

# Report: Center store helped grocers battle Lidl

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## Dive Brief:

- Grocers positioned near Lidl stores utilized pricing promotions and their name brand product selections to battle the discounter, according to a report from Catalina. Center store products accounted for 7% of total sales declines at more than 80 grocers situated within three miles of Lidl stores, while produce, beer and wine accounted for 60% of total sales loss. Meat, seafood, deli and bakery items accounted for 33% of sales declines, according to the study, which tracked 83 competing grocers surrounding 30 Lidl stores for 16 weeks after those stores opened.
- Sales at these competing grocers declined 6.8% and 6% in months one and two following Lidl store openings, but only by 2.7% and 1.9% in months three and four. Overall, incumbent grocers saw sales dip 4.3% while trips fell 3.6% and shoppers dropped 5%.
- Hispanic, African American shoppers and those with families of five or more were the most likely to shift their spending to Lidl, according to Catalina. Despite Lidl's reputation as a millennial destination, the report found younger shoppers were only slightly more likely than average to favor Lidl over competing grocers.

## Dive Insight:

It's well established by now that Lidl failed to lure as many shoppers away from incumbent grocers as it would have liked. But there haven't been many detailed looks at how, exactly, those competing supermarkets have repelled the discounter's U.S. invasion to date.

It turns out old habits die hard. Despite declining sales in center store and rampant reports about brand disloyalty, all those packaged soups, cereals and sodas are still what keep many American shoppers coming back to their local grocer week in and week out. Lidl may have promoted its ability to “Rethink Grocery,” but it seems a lot of shoppers aren’t yet willing to do that.

Overall, name brands, which account for 71% of total sales, represented 42% of lost sales at grocers located near Lidl stores, Catalina found. Fifty-eight percent of lost sales, meanwhile, were private label products, which represent 28% of total store sales.

“These are very initial findings, but they suggest that name brands represent a competitive advantage for traditional grocers ... when competing with retail models that emphasize private labels,” Marta Cyhan, Catalina’s head of marketing, wrote in an email to Food Dive.

According to Catalina research from earlier this year, center store touches 81% of consumer store visits and drives 60 trips per year. And although some categories have gone stale, others like sparkling water and low-calorie ice cream are seeing a surge in innovation, with sales growing as a result.

So reports of center store’s demise may be premature at this point. But Lidl also has itself to blame for its underwhelming performance in the U.S. Observers have noted that locations are sub-optimal in many areas, while the stores themselves are overbuilt. According to a report last year from The Hartman Group, Lidl didn’t put enough muscle behind perishables promotions.

The company has acknowledged its shortcomings at the highest level and is making changes. It’s adding smaller stores closer to its European box size to the mix and is now leasing as well as buying locations. It’s also mixing up its promotions, including what observers have said is a bigger emphasis on national brands. Given shoppers’ preference for these brands at competing stores, this could be just the ticket for higher sales.

Some of the Catalina report’s findings are very favorable to Lidl. It’s popular with large families and with heavy spenders that aren’t loyal to one supermarket. The discounter also seems to strike a chord with Hispanic shoppers, whose pullback on spending at incumbent grocers was twice the average. The U.S. Hispanic population, currently at 54 million, is expected to double over the next 40 years, and research shows this group spends significantly more on fresh products.

Other reports have expressed optimism in Lidl’s approach, despite its rough start. A consumer survey by Oliver Wyman found that Lidl inspires considerable loyalty among regular customers, while consulting firm Brick Meets Click reported earlier this month that consumers are coming around to Lidl’s price-meets-value proposition and are increasingly likely to recommend the discounter to others.

Lidl may have stumbled out of the gate, but it’s changing its game plan and remains a significant threat to competing grocers.

## Recommended Reading:

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