

Food and Non-food Discounters: Incl Impact of COVID-19 - UK - October 2020

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This report looks at the following areas:

- The impact of COVID-19 and resulting economic uncertainty on the discounter market
- A forecast for the sector including the expected impact of the second COVID-19 national lockdown
- The rise of online retail and how it affects the discount retailers
- Who shops at the discounters and what they buy
- The increasing innovation and diversification seen across the discount sector

Shopping at the discounters is ubiquitous with 96% of UK consumers typically shopping at one. Although most demographics are shopping at the stores, younger shoppers were particularly prevalent, with 98% of 16-24 year olds shopping at discounters. Despite this, online shopping was under-used, just 6% of discounter shoppers shopped online at a discounter.

The COVID-19 pandemic presents an unprecedented challenge to the UK retail sector. The discounter market, however, looks set to benefit from the economic uncertainty and low consumer confidence. Although the conditions are not identical we can look back to the recession of 2008 to understand how the discounters can benefit from these conditions.

The discounters' simple, low-cost model led to strong performances against the traditional retailers and an increasing share of the grocery market. Over the last couple of years however, the discounter market has matured and that growth is beginning to slow. The discounters will find themselves competing with each other more than ever. With online retail changing the way we shop the discounters may find themselves at a disadvantage versus the traditional retailers which have well developed and funded ecommerce operations.

Although the discounters' low engagement with online retail is a serious risk, it also represents a real opportunity. Our research has shown that the key



"The discount sector is well positioned to benefit from the economic uncertainty in the UK caused by the COVID-19 pandemic. With a more mature market, competition will be fierce and retailers will have to work hard to differentiate themselves."

- Piers Butel, Research Analyst

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demographic for the discounters is the same as that for online retail. If the discounters are able to find ways to combine their low-cost models with ecommerce operations it could provide them with a new source of growth.

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Table of Contents

OVERVIEW

- **Key issues covered in this Report**
- **What is a discounter?**
- **COVID-19: market context**
- **Economic and other assumptions**

EXECUTIVE SUMMARY

- **Impact of COVID-19 on food and non-food discounters**
Figure 1: Short, medium and long term impact of COVID-19 on food and non-food discounters, 5 October 2020
- **The market**
- **Discount sector growth continues to slow**
Figure 2: All discounters' sector size (ex-VAT), 2015-25
- **Food discounters account for around 13% of the UK's grocery market**
- **Companies and brands**
- **Market leading Aldi sees another year of strong growth**
Figure 3: Leading discounters' estimated share of all discount sales, 2019
- **Aldi is ahead of the competition when it comes to customer experience**
Figure 4: Key metrics for selected brands, July 2020
- **The consumer**
- **Discounter shopping is ubiquitous in the UK**
Figure 5: Discounters typically shopped with, May 2020
- **Younger shoppers key, but all demographics shopping at discounters**
Figure 6: Discounter usage, by age group, May 2020
- **Online retail remains under-utilised by discounters**
Figure 7: Discounters shopped online, May 2020
- **Food cupboard items are the most popular for discounter shoppers**
Figure 8: Food item purchasing at food discounters, May 2020
- **Household cleaning products are most popular non-food purchases**
Figure 9: Non-food product purchasing habits at discounters, May 2020
- **Just a fifth of shoppers would shop elsewhere if they had more money**
Figure 10: Attitudes towards discount shopping, May 2020

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- **Two fifths of shoppers worry about social distancing in discount stores**

Figure 11: Attitudes towards discounter shopping since COVID-19 outbreak, May 2020

ISSUES AND INSIGHTS

- **COVID-19: an opportunity**
- **COVID-19: a challenge**
- **Innovation and expansion in non-food**

THE MARKET – KEY TAKEAWAYS

- **Confidence and spending hit by pandemic**
- **Discount sector growth was slowing until COVID-19**
- **Current situation provides opportunities for the discounters**
- **Aldi and Lidl remain dominant in the sector**
- **Online retail will be the next frontier for discounters**

MARKET DRIVERS

- **Consumer confidence recovery could be temporary**
Figure 12: The financial confidence index, January 2017–July 2020
- **Real wages drop sharply as recession hits the UK**
Figure 13: Real wage growth: average weekly earnings vs inflation, Jan 2016–August 2020
- **Spending patterns changed by reduced confidence**
Figure 14: Confirmed and planned spending activities, Jan 18–sep 20
- **Retail sales dropped dramatically in the first lockdown**
Figure 15: Annual % change in all UK retail sales (excluding fuel), by value and volume, Jan 2019–Jul 2020
Figure 16: Percentage change in value retail sales, by category, in the first half (Jan–Jul) 2020

MARKET SIZE AND FORECAST

- **COVID-19's impact on retail and the discount sector**
Figure 17: Short, medium and long term impact of COVID-19 on discounter market, 05 October 2020
- **Lockdown**
- **Re-emergence**
- **Recovery**
- **Pre-COVID-19 discounter growth was stable and slowing**
- **COVID-19 to drive strong growth in 2020**
Figure 18: All discounters' sector size (ex-VAT), 2015–25 (09 November)

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Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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Figure 19: Discount sector size as a percentage of all retail sales (ex-fuel, ex VAT), 2015-20

Figure 20: All discounters' sector size (ex-VAT), detailed forecast 2015-25

- **The food discount sector**

Figure 21: Food discounters' sector size (ex-VAT), 2015-25 (09 November October)

Figure 22: Food discounters' sector size (ex-VAT), detailed forecast, 2015-25

- **The non-food discount sector**

Figure 23: Non-Food discounters' sector size (ex-VAT), 2015-25 (09 November)

Figure 24: Non-food discounters' sector size (ex-VAT), detailed forecast, 2015-25

- **Market drivers and assumptions**

Figure 25: Key drivers affecting Mintel's market forecast, 2015-24 (prepared on 09 November2020)

- **Learnings from the last recession**

Figure 26: Value sales of Aldi and Lidl combined, 2006-12

- **Forecast methodology**

THE CONSUMER – KEY TAKEAWAYS

- **More than nine out of 10 shopped with discounters in the past three months**
- **Discounters appeal to younger consumers**
- **Discounters lag behind when it comes to online retail**
- **Cupboard items and fresh fruit/vegetables are footfall drivers in food**
- **Household cleaning products are the key categories in non-food**
- **Low prices are not the only factor but they let shoppers spend more in other areas**
- **People are shopping less in discounters as a result of COVID-19**

WHERE THEY SHOP

- **Discounter shopping is ubiquitous amongst UK consumers**
Figure 27: Type of discounter used, May 2020
- **Aldi and Poundland are the most visited food and non-food discounters**
Figure 28: Discounters typically shopped with, May 2020
- **Food discounters are most regularly visited**
Figure 29: Frequency of discounters visitation, May 2020

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Figure 30: Frequency of discounters visitation, shoppers only rebase, May 2020

- **Questions around the quality of products remain for some**

Figure 31: Reasons for not shopping at discounters, May 2020

- **Repertoire of stores visited**

Figure 32: Repertoire of discounters May 2020

RETAILER DEMOGRAPHIC COMPARISON

- **Discounters appeal to all ages**

Figure 33: Discounter usage by age group, May 2020

- **Food discounters: appealing to a younger demographic**

- **Lidl attracts a more price-sensitive and older shopper**

Figure 34: Food discounter usage by age group, May 2020

- **Lidl appears ahead in London and Aldi first choice in the North of England**

Figure 35: Food discounter usage, by region, May 2020

- **Lower-income households key for non-food discounters**

Figure 36: Non-food discounter usage by age group, May 2020

- **Non-food discounters remain most popular in the Midland and Northern regions**

Figure 37: Non-food discounter usage, by region May 2020

DISCOUNTERS AND ONLINE

- **Wilko is the most commonly used online discounter**

Figure 38: Discounters shopped online, May 2020

- **Discounters without online stores are losing sales to those that do**

Figure 39: Discounters shopped online against typical discounter shopped with, May 2020

- **Attitudes towards online retail**

Figure 40: Attitudes towards shopping online with discounters, May 2020

FOOD AND DRINK PURCHASES AT DISCOUNTERS

- **Food cupboard items are the key footfall driver for food discounters**

Figure 41: Food item purchasing at food discounters, May 2020

- **Lidl's bakery remains a differentiator as Aldi edges out the competition in frozen goods**

Figure 42: Food item purchasing habits at food discounters, May 2020

What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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- **Higher-income household shoppers buying beverages and chilled goods**

Figure 43: Food item purchasing at food discounters by household income, May 2020

NON-FOOD PURCHASES AT DISCOUNTERS

- **Household cleaning products most popular non-food purchases at discounters**

Figure 44: Non-food products purchased at discounters, May 2020

- **Consumers interested in, but not buying, electrical products**

Figure 45: Non-food product purchasing habits at discounters, May 2020

- **Younger to middle-aged shoppers are the key consumers of non-food items**

Figure 46: Non-food products typically purchased at discounters by age group, May 2020

CONSUMER ATTITUDES TOWARDS PRICE AND EXPERIENCE IN DISCOUNTERS

- **Although low prices are still a factor, the discounters clearly offer more than just value**

Figure 47: Attitudes towards discount shopping May 2020

- **Younger shoppers using discounters to save money for more discretionary spending**

Figure 48: Attitudes towards discount shopping, by age, May 2020

THE EFFECT OF COVID-19 ON DISCOUNTER SHOPPING BEHAVIOUR

- **Consumers remain concerned about contracting the virus**

Figure 49: Level of concern regarding exposure to COVID-19, February–September 2020

- **These concerns led to increased online shopping**

Figure 50: COVID-19 behaviour: online shopping use, April–Sept 2020

- **Consumers are also worried about their financial situation**

Figure 51: Impact COVID-19 will have in the UK, 18–24 June 2020

- **Younger shoppers are set to suffer more when the furlough scheme ends**

Figure 52: Changes in lifestyle as a result of COVID-19 by age 21–28 May 2020

- **Consumers are shopping less at non-food discounters**

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Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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Figure 53: Shopping behaviour since COVID-19 outbreak, May 2020

- **Shoppers are worried about social distancing in smaller stores**

Figure 54: Attitudes towards discounter shopping, May 2020

CHAID ANALYSIS – FOOD AND NON-FOOD DISCOUNTERS

- **Methodology**
- **Young parents favour full online shops at the discounters**

Figure 55: Food and non-food Discounters – CHAID – Tree output, June 2020

Figure 56: Food and non-food discounters – CHAID – Table output, June 2020

LEADING RETAILERS – KEY TAKEAWAYS

- **Aldi remains ahead of the market**
- **Food discounter expansion slows**
- **Aldi's excellent shopping experience sets retailer apart**

LEADING RETAILERS – KEY METRICS

- **Revenue**

Figure 57: Leading discounters' sales, 2015/16–2019/20

- **Operating profits and margins**

Figure 58: Leading discounters' operating profits, 2015/16–2019/20

Figure 59: Leading discounters' operating margins, 2015/16–2019/20

- **Stores and sales-per-outlet**

Figure 60: Leading discounters' outlet numbers, 2015/16–2019/20

Figure 61: Leading discounters' sales per outlet, 2015/16–2019/20

MARKET SHARE

- **Food discounters account for two thirds of the market**

Figure 62: Leading discounters' estimated share of all discount sales, 2019

Figure 63: Leading 10 discounters' share of all discount sales, 2015–19

- **Food discounters: Aldi and Lidl combined share of 12.7% of grocery market**

Figure 64: Estimated share of all grocery retail sales (ex-VAT, ex-fuel) by the leading players, 2019

What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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Figure 65: Grocery market share: the big four vs the food discounters, 2013-19

- **Non-food discounters: still gaining share in the mixed goods sector**

Figure 66: Non-food discounters' share of all mixed goods retail sales, 2010-19

- **Savers**

Figure 67: Savers: market share of the specialist health and beauty sector (ex-VAT), 2013-19

LAUNCH ACTIVITY AND INNOVATION

- **COVID-19 driving innovations and change**

Figure 68: Aldi COVID-19 pandemic traffic light system, 2020

- **Discounting online**

Figure 69: Aldi and Deliveroo partnership, 2020

- **New stores, new formats, new ranges**
- **Discounters acting on new trends**
- **Lidl breaks new ground with loyalty**

ADVERTISING AND MARKETING ACTIVITY

- **Total advertising spend remained flat in 2019**

Figure 70: Total recorded above-the-line, online display and direct mail total advertising expenditure by the UK's leading discounters, 2015-19

- **Lidl and Aldi are the biggest advertising spenders**

Figure 71: UK leading discounters: recorded above-the-line, online display and direct mail total advertising expenditure, 2015-19

- **Advertising spend in 2019 follows key seasonal events**

Figure 72: Total recorded above-the-line, online display and direct mail total advertising expenditure by UK leading discounters, by month, 2019

- **Almost 80% of all advertising spend on TV and press channels**

Figure 73: Total recorded above-the-line, online display and direct mail total advertising expenditure by the UK's leading discounters, by media type, 2019

- **What we've seen in 2020**
- **Nielsen Ad Intel coverage**

BRAND RESEARCH

- **Brand map**

Figure 74: Attitudes towards and usage of selected brands, July 2020

What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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- **Key brand metrics**

Figure 75: Key metrics for selected brands, July 2020

- **Brand attitudes: Aldi and Lidl considered particularly innovative**

Figure 76: Attitudes, by brand, July 2020

- **Brand personality: food discounters considered ethical**

Figure 77: Brand personality – Macro image, July 2020

- **Aldi and Lidl considered cutting edge and aspirational**

Figure 78: Brand personality – Micro image, July 2020

- **Brand analysis**

- **Aldi's brand image remains ahead of rivals**

Figure 79: User profile of Aldi, July 2020

- **Wilko is a trusted player with a good online service**

Figure 80: User profile of Wilko, July 2020

- **Lidl has a high awareness but still lags behind Aldi**

Figure 81: User profile of Lidl, July 2020

- **Home Bargains, lowest awareness but most trusted**

Figure 82: User profile of Home Bargains, July 2020

- **B&M trustworthy but considered boring**

Figure 83: User profile of B&M, July 2020

- **Poundland most commonly used discounter**

Figure 84: User profile of Poundland, July 2020

APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

- **Data sources**
- **VAT**
- **Abbreviations**

What's included

Executive Summary

Full Report PDF

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