

Lidl rethinks US strategy after challenging opening months: PlanetRetail RNG

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Lidl's US expansion – its first outside of Europe – has not gone as smoothly as the retailer would have liked, with expansion plans now being scaled back. A new report from Planet Retail RNG explores what this means for product suppliers, and how the retailer is exploring grocery delivery to boost performance.



"Lidl's promise to "change the way the US shops" has failed to materialize in the first few months since launch," explained Planet Retail RNG in its Lidl: Omnichannel Retailer Report.

"The rate of expansion has slowed while Lidl re-evaluates its network locations and store proposition. Competitors such as Walmart have lowered prices in local catchments to successfully compete against Lidl openings."

Scaling back the US plans

Lidl entered the US retail market last summer, [with neighboring retailers responding by slashing prices](#). Data from [The Hartman Group last year](#) showed that Lidl – part of the Schwarz Group and Europe's largest retailer – was undercutting the competition by as much as 39%.

Lidl opening 20 stores across North Carolina, South Carolina and Virginia during late summer and early fall 2017, with initial plans to open another 80 to this network by mid-2018.

However, Schwarz Group CEO Klaus Gehrige told [German publication Manager](#) last month that the company will slow down the pace of store openings in the US in 2018, with just 20 stores lined up to open this year. Gehrige also stated that he was hopeful that the retailer would ultimately be successful in the US by reverting to the company's "old virtues".



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These “virtues” include smaller stores: Lidl’s initial US strategy was a break from its European model, according to analysts at Bernstein. Lidl US stores – with a larger footprint (20,000 vs 10,000 square feet), larger range (up to 4,000 skus vs 1,000-1,500 skus) with a greater emphasis on organic, locally-sourced and free-from products, higher-traffic locations and higher-quality fixtures and fittings (timber) – cost more to operate.

“In December, Lidl began searching for smaller stores between 15,000 and 25,000 square feet, more in line with its European format,” stated PlanetRetail RNG.

“This will have an impact on suppliers that are already working with Lidl, with anticipated volume gains now coming through much more slowly,” it adds. *“Competitors have also done a good job at competing effectively in neighborhoods where Lidl has opened. The highly anticipated ‘disruption’ has failed to materialize.”*

“US product assortment will be challenged - suppliers must focus on high volume SKUs as a priority as category space allocations are compromised,” it added. *“Exclusives and unique packs that support a curated range will benefit.”*

Food delivery

With the US proving to be a challenge, and American consumers increasingly attracted to home delivery services, Lidl has also partnered with Shipt to pilot a discounted grocery home delivery to almost 125,000 households around Greenville, South Carolina.

“Lidl believes it needs to test such a service or risk falling further behind rivals,” states the report.

Progress in Europe, partnerships in China

While the US remains a challenge, European expansion has continued at pace. In Sweden, for example, the retailer is developing a new concept that will embrace a foodservice experience, while the company has also introduced a short-term loyalty program in Ireland.

The retailer has also pursued an aggressive expansion plan in the UK, [and recently opened 5 new stores to take its UK total to 700.](#)

Lidl has also expanded into new European markets like Serbia, while Latvia and some of the other Baltic states are also a possibility in the future.

In China, the company has an online business presence, states Planet Retail RNG, through Tmall Global and JD.com. "Just a year after launching its store on Alibaba's Tmall, Lidl has opened a flagship storefront on Tmall rival JD Worldwide, the overseas shopping platform belonging to JD.com," explains the report. "The store sells snacks, drinks, health, beauty and personal care products comprising Lidl's European private label brands.

This matters because, while the Lidl brand is unknown in China, the *"links with Tmall and JD.com will help it build some understanding of the market and its consumers, helping it assess the potential for any future market entry,"* states the report. *"However, the move will not be significant in terms of sales."*

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