

Growth Advisory Update – The Flyer as a Growth Driver



Traffic and Basket Building Week 2 June 2017



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A perspective on how the LIDL flyer is driving innovation in the trip experience

Weekly Ad – June 22 – 28, 2017

The LIDL weekly ads are clearly different than other retailers' weekly ads. They start out their ads reminding shoppers to “rethink grocery”. The ad layout clearly demonstrates week part offers for food coupled with lifestyle, event, and occasion merchandising. The food offers are the basics of everyday living – both fresh and center store. The lifestyle offers in this flyer introduce the consumer to a “Greek eating festival” – the ad itself clearly demonstrates category authority in Greek eating. The Fourth of July offer clearly offers the shopper a one-stop shop for a holiday event and/or picnic. And the summer wear and summer experience offers are well positioned to help shoppers realize their outdoor summer dreams – all cost effectively.

Overall, this weekly flyer is well constructed, has powerful imagery, outstanding pricing, and reminds shoppers that they can enjoy their summer through LIDL.

1. Week part merchandising reminding shoppers that LIDL deals help them live better all week long with quality at a lower cost.



- **SUMMARY OBSERVATION: They lead off with fresh items coupled with prices including promotional discounts, telling a powerful “Quality for Value” story.**

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- In the ad itself they provide a clear focus on fresh and have identified the “fresh 5” specials – again, week part merchandising.

Thursday 6/22-Sunday 6/25

fresh 5

- boneless center cut pork chops** (16 oz. pkg)
• pork from group housed systems
• no growth promotants, never fed roctapamine
• raised in the USA
No. 117142
15% OFF
\$3.29
\$2.79* /lb
- family pack chicken drumsticks** (6.5 lb. pkg)
• get 'em while they last
No. 117143
69¢* /lb
- asparagus** (1 lb. pkg)
No. 117144
46% OFF
\$2.79
\$1.49* /lb
- vidalia onions** (5 lb. pkg)
No. 117145
30% OFF
PPC
69¢* /lb
- raspberries** (6 oz. pack)
No. 117146
40% OFF
\$2.49
\$1.49* /pk

Monday 6/26-Wednesday 6/28

- ground turkey** (16 oz. pkg)
No. 117147
27% OFF
\$2.74
\$1.99* /pk
- romaine hearts** (1 lb. pkg)
No. 117148
25% OFF
\$1.79
\$1.49* /lb
- honey crisp apples** (5 lb. pkg)
No. 117149
41% OFF
\$3.35
\$1.99* /lb
- black angus top sirloin steak** (12 oz. pkg)
• aged a minimum of 21 days
• raised in the USA
No. 117150
23% OFF
\$12.99
\$9.99* /pk
- cocktail tomatoes on the vine** (1 lb. pkg)
No. 117151
28% OFF
\$2.49
\$1.79* /lb

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- SUMMARY OBSERVATION:** *It's all about the basics of fresh and perishables. The simplicity of this page is remarkable. Meat, fresh vegetables, and fruits – again, price and discounts are clear, making the shopper decision quite easy -- “what’s for dinner” is easily understood.*

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- Introducing a “Greek Fest” clearly gives the LIDL shopper meal ideas and flavor/taste differentiation for the week.

Starting Thursday 6/22-while supplies last

Starting Thursday 6/22-get 'em while they last

ENJOY THE FLAVORS OF GREECE

ADD ITEM

\$4.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

puff pastry pockets

- sesame seeds, cheese, & oregano filling
- frozen
- product of Greece
- 35.3 oz

\$4.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

halloumi with Basil

halloumi with Chili Pepper

halloumi with Mint

halloumi grilling cheese

- product of Cyprus
- choose from basil, chili pepper, or mint
- refrigerated
- 7.94 oz

\$4.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

pastry with spinach and cheese filling

- product of Greece
- frozen
- 35.3 oz

\$4.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

puff pastry pockets

- cheese filling
- frozen
- product of Greece
- 35.2 oz

\$5.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

original feta cheese chunks in brine

- pasteurized sheep and goat's milk
- brined aged
- refrigerated
- product of Greece
- 21.1 oz, net weight

\$4.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

goat cheese slices in brine

- refrigerated
- product of Greece
- 14.3 oz, drained weight

\$3.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

filled pastry swirls

- choose from cheese & olive
- oralek & cheese
- product of Greece
- frozen
- 24 oz

\$6.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

Zeus' tzatziki marinade flat iron beef steaks

- refrigerated
- 1.08 lb, average weight

\$1.99* **net wt. 35.3 oz (2 lb 3.32 oz) 3 lb**

spreads with feta cheese

- choose from eggplant or sweet red pepper
- product of Greece
- 6.7 oz

- SUMMARY OBSERVATION:** It appears the approach LIDL is executing in lifestyle merchandising is to own a lifestyle for the week. From our perspective, it is a very unique way to both differentiate in the market, as well as provide a level of unexpected innovation to the shopper.

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3. The range of unique Greek items is extensive from meal ingredients, to hor'dourves, to nearly prepared dinners, to desserts. They create a total Greek food experience.

Starting Thursday 6/22—get 'em while they last

featured

\$5.99*
EQ

calamari rings
• frozen
• 24.7 oz.
No. 200161

\$1.99*
EQ

ADD-IT-EM

Greek tomato sauces

- choose from tomato sauce with feta cheese or grilled eggplant
- product of Greece
- 10.2 oz.
- No. 200166

\$1.99*
EQ

smoked tuna in oil

- choose from mediterranean style or salted
- product of Greece
- 5.64 oz. net weight
- No. 200167

\$5.99*
EQ

Greek extra virgin olive oil

- product of Greece
- first cold pressed
- 25.6 fl. oz.
- No. 200168

\$3.99*
EQ

kalamata extra virgin olive oil

- product of Greece
- 16.9 fl. oz.
- No. 200170

\$1.99*
EQ

vine leaves stuffed with rice

- product of Greece
- 9.9 oz.
- No. 200171

featured

\$3.49*
EQ

sundried tomato stuffed olives

- choose from green or kalamata sundried tomato stuffed olives
- product of Greece
- 12 oz. net weight
- No. 200169

Starting Thursday 6/22—get 'em while they last

GREECE
- FROM THE -
DINNER TABLE

featured

\$2.99*
EQ

souvlaki dinner kit

- 12.9 oz
- No. 200172

56 oz.
net weight

\$7.99*
EQ

green pitted olives

- product of Greece
- 56 oz. net weight
- No. 200173

\$2.49*
EQ

Greek stuffed peppers

- choose from hot red chili, hot pickled green chili, or hot green chili peppers
- product of Greece
- stuffed with cheese
- 9.52 oz. net weight
- No. 200165

\$1.99*
EQ

bulgur wheat

- durian wheat
- product of Cyprus
- 17.6 oz.
- No. 200174

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- **SUMMARY OBSERVATION:** Again, from our perspective, no competitor has this range of Greek merchandise in the market – at least not in the way that LIDL does. The change we observed in the Grand Opening Flyer and the Week 2 Flyer was quite interesting. The Grand Opening Flyer focused on how to shop at LIDL. The Week 2 Flyer focused on multiple levels of merchandising innovation – quality at a lower cost.

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- Overall, the Greek food experience is on six pages of the weekly flyer. To the shopper, this level of merchandise choice clearly demonstrates lifestyle authority.

Starting Thursday 6/22 – get 'em while they last

Starting Thursday 6/22 – get 'em while they last

ERIDAN@US
Tahini Halva Confection
• product of Greece
• choose from sesame seeds and chocolate or honey
• 8.82 oz.
No. 170288
\$2.99*

ERIDAN@US
tahini with honey
• product of Greece
• 12.5 oz.
No. 170288
\$3.49*

ERIDAN@US
Frozen dairy dessert
4 - 3.38 FL OZ (100 ml) BARS
13.5 FL OZ (400 ml)
• choose from vanilla almond honey, lemon or plain
• frozen
• four 3.38 fl. oz. bars
No. 171467
\$2.99*

ERIDAN@US
Frozen dairy dessert
4 - 3.38 FL OZ (100 ml) BARS
13.5 FL OZ (400 ml)
• choose from vanilla almond honey, lemon or plain
• frozen
• four 3.38 fl. oz. bars
No. 171467
\$2.99*

ERIDAN@US
Jelly Cubes mixed
• product of Greece
• 14.1 oz.
No. 171241
\$2.99*

ERIDAN@US
Jelly Cubes with coconut
• product of Greece
• 14.1 oz.
No. 171241
\$2.99*

ERIDAN@US
Pistachio Bits
• choose from pistachio, pistachio, almond and sesame seed
• product of Greece
• 7.05 oz.
No. 170288
\$3.99*

ERIDAN@US
Sesame Bits
• choose from pistachio, pistachio, almond and sesame seed
• product of Greece
• 7.05 oz.
No. 170288
\$3.99*

ERIDAN@US
Almond Bar
• product of Greece
• 2.12 oz.
No. 170288
\$1.49*

ERIDAN@US
Cashew Bar
• product of Greece
• 2.12 oz.
No. 170288
\$1.49*

ERIDAN@US
Assorted Nut Bars
• variety pack includes almond, pistachio, almond and sesame bars
• product of Greece
• three 4.2 oz. bars
No. 170288
\$2.99*

ERIDAN@US
Nut Bars 3pc
• variety pack includes almond, pistachio, almond and sesame bars
• product of Greece
• three 4.2 oz. bars
No. 170288
\$2.99*

ERIDAN@US
Chocolate flavor covered sunflower seeds
• choose from dark or milk chocolate
• product of Greece
• 5.3 oz.
No. 170288
\$1.49*

ERIDAN@US
Cashew or almond bar
• product of Greece
• 2.12 oz.
No. 170288
99¢*

- SUMMARY OBSERVATION:** The approach LIDL uses in telling and educating the market on Greek eating is spectacular. It is broad ranging, the product images across the lifestyle category are highly consistent and look as if they are integrated, ensuring the shopper has a marvelous Greek dining event. If this is the go forward approach on lifestyle merchandising innovation, other retailers are going to be challenged in their go-to-market offers – LIDL is selling intrigue and excitement – not just products on a page.

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- And they begin the Fourth of July Holiday by setting the stage for both home decoration and holiday personal wear.

Starting Thursday 6/22-get 'em while they last

stars, stripes & savings

framed burlap flag
• dimensions: 14.5" x 26.2"
• material: burlap, wood and MDF
No. 2810101
\$15.99*

americana wooden wall plaque
• dimensions: 12.5" x 18"
• material: MDF
No. 2810102
\$14.99*

patriotic banner
• stars and stripes inspired banner and flag
• length: 72"
No. 2810103
\$5.99* /pk

patriotic bunting
• stars and stripes inspired banner and flag
• dimensions: 18" x 36"
No. 2810104
\$5.99* /pk

ESTIMO fashionable tunics
• choose from a variety of styles and colors
• made of easy-care, dry clean
• sizes 4-12
No. 2810105
\$12.99*

men's americana socks
• men's socks 4-12
• made with 75% cotton, 19% polyester and 2% Elastane
No. 2810106
\$2.99* /pair

ESTIMO canvas shoes
• choose from a range of colors
• soft fabric lining and athletic outer rubber sole for comfortable wear
No. 2810107
\$9.99* /pair

ESTIMO handbags
• choose from a range of styles and colors
• an all-occasions fashion accessory
No. 2810108
\$19.99*

ESTIMO dresses
• choose from navy and off-white/navy striped colors
• elegant leisure-wear
• sizes 4-8
No. 2810109
\$14.99*

ESTIMO painted flag men's boxers
• made of 100% cotton jersey
• men's sizes 4-12
No. 2810110
\$4.99*

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- SUMMARY OBSERVATION:** *As you will see this is but the first merchandising element of a LIDL offer for a wonderful and complete Fourth of July celebration.*

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4. This is followed by the “Party Experience”, offering items that help shoppers celebrate the Fourth of July seamlessly.

Starting Thursday 6/22—get 'em while they last

party in the U.S.A.

napkins and plates

- choose from American flag or fireworks theme
- 8 ct plates, 16 ct napkins

No. 21994 & 21995

99¢ / pk

picnic picks all 89¢*

divided round plate sets, 4 count

No. 21996

22 oz. plastic tumblers, 4 count

No. 21997

44 oz. bowls, 2 count

No. 21998

2 quart pitcher, 1 count

No. 21999

6 quart serving bowl, 1 count

No. 22000

21 oz. bowls, 3 count

No. 21999

Starting Thursday 6/22—get 'em while they last

kitchen sets

- choose from a range styles
- includes apron, pot holder, and oven mitt

No. 22001

\$8.99⁺ / set

Annn american flag with pole

- 3 x 5
- No. 22002

\$6.99⁺ / set

Pan De Oro red, white & blue organic corn tortilla chips

- 100% whole grain, 7.5 oz

No. 22003

\$1.99⁺ / bag

Campfire red, white & blue roasters

- with blueberry, cherry, and vanilla flavors
- gluten and fat free
- 12 oz

No. 22004

\$1.49⁺ / bag

Loft House frosted sugar cookies

- gourmet variety frosted sugar cookies
- 13.5 oz

No. 22005

\$2.99⁺ / box

Firecracker popsicles

- cherry, white lemon, and blue raspberry
- powdered ice pop

• 10.1 & 6 oz. bags, net weight 26.8 fl. oz.
No. 22006

\$3.49⁺ / box

tablecloths

- choose from round or rectangular in a range of styles
- dimensions: 65" diameter (round) or 51.2" x 63" (rectangular)
- durable, easy-care and wipe clean

No. 22007

\$3.49⁺ / set

patriotic mesh wreath

- easy to hang, with glitter accents

No. 22008

\$12.99⁺ / set

americana throw pillow

- 14" pillow, made with microfiber

No. 22009

\$5.99⁺ / set

20

21

- SUMMARY OBSERVATION: LIDL started with the home and the person and continued with decorating the table and placing on it a few food basics.

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4. And finally, they offer merchandise to ensure that the Fourth of July food has a way to be properly cooked.

Starting Thursday 6/22-get 'em while they last

LIDL

ventilated charcoal grill

- choose from red or green styles
- with active ventilation
- perfect embers within minutes
- double shelf, cooking grate, includes tote bag

\$79.99*

barbecue accessories

- choose from four double skewers, 8 corn cob holders, bbq blower, or telescoping barbecue fork
- durable stainless steel material

\$3.99*

grilling accessories

- choose from charcoal basket, hamburger press, chicken grillie, or grill basket
- durable stainless steel material

\$5.99*

3-in-1 grill brush

- stainless steel scraper with wire brush and sponge

\$2.99*

grill plates

- choose from poultry, round, large or small grill dishes
- perfect for grilling or roasting

\$4.99*

wireless meat thermometer

\$12.99*

get 'em while they last

- SUMMARY OBSERVATION: From our perspective, these last three ad pages reflect superior 360° event/holiday platform merchandising. A one-stop shop to buy all of your Fourth of July needs – again, simple, very cost effective, easy to shop, and reminder based. Pages are not crowded – they convey a story of a seamless shopping experience with solid shopper-tuned choices.**

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5. The seasonal offers are compelling with a number of activity based merchandising offers for all family members – both young and old.

The image displays a collage of LIDL promotional flyers for summer items. The top row features two main sections: 'summer fun for the whole family' on the left, which includes a girl in a red swimsuit and a yellow circle advertising 'peppert's girls' swimsuits \$4.99* assorted styles', and 'Starting Thursday 6/22-get 'em while they last' on the right, which shows various boys' swim shorts at \$4.99*. The bottom row includes three smaller sections: 'lounge around the pool' with an inflatable lounge chair at \$74.99*, 'kick back at the beach' with a beach chair at \$29.99*, and 'sun sold separately' with adult pool essentials at \$4.99*.

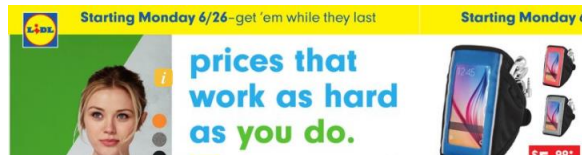
- SUMMARY OBSERVATION: The LIDL messaging is spectacular – all about needs and usage states for the entire family. This merchandise is in the “Surprise” section of the store, and even though LIDL is a grocery store, the advertising has the look and feel of an upscale retailer to some degree.

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6. From Week 2 of LIDL in the US Market, it appears that their weekly flyers are designed to both increase trips as well as build baskets. And from our initial analysis, the format, content, messaging, and imagery seems to be hitting the mark from a differentiation perspective.



7. Summary Recommendations:

- In response to market entry, **RETAILERS** should at the very least consider the following:
 - Avoid an all out price war. Yes, shoppers of a specific nature are going to LIDL, but not every shopper will go there. Perhaps a better strategy would be to optimize pricing on the items that are most important to your shoppers – 500 to 1000 maximum. And then use the rest of the banner experience to drive traffic and baskets.
 - Make merchandising platform innovation a new core competency. WIN by helping shoppers shop SMARTER, SIMPLER, and MORE EFFECTIVELY during every transaction they have with you, regardless of how they purchase.
 - Revisit your private label offering. Are your current private label efforts in the right categories? Does your current private label packaging differentiate enough? Is your private label offer positioned with the optimum price/pack architecture? And, is there a potential to develop a premium/super-premium, and/or ultra-premium private label offer for your shoppers? Private label will be a key differentiator against LIDL. Partner on private label innovation where needed.
 - Intensify the use of data and analytics to understand and react to changing shopper behaviors – and most importantly model predictive changes in your shopper behaviors. And use these predictions to anticipate your banner's shopper responses.
- And **CPG MANUFACTURERS** should consider the following:
 - Do not over react to new pricing demands – dusting off the brand marketing capability inside a manufacturer is critical. LIDL does not just compete on price – it ultimately competes on “quality per dollar delivered” to the shopper. They are positioning their brands as high quality at a lower cost. The question for manufacturers: “What changes in your brand(s) will provide the most leverage as both LIDL’s private label, and private label across all of retail further develops?”
 - Ensure that specific capabilities are used to guarantee profitable retailer specific investment strategies: price optimization, assortment optimization, marketing effectiveness, trade and promotional effectiveness, price/pack architecture innovation, shopper marketing, and brand loyalty innovation.