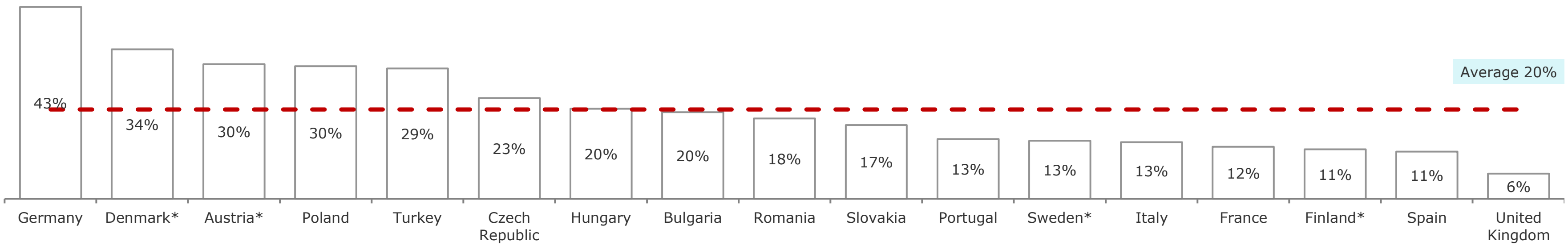
Discount segment in Europe

Discount Segment in Europe (1)

Discount formats represent on average c.20% of European grocery markets, although in several Central and CEE countries discounters dominate the market with shares exceeding 30%

Discounters' MS in total food retail market – 2013 – %



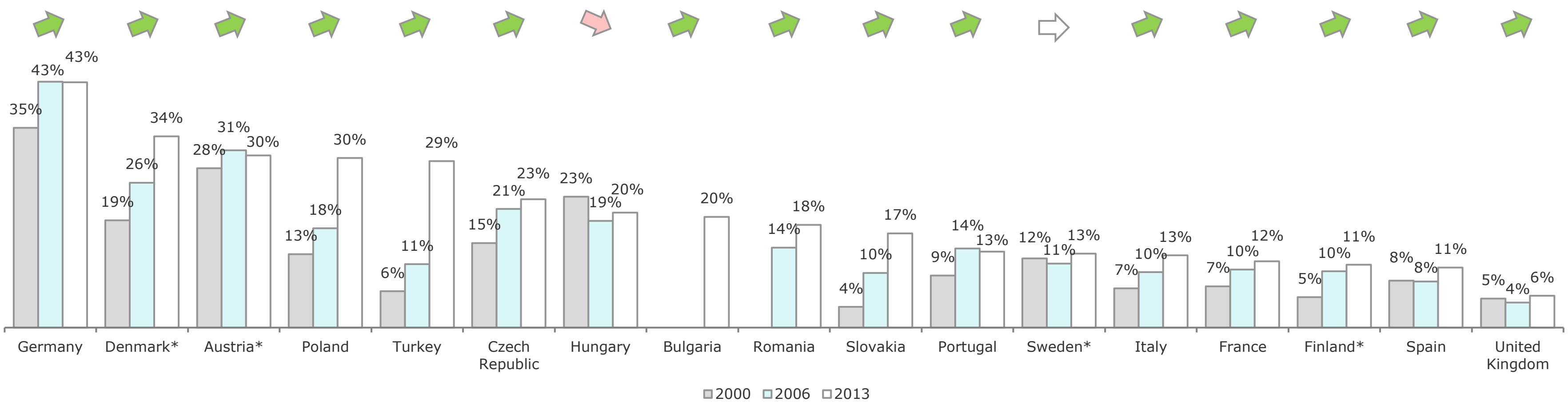
Countries with high discounter's MS

Note(*): Data 2012.
(1) Including HD and SD and excluding LAS models.

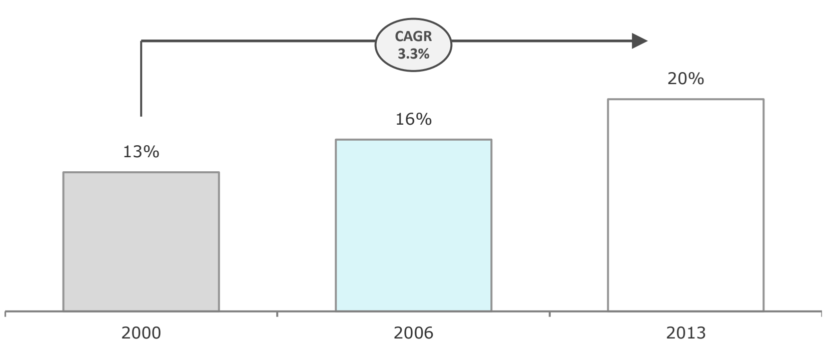
Evolution of the Discount Segment in Europe (1)

Discounters are gaining market share in Europe: over the period 2000-2013 they increased their MS by 7pp (up to 20%)

Evolution of the discount MS in total food retail market – 2000-2013 – %



Evolution of avg. discount MS in total food retail market in Europe – 2000-2013 – %

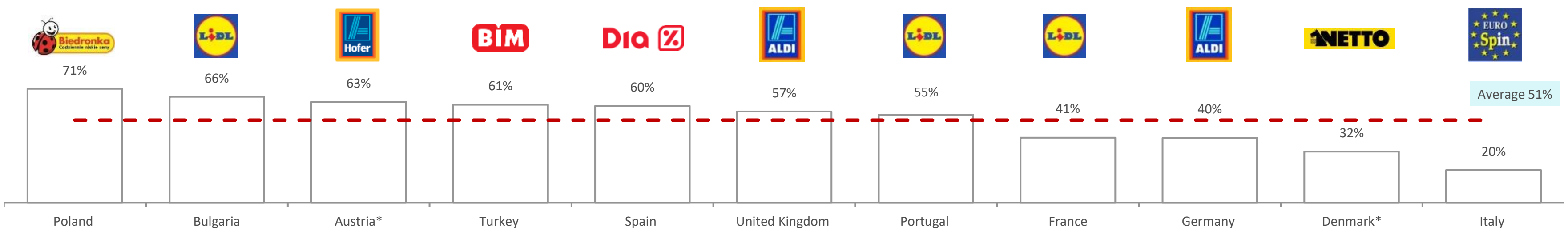


Note(*): Data 2012.
(1) Including HD and SD and excluding LAS models.

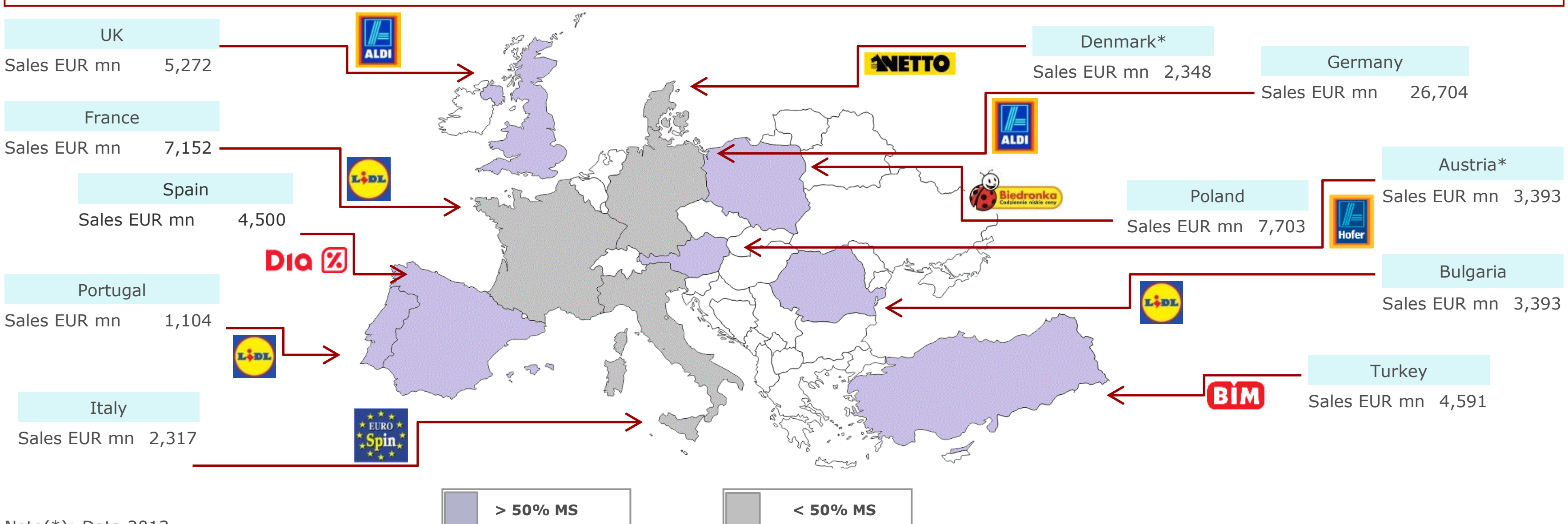
Main discounters in Europe – leaders by country

Lidl and Aldi are the dominant players in the discount segment in many European countries but they coexist with domestic discounters (Dia, Biedronka, BIM, Dansk's Netto, Eurospin), who control a substantial market share in their respective countries

Market share over the segment of main discounters by country – %



Leading discounters in Europe

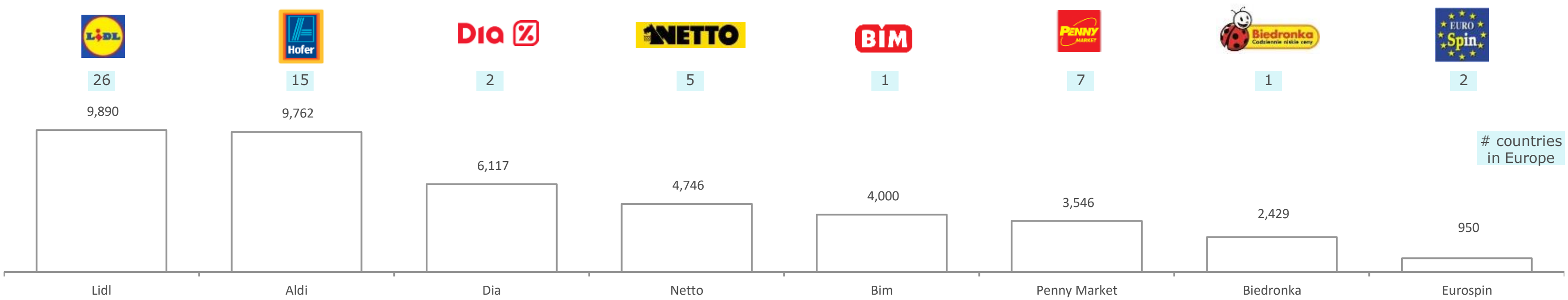


Note(*): Data 2012.

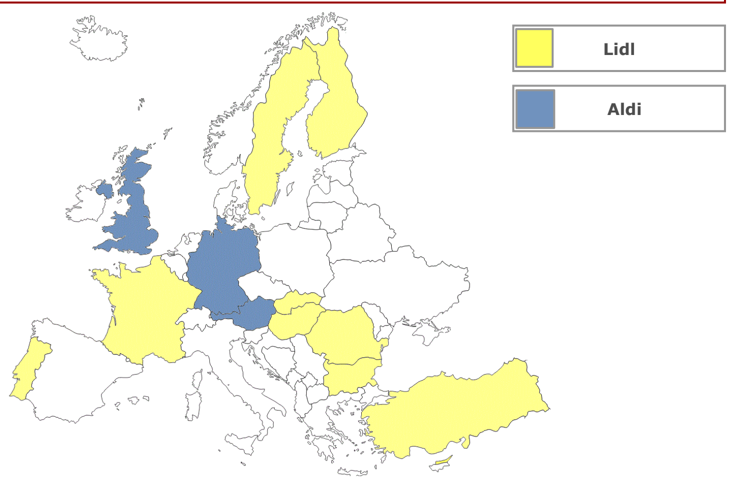
Top discounters in Europe

Lidl and Aldi are clearly the most internationalized discounters, with a strong implantation in Europe but also overseas (USA, Australia). However, many domestic retailers have been able to open ground internationally (although at a far more modest scale), including Dia, Netto, BIM, Penny Market, Biedronka and Eurospin

Top discounters in Europe: by number of outlets and number of countries – 2013



Countries where Lidl or Aldi are leaders of the segment

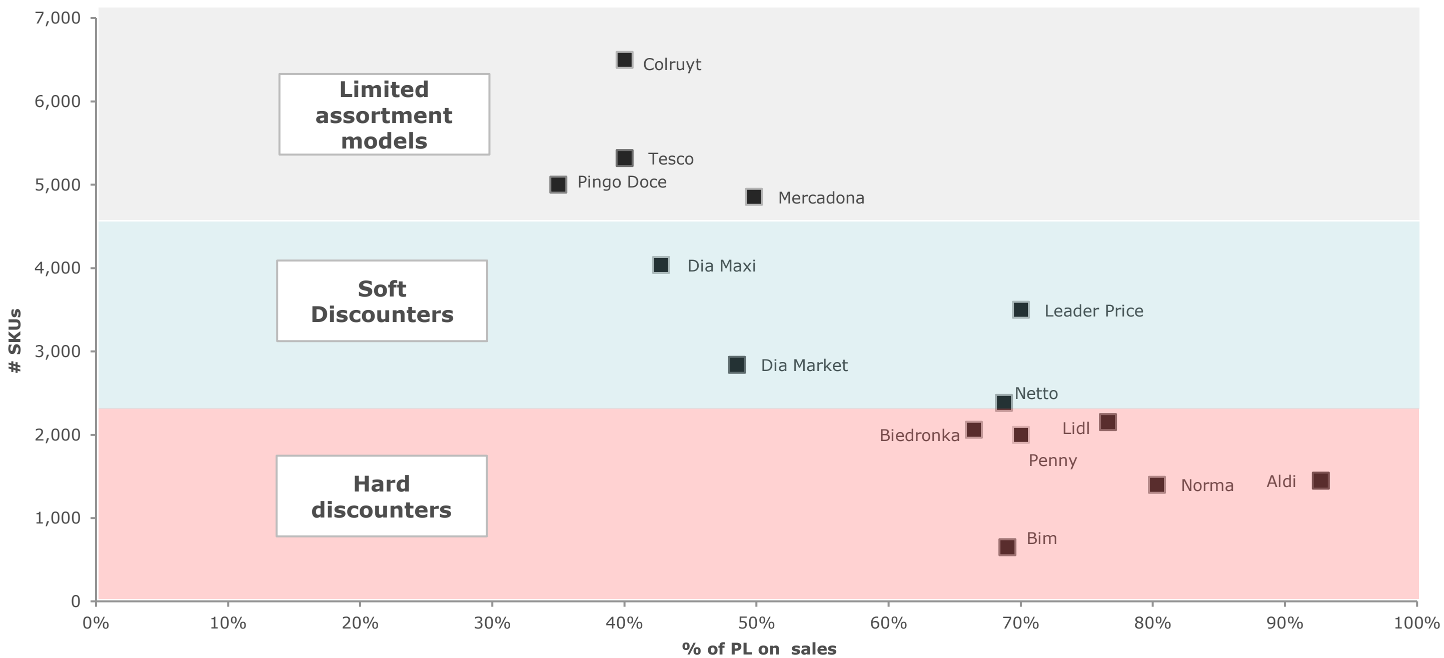


- **Lidl** is the **largest discount player in Europe**, being the segment leader in France, Portugal, Hungary, Slovakia, Romania, Finland, Sweden and Greece and with presence in 26 European countries.
- **Aldi** also has **a strong presence in the Continent** and leads the segment in UK, Germany and Austria.
- Other food retailers such as **Dia, Netto, and Penny Market** have **presence** in a **more moderate number of countries, while BIM and Biedronka** only have **national presence in Europe** (BIM has operations in Egypt and Morocco while Biedronka is also present in Colombia).

Source: Companies information and Planet Retail

Discount segment is not uniform

The discount segment is not uniform: attending to the number of SKUs they operate and the importance PL has in the assortment, we can define 3 major models:



Discount models: value proposal attributes – assortment

		Hard Discount	Soft discount	Limited Assortment Supermarkets	Standard supermarkets
Assortment	SKUs/sqm	1.5-2.5	3-6	4-6.5	>8
	Coverage of units of need	65%-70%	75%	85%	95%
	Depth (SKUs/unit of need)	1.5-2	3	3.5	6-8
	PL penetration % on SKUS	75%-90%	45%-55%	35%-50%	20%-25%
	PL strategy	No name + umbrella in some categories	Company brand + umbrella in H&B, Pet Food…	Company brand + umbrella brands	Company name
	Non-food (*) SKUs - % of total SKUs	10%	c.2%	c.2%	2%-5%
	Fresh (**) - % of food SKUs	7%-12%	10%-12%	9%-14%	c.15%
	PC&C - % of total SKUs	12%	15%	17%	20%
	Assisted sections	NO	NO	YES/Limited	YES

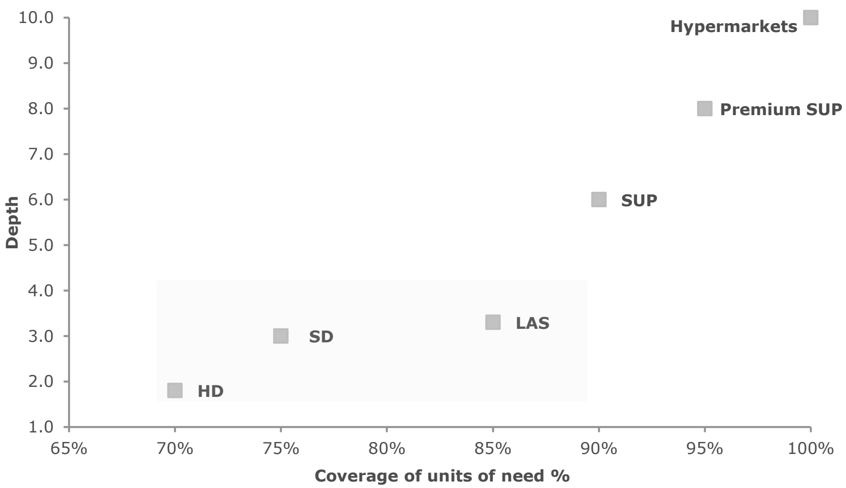
(*) Non food: Bazaar, Textile, small electro, tools, stationery, toys, gifts, crockery, household items…
(**) Fresh: F&V, fish, fresh meat and fresh bakery.

Source: Companies information and Beragua

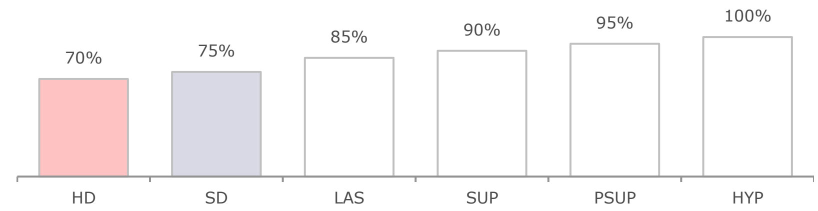
Different approaches to assortment

Discount formats build their assortment using different combinations of width (percentage of units of need covered) and depth (number of options per each unit of need)

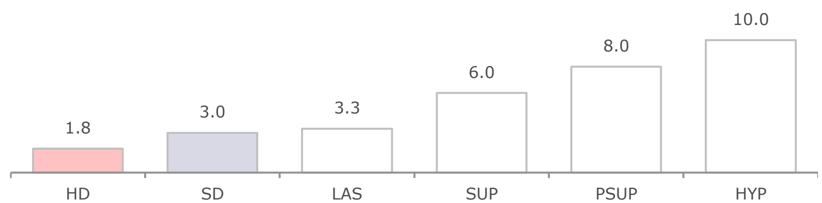
Assortment width and depth – breakdown by formats



Coverage of units of need % - breakdown by formats



Assortment depth – SKUs per unit of need - breakdown by formats

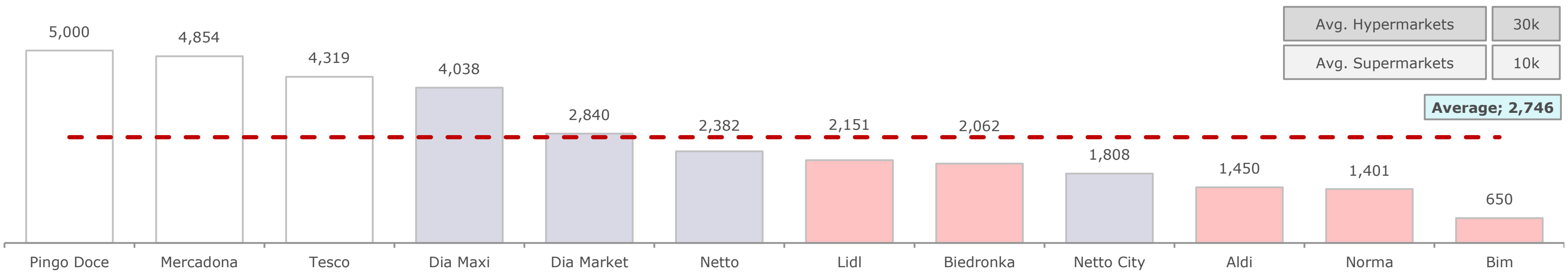


Hard discounters	These formats cover on average **c.70% of total units of need** and they do it with a **very limited depth (less than 2 SKUs per unit of need)** indicating that in many units of need there is only one choice available: the retailer's PL.
Soft discounters	**Soft discounters** cover only a **marginally higher number of units of need than HDs,** leveraging their larger assortments in **a wider choice (c.2x higher per unit of need).**
LAS	**LAS** players tend to **enlarge the number of units of need** covered (addressing more premium segments and with a higher focus on fresh produce), while keeping **assortment depth very close to soft discounters.**

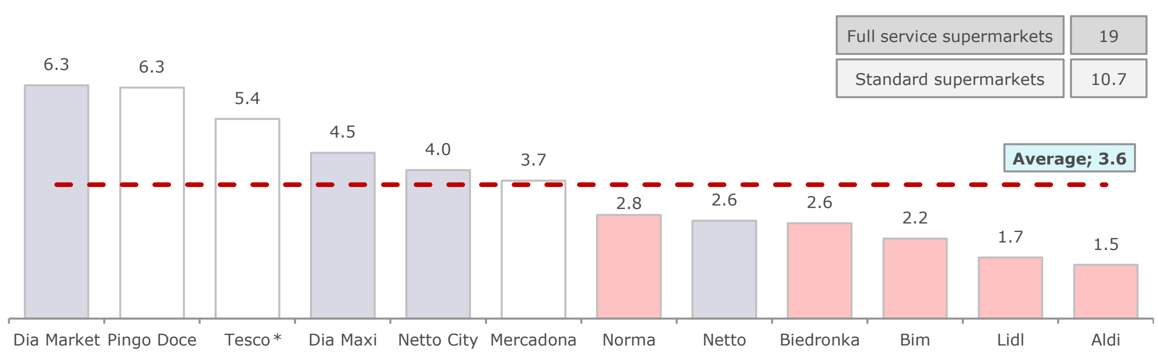
Discounters operate with lower number of SKUs than regular supermarkets

- Looking for the highest efficiency and sourcing power, **discount models operate on average with 3.6 SKUs per sqm of selling area**, a significantly **lower number than standard supermarkets** (c.11 SKUs/sqm).
- There is a clear **difference between the hardest models,** who operate with 2.2 SKUs per sqm, and **soft discounters and LAS players,** which have an **assortment notably broader** (c.5 SKUs/sqm).
- **Aldi, Lidl and BIM are the hardest discounters** in terms of SKU densities, while in the group of softer players, **Dia and Pingo Doce have c.70% more SKUs per sqm than Mercadona.**

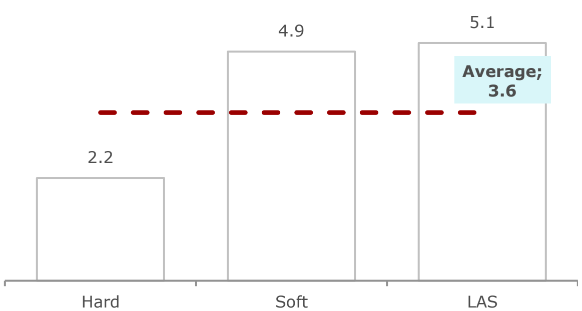
Total SKUs



SKUs per SQM of selling area



SKUs per SQM of selling area – breakdown by discount models



Hard Discounters | LAS | Soft Discounters

Note (*): Tesco CE

Source: *Companies and Beragua*

beragua

Triana, 31 - 28016 Madrid

Tel.: +34 91 535 7518

Fax: +34 91 536 2895

E-mail: info@beragua.com

www.beragua.com