BEHAVIOUR & ATTITUDES
MARKETING RESEARCH

Grocery Shopping &
The Discounters

Barometer Survey – Stage 6

November, 2007

GW/bs

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INTRODUCTION

This research on grocery shopping has been conducted by Behaviour & Attitudes Limited on an annual basis since 2002, in order to track awareness, usage and perceived performance of the two German discounters, Aldi & Lidl.

This latest stage was conducted during November 2007 and covered the following information:-

- Normal approach to grocery shopping
- Main store used for grocery shopping
- Other stores used for grocery shopping
- Estimated weekly spend on groceries nowadays
- Estimated weekly spend on groceries a year ago
- Reported trends in grocery spending versus last year
- Awareness of Aldi or Lidl
- Local availability of Aldi or Lidl
- Incidence of visiting Aldi or Lidl
- Incidence of shopping in Aldi or Lidl
- Frequency of shopping in Aldi or Lidl
- Aldi/Lidl ratings on range of choice
- Aldi/Lidl ratings on general product quality
- Aldi/Lidl ratings on value for money
- Aldi/Lidl ratings on prices vs the main supermarkets
- Expectations for future Aldi/Lidl usage
- Share of grocery spend across main stores

All stages of this research have been based on participation in B&A's bi-monthly Barometer survey. Each Barometer survey is based on a nationally representative quota sample of 1000 adults (aged 15 years and over).

All interviewing is conducted face-to-face in-home, using a structured questionnaire. Interviewing is carried out across 60 separate sampling points to ensure comprehensive geographical spread, and a fresh sample is used for each survey.

Selection of respondents is determined by quota controls relating to gender, age and social class within region, to ensure a microcosm of the national adult population.

All interviewing is carried out by fully trained and experienced members of B&A's interviewer panel, working under direct supervision throughout the survey. All aspects of this research are conducted in accordance with guidelines from the Market Research Society and ESOMAR (the International representative body for Marketing Research organisations).

Fieldwork for this latest stage was completed between the 26th October and 6th November, 2007.

Technical appendices comprise a list of sampling points, social class definitions and a copy of the survey questionnaire.

SUMMARY & CONCLUSIONS

- **60% of grocery shoppers rely on one main weekly trip with top-ups, while 32% spread their shopping over 2 or more days a week.**

- **Tesco and Dunnes enjoy the widest franchise – ahead of SuperValu and Aldi/Lidl.**

- **A similar pattern was evident in main store choices, with Tesco now ahead of Dunnes.**

- **Estimates of weekly expenditure on groceries averaged €136 overall (higher for family stage shoppers and those with children).**

- **This reported grocery spending represents an increase of 2% on last year's estimates.**

- **Superquinn shoppers spend most on groceries, with symbol groups and Aldi/Lidl lowest.**

- **Taking account of household size, estimated grocery spending per head was highest and similar for the symbol groups and Superquinn, just ahead of SuperValu. Dunnes and Tesco were at a somewhat lower gearing, albeit ahead of Aldi/Lidl.**

- **As in previous stages of this research, shopper assumptions about grocery price increases were well ahead of reality:**

  - **Assumed rise versus last year ……………………+11%**
  - **Actual difference in reported spend …………….. +2%**

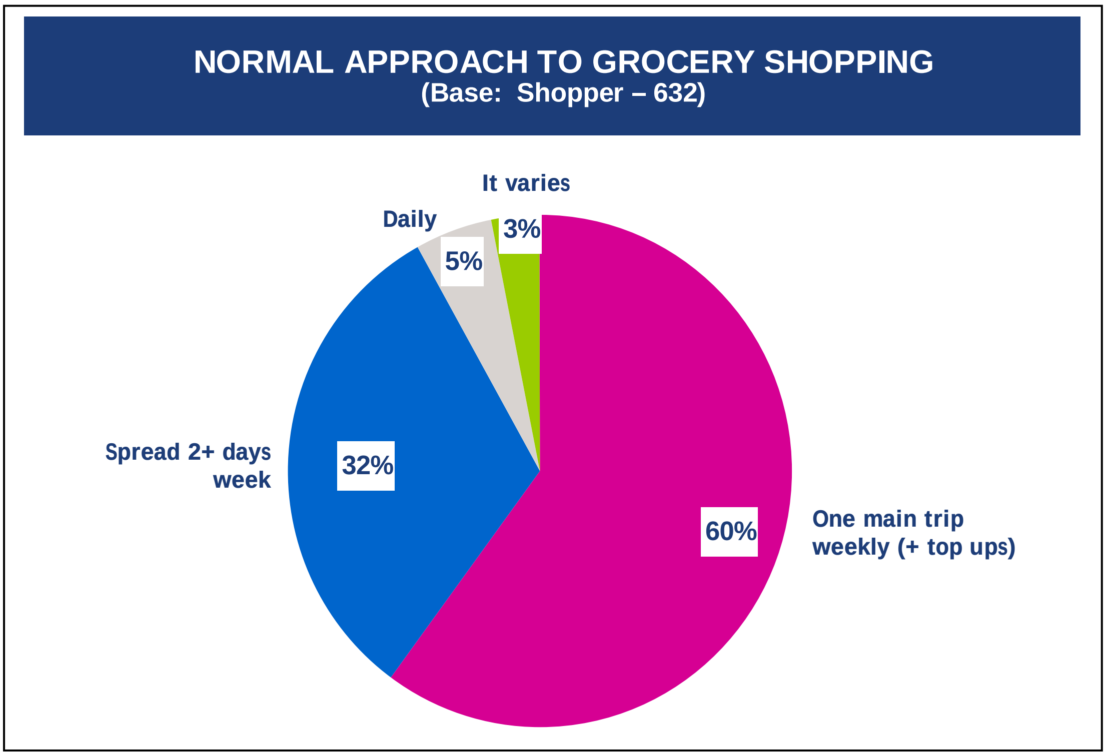
- **This marked differential was somewhat lower than the 2006 results (assumed 14% vs actual 1%).**

- **The two German discounters Aldi and Lidl have become universally familiar at this stage, and a sense of local availability has extended.**
- **This has been reflected in higher visiting and shopping levels for both chains (Lidl used by 68% and Aldi by 44% now).**
- **However, reported frequency of using these discounters has reduced to some degree over the past 2-3 years (possibly reflecting a degree of 'settlement').**
- **The pattern of purchases is similar and broadly spread in Aldi and Lidl stores. Household cleaners, fruit & veg, toilet tissues, toiletries and biscuits are the most popular categories (ahead of detergents, juices, household products and cheese).**
- **Perceptions of Aldi and Lidl performance on range, quality and value have been broadly positive over time (with some variations from year to year).**
- **Latterly Aldi appears to have moved just ahead of Lidl on range of choice and product quality.**
- **Both are generally acknowledged to offer good value, although not at quite the pitch which was evident in 2003.**
- **Prices in Aldi/Lidl are still widely regarded as lower than the main supermarkets, but not as emphatically as in earlier years.**
- **Predictions on future usage of these discounters has also stabilised in the past year – suggesting some loss of momentum in growth for both groups.**

1. GROCERY SHOPPING

A Majority Rely on One Main Weekly Trip

Six in ten grocery shoppers (60%) indicated that they normally rely on one main weekly trip (with some topping up) when doing their grocery shopping.

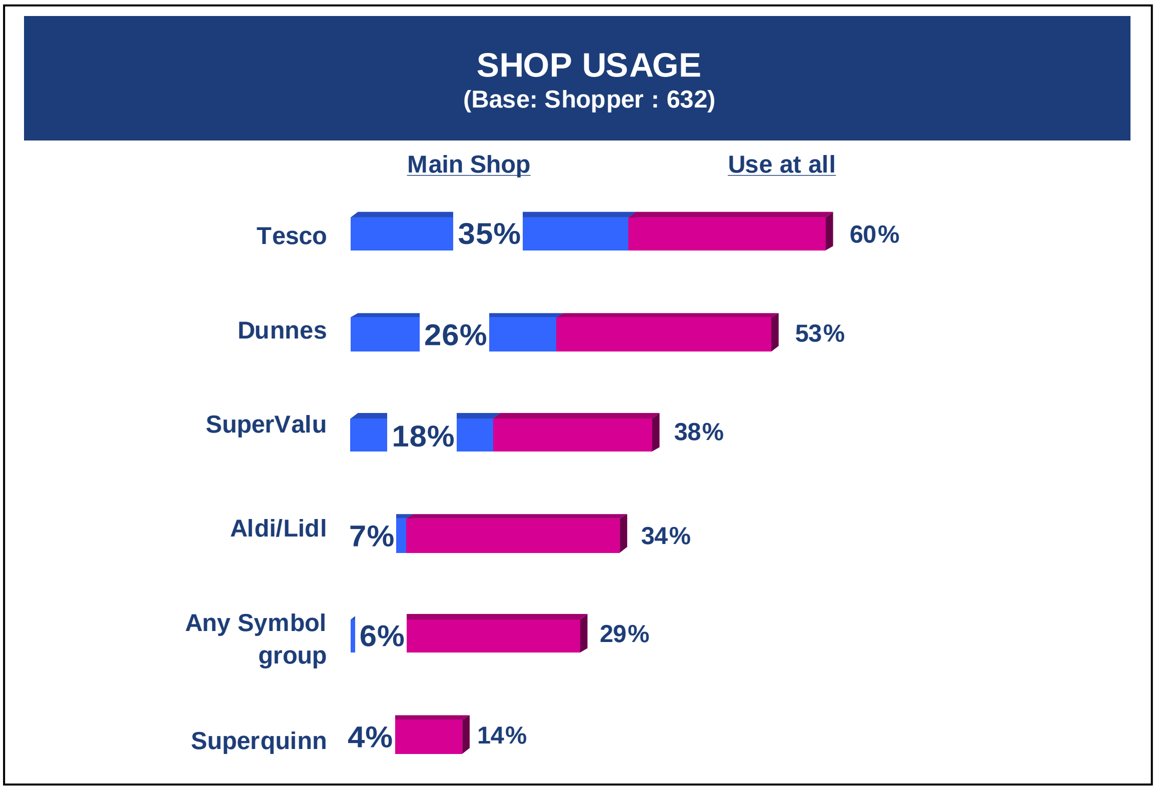


A further third (32%) spread their grocery shopping over two or more days in the week, while 5% shop daily and the balance of 3% vary their approach.

2. STORE USAGE

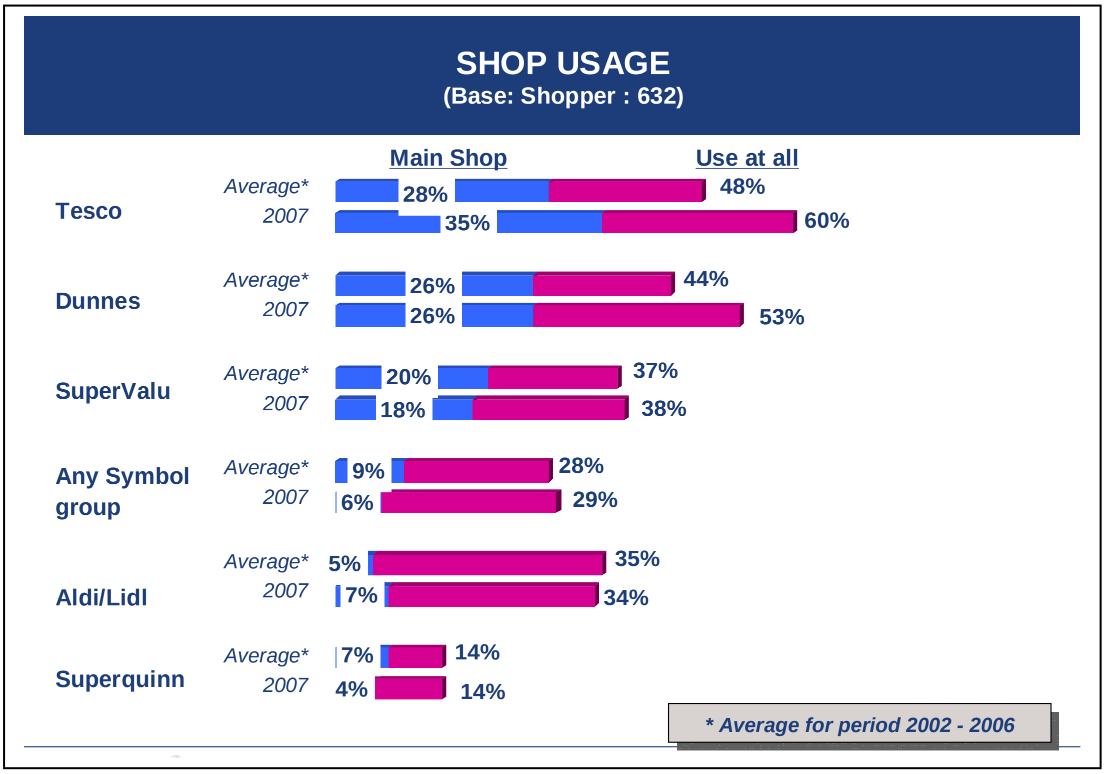
Tesco has the Widest Franchise

Reported usage of main stores for groceries showed Tesco with the widest franchise at 35%, ahead of Dunnes at 26% and SuperValu at 18%. This compared with Aldi/Lidl at 7%, any symbol group outlets 6% and Superquinn 4%.



This chart also indicates any current usage of these retail brands and this confirmed a broadly similar pattern; Tesco 60% and Dunnes 53% most widely used overall, ahead of SuperValu 38%. This compared with Aldi/Lidl at 34%, symbol groups 29% and Superquinn 14%.

The chart below provides a comparison between these claimed usage levels for the main stores and an average for the preceding five years.



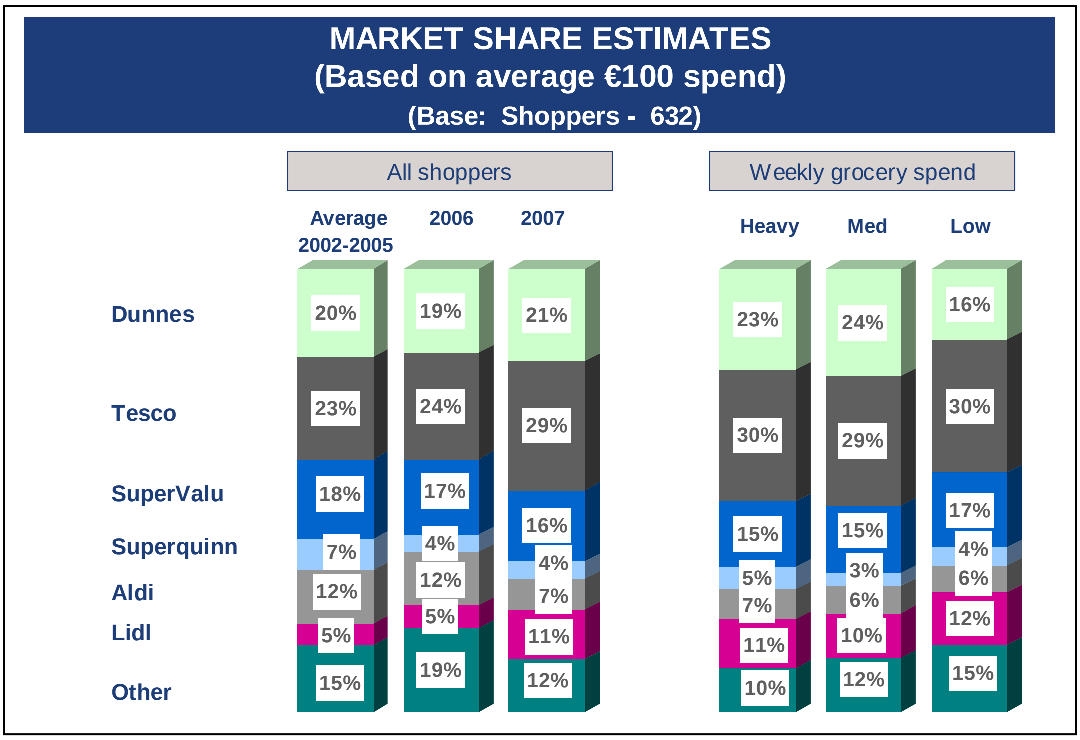
This suggests that Tesco and Dunnes have extended their respective franchises considerably in the latest figures, with Tesco also making significant progress as a main store choice (little change evident in the balance of these store groupings).

3. STORE SHARES

Tesco's Lead Extended

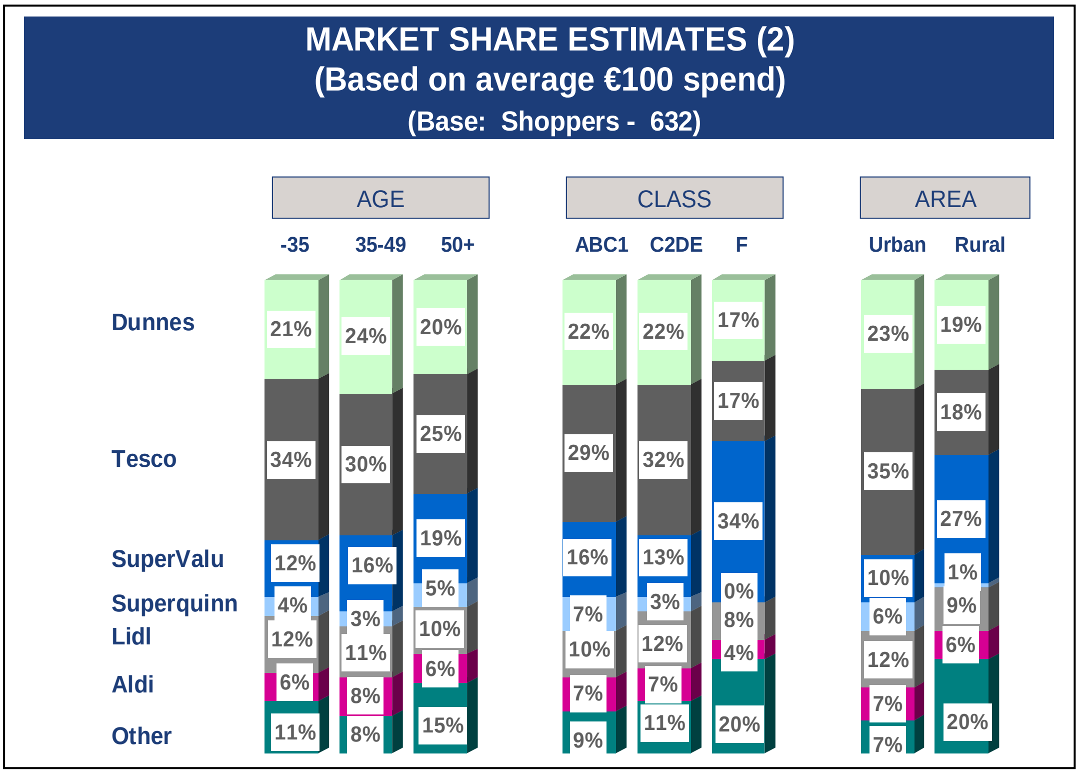
The market share estimates shown below were based on asking shoppers to estimate how every €100 they spend would break down between the main store groups.

The results indicate that Tesco and Dunnes jointly account for half of this expenditure, with Tesco further consolidating its lead (the discounters representing 18% overall, with Lidl enjoying the balance of advantage over Aldi).



A breakdown by weight of weekly grocery spend suggests that Tesco holds a broadly similar share across heavy, medium and low spenders, whereas Dunnes has a lower share at the lighter end.

A review of these share estimates across the main demographics indicates that older shoppers are less likely to rely on Tesco or Dunnes - SuperValu enjoying higher than average support at this more mature level.



Tesco and Dunnes have a similar pattern at middle class and working class level, with marked differences among farming households.

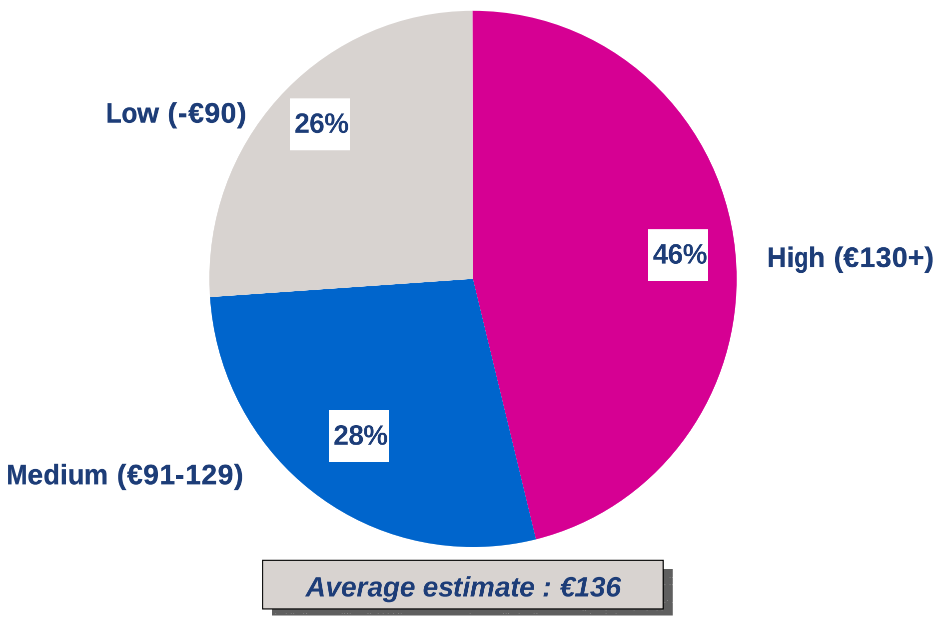
Understandably, Tesco and Dunnes are comparatively stronger in urban areas, whereas SuperValu makes a much better showing in rural areas.

4. WEEKLY SPENDING

An Average Estimate of €136 (Up 2%)

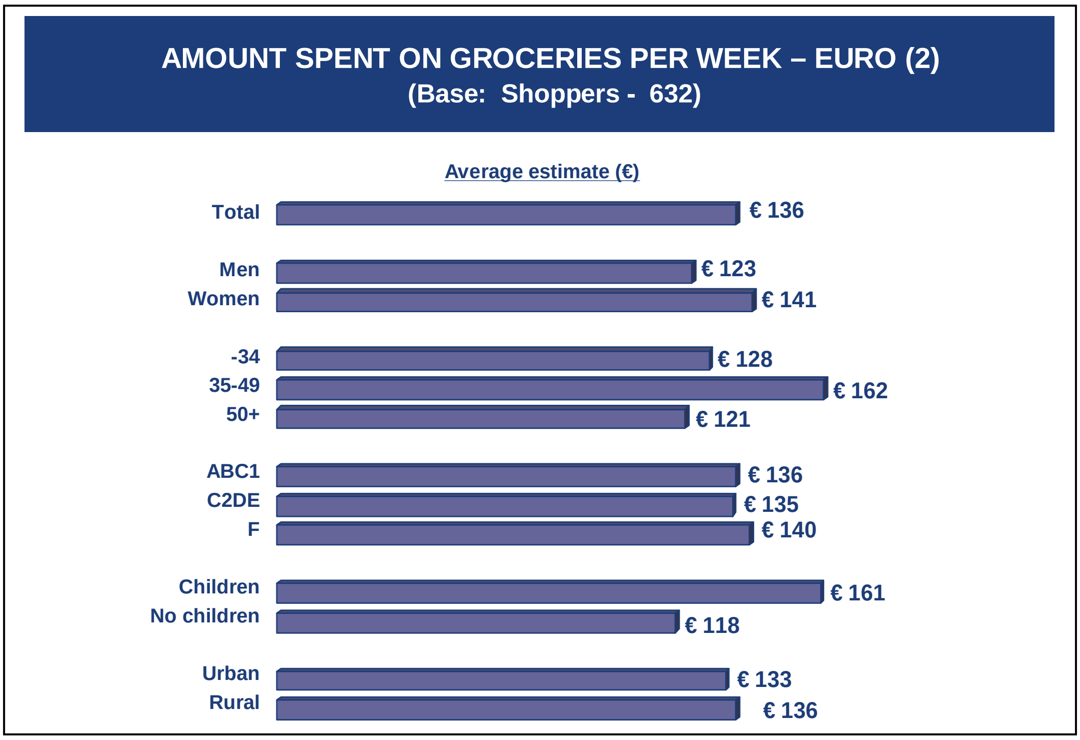
Close to half of all shoppers (46%) estimated that they spend €130 or more on their weekly groceries nowadays; a further 28% spending between €91 – 129 and 26% spending less.

AMOUNT SPENT ON GROCERIES PER WEEK – EURO (1)
(Base: Shoppers - 632)



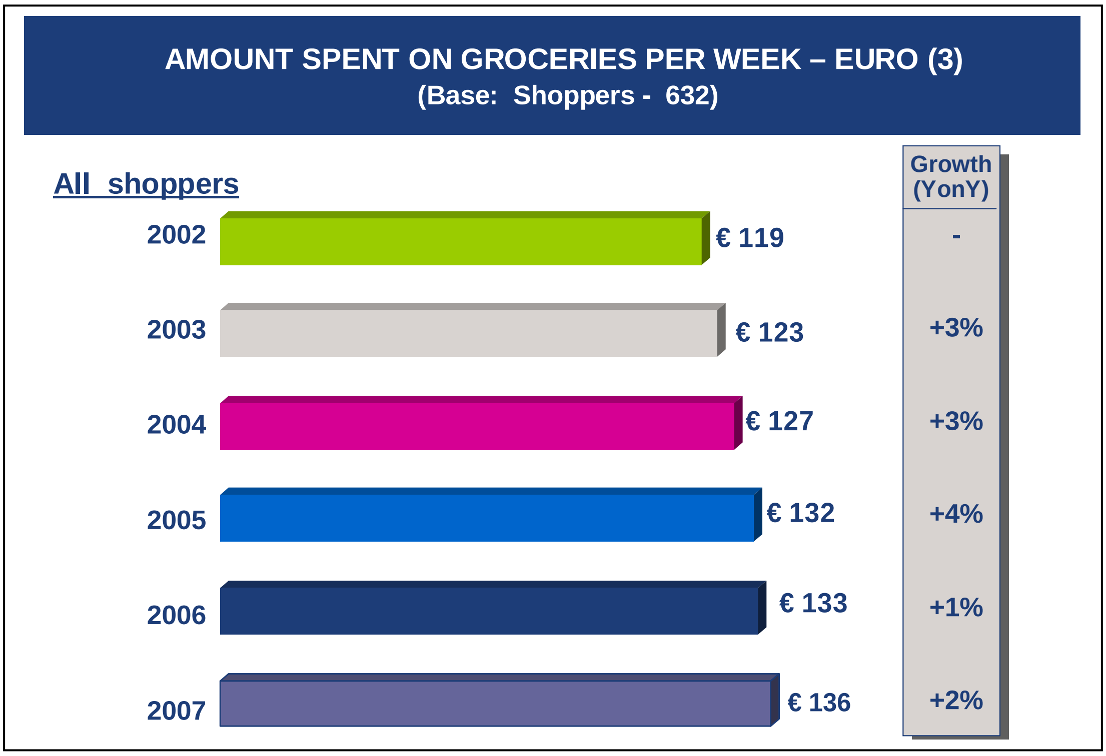
In overall terms, this produced an average estimate of €136 for weekly expenditure on groceries.

A review of these estimates of total weekly expenditure on groceries showed a marked difference on the basis of age; those in the mid family age band of 35-49 year olds averaging €162 a week, compared with younger and older shoppers at about three-quarters of this level.



The presence of children at home also highlighted a very marked differential; those with kids averaging €161 weekly, compared with those without children at €118.

A retrospective review of these estimates of weekly expenditure on groceries and growth 'year on year' is summarised below.

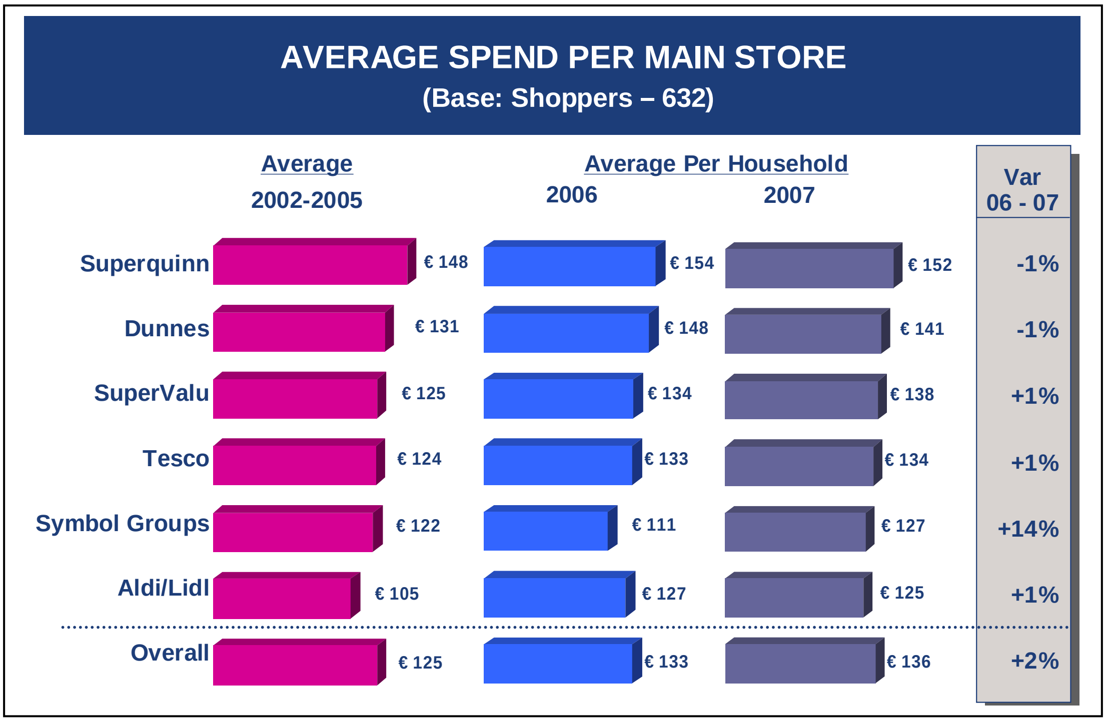


This indicates an increase of 14% in these estimates between 2002 and 2007, with a lift of 2% since last year.

5. SPENDING X MAIN STORE

Superquinn Shoppers Spend Most

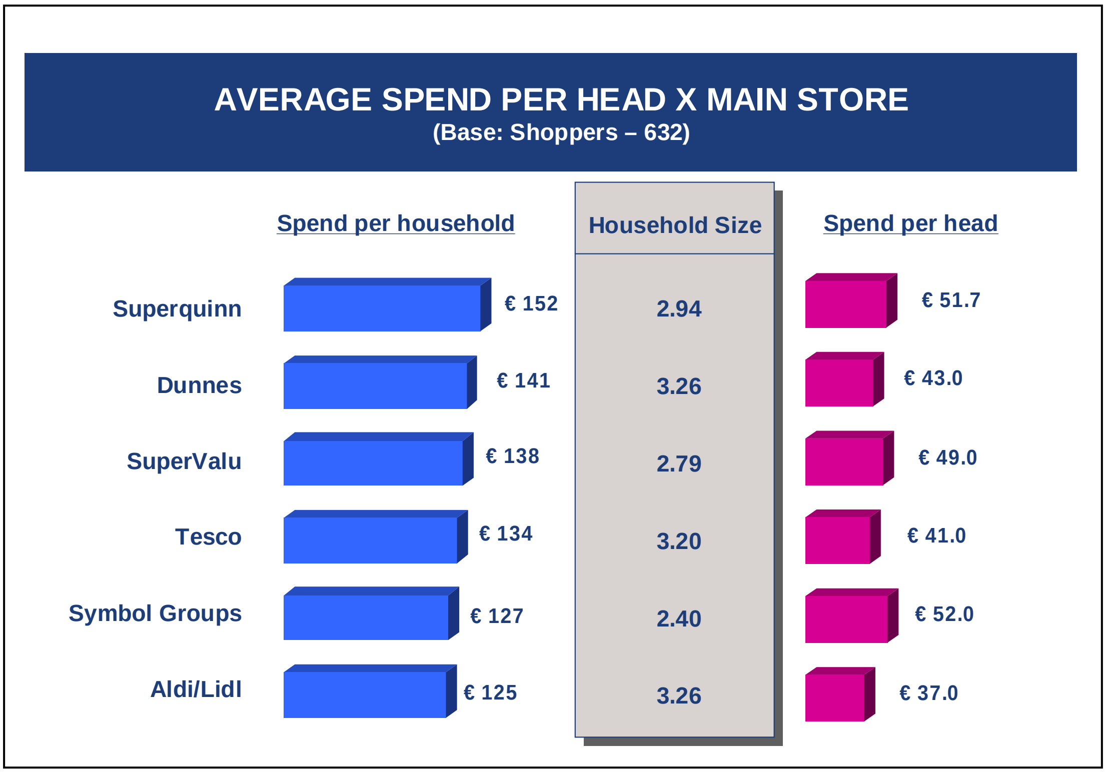
It is also useful to examine average weekly expenditure on groceries by customers of the main store groups, and to compare this with 2006 levels.



This shows that Superquinn shoppers are the heaviest spenders – well ahead of Dunnes, SuperValu and Tesco (symbol groups and Aldi/Lidl lowest overall).

These spend levels line up closely with last year's results, apart from a very significant lift for convenience store shoppers.

It is also possible to look at these estimated grocery spend levels, by household size to arrive at estimated expenditure per head in these homes (perhaps a more meaningful indicator for comparisons across the main retail brands).



On this basis, grocery expenditure per person was highest and broadly similar for the symbol groups and Superquinn, just ahead of SuperValu.

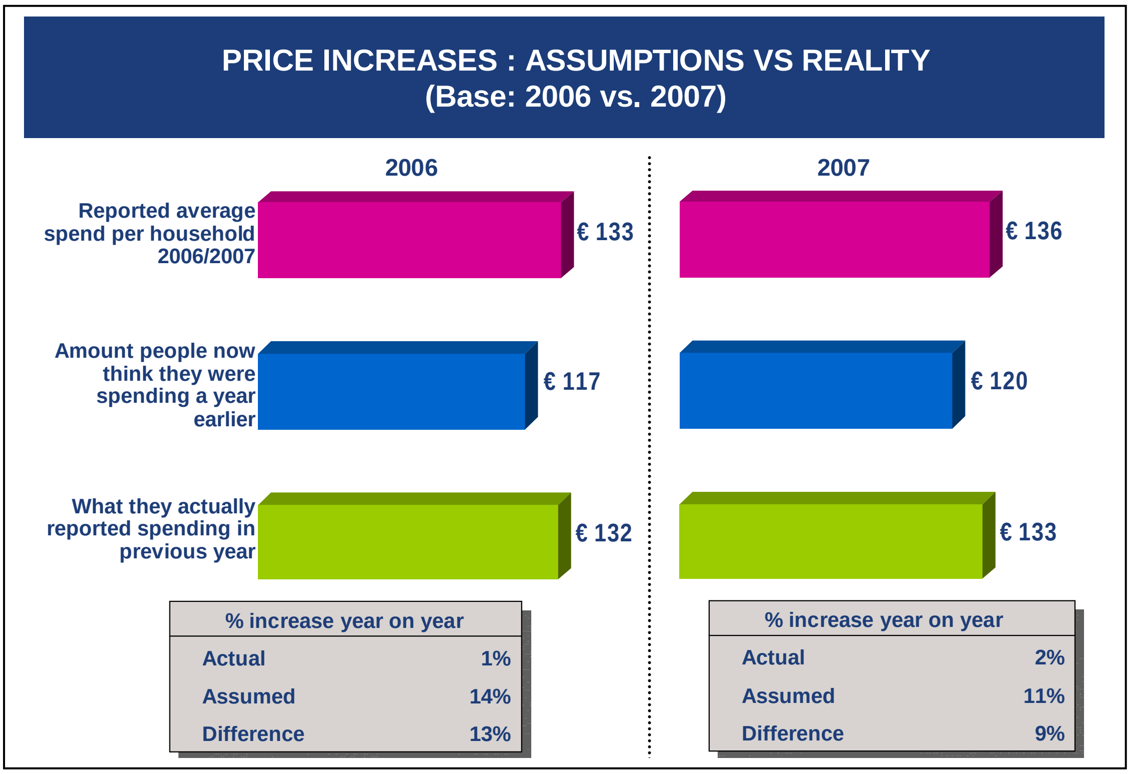
Dunnes and Tesco were at a somewhat lower gearing, albeit ahead of Aldi/Lidl customers.

6. SPENDING INCREASES

Assumptions Higher than Reality

In the chart below, we have compared the current survey results with those from last year on three key measures:

- Estimated average spend per household
- Estimated spending a year earlier
- Reported spending a year ago



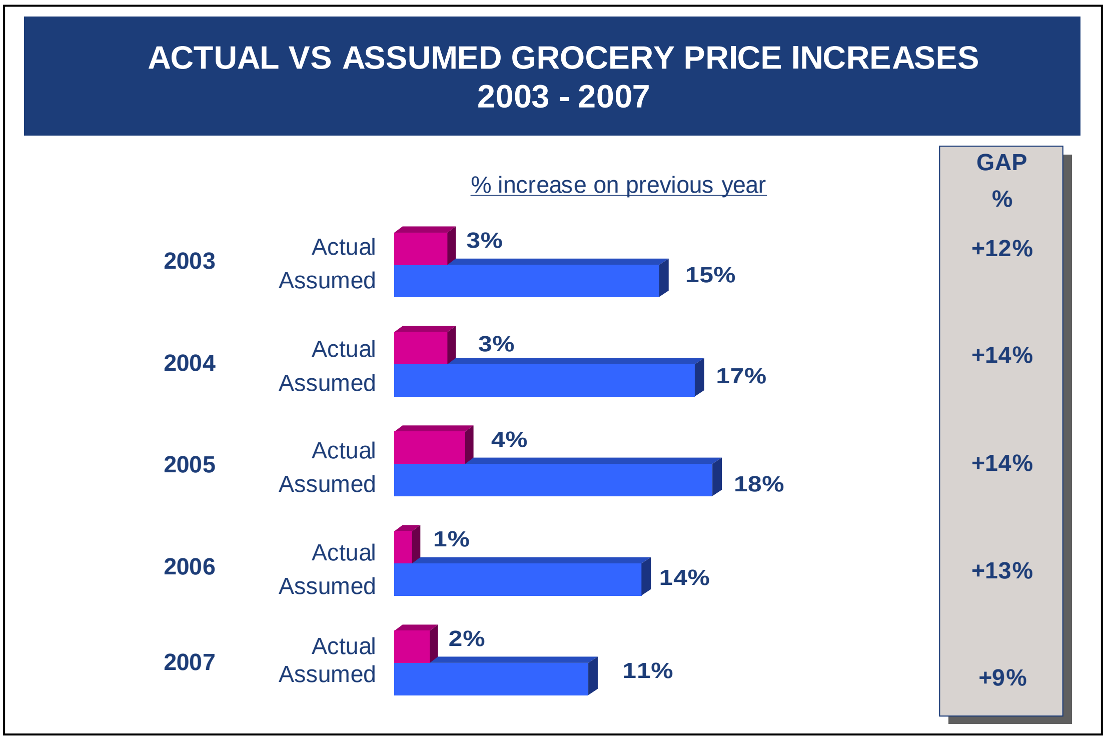
As this analysis indicates, last year there was only 1% difference between current and previous reported expenditure, but a very much larger gap of 14% in estimates of increases over the previous year.

The current survey produce a similar picture with an increase of just 2% in reported spending between 2007 and 2006, but an assumed lift of 11% on the basis of asking shoppers what they **thought** they were spending a year ago.

In other words, shoppers have an exaggerated impression of the extent to which grocery prices have increased ‘year on year’ which is at odds with the much more modest increases between their reports of expenditure from year to year.

Although this differential was not quite as marked in the latest results, it still represents a very marked gap between impressions and reality.

A retrospective summary of this gap between actual and assumed grocery price increases year on year would suggest that this had remained fairly steady between 2003 – 2006.

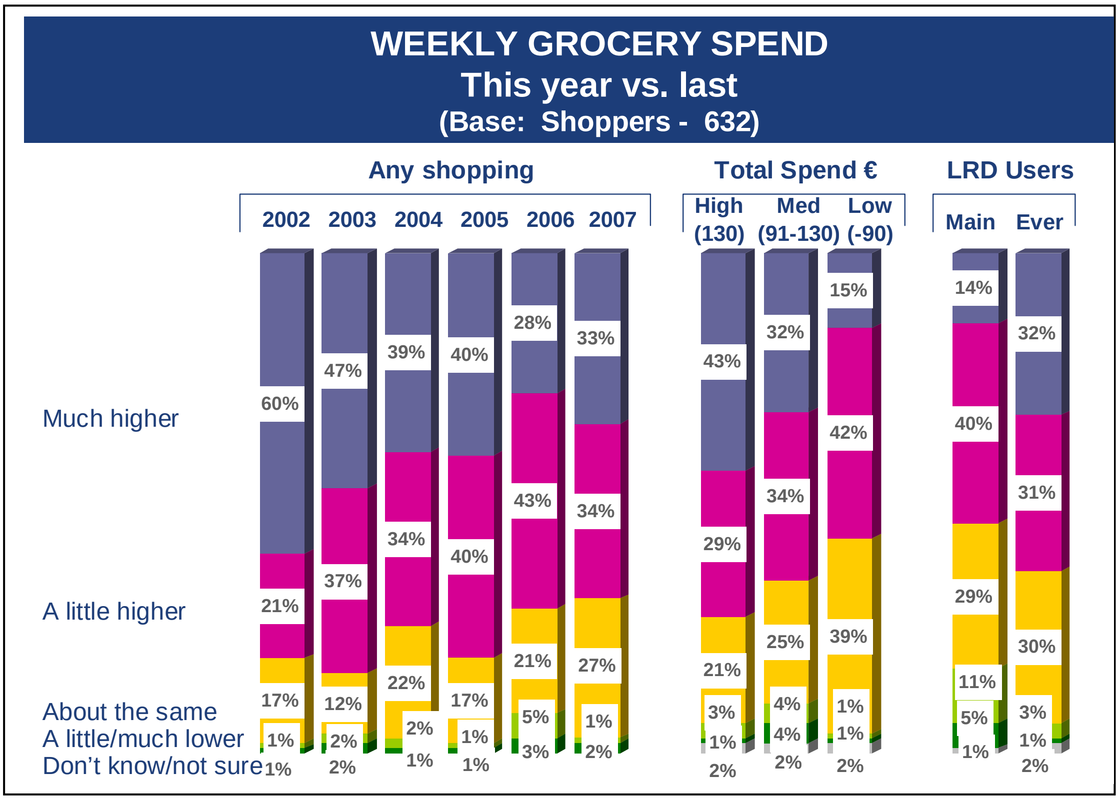


However, this stable pattern shifted somewhat in the latest figures with a drop to 9%, compared with an average of 13% for the preceding four years.

A related question on whether shoppers felt current grocery prices were higher, the same or lower than last year provides an additional perspective on this issue.

The original benchmark measure in 2002 reflected acute concerns about prices at the time, with 81% of all shoppers describing grocery prices as higher at that stage than the previous year.

Although this conviction remained entrenched, there had been a gradual reduction in the proportion of shoppers who described prices as **much higher** than the previous year – up to the 2006 measure.

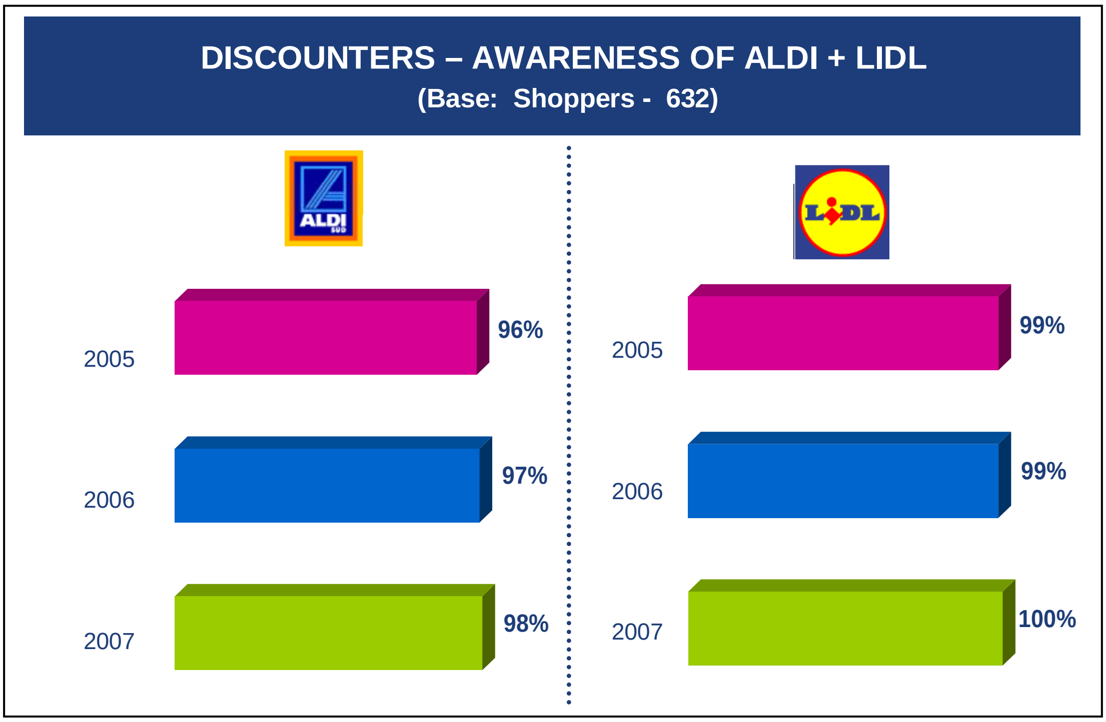


However, this pattern has now reversed (33% now describing them as much higher versus 28% last year). High spending shoppers were most convinced that their grocery bill is now higher than last year.

7. THE DISCOUNTERS

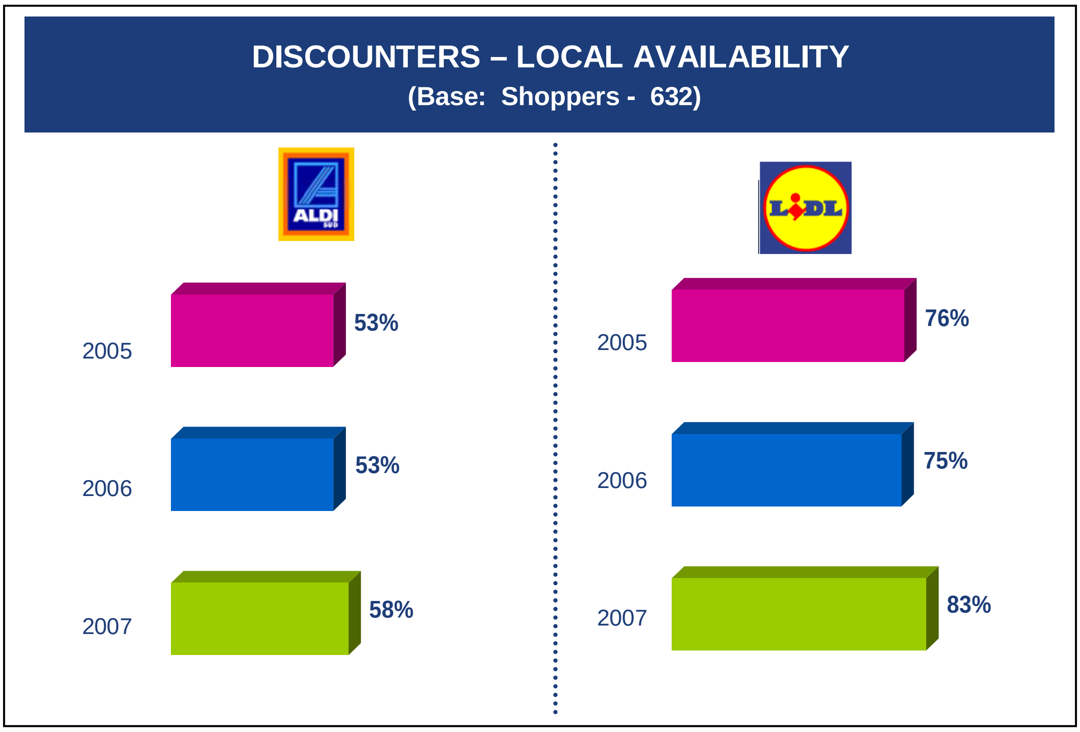
Universally Known & More Widely Used Now

Over the years, prompted awareness of the two German discounter groups, Aldi & Lidl – has shown a steady increase.



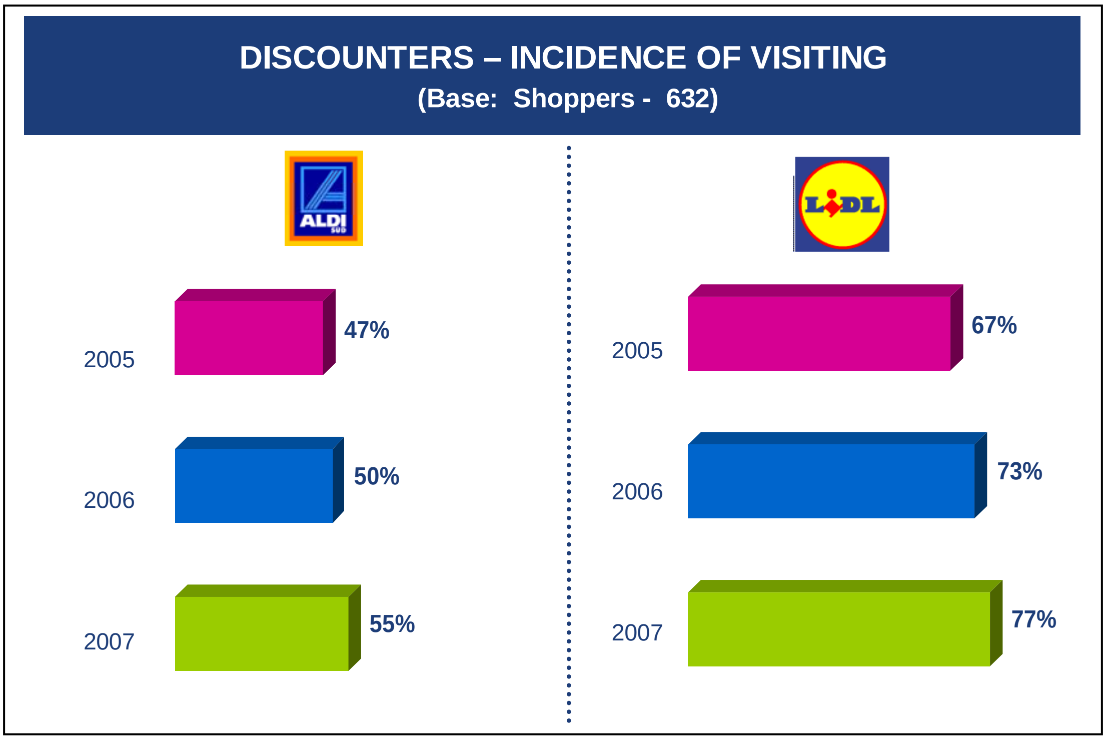
At this point, they both enjoy universal familiarity.

Over time, the store networks for both discounter brands have extended, and this has been reflected in perceptions of the availability of their respective stores within shopping distance of home.



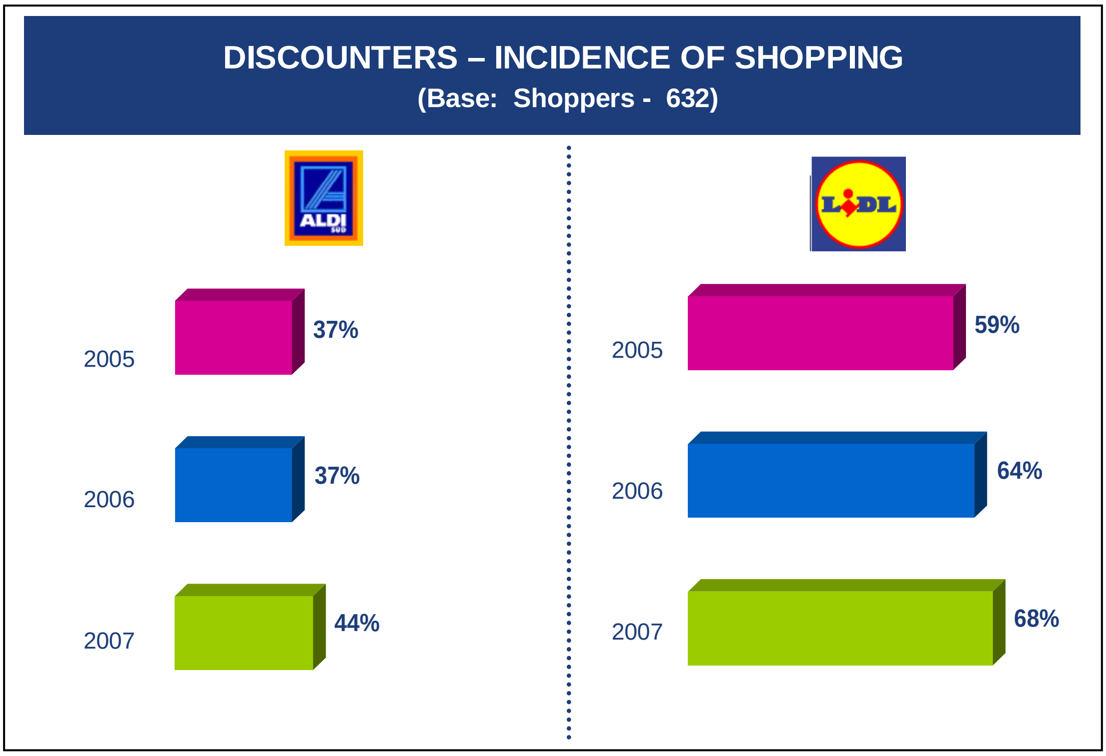
The latest figures show that over eight in ten shoppers (83%) now believe they have a Lidl outlet within their area, and the equivalent figure for Aldi is almost six in ten (58%).

Understandably, with wider store networks, reported experience of visiting these stores has also shown a steady increase.



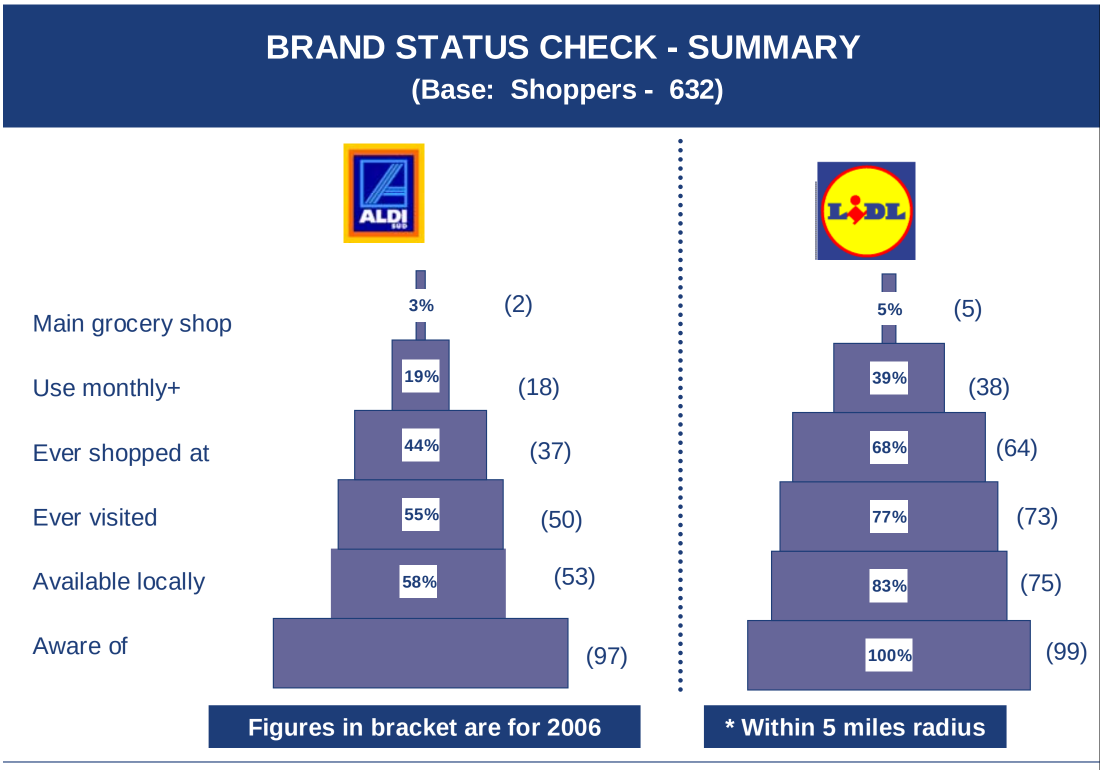
Thus, by the latter part of 2007, three-quarters of all shoppers (77%) have had direct experience of visiting a Lidl outlet, and just over half (55%) have been to an Aldi store.

Predictably, reported purchasing at these discounter stores has also demonstrated steady progress.



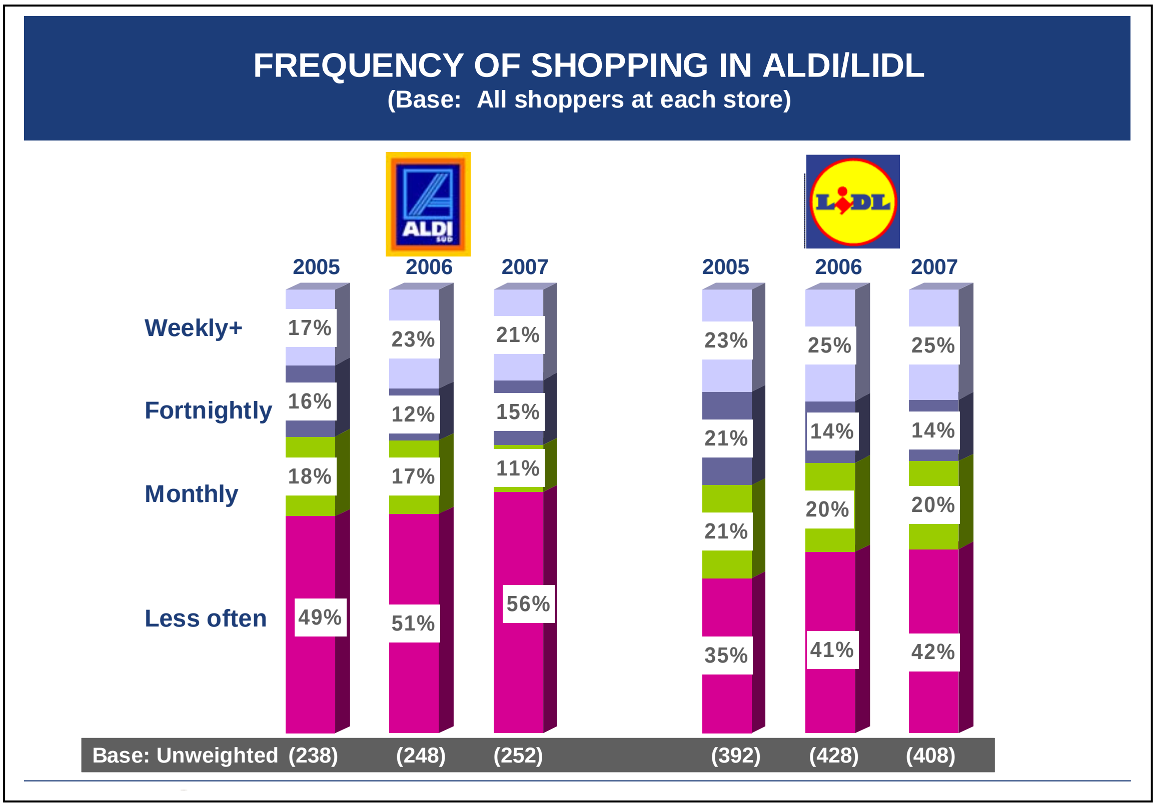
At this point, almost seven in ten shoppers (68%) have made some purchases in Lidl, and this compares with just over four in ten (44%) for Aldi.

A summary of these key indicators on awareness, local availability and usage is set out below:



While these key measures are higher for Lidl than Aldi on every count, it is important to bear in mind that this is influenced directly by the fact that the Lidl store network is considerably larger.

This chart summarises reported frequency of store usage among both Aldi and Lidl shoppers.



For Aldi shoppers, 21% use these outlets weekly or more often and a further 26% monthly.

The equivalent figures for Lidl shoppers show 25% using these stores weekly and a further 34% monthly.

For both groups, frequency has reduced somewhat over the past two or three years (possibly reflecting a degree of 'settlement', due to less sense of novelty).

8. ALDI & LIDL

Similarity in Purchases

All current shoppers in Aldi or Lidl were asked which products they had bought on the last occasion, and these purchases are summarised below and over page.

As this table makes clear, there is close similarity in the purchases made in both discounter chains, and the overall picture is quite fragmented and broadly spread.

ALDI/LIDL – ITEMS BOUGHT ON LAST VISIT (1)
(Base: All shoppers at each store)

	ALDI	LIDL
Base:	252	408
	%	%
Household cleaners	37	41
Fresh fruit & veg.	41	43
Toilet tissues/rolls	27	33
Toiletries	29	31
Biscuits	34	31
Detergents/washing powder	21	23
Juices/fruit juices	18	20
Household products	22	26
Cheese	28	25
Frozen foods	16	21
Wine	15	16
Soft drinks	17	18
Cereals	20	19
Bacon/Rashers	17	16
Confectionery	19	17
Tinned fruit	13	14
Ice cream	12	15
Cakes	16	12
DIY items	14	14
Pasta/noodles	13	15
Beer	9	11
Sauces/ketchup	9	11

The most likely products to be bought in these stores were – household cleaners, fruit & veg, toilet tissue, toiletries and biscuits. The next most popular grouping included detergents, juices, household products and cheese.

Although there were some slight differences in emphasis between the two discounter chains, the overall pattern was very similar.

ALDI/LIDL – ITEMS BOUGHT ON LAST VISIT (2)
(Base: All shoppers at each store)

	ALDI	LIDL
Base:	252	408
	%	%
Pet food	13	12
Pizzas	10	10
Fresh meat	12	9
Tinned food (other)	9	11
Squash/fruit squash/cordials	8	10
Nuts	6	6
Hardware	10	15
Electrical appliances	8	10
Chips	13	10
Tools	6	10
Frozen chicken	7	9
Desserts/chilled desserts	12	8
Rice/cous cous	6	9
Spirits	5	4
Flour	5	4
Pickles/chutney/relish	3	4
Footwear	3	5
Nappies	4	5
Furniture	1	3
Other	8	10
Not stated/dk	10	5

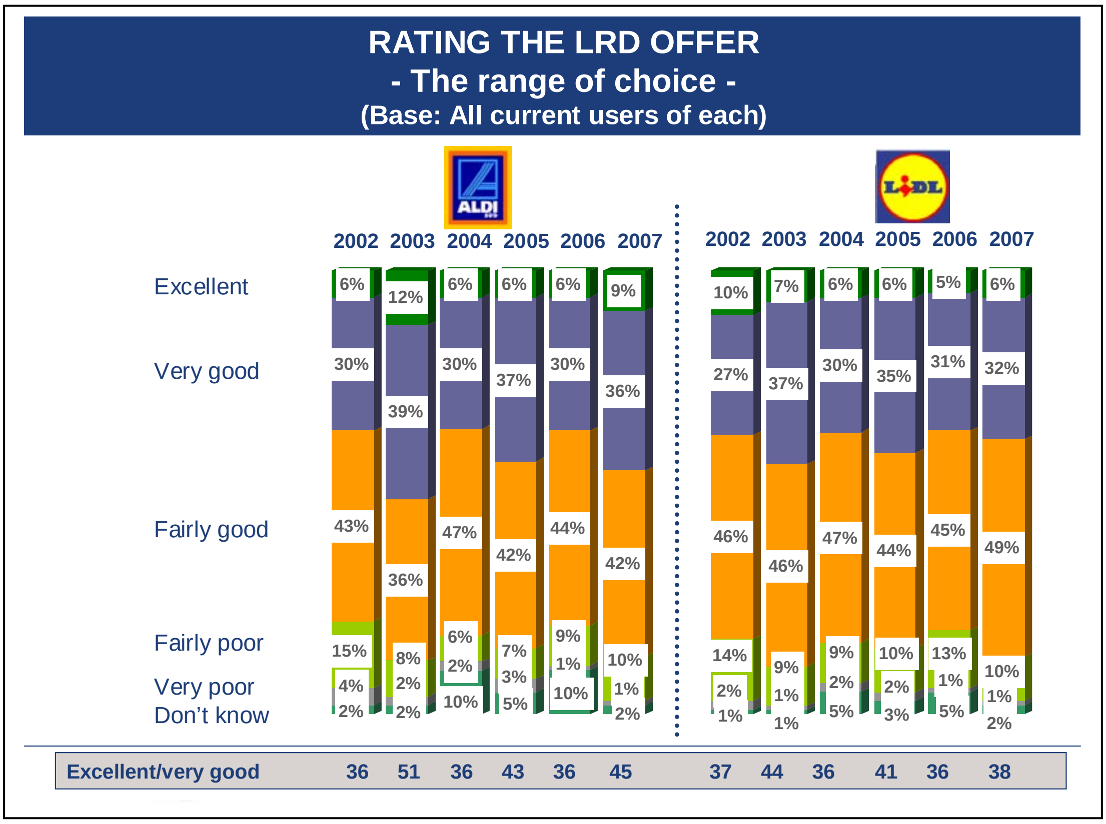
In summary, this breakdown of purchases within the two chains would suggest that both Aldi and Lidl are seen by their respective shoppers to provide quite broad spectrum choices at this stage.

9. ALDI & LIDL

Key Performance Ratings are Broadly Similar

As part of this research, Aldi and Lidl were each rated by their respective shoppers on four key performance attributes – range of choice, general product quality, value for money and prices versus the main supermarkets.

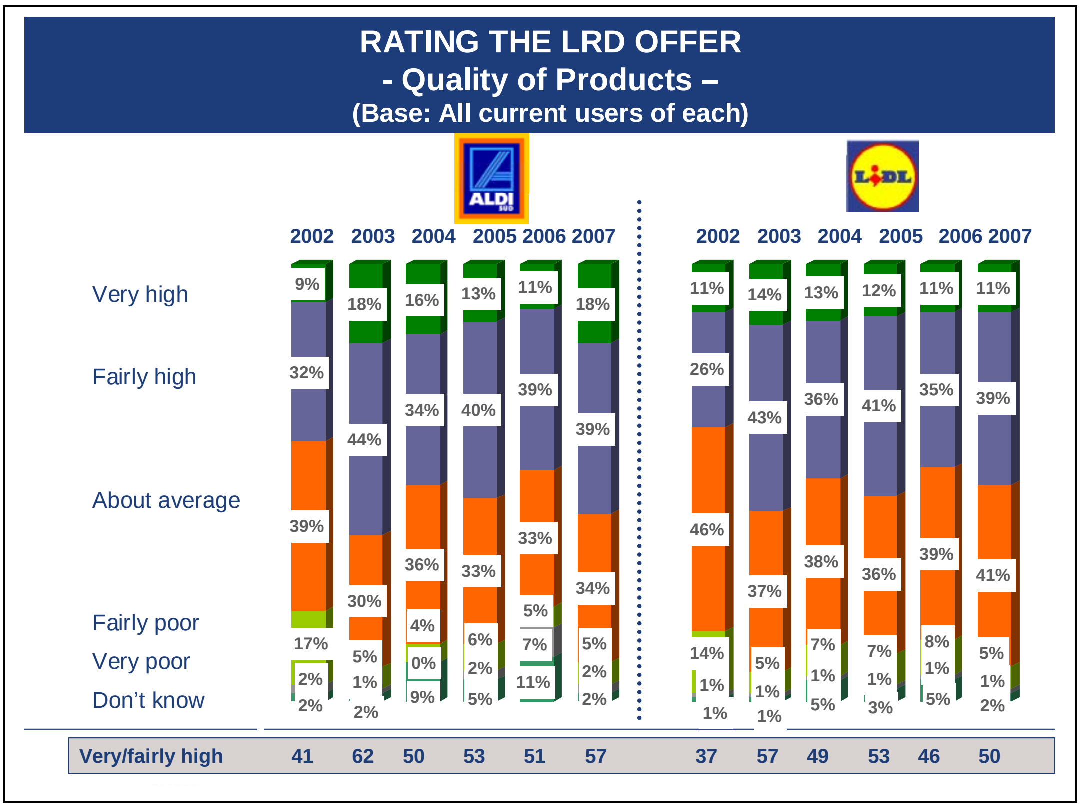
Aldi and Lidl ratings on range of choice are summarised below, for the past six years.



On balance, Aldi and Lidl ratings on range of choice have been broadly favourable over time, with some variations from year to year.

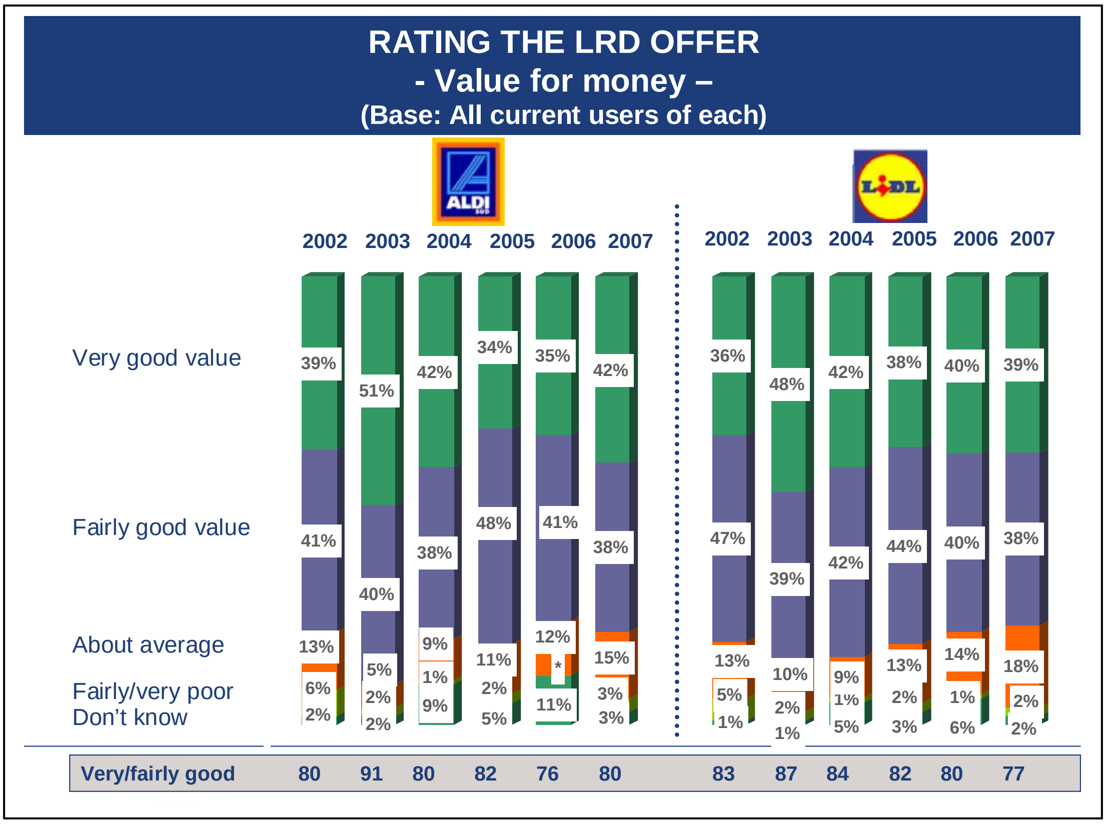
However, it is worth noting that compared with the benchmark Aldi shoppers now rate their stores as considerably improved on this criterion, whereas latest figures for Lidl are in line with their 2002 results.

A similar analysis based on perceptions of general product quality also showed a broadly positive picture over time, with variations from year to year.



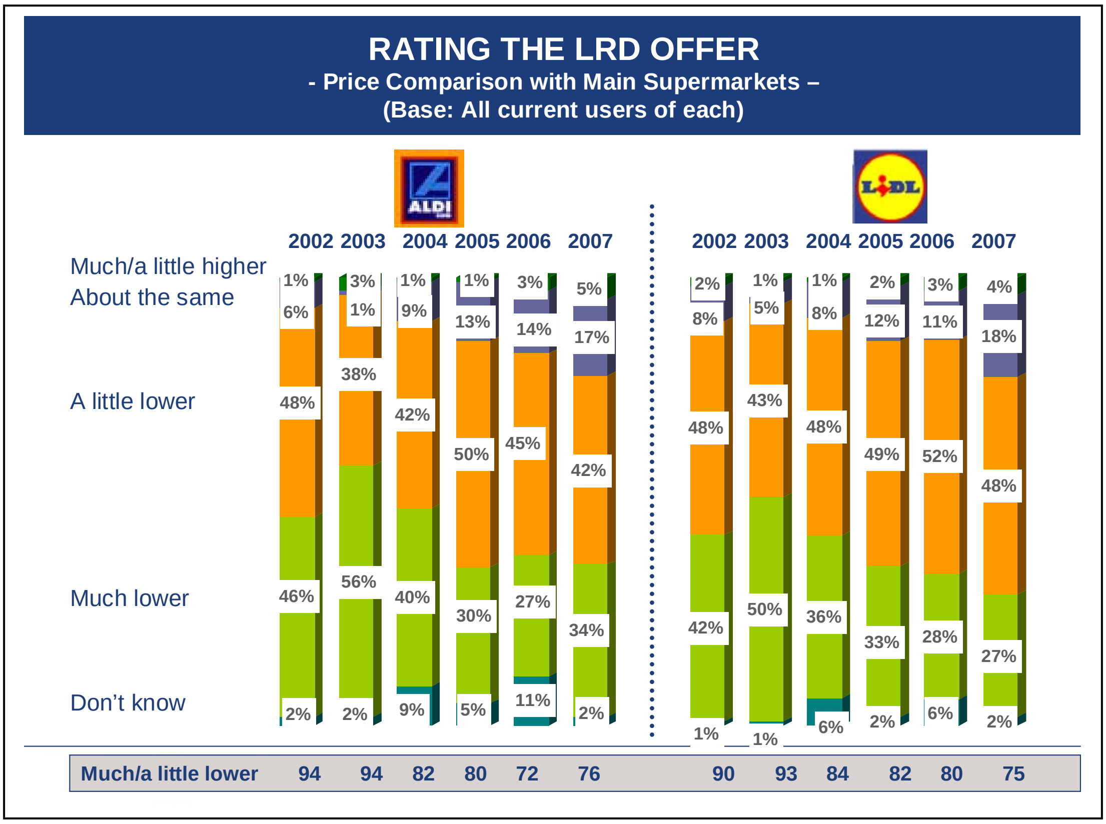
While Aldi and Lidl recorded significant improvements between 2002 and 2003 and some regression thereafter, both now enjoy significantly higher scores on product quality compared with their original benchmarks, particularly so for Aldi.

A strong majority of shoppers in both Aldi and Lidl see these outlets offering very or fairly good value for money.



Despite some variability from year to year, and a particular peak in 2003 for both chains, the overall picture has remained fairly steady over these six measures.

A rather different trend was evident for both Aldi and Lidl on the basis of how their prices were seen to compare with the main supermarkets.



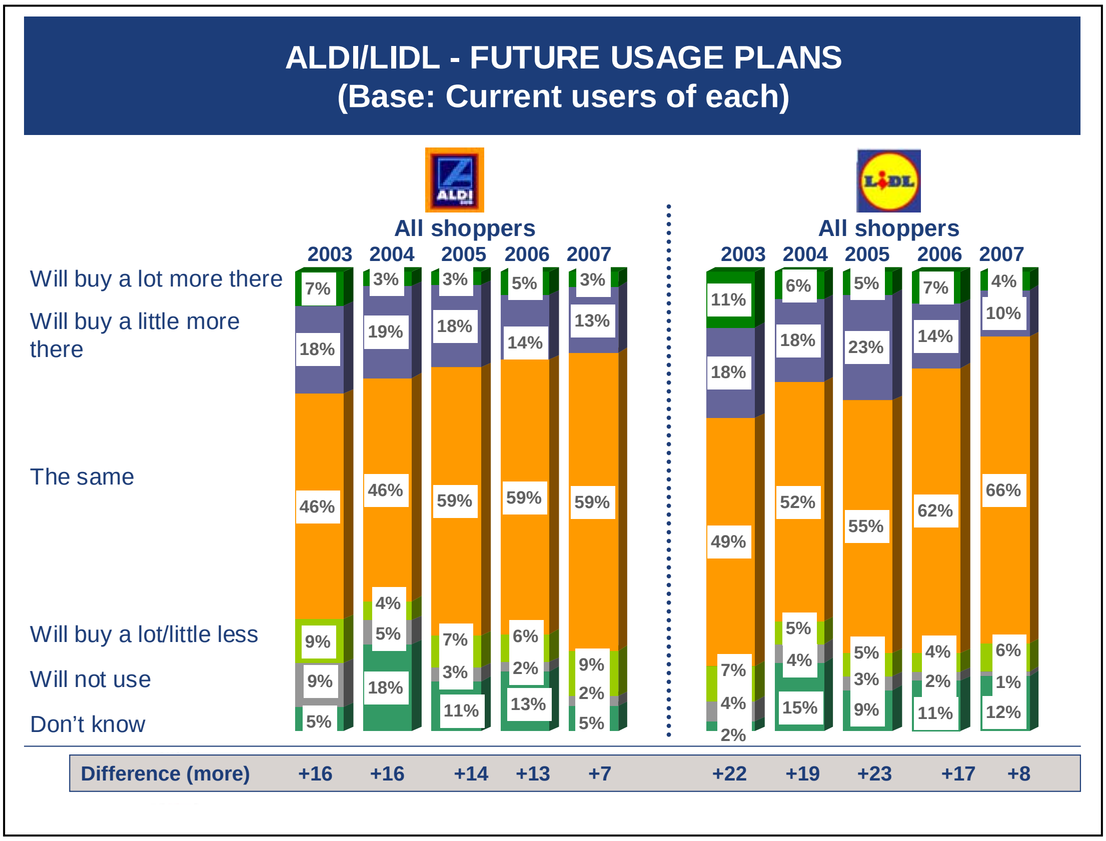
In the early years of this research, there was almost universal acknowledgement that their prices were lower than the main supermarkets. While this view still prevails overall, absolute conviction about Aldi and Lidl's advantage on prices has reduced over time.

10. ALDI & LIDL

Future Usage - More Settled Now

Those shopping in Aldi or Lidl were also asked what changes (if any) they expected in usage of these stores for grocery shopping over the next year.

This question has been asked annually since 2003 and in the early stages, around half of their respective shoppers anticipated no change, while among the balance there was an expectation of buying more at these discounter outlets in the coming year.



Over time, the proportion of shoppers expecting no change in their usage of Aldi or Lidl has increased, and the current results show a reduction in those expecting to buy more there over the next 12 months.

While these predictions suggest some loss of momentum in growth for the two German chains, it is worth noting that 66% of Lidl shoppers and 59% of Aldi shoppers anticipate no change.