

The Market Positioning and Working of Lidl Company

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Introduction

The report under discussion focuses on the market positioning and working of Lidl. It is a German firm with successful operational business strategies helping this brand to spread throughout Europe. Currently around 7000 business units are operating in the name of Brand globally. Lidl being the discount supermarket, has focused on the Middle-income groups. Even in the UK, with their own local brands like Asda, Lidl has been able to make a prominent standing among the buyer's circle. Despite being an international chain, Lidl has been able to get a recognizable position in the UK grocery market.

Overview of Lidl Company

Due to growing economic uncertainty and decreasing buying capacity, many grocery businesses have changed their strategies for keeping up the competitive pace with the market. Big names like Tesco, Asda, and even Wal-Mart have to reduce their overall product prices to ensure that they are able to maintain the maximum number of customers to keep purchasing from their business. However, the newer names in the grocery business, like Lidl, have presented a challenge for established businesses by presenting lower-than-expected prices of grocery products for the middle and lower-income groups. Due to increasing inflation, the purchasing power of businesses has been reduced over time.

Many buyers have shifted their focus towards buying from Lidl as they have been supporting the lower income group which helps the majority of the buyers to save their expenditures. It is being analyzed by the economist that what if the economy gets stabilized. Will businesses like Lidl be able to sustain it as they have been flourishing in this environment with the plea of serving lower income groups? Even if the economy is stabilized, Lidl will change its business strategy and focus on offering different services for the particular income group to stay in business.

Schwarz Beteiligungs is the owner of the Lidl store. The brand was, for the first time, founded by the family in the 1930s as the wholesale food market. Until now, Lidl has been operating in 20 European countries. Seeing the growth of grocery retail, Lidl began to offer movies at a lower cost; however, due to reduced demand, the company later ceased these services. UK alone has a changing dynamics of Lidl business, the changing of three managing directors within two years questioned the working of the business, but these changes were sustained, offering lower costs on numerous products than the existent market. (Porter, 1985)

Lidl has been offering minimal prices and offers on their products to ensure successful market share. Even the business has begun to offer free Wi-Fi services within their stores to let the consumers enjoy the leisure shopping experience within the premises.

Porter's Five Forces Analysis

For identifying the foundation of the business strategies, the structural analysis of the business is mandatory. For this purpose, Porter's five forces could help in identifying the competitive market of Lidl and what opportunities the business shall avail to keep up the competitive pace with the competitors.

Threat Of Substitute Products And Services

Lidl, being offering the lowest of all costs cannot face this threat. For this reason another big name entering the grocery business may need to have a substantial budget to support this facility of the client's demand of lower cost-quality products. The other smaller chains would be unable to sustain the external market and pricing pressure and may fail even in the first month of their operation. Lidl supplies quality products for consumers in both big cities and towns, and the business has been able to make its presence for every earning group in the customer circle. Since the buying capacity of the buyers has been affected by the growing economic competition, stores like Lidl targeting the lower income group and offering the best services may never face the threat of substitute products and services for the reason that no other brand will be able to sustain the pressure of offering the subsidized prices over the products. (Lidl, n.d.)

Threat of New Entrants

The business-like Lidl has a lower threat towards the new entrants in the market. Even if there are any businesses offering lower prices, they are only operating in the capacity of retailing stores; however, the big gain like Lidl is dealing in numerous other products, which makes them safe in this competition that even if the business is offering the similar services they may not be able to maintain both the prices and the quality at the same level. Therefore, Lidl has no threats for the new entrants in the market.

Along with other grocery stores, Lidl accounts for a prominent market share which saves it from any external pressure, either from the buying capacity of the buyers or the economic changes globally.

Rivalry Among Competitors

Since the grocery business has been facing the fiercer competition of offering quality products at

lower prices, currently, Asda and Lidl have been able to give major competition goals for their competitors. Though there are other giants operating in this business and are availing every opportunity to offer services like no other brand but Lidl has been able to serve the lower-income group, which has not been targeted by any other business. Thus, this differentiates and increases the market standing of Lidl in its own customer segment and saves it from any market competition. The option of reduced prices with the same quality level puts immense pressure on the suppliers as well. Since the suppliers of other retailing businesses are unable to offer lowest prices on quality products, Aldi and Lidl have been able to account for 25% of the town center market, which gives competition goals for other businesses.

Bargaining Power Of Buyers

Due to the increasing economic recession, the bargaining power of the consumers has been reducing over time. Now the main focus of these consumers is not the brand loyalty but the variation and reduced prices of the grocery products, which can help them to keep up with the regular needs of the lifestyle. Lidl has been able to fulfill this demand. They are offering the products with the lowest prices, and the cherry on top is that these products are able to offer quality to the users as well. Since the customer priorities have changed and they have been looking for deals at reduced prices, Lidl is able to offer this service, and the products come under the name of the big brand as well. Thus, Lidl has been able to capture the attention of the biggest buying circle of the consumer sector, and it is anticipated that if it is able to keep up with the client needs, then for a longer time, the business may not require any type of strategic change.

Bargaining Power Of Suppliers

The suppliers are not at the demanding end when it comes to bargaining of the suppliers. Therefore, the suppliers get a lesser chance to quote their prices. However, for the suppliers to ensure that they are able to get a good business in the market along with the association of a big brand name then, they will try they offer minimal prices on the products but with quality. Thus, brands like Lidl get the edge of quoting their own prices and if the suppliers are able to fulfill this demand only then the contract is renewed. Even the supplier market has been affected since Chinese manufacturing and business came into the market. Nowadays, all the businesses are focusing on reducing the prices and for this purpose they may even prefer to change the region as well.

PESTEL Analysis

For analyzing the business framework of Lidl, the PESTEL analytic tool will be used as it will directly indicate the internal and external forces that actually affect the performance of the business.

Political

Since the initiation of business in 1930, Lidl has been operating in more than 30 European countries. Thus, this makes it the biggest factor for being affected by the political restrictions of the countries they are operating. Certain acts like taxation, legislation, freedom of operation, banking services, political stability, and minimum wages are the factors that could cause trouble for a new business to begin operating on a foreign land. Seeing Lidl's growth over the years shows that this business may not have faced such issues, and they have successfully overcome the hurdles due to which the successful practicing of the business has been convenient in the environment like the UK, where they have their own local grocery shopping giants. Not only Lidl has brought a better shopping experience for the consumer sector, but it has also initiated a greater pool for the employment of locals in foreign countries.

Economic

The recession of 2008 has affected the buying power of the consumers. As the buying power has reduced, it directly affects the operating efficiency of businesses like Lidl if they are not able to facilitate their market segment. Lidl being intelligent, changed their business focus and began to offer the lowest income group as they have increased in size. The more the number of customers, the more the number of sales and the more the increased profit. It also gives an edge to the clients and the satisfaction that despite having a lower budget, they are still able to make a purchase from the bigger brand name.

Social

Due to the [aging population](#) and the reduced trend of cooking at home, businesses like Lidl has once again faced this threshold. However, identifying this need as every house member has to work these days to make a better living, Lidl has started offering ready-to-cook meals with organic substitutes. It is a great privilege for people who do not have enough time to cook organic meals at home, but Lidl has been able to offer them quality food at minimal prices.

Technological

Technological innovation has forced the business to change their business strategies. Businesses like Lidl, who are already supporting the lower income groups, consider the fact that people belonging to this segment may not find enough time for grocery shopping or the time they may like to spend on other things that may not be possible in the usual time. For such people the facility of online shopping has been offered. Now the customers can shop online from Lidl E-store, and the products are delivered to their door steps.

Environmental

To ensure a safe environment for the buyers, Lidl has been supporting organic products in their food market, and even the ready to cook meals are made focusing the organic products. Apart from this, the store has abandoned the use of plastic shoppers and shifted to using paper bags.

Legal

Since the national minimum wages have been increased in the UK legislation of 2011, the Lidl management has been able to sustain the market pressure for these increased wages and it didn't affect the offered prices on the products. Instead the suppliers were forced to further reduce the price quotes for the products.

Value Chain Analysis

The entire process through which the product from the initial phases is shifted to the final phase and the value added to the product is known as the value chain analysis of the product. In the case of Lidl, the product from the raw material phase to the final phase is evaluated under this heading. The below-illustrated figure shows the value chain for the products supplied at Lidl.

Inbound Logistics

With the formation and working of the E-store of Lidl, the inventory list has become more accurate. The inventory managers are now aware of the products available in store and what products are required before time, thus managing the inbound logistics of the business. Lidl offering the lowest prices has always been aware of the effective management of the inventory, but the online store has helped them to ensure further effectiveness of inbound logistics.

Operations Management

Lidl has been offering the lowest prices within their stores and on online services as well. Due to this, little investments are made in other sources so that the business is able to sustain the market pressure along with a considerable profit margin.

Outbound Logistics

Lidl emerging as a growing grocery giant, has been able to grab 18% of the market share. All the Lidl stores are designed the same within their size. Also, every store located is in maximum access of the

users and the buyers.

Conclusion

The analysis presented in the report above shows that the business has been able to sustain the external and internal pressure. It has facilitated the targeted consumer sector to avail the best opportunity of grocery shopping under a big brand name like Lidl. The products offered have the same quality intact as any other high-priced grocery store but are offered at minimal rates. Thus, Lidl has been successful in competing for the market share as they have been targeting the biggest buying sector of the lower income groups.

References

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