

Lidl Express Could Be a Game-changer

by DAVID GORDON

David Gordon is research director with Planet Retail

German discount supermarket chain Lidl is actively developing a new Express format, which will combine its traditional store concept with online ordering, offering a fast checkout experience for customers including a pick-up area for goods ordered online. The pilot store, located in a Berlin suburb, will also sell a smaller range of products, focusing more on convenience products.

The first signs of this new concept emerged in October, when Lidl announced it was planning to introduce fresh and frozen produce as part of a click-and-collect offering with a trial in Berlin. With its 3.5 million people, low car ownership and high population density, Berlin is a perfect test ground for online grocery.

Lidl's sister company Kaufland has chosen Berlin for its own online test, which launched this month, so it's little surprise that Lidl has also elected to start there. However, the news of a new format clarifies Lidl's approach in terms of integrating the online world with the offline.

A RADICAL RESHAPING OF THE LIDL OFFER

Discounters by nature tend to watch, wait and react only when the direction of travel is clear. Lidl and Kaufland's parent company, Schwarz Group, is recognizing the momentum that online has and is working quickly to build an online presence and a successful fulfillment solution.

Rarely has Lidl strayed from its one-format model, choosing instead to tweak and enhance its core proposition over time, with subtle flexing in each market. The imminent launch of a Lidl Express format that not only offers an integrated online platform but also a "convenience-led" product range shows just how far Lidl is willing to break from tradition to secure its long-term future in a rapidly changing market.

The retailer trialed a concept under the Lidl Express banner in the United Kingdom in 2008; that convenience-focused test quickly faded into obscurity.

A QUEST FOR NEW SHOPPERS

The interesting dynamic here is the opportunity this affords Lidl to break into new locations and neighborhoods that were perhaps previously not viable.



Lidl has a huge presence across Europe, with more than 10,000 outlets. The potential remains for elements of the Lidl Express concept, assuming it is successful, to be incorporated; however, the potential for Lidl to take this format into new convenience-oriented locations provides another route for future growth.

For the wider industry, it is another signal that click-and-collect is the fulfillment method of choice. Online fulfillment models are expensive and add operating costs to any low-margin operation. Again, Lidl has allowed others to experiment, but has closely observed the proven consumer appetite for click-and-collect.

Most importantly, this is a model that enables some of the last-mile cost to be absorbed by shoppers, a good fit with Lidl's cost-conscious approach.

ALDI CAUGHT ON THE BACK FOOT?

There's a risk that discount grocery competitor Aldi may be left behind as it fails to move fast enough in a market that is experiencing unprecedented change. An online venture in China may be next for Aldi, but failure to respond in its domestic market could be a greater challenge.

Other questions remain, not least the challenges associated with the economic model. The DNA of discount is low complexity and low cost. Online fulfillment and convenience-style stores will begin to undermine Lidl's drive for simplicity. This trial and others need to prove that the economic model still works and that Lidl can scale with confidence. That is perhaps the biggest question.

With forecasts all pointing toward a greater role for online sales, the discount sector runs the risk of being left behind. Lidl, while typically never a leader in innovation, has realized it cannot wait any longer.