

Category Plan for Baked Bread in Lidl:  
Report #2: Assessment of Retailer & Catchment Area

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## National Marketing Strategy

Lidl, a global discount supermarket, has 3 distribution centres, 162 stores and 4,300 employees in Ireland (Corporate.Lidl.ie, 2019a). The grocery industry in Ireland is a very competitive field. Lidl provides a large range of products that are low in price and high in quality (McGee, 2017). 70% of their products are sourced within Ireland (Lidl.ie, 2019b). Lidl believes it's their responsibility to source locally, ethically and sustainably, while providing value without compromising quality (Lidl.ie, 2019b). They partner with local farms and suppliers to for their private-labeled goods (Marketing91, 2019). The partnerships with local farms and suppliers allow Lidl to implement a penetration pricing strategy, selling products at lower prices than their competitors in the discount grocery sector (Marketing91, 2019).

Sian Gray, Lidl's head of marketing, stated their mission in Ireland is “to deliver [their] brand promise and disrupt the grocery market in Ireland by delivering quality products at the most competitive price” (McGee, 2017). Lidl’s vision is to enhance customer satisfaction through the value of their products, services, and relationships with their customers, suppliers, and local community (Lidl.ie, 2019b). Lidl emphasizes customer in-store experience with their bakery. The bakery is the leading influential factor for customer satisfaction, providing Lidl with a unique competitive advantage to satisfy their customers (Shopper Intelligence, 2019).

## Local Marketing Strategy

### **Target Market**

Lidl targets price-sensitive consumers who have limited spending budget but want fresh, quality groceries (Marketing91, 2019). *Shopper Intelligence* (2019) compared Lidl to Aldi shoppers; while Aldi customers are more loyal to Aldi as their main grocer, Lidl attracts more top-up shoppers through pre/in-store promotions. Lidl shoppers are more likely to purchase extra when on sale, and even spend more time in-store on occasional visits, looking for new products to try (Shopper Intelligence, 2019). Customer loyalty is driven by the bakery and fresh categories (Shopper Intelligence, 2019). Customers have indicated that they pre-plan and know what they want before coming into the store for the bakery (Shopper Intelligence, 2019).

## **Positioning Strategy**

When Lidl was first introduced in the industry, they were perceived to be cheap and foreign (Chemistry and Media Works, 2016). This essentially gave Lidl a weak brand image, leading consumers to believe that the store equated to low quality and bad service (Chemistry and Media Works, 2016). In reality, Lidl's products were actually high quality, according to consumer taste testing conducted (Chemistry and Media Works, 2016). Causing Lidl to head in a new direction when it came to positioning themselves in the market by creating a new brand image and implementing a strong brand communication platform (Chemistry and Media Works, 2016). Lidl decided to head in a more quality-focused direction versus the hard discounter approach (Bhasin, 2019). Along with their good quality, low-price strategy, Lidl aimed to be more customer-centric (Bhasin, 2019). Lidl successfully did this through the combination of both below-the-line and above-the-line marketing strategies building their brand while also focusing on attracting customers inside Lidl locations and improving in-store experience (Bhasin, 2019). Their efforts enhanced the quality perceptions amongst consumers, increased loyalty, and resulted in a growth rate that was five times higher than the market growth rate (Chemistry and Media Works, 2016) (Kantar World Panel, 2019).

## **Market Share**

In 2018, bread led national sales of baked goods in Ireland with €442.6 million out of €648.7 million for the sector (Euromonitor Passport, 2018). Bread sales in Ireland have grown consistently since 2012, and forecasted to reach €497.7 million sales by 2023, with an annual growth rate of 4% (Euromonitor Passport, 2018). Against all national brands in Ireland, Lidl ranked 11th in company shares of baked goods at 1.4%, trending upwards. Besides Brennan Bakeries Ltd. (11.7%) artisanal and private-labeled goods dominate the market with 31.8% and 8.4% respectively (Euromonitor Passport, 2018).

## **Macro Product Range**

Lidl takes pride in being a fresh, healthy food discount supermarket (Corporate.Lidl, 2019a). They have an extensive product range, offering the following categories: meat, poultry, fish, fruits and vegetables, bakery, alcoholic beverages, beauty, baby, and the flower market (Lidl,

2019b). Lidl also provides for the health-conscious and environmentally-conscious consumers with their organic, fairtrade and gluten-free product lines (Lidl, 2019b). Refer to Figure 1 in the Appendix for the current store layout of Lidl in Carlow, Ireland.

## Service Levels

Lidl is open every day of the week, from 8am to 10pm on Mondays to Saturdays and 9am to 9pm on Sundays (Lidl.ie, 2019b). Lidl offers a wide range of fresh and frozen food, predominantly their own private label brands. They also provide household items, such as clothing, appliances, and gardening supplies (Marketing91, 2019). One of their most beloved services is their in-house bakery. Located next to the display shelves in this category is a bread slicing machine, which customers can use to slice bread themselves.

## Local Competition

1) Aldi is one of Lidl's biggest competitors. Aldi can be found in more than 6,200 stores worldwide, serving the European markets including Ireland and the United Kingdom, as well as the Chinese, Australian and American markets (GradIreland, 2019). Entering into the Irish market in 1999, they currently have 140 stores in Ireland (GradIreland, 2019); holding 10.8% market share, compared to Lidl at 10.5% as of January 2019 (Kantar World Panel, 2019). Aldi shoppers are 66% satisfied overall compared to Lidl shoppers who are satisfied 62% overall (Shopper Intelligence, 2019). Aldi only offers packaged bread products that are not made in store. Similar to Lidl, Aldi is known for their low prices because of their private label products (Tyler, 2018).

2) Tesco is currently ranked third in company and brand shares with 4.4% of the baked bread market, making it the largest competing supermarket brand (Euromonitor Passport, 2018). Alike Lidl, Tesco also has its own in-store bakery which offers similar products. Located in the centre of Carlow town, it is more easily accessible to those living and shopping in the area, making it a more convenient stop for weekly groceries. Tesco also sells products under their own private label (Food & Community Tesco, 2019). Their bakery section is located at the very back of the Carlow store, and includes both wall and table displays of bread loaves. Tesco holds 22.3% of the grocery market share (Kantar World Panel, 2019).

3) SuperValu, who holds 21.8% of the grocery market (Kantar World Panel, 2019), partners with Crotty's Bakery, who provides their baked bread products. Crotty's produces its own wide selection of fresh loaves, soda breads, rolls, and cakes, and is featured as a destination in the Carlow Food Trail (Carlow Tourism, 2018). This bakery provides SuperValu with all of their fresh bread products.

4) Quigleys is a cafe and bakery chain with 16 locations in Ireland, including one in Carlow town. They offer an extensive assortment of fresh breads including multigrain, sourdough, soda, rustic, and brown/white pan loaves (Quigleys, 2019).

5) Centra is a convenience grocery store. They have a small selection of fresh baked bread that they receive from Crotty's Bakery, which includes loaves, baguettes and sourdough (Centra, 2019a). Centra is owned by Musgrave Group, who also owns SuperValu (Centra, 2019b).

6) An indirect competitor, Dunnes Stores Café Sol, offers fresh breakfast and lunch platters which include coffee, pastries, and sandwiches (Café Sol, 2019). While they do not sell fresh bread by itself, customers can purchase breakfast to eat during their shopping trip. This provides a unique customer experience that Lidl may consider as an additional option for their category.

Refer to Figure 2 in the Appendix for a map of Carlow, highlighting where the local competitors are in relation to Lidl. As well as the major neighbourhoods, public schools and colleges, and transportation modes.

### **Assessment of the Category**

The bakery is a key category of Lidl's store which promotes customer loyalty and satisfaction (Shopper Intelligence, 2019). When a customer walks into the store, they are overtaken by the warm smell of baked goods. The smell leads the customers right to the bakery section which consists of various baked breads and also different pastries and baked sweets, croissants, cookies, scones, and muffins. The Lidl bakery offers 27 bread products, ranging between different types of baguettes, rolls, loaves, cobs, viennas, and soda bread (Lidl.ie, 2019a). Refer to Figure 3 in the Appendix for primary research observations. The bakery product offerings can also be found on Lidl's website under the Bakery Grocery Range section.

This category appears modern and visually appealing from an aesthetics perspective, however it currently suffers from misleading labels and product positioning. Products are not distributed efficiently in accordance to the shelf labels located above the display shelves. For example, some baguettes are located under the “Pastries” banner, and rolls can be found under the “Baguettes” banner. Not only may this confuse customers looking for specific products, but this also reflects a careless image on the store staff. Refer to Figure 4 in the Appendix for Lidl’s display photos. Refer to Figure 5 in the Appendix for the category display in competitors stores.

## Assessment of the Lidl’s Catchment Area

### Catchment Area

According to the 2016 census, the total population of Carlow county is 56,932, with approximately a 50/50 split of males and females (CSO, 2016). The majority of households in the region consist of younger families of only 2-3 people with approximately 1-2 children, mostly under age 15 (CSO, 2016). Major employment industries include skilled trades and professional commerce. Approximately 50% of the population live within a relatively short 15-30 minute commute to work or school (CSO, 2019). Carlow town is the largest in the county by population, where the largest age demographic is within ages 16-34 (MyHome.ie, 2019). This is characterised by the large assortment of primary, secondary, and third level schools located directly in town.

When it comes to Carlow’s plans for future development, they are highly motivated to help independent and small businesses grow (Kerr, 2019). Carlow Local Enterprise Office is providing highly subsidised courses that are supported and heavily funded by the Carlow County Council that will allow these businesses to expand (Kerr, 2019). These courses allow small organizations to adopt new business modules and practices to accelerate the growth of the business (Kerr, 2019).

### Trends

Bread is an essential component to almost all meals in Ireland, and it is served in most homes and restaurants as a staple food (Hospitality Ireland, 2019). Some new trends that have been on the rise within this industry is healthy lifestyle and living products, creating opportunities for

companies to attract more customers through the use of premium and healthy bread products (Bord Bia, 2019). Especially when it comes to multigrain and free-form bread, which is expected to grow due to the health and premium qualities of these products (Bord Bia, 2019). Another key finding is that 79% of consumers think that companies should reduce the salt content within baked goods and 76% want a wider range of healthy bread options (Bord Bia, 2019). Also, Consumers are getting more cautious about what goes into their body, so much so that 71% of consumers are demanding to know what exactly is being put in there baked bread and asking for full transparency from companies (Bord Bia, 2019). Overall, the rise in health awareness and dietary requirements has led to increased interest in wider bread assortments and gluten-free varieties (Hospitality Ireland, 2019).

## Key Implications of Category

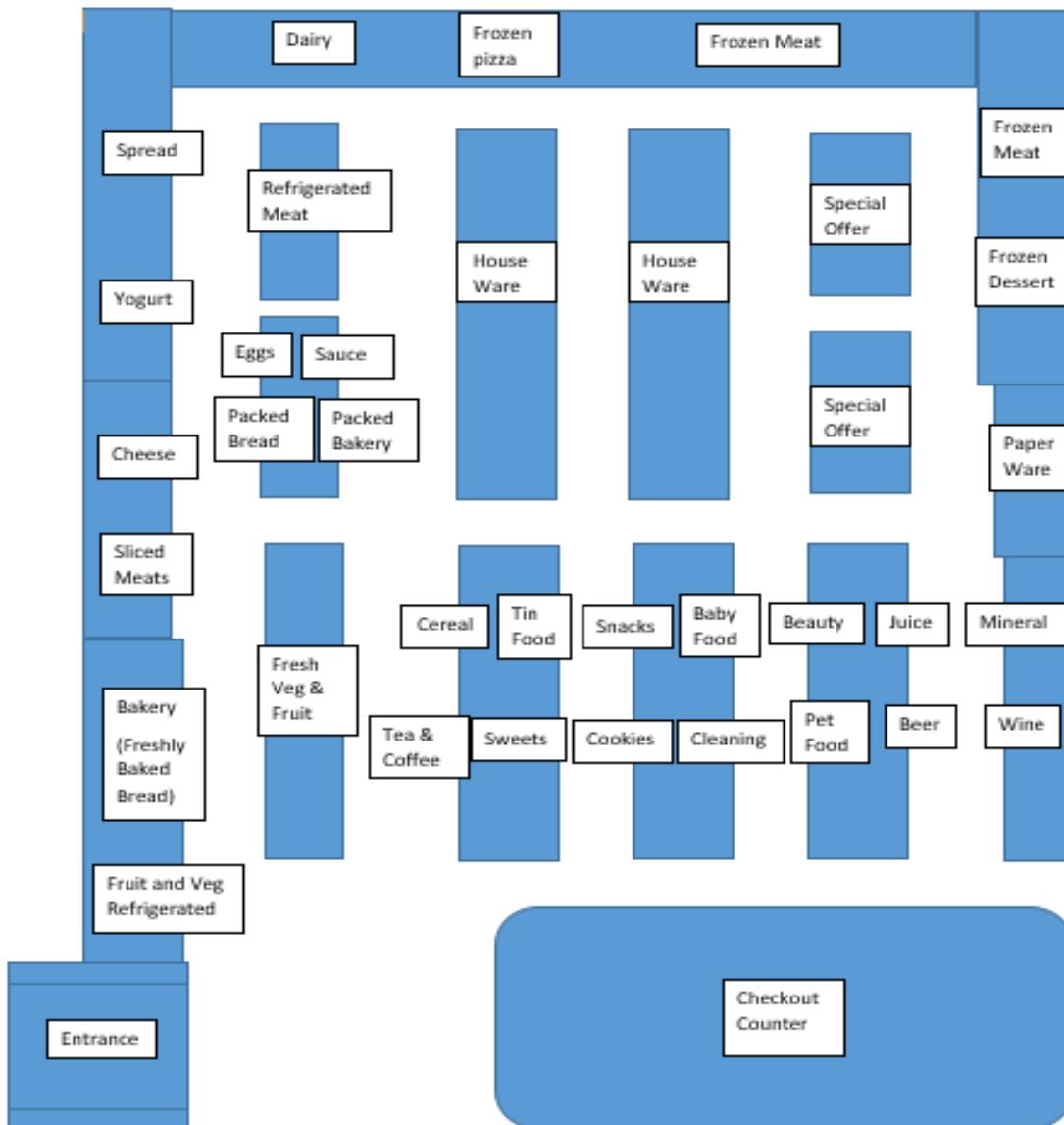
Lidl serves the needs of the catchment area. They provide a wide variety of baked bread products for reasonable prices. On their website, they provide nutritional and allergen information, which aligns with consumers demand for transparency. However, certain measures can be taken to improve the effectiveness of this category in appealing to more consumers.

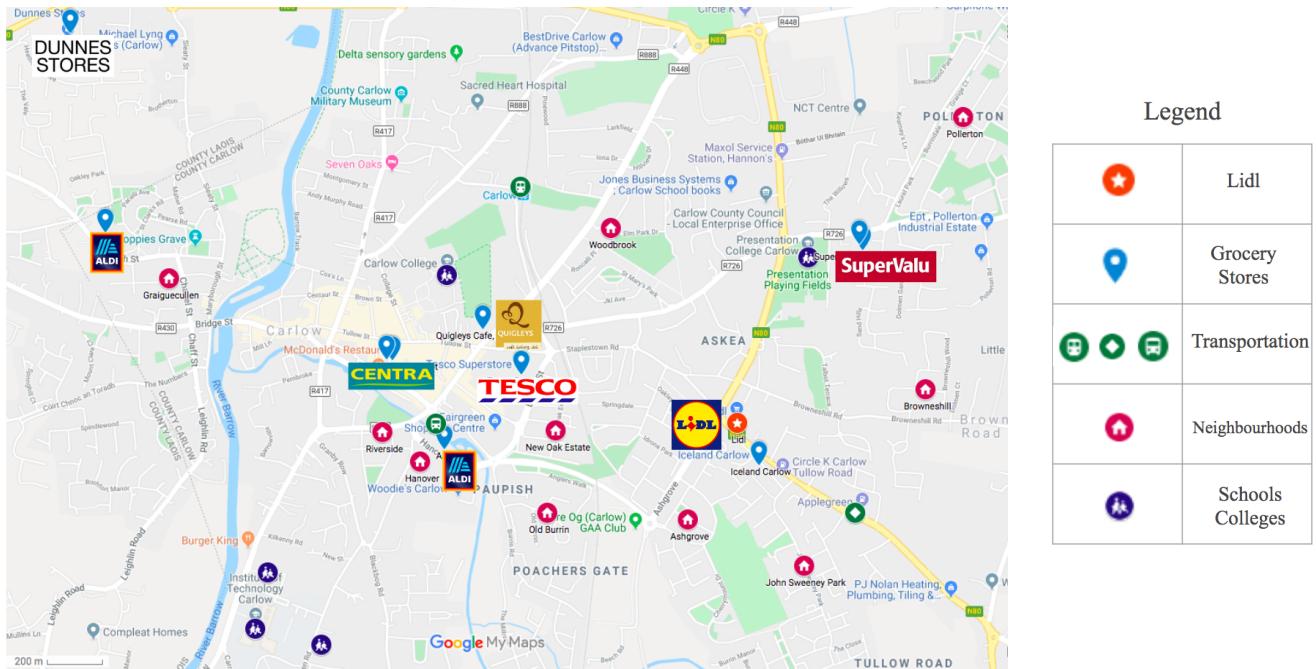
One suggestion is to improve the physical organization of the category. By updating the placement and labeling of the displays, the category will look more professional and will be easier for customers to navigate. Also, the bags to put the baked goods in are currently ineffectively placed. They can be found in the middle of the section and also at the bottom of the baguettes area. They should be easier to find by placing them at the beginning of the bakery section, before the bread slicing machine, and before the baguette section so customers can pick up their bags and start bagging their baked goods, rather than going up and down the aisle.

Another suggestion is to include more communication of nutritional facts and healthier alternatives offered within the category. This may include sections devoted to healthier varieties such as gluten-free or low-sodium bread, with banners or infographics displaying the health benefits of each.

## Appendix

**Figure 1: Lidl Store Layout in Carlow**



**Figure 2: Carlow Map****Figure 3: Primary Research - Observations**

Date: October 8, 2019

Venue: Lidl in Carlow, Ireland

#### Key Findings:

- Explored store as a group
- Observed customers by the bakery: approximate ages 25-40
- An older man didn't know how to use the machine
- Did not see any customers purchase packaged bread during our visit
- Introduction to the manager
- Location of bags not very visible

Figure 4: Lidl Bread Category Display



Beginning of the bakery section in Lidl. The baked pastries are on the left hand side (not pictured), followed by the baguettes under the 'Pastries' sign, and finally the loaves.



Baguettes section of the bakery in Lidl. Rolls and buns can also be found in this section.



Lidl's bread slicing machine. This can be found in between the loaves and baguettes sections. Customers can choose between three different measurements for the bread slice width: 11mm, 14mm and 17mm.



Lidl's packaged bread. This section is not included in the bakery, however can be used to compare against competitor offerings.

**Figure 5: Competitor Bread Category Display**

## 5.1: Tesco



Tesco's baked bread section of their bakery.



Centre display at Tesco, featuring some of their baked bread. The pastry section of their bakery can be seen in the background.

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## 5.2: SuperValu



The baked bread section in SuperValu.



The packaged bread section in SuperValu

### 5.3: Crotty's Bakery



The baked bread section in Crotty's Bakery.

### 5.4: Centra



Left: Centra's baked bread selection.

Right: Centra's packaged bread selection.

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