

# FOOD AND NON-FOOD DISCOUNTERS – GERMANY – 2020

The COVID-19 pandemic boosted food discounters' sales. But to make growth sustainable, discounters need to target online and satisfy changing consumer demands.



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# Report Content



## EXECUTIVE SUMMARY

- Mintel's perspective

### Market context

- COVID-19 drives digitalisation needs for discounters
- Private label ranges to grow in Germany
- Private label gains share of German product launches
  - Graph 1: products launches, branded vs private label, January 2007-September 2020

### Mintel predicts

- German shoppers will become more cost conscious
- Discounters growth peaks in 2020
  - Graph 2: discounter sales (incl. VAT), 2015-2025
- Discounters' sales to return to normal levels in 2022

### What consumers want, and why

- Consumers want: local heritage and authenticity
  - Graph 3: statements about local factors that discounter shoppers agree or disagree on, June 2020
- Consumers want: overarching convenience
- Consumers want: great shopping experience
- Consumers want: digital support
  - Graph 4: statements consumers agree or disagree that typically shop at discounters, June 2020

### Opportunities and Threads

- Supermarkets outperform food discounters' growth
- Targeting younger consumers to accelerate growth
- Opportunities for discounters in the downturn

### The competitive landscape

- Discounters account for 15% of total retail sales
- Aldi and Lidl dominate the discounter landscape
- Quick download resources

## THE IMPACT OF COVID-19

- COVID-19's impact on the broader category in Germany
- Market size & forecast following COVID-19 outbreak

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- Germans remain cautious shoppers
  - Graph 5: consumer attitude statements towards COVID-19 pandemic, 7-15 September 2020
- Key shifts in consumer behaviours
- Majority of consumers consider wearing a face mask as important
- Aldi launches #strongertogther campaign during lockdown
- Key shifts in consumer behaviours
- How COVID-19 is impacting key consumer segments
- Negative financial outlook for almost three in 10 consumers
- Private label ranges are big winners of the 'next normal'
- Discounters have a long way to go in terms of digitalisation
- Retailers launch pick up stations to engage with online shoppers
- One-stop-shopping trend strengthens supermarkets' position
- With store closures, non-food discounters have claimed the vacant space
- The impact of COVID-19 on the marketing mix in Germany
- The impact of COVID-19 on the German economy

## MARKET DRIVERS

- Positive economic growth forecasted for 2021...
  - Graph 6: real GDP growth, 2008-21 (est)
- ...but optimism about a fast economic recovery still cautious
  - Graph 7: OECD consumer confidence index Germany, January 2019-August 2020
- Unemployment rate and short-time work generate uncertainty for consumers
  - Graph 8: number of unemployed, July 2019-August 2020
- eCommerce leads to structural changes
- E-commerce investments saw the highest share in 2018/19
  - Graph 9: retailer investments by type, in %, 2015-19
- With the ageing population it's essential to still attract younger consumers
  - Graph 10: maximum total population by age (% share), 2020-30
- The demographic change strongly impacts the retail industry
- Socially conscious consumers focus on ethical lifestyles

## MARKET ACTIVITY

### Sector size and forecast

- Discounter growth peaks in 2020 due to the COVID-19 outbreak
  - Graph 11: discounter market size (incl. VAT), 2015-25
- Discounters outperform the retail market growth

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- Food discounter sales with strong peak short-term...
- ...mid- to long-term they will be one of the COVID-19 winners
- Food discounters get better at anticipating trends

## Consumer spending

- Consumer spend on furnishings and household appliances outperformed total spend in 2019
- Reduced VAT did not lead to higher sales in clothing
  - Graph 12: Consumer Price Index total, January 2018-August 2020
- Consumers postpone non-essential spending
  - Graph 13: categories consumers expect to spend more or less on over the next month, 7-15 September 2020

## Channels of distribution

- Germany is a discounter country
  - Graph 14: retailers via outlet type, 2019
- Online sales growth expected to slowdown after 2020
  - Graph 15: online sales growth, year on year, 2015-25
- Germany, a thriving market for online shopping

## WHAT CONSUMERS WANT, AND WHY

### Where they shop

- The vast majority of Germans shop at discounters
  - Graph 16: where consumers typically shop, June 2020
- The vast majority of Germans shop at discounters
- Financially struggling consumers expected to shop at non-food discounters more
- Women are more likely than men to shop at non-food discounters
  - Graph 17: discounter types consumers typically shop at, by gender, June 2020
- Aldi in total is the most popular discounter in Germany
  - Graph 18: discounters typically shopped at, June 2020
- Lidl and Aldi Süd attract more high-income shoppers
  - Graph 19: shops consumers typically shop at, by net monthly household income, June 2020
- Male shoppers are more likely to shop at Netto and Lidl
  - Graph 20: shops consumers typically shop at, by gender, June 2020
- Lidl and Aldi Süd to target older consumers
  - Graph 21: leading discounters consumers typically shop at, by age, June 2020

### Frequency of purchases at discounters

- Food discounters see most frequent visitations
  - Graph 22: frequency consumers typically shop at discounters, June 2020

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- Non-food discounter to incentivise shoppers to visit stores more
- Generation Z, less frequent shoppers at discounters
  - Graph 23: frequency consumers shop at discounters, by generation, June 2020
- Consumers typically shop at a number of food discounters
  - Graph 24: repertoire, shops consumers typically shop at, June 2020
- Customer loyalty is an important success factor
- Lidl Plus launched in Germany end of 2020

## Frequency of non-food purchasing at discounters

- Health and beauty products show highest purchase frequency
  - Graph 25: non-food products typically bought at discounters, June 2020
- Personal hygiene is a priority for German consumers
- Household cleaning products shopped mostly at Lidl and Aldi Nord
  - Graph 26: non-food products consumers typically purchase at the discounters they shop at most often, June 2020
- Clothing industry suffers heavily from lockdown measures
  - Graph 27: frequency consumers purchase clothing, footwear or accessories, by age and gender, June 2020

## Frequency of food and drink purchases at food discounters

- Fresh and chilled are categories most frequently shopped at food discounters
  - Graph 28: products consumers typically buy at food discounters, June 2020
- Consumers shop for alcoholic products less at Lidl and Aldi
  - Graph 29: food products that consumers shop at the leading food discounters, shopped at most often, June 2020
- Food discounters to reach more consumers with extended fresh offerings
- Aldi is addressing fresh and local with indoor farming
- Home cooking growing with men

## Satisfaction with discounters

- Satisfaction with discounters is very high in Germany
- Ease of checkout is most important to shoppers
  - Graph 30: overall satisfaction with discounters shopped at most often, June 2020
- Low satisfaction with information about product sources
  - Graph 31: satisfaction with shops consumers typically shop at most often, June 2020
- Consumers prioritise quality of checkout experience
- Shoppers are least satisfied with customer service at Aldi Süd
  - Graph 32: overall satisfaction with top discounters typically shopped at most often, June 2020
- Lidl branded products more successful than Aldi in Germany
- Transparency with improvement potential at discounters
- Baby Boomers value customer service, Generation Z agrees less
  - Graph 33: satisfaction of discounter shoppers, Gen Z vs Baby Boomers, June 2020

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## Key driver analysis

- Key driver analysis shows that availability of products is ranked highest
  - Graph 34: overall satisfaction with discounters shopped at most often – key driver output, June 2020

## Attitudes towards shopping at food and non-food discounters

- Local sourcing is appealing to discounter shoppers
  - Graph 35: statements about local factors that discounter shoppers agree or disagree on, June 2020
- Local and organic origin – the key to consumers' trust
  - Graph 36: consumers agree on the following statements about discounters, by financial situation, June 2020
- Food discounters get local
- App promotes businesses with best eco credentials
- Shopping experience and private label assortment are important
  - Graph 37: statements consumers agree or disagree that typically shop at discounters, June 2020
- Increase positive perception of private label with younger consumers
- Driving excitement is important for both food and non-food discounters
  - Graph 38: statements discount shoppers agree on about the shopping experience, by gender and age, June 2020
- Retailer Coop enhance in-store shopping experience with AR game
- More than one third of shoppers value digital innovations...
  - Graph 39: statements consumers agree or disagree that typically shop at discounters, June 2020
- ...as new services can help them to shop more efficiently
  - Graph 40: statements discount shoppers agree on about online services, by household size, June 2020
- Action expands click-and-collect trial to Belgium
- Mintel Trends – new technologies offer virtual shopping experiences

## RETAILER ACTIVITY

### Leading retailers

- Food discounters market share stagnated before COVID-19 outbreak
- Growth of food discounters slowed down in 2019
- Action increased store network, but on a low level
- Takko increased sales per outlet notably in 2019

### Market share

- Food discounters account for almost 90% of the discounter market
  - Graph 41: discounters market share of the total discounter market, 2019
- Lidl increased market share, while other food discounters lost
- Food and non-food discounters with extensive expansion plans

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## Discounters and online

- Majority of consumers never shop online with discounters
  - Graph 42: shops consumers typically shop at online, June 2020
- Lidl is by far the most used discounter online
- One third agree that more discounters should sell online
  - Graph 43: attitude towards more discounters selling online in the future, June 2020
- Millennials with higher probability to shop online with discounters
  - Graph 44: shops consumers typically shop at online, by age group, June 2020
- Middle aged women are more likely to shop online at non-food discounters
  - Graph 45: shops consumers typically shop at online, by age and gender, June 2020
- Online grocery to become Netto's main sales driver
- Marketing agencies visualise how AR could change shopping trips

## Retail innovation

- Scan-and-go apps support faster shopping trips
- New 'scan-and-go' service in selected Carrefour hypermarkets
- New store formats tested for better shopping experience
- Convenience is key for consumers
- Sustainability with new products and activities
- COVID-19 outbreak pushes new payment options

## Advertising and marketing activity

- Food discounters started price war to gain consumers' attention
- Lidl had best ranked Youtube video in August 2020
- Exploring social media, crucial to growth with youngsters
- Penny hires Youtuber to attract younger shoppers
- Voice opens up new advertising opportunities

## Company profiles

- Aldi Nord
- Aldi Süd
- Lidl
- KiK
- Tedi

## APPENDIX

### Appendix – products covered, abbreviations and consumer research methodology

- Abbreviations

## Appendix – market size and forecast

- Key driver analysis – methodology
- Market size and forecast – value



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