

**NEW
REPORT**

LIDL & ALDI 2017

ResearchFARM



INSIDE:

Key questions
answered +
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ALDI & LIDL IN AMERICA

2017 Defense and offense

JUNE 2017

INTRODUCTION: ALDI & LIDL IN AMERICA 2017 - OFFENSE AND DEFENSE

The grocery industry is focusing on the online revolution and Amazon-Fresh. But, actually, a different format is outperforming the growth in the online channel and the total sector by quite a margin – the hard discounters.

Following that logic, Schwarz' CEO has mothballed the Lidl click & collect prototype in Berlin. He pointed to the UK, the most advanced online grocery market. The fastest growth, again more than 20% this month, is achieved by Aldi and Lidl.

So, while focussing on the long term, the digital revolution and transformation is of course the right thing to do, grocers shouldn't take their eyes off the ball. In the immediate here and now – the discounters are the real threat to top line sales and margins.

And now Schwarz Group's Lidl, the EU's biggest retailer by sales, is coming to America...



THIS REPORT...

- analyses the complex interplay between relentlessly optimised and standardised business principles, extremely lean ranges, leading to fewer production runs, leaner supply chains, less floor space requirements and fewer shop floor staff
- explains the strengths of a unique private label proposition that disables easy price comparison and often sets the bar in terms of quality/price ratios, winning accolades from consumer watchdog organizations
- shows how a honest and simple offer that builds long term loyalty and customer relationships founded on lowest possible price and highest possible quality works without couponing, special offers and loyalty cards
- demonstrates how a product centric discounter can outperform the leading customer centric retailers without much cutting edge technology, by operating according to the principle that less is more, reducing complexity and by flawless execution and timely exploitation of trends



FEATURED DATA

- All the financial data and KPIs, sales, stores, space and densities and market shares
- Special focus on Aldi US and Trader Joe's with detailed statistics
- Aldi's and Schwarz Group's global sales, stores, benchmarks, selling space, sales densities
- Aldi SKU level sales data versus Walmart
- US grocery and retail sales data and per capita spend, 5 years series
- Top 10 global retailers sales and analysis
- Includes pictures from store visits to the discounters new concept stores
- Development updates for Lidl's 2017 launch into the USA



BENEFITS

- ResearchFarm are the EU's premier experts on the discounters:
- Buy into decades of research and analysis into the two businesses
- Find out all there is to know about their operational similarities and differences and their growth potential
- Understand the new competitive threat and how other retailers will be caught in a strategic trap
- Educate yourself about the least understood business model in grocery retailing
- Deep insights into Schwarz Group's strategy for Lidl, an exploration of key components of Lidl's overall strategy
- Appreciate the challenges facing Lidl in making a transition from a limited discounter into a full line service grocer
- Understand what the new concept store strategy is all about from front to back end
- Historic data and precedent from the EU markets show exactly:
 - 1) what will happen in the US
 - 2) what mistakes will be made
 - 3) give a good indication of how far the discounters' triumphant march across the US grocery sector will go

Schwarz: sales 2010 -17, total & domestic growth, domestic share of total

Table 5

Year to February	Net Sales €bn	Growth %	Domestic Sales €bn	Growth %	Domestic share of sales %
2010	54.4	5.4	27.2	2.3	50.0
2011	58.8	8.1	28.0	2.9	47.6
2012	62.4	6.1	28.6	2.1	45.8
2013	67.2	7.7	29.7	3.8	44.2
2014	74.0	10.1	31.0	4.4	41.9
2015	79.3	7.2	32.0	2.2	40.4
2016	85.7	8.1	32.5	1.6	37.9
2017	90.2	5.3	34.0	4.6	37.7

As a privately owned company, Schwarz makes only limited financial information available. The company has reported impressive sales growth over recent years with annual growth rates in its foreign business running in double digits for a number of years. Its international operations contribute especially strongly, with sales growing at a faster pace than in Germany.

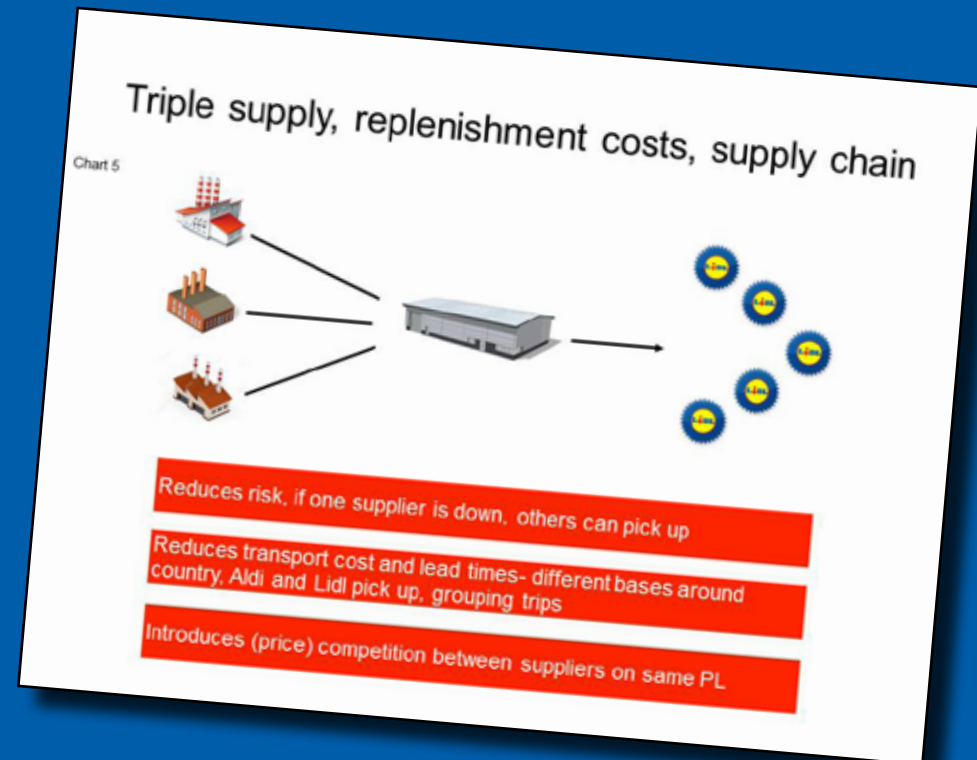
In its financial year 2016/17 the Schwarz Group's total revenue grew 5.3% to €90.2bn (net basis), which considering the high base is remarkable. Schwarz is leaving all store based grocers in the dust. Within two years Lidl and Kaufland have generated an additional €10bn and an end to growth is not in sight. The distance to competing retailers is getting greater by the day.

In 2016 Schwarz (Lidl und Kaufland) became the EU's biggest retailer by net sales with almost €80.0bn, outpacing Carrefour. Net sales of €79.3bn in 2014/15 meant 7.2% growth or in absolute figures €4.9bn in a single year. The Schwarz group has the financial muscle to drive the business forward, with a equity ratio of 30% in 2015. The business then employed 350,000 people.

Over the next two years Schwarz-Gruppe plans to generate another €11.0bn and to smash the €100bn in sales barrier. Crucially the turnover target should be achieved without a rise in staff numbers in the administration. The investment budget for the entire group will be €7.0bn this year, another record high.

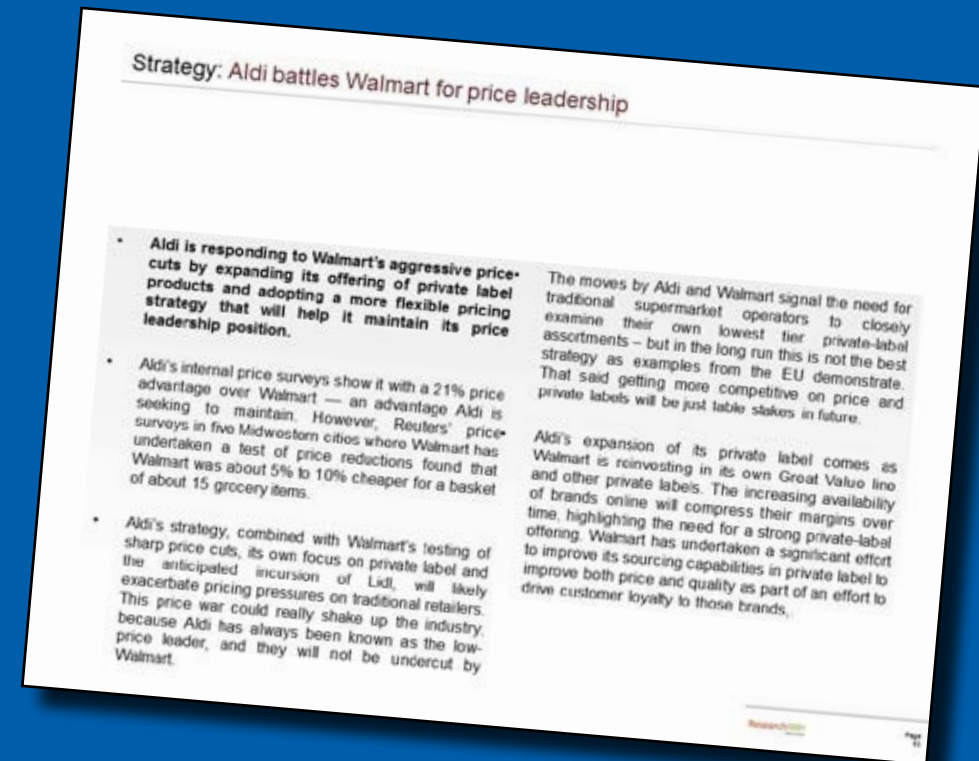
KEY QUESTIONS ANSWERED 1/2

- What will be the ultimate size footprints of Aldi and Lidl in the USA?
- Will Aldi and Lidl settle more in urban, suburban, or rural markets?
- What have been the biggest hurdles and learnings for Aldi?
- Is Aldi a complementary trip, or a competing one, vs. Walmart?
- What will be the biggest differences between Aldi and Lidl in the U.S.?
- Who is most at risk to lose market share to Aldi and to Lidl?
- What could be the ultimate market share for Aldi and Lidl?
- Do Aldi and Lidl have the right management teams?
- What are the most effective defense tactics from competitors of Aldi?
- How close in price does Walmart needs to get vs. Aldi?
- What customer is Lidl targeting?
- What are grocers doing to prepare for Lidl's East coast expansion?
- What are Aldi and Lidl doing on the e-commerce side?



KEY QUESTIONS ANSWERED 2/2

- Why did Lidl decide that now was the right time to push into the US?
- How many US stores will Aldi and Lidl operate five years out?
- Will Aldi or Lidl ever become a leading player in any metro market?
- How are Aldi and Lidl funding their growth?
- Will Lidl's entry have a better chance of success than Tesco?
- **What should FMCG companies do? How should they prepare?**
- **What will be the impact on Walmart, Kroger, Ahold Delhaize and others?**



METHODOLOGY

ResearchFarm are retail research & analysis experts with an in-house analyst team covering all major retail sectors. We pride ourselves on strong relationships with leading retailers and our proprietary in-house data. The company is well known for its culture of high quality analysis and independent opinion backed up by robust data.

We use company accounts, retailer contacts, consumer research, trade associations, government statistics and historical data to arrive at our market sizes.



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