

**The Ministry of Education of  
Azerbaijan Republic**

**International Marketing Strategy  
of German discounter. Case study  
of Lidl and Aldi in UK**

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## **Abstract**

The present bachelor thesis is designed at researching of marketing strategy of chosen companies. Theoretical basis chapter of this thesis deals with role and functions of marketing strategy and explains all factors of marketing mix. The purpose of aspect is to evaluate elements of selected company's marketing strategy and based on case study, to point out recommendations.

**Keywords:** marketing, marketing strategy, price, product, place, promotion

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## **1. Introduction**

### **1.1 General Background**

In 2007, serious financing and credit problems at two financial organizations – Northern Rock bank, the fourth largest bank of England and Countrywide Financial in United States (U.S.) gave early signals a main worldwide financial disaster. Both financial organizations had big funds in the subprime mortgage market in the US and reached an emergency loan and a merger in 2007. The condition started to get poorer once The Bear Stearns Companies, an American investment bank failed and finally retailed to JPMorgan Chase. Sign of failure in the financial markets leaded to the nationalization of all properties of the mortgage securitization businesses for example Federal National Mortgage Association a.k.a Fannie Mae and Federal Home Loan Mortgage Corporation a.k.a Freddie Mac (worth to almost \$5 trillion) by the U.S. government. (Knoop 2010 p. 241.)

One after one, financial organizations started to combine and asked for loans and escape from the Federal Reserve in U.S. Crisis became severe in September when Lehman Brothers failed. When the Lehman Brothers failure, American International Group, the world's largest insurance company was about to fail too. U.S. government approved the \$700 billion Troubled Asset Relief Program after bailing out to institutions. Troubled Asset Relief Program was aimed to deposit trouble financial organizations to give again and regain to the market. (Knoop 2010 p. 241-242.)

The financial disaster of 2007 happened in U.S. but dropped over the world and developed worldwide financial disaster that leaded to worldwide collapse in the different states. One of the states that affected by worldwide financial disaster was the United Kingdom of Great Britain and Northern Ireland (UK). UK economy entered to the collapse in 2008 and it continued 5 quarters and considered as the deepest collapse since the Second World War in UK history (Statistics, 2016). Crisis started in financial segment but rapidly spread to different areas. There was 7% failure in production output by the end of 2008.

One of the areas that affected by the international financial disaster in UK was the trade and grocery. The main seller of UK, Tesco, observed the value economic growing of last 16 year in the December of 2008. Crises have shared Tesco's sales growth. Tesco's UK goods established yearly growth of 2% in the last three months which characterized worth number in 15 years. Asda earned £22.000.000 from client that switched from Tesco. Tesco also has lost £20.000.000 to Aldi and Morrisons by virtue of shifting loyalties of clients in the twelve weeks till November 2, 2008 ("Recession hits",2008). That was symbol of changes in UK clients buying behavior because of the financial crises. It seemed that client was ready to look for cheaper alternatives of brand goods under the turbulent economic circumstances.

According to the previous studies done by various scholars such as Hermann and others, there are relationship between worldwide financial disasters and spending patterns of customer in addition to business. To

Hermann (2009, p.1), financial disasters had severely affected to the consumer behavior. Customer started to pay bigger attention to the perceived risk, concern about buying, or hard tangible benefits than image and good to have qualities. Clients concentrate on the price benefits and hard cost during crises. During tough-times, customers' readiness to quick saving rise dramatically and investment drop dramatically. Customer behavior dramatically changes pre-recession and recession. Customers become unrecognizable during recession and they start revisiting their brand loyalties and old behaviors (Perriman et al., n.d)

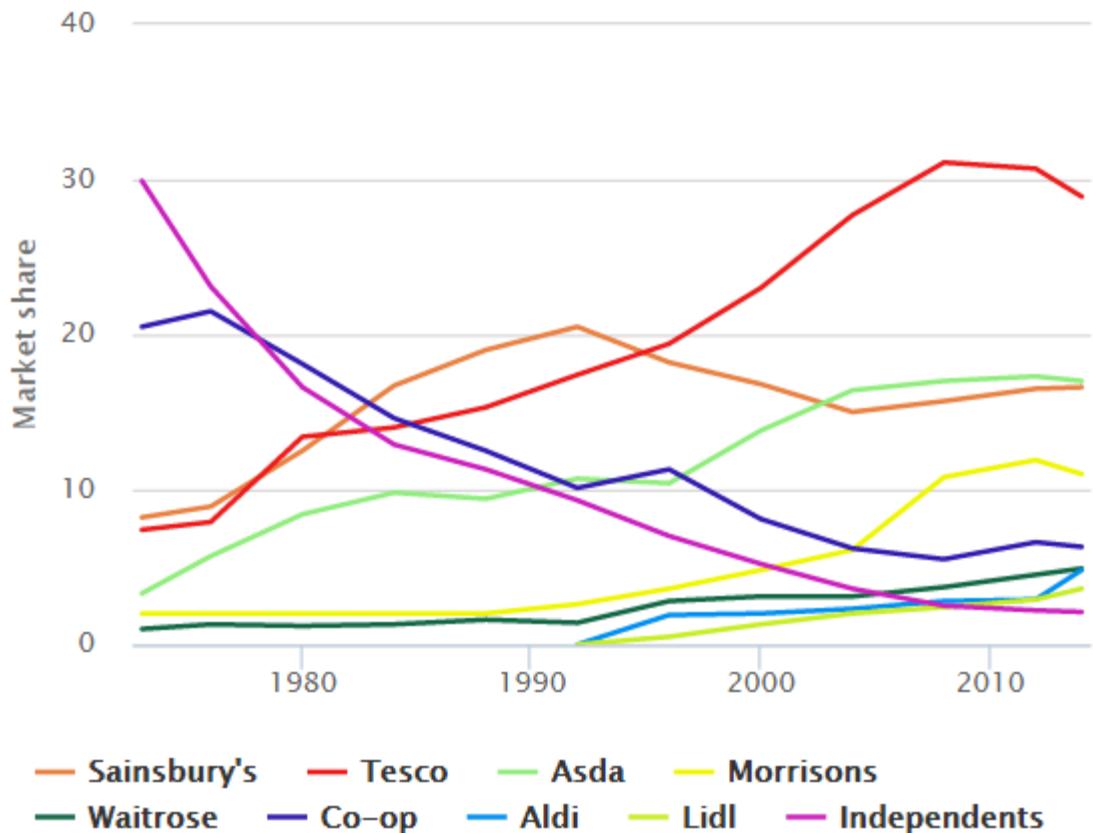
Key to the achievement in the economic collapse depends on firms' ability on recognizing and understanding of customer's response in the hard-economic situations with the certain culture and economy. During the collapse, none of marketing mix elements alone is enough to convince clients to purchase or overcome clients' reluctance (Ibid).

To Perrimen and et el. (n.d), customer behavior when crises are affected by internal (mental and individual) and external (situation that individual behavior takes place) reasons. But, more important challenge is with customers themselves. (Ibid) Crises force customers to test their views and buying patterns. The challenging problem for sellers is to fix what about in customer attention. By the way, long term policies are considered as key to upcoming success in the marketing environment. In this regard, analysis of data, Aldi and Lidl seemed to be more successful in understanding UK customers' behavior and implementation their marketing mix policies.

## **1.2 Research Problem Formation**

In the general introduction chapter, it absolutely was mentioned that the economic disaster has impact on the customer behavior within the grocery market. Influence of the economic disaster occurred in 2 directions. One among them was external atmosphere that affected humans' decision-making procedure relating to purchase. Second direction related to people' way of thinking, that was also known as psychological and individual factors. That was additionally mentioned that economic crises and recession make customers unpredictable and winning customers hearts and minds need a long term marketing mix strategy that contains beneficial and simple marketing mix components - product, price, place and promotion.

In this regard, United Kingdom grocery industry was one among the areas that affected by the worldwide financial disasters and economic collapse in the United Kingdom that happened in 2008s (Turan Suleymanov, 2016). Analysis of the market share data of UK grocery firms shows that since 2008 4 giants of United Kingdom grocery area - Tesco, Sainsbury's, Asda and Morrisons market share growth percentage has dramatically reduced in comparison to 2000s. Even in the case of the largest grocery company – Tesco, there is significant failure in the market share.

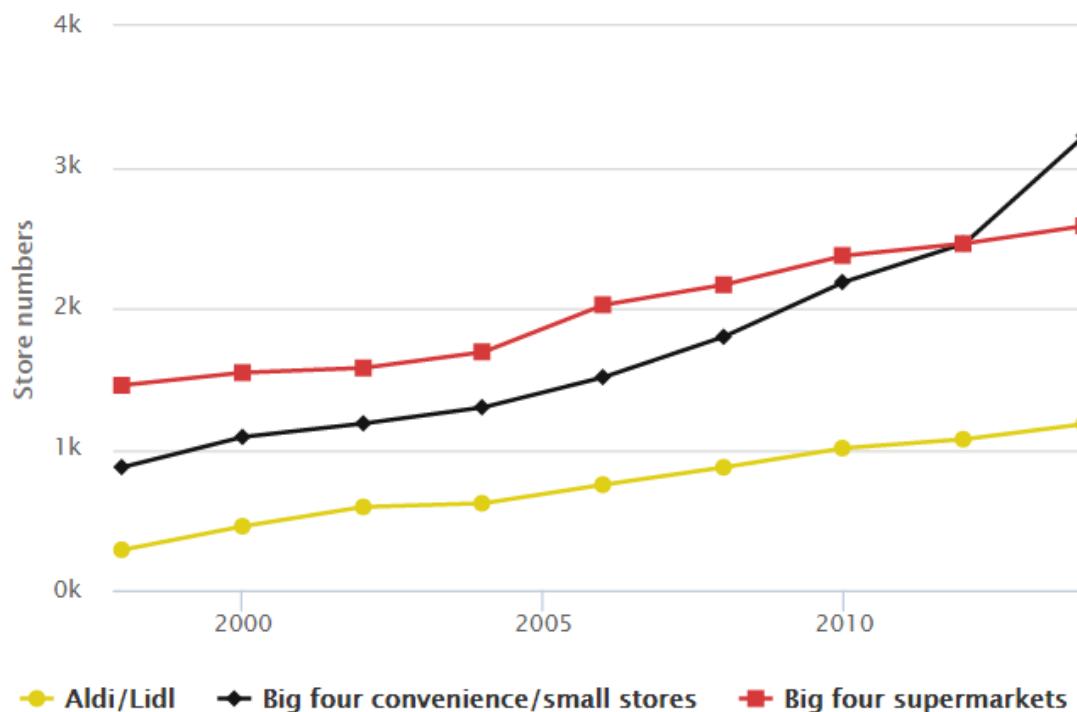


**Figure 1. UK Grocery trade in 40 years (1970-2010)**

**Source:** Ruddick, 2014

In comparison to giant fours, discounters like Aldi and Lidl kept increasing in large figures year after year since 2008. While giant UK grocery firms kept falling number of their goods Lidl and Aldi kept opening new stores in new places in the UK. In 2008, Lidl had 2.4% market share whereas Aldi occupied 2.8% of the whole market. In 2015, Lidl and Aldi achieved to take approximately 10% of British grocery market 1<sup>st</sup> time ever (“Aldi and Lidl reach 10% share of the British grocer - English,” 2015).

To the certain extent, quick climb of the German discounters has been connected with external factors like austerity measures in United Kingdom, employment rates, inflation and etc. During this regard role of external atmosphere can't be denied. Economic environment didn't just assist to Aldi and Lidl, it also accelerated opening of new convenience stores across United Kingdom.



**Figure 2: Growth of Convenience Store (2000-2010)**

(Source: [Ruddick, 2014](#) )

Explorations demonstrates that reaction of United Kingdom consumers towards economic disasters was totally different. Analysis of the statistics which provided by Kantar shows that market share of 4 giants

did not change that since 2008. Even though a number of the giant fours like Tesco and Morrison lost a number of customers meanwhile Sainsbury and Waitrose regained some more. That means clients switched from one to another one. This switch happened in both sides – quality and discount. Therefore, grocery firms face competition from discounters in addition to quality retailers. This fact highlights the importance of the firm's marketing strategy and response to the changing customer needs and desires. Statistics and figures support the idea that achievement of grocery firms in the UK also significantly depends on marketing strategies of the firms.

In this regard, research of two big German discounters – Lidl and Aldi marketing policies and strategic response to the changing customer environment of United Kingdom market since 2008 makes it one of the significant topics to research. Thus, learning marketing policy of Lidl and Aldi has been selected as a research subject of this bachelor thesis.

### **1.3 Research Objectives**

The objective of this study is to acquire how the marketing strategies of Lidl and Aldi contributed to theory dramatic growth rates in the United Kingdom after financial disasters of 2008. Each German discounters achieved dramatic market growth rates in the United Kingdom. In order to structure the important objective of this research question, the firm's strategies are analyzed according to the following sub-questions:

1. What are the product policies of Aldi and Lidl?
2. What are price policies of Aldi and Lidl?
3. What are the place (logistics) policies of Aldi and Lidl?
4. What are promotion policies of Aldi and Lidl?

And last, how did these Marketing-Mix-Strategies donate to the firm's growth rates.

## **1.4 Structure of the thesis**

The structure of this thesis contains 5 chapters with the following plan:

### **1. Introduction**

This part provides general information of the research topic and background. It starts with problem discussion and purpose of the paper and lasts with research questions and structure of paper.

### **2. Theoretical Basis**

In the theoretical background chapter, the existing models and thoughts regarding selected retail, retailing and retailer marketing mix strategies, worth positioning, and communication policies will be explained. In this chapter, theoretical background will be supplied to analyse the empirical finding in the empirical analysis part.

### **3. Methodology.**

In this chapter, methods and methodology that used in this research will be explained and presented.

#### **4. Empirical Analysis**

In this chapter, collected empirical results are analysed by referring to the border of references presented in the theoretical basis chapter.

#### **5. Conclusion**

Conclusion provides the summary of the case study based on the research question.

## **2. Theoretical Basis**

### **2.1Definition of Retailing**

In order to describe retailer, retailing itself must be explained. Retailing happens in different formats such also via supermarkets or online from eBay or Amazon. Kotler (2011) describes retailing as set of “all activities involved in selling goods or service straight to final customers for their individual, non-business use”. Retailing is being completed by different institutions like, producers, retailers and others. But, retailers do the largest part of retailing. Retailer is described as “a business whose sales come *primarily* from retailing”. In the marketing networks retailing plays an important role. More and more than \$4.1 trillion of sales for end users are carried by retailers each year in USA (ibid). Retailers link clients to the brands and vice versa. (Kotler & Armstrong, 2011, p.374)

Whole marketing procedure from product progress to selling is also involved in customer marketing concept. This concept recommends that

shopping procedure should be taken as a significant moment and marketing efforts must be coordinated in store level as well. There is also non-store retailing process. It is gaining importance by the time passes. It contains selling to last customers by use of straight approaches like internet, direct mail, telephone, catalogue and etc. (Kotler & Armstrong, 2011, p.375)

## **2.2 Retailing Marketing Mix**

Value creation procedure of retail clients happens through marketing policy that supported by retailer marketing mix choices. Retail marketing mix choices covers product variety and services, price, promotion and place choices. Each of areas of retailer marketing mix choices will be explained accordingly.

### **2.2.1 Product Assortment and Services**

In retailing areas decision must be made on 3 main variables like product assortment, store environment and services mix. Product assortment of retailer must match needs and needs of its target customers and separate retailer from others. One of such tactics is to suggest merchandise that others do not. In this regard, it could be nationwide brand or store brands. For instance, Saks gains exclusive rights to

suggest products from famous designers also to its private-label lines (Kotler & Armstrong, 2011, p.322).

Including blockbuster merchandising procedures is another strategy. Retailer like Costco and Bloomingdale's carry great shows featuring goods from suggestions countries and amazement assortments of goods. Diversity could be realized through extremely targeted product assortment like plus-size clothing, uncommon assortment of gifts and gadgets and etc. Additional way of differentiation could also be carried out through service mix. Nordstrom attempts to separate itself from others by taking care of their client that whatever it takes. Home Depot suggests mix of services to clients that they can select (ibid).

One of the most significant essentials of reseller's product store is the store atmosphere. Positive retailer is those that achieved to create an exclusive store skill that suits wants and needs of their target clients and make them buy. Experimental retailing is being used by various retailers to attract clients. Some retail institutions create everything that one public needed from café shops to children play places. Such environment offers extra value to clients parallel to the products and services offered. (Kotler & Armstrong, 2011, p.387).

### **2.2.2. Price**

One of the marketing mix elements is price which has to fit retailers marketing policy, economic factors, competition and product and service

assortment. In the marketplace, everyone desires to charge high markup for high volume, but it is hard to control them both at once. The highest numbers of retailers either charge little markups on higher volume or higher markups on lower volume. Most specialty stores charge high markups on lower volume whereas discount stores and mass merchandisers concentrate on lower markups on higher volumes (Ibid).

One more issue that retailers must pay attention is how and what extent to use sales and various price promotions. Some retailers do not use price promotion; instead they rather concentrate on service and product quality. And other retailers exercise and charge little prices everyday with limited sales or price promotions. This policy is called EDLP (everyday low pricing). There is “high-low” pricing strategy too which is being experienced by some retailers. In high-low pricing, retailers charge higher prices on daily basis, however organize price promotions regularly to attract customers, make low price image and rise store traffic.

There are various pricing strategies and choice of the best strategy depends on firms' opponents' price, marketing strategy of company and economic environment.

### **2.2.3 Promotion**

Retailer can use all or any of current promotions tools like individual selling, advertising, direct marketing, sales promotion and public

relations. Retailers can use magazines, newspapers, TV, radio and internet for advertisement. They can use their store salespeople to build consumer relationship and meet consumers' needs and wants. Sales, loyalty programs, in-store demonstrations and displays could be used like sales promotion tools. Special events, store opening, blogs, newsletters and others as part of promotion activities can be used by retailers. Most of retailers have social media accounts and Webpages to offer consumer information and sell directly (Ibid.)

#### **2.2.4 Place**

Location is one of the most significant factors in retailing. Chosen place of retailer must be accessible to its target groups and be consistent with its client driven marketing strategy. Some of retailers select high-rent town centers and fashionable shopping districts to be available to their clients. Some others select low-rent locations away from fashionable shopping districts to cut down price and support their "cheap gourmet" positioning. In the case of big retailers, experts are hired to use advance ways to locate a location for store (Kotler & Armstrong, 2011, p.388).

In 90's, most retailers started to gather together in one place to rise pulling power of client and suggest the suitable one-stop shopping. One of such groups is called shopping center. Shopping centers has various types depending on a number of retail stores like district shopping center, neighborhood shopping center and community shopping center.

In the shopping centers everything is developed, owned, managed and planned as a unit (Ibid.)

Over the past 5years, new kind of centers, Power centers, has been developing whereas some other type of shopping centers saved dying. There is a stretched strip of freestanding and large retail stores in the Power centers with their own car parking in front of store. There are lifestyle centers that contains retail and non-retail stores and activities in nearby affluent residential neighborhoods.

### **3. Methodology**

Sounders et al. (2009) noted the study philosophy that studies adapt gives important expectations on the way they see the world. To Johnson and Clark (2006), management and business researchers must be aware on the philosophical commitment which they make through the investigation strategy, for the reason that, it has significant impact both on understanding what they research and in addition to what they do. (Sounders et al., 2009, pp 107-108)

Practical considerations, to the extra extent, influence the investigation philosophy that investigators adapt. By the way, practical opinion of the

researchers on connection between their knowledge and the procedure they want to grow is another key factor (*ibid*). Therefore investigators, strategies and methods differ as their opinions do on what is important and useful.

There are various strategies, data collection method, and approaches available for investigators (*Ibid*). The general research procedure and selections that used in this bachelor thesis underlined in the figure below:

<b>Research Approaches</b>	<b>Research Strategies</b>	<b>Data Collection Methods</b>
Inductive	Grounded Theory	Interviews
<u>Deductive</u>	Action Research	<u>Observations</u>
Quantitative	<u>Case Studies</u>	Questionnaires
<u>Qualitative</u>	Ethnography	<u>Secondary Data</u>
	Experiment	
	Survey	

**Figure 6. Research Procedure**

**Source: Adapted from Sounders et al (2009)**

The applied investigation strategies, data collection methods and approaches in the case of this bachelor thesis are underlined in the Figure 6.

### **3.1 Research Approach**

Deductive approach has been realized in this research. Deduction is enlightened as “a clear theoretical situation is developed prior to the collection of data” (Saunders et al. 2003, p. 28). Additionally, to Bryman (2002), deduction permits theories to be tested or generated. (Bryman cited in Sanders et al, 2009, pp. 490-499)

To Yin (2003), if investigators formulate investigation question and objectives by usage of current theories, they can direct and organize their data analysis by usage of theoretical propositions (Yin cited in Sander et al., 2009, p. 489). In this regard, current theories used like a framework to investigate the data. Since the objective of research is to investigate empirical data based on the current theories and thoughts rather than making a theory, deduction is the greatest approach. Deduction is being realized through investigation of empirical data created on the theories.

Bryman (2002) classifies investigation methods into 2 groups: qualitative and quantitative. Miles & Huberman (1994) featured significance of qualitative information in revealing complex topics and usefulness in understanding of new area (Cited in Saunders et al. 2009, pp. 495-499). Qualitative data is the most suitable method to make research on the selected field and reach goal of this bachelor thesis since the objective is to realize a description of the German discounters marketing mix policies and get the best understanding of the subject. This data method is considered to be basis of non-numerical data

generation via in-depth observations or interview. Besides, descriptive nature of the research highlights applicability of qualitative investigation in this study.

### **3.2 Research Strategy**

There are various research methods that available to investigator to adapt to meet research objectives. Research strategy is mostly determined by investigation objectives and investigation questions that investigator will be allowed to answer and meet. It depends on researcher's current knowledge, available resources and time too. Saunders et al. (2009), highlight 7 research strategies like case study, experimental study, survey, grounded theory, ethnography, action research and archival research. (Saunders et al., 2009, p. 141)

A case study method has been realized in this research since it defines an incident, or problem based on real-life situation that needs to be solved or analyzed. Roselle (1996) defined case study like an approach that connects the gap between theoretical concepts and realities. A case study has been selected for example a best tool for this bachelor thesis since the purpose of this research is to define real life situation – marketing strategies of Aldi and Lidl in UK.

Multiple-case design has been selected for this research since more than a case has been presented. This research can be regarded stronger since evidence from several cases is often considered more compelling

(Herriot & Firestone, 1983). In relevant to several cases, Yin (2003) said that “each case should be carefully chosen so that it either (a) predicts alike results (a literal replication) or (b) forecasts contrasting results however for expectable reasons (a theoretical replication)”. In this research, 2 cases have been selected and similar results are projected. (Yin cited in Sander et al., 2009, pp.146-147)

### **3.3 Purpose of Research**

In the literature, research goals are classified into 3 parts such exploratory, explanatory and descriptive. To Robson (2002), aim of researcher’s question may eventually change. (Saunders et al., 2009, p. 139).

Descriptive study’s object is ‘to portray an exact profile of people, events or situations’ (Robson cited in Sanders et al., 2002, p.59). The aim of this research is descriptive since objective of this thesis is to define marketing strategies of the German discounters in United Kingdom.

### **3.4 Data Collection Methods**

Saunders et al. (2009, p.68) separated available literature bases into 3 categories: primary, secondary and tertiary. To describe and discuss marketing strategy of the German discounters, Aldi and Lidl in UK, have been selected and studied with assistance of secondary and primary data.

To understand the meaning of collected data, analysis must be carried out. As the purpose of this bachelor thesis is to find out marketing strategy, interpretation of secondary data and observation seems to be the finest way to obtain clear picture of the condition and reach purpose of the research.

#### **3.4.1 Primary Data**

The data that particularly collected for the research plan at hand is named primary data (Zikmund, 2000). Primary data assistances researchers to address research problems and objectives from own tests and personal research based on the 1st hand data generated from an unique resource. There are 2 kinds of primary data: qualitative and quantitative. Qualitative data usually contain situation description and its search through surveys or a case study. Qualitative information that mostly collected from interviews or observation, to certain extent, builds the qualitative case study (cited in Sander et al., 2009, pp. 288-360). Primary data of this study has been collected by straight observation methods. Two Azeri students in United Kingdom, Huseyn Aliyev and

Ilkin Mammadov were assigned to visit Lidl and Aldi stores in London during 11<sup>th</sup> and 15<sup>th</sup> of June in London. Observers visited following Lidl and Aldi supermarkets in London during the above-mentioned dates:

1. Huseyn Aliyev visited two Lidl stores (Lidl Bermondsey and Lidl Old Kent Road) and one Aldi store (Aldi 840 Old Kent Road).
2. Ilkin Mammadov visited one Lidl store (Lidl Campden) and one Aldi store (Kilburn High Road)

Observers took their records regarding the atmosphere of stores, their positions, category of products and design of stands in the stores. Additionally, they observed in shop commercial and promotion materials.

Validity and reliability of the collected primary data has been guaranteed by researcher asking observers to represent the reality as it is, not their own interpretation of the condition and facts.

Saunders et al., note 3 threats to reliability of the primary data collected from observation. Those include subject error, time error and observer effects (Sander et al., 2009, p.308). In this regard, observers have been aware about possibility of time and subject mistakes and asked to refrain them. Observations were taken place without informing anybody from stores' supervision and customers.

### **3.4.2 Secondary Data**

Sanders et al. (2009, p.258) separated secondary data into qualitative data and quantitative data and offers them both to be used in descriptive and explanatory research. There are numbers of resources that greatest of the secondary data of this investigation came from. To formulate theoretical basis, methodology and part of empirical finding numerous books and journal articles have been studied and investigated. Quality United Kingdom newspapers have also been selected as one of the significant resources of the secondary data. Additionally, a lot of online news and Webpages have been mentioned. Lidl and Aldi Webpages, social media accounts and various market research and forecast activities Webpages have been reviewed.

Collected secondary data has been studied with care and evaluated for the investigation purpose. Regarding choice of the secondary data, it has been guaranteed that they meet the investigation objectives and assistance to answer investigation questions. Availability and advantages association with the value of secondary data collection have given the investigator an advantage during the investigation procedure.

To refrain from usage of secondary data that could result in uninvited results, quantity validity has been implemented. Quantity validity has been carried out by development of the extent of data's validity and making own decision and judgement. Additionally, research of others

has been studied and lessons considered regarding the background how other coped with.

Reliability and validity to secondary data are ascribed like “functions of the technique by which the data were collected and the source” (Sanders et al 2009, p. 274). The basis of the data, reputation and authority of source were evaluated to guarantee validity and reliability. Assessment of reliability and honesty of resources have been carried out. Additionally, authors and institution reputation were evaluated in terms of validity and reliability.

## **4 EMPIRICAL ANALYSES**

### **4.1 Aldi background**

One of the best shops in the worldwide market is a German company named Aldi. Started in 1913 by their father in Essen Germany, brothers Theo and Karl Albrecht take over in 1945 and expanded procedures (“ALDI Nord - Über uns,” n.d.). It is one of biggest discount supermarket chains with over 10,000 stores in eighteen various countries. An important fact is that it is privately owned so means policy not so much theme to short term stockholder interference like public owned opponents. “We have been able to put the client at the very heart of each decision we have made,” Matthew Barnes, the joint managing administrator in the United Kingdom says. “I think the fact we are privately-owned means we are entirely in control of our direction and desnity we take.” (Ruddick, 2014)

Aldi declares its objective is “to provide our clients with the goods they buy frequently and ensure that those goods are of the maximum possible quality at guaranteed minimum prices” (Aldi Suppliers, 2014).

Aldi UK operates more than 600 markets in UK and has more than 28.000 employees. The retailer announced that it plans to grow number of its stores up to 1.000 and number of employees to more than 35.000 by 2022. Aldi UK has been one of the quickest increasing retailers in United Kingdom grocery sector. Increase in sales and revenues has taken a dramatic route since 2010 as its represented in the figure 7 below (“Revenueup”, 2015)

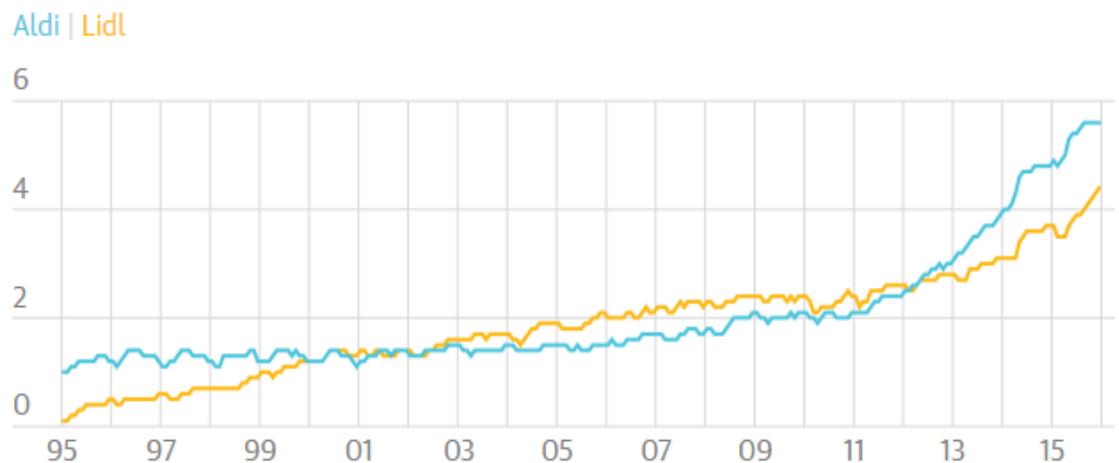


Figure7.Supermarket Share of Aldi and Lidl in UK.

Source: The Guardian, taken from KantarWorldpanel

Aldi UK’s sales growing rate has been impressing experts particularly in earlier years. Just between 2005 and 2015, Aldi UK managed to rise its market share about four times (Miller, 2015). In 2014, Aldi UK managed to rise its sales to £6.89 billion from £5.27 billion of 2013 sales (Felsted, 2015).

## **4.2Marketing strategy of Aldi**

Warren Buffet, one of the largest investors at Tesco, said that construction a reputation takes 20 years. Aldi moved to the United Kingdom market in 1990 and achieved to learn and offer a proposition that realize wants and needs of UK clients after highs and lows over last 20 years. According to the YouGov Brand Index report, in July 2014, Aldi has reached brand position of BBC iPlayer and Samsung and became new preferred brand of British people. According to the Kantar Worldpanel market data, Aldi, between 2014 and 2015, enlarged its market share 16.5% and accounted 4.8% of United Kingdom grocery market. In comparison, except Sainsbury's, the rest of giant four supermarkets – Asda, Tesco and Morrison lost market shares throughout this period. The closest opponent of Aldi was Lidl, another German discount supermarket chain. ALDI and Lidl together attracted about 1 million clients during 2014 and 2015 (Ruddick, 2014).

Aldi has been quickly growing in the United Kingdom market since 2010 and firm reports show its intention to enlarge with more stores in new zones across UK. It is related to the effective marketing strategy of Aldi. In previous chapter (theoretical basis) it was clarified that marketing procedure starts with understanding wants and needs of client and market. Aldi is globally considered as discount supermarket chain and therefore we can tell that Aldi mostly uses revenue variable for its segmentation strategy. Lower and middle-income families are easy to be considered Aldi's main target group. Aldi offers reasonable quality goods for low price that make it so hard for opponents to replicate. In

this chapter, Aldi UK's marketing strategy will be investigated and learned from product assortment, price, promotion and place (distribution) perceptive. In this regard, purpose of this section is to establish how marketing strategy of Aldi UK formed and evaluated in terms of 4P and how Aldi UK situations and differentiates itself.

#### **4.2.1 Aldi UK Product Strategy**

In theoretical basis chapter, product assortment, client experience and services mix were noted as chief variables of product strategy.

Aldi offers smaller range of products to its clients in comparison to the other traditional retailers in United Kingdom market. Before 2010, Aldi UK has been offering about 800 product lines to its client. Aldi UK management in the meeting to the Retail Week mentioned that they carried investigations in 2010s to find out why they can't repeat the achievement in UK that they have already reached in other European republics that Aldi operates. They found out that United Kingdom customers were complaining about range of products and as well as lack of non-British and enough fresh product lines. That was turning fact for Aldi UK. Despite, having robust brand name in other republics such as Austria, Germany and Switzerland, UK clients didn't know fine what Aldi stands for (Harrison, 2014).

Aldi UK started activities to shape the perception of its UK clients and address their wants and needs since 2010. Aldi enhanced range of goods from 800 to 1500 and included best products range under “Special selected” campaign (Ruddick, 2014). Firm also started promotion campaign to inform UK clients about quality of its goods. By usage of effective communication networks, Aldi managed to rise brand awareness of its products among current and potential customers. UK people started to understand that limited range of products doesn’t mean limited quality. Detailed information about the ALDI promotion and communication strategy will be given in the next chapter

These days, most of the Aldi product ranges are own-labeled items. There are just 5% of items sold in Aldi stores come from other brands like P&G, Coca-Cola and etc. (Butler, 2016). Own-labeled goods help the retailer to offer added charge to its consumers in terms of price and quality.

The topics regarding freshness and British source of Aldi products started to be fixed by obtaining some of the products such as fresh meat, eggs and milks domestically. These days, more than 50% of Aldi sales in United Kingdom come from UK providers (Ibid).

Intention to shift higher marketing sector and position itself as one of the main retailers in United Kingdom market made Aldi UK to begin to follow new policy. As it was cited in the previous chapter that 2<sup>nd</sup> steps in the simple marketing procedure is to design customer driven marketing strategy. Aldi positions and differentiates itself like a retailer

that offers minimum price for good quality products. Apart from grocery sector, Aldi is on the way to powerfully position itself in wine and “Special buys” sectors with fine quality and reasonable price strategy. Aldi recognized the taste in the customer demands, particularly in grocery sector, toward fresh and healthier products. Since previous years it tries to separate itself not just cheaper but also reliable and healthier goods retailer. It is no surprise that Aldi was characterized as reliable pricing, simple store design and fresh foods by Telegraph readers in 2014.

Aldi also actively try to get closer and reach to its customer. Recent market increase and growth in profit caused in investment for new Aldi markets across UK. Aldi and Lidl plan to open 171 new stores in incoming years. That is giant numbers in comparison to 29 new store plans of all other main supermarkets. Aldi's one of the most recent stores was opened in Broughton on December 10, 2015.

Aldi also offers free recipe for its clients on its web page.

Effective marketing mix strategy formulation and operation has been main factor behind ALDI's achievement in the recent years in United Kingdom market. It should also be mentioned that economic disaster of 2008 and austerity amount since 2010 have also forced UK consumers to reevaluate their expenditure and find better solution for charge saving. Austerity amount and economic crisis make clients vote for their wallets. Another external issue is related to view of customer

loyalty. Nowadays, consumers head to the particular supermarkets to buy particular products (Aldi UK, 2015).

From customer viewpoint, lack of public toilet, simple design and non-acceptance of credit cards in Aldi UK stores were considered as disadvantage. But, Aldi began to accept credits cards at UK stores since September of 2014. Another issue regarding public toilet and self-checkout machines and other services still remain unsolved. Aldi UK clients must compromise minimum price and maximum quality for lack of facilities that could supply better consumer experience.

Regarding layout and design of Aldi store, Aldi has lately added new features to store formats in Australia. It includes in-store bakeries, better lighting new product lines like organic food and food-to-go. It might be possible to launch such stores in rich neighborhoods in UK (Faull, 2015).

One of the things that ALDI lacked in the previous years was nonexistence of online offering service. This issue was recently addressed by presentation of online offering of ALDI wine and non-food staples in United Kingdom (Aldi UK, 2015).

#### **4.2.2 Aldi UK Price Strategy**

Price as being one of the marketing mix components is determined by numerous factors: service assortment, economic environment, marketing strategy, competition and etc. Aldi's general marketing strategy is based on charging minimum price for example other discounters such as Lidl.

There are various factors that assists Aldi UK to reach cost cutting and hence decline the price of products in the stores. One of these factors is to be able to offer most of product lines under its private labels. As it was cited in the previous chapter, about 90% of the goods sold at Aldi stores are its own brands. This gives great advantage to the retailer over opponents.

Another factor that contribute Aldi's inexpensive price is its size of purchasing power. Aldi spread across the Europe with thousands of stores. It gives Aldi a buying rule of a giant company and allows to minimum purchase price from dealers as much as possible.

One of the factors that contribute to the cheaper price of Aldi is its way of negotiation with native suppliers. To respond to the changing demand of United Kingdom customers, Aldi decided to source some portion of the product lines locally. Aldi and Lidl have rough negotiator image with dealers in UK. Both discounters demand 5-10% lower charge from dealers than other traditional United Kingdom retailers (Felsted, 2014). Besides, limited product lines offer also contribute to the lower cost

reputation of Aldi in UK. Despite other traditional retailers, Aldi doesn't offer ten or twenty brands for same product line. As a result, it helps Aldi to decrease cost for warehousing, store space and additional operation costs

General Aldi's price policy can be summarized as lower markup charge for higher volume. JPMorgan's analyst Jaime Vazquez also cited that instead of maximizing its margin, Aldi selects to follow maximizing its sales (ibid).

Product and service assortment also plays important role in Aldi's price strategy. Aldi has basic product lines for very reasonable prices. But, it also offers upper market items under "Special buys". Special buys have higher quality and a little bit higher price but still way cheaper than Britain's "big four" supermarkets.

Opponents also play significant role in the pricing policy of Aldi. While some United Kingdom retailers decided to cut cost and decrease their prices in respond to the German retailers' hard discount strategies, Aldi keeps shaping its competitive price strategy. From competition viewpoint, one of the interesting moves came from Sainsbury's about entering to the discount area in partnership with Dansk Supermarked. But, Aldi management thinks that they will beat any price that takes place in UK. In this regard, Roman Heini, one of the Aldi UK's joint executives told that "If competitors go nuclear will beat them." (Felsted, 2014). In 2015, UK's Daily Mail made comparison for the basket price of 15 things of Aldi and 7 giant supermarkets such as Tesco, Asda,

Sainsbury's, Morrison's, Waitrose, Sainsbury's and Ocado. 15 things basket price costed £14.75 at Aldi store that made it £1.87 cheaper than Asda and £6.83 cheaper than the most expensive supermarket (Parry, 2015).

Aldi heavily concentrated on mix of product price and quality. Aldi offers everyday minimum price for its clients as a discounter. But, Aldi also offers certain sales and price promotions. These sales are organized under "Special buys" and good arrive to stocks on every Sunday and Thursday in a week with limited numbers (Aldi UK, 2015)

#### **4.2.3 Aldi UK Place Strategy**

Location was cited as one of the significant factor in the retailing areas. It was cited that retailer generally choose location that make them available to their client groups and comply with their marketing strategy. To determine place strategy of Aldi, Aldi's store positions have been assessed and reviewed from point of rental fee.

Due to broader net of Aldi stores network across UK, London has been chosen to be reviewed and assessed for pricewise. To identify rent fees in London city, SpareRoom Company's London Rental Index has been referred. SpareRoom compare prices for double room inclusive bills for all inner London. According to the London Rental Index that carried out for the second quarter of 2016, the North West area from Themes River in London is considered the most expensive place in terms of rent.

(SpareRoom, 2016) This figure has been referred to assess Lidl's location positioning strategy. Please see the Image 1 for further information.

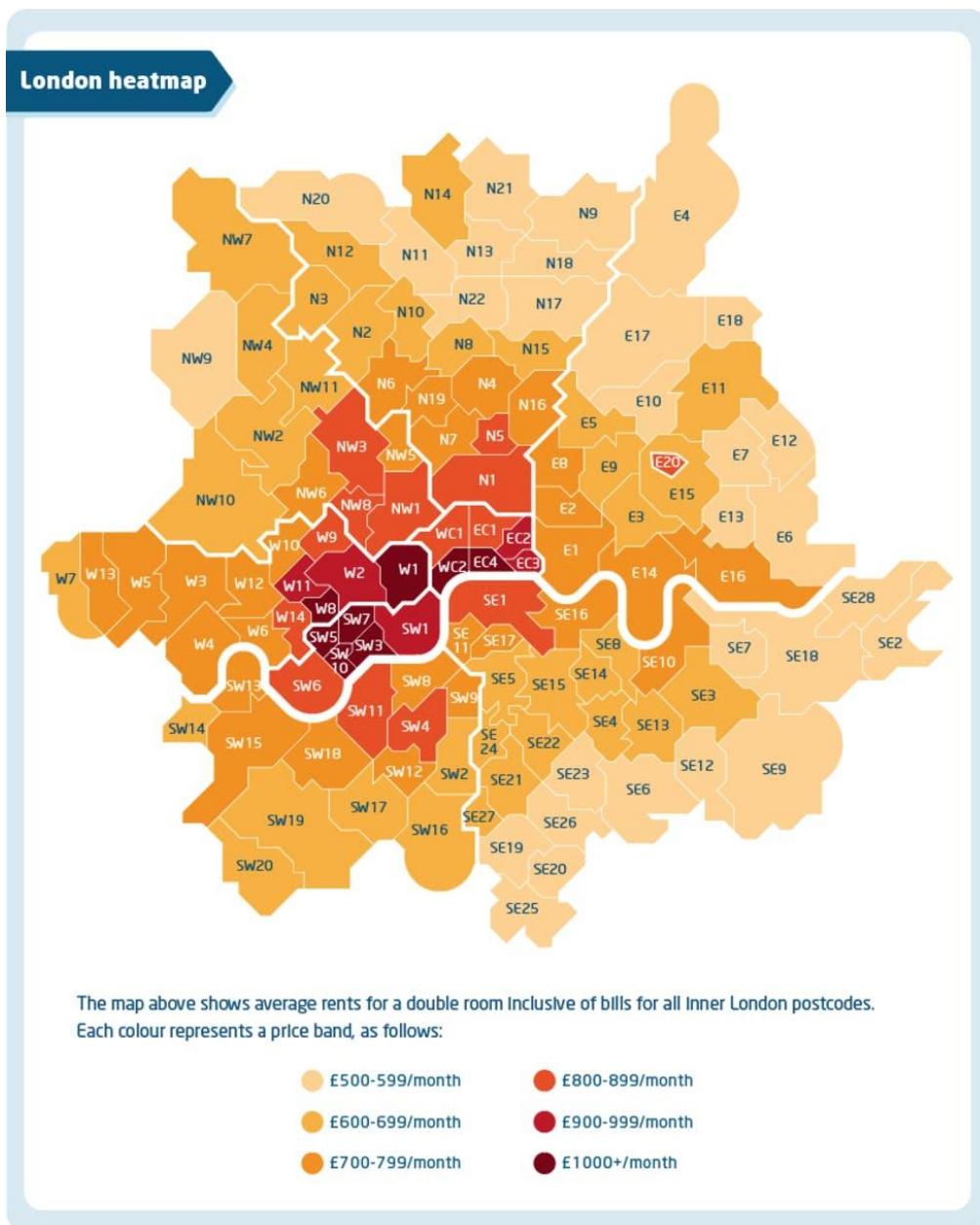


Image 1. The average rents for a double room inclusive of bills for all inner London postcodes (Source: SpareRoom 2016)

In the figure above, red colored districts are considered the most expensive neighborhoods of London in term of rent fees. Once Aldi UK stores researched in London city with help of the store finder application on Aldi UK's webpage it shows that Aldi has three stores in inner London and all them are situated in the areas that are considered to be middle class neighborhoods.

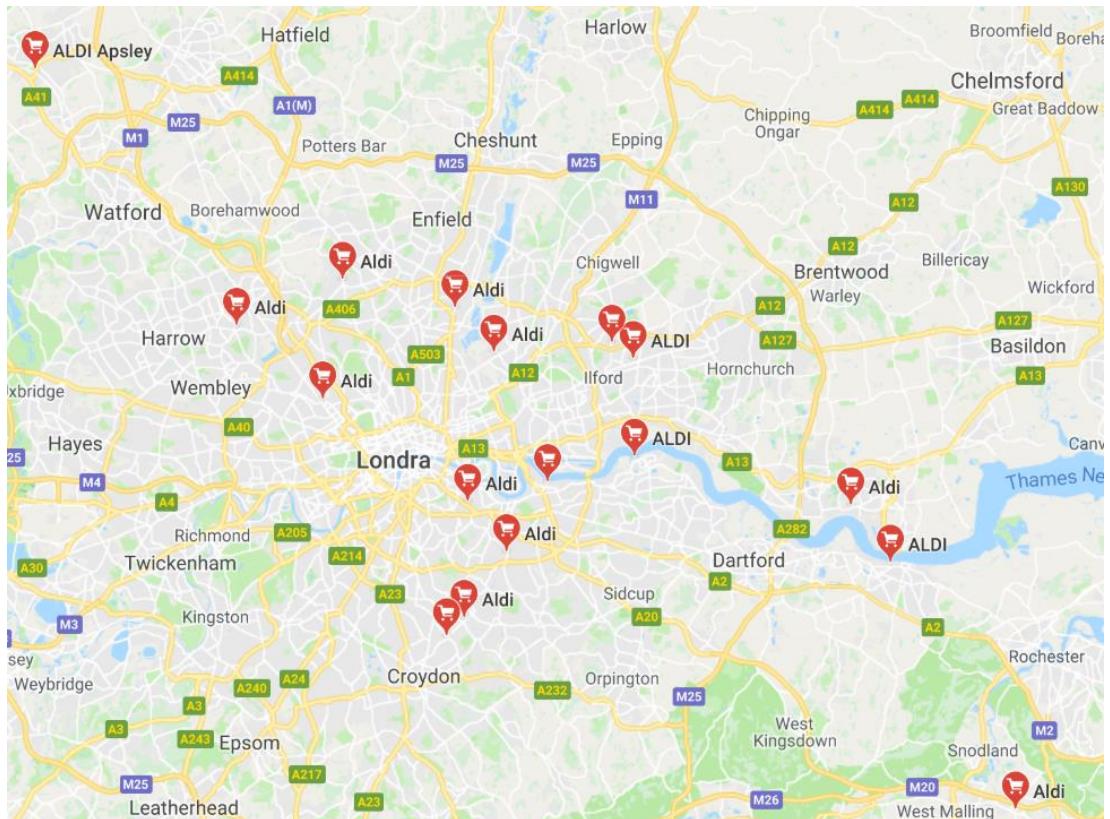


Image 2. Aldi UK store locations in London.

Source: Google Maps

To compare Aldi stores locations to some of the traditional UK retailers such Tesco, Morrisons and Waitrose, their stores locations have also been reviewed. The store locations of above mentioned three retailers are presented in the Image 3.

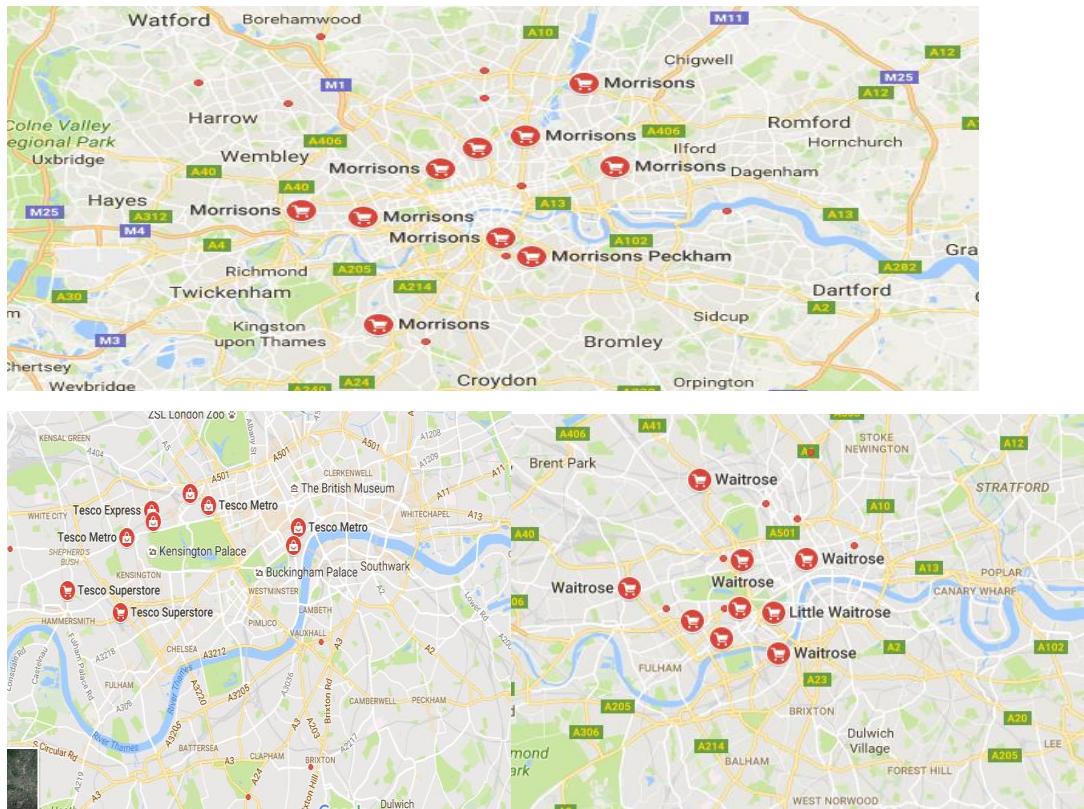


Image 3: Morrison (left), Tesco (middle), Waitrose (Right) stores locations in London.

Source: Google Maps.

Store locations of previous mentioned retailers demonstrate that most of their stores in the part of the London that wealthier customers live in higher costs. However, Aldi seemed to target working and middle-class neighborhoods with lower rents to implement its low-cost model.

In 2014, during the David Cameron's visit to Aldi's UK headquarters in Warwickshire, Aldi announced that it plans to invest £600 million for

stores expansion in UK. This plan includes increasing the number of stores up to 1000 UK and creating extra 35000 jobs across UK by 2022 (“Aldi pledges”, 2014). Based on this assumption as well as previous changes in product lines development towards upscale supermarkets, it can be said that some Aldi stores may be opened in upper middle class and rich neighborhood districts of UK in near future,

One of the sources of Aldi’s success is related to the efficient and effective use of its supply chain service. Limited range of products at Aldi stores gives advantage of purchase higher quantity of product from suppliers and increase efficiency of transport costs. Besides, Aldi also focus on continues reduction of carbon footprints maximization of energy efficiency.

#### **4.2.4 ALDI UK Communication and Promotion Strategy**

In the previous chapter, it was mentioned that creating customer value is not enough. It must be efficiently and effectively communicated to target market segments. To achieve objectives of communicating unique value to customer and persuade them to buy from Aldi, Aldi use above-the-line and below-the-line promotion channels. Aldi’s above-the line promotion methods include advertising on television, Printed leaflets are distributed within stores, Newspaper adverts and in-store posters. One of Aldi UK’s TV advertisement campaigns was launched under “Like brands” campaign. It focuses on a particular brand and features 20 seconds television adverts. Aldi uses “Like Brands. Only Cheaper”

slogan. The main objective of this campaign is to shows how Aldi products cheaper than leading brands while having equal quality. For instance, Aldi cheese adverts compare Chatederal City brand cheese to Aldi brand cheese. It shows that survey demostrated that 88% liked Chatederal City cheese while 99% of the also liked Aldi. Another such campaign is carried out under “Aldi Challenge”. Aldi also uses TV compaing under “ALDI Favorite Things” “Special buy” (“AldiUK,” 2015).

Aldi use printed leaflets to support its ‘Like Brands’ campaign. It is believed that every week around 1 million copies of such leaflets printed. Seasonal offers and showcase products with limited availability presented in such leaflets. Newspaper adverts and in store posters are also commonly used as below-the-line promotion methods of Aldi. ‘Swap and Save’ message is particular highlighted in newspaper adverts and in store poster (Aldi UK, 2015)

Aldi also uses below-the-line promotion to engage with customers in different ways. Aldi’s Facebook and Twitter pages encourage two-way communication with customers and provide platform for interaction with customers. Aldi assess customer's perception of Aldi brand and also promotes ‘ALDI Advocates’ notions. Aldi successfully uses hash tag strategies for "Aldichallenge", "Specialbuys" and other campaigns. Aldi even uses Twitter to have Life question and Answer session with its UK customers. During such Q&A session Aldi UK customers can ask different questions to Aldi experts such as gardening, cooking and etc. Social media pages of Aldi offer the company unique opportunity to communicate and deliver its message to wider market segments that are

now very active on line. Aldi UK Store's Twitter account has over 243000 followers and got 187 000 likes. Aldi also uses social media to promote its positive brand image by asking fans to use 'I Love ALDI' campaign. Customers who get involved in such campaigns get a chance to win different prizes. (Aldi UK)

Aldi uses direct emails to communicate variety of messages to target customers. For instance, Aldi promotes deliver seasonal and Swap and Save messages.

One of the most important below-the-line promotion methods of Aldi is its web page. Aldi web page features key promotional messages and offers additional content for consumer engagement. For instance, Aldi offers recipe ideas and weekly offers for its customers. Aldi also uses its [www.likealdi.co.uk](http://www.likealdi.co.uk) website for broader brand engagement of its customers with 'Like Brands' TV campaign. Aldi consumer can upload their own videos or ideas for the next television advert campaign (ALDI, n.d.).

Aldi's public relation strategy is part of its below-the-line method promotion. More than 1000 products from Aldi have been entered into different awards. Positive endorsement of Aldi products in the media reaffirms message Aldi products highest quality and great value for money. Aldi targets key media at specific times with seasonal promotional messages and highlights 'Swap & Save' campaign when value for money is high on the agenda ("The war of the aisles", 2014)

Aldi also uses sponsorship to promote its brand in UK. One of the latest sponsorship deals was signed with British Olympic Association in 2015 which was approximately worth to £10 million for four years. That is the biggest amount to be spent by Aldi for sponsorship. It makes Aldi first supermarket partner of British Olympic Association and Team GB. Within the framework of sponsorship, Aldi released an internet video about two Team GB athletes perform in an Aldi store (Neville, 2015)

### **4.3 Lidl Background**

Lidl was founded as a grocery wholesaler in Germany, in 1930s and nowadays is considered one of the Europe's biggest grocery retailers. In 1973 first little store was opened and until 80s quickly became a household name among Germans. In 1990s Lidl started its international expansion and we can find Lidl stores almost in every European country. Lidl has already established itself as one of the major food retailers across Europe. Lidl with its extensive stores network is considered as one of the leaders in the discount retail sector ("History - Lidl UK," n.d.).

Lidl is proud of its philosophy that based on providing its customers with top quality product with as lowest price as possible. Company aims to develop its success further with its dedicated staff that operates its stores.

Lidl is keen in expansion across new European markets and beyond.  
(Ibid)

Lidl UK is part of Schwarz Group that is considered as the biggest retailer in Europe by revenues. In 2013, Schwarz Group globally reached €67.6 billion in revenue. Lidl entered to UK market in 1994 and kept growing since that time. Lidl UK is officially called Lidl UK GmbH and managed by Ronny Gottschlich since 2010. Nowadays Lidl operates more than 620 stores across UK. In 2014 Lidl UK's revenues was £4 billion. That was result of £700 million record jump from 2013. Lidl employs more than 13000 people in UK (Devlin, 2015).

According to the statistics Lidl managed to grow its market share from 1.8% to 3.8% between 2005 and 2015 (Miller, 2015).

#### **4.4 Marketing Strategy of Lidl**

Like Aldi, Lidl has also managed to achieve dramatic growth rate in UK market since the global financial crisis of 2008. Lidl is also internationally recognized discounter that aims to offer combination of lower price and quality products to its market segments. As other discounters, Lidl also mainly uses income variables for market segmentation.

In this section, Lidl's marketing strategy will be learned and analyzed for strategy creation and evolution perspectives in terms of product assortment, promotion, price and distribution.

#### **4.4.1 Lidl UK Product strategy**

In theoretical basis chapter, it was mentioned that decision regarding the first "P", of marketing mix, product, is mainly made on product assortment, store atmosphere and service mix. (Kotler & Armstrong, 2011). Product assortment strategy is one of the ways available to retailers to meet needs and wants of their target customers and differentiate themselves from their competitors. Regarding product assortment, Lidl UK, like Aldi, offers smaller range of products to its target customers in comparison to most of its competitors UK. For example, a large Tesco supermarket sells 15000 lines compared with 1500 to 1600 lines, including 300 brand lines in a Lidl UK stores (Ruddick, 2013).

The shorter product line and range of the offered goods might seem to be a weakness of Lidl UK in terms of options for customer selection. However, Lidl UK's boss Mr. Gottschlich does not think that it is a problem for customers. He said that Lidl offers choices, but they do not follow the strategy of other retailers' overwhelming choices of same products that may confuse customers. In this regard, he said that "If you [and another customer] don't know each other, would you like to pay for his choice of a different type of water?" (ibid). Additionally, he argues broader product choices also mean extra cost for space and rent. Hence it

will also increase operation cost. Therefore, it can be said that shorter product line is one of the factors that Lidl manages to offer quality product in reasonable prices.

While Lidl keeps growing its market share, it also aims to steal more middle-class customers from other supermarket giants in UK. In this regard, proofed quality is important factor to get souls and mind of middle class UK customers. One of the issues with respect to Lidl's product used to be associated with the quality due to its lower prices. In the interview of Mr. Gottschlich to Telegraph, he mentioned that "I think what people's perception was in the past – and that is something that is definitely changing – was 'there must be something wrong with the quality of what those people at Lidl offer because they have such reasonable pricing in their stores'" (ibid). In order to overcome this obstacle, Lidl management started to use different means and couple of promotion campaigns. The aim of such campaigns was to show to customers that lower price doesn't always mean less quality. Broader analysis of Lidl promotion campaign will be presented in the next sections. Lidl UK has been solving these issues by taste test and different means of marketing.

One of the important actions towards quality enhancement by Lidl UK was to source its product locally in UK. In 2013, 2/3 of Lidl products came from UK. It was aimed to meet UK customers' needs for fresh products and to associate Lidl as local retailer in the mind of customers. In this regard, Lidl also acted to source its renowned vegetables and fruit products locally. It would give an advantage to Lidl UK to offer fresher product to its customers. According to Mr. Gottschlich, after renewing

fresh section turnover of the section increased to approximately 40% of turnover just in 2013 in comparison to approximately 25% of three or four years ago. (*ibid*)

Lidl was also very good with understanding UK customer needs and wants regarding product choice. In order to meet customers changing shopping habits and to attract new ones, Lidl trialed “Deluxe” range of products in 2008. From 2011 to 2012 Lidl increased its “Deluxe” range of product about 200%. In September 2012 Lidl introduced its “Wine Cellar” showcases in its store to offer premium wines. As a result of “Wine Cellar” introduction from September to December of 2012, Lidl entire wine range sales increased 20% (“Lidl expands range of delicacy foods after 200% sales increase - Lidl UK,” 2012). Lidl kept extending items on its “Deluxe” range every year. During Christmas Eve of 2014, Lidl introduced 59 more new items to its “Deluxe” range (Russell, 2014).

In addition, Lidl’s product line dominated by its own-label in comparison to other retailers in the UK market. It gives retailer another advantage. It allows company to control the business from end to end.

Lidl management in UK has been moving forward to offer better solutions to their customers and keep competitive position of Lidl in the UK market. Lidl UK wanted to attract more affluent customers and turn Lidl to one-stop-shop. In this direction, launch of in-store bakery would be another step forward since UK customers were familiar with such bakeries in Tesco and Sainsbury’s. In 2011, Lidl completed first stage of

its in-store bakeries project with total number of 90 outlets in the stores. In 2014, Lidl managed to open in-store bakeries in all the stores of Lidl UK (“Lidl rolls out in-store bakeries,” 2011).

It also seems to be case that Lidl changes its image among customers and keeps increasing quality score. The fact of product quality increase has been supported by surveys that carried out independent institutions in UK. According to the survey that carried out by YouGov’s brand index, Lidl increased its quality score by 0.9% points among the UK customers in 2015. This score is better than competitor Asda, however behind other retailers such Tesco, Morrisons and Aldi (Hobbs, 2015).

In the literature, store atmosphere and customer experience are considered one of the main aspects of product strategy. Based on the Lidl store observations and secondary data collected, it is undeniable facts that Lidl has been evaluating its store environment by time. The German retailer offers quite big car park for its customers and more than one trolley stations in most of the Lidl stores in UK that allows the retailer to cope with difficulties that could occur during shopping peak hours. Positive communication by employees and attractive in-store bakery should also be given points. Fresh section seems to be prioritized. It might be due to the large share of the fresh section in the store’s turnover. There is also sign of space utilization in the Lidl stores. Customers can witness free standing display unit that mainly stocked fast-selling promotional lines. It is also usual to see products stocked on pallets around the store.

Regarding customer experience, Lidl did not offer public toilet, café and self-checkout devices for a long time. In 2015, Lidl opened its first store under the concept of “Lidl of the Future” that offers completely different layout, customer toilets and self-checkouts. The first of such stores was launched in Rushden that has 1424 square meters sales area and 179 square meters welfare area for employees. Lidl announce that it will invest £2m for each new “Lidl of the Future” store (“New look stores - Lidl UK,” 2016). Lidl planning to open such stores for their wealthier customers with broader Deluxe product lines and wine cellar. Stores under this concept are built on the energy efficient techniques and offer better customer experience than other traditional Lidl stores in UK. By this new design store, Lidl aims to offer options such as longer tills, baby changing rooms and wider aisles to respond to the Lidl growing customer base and offer unique customers experience that Lidl lacked in UK.

One of the issues with Lidl product strategy might be associated with lack of online sales. Despite Lidl’s competitor Aldi, Lidl still has not offered an option for its UK customers to do shopping online.

#### **4.4.2 Lidl UK Price Strategy**

In the theoretical basis chapter, it was mentioned that price strategies of retailer depend on several factors such as competition, marketing strategy, economic factors etc. In this regard, Lidl like other discount retailers, charges lower marks up to keep its lower price market strategy.

In general, Lidl prices are so low that it made it so hard to beat these prices by other big retailers in UK.

There are certain factors that give Lidl an advantage to offer good products for lower price. One of the factors can be linked this economy of scale. Lidl has more than 10000 stores (Ruddick, 2013) in Europe that gives an advantage to the retailer over competitors to negotiate good prices due to the big quantity of purchase.

Lidl UK sources a lot of products locally, especially when it comes to fresh section and alcoholic drinks. It is known that Lidl and Aldi drive hard bargain in initial negotiations with suppliers. That is why, Lidl gets 5-10% lower price from suppliers than other traditional retailers. However, suppliers are still happy due to less demand later price negotiations (Felsted, n.d.) Therefore, deal with Lidl also looks pretty attractive for suppliers.

Another reason for price advantage is Lidl's rich portfolio of own-labeled products. It is known that most of the branded products', to certain extent, higher price markups are due to the expensive advertisement and promotion spending. In this regard, Lidl has price advantage over many branded products that offered in other traditional retail stores.

One of the important factors that allow Lidl is to have its efficiency and cost cutting in terms of limited stock keeping (Shadbolt, 2015). Lidl

offers limited range of products and don't have to invest millions of dollars for stocking different brands of similar goods.

Lidl UK lower price, for a long time, was also being reasoned with basic product range. To some expert, it was thought that Lidl has been doing well, in term of price, because of lower product range. However, after introduction of higher product range under Deluxe and premium quality wines under Wine Cellar prices still were competitive enough in comparison to the most of UK's traditional retailers.

In respond to the lower prices of Lidl, some of the UK traditional retailers also started to come up with basic product lines for reasonable price. However, they are still behind Lidl pricewise. It has been proofed by many experts and mystery shoppers. In June of 2015, Telegraph newspaper sent a shopper to measure customer experience, product quality and prices of the retailers- Tesco, Lidl and Waitrose. Shopper visited all three retailers' stores and purchase 23 products while experience store environment and assess product quality. Shopper tried to buy cheapest option and own brands as much as possible. As a result, shopper spent £27.05 at Lidl, £29.85 at Tesco and £35.96 at Waitrose for same products from different brands. Pricewise Lidl got highest point, 10 out of 10, while on quality of product Lidl got lowest point, and 7 out of 10. For shopping experience, Wiatrose got the highest point, meanwhile both Lidl and Tesco got 7 out of 10 (Quinn, 2015).

In the theoretical basis, it was also mentioned that some retailer use different sales and price promotions while other focus on product and

service quality. Lidl can be considered as a retailer that focuses on product quality (sourcing fresh section and some other sections locally) and service quality (installation of self-checkups, new concept of Lid shops and etc.) since the retailer already offers lower price for good quality products than most of the competitors. However, Lidl offers limited number of deals under Lidl “sensational deals”. These deals are also divided into different categories such as “Pick of the Week”, “Fitness Fuel”, “Organic Week” and etc.

To sum up, Lidl like other discounters follow lower price strategy and it has been very successful in implementing it.

#### **4.4.3 Lidl UK Promotion Strategy**

In the theoretical basis chapter, it was mentioned that there are different promotion tools available to retailers to use accordingly. Some retailers use one or combination of promotion tools such as direct marketing advertising, public relations sales promotions and others.

When Lidl's promotion campaigns analyzed, it can be seen that promotion strategy of the Lidl has historically been evaluating as the company kept growing. When Lidl entered to the UK market, it was considered as a retailer for working and lower middle class. It is no longer the case. According to research that carried out by Him! Consulting firm in 2015, AB demographic (A represents upper class and B middle class) make up about 31% of shoppers at Lidl and Aldi

(Shadbolt, 2015). The boss of Lidl UK, Mr. Gottschlich describes these customer groups as “Maidstone Mums”. He said “The Maidstone Mum is someone who probably previously would have thought, 'I can't be seen in a Lidl store'. They would have put the Lidl bag into a Marks & Spencer or Waitrose bag.... Those Maidstone Mums are no longer afraid of being seen in a Lidl store,” (Ruddick, 2013). As Lidl was reaching to the newer customer groups, it also kept developing its product range and as well as its promotion strategies.

Lidl has been increasing its investment in marketing during previous years. Lidl management said that Lidl wants to be “choice both regular shop and the most important meals of the increasing number of British consumers”. In this regard, Lidl started to heavily invest for “the best for the best price” offer and store refurbishment while kept opening new stores in UK (Faull, 2016). To position in the mind of UK customers Lidl spent £78 million in marketing just in 2015. It is almost twice more than a year before. Based on the data collected by Ebiquity and published by The Grocer, Lidl is already among the top UK retailers per the spending in traditional media. Lidl started to increase its budget for marketing since 2013 (Ibid.).

For a long time, Lidl concentrated in delivering its price message. Lower price message has been communicating to customers through door drops and leafleting. However, product range development and new customer gains made Lidl to revise its promotion strategy.

Since 2013, Lidl realized that there is still doubt in hearts and mind of some customers and non-customer regarding the origin of the food. Therefore, some of the marketing campaigns including was directed to proving Lidl's British provenance (Hobbs, 2016). Lidl wanted to deliver its message to the masses and real working mums about the quality and origin of its product and change misperception of customers on Lidl while aggressively expending in UK.

Lidl is one of the retailers that have intensively been using social media account to promotion purposes. Lidl UK runs Twitter, Instagram, Facebook and YouTube accounts for such purposes. Lidl UK has 282 000 followers on Twitter (LidlUK Twitter, 2011). Lidl currently run the most of social media sharing with #LidlSurprises. Lidl is also very good in other social media accounts. Lidl's Instagram account has more than 56000 followers ("Lidl UK Instagram," n.d.). Lidl's Facebook page has the largest fan group in term of numbers in comparison to the retailer's other social accounts. There are more than 1.5 million likes for Lidl UK Facebook page. Lidl is also active in YouTube where most of the Lidl promotional videos and advertisements placed in retailer's YouTube account. Lidl customers also seem to be very active in YouTube. One of the latest promotion advertisements of Lidl on Lidl Deluxe Scotch Rump Steak has been seen more than 10000 times by customers during 1 month (Lidl UK, 2016).

To the large extent, content of Lidl social media accounts covers product promotions and recipes. Lidl is also good in responding to its social media follower's comments, particularly when there is complain. Analyze of Lidl's YouTube account demonstrates that Lidl initial

promotion videos were based on food recipes that made of Lidl products. Retailer tries to send strong message about having nice food for lower priced Lidl product without any quality compromise. These video campaigns in the initial stage were being broadcasted under “A Lidl Bit of Magic” motto. In 2015, Lidl hired famous chef Kevin Love as a full-time basis for company’s new promotion campaign “Lidl Surprises” and made him retailer’s chief-in-residence first time ever (Ruddick, 2015). Lidl seems to strongly rely on its social media account since first ever in 2015 the retailer launched its Christmas ad campaign on social media before TV (Hobbs, 2015).

In the recent years, there was a considerable shift in the marketing promotion strategy of Lidl UK. Lidl seems to focus on TV ads as well as social media. It is being associated with Lidl’s expansion plan in UK and product development strategy. Lidl also aims to create a positive image in the mind of customers. This aggressive marketing campaign initiated in 2013 under #LidlSurprises. This campaign has been being communicated through traditional media, PR, digital, in-store and other promotional channels.

Following up new promotion strategy, Lidl, in 2015, launched new promotion campaign under “Shop a Lidl Smarter”. Aim of this campaign to carry blind taste test of Lidl and other big retailer’s products among customers and show that lower price can also be tasty (Ibid.). Lidl advertisement regarding blind test last about 30 seconds and show that there is no great difference between Lidl product and expensive brand. These TV ads deliver a message to customers to purchase from Lidl and achieve cost savings (Niamh Webb Voice, 2016).

Lidl also uses PR and sponsorship to promote Lidl image in UK. In 2015, Lidl signed multimillion dollars' worth sponsorship agreement with The Football Associations of England, Wales and Scotland for the period till 2018. By this agreement Lidl is committed to offer opportunities to 1.5 million children to get involved in football annually and provide professional coaching (Hobbs, 2015). This deal also made Lidl an official supplier of vegetables, fish and fruits and become official grocer of UK

In addition, Lidl signed 1-year partnership deal with Mumsnet, webpage of news for parents. This would allow Lidl to be promoted in the Mumsnet's network and logo to be used in promotional material. Regarding partnership with Mumsnet, Lidl UK's advertising and marketing manager, Arnd Pickhard mentioned that they want to understand expectation of parents from Lidl and convince young families how Lidl's product can fulfill their need (Roderick, 2015).

Lidl also follows in-store promotion strategy. Inside the store, customer can recognize Hanging posters with big price tags. In-store marketing promotion has also been changing since introduction of new concept of Lidl stores. Larger and better facilities and well-designed promotional materials are being used in the "the Lidl of Future" stores. One of the interesting aspects of Lidl in-store advisement strategy is reference to and interaction with its customers in the in-store promotion materials. There is a case that Lidl used Tweet of real customer on its in-store

promotional materials. It helps a lot to Lidl to strengthen its relationship with its customers.

**Lidl have used my Tweet in their stores. This is the greatest moment of my life.**

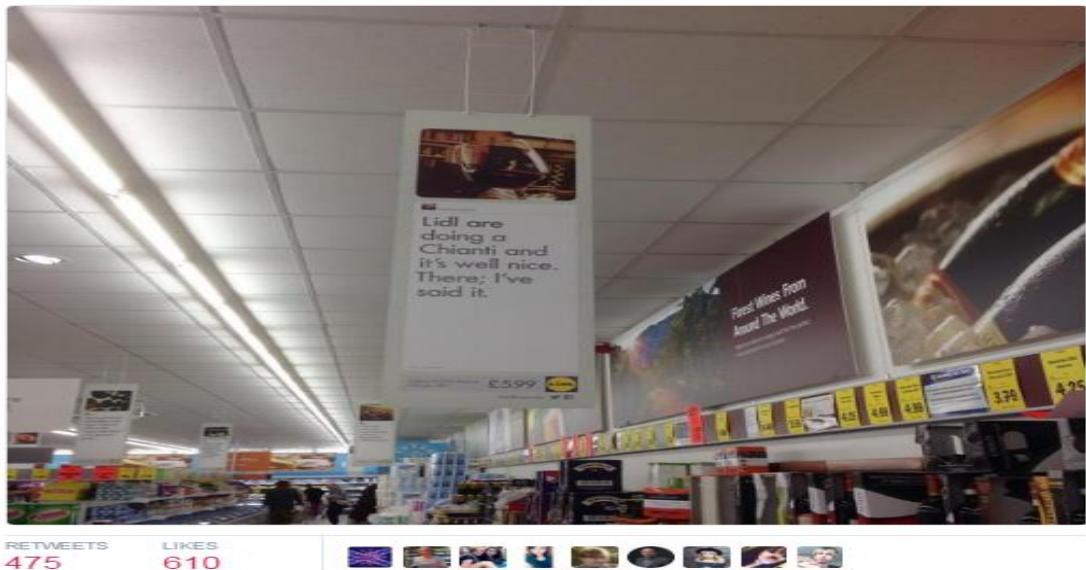


Image 4 : Lidl customer tweets about Lidl's usage of its twitter message in-store.

Source: Twitter (Balcony, 2014)

One of key elements and commonly implemented in-store promotion tools of Lidl UK is “Keep Britain Tidy” campaign. Within the framework of this campaign, certain portion of money that paid for Lidl carrier bag goes to “Keep Britain Tidy”. Over 500000 funt sterling has been donated to “Keep Britain Tidy” from sales of those bags over 12 months (“Keep Britain tidy - Lidl UK,” n.d.).

One of the in-store promotion tools is considered to be a loyalty program. Lidl has not offered any loyalty card to its customers in UK.

Most of the mainstream retailers offer such loyalty programs to attract new customers and keep existing one with them. In 2016, Lidl took first step toward loyalty card. Lidl introduced its new online loyalty community under “My Lidl” on Lidl’s WebPage (Hobbs, 2016). Within the online loyalty program, members of this community should be rewarded and regularly get offers on product sampling. In addition, it will also offer website blog, more likely to become Lidl’s content creation brand.

Store opening, and special event are also part of Lidl’s PR campaign.

#### **4.4.4 Lidl UK Place Strategy**

In the theoretical basis, it was clear that one of the most critical factors in retailing is the selection of location. Location should be accessible to target customers and be in the line of marketing strategy of retailers. It was also mentioned that some retailers choose to be in high rent city centers and other choose to be low-rent places away from trendy shopping centers to achieve cost savings. Since Lidl follows discounter strategy and aims to keep prices lower and increase its market share, it should be thought that Lidl also should choose low-rent places for store location to cut down cost.

In order to identify locations, rent of Lidl store, SpareRoom Company’s London Rental Index has referred once again.

In the Lidl UK WebPage, customers can locate Lidl stores in inner London. Assessment of the Lidl's stores location via the Lidl Store Finder demonstrates that Lidl has mainly chosen the Southern part of Themes River and Northern part of London for stores locations which are also considered relatively cheaper than some other part. Lidl positioned itself in North and Southern parts of Themes River that are considered middle income class neighborhoods. This explains one of the sources of low cost advantage of Lidl in UK.



Image 5. Lidl Stores in London

(Source: Google Maps)

In 2015, Mr. Gottschlich in the interview to Standard mentioned that Lidl is aiming to increase its UK stores more than twice and cover UK with 1500 stores. Expansion of Lidl would cover new areas such as

Chiswick, Muswell Hill, Barnes, Battersea, Dulwich and Wandsworth that were considered uncharted areas for Lidl before (Prynn, 2015). This is sign of change in Lidl's marketing strategy. Probably this is due to introduction and development of Lidl's Deluxe product range and award winning premier wine offers. Lidl's expansion to the centers may contribute to profit increase and help to the image of Lidl in eyes of upper middle-class families.

In addition to store location, efficient use of its logistics channels is another source of Lidl's marketing strategy's success. Lidl expansion to city centers may increase the cost, however, it may be compensated by its efficient logistics channels. Lidl underlines efficiency of its logistics channels to support high quality and fresh product supply to its customers. It is due to Lidl's centralized delivery control system for all transport activities. It helps retailer to optimize its logistics systems from short to long journeys ("Efficient logistics - Lidl UK," n.d.).

Like other retailers, part of non-consumer goods of Lidl in Europe comes from Asia. The efficient planning system of Lidl in Europe enables company to use of all containers by one ship to the Europe. Once goods arrive to the Europe, lorries, vessels and good trains equipped with navigation used for further transport. Well organized and planned control system on deliverables allows Lidl to maximize its freight capacity as much as possible. (Ibid)

Lidl has agreements with medium-sized business in Germany and UK for the certain product lines to offer local markets. Pan European distribution centers handle goods transportation and delivery is centrally consolidated. Efficient operation of transports allows company to minimize cost and reduce haulage. It helps company to keep freshness of even perishable items and operate transport by minimizing the damage to the environment.

Continues supply of goods achieved through efficient management of local suppliers in the area of logistics. Daily deliveries carried out through the most-engineered routes and once goods ordered by stores Lidl started to deal with a full lorry loads as earlier as it can. Lorry loads are so optimized that they can take simultaneous returning materials back to warehouse from store and even lorry can visit manufacture with intention of taking goods to warehouse on the way back from stores. (Ibid)

Lidl runs its operation in UK though nine distribution centers. Lidl announced to increase number of distribution centers up to 12 by 2017. New distribution centers would include warehouses in Southampton, Wednesbury and Devon. Devon warehouse is expected to be launched in 2017 and it will be Lidl's 12 distribution center (Grecian & Jefford, 2016).

Besides, bigger size of new Lidl stores are also planned to be equipped with energy-saving technologies and better visual merchandising tools ("Lidl: Five strategic priorities", 2015).

## **Conclusion**

Based on the empirical finding and analysis, it should be mentioned that both German retailers entered to the UK market in 1990s and positioned themselves as discounters that offered almost unbeatable prices in comparison to the traditional UK retailers. Despite their brand names and image in other European countries such as Germany, Austria and others, they could not get themselves accepted by UK customers until Global Economic Crisis of 2008. Once global crises hit UK, customers in the Kingdom started to seek for the best value for money and tried increase their savings as much as possible in respond to the rising living costs. That was the turning point when more potential customers started to visit Aldi and Lidl stores with intention of cost saving for limited range of products. Before the financial crises of 2008, Aldi and Lidl stores were mainly destinations for working and lower middle class. Due to changing economic situation in the UK, customers from middle and upper middle class also started to drop by Aldi and Lidl stores and do certain shopping.

While more British citizens started to visit Aldi and Lidl, both retailers also started to focus on building marketing strategies to increase number of customers and keep them coming back. In this regard, both Lidl and Aldi started to increase range of product and service assortments as well as quality of products and shopping experience. One of the first moves in regard to product strategy was to add new product lines to eventually turn both Aldi and Lidl stores to one stop shopping stores. Nowadays Aldi and Lidl offer 1000-1500 product lines to its customers. In respond to demand from the new customer groups from middle and upper middle classes, both companies also started to offer upmarket product lines. Aldi responded to this by launching “Special Buys” product lines and introducing quality wine while Lidl introduced its “Deluxe” product range and Wine Cellar showcases in the stores.

Another issue with Aldi and Lidl product was misperception of their quality among the certain customer segments. Lower price was associated with poor quality in mind of some UK customers. In this regard, the both retailers started multiple promotion campaigns to send message that lower prices do not always mean lower quality. Besides, the retailers also started to source considerable amount of product locally to convince their customer for quality and British origin. As a result of such campaigns Aldi and Lidl proved their quality by winning multiple quality prizes in the UK.

Another aspect of the German discounters marketing strategy’s product aspect was related with the lack of shopping experience they offered to the customers. In comparison to the traditional retailers of UK, Aldi and Lidl stores did not have public toilets, baby changing rooms, self-check

machines and other facilities. However, both retailers also started to respond to these wishes of their customers. Lidl responded it with new design of stores called “The Lidl of Future” that offers better lighting, large size, public toilet, self-check out machines. However, Aldi ruled out installing self-check out machine and public toilet so far. One of the advantages of the both retailers is to have parking spot in front of store. However, Aldi and Lidl are still favored by UK customers despite lack of some customer experience. Lack of some customer experiences are being compensated by cheaper product offers.

Another aspect of marketing strategy of Aldi and Lidl was related with their pricing strategies. While both retailers introduced up market products and luxury wines to their product range, they managed to keep their competitive prices in comparison to most of the UK retailers. Economies of scales, own-labeled product ranges, excellent supplier management and effective and efficient logistics management could be considered both retailer source of price advantage. Aldi and Lidl follow low mark up and high quantity sales. Despite being discounter, both retailers also organize sales and promotions campaigns. Limited campaign carried out under “Sensation Deals” by Lidl and “Special buys” by Aldi.

Promotion strategy of Aldi and Lidl also has been going under major changes since 2008. In the initial stages, companies were mainly concentrated in leaflets distribution. In respond to changing customer needs and wants both companies started to revise their promotion methods. Both companies intensively use their social media accounts and managed to build ties with their customers online. In addition, both

companies have tremendously increased their promotion budget during previous years and started to shift to promotional means on traditional media. Lidl uses multiple promotion channels by “Lidl Surprises” motto. In turn, Aldi use “Like brands”

‘Swap & Save’ titles for its promotion.

Regarding store location, both companies have chosen to situate their stores in low rent districts across UK. Analysis of Aldi and Lidl stores in London has proofed this argument. However, increasing customer bases from middle and upper middle classes could be sign of new store opening in the relevant neighborhoods.

To conclude, I would like to mention Aldi UK and Lidl UK have gained competitive advantage via their distinct approach to retailing. Both retailers use their unique marketing mix strategies to offer its own branded products with high quality and lower price. Aldi and Lidl also use successful promotion campaigns to achieve their marketing objectives. Aldi UK and Lidl UK refer to multi-channel promotional activity to engage customers and create positive feedback. As a result of balanced marketing mix strategy Aldi and Lidl have been one of the fastest growing store chains in UK and I believe we will witness its greater expansion in incoming years. If Aldi and Lidl keep growing in such rates, we, even one day in future, might see both German discounters among four bigs of UK store chains.

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