are most sensitive to price increase. Those who currently use one of the LRD's for their main grocery shopping are marginally below average in the extent to which they report they are spending more now as against last year (but only marginally so).

Section Two – Current Store Choice

In this section of the report we examine people's choice of store at present, either for their main grocery shopping or for any part of their grocery shopping requirements. We take an initial look at spontaneous mentions of Aldi and Lidl in this context. In the final section of the report we will put the LRD's under closer scrutiny.

2.1 The Big Three – Locked in Combat

The following chart summarises people's claims as to which of the main supermarket stores they use at all nowadays and which ones they use most for their main shopping.



It can be seen that Dunnes and Tesco have broadly similar overall franchises but with Dunnes featuring slightly more prominently as the shop of choice for main shopping.

SuperValu has a somewhat narrower overall franchise than either of the Big Two but its regular user base is comparable to that of Tesco. The overall user base for Superquinn is about half of that for any of the Big Three players. The same relativity applies to the main shopper base of Superquinn compared to the Big Three.

As one might expect Symbol Groups have a wide overall reach: approximately half way between that of Superquinn and the Big Three. However only about a third of their shoppers choose Symbol Groups as their main option for their weekly grocery shopping.

The pattern for the LRD's is interesting by comparison. Already these outlets are used at least occasionally by 15% of shoppers; about half the reach of the Symbol Groups. However only 3% (or 1 in 5 users) choose an LRD as their main shopping option.

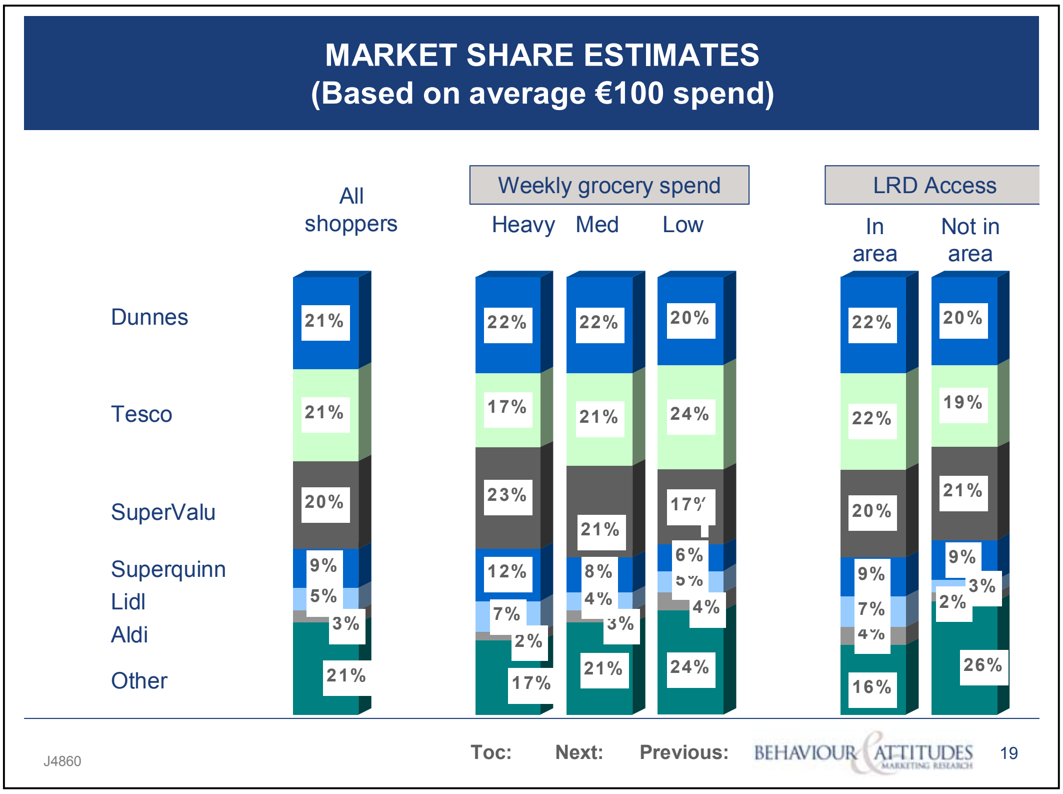
It seems clear, even at this initial stage, that the LRD's have a particular use as an occasional choice for shoppers.

2.2 LRD Market Share – Estimated at 8% of total grocery spend

It is obviously quite difficult, in a once off survey of this kind, to get an accurate measure of market share. Nevertheless, it is interesting to look at the replies to the following questions:

> *Q.10 Thinking about every €100s you spend on groceries (i.e. all food and household items) how would this usually break down between the different shops you use nowadays?*

The resultant data are summarised below:



Despite some differences in reported overall usage, or use as a main grocery outlet; Dunnes, Tesco and SuperValu all emerge in this analysis with approximately equivalent market shares. SuperValu tends to fare better than average with heavy spenders while the opposite is true for Tesco. Dunnes Stores seems to work approximately equally well across all categories of spenders.

The market share for Superquinn is estimated at 9%: peaking at 12% among the heaviest spenders.

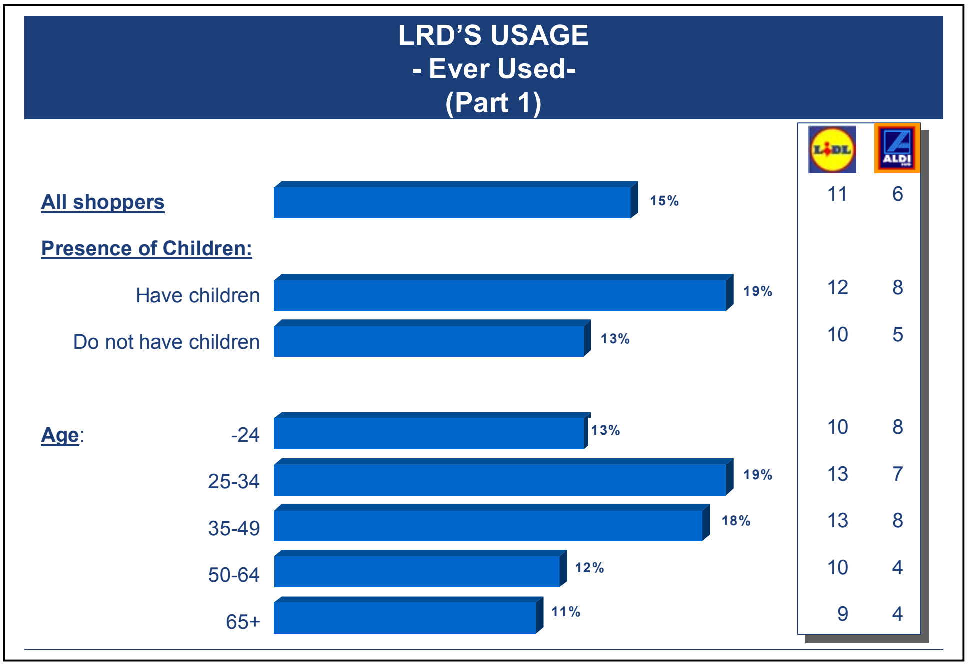
The combined share for Aldi and Lidl is estimated at just slightly below this: 8% of the total with Lidl running ahead of Aldi, particularly among heavy spenders.

If we segment the market into consumers who claim to have an Aldi or Lidl shop within their immediate environs we find that this market share figures rises to 11% overall. It is perhaps symptomatic of the strength of their franchise that Aldi and Lidl apparently account for 5% of the grocery spend even for those shoppers who do not have an Aldi or Lidl option in their immediate area.

2.3 LRD's – Scoring with a defined target audience.

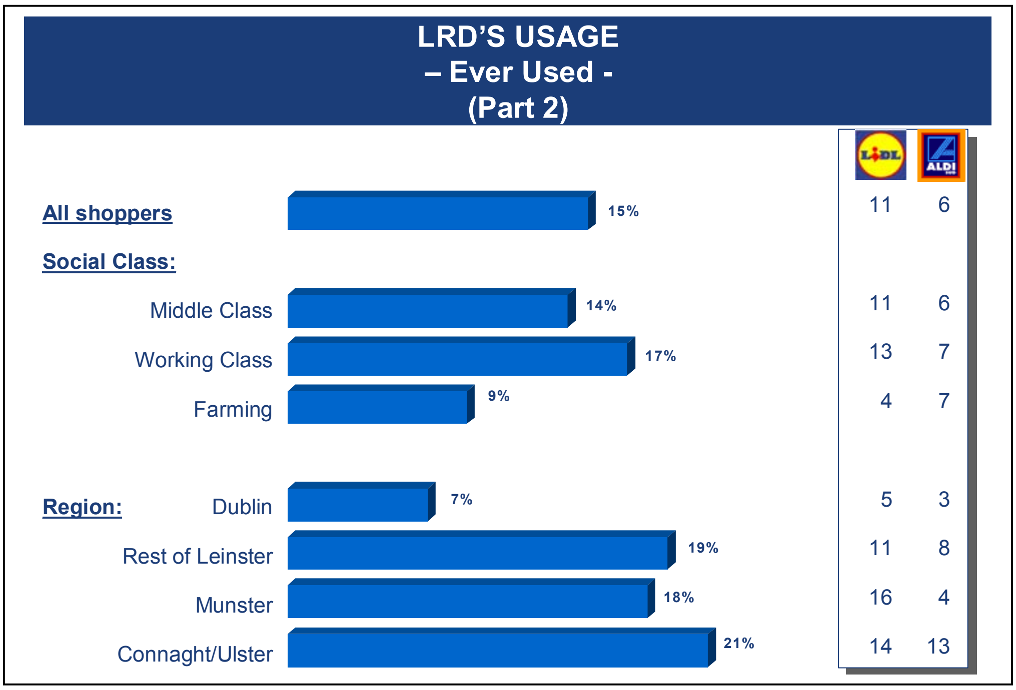
We saw in the preceding section that 15% of consumers claim to use LRD's at some level nowadays. In the following set of charts we examine differences within key demographic groups to attempt to paint a picture of a typical Aldi and Lidl user.

Our first analysis looks at the age of shopper and whether or not he or she has children.



The LRD's fare best in the middle age ranges (25-49) and particularly those who do have children.

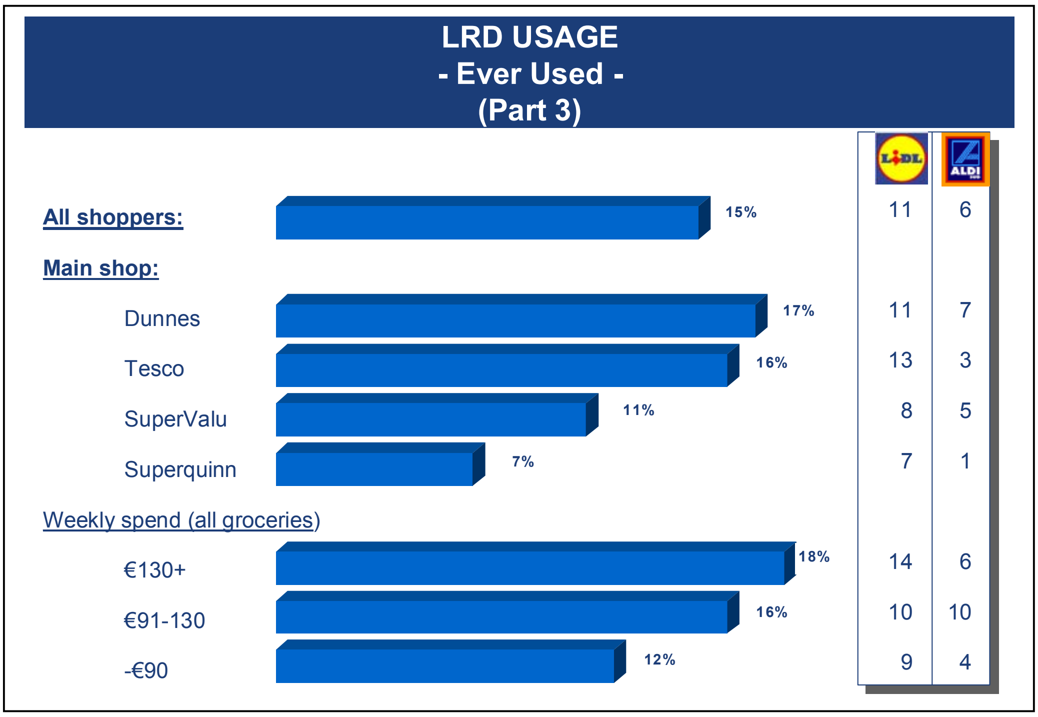
We continue the analysis by looking at the social class of shoppers and where they live within the country.



The LRD's score best with working class shoppers but the position among middle class groups is only marginally below average for the population as a whole – perhaps something of a surprise.

The regional pattern is extremely interesting. It is clear that relatively few Dubliners have discovered the Aldi and Lidl phenomenon: about 7%. In the rest of the country 1 shopper in 5 uses Aldi or Lidl at least occasionally.

The final part of this analysis looks at differences by heavy, medium and light spenders on grocery shopping and also by store of first choice for main shopping (providing some clues as to which stores may be suffering most as a result of the LRD phenomenon).



The LRD's fare better with heavy spenders on grocery products. The indicators from this analysis would suggest that they are perhaps impinging most on traditional Dunnes and Tesco shoppers.

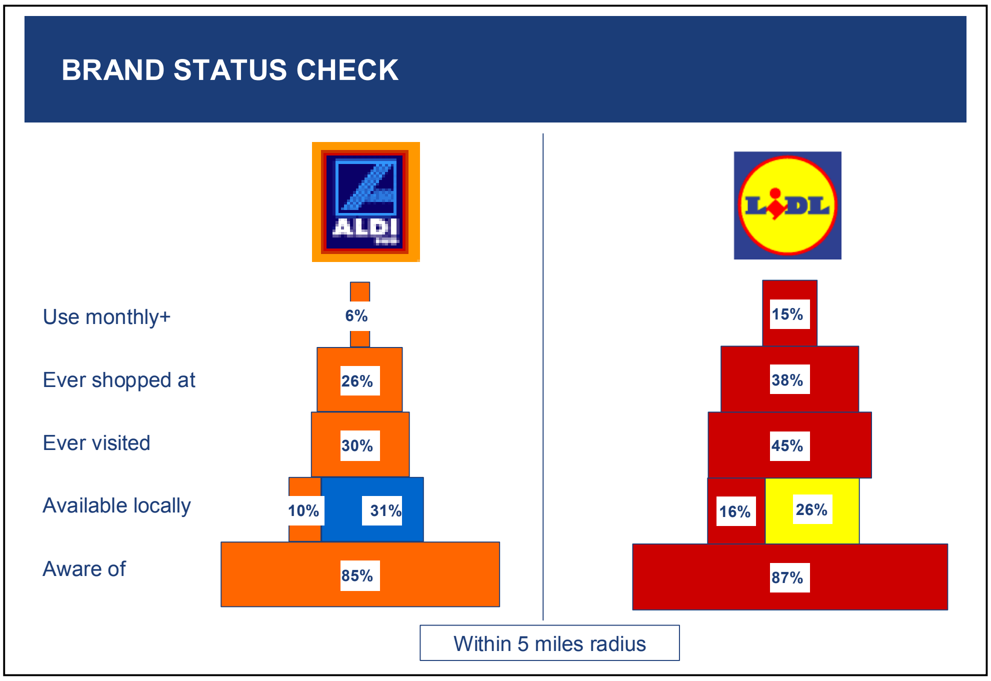
Section Three – LRD's in Focus

In this final section of the report we look in rather greater detail at the performance of Aldi and Lidl in the Irish market. In the earlier section of this report, the questions were unprompted. We did not draw any specific attention to Aldi or Lidl. At this point in the interview however respondents were questioned on a more prompted basis about their experience of, and reactions, to Aldi and Lidl separately.

3.1 A difference in brand status

In any brand status check one might undertake, it would be normal to look at levels of awareness, availability, trial and conversion to regular usage.

The following chart summarises these key indices for Aldi and Lidl.



Despite their relatively limited availability, both brands are extremely well known: 85% awareness for Aldi and 87% for Lidl.

Both have similar catchment audiences in overall terms (41% and 42% respectively). However when one questions people about the distance to their nearest Aldi or Lidl is becomes evident that Lidl has an advantage in this regard. 16% of shoppers live within a five mile radius of Lidl stores as against 10% for Aldi. This no doubt reflects the larger number of Lidl stores in the country (28 vs. 10).

The real differences however begin to emerge when we consider the proportion of shoppers who have visited either of the two store chains. Lidl enjoy a significant advantage here – 45% vs 30%, suggesting that Lidl may have established a stronger reputation as a “draw”.

It is striking, for example, that more people have visited a Lidl store than claim to have one available to them locally: suggesting that people are willing to travel unusual distances to find out more.

The conversion rate from visiting to actually using the shops is similar for both brands. However the advantage of Lidl as a draw overall, results in a significant lead in terms of the numbers who have used Lidl stores at this stage 38% as against 26% for Aldi.

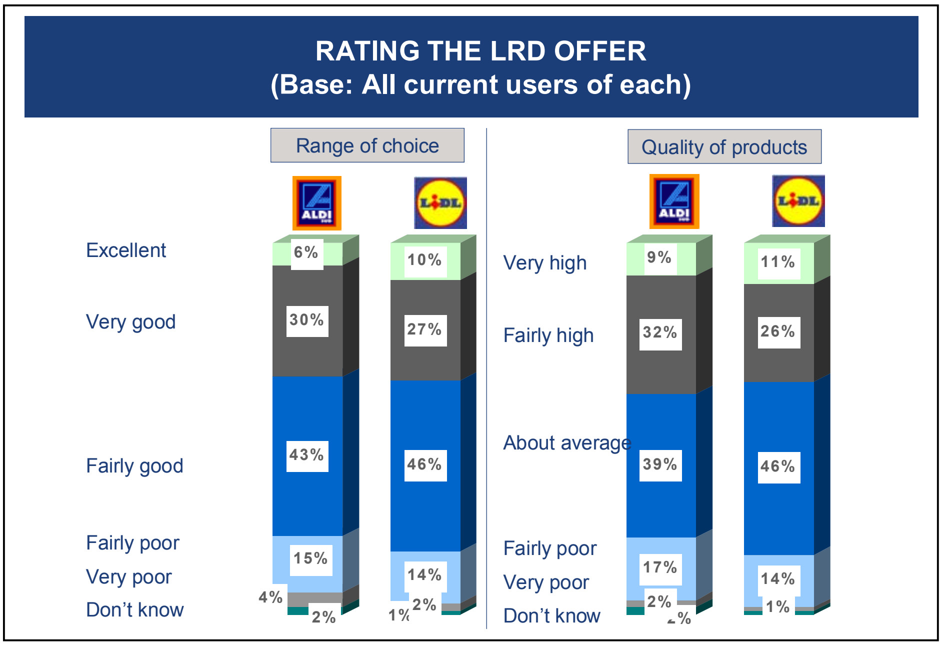
The final index of difference in status is evident from the fact that 15% of all shoppers claim to use Lidl stores monthly or more often nowadays: a conversion rate of almost 40% from their overall trial level. By contrast, less than 1 in 4 trialists of Aldi are now using that option monthly or more often.

3.2 Lower prices/value – the big draw

All trialists of Aldi and Lidl were asked to rate these stores under four headings:

- Range of choice
- Quality of products
- Value for money
- Price comparison with the main supermarkets

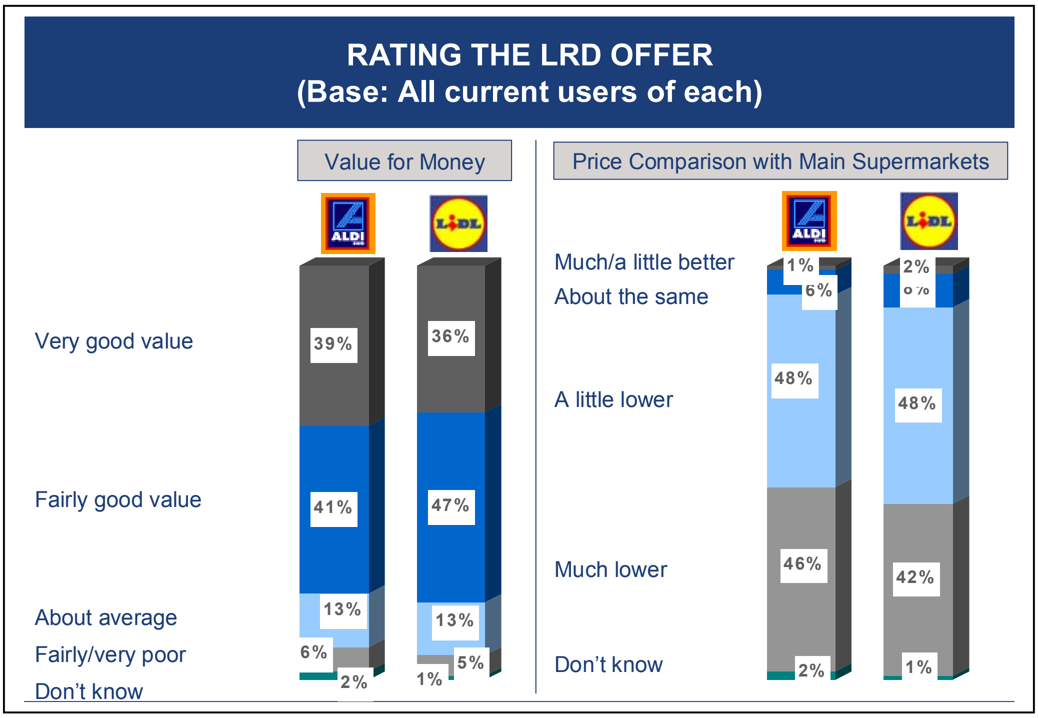
Ratings for the first two items are set out below:



There is not a great deal of difference in the overall rating for range or choice. Perhaps Lidl has a slight advantage in overall terms. More than a third of trialists consider the range of choice very good or excellent in either of the two options.

Neither is there any great difference in the overall ratings in terms of quality of products. About 4 in 10 trialists consider product quality in these stores to be at least fairly high.

The real differentiator is in regard to value for money. 8 in 10 trialists consider these stores offer fairly or very good value for money.

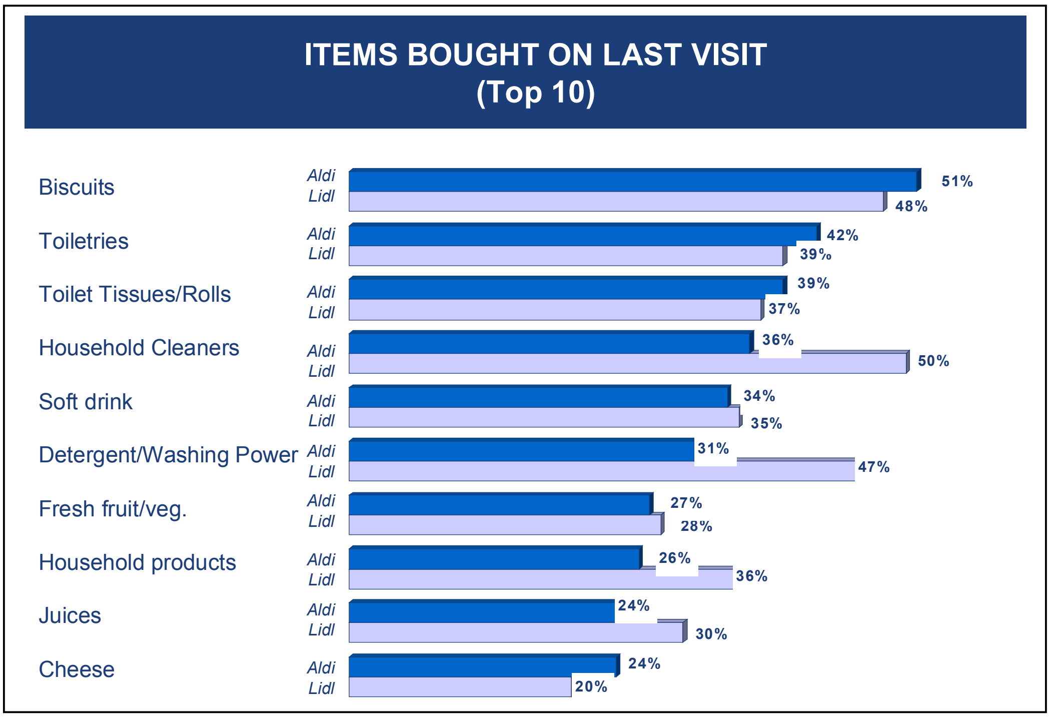


Price comparison ratings with the main supermarkets underline the point. 90% or more of LRD trialists notice a price saving; over 4 in 10 see a significant saving in LRD prices compared to the main supermarkets.

In the next section of the report we consider the product categories that feature most prominently in the shopping baskets of Aldi and Lidl shoppers.

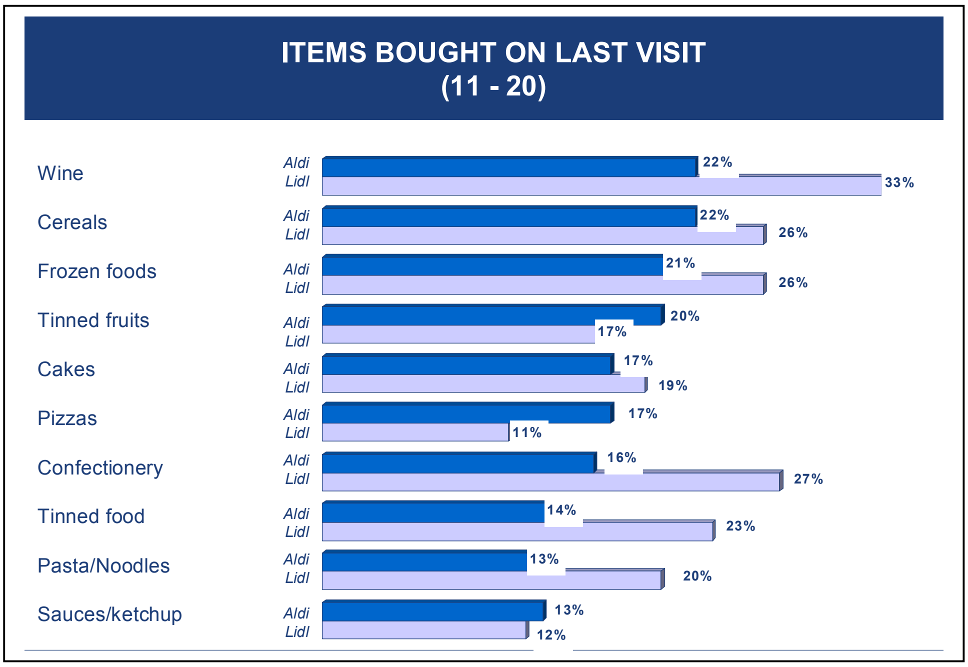
3.3 A Broader Basket than one might expect

All trialists of Aldi and Lidl were asked which items they had bought on their last shopping trip to one of these stores. The following chart summarises the top 10 options.



In most respects there are similarities between the pattern of purchases in the two outlets. However Lidl seems to score better in regard to household cleaners, detergents and household products generally.

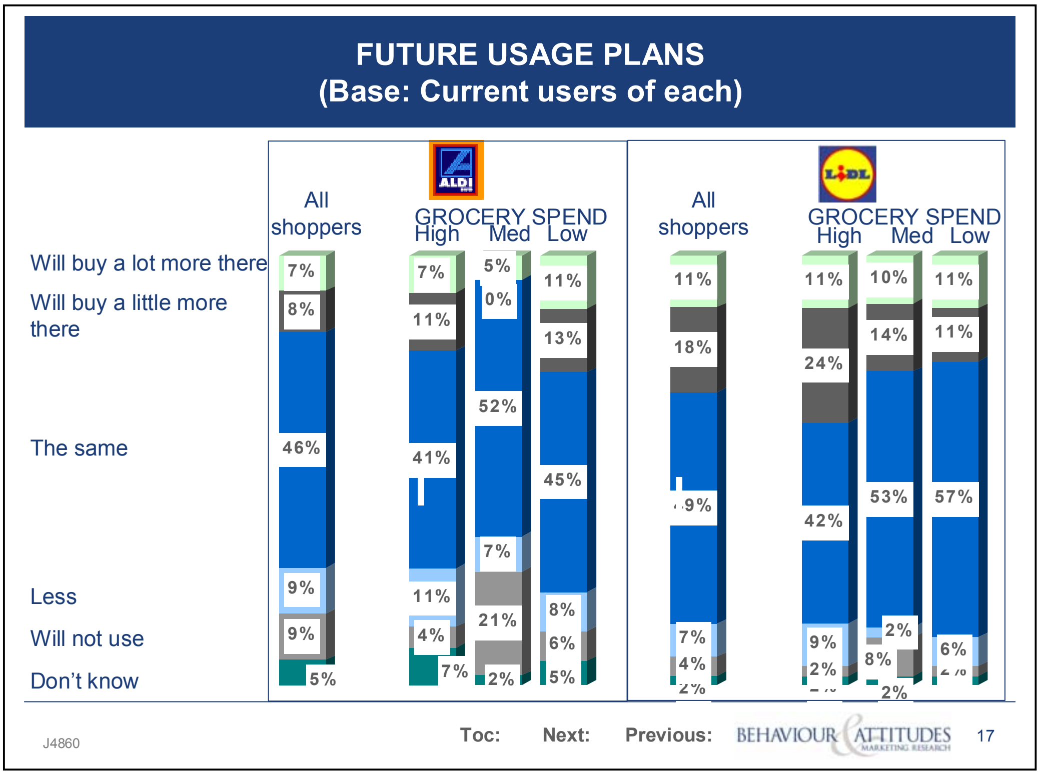
Lidl also seems to have a wider portfolio of usage in some of the other product categories purchased.



Lidl seems to have been more successful particularly in the areas of wine, confectionery, pasta and noodles, frozen foods and, to some extent cereals.

3.4 Future Plans – some differences between the two options

The final series of questions in the survey asked people who had tried either store to predict what their likely future purchasing patterns might be like. Answers are summarised, for Aldi and Lidl separately below:

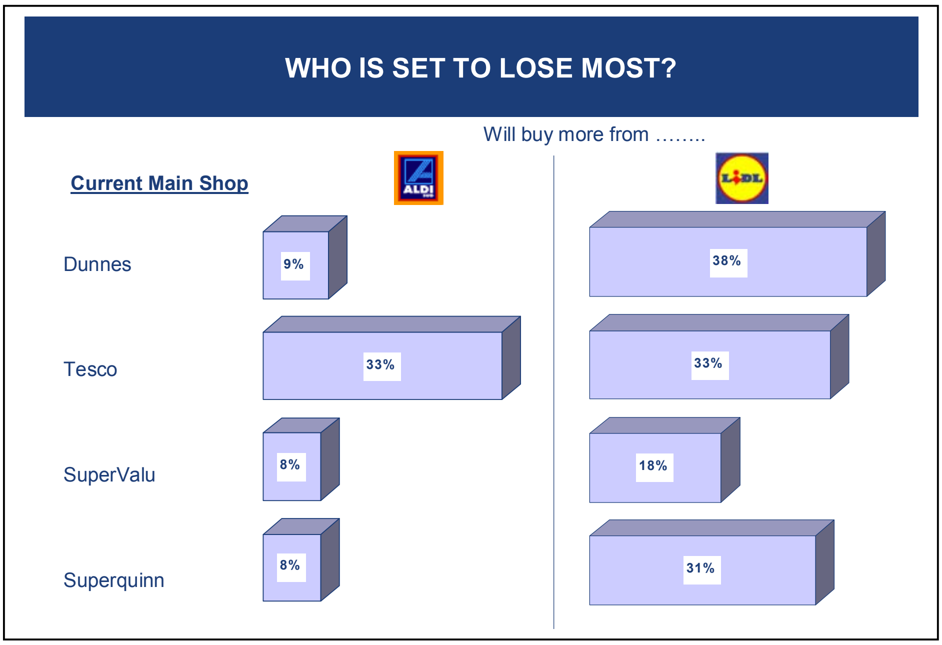


The pattern in relation to Aldi looks somewhat ambivalent. About 15% of people expect to buy at least a little more in these stores in future. However 9% expect that they will buy less and a further 9% do not anticipate using Aldi again in future. The overall position for them would suggest a position of stasis.

If we look at the data for Lidl however we see prospects of further gains. 29% of their trialists anticipate buying more in these stores in future: almost treble the number who anticipate using them less or not at all.

This pattern of anticipated increase is strongest among the heaviest spending consumers.

We can examine these data separately for main shoppers in Dunnes, Tesco, SuperValu and Superquinn to see which stores seem to be most likely to lose out as a consequence of any further swings towards the LRD's. The position is as follows:



As we saw earlier the main potential growth seems to lie among Lidl. 38% of current main Dunnes shoppers anticipate buying more from Lidl in the future: somewhat ahead of the 33% of Tesco shoppers and the lower interest levels among current main shoppers in SuperValu and Superquinn.

The threat from Aldi seems to be less marked but somewhat more focussed among current Tesco main shoppers.