“Over the past 10 years the discount sector has shown that it is highly adaptable, succeeding to thrive in both market conditions which favoured a low-cost alternative and in conditions where traditionally there would have been less demand. With an uncertain economic outlook in the short term the sector is well placed to make further gains and capitalise on likely consumer desire to cut back.”

Nick Carroll, Senior Retail Analyst

This report looks at the following areas:

- What do Brexit and uncertainty mean for the discounters?
- The move to multi-price in non-foods
- Glass or concrete: What is the ceiling for the food discounters?

Areas covered in this Report

We split the discount sector into two main segments: food and non-food.

The food discounters are Aldi, Lidl and Netto (which ceased to exist in the UK, for the second time, in August 2016).

The non-food discounters include those stores whose focus is on mixed goods, although for some, food can be one of their main product categories this is confined almost entirely to ambient groceries with little or no fresh, chilled or frozen products.

We break the non-food discounters down into two further categories:

- The fixed-price discounters, which include traditional ‘pound shops’ such as Poundland and Poundworld
- The multi-price discounters, which include a wide range of retailers with the largest being B&M Bargains, Home Bargains and Wilko.

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.
Table of Contents

Overview

What you need to know
Areas covered in this Report
What is a discounter?

Executive Summary

The market
Discounter sector continues to grow strongly
Figure 1: All discounters’ sector size (Ex-VAT), 2012-22

Inflation on the rise
Figure 2: Consumer price inflation: overall index and key categories, January 2016-July 2017

Real incomes now falling
Figure 3: Real wages growth: Wage growth vs inflation, January 2012-August 2017

Companies and brands
Combined Aldi and Lidl account for over half of the overall discount market...
Figure 4: Leading discounters’ estimated share of all discount sales, 2016

...and also over 10% of the grocery sector
Figure 5: Grocery market share: The Big Four v the Food Discounters, 2010-16

The consumer
Nine in 10 shop with a discounter
Figure 6: Use of food and non-food discounters, by age, July 2017

Poundland attracts the highest number of shoppers, but food discounters are most used
Figure 7: Discounters used and used most often in the last three months, July 2017

Food discounters straddle the line between convenience and supermarkets
Figure 8: Food missions completed within food discounters, July 2017

Household non-foods the most popular purchase at discounters
Figure 9: Non-food products purchased at discounters in the last three months, July 2017

Satisfaction high amongst discount shoppers but there are areas to improve
Figure 10: Key drivers of overall satisfaction with discount retailers, July 2017

The move to multi-price is likely to be a positive for the fixed-price players
Figure 11: Attitudes towards the discounter shopping experience, July 2017

What we think

Issues and Insights

What do Brexit and uncertainty mean for the discounters?
The facts
The implications
The move to multi-price in non-foods
The facts
The implications
Glass or concrete: What is the ceiling for the food discounters?
The facts
The implications

The Market – What You Need to Know

Real incomes are now falling
Consumer confidence has taken a hit but remains broadly positive
Retail sales have remained positive in the first half
Growth remains strong but has been slowing in the discount sector
Food discounters the driver
Non-food discounters evolving

Market Drivers

Inflation on the rise
Figure 12: Consumer price inflation: overall index and key categories, January 2016-July 2017

Real incomes now falling
Figure 13: Real wages growth: Wage growth vs inflation, January 2012-August 2017

Consumer confidence
Figure 14: Consumers’ view on their current and future financial situation, January 2014-July 2017

Value sales remain strong...
Figure 15: Value retail sales (ex-fuel): food and non-food growth, non-seasonally adjusted, July 2016-June 2017

...but in volume terms there are signs of consumers cutting back
Figure 16: Volume retail sales (ex-fuel): food and non-food growth, non-seasonally adjusted, July 2016-June 2017

Market Size and Forecast

Discount sector continues to grow strongly
Figure 17: All discounters’ sector size (Ex-VAT), 2012-22
Figure 18: All discounters’ sector size (Ex-VAT), detailed forecast at current and constant prices, 2012-22
Figure 19: Discount sector size as a percentage of all retail sales (ex-fuel), 2008-17

The food discounters segment
Figure 20: Food discounters’ sector size (ex-VAT), 2012-22
Figure 21: Food discounters’ sector size (ex-VAT), detailed forecast at current and constant prices, 2012-22

The non-food discount segment
Figure 22: Non-food discounters’ sector size (ex-VAT), 2012-22
Figure 23: Non-food discounters’ sector size (ex-VAT), detailed forecast at current and constant prices, 2012-22

Forecast methodology

The Consumer – What You Need to Know

Nine in 10 consumers have shopped at a discounter
Poundland the most visited discounter
Food discounters providing a viable alternative to convenience
Household purchases popular within the discount sector
Overall satisfaction high with the discount experience but there is room for improvement
The move to multi-price
New ranges keep the shopping experience fresh
Food discounters doing well in the premium stakes

Where They Shop
Poundland shows the highest number of shoppers
Figure 24: Discounters used and used most often in the last three months, July 2017

Discount use on the up
Figure 25: Discounters visited in the last three months, 2015-17

Food discounters are visited most frequently
Figure 26: Discounters visited in the last three months, by frequency of visitation, July 2017

Repertoire of discount stores visited
Figure 27: Repertoire of discount stores used in the past three months, July 2017

Demographics of Discount Use – Retailer Comparison
Discount use skews younger
Figure 28: Use of food and non-food discounters, by age, July 2017

Food discounter use peaks amongst high earners
Figure 29: Use of food and non-food discounters, by gross annual household income, July 2017

Discount usage peaks in Scotland
Figure 30: Use of food and non-food discounters, by region, July 2017

Retailer comparisons: younger consumers clearly driving the market
Figure 31: Use of food discounters, by age, July 2017
Figure 32: Use of non-food discounters, by age, July 2017

Food Purchasing at Discounters
Discounters popular in traditional convenience categories
Figure 33: Food missions completed within food discounters, July 2017
Figure 34: Food missions completed within food discounters, by region, July 2017

Food purchasing within non-food discounters
Figure 35: Types of food and drink purchased at non-food discounters, July 2017

Non-food Purchasing at Discounters
Household products popular at discounters
Figure 36: Non-food products purchased at discounters in the last three months, July 2017

Older shoppers most likely to buy items for the home
Figure 37: Non-food products purchased at discounters at discounts in the last three months, by age, July 2017

Aldi shoppers buy more non-foods
Figure 38: Non-food products purchased at discounters in the last three months, by food discounter used most often, July 2017
Food and Non-food Discounters - UK - September 2017

Figure 39: Non-food products purchased at non-food discounters in the last three months, by food discounter used most often, July 2017

Repertoire of non-food products purchased

Figure 40: Repertoire of product categories purchased from in the last three months, July 2017

Satisfaction with Shopping at Discounters

Overall levels of satisfaction high with discounters

Figure 41: Satisfaction with factors at the discounter shopped with most often, July 2017

Key Driver Analysis: a greater focus on customer service needed?

Figure 42: Key drivers of overall satisfaction with discount retailers, July 2017

Figure 43: Correlation (R) values with overall satisfaction key driver output, July 2017

Retailer comparisons

Figure 44: Level of positive satisfaction with factors, by type of discounter shopped at most often, July 2017

Figure 45: Level of positive satisfaction with factors, by type of discounter shopped at most often, July 2017

Methodology

Attitudes towards Discounters

Fluid product offerings lead to fresh experiences

Figure 46: Attitudes towards the discounter shopping experience, July 2017

It is not just cheap and cheerful

Figure 47: Attitudes towards quality, sourcing and pricing at discounters, July 2017

Figure 48: Attitudes towards quality, sourcing and pricing at discounters, by type of discounters shopped with most often, July 2017

Food discounters doing well in the premium stakes

Figure 49: Attitudes towards food discounters’ premium and healthy ranges, July 2017

More affluent consumers stronger in their demand for healthier options

Figure 50: Attitudes towards food discounters’ premium and healthy ranges, by socio-economic group, July 2017

Leading Retailers – What You Need to Know

Aldi and Lidl take fifth and seventh spot within the grocery sector

B&M the non-food leader but is looking to expand into food

The move to multi-price

Food discounters score more highly on brand trust

Leading Players – Key Metrics

Revenues

Figure 51: Leading discounters’ sales, 2012/13-2016/17

Operating profits and margins

Figure 52: Leading discounters’ operating profits, 2012/13-2016/17

Figure 53: Leading discounters’ operating margins, 2012/13-2016/17

Stores and sales per outlet

Figure 54: Leading discounters’ outlet numbers, 2012/13-2016/17

Figure 55: Leading discounters’ sales per outlet, 2012/13-2016/17

Market Shares
Food and Non-food Discounters - UK - September 2017

Food discounters account for half of the market
Figure 56: Leading discounters’ estimated share of all discount sales, 2016
Figure 57: Leading 10 discounters’ share of all discount sales, 2012-16

Aldi and Lidl now account for over 10% of all grocery sales
Figure 58: Estimated share of all grocery retail sales (ex-VAT, ex-fuel) by the leading players, 2016
Figure 59: Grocery market share: The Big Four v the Food Discounters, 2010-16

Non-foods disrupting the mixed goods sector
Figure 60: Non-food discounters’ share of all mixed goods retail sales, 2008-16

Savers in the health and beauty space
Figure 61: Savers: Market share of the specialist health and beauty sector (ex-VAT), 2011-16

Space Allocation Summary

Food discounters – Summary
Figure 62: Food discounters: Summary shelf frontage space allocation estimates, September 2017

Food discounters - Detailed space allocation
Figure 63: Food discounters: Detailed shelf frontage space allocation estimates, September 2017

Multi-price non-food discounters – Summary
Figure 64: Multi-price non-food discounters: Summary shelf frontage space allocation estimates, September 2017

Multi-price non-food discounters – Detailed space allocation
Figure 65: Multi-price non-food discounters: Detailed shelf frontage space allocation estimates, September 2017

Fixed-price non-food discounters – Summary
Figure 66: Fixed-price non-food discounters: Summary shelf frontage space allocation estimates, September 2017

Fixed-price non-food discounters – Detailed space allocation
Figure 67: Fixed-price non-food discounters: Detailed shelf frontage space allocation estimates, September 2017

Retail Product Mix

Figure 68: Leading discounters: estimated sales by product, 2016
Figure 69: Leading discounters estimated sales mix, 2016
Figure 70: Leading discounters, estimated sales per square metre, 2016

Innovations and Marketing Activity

Aldi and Lidl look to online
Lidl and Heidi Klum team up to launch affordable fashion line
Poundland launches its first 50p sale
Poundland ramps up Pep & Co concessions
Poundworld shelves selling products costing more than £1

Advertising and Marketing Activity

Total advertising spend by the sector’s leading retailers down by nearly 60%
Figure 71: Recorded above-the-line, online display and direct mail total advertising expenditure by the UK’s leading discounters, 2012-17

Lidl and Aldi accounted for 88.6% of total sector adspend in 2015
Advertising spend peaks around Easter and in the run-up to Christmas

BUY THIS REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
APAC +61 (0) 2 8284 8100
EMAIL: reports@mintel.com
Figure 72: Recorded above-the-line, online display and direct mail total advertising expenditure by leading discounter, by month, 2016

TV accounts for the majority of adspend among discounters

Figure 73: Recorded above-the-line, online display and direct mail total advertising expenditure by the UK’s leading discounters, by media type, 2012-17

Nielsen Ad Intel coverage

Brand Research

Overview

Brand map

Figure 74: Attitudes towards and usage of selected brands, July 2017

Key brand metrics

Figure 75: Key metrics for selected brands, July 2017

Brand attitudes: Aldi and Lidl most likely to be seen as socially responsible

Figure 76: Attitudes, by brand, July 2017

Brand personality: Poundland lagging behind in the fun stakes

Figure 77: Brand personality – Macro image, July 2017

Aldi most likely to be seen as the trendsetter in the discount space

Figure 78: Brand personality – Micro image, July 2017

Brand analysis

Aldi: functional but fun

Figure 79: User profile of Aldi, July 2017

Home Bargains: lower awareness but excelling in experience

Figure 80: User profile of Home Bargains, July 2017

Lidl: lagging behind its food discount rival

Figure 81: User profile of Lidl, July 2017

B&M: struggling to connect with younger consumers?

Figure 82: User profile of B&M, July 2017

Poundland: seen as widely available but basic

Figure 83: User profile of Poundland, July 2017

Aldi Stores Ltd

What we think

Built in poor economic times, consolidated in better ones

The softening of the hard edges

Straddling the lines

Company performance

Figure 84: Aldi Stores Ltd (UK & Ireland): Group financial performance, 2011-16

Figure 85: Aldi Stores Ltd (UK & Ireland): Outlet data, 2011-16

Retail offering

Lidl (UK)
What we think
Background
Company performance
  Figure 86: Lidl (UK): Estimated group financial performance, 2011/12-2016/17
  Figure 87: Lidl (UK): Outlet data, 2011/12-2015/16
Retail offering

B&M Retail Ltd
What we think
Background
Company performance
  Figure 88: B&M Retail Ltd: Group financial performance, 2011/12-2016/17
  Figure 89: B&M Retail Ltd: Outlet data, 2011/12-2016/17
Retail offering

TJ Morris Ltd (Home Bargains)
What we think
Background
Company performance
  Figure 90: TJ Morris Ltd: Group financial performance, 2012/13-2016/17
  Figure 91: TJ Morris Ltd: Outlet data, 2012/13-2016/17
Retail offering

Poundland
What we think
Background
Company performance
  Figure 92: Poundland Ltd: Group financial performance, 2012/13-2016/17
  Figure 93: Poundland Ltd: Outlet data, 2012/13-2016/17
Retail offering

Poundstretcher Ltd
What we think
Background
Company performance
  Figure 94: Poundstretcher: Group financial performance, 2011/12-2015/16
  Figure 95: Poundstretcher: Outlet data, 2011/12-2015/16
Retail offering

Poundworld Retail Ltd
What we think
Background
Company performance
Retail offering

Appendix – Data Sources, Abbreviations and Supporting Information

Data sources
Consumer research methodology
VAT
Financial definitions
Abbreviations

Appendix – Market Size and Forecast
Forecast methodology

Appendix – Key Driver Analysis
Interpretation of results
Figure 100: Correlation (R) values with overall satisfaction – Key driver output, July 2017
Figure 101: Satisfaction with discount retailers, July 2017