

BEHAVIOUR & ATTITUDES

MARKETING RESEARCH



**They aren't going away,
you know**

October 2006

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INTRODUCTION

This report presents the findings of a grocery shopping survey carried out by Behaviour & Attitudes during October 2006.

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 October 2006. 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: 674 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.

Fieldwork was carried out between 2nd and 11th October 2006.

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 main findings of this study can be summarised as follows:

Expenditure Patterns

- The average expenditure per household on groceries in 2006 was €133.
- This represents only a 1% increase on the previous year: the lowest increase recorded in the series which has run since 2002.
- There are variations in expenditure patterns, depending on the store used and, very importantly, depending on household size.
- Although average expenditure per household in Aldi and Lidl stores is relatively close to the national average (€127), that expenditure tends to be predominately in larger than average households.
- Consumers continue to exaggerate the scale of grocery price increases from one year to the next.
- Having said that, there is some evidence of a reduction in the tendency for consumers to see year on year increases as very large.

Store Usage

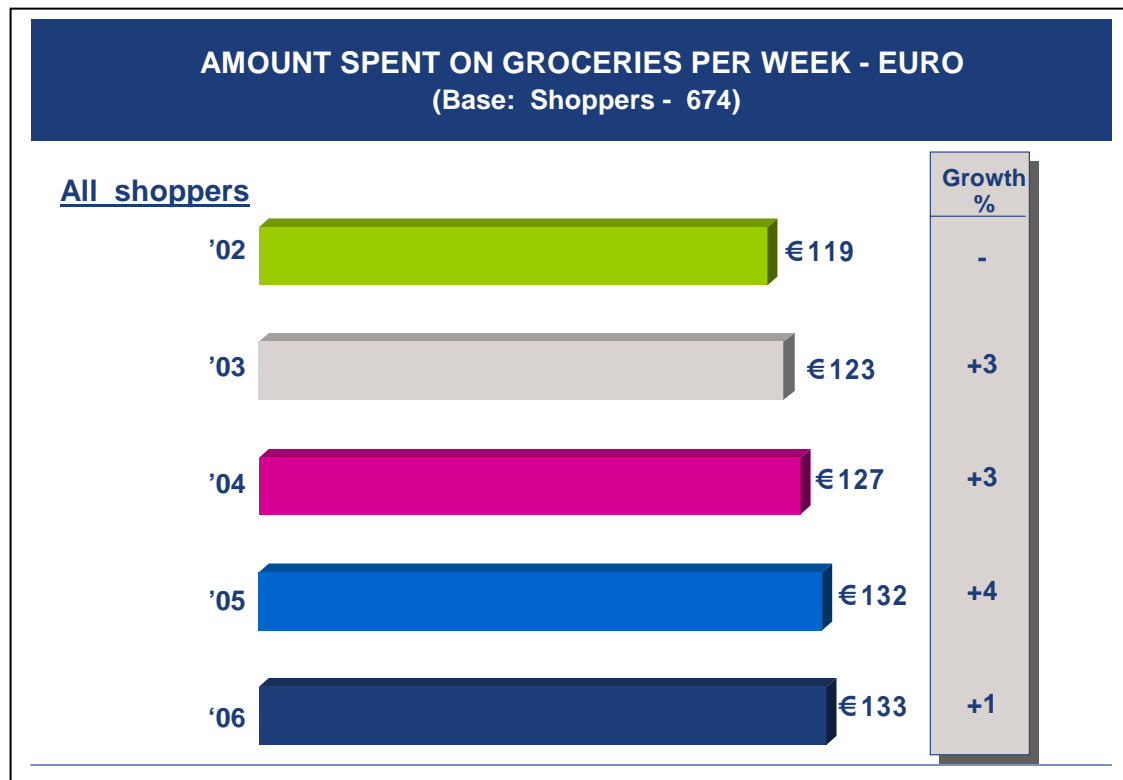
- The rank order of popularity of the main store options has changed relatively little in 2006 except that:
 - Symbol Groups are continuing to grow in popularity.
 - So are the LRD's (Aldi and Lidl).
- Both Aldi and Lidl record increases in trial levels and in the numbers choosing these stores as their main shop (still low overall).
- Monthly usage levels have changed very little since 2005.
- Shoppers in both outlets continue to use them for a wide range of items.
- Ratings of Aldi and Lidl for quality of products and range of choice have diminished slightly in 2006, but perceptions of the value for money they offer continue to be seen as compelling.
- The future shopping plans of consumers suggest that the share gains by Aldi and Lidl may be coming towards a peak, although this is likely to be influenced significantly by the possibility of store numbers increasing within these chains in the months ahead.

CHAPTER ONE

GROCERY PRICE PERCEPTIONS

1.1 A slow-down in grocery spending

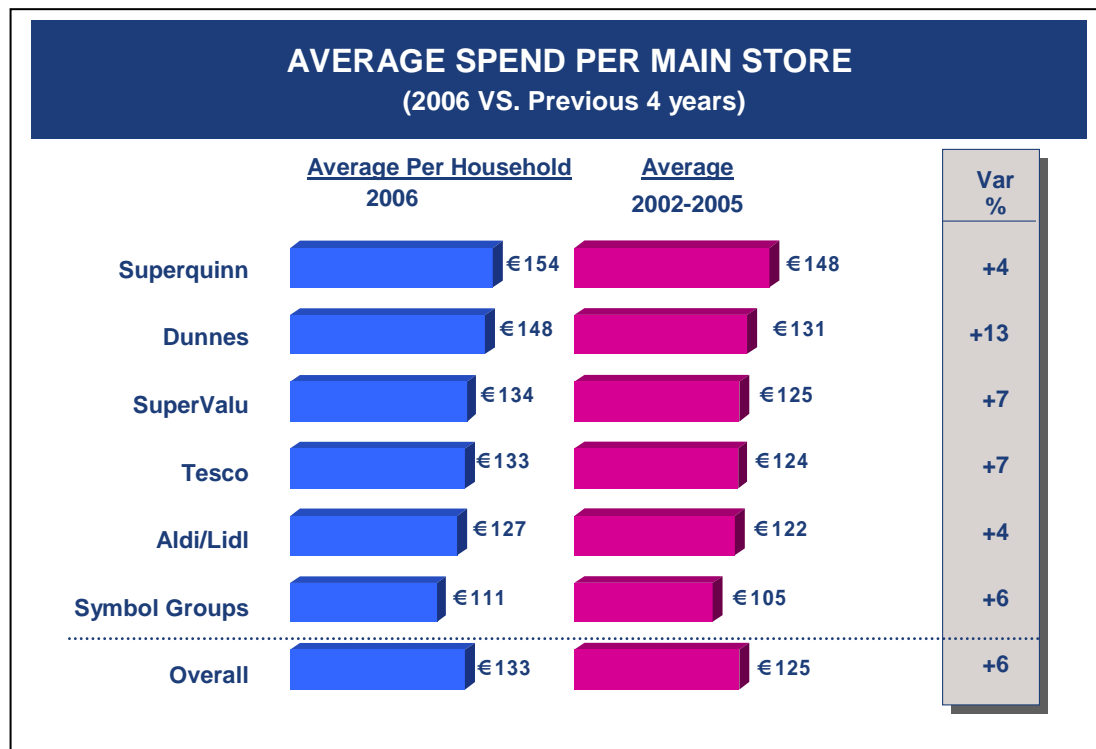
Despite the generally favourable economic climate, the indicators from the latest stage of this tracker suggest a slow-down in the rate of increase in grocery spending in the past 12 months. This is evident below.



In 2006 the average household claimed to spend €133 per week on groceries. This represents only a 1% increase on last year and is in fact the lowest increase recorded in the series to date.

1.2 Significant variations in spend by store

As we have found in earlier surveys, there are significant variations in the amount spent per household depending on the main store chosen for grocery shopping. The amounts spent, in rank order, are evident from the following chart:



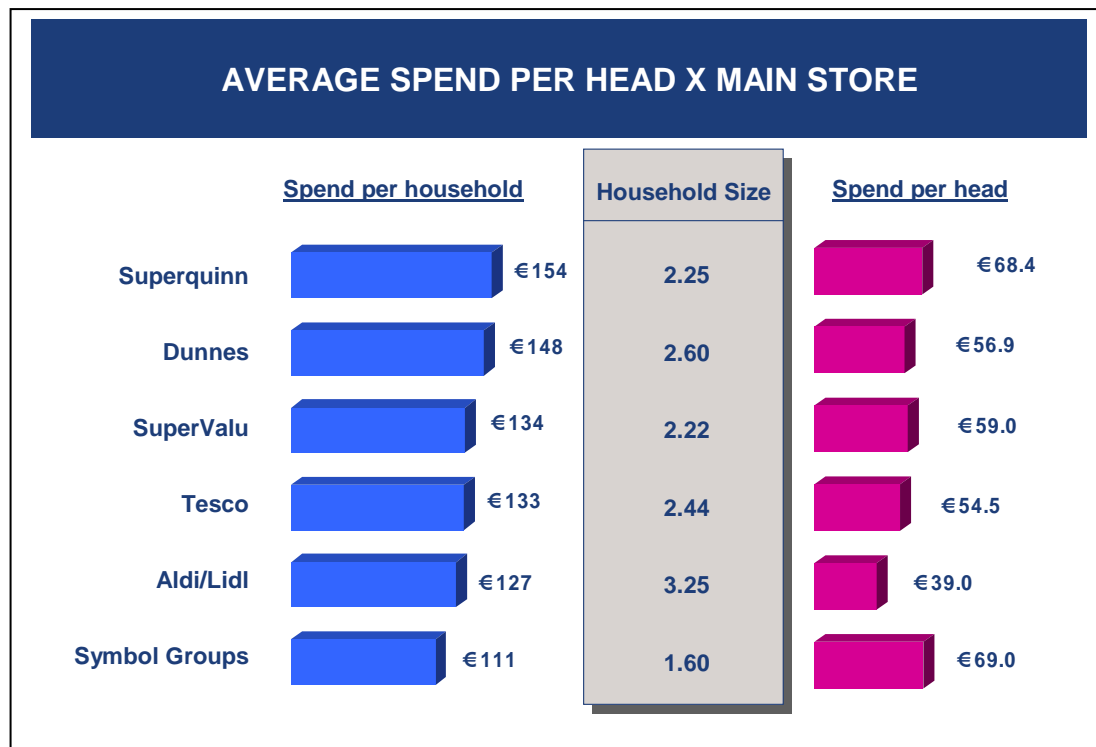
Superquinn and Dunnes Stores tend to have above average levels of spend. The spend level per household is about average in SuperValu and Tesco while spending in Aldi/Lidl and Symbol Groups tends to be below average.

In this chart we have compared the average spend per household for this year with the average over the preceding four years.

The overall average increase in grocery spending over that time has been 6%. Most stores have had increases which line up with that general average

increase: Dunnes is the one exception in this regard. Aldi and Lidl seen to be containing their increases well within the norm.

Of course, there are a number of factors that influence these patterns of spend. One of the major points of difference arises because of the popularity of different outlets with different categories of consumers. One key classification in this context is that of household size. If one divides the average amount spent per household by the typical household size, one can arrive at a better estimate of the average spend per individual consumer. This is done in the following chart:

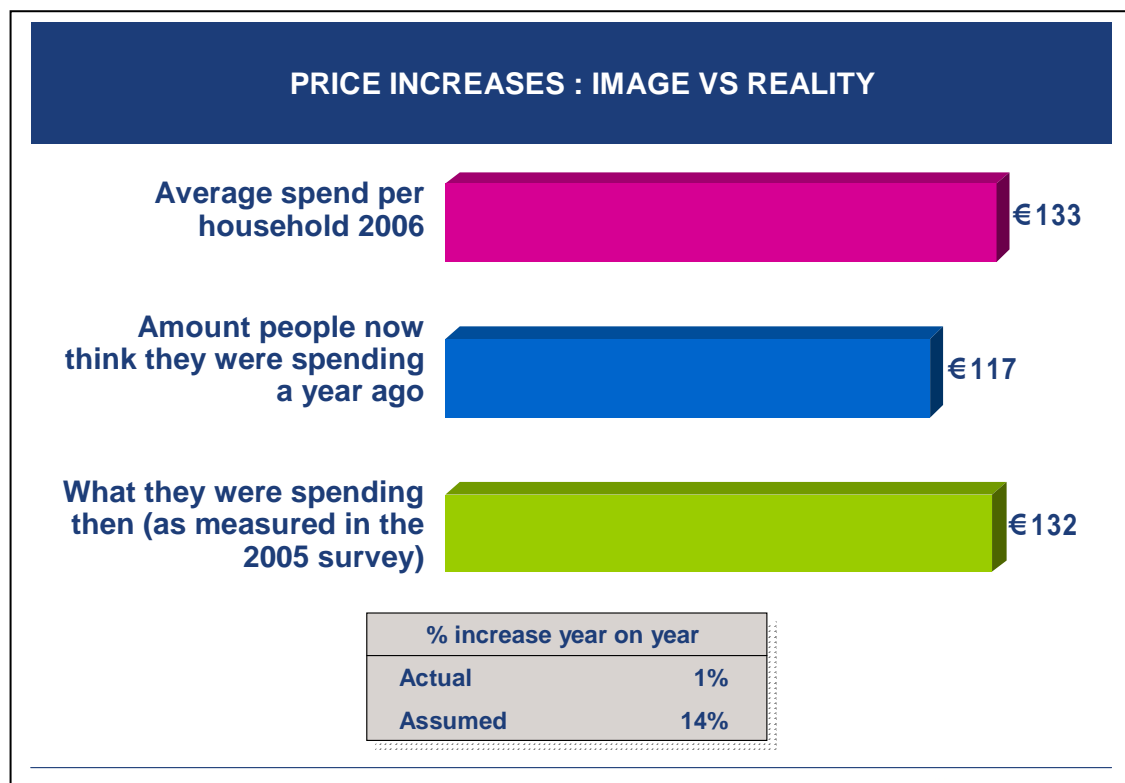


Superquinn and the Symbol Groups are the stores with the highest overall expenditure per person. In the case of the Symbol Groups, one can see that these stores tend to be used by much smaller than average households.

Aldi and Lidl represent the opposite end of the spectrum. They tend to be popular with much larger than average households so that the spend per individual for Aldi and Lidl is, relatively speaking, quite low.

1.3 A continuing conflict between perceptions and reality

One of the interesting phenomena which has emerged in this series of surveys is the gap which exists between actual increases in household expenditure on groceries and people's perceptions of those increases. This pattern has recurred in this current year and is illustrated below:

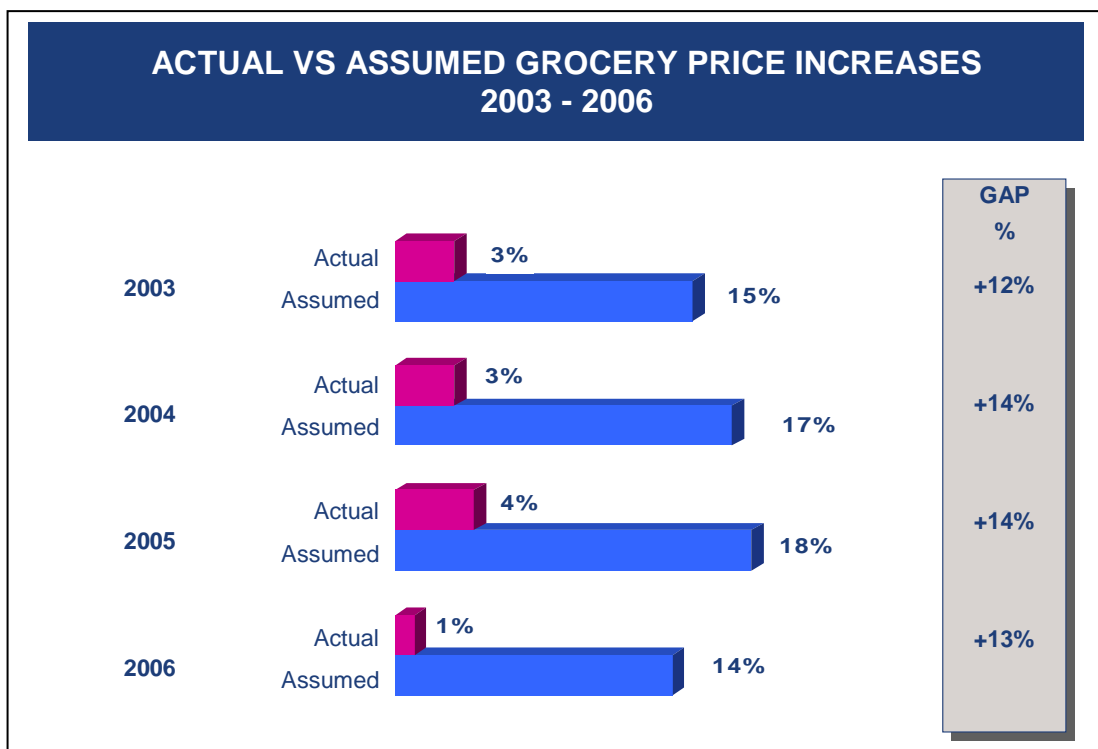


As we saw earlier, the average household spends about €133 per week on groceries. When we ask those shoppers how much they think they were spending a year ago, their average estimate is €117.

However, if we check back to last years' survey we can establish that the real figure then was €132.

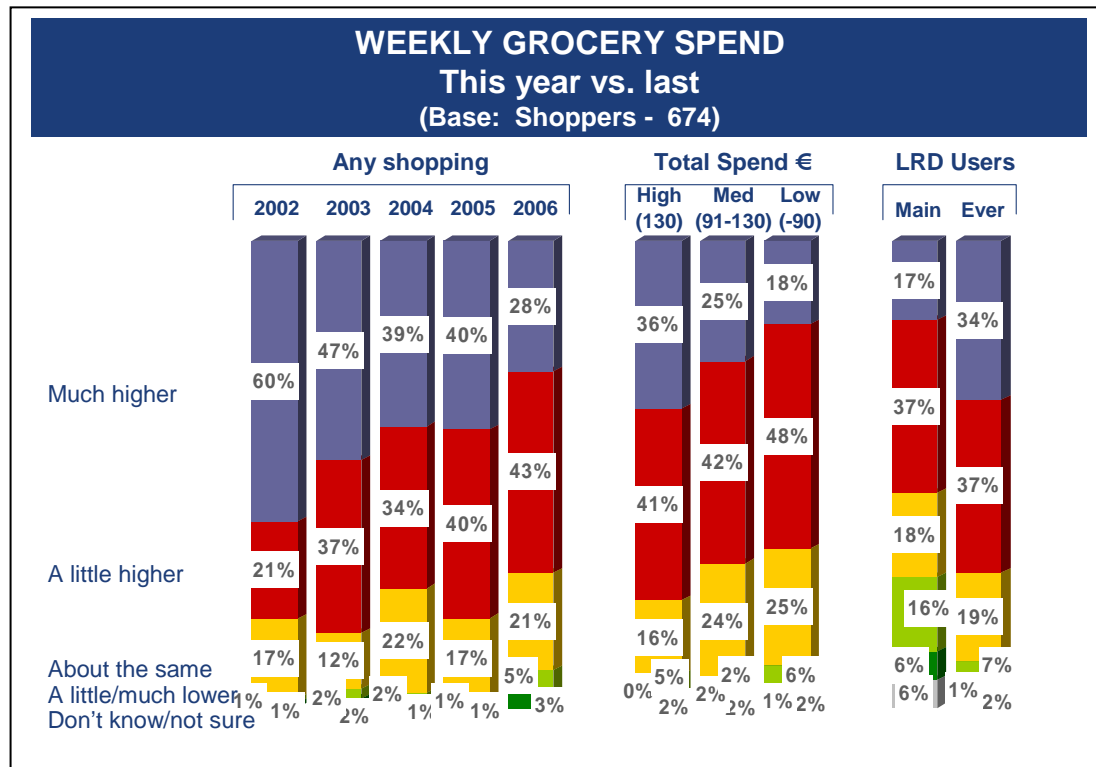
The overall implication therefore is that grocery price spending has increased by only 1%, but people assume that it has gone up by 14%.

This kind of disparity has been evident in each survey in this series as is shown here:



The gap between perceptions and reality is remarkably consistent from one year to the next. The implication of course, is that people think that their grocery prices are rising much more quickly than really is the case.

That impression is confirmed if we ask people a direct comparative question. Comparing this year with last year, do people feel that they are spending more or less than the previous year? The evidence is quite stark



Over each of the past five years people are convinced that their grocery expenditure is rising quite sharply. The one comforting indicator is that the proportion who are classifying the increase as “much higher” rather than “a little higher” is beginning to shrink over time.

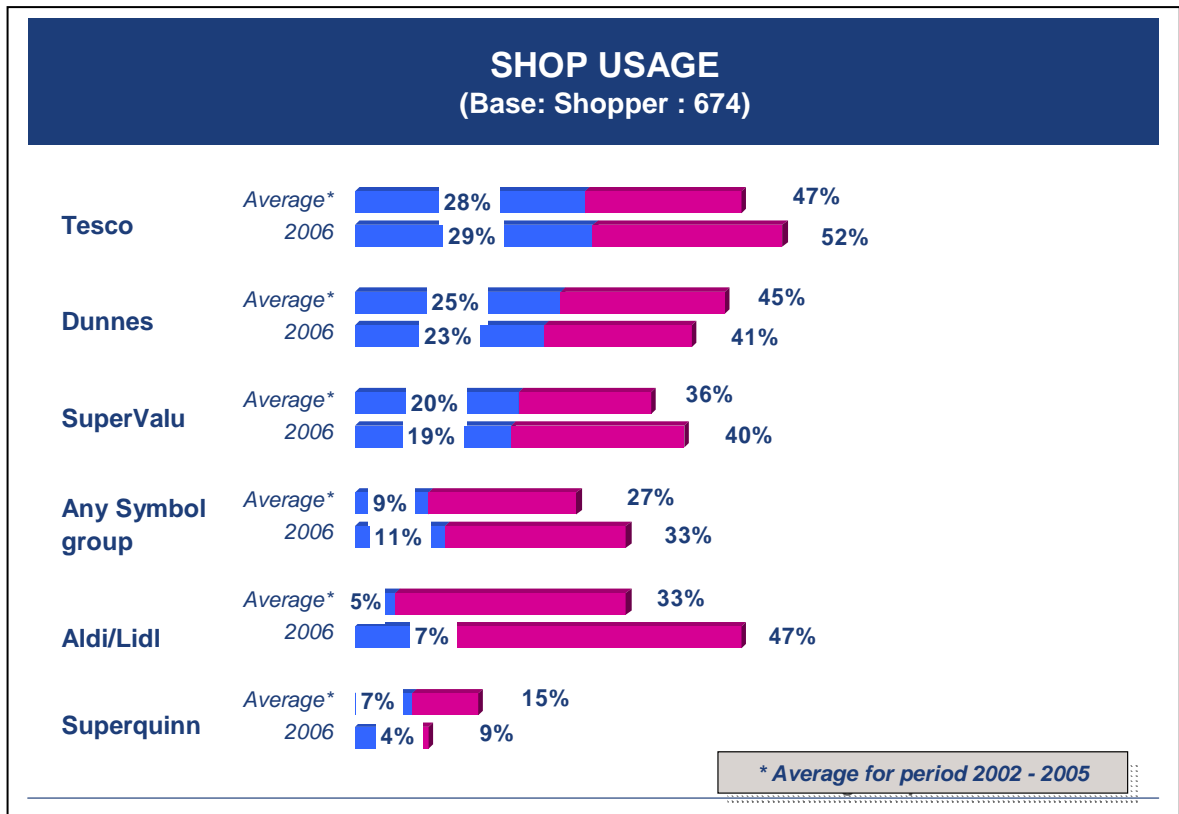
As we have seen in the past, people who spend above average amounts on their grocery shopping tend to be most convinced that prices are escalating ahead of inflation.

Limited Range Discount users (people who ever use Aldi and Lidl) are not very different from the average consumer in this respect. However it is noticeable that people who use Aldi or Lidl for their main grocery shopping feel they are faring better than most in escaping the worst consequences of significant grocery price increases.

CHAPTER TWO

STORE USAGE

The reported level of usage of individual stores (either occasionally or regularly) in 2006 is broadly in line with the average levels reported in earlier years.

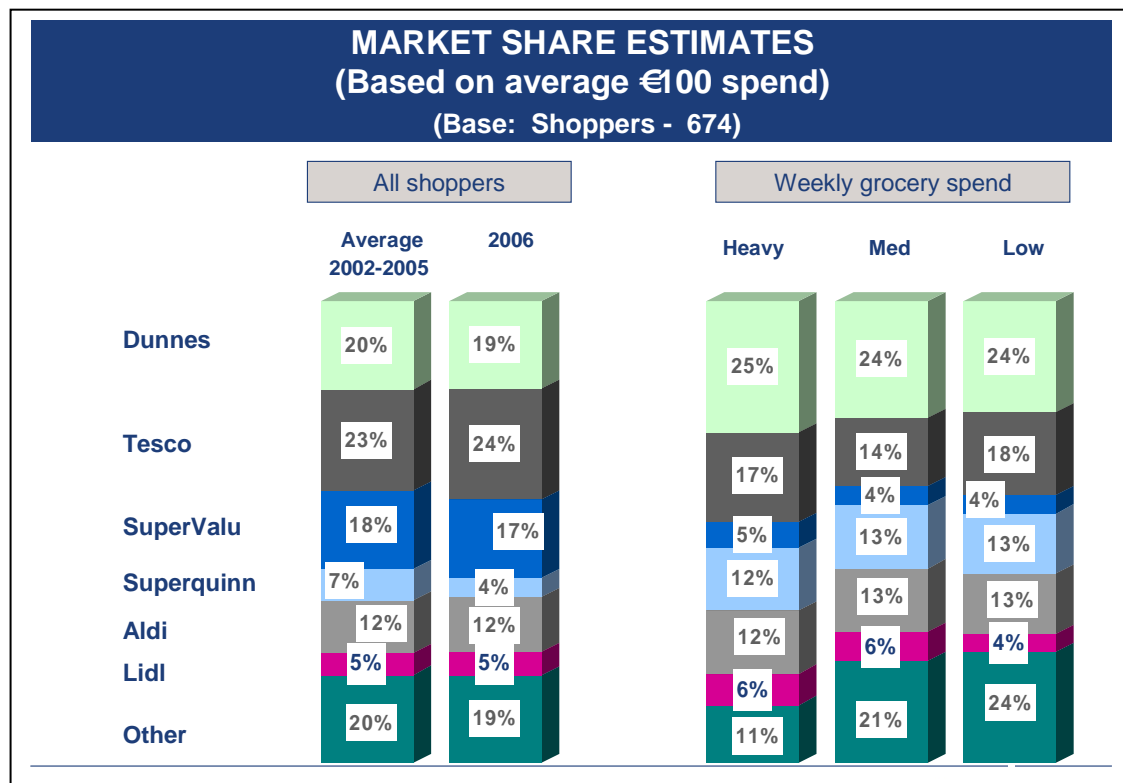


The stores that seem to be faring slightly better than average currently are Tesco, Symbol Groups and, most especially, Aldi and Lidl.

The implications are that the LRD phenomenon has not peaked as yet.

2.1 Market Share Estimates

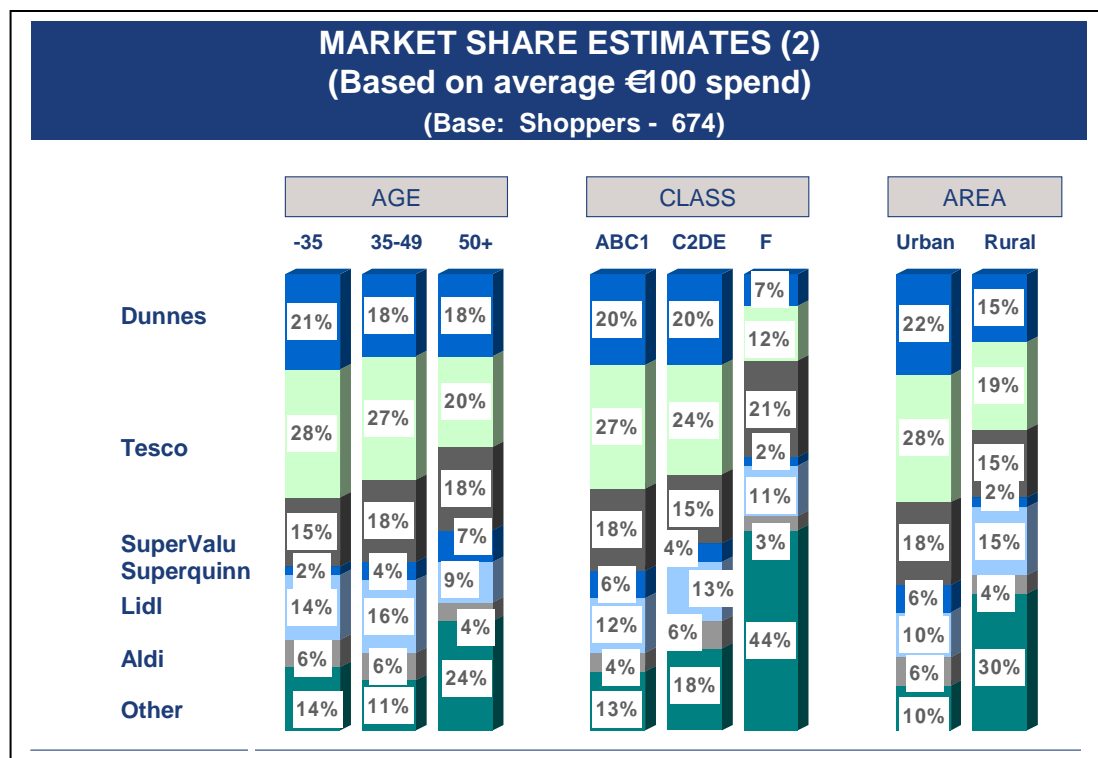
This evidence is corroborated by the market share estimates derived from the survey work. In this survey, as in earlier ones, shoppers were asked how much, out of every €100, they spend on groceries, would they spend in each of the main retailers. The resultant estimates are summarised below drawing comparison between the 2006 data and the average for the preceding four years.



The estimates and the movements compared to the long term average, all line up with the reported store usage information summarised earlier. The estimated market share on this basis for Aldi and Lidl combined is 17%, double the figure reported in the first survey in 2002.

Aldi and Lidl seem to fare equally well with spenders at all category levels, heavy, medium and light. This is broadly in line with most retailers although it is clear from this survey, as in earlier projects, that Dunnes Stores fares particularly well with people whose grocery spend is higher than average. This links to the popularity of Dunnes Stores with larger than average households (as described earlier). The implication is that the overall market share for Dunnes is probably higher than indicated by the average pattern of responses. In other words if one took into account the atypically higher spend in Dunnes Stores this would boost their market share.

We continue this market share analysis, considering the implications for other demographic variables, in the following chart.



Tesco continues to show particular strength among younger housewives from middle class and urban backgrounds.

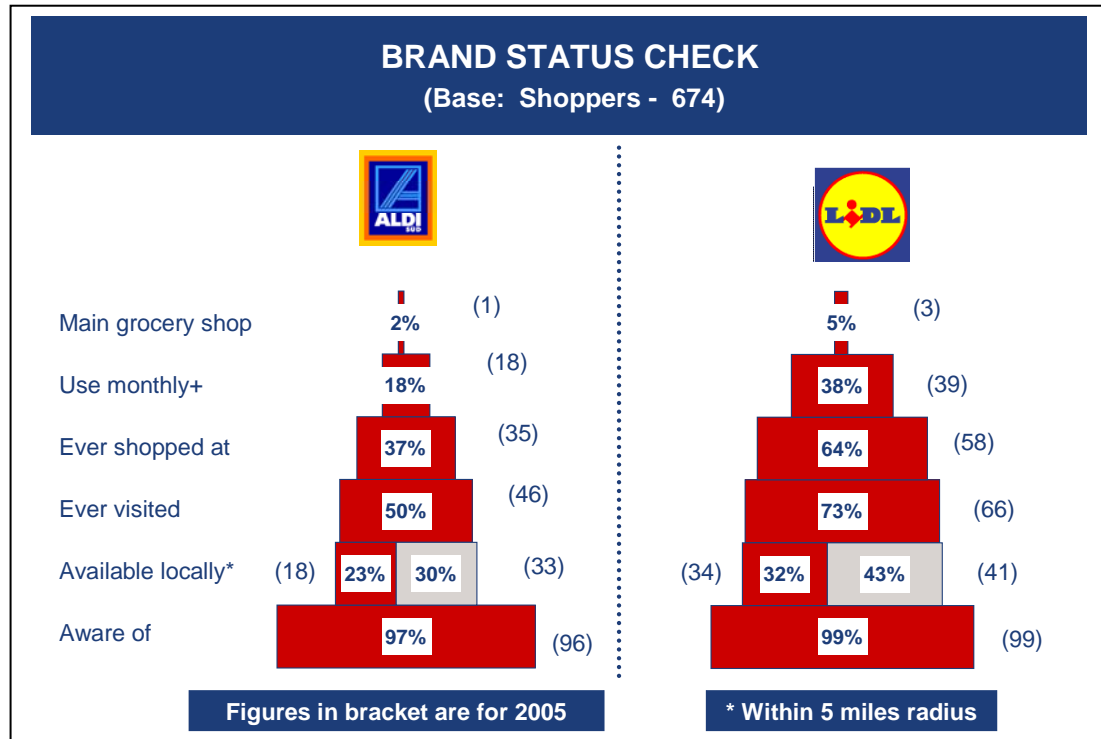
Dunnes' appeal is more evenly spread in age and social class terms (with the exception of the farming section).

SuperValu continues to have a slightly older appeal and performs best among middle class people and those from farming backgrounds.

The particular strength of Aldi and Lidl tends to lie among housewives in the 35-49 age group (those with children) with a slightly greater strength evident among working class than middle class consumers.

2.2 Aldi/Lidl – Brand Status Check

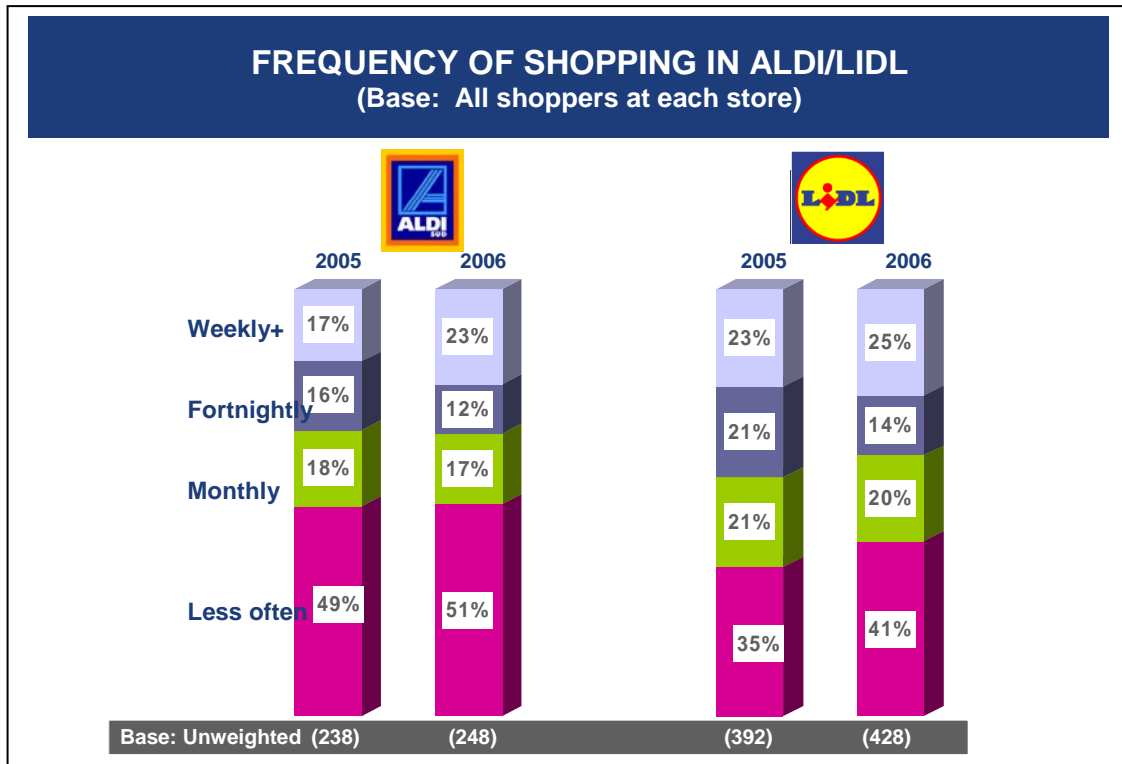
The following chart summarises the key indicators in the performance of Aldi and Lidl for 2006, with figures for 2005 shown in brackets.



It is clear that the two chains of stores have built up high levels of awareness, salience (availability) and trial. These performance indicators are continuing to grow, particularly in the case of Lidl.



The indicators are that the numbers of shoppers using these stores on a monthly basis is beginning to stabilise but, within that, the numbers who are choosing them as their main store for grocery shopping are continuing to increase.

That evidence is confirmed if we look at the reported frequency of usage among Aldi and Lidl trialists.



The proportion of all users who use these stores weekly or more often is continuing to rise.

It is also the case that shoppers who use these stores buy a wide range of items in them as can be seen here:

ITEMS BOUGHT ON LAST VISIT (1) (Base: All shoppers at each store)		
		
Base:	409	225
	%	%
Household cleaners	47	41
Fresh fruit & veg.	43	36
Toilet tissues/rolls	42	32
Toiletries	42	34
Biscuits	36	27
Detergents/washing powder	33	30
Juices/fruit juices	31	19
Household products	31	30
Cheese	29	31
Frozen foods	22	21
Wine	21	16
Soft drinks	20	16
Cereals	19	19
Bacon/Rashers	18	17
Confectionery	17	11
Tinned fruit	16	13
Ice cream	16	14
Cakes	15	13
DIY items	15	16
Pasta/noodles	15	14
Beer	14	12
Sauces/ketchup	12	9

The range of items purchased continues in the following chart

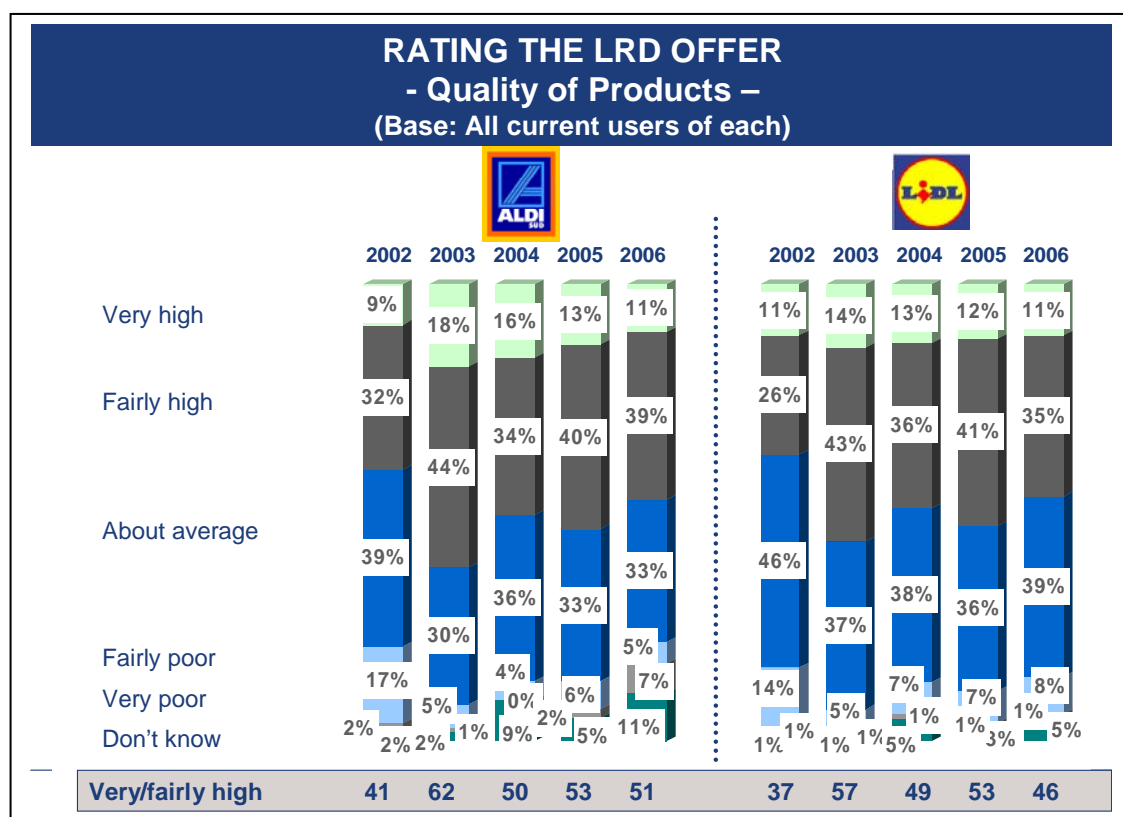
ITEMS BOUGHT ON LAST VISIT (2) (Base: All shoppers at each store)		
		
Base:	409	225
	%	%
Pet food	11	9
Pizzas	11	13
Fresh meat	11	10
Tinned food (other)	11	8
Squash/fruit squash/cordials	11	8
Nuts	11	7
Hardware	10	11
Electrical appliances	9	5
Chips	9	9
Tools	9	9
Frozen chicken	11	7
Desserts/chilled desserts	9	7
Rice/cous cous	8	7
Spirits	7	6
Flour	6	4
Pickles/chutney/relish	4	3
Footwear	3	1
Nappies	3	2
Furniture	1	3
Other	14	14
Not stated/dk	5	8

CHAPTER THREE

EVALUATING THE ALDI/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

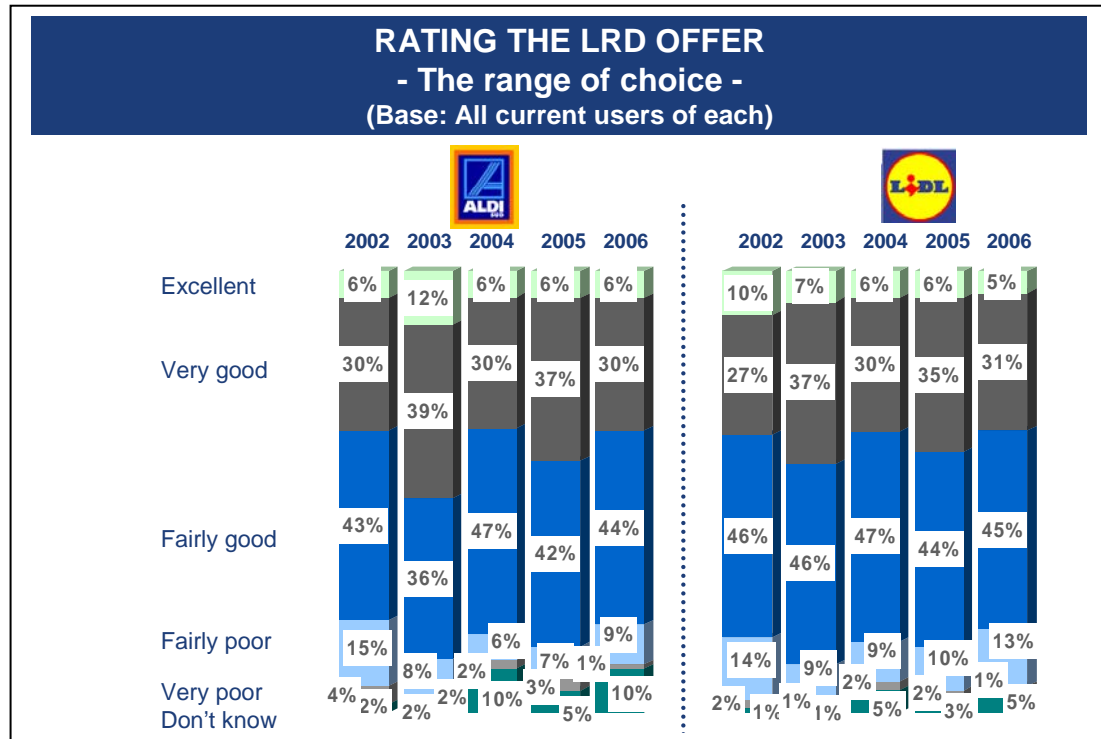
3.1 Quality of Product



The general pattern is similar for both stores. On their initial appearance in 2002, the tendency was to be slightly doubtful about the quality of items in these stores. That rectified itself very quickly in 2003. The assessments have fallen back to a slightly more stable pattern since then.

3.2 Range of Choice

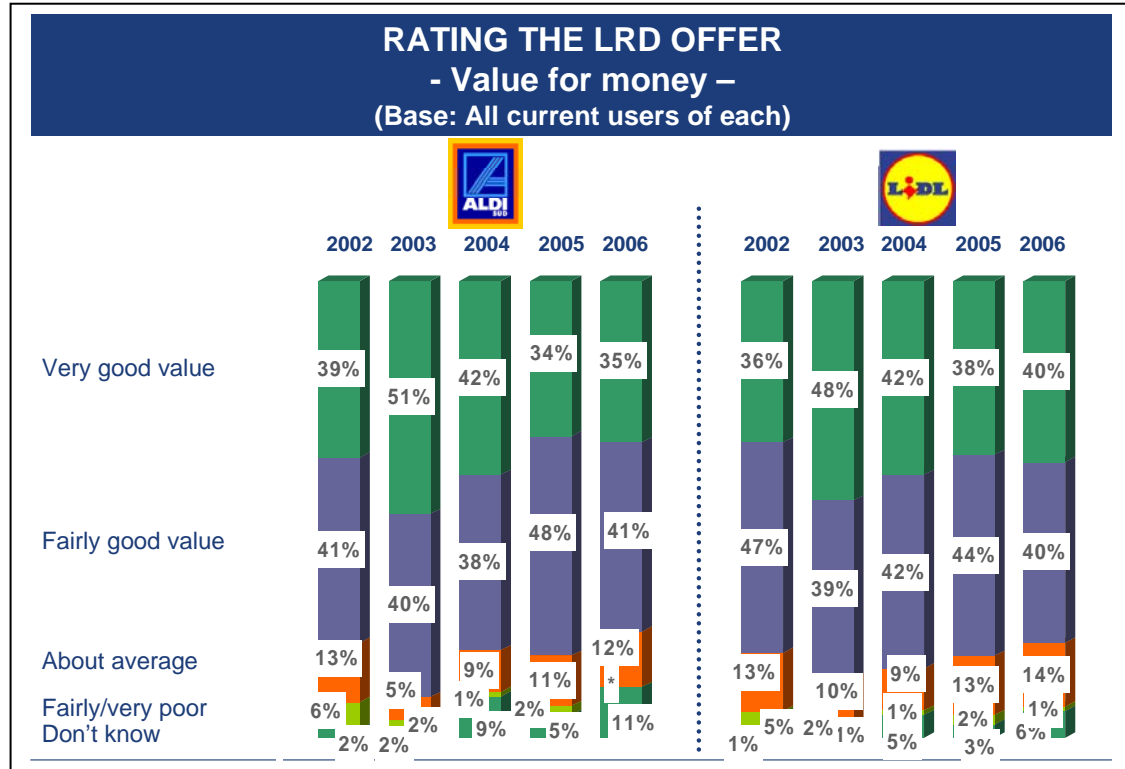
A similar pattern is evident in regard to ratings for range of choice



Over the past three years the average proportion of shoppers rating the range of products as excellent or very good has been close to 40%.

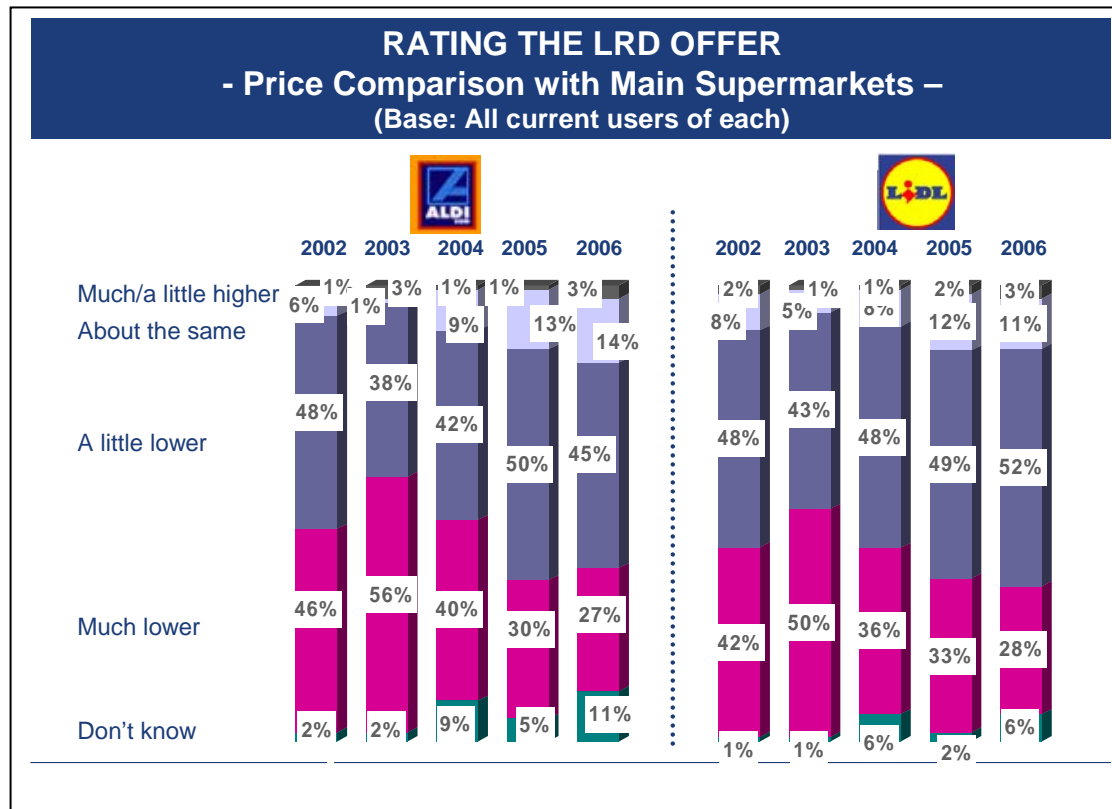
3.3 Value for Money

The value for money ratings in Aldi have slipped back very marginally in 2006. Those in Lidl seem to be holding up rather better as can be seen here:



3.4 Price vs. main supermarkets

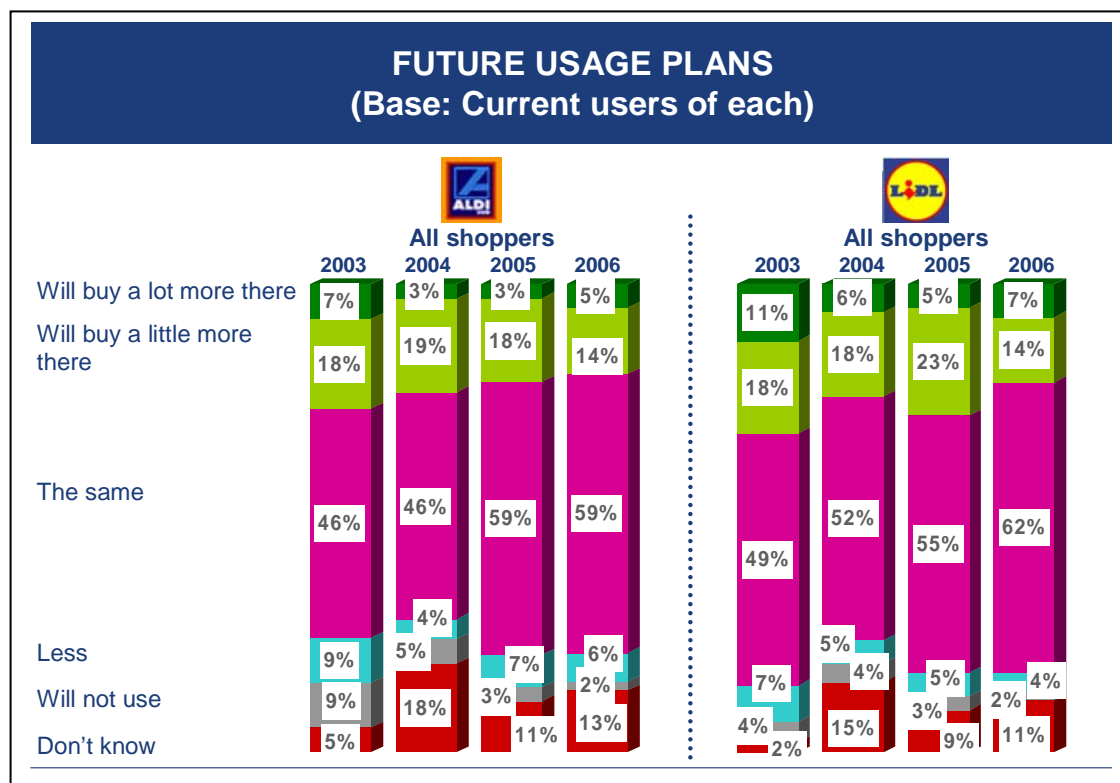
Whatever about the value for money assessments, it is clear that Aldi and Lidl continue to enjoy a reputation of offering lower prices than the main supermarkets.



The numbers who believe that they offer much lower prices have diminished since the “heady” days of 2003, but the overall price comparison ratings continue to be impressive.

3.5 Future usage plans

In each of the last four years we have measured people's future usage intentions in regard to Aldi and Lidl. The evidence, summarised below suggests that things may be coming towards a more stable pattern



The proportion of shoppers expecting to use the stores more often in the future are the lowest recorded in any of the five surveys. Correspondingly, the numbers who are expecting to use these stores at roughly the same level in the future are the highest recorded in any of the series – close to 60% for both LRD options.