

Can promotional changes boost Lidl's fortunes?

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Jeff Wells



Lidl's price-meets-quality message has won over millions of shoppers in Europe, but it hasn't yet caught on with U.S. consumers. So the discounter is turning up the volume.

In recent months, Lidl has introduced numerous promotions aimed at reinforcing a key theme: it's not like other grocers. At the same time, observers noted the discounter has borrowed from its stateside competitors' playbooks by increasing its in-store price messaging and offering more deals on items like national brand products.

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"Lidl needs to drive traffic. They need to get more people into their stores," Bill Bishop, who closely follows the discounter as chief architect with consulting firm Brick Meets Click, told Food Dive.

As Lidl approaches its one-year anniversary in America, these marketing changes are among a few key adjustments the company has made to improve its fortunes. The company told Food Dive it remains committed to the U.S. market, but will U.S. consumers return the favor?

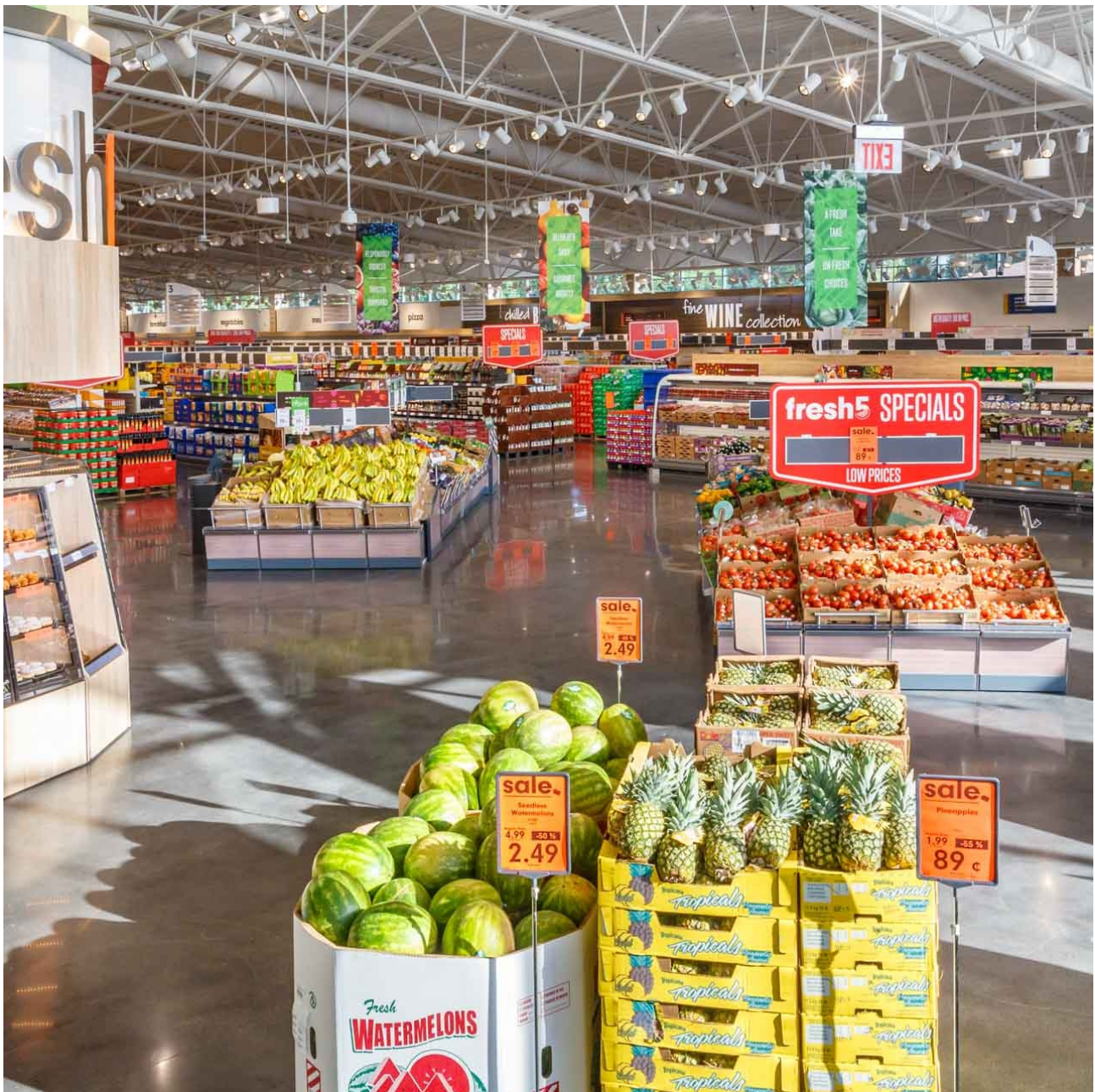
Playing up price

Lidl prides itself on the quality of its store brand products, with roughly 90% of its assortment made up of items it has carefully developed, tested and merchandised.

So it came as something of a surprise to industry observers when Lidl recently ran a store circular heavily promoting national brands like Coca-Cola, Kettle Chips and Bounty paper towels. The flyer, which ran from Thursday, April 26 to Wednesday, May 2, touted the more than 300 name brands the discounter carries, and offered “buy one, get one 50% off” offers on items like Knorr rice packets and Crest toothpaste.

Will Harwood, a spokesman for Lidl, told Food Dive the company’s circular and other promotional efforts won’t necessarily be name-brand focused going forward. He said the company focuses on a different theme with each of its flyers — organic foods, wine and barbecue-related products are recent examples — and said national brands were the focus that week. He declined to say whether or not Lidl plans to offer more mainstream brands in its stores.

“If customers tell us they want certain national brands, we will certainly be keen to bring those in,” Harwood said.



Credit: [Lidl](#)

But Bishop sees Lidl's name-brand promotions as a key development. The discounter, he said, has struggled to sway shoppers with its low-price private labels. Discounting well-known brands could bring more people into the stores where, ideally, they pick up some of Lidl's own products and get hooked.

Two weeks later, the company's circular continues to offer deals on several "brands you know" including Bisquick, Florida's Natural, Oreo and Betty Crocker.

"That's the reason to work with national brands — shoppers can compare the prices," Bishop said. "This sort of advertising significantly broadens the appeal of the Lidl circular."

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Research shows that getting shoppers to try its own brand products is a crucial step for Lidl. A survey from consulting firm Oliver Wyman found that 56% of consumers who had shopped Lidl said they would do so more often, compared to 39% who said so before stepping foot inside a store.

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Bill Bishop

Chief architect, Brick Meets Click

Lidl has shifted its promotions in other store categories, too. Last fall, as reported by Winsight Grocery Business, the company replaced its twice-weekly “Fresh 5” promotions with weeklong specials offering discounts on at least six perishable items. A recent example included specials on guacamole ingredients — including avocados, tomatoes and onions — along with black Angus ground beef and strip steaks.

Stewart Samuel, program director with IGD Canada, said in-store price messaging has also increased since Lidl first opened its doors in the U.S. During some recent store visits, he noticed more pricing signage on freezer doors, endcaps and shelves, along with an uptick in deals like “buy two, get one free.” Price messaging was particularly intense in the bakery, wine and baby categories, which all tend to be destination categories for high-spending consumers, Samuel said.

“There’s a lot more focus on that price differentiation,” he told Food Dive.

In addition, Samuel noticed signage with customer comments gushing about Lidl’s low prices. In one, the phrase, “Love the prices and love the quality” is highlighted in red.

“It was bringing more of a human face to some of that messaging,” Samuel said.



Credit: Stewart Samuel/IGD

Meet the Vanhills

Earlier this year, Lidl introduced U.S. shoppers to the Vanhills, a fictional grocery dynasty that embodies the conventional retailers Lidl aims to disrupt. In a series of television ads, members of the family laughed about the hidden costs of supermarket retailing, including staffing a butcher in the meat case.

"They're wasting your money," the commercial's narrator says before noting that at Lidl, customers aren't "paying for the guy behind the counter," which keeps meat prices lower.

The ads, Harwood said, reinforce a contrast Lidl has tried to hammer home since it first entered the U.S market, and that's summed up in its tagline, "Rethink grocery." They also underscore Lidl's ability to challenge competitors on pricing, he said. According to a study from the University of North Carolina's Kegan-Flagler Business School, Lidl's entry into a new market prompts other grocers to drop prices by an average of 9.3%. The study, which was funded by Lidl but carried out independently, also found that retailers steeply discounted staples, including a 55% average drop on milk prices.

But Lidl hasn't converted this price disruption into an advantage. Sales and store traffic have been coming in below expectations, according to sources, and store plans have been scrapped or put on hold. Lidl recently opened its 50th store, and will come in well short of the 100 locations it hoped to open by its one-year U.S. anniversary. Harwood declined to say how many stores the grocer plans to open this year.

Viewed another way, the findings from the University of North Carolina indicate Lidl's competition was ready to compete on price.

"Lidl has probably underestimated the highly competitive U.S. market, which is in an intense price war at the moment," read a recent story from Retail Detail Europe, a trade journal based in Belgium. "Amazon's Whole Foods acquisition has only made the market even fiercer."

Harwood said that Lidl remains agile and responsive to consumer demand. In addition to its marketing evolution, the company has made its real estate strategy more flexible. It's now looking to lease store locations in addition to buying, and plans to build stores that are 10,000 to 20,000 square feet smaller than its current U.S. prototype. This move, Harwood said, will allow Lidl to penetrate more high-density markets.

Analysts say these new stores will match Lidl's European store size, putting it on more familiar ground.

"It signals closer ties to what they're doing in Europe," Samuel said. "That'll bring more efficiency and a lot of cost benefits"

Lidl may need to make further changes. Neil Stern, senior partner with McMillanDoolittle, recently told Food Dive that the discounter stocks too much general merchandise. It's a practice that works in Europe, he said, but U.S. consumers are used to buying general merchandise from other retailers and don't seem to know what to make of Lidl's assortment here.

The discounter could also benefit from playing up its fresh assortment and food expertise. In Europe, Bishop noted, Lidl is seen as a culinary innovator, while in the U.S. it's primarily promoting around price. Meanwhile, a [recent report](#) from The Hartman Group recommended the discounter increase its assortment of premium fresh products.



Credit: [Lidl US, LLC](#)

Bishop believes Lidl hasn't done enough to convey that quality-meets-price proposition to consumers. Having achieved so much success abroad, it may have assumed U.S. customers would see the value in its approach and gravitate towards stores, he said.

"They're unable to accept that somebody doesn't see the quality in their product," Bishop said. "It runs too counter to their belief system."

Getting more shoppers into its aisles will be a challenge, but if Lidl can effectively drive trial and play up, consumers may finally come to appreciate what's made it a worldwide hit, he said.

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