BEHAVIOUR & ATTITUDES
MARKETING RESEARCH

Grocery Shopping & The Discounters

Barometer Survey – Stage 7

November/December 2008

GW/bw

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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/December 2008 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
- Share of grocery spend across main stores
- 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

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 1,000 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 21st November – 2nd December, 2008.

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

SUMMARY & CONCLUSIONS

- A majority of grocery shoppers still rely on one main trip weekly (60%), but there has been a gradual increase in spreading this over 2 or more days (31% now).

- While Tesco and Dunnes remain the two most popular choices for main shopping – any usage of the discounters is now at a comparable level (just over half of all shoppers), and this growth has been the main market dynamic over the past year.

- Indeed latest shopper estimates of where they spend an average of €100 showed Tesco at 23%, Dunnes 22% and the discounters 24%.

- Tesco and Dunnes both have a stronger shopper presence in urban areas and SuperValu in rural areas (discounters faring slightly better in urban areas).

- Average estimates of weekly grocery spending were directly in line with last year at €136 overall (significantly higher for those at family stage).

- Superquinn and Dunnes main shoppers were the highest spenders per household – but per capita expenditure was highest for the symbol groups and SuperValu.

- As in previous stages of this research, grocery shoppers tend to exaggerate increases in their spending.

- When current expenditure is compared with estimates and actual reports a year ago – a considerable gap emerges for 2008 vs 2007:

    - Reported spending showed no change
    - Yet shoppers assumed an increase of 17%

- Significantly, this current degree of exaggeration is almost twice that recorded between 2006 vs 2007 (+9%).

- This was underscored by 3 in 4 shoppers who claimed their grocery spending was higher this year vs last year (much higher 32%/a little higher 46%).

- Aldi and Lidl are now well established ‘household names’ and both have made further progress on key indices of:

    - Local availability (5 mile radius)
    - Incidence of visiting stores
    - Incidence of purchasing in stores

- Currently, 11% say they do their main grocery shopping in Lidl, and 5% in Aldi.

- Shoppers in Aldi and Lidl also use their respective stores more frequently now: around a third using them weekly in each case.

- Shoppers playback on the ‘top ten’ most popular purchases was similar for both chains; fresh fruit & veg the most widely purchased category – ahead of toilet rolls, household cleaners, toiletries and biscuits.

- However, typical purchases in these discounters embrace a very much broader spectrum of product categories.

- By and large, current customers rate Aldi and Lidl favourably on four key performance criteria:

    - Range of choice
    - Quality of products
    - Value for money
    - Prices vs main supermarkets

- Their ratings on range and quality have shown some variation over time, but improved steadily in the past three years.

- Ratings on value and prices have been strong and steady in recent years (albeit not quite as emphatic as in early measures in this series).

- Looking to the future, a majority expect to maintain their current usage of Aldi and Lidl at current levels – while among the balance there is a ratio of 3:1 in favour of those expecting to buy more.

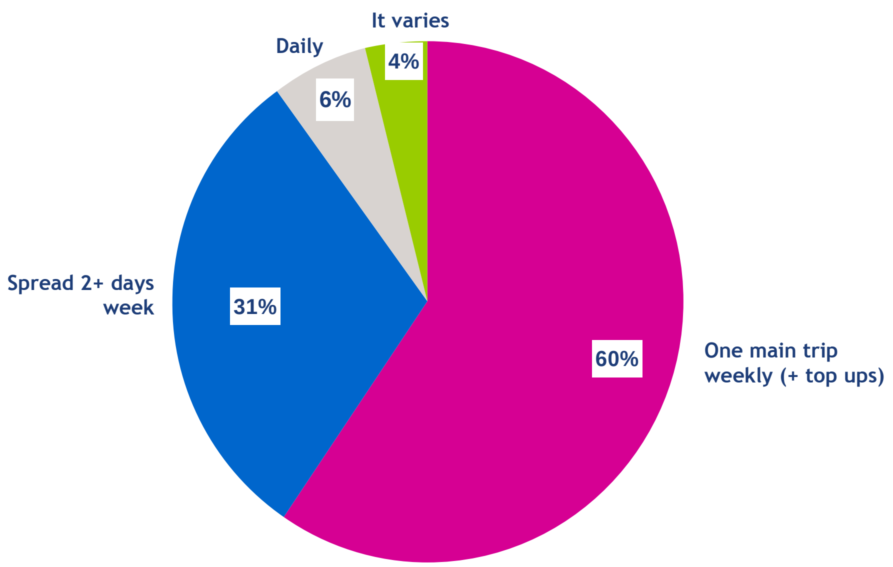
- In short, this implies that the current economic recession will see an increasing drift in grocery shopping towards these discounters over coming months.

1. GROCERY SHOPPING

A main weekly trip remains the norm

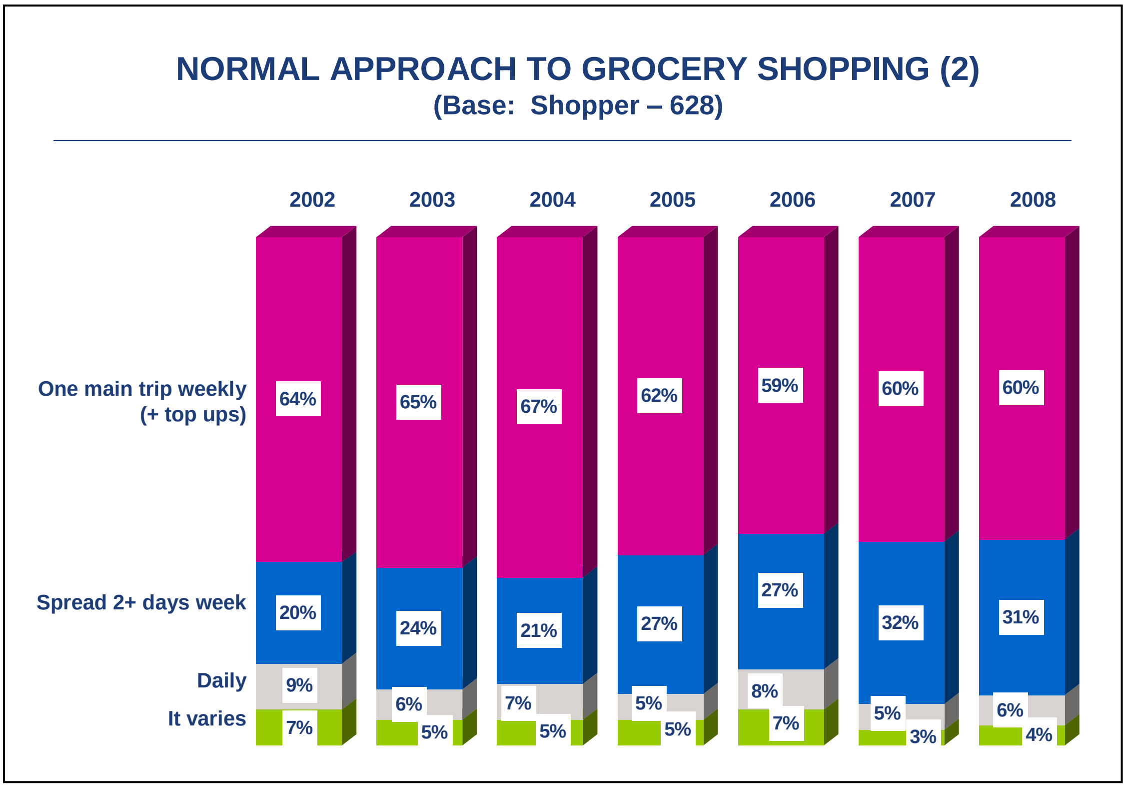
A majority of 6 in 10 grocery shoppers (60%) say they normally rely on one main weekly shopping trip (with some topping up) for their groceries.

NORMAL APPROACH TO GROCERY SHOPPING (1)
(Base: Shopper – 628)



A further third (31%) spread their grocery shopping over two or more weekdays, while just 6% shop daily and the balance of 4% vary their approach.

However, a review of historic trend data indicates that while one main weekly trip remains the most likely approach, there has been a gradual shift towards spreading grocery shopping over a number of weekdays.

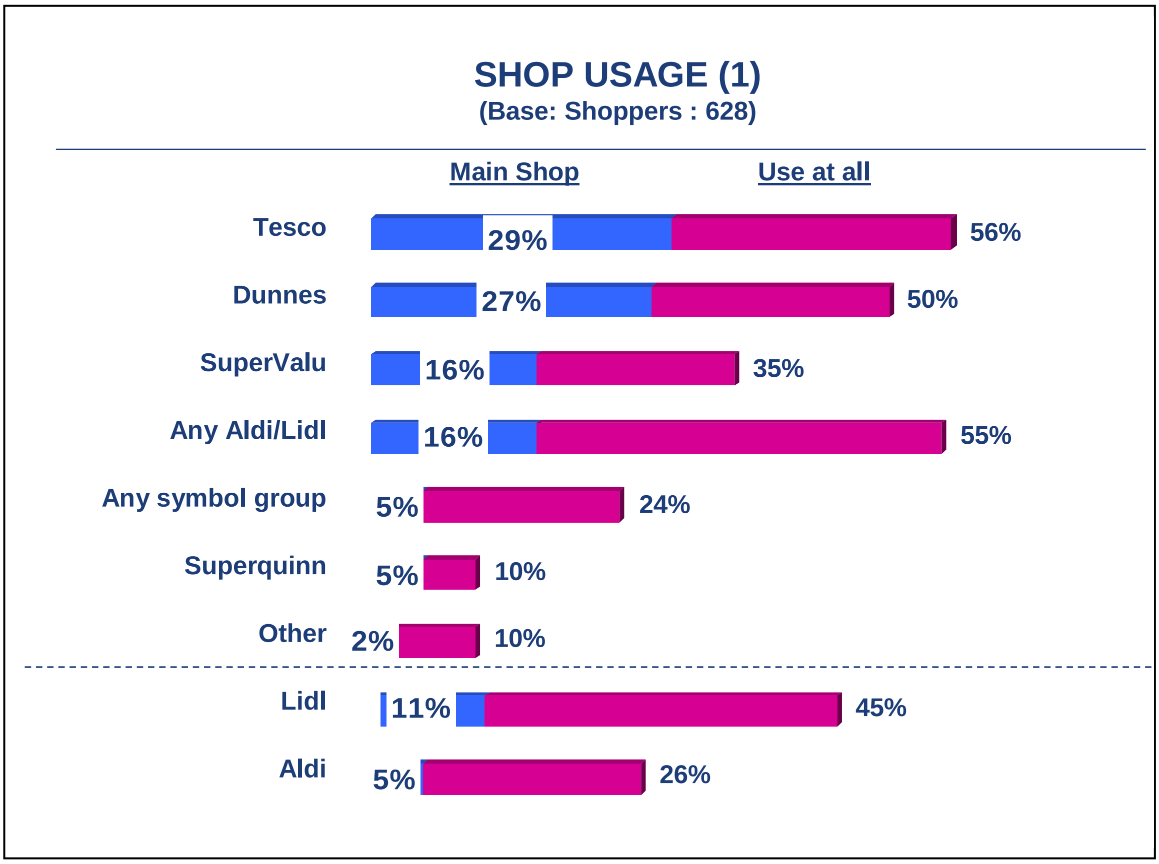


The proportion who spread their shopping throughout the week has increased from a level of 1 in 5 in 2002, up to almost a third in 2008 (almost certainly reflecting wider options, and an increasing emphasis on value for money).

2. STORE USAGE

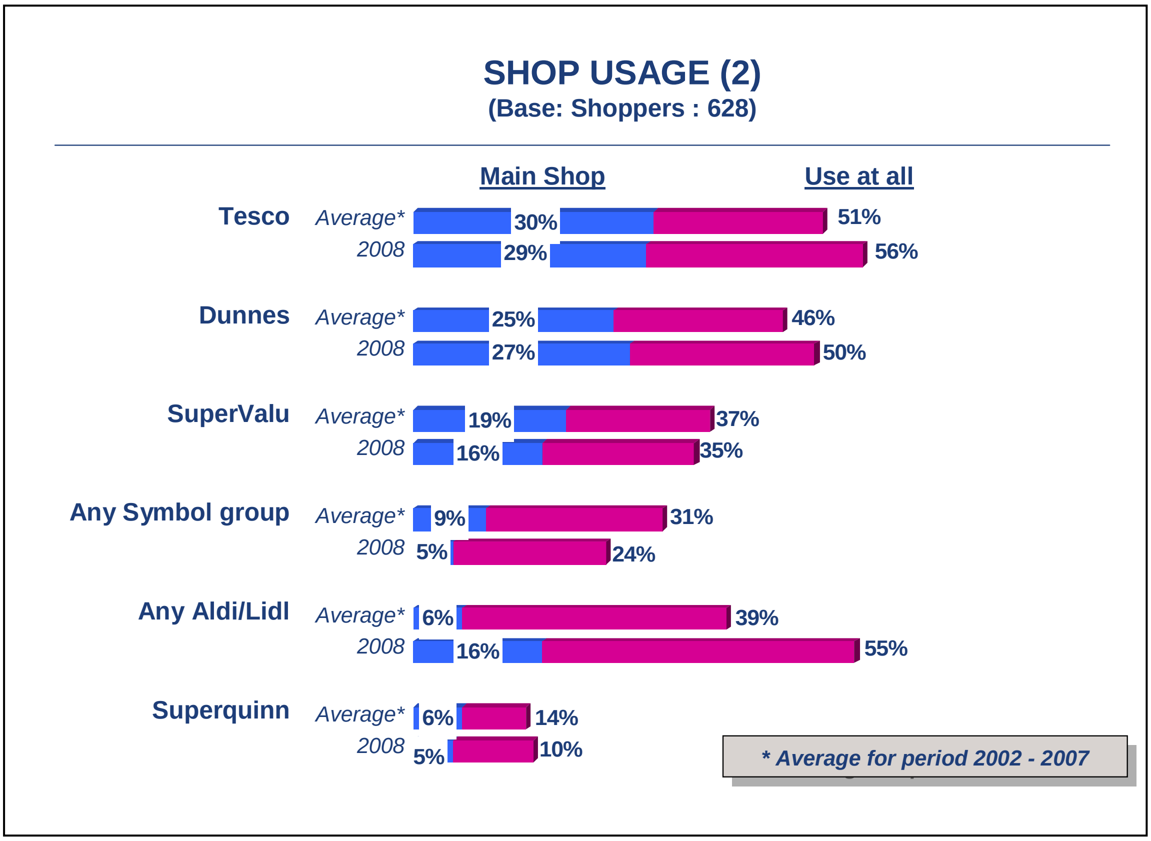
Tesco & Dunnes ahead for main shopping

Reported usage levels for main grocery shopping showed Tesco (29%) and Dunnes (27%) jointly ahead of SuperValu (16%) and Aldi/Lidl (16%).



Significantly, claimed usage levels for any grocery shopping suggest that the combined 'reach' of Aldi and Lidl (55%) is now on a par with Tesco and slightly ahead of Dunnes (50%).

The chart below provides a comparison between these claimed store usage levels for main and any grocery shopping, and a consolidated average for the period 2002-2007.



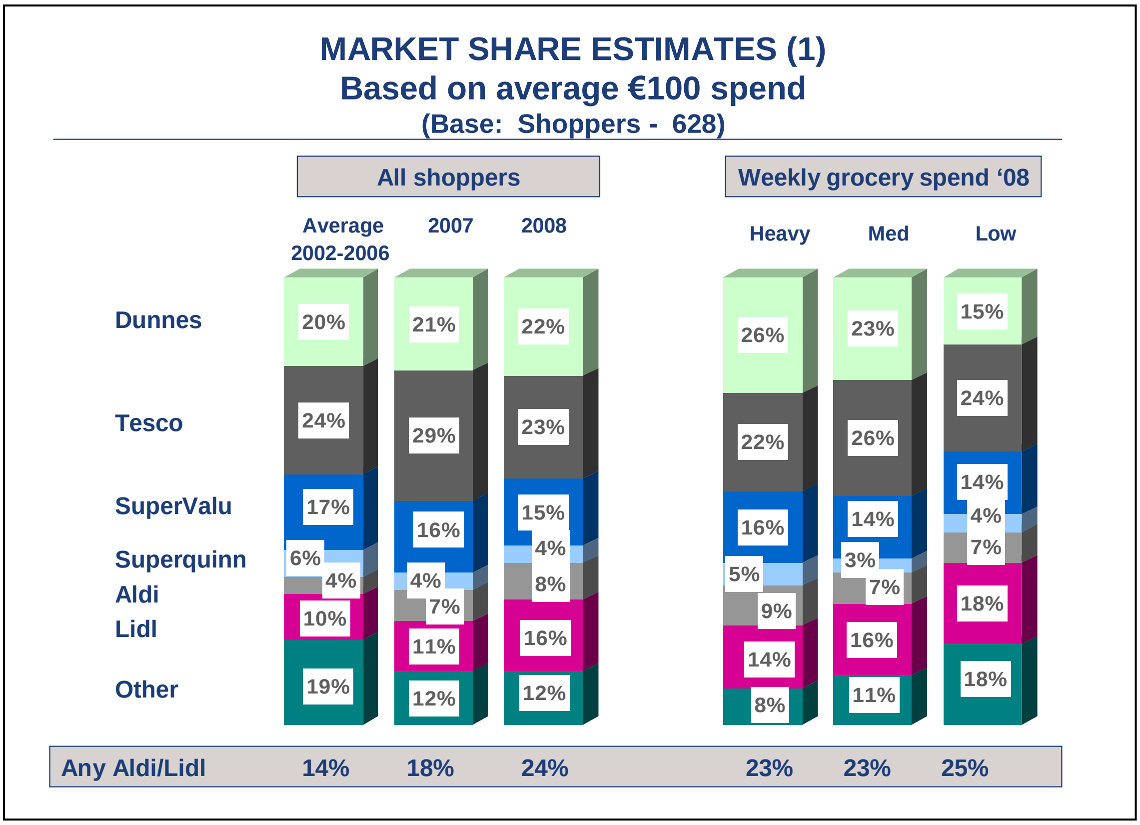
While this shows somewhat improved penetration for both Tesco and Dunnes (and slippage for symbol group outlets), the main dynamic is clearly the dramatic progress of LRD outlets.

In combination, reliance on Aldi or Lidl for main grocery shopping has more than doubled from 6% to 16%, and any usage is up from 39% to 55%.

3. STORE SHARE ESTIMATES

Tesco & Dunnes lead – but Lidl gaining

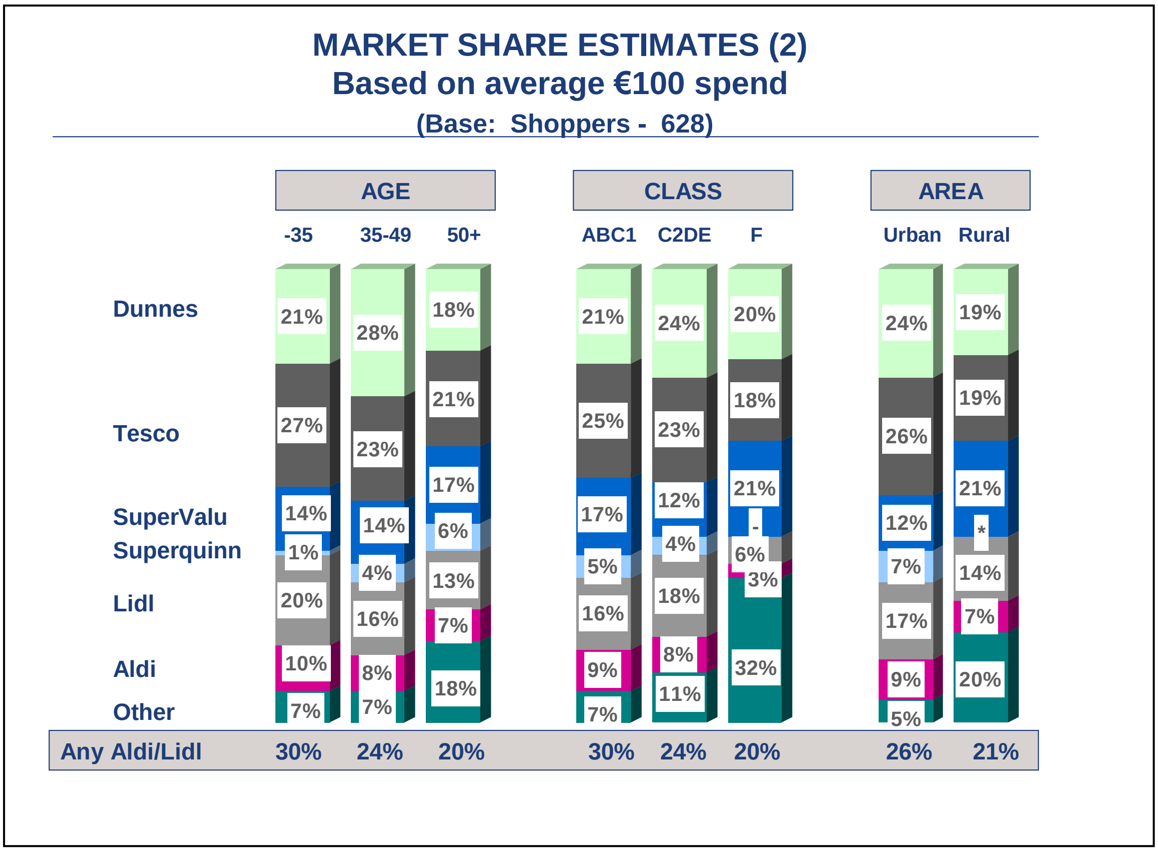
These market share estimates for the main store groups were based on asking shoppers to describe how they distribute an average €100 expenditure on groceries, across the main retailer brands.



While Tesco and Dunnes remain joint leaders, Lidl appears to have gained ground (largely at the expense of Tesco).

Dunnes appears to fare somewhat better than Tesco among heavy spenders, while Tesco has an edge among medium and lower spenders (the LRD share appears consistent across all three groups).

Tesco appears stronger than Dunnes among younger and middle class shoppers, and in urban areas.



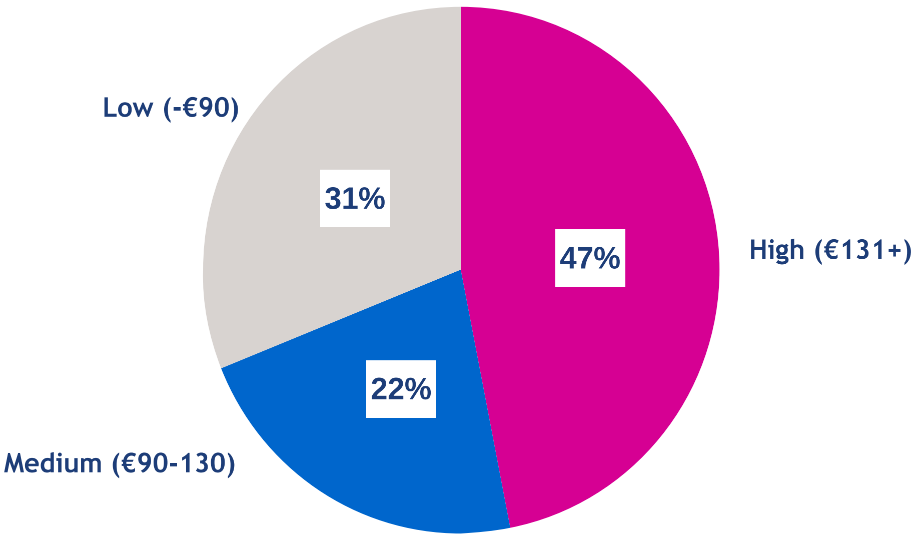
The two German discounters have a comparatively stronger presence among younger shoppers and make a slightly better showing in urban areas.

4. WEEKLY GROCERY SPEND

In Line with last year at €136

Almost half of these shoppers (47%) estimated their weekly spend on groceries at over €130; a further 1 in 5 were in the range of €90-130, with the balance of almost a third spending less.

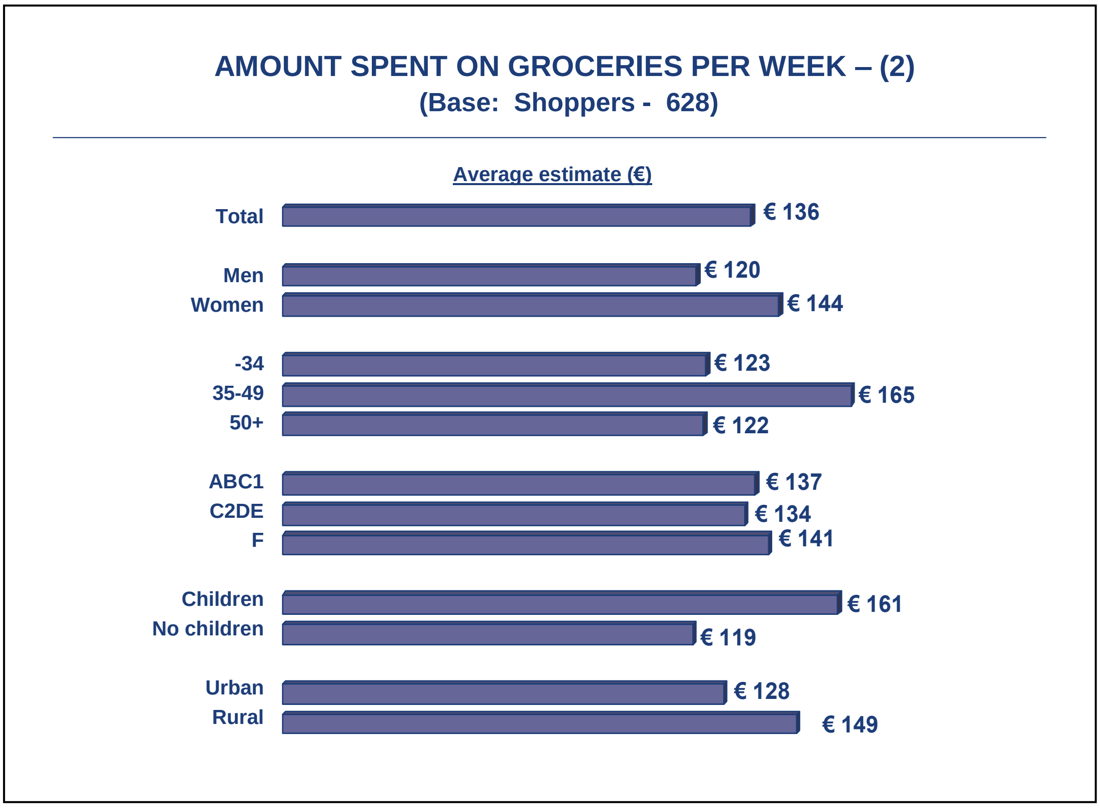
AMOUNT SPENT ON GROCERIES PER WEEK – (1)
(Base: Shoppers - 628)



Average estimate : €136

In overall terms, this produced an estimated average of €136 for weekly grocery spending.

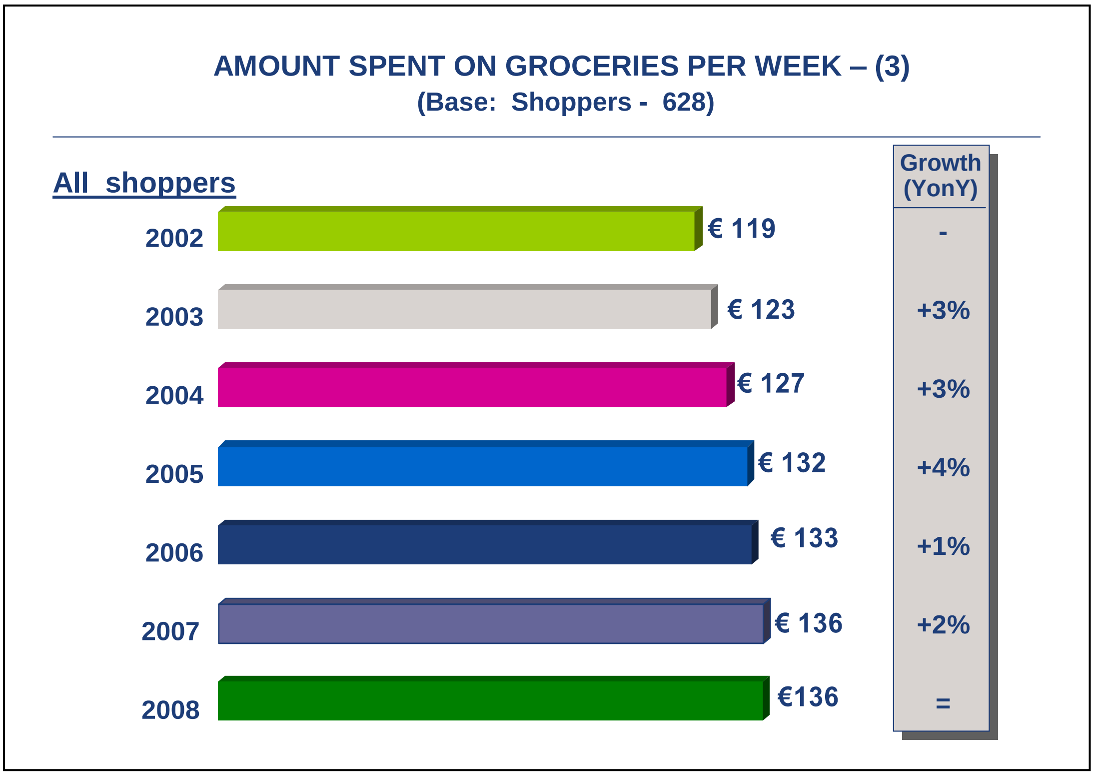
A more detailed breakdown by the main demographic sub-groups highlighted some marked differences.



Average spend levels were significantly higher for those within the mainstream family age range of 35-49 year olds, and for those with children.

Average expenditure was also somewhat higher among women shoppers, and for those in rural areas.

A retrospective review of these reported expenditure levels on weekly groceries is summarised below.

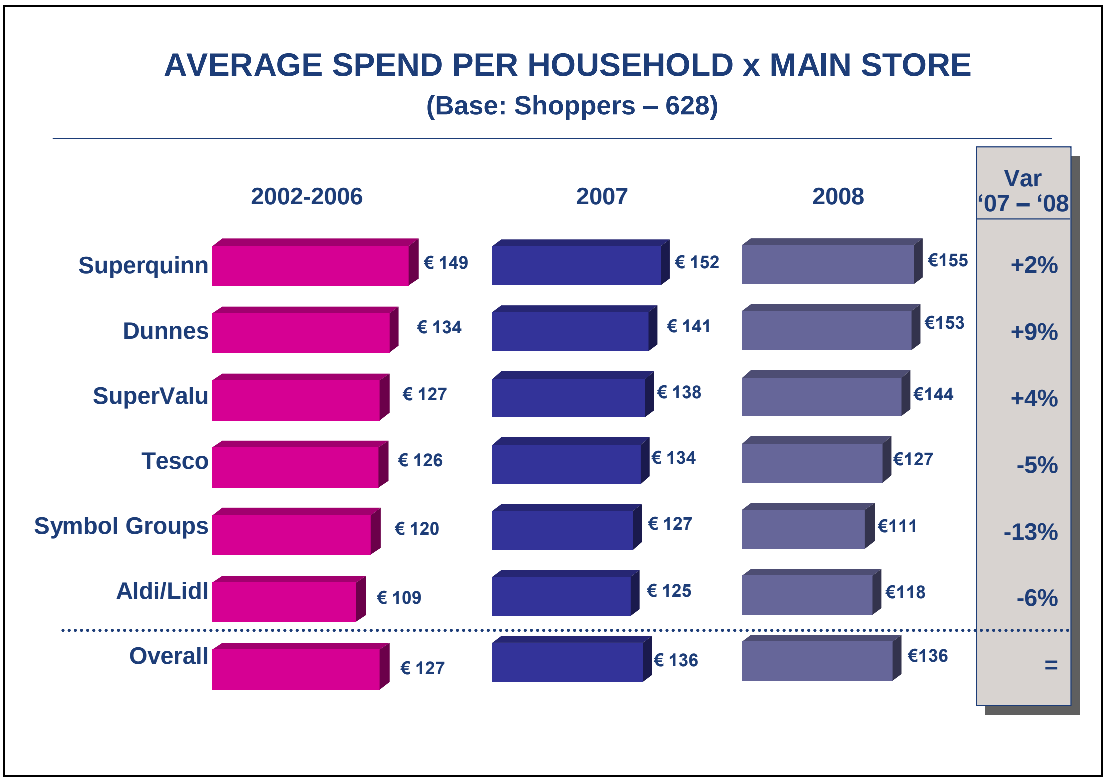


This indicates modest but consistent increases in spending levels from 2002 to 2007, but no change over the past year.

5. GROCERY SPEND X MAIN STORE

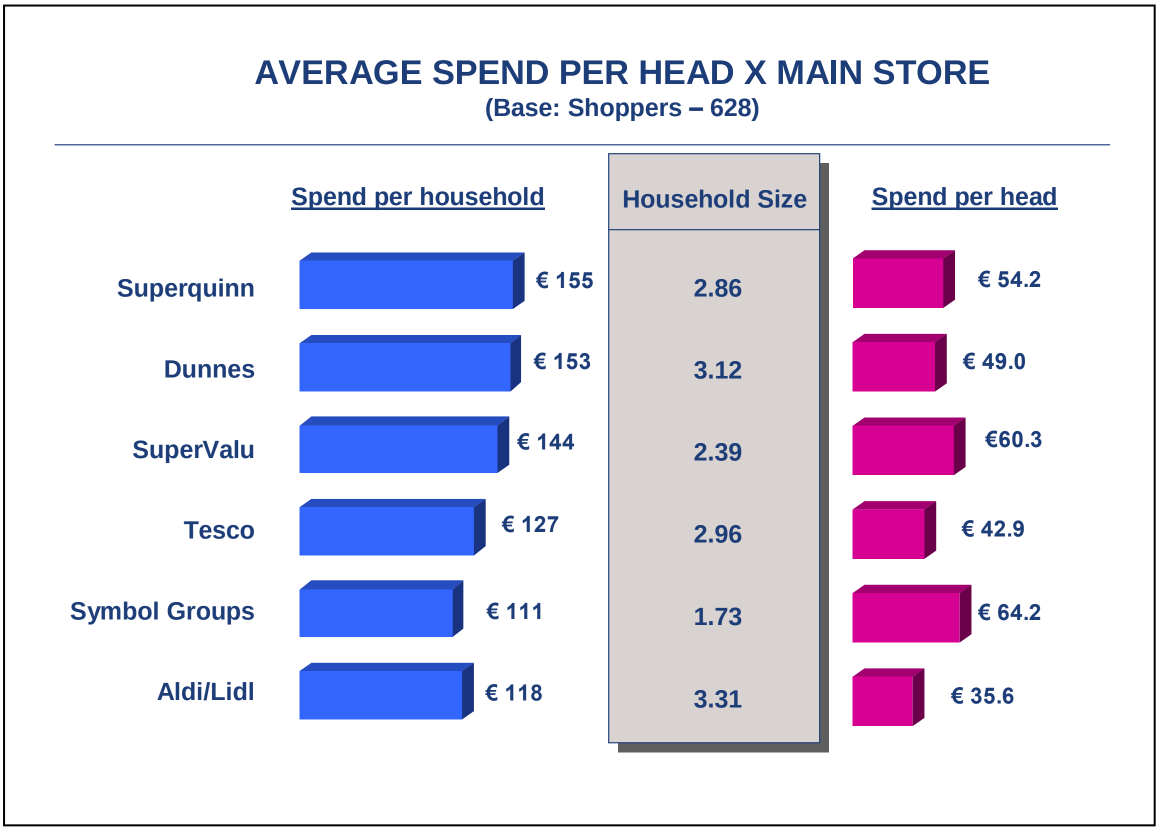
Superquinn & Dunnes – highest spend

A review of estimated weekly expenditure on groceries by customers of the main store groups, shows that Superquinn and Dunnes shoppers spend most.



Compared with last year's results, this implies increased spending by Dunnes shoppers, and a decline among those using symbol group outlets.

It is also useful to look at these estimated spending levels by household size, to identify per capita expenditure.



Spending per head is highest for the symbol groups and SuperValu, ahead of Dunnes and Tesco (lowest for discounters).

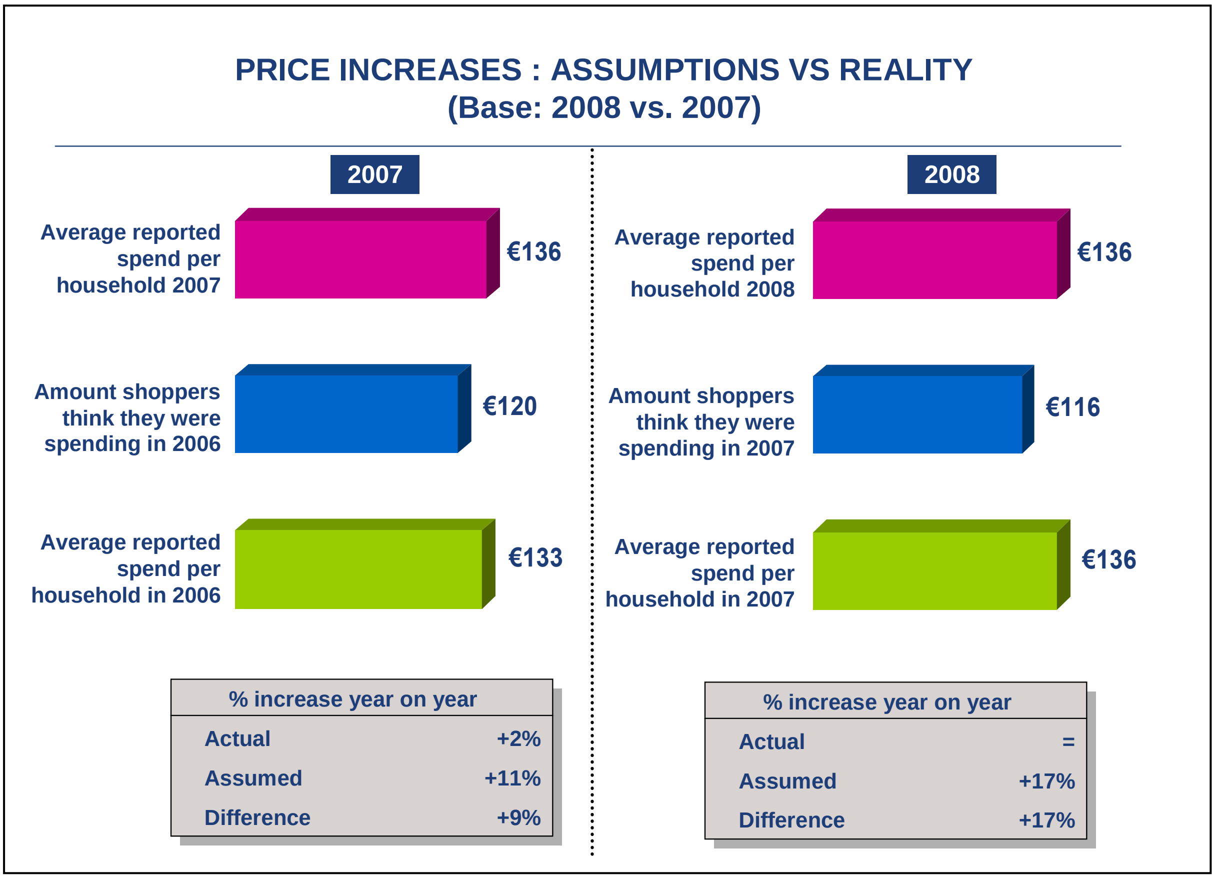
6. SPENDING INCREASES

Assumptions even higher than reality

Grocery shoppers continue to exaggerate the extent to which they feel their grocery spending has increased.

This chart summarises three key measures for 2007 vs 2008:

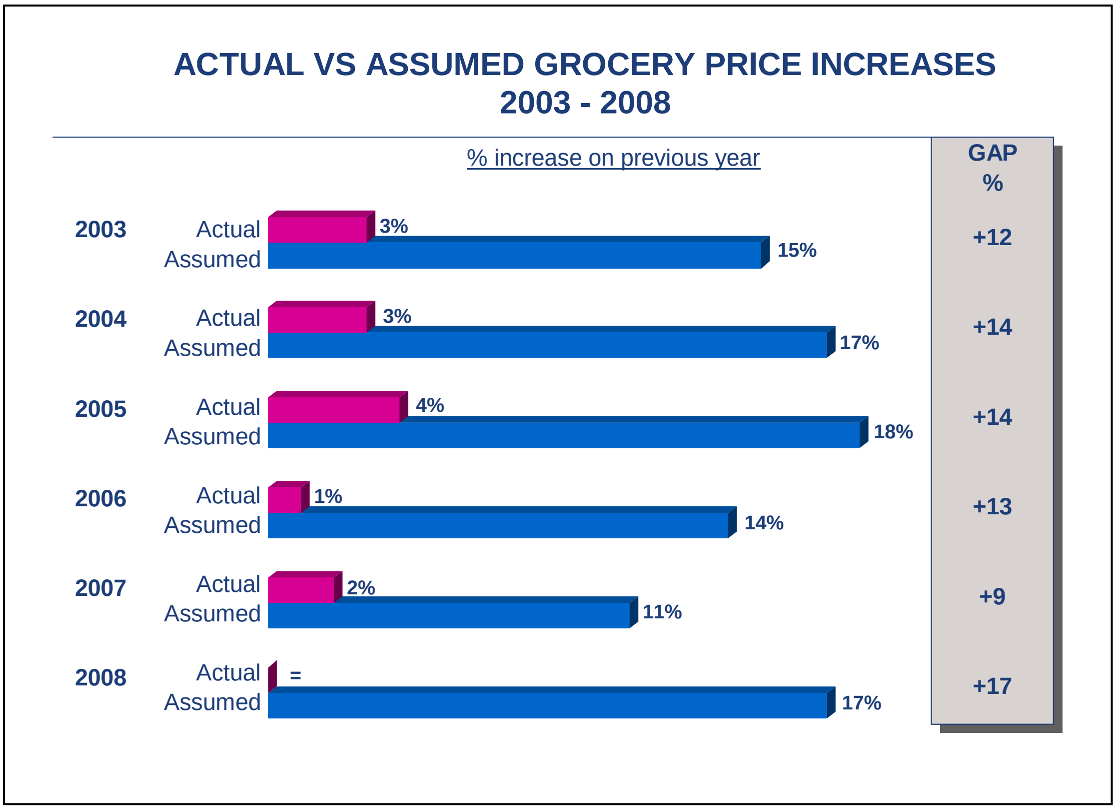
- Current estimates of spending
- Estimated spending a year ago
- Reported spending a year ago



In 2007, the actual difference in reported spending was +2%, but assumptions were +11%.

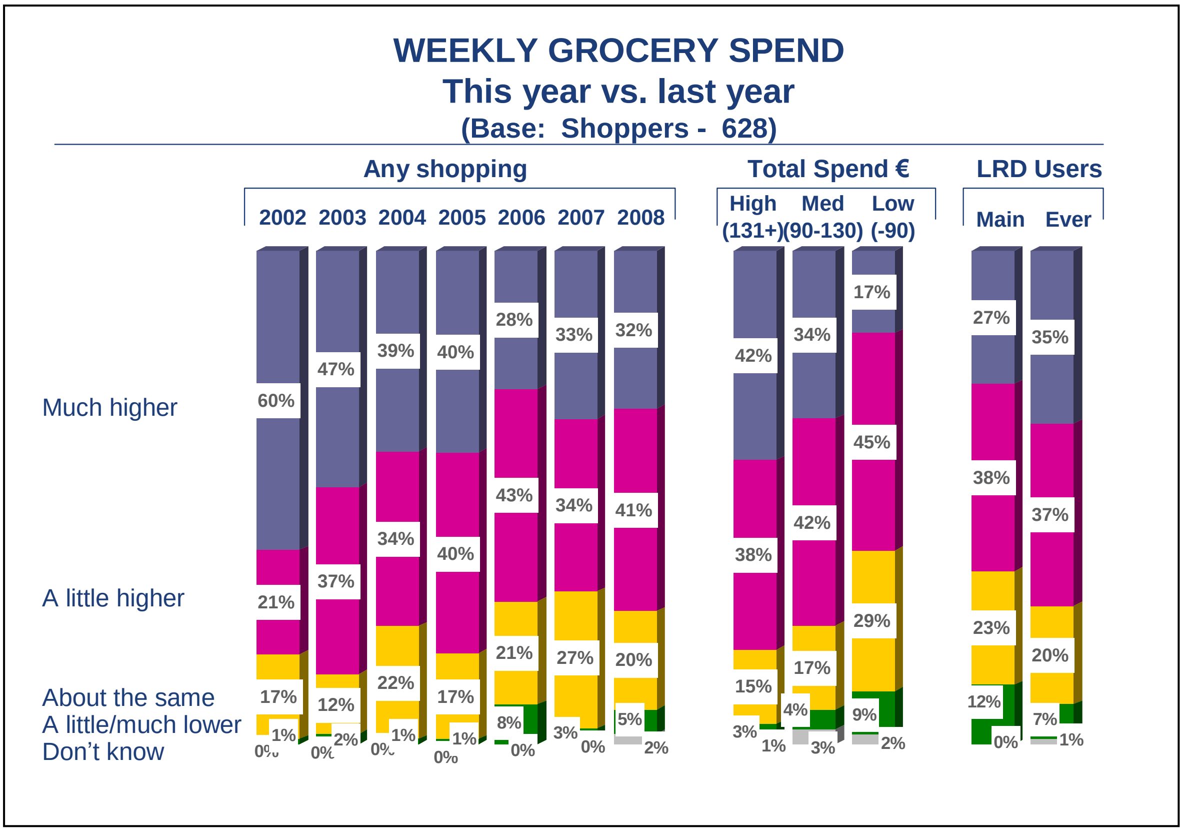
For 2008, the actual difference was zero but assumptions registered +17%, underlining the fact that shoppers now have an even more inflated impression of grocery price increases.

A historic summary of these differences between actual (reported) and assumed grocery spending levels shows a very consistent pattern between 2003 and 2006.



Last year this gap reduced somewhat, but in these latest results the differential almost doubled (to the highest level since this tracking research started).

Reflecting this, 3 in 4 shoppers are convinced that grocery prices are higher than last year (much higher 32%/a little higher 41%); broadly in line with the two previous measures:

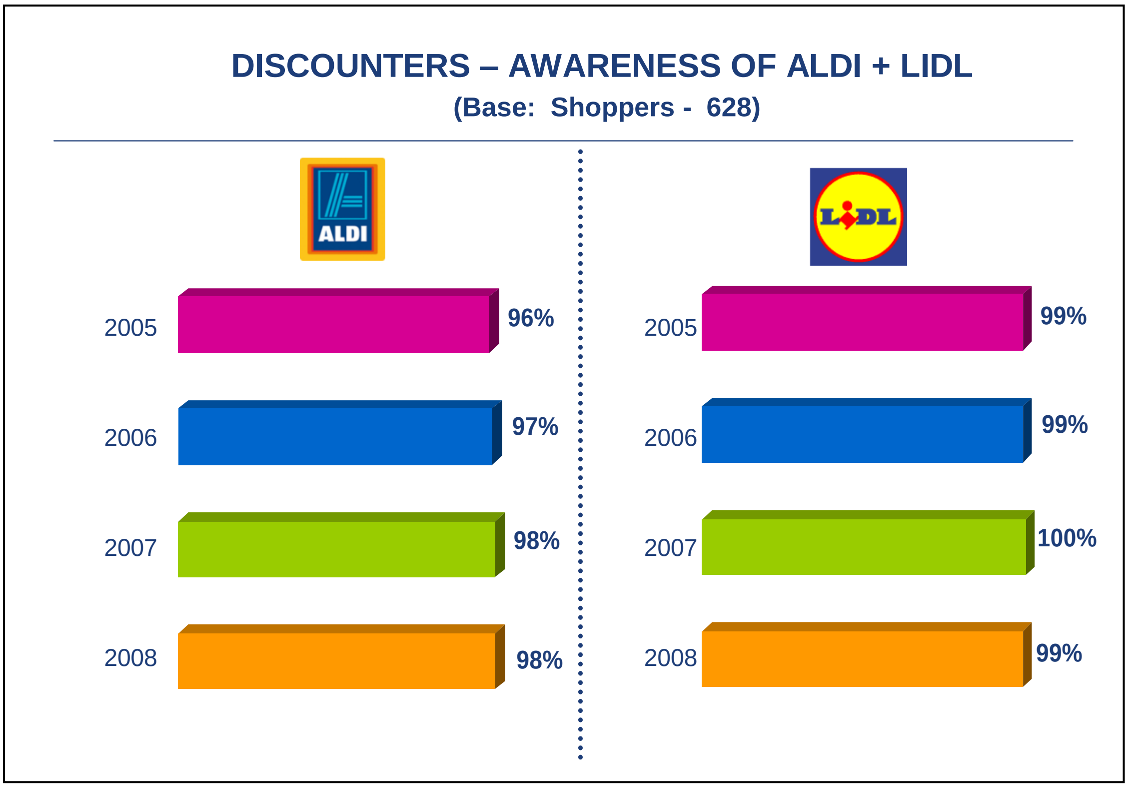


However, heavy spenders are even more convinced about current prices being higher in 2008 vs 2007 (8 in 10).

7. THE DISCOUNTERS

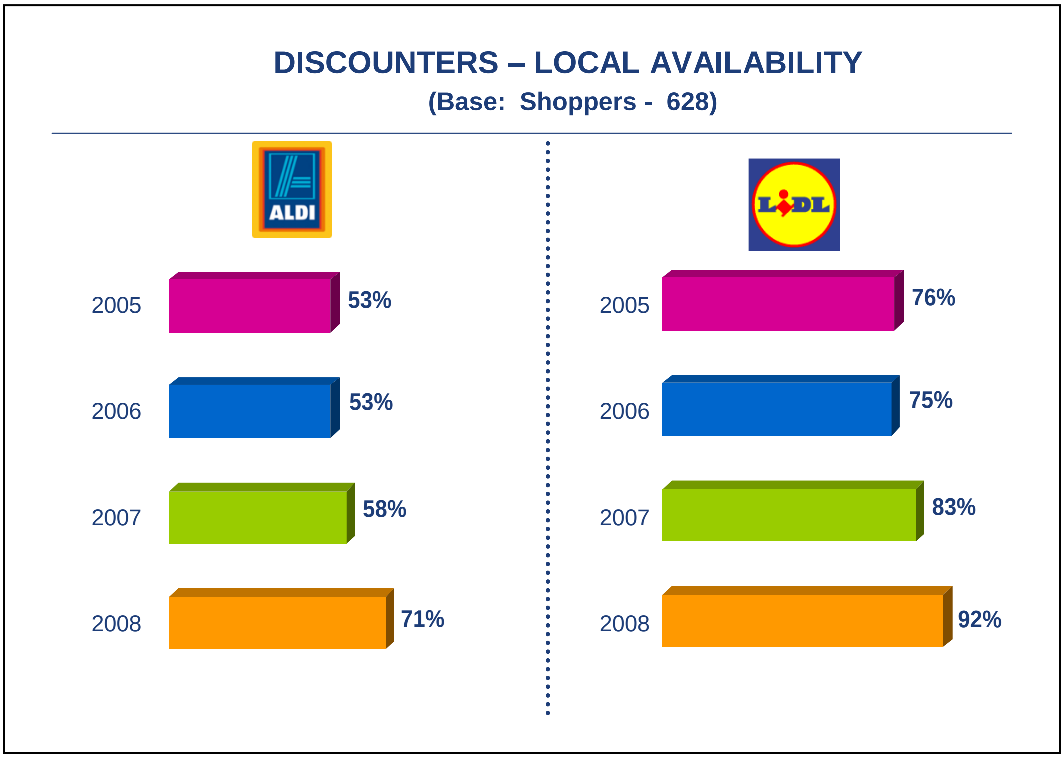
Total recognition & even wider use

Over recent years, prompted recognition of the Aldi and Lidl brands has been universal.



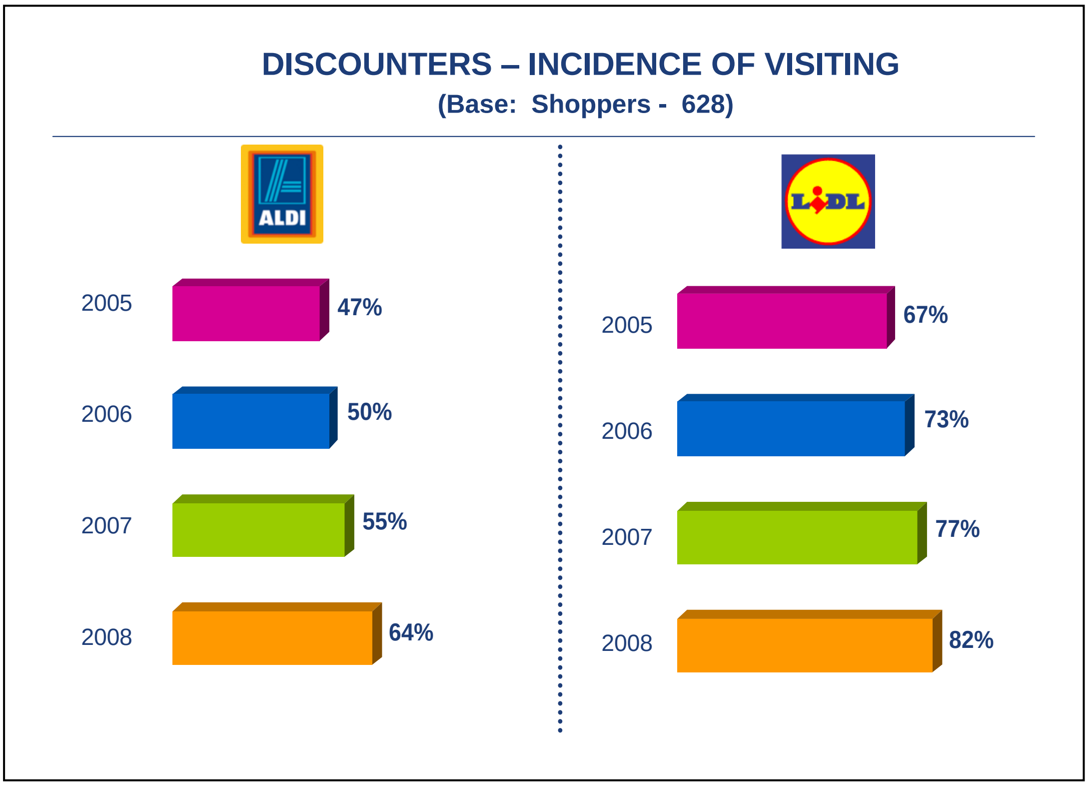
At this point both discounter brands are clearly 'household' names.

Over time, there has also been a steady increase in the proportion of shoppers who believe they have an Aldi or Lidl outlet available within their locality (defined as within a radius of 5 miles).



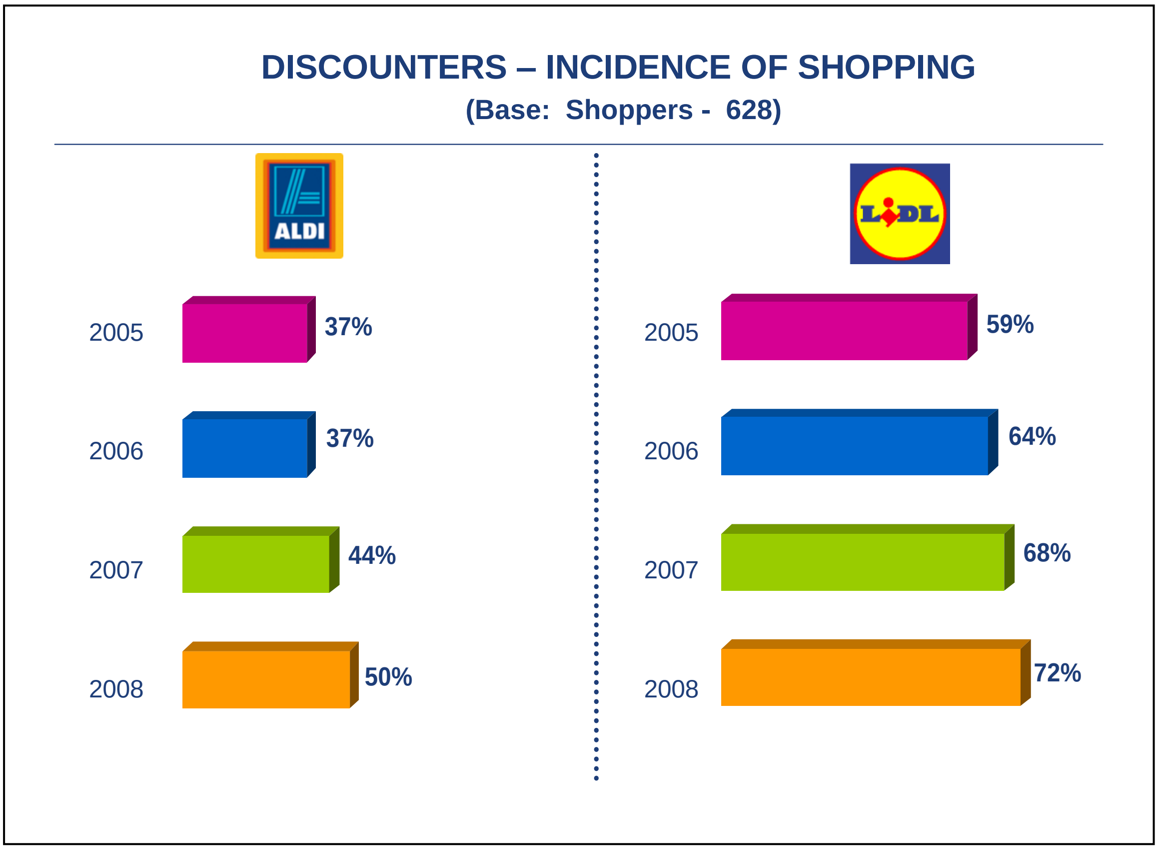
Currently just over 9 in 10 claim to have a local Lidl, and 7 in 10 a local Aldi.

Inevitably, this sense of expanding store networks for the two discounter chains, has led to wider experience of visiting their respective stores.



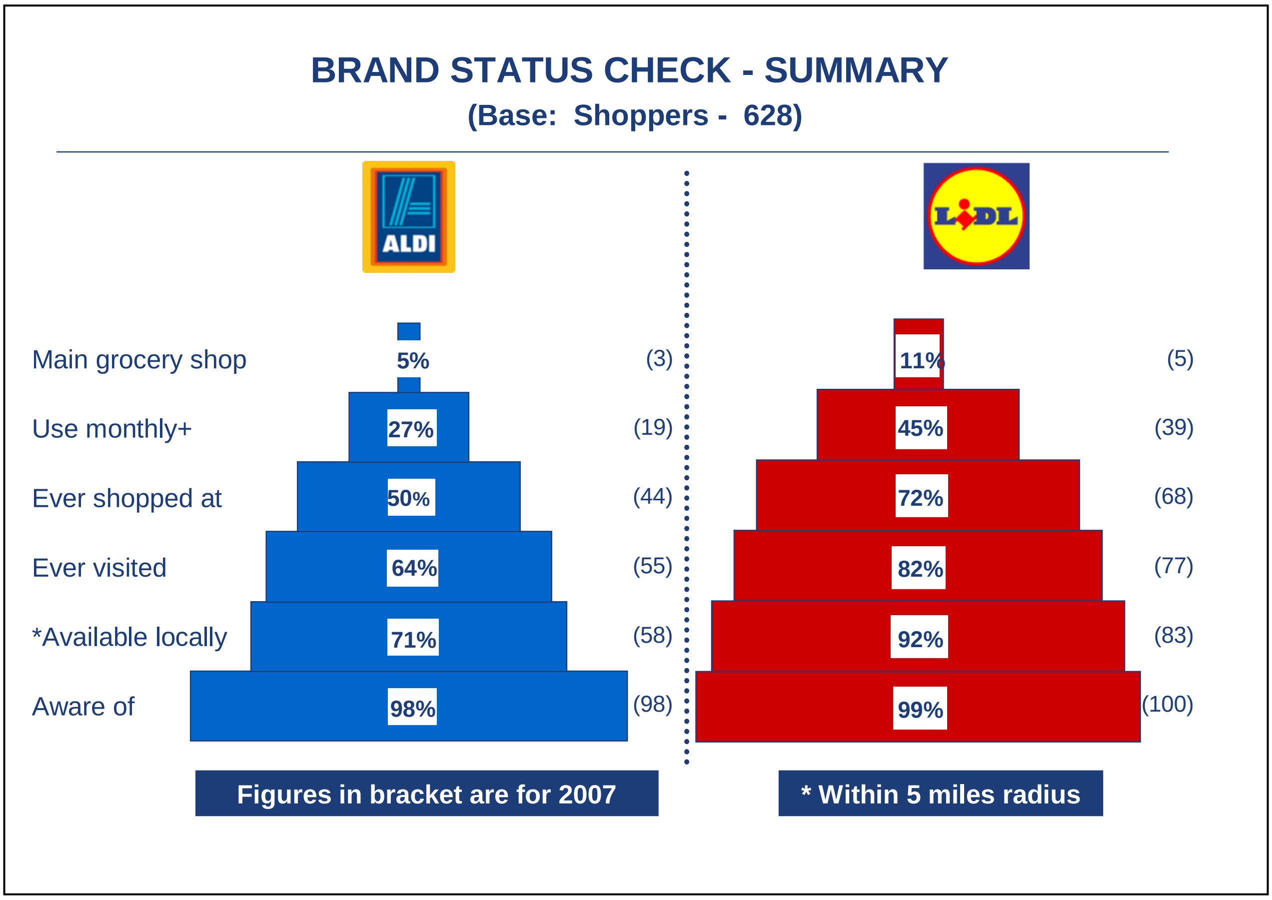
At this stage, 82% have been to Lidl and 64% to Aldi; the latter making a proportionately greater gain in the past year, from a lower base (helped by expansion of its network).

A very similar growth pattern was evident for reported purchasing in these two discounter chains.



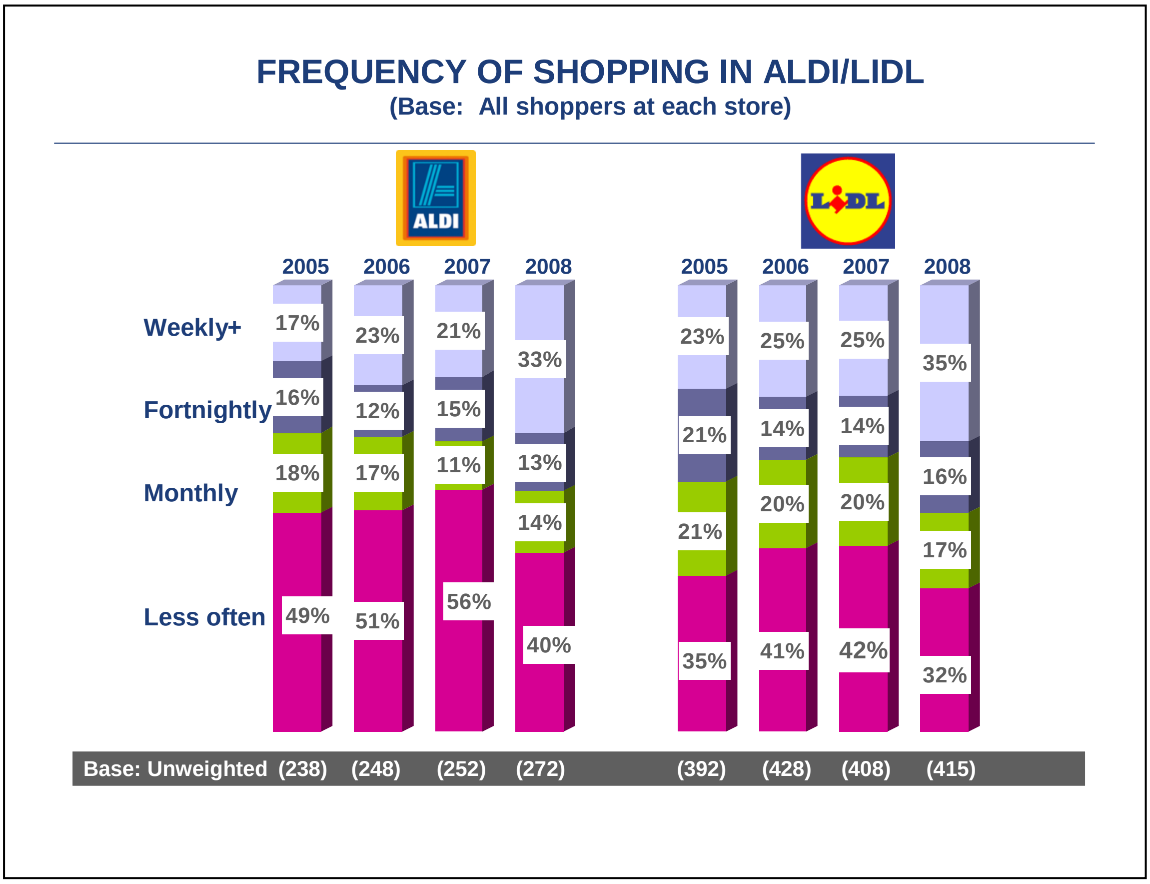
Currently just over 7 in 10 have shopped in Lidl, and half in Aldi.

A summary of these key measures for Aldi and Lidl are shown below, and include monthly usage and main shop choices (results for 2007 in brackets).



Clearly Lidl's reach on shopping levels remains considerably wider than Aldi, but both are now more likely to identified as the main source of groceries – Lidl 11% and Aldi 5%.

A review of reported frequency of using these discounter chains, confirms a marked increase in commitment over the past year – with weekly usage at a similar level for both groups.



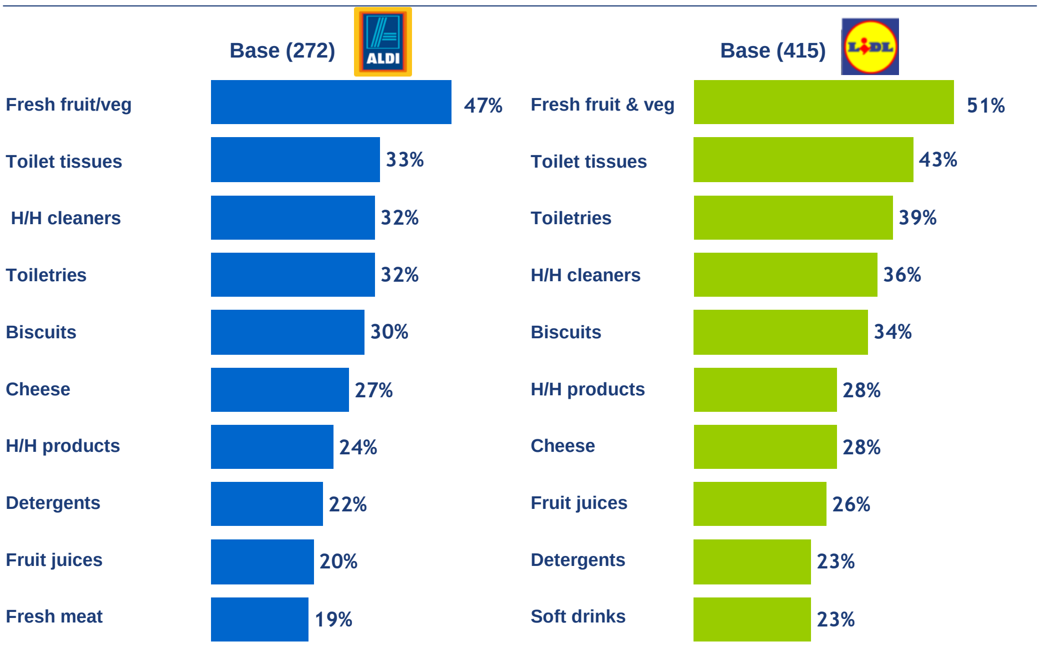
Compared with 2005, weekly usage of Aldi has almost doubled (17% to 33%), and usage of Lidl has increased by just over 50% (23% to 35%).

8. ALDI & LIDL PURCHASES

Similar & broad product profiles

Perceptions of the top 10 most popular product categories for shoppers in Aldi and Lidl line up very closely.

TOP 10 ITEMS BOUGHT ON LAST VISIT



Fresh fruit & vegetables was seen as the most widely purchased category in both chains – with toilet rolls, household cleaners, toiletries and biscuits next in line.

A more detailed breakdown of items purchased on the last visit to Aldi or Lidl is shown here:

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

Base :	ALDI 272	LIDL 415
	%	%
Fresh fruit & veg	47	51
Toilet tissues/rolls	33	43
Household cleaners	32	36
Toiletries	32	39
Biscuits	30	34
Cheese	27	28
Household products	24	28
Detergents/washing powder	22	23
Juices/fruit juices	20	26
Fresh meat	19	18
Frozen food	18	22
Soft drinks	17	23
Cereals	16	16
Confectionery	16	14
Butter/spreads	16	21
Pasta/noodles	15	14
Pre-packed bread	15	17
Bacon/rashers	14	13
DIY items	14	15
Ice cream	13	15
Cakes	11	11
Hardware	11	11
Electrical appliances	11	11
Chips	11	13
Wine	11	11
Desserts	10	9
Sauces/ketchup	9	13
Tinned food	9	12
Frozen chicken	9	14
Beer	8	12
Pet food	7	13
Pizza	6	13
Squash/fruit squash/cordials	6	7
Tools	6	7
Flour	6	7
Nappies	6	5
Ethnic dry meals	6	4
Tinned fruit	5	12
Nuts	5	9
Rice/couscous	5	8
Spirits	5	5
Pickles/chutney/relish	4	5
Footwear	4	3
Bake at home bread	4	6
Christmas cakes	4	3
Furniture	3	3
Baby formula	1	1
Baby food	1	3
Other	7	10

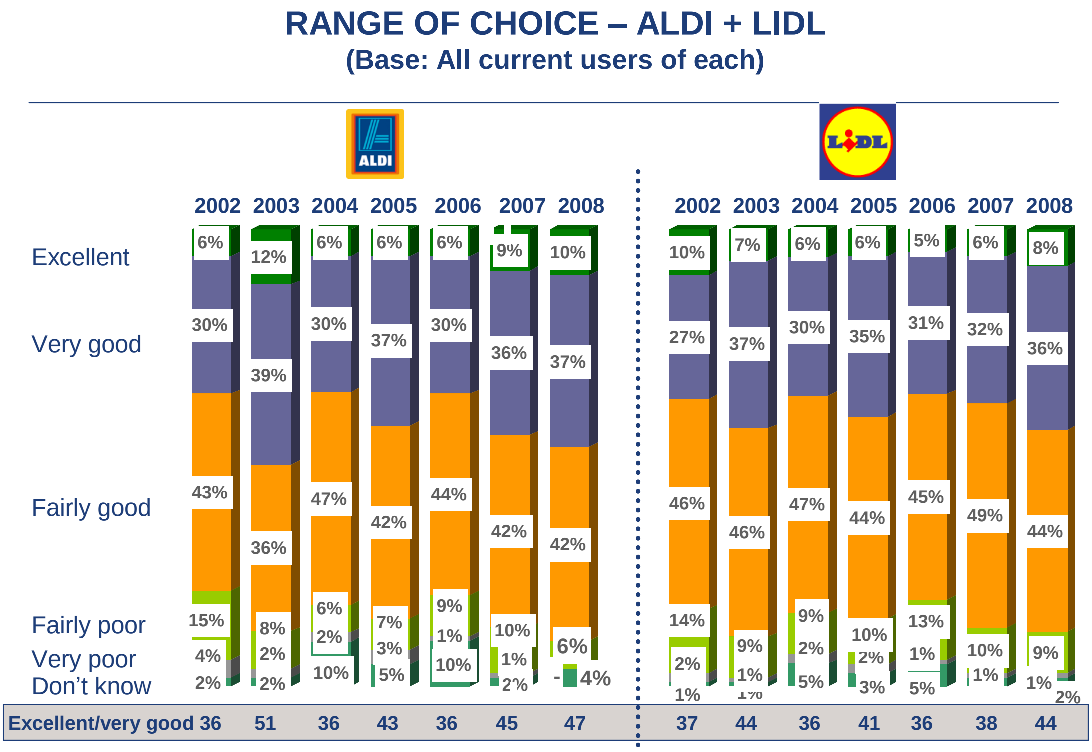
This demonstrates that at this stage, both discounter chains cater for a very broad spectrum of grocery purchases.

9. ALDI & LIDL - PERFORMANCE

Strong and similar ratings

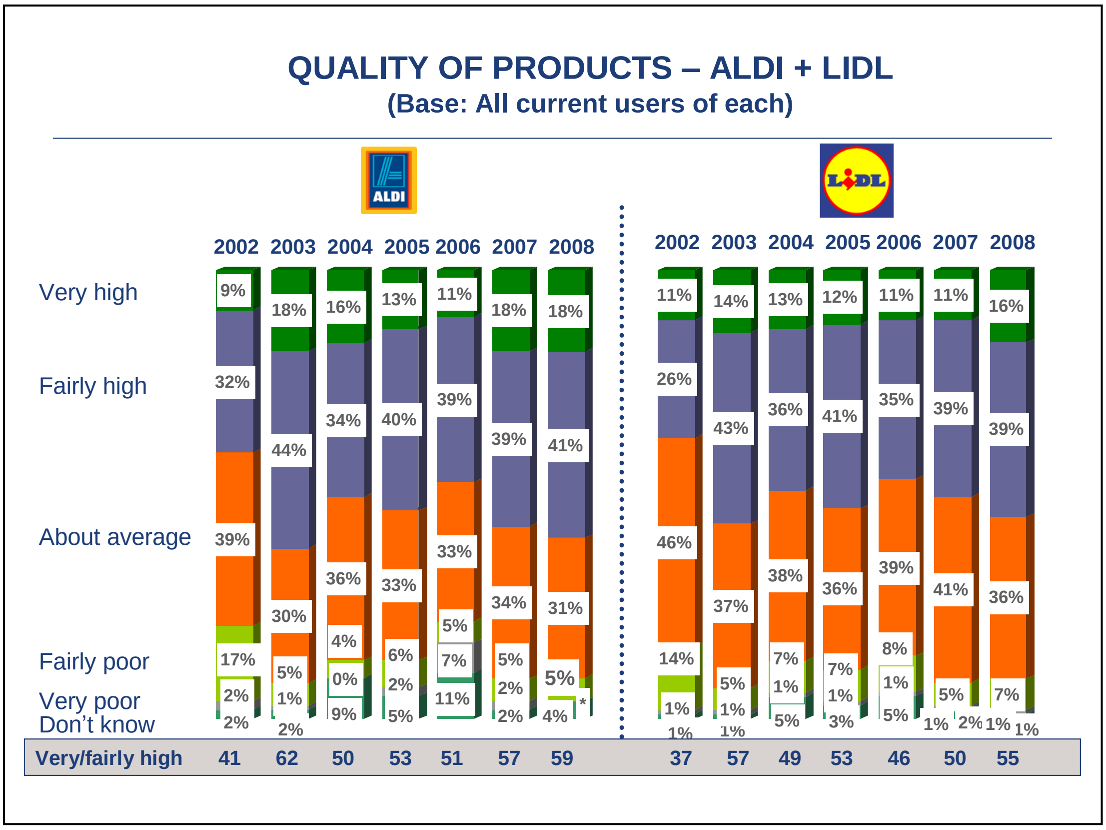
As part of this survey, Aldi and Lidl were rated by their respective shoppers on 4 key performance criteria – range of choice, general product quality, value for money and prices vs. main supermarkets.

On range of choice, both have maintained a broadly favourable showing over time (with some ebb and flow):



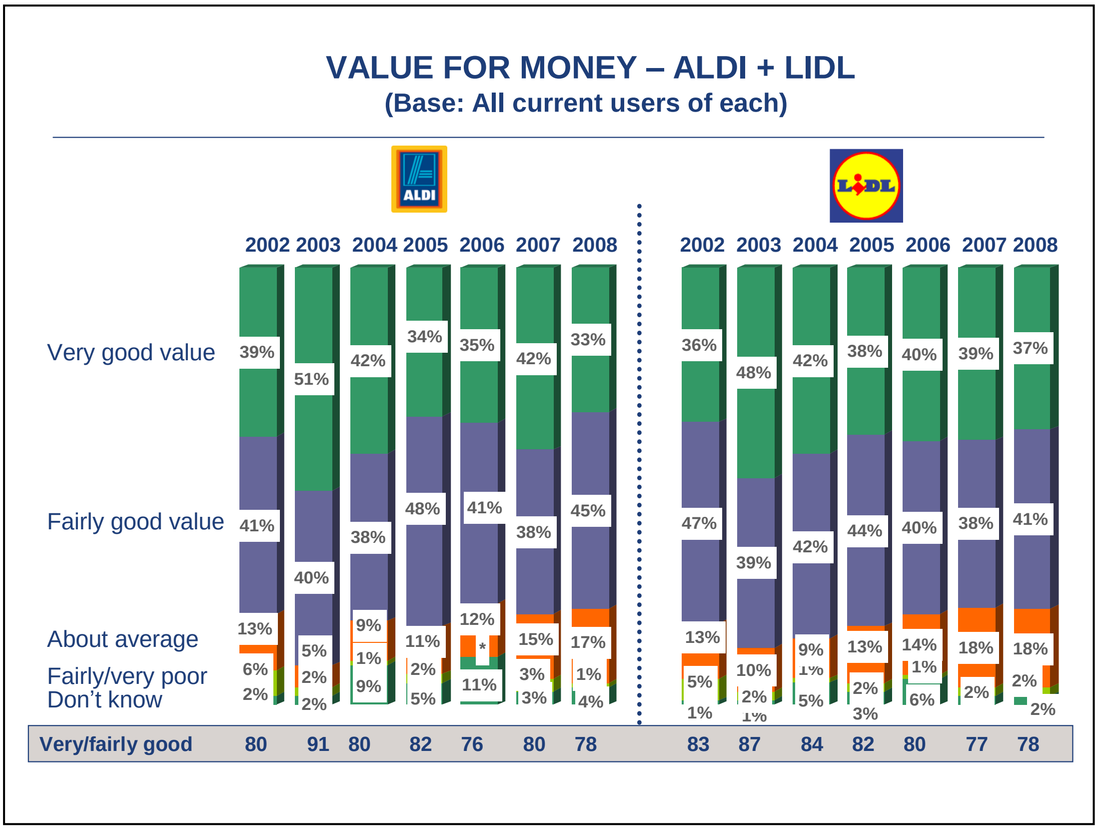
These latest results show the two chains aligned on this attribute – in each case, close to half rating them as excellent or very good.

The two discounters also registered favourable and similar ratings on perceived product quality.



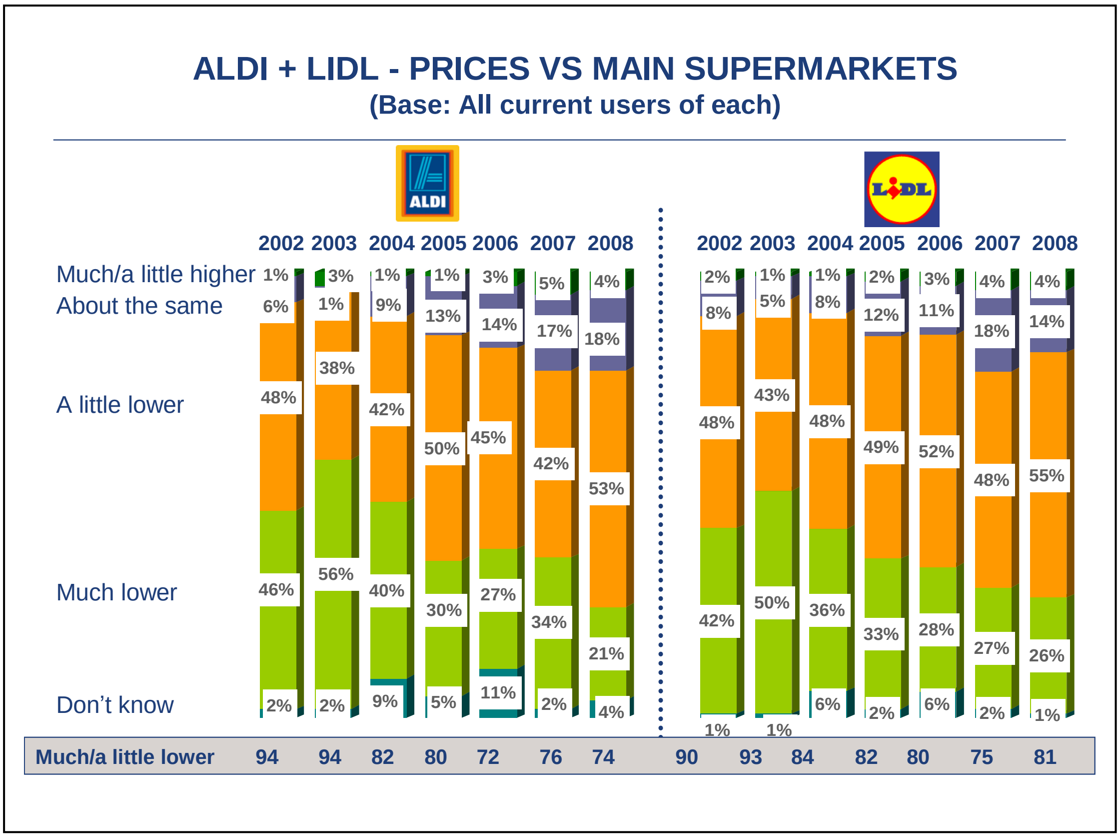
Despite some variability over time, both brands now enjoy significantly better ratings on this basis vs. their respective 'benchmark' measures in 2002.

In the main, most of their own shoppers believe Aldi and Lidl offer good value for money.



However, the longer term trend data suggests that this peaked for both in 2003 (Lidl demonstrating a somewhat more consistent pattern since then).

Compared with main supermarkets, Aldi and Lidl have been credited consistently with lower prices – with almost total conviction in earlier stages of this tracker.



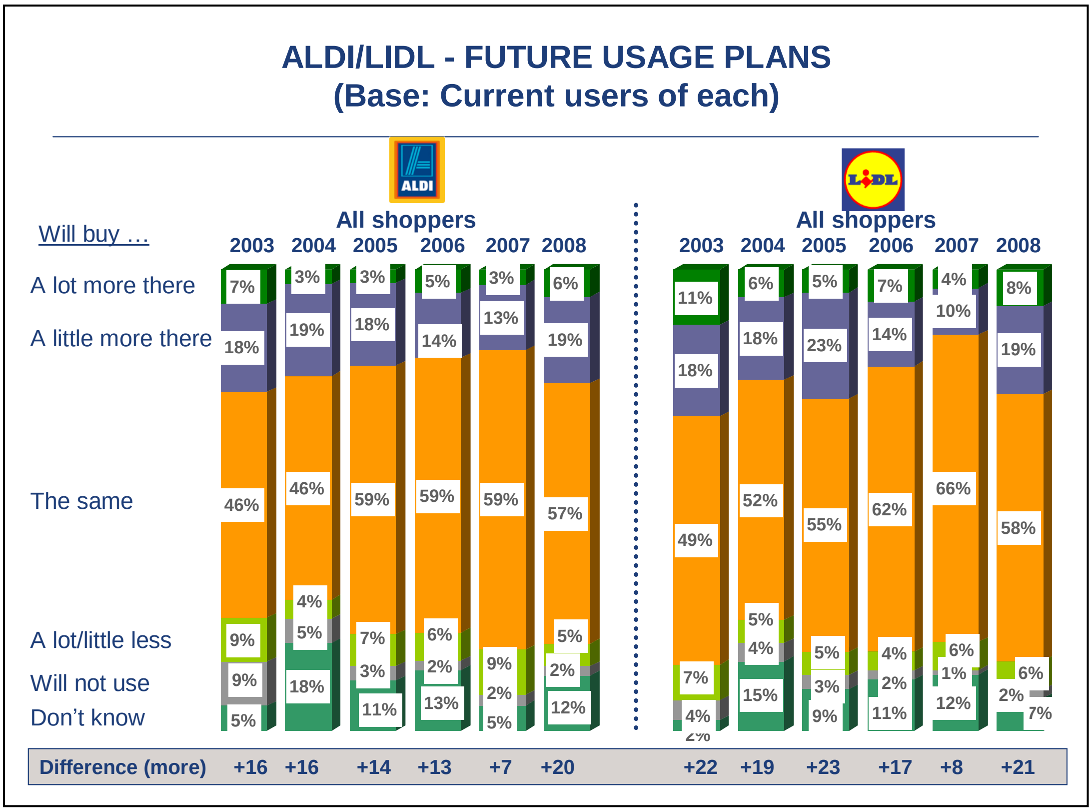
In latter years, this consensus was not quite as emphatic, but has held steady in the past year.

10. ALDI & LIDL – FUTURE USE

Renewed commitment

All shoppers in Aldi or Lidl were asked about their anticipated usage of these stores over the coming year.

Interestingly while the 2007 findings had shown some slowing of their impetus, these latest results indicate renewed commitment.



In each case a majority of almost 6 in 10 expect no change, but among the balance, there is a ratio of just over 3:1 in favour of using them more:

- Aldi: More 25% vs. Less 7%
- Lidl: More 27% vs. Less 8%

In short, this implies that the current economic recession will see an increasing drift in grocery expenditure towards these discounters.