The international marketing strategy of grocery retailers – the strategy of adaptation and standardization

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Abstract

Research question – The research question, that this study attempts to answer, is, what and why grocery retailers, which specifically work with the strategy of standardization, adapt in their marketing mix to the host market. Main adaptations are analyzed with regard to psychic distance in terms of consumer characteristics.

Methodology – This study presents a qualitative research design. Secondary data, in-depth interviews and personal observations were used, in order to identify adaptations, which were conducted in a grocery retailer in Germany, which is its home market, and in Sweden, which is considered to be a host market.

Findings – The main findings of this research indicate that grocery retailers that specifically work with the strategy of standardization, adopt their core strategy at the host market, in order to keep their economy of scale. However, the standardization strategy may cause negative financial results, which is why adaptations, in order to attract new customers, are required. Conclusively, a mix of both, the adaptation and standardization marketing strategy, has to be utilized.

Keywords: Retail internationalization, retailing marketing mix, grocery retailer, adaptation, standardization, international marketing strategy, consumer portrait, psychic distance, physical distance

Paper type: Case Study
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1. Introduction
1.1. Research Background

“Global connectedness is a powerful engine for peace and prosperity”, says CEO of Deutsche Post DHL, Frank Appel, in DHL global connectedness index 2014 report (Deutsche Post DHL, 2014). This report shows almost every country on its merchandize trade visualization map, which means that all parts of the world we are living in, are tightly interconnected. It is easy to notice, that nowadays, practically every well-known company is either already operating in the international arena or planning to do so in the nearest future. It is no longer profitable for companies to exclusively run their business in their home country. The demand for international operations is growing worldwide along with the competition and companies try to increase the number of new customers (Levitt, 1983; Vrontis & Thrassou, 2007).

In order to be profitable on international markets, companies need to carefully estimate the potential of the market they are planning to enter, while finding and maintaining an appropriate balance between the international marketing strategy of standardization and adaptation of the marketing mix elements (Schmid & Kotulla, 2011). According to Buzzell (1968, p.103) the fundamental elements of standardization have to do with “offering of identical product lines at identical prices through identical distribution systems, supported by identical promotional programs in several different countries”. This is a low cost strategy as standardization enables the achievement of economies of scale, savings in research, reduced marketing expenses and reduced managerial complexity (Samiee & Roth, 1992; van Mesdag, 2000; Theodosiou & Leonidou, 2003). Proponents of the adaptation strategy, instead, argue that firms that are not taking into account local sensitivity, experience a decline in their profitability (Hofstede, 2001, De Mooij, 2010). Due to cultural diverse markets on an international level, product adaptations are required in order to be able to attract the attention of new customers, to satisfy their needs and tastes (Theodosiou & Leonidou, 2003). From this perspective the concept of psychic and physical distance is of great importance.

Psychic distance describes factors that differentiate countries in terms of its culture, market economy, the development of technologies, social perspectives, government policy, laws and regulations as well as consumer characteristics. Physical distance is described as the geographical distance of a company’s host market to its home market, where differences in transportation time and costs, different time zones, climates and seasons can be expected.
Many scholars agree that physical and psychic distance have a great influence on a company’s marketing mix choice because if it misses to consider and adapt to the differences in foreign markets, the company may fail to position itself and become profitable (Johanson & Vahlne, 1977; Doole & Lowe, 2008; Akgün, Keskin & Ayar, 2014).

Both international marketing strategies can be implemented by defining the company’s marketing mix tools, which are widely known as the 4 P’s: product, price, place, and promotion. Product refers to the creation of an international product portfolio. The price tool includes the process of price settings. Place defines the actual location the products are sold at and promotion includes promotion activities, that are targeted to consumers, to encourage them to purchase promoted products and, furthermore, to become aware of the brand itself (Doole & Lowe, 2001; Burt, Johansson & Thelander, 2010).

The “right” choice of the marketing mix decision is therefore highly dependent on the chosen international marketing strategy of the company (Doole & Lowe, 2008), which again is related to physical and physic distance factors. But what and why are companies willing to adapt when the company is specialized on the standardization strategy?

1.2. Problem formulation & research question

Retailing companies are vivid representatives of the internalization trend. Berman and Evans (2001, as cited in Peterson & Balasubramanian, 2002) describe retailing as a business activity which focuses on selling of goods and services for personal, family, or household utility. Seven out of the top ten retailers in the world belong to the grocery group which determines their main focus on the international marketing strategy of standardization: Wal-Mart Stores Inc., Tesco PLC, Carrefour S. A., The Kroger Co, Schwarz Unternehmens Treuhand KG, Metro AG and Aldi Einkauf GmbH & Co. oHG. (Deloitte, 2014).

A big number of these retailers have been operating on the international market for quite a long time. However, when examining existing literature, we found out that research on the question of the retailers’ adaptation or standardization choice when operating abroad, remains underexplored. This area of research might be of importance for marketing managers, as in their everyday work, retailers closely work with the final customer, who purchases the product and hence is of high importance (Evans & Bridson, 2005). We assume that retailers
must have great experience and know-how in the area of consumer preferences in order to determine the marketing mix elements appropriately. This is why consumer characteristics, in terms of psychic distances, gain interest for this study and are primary considered in this research.

Furthermore the study can be of academic interest as literature lacks the discussion of running a standardized international marketing strategy in a foreign market. By identifying reasons for adaptations in this paper, further research may study a company’s profitability by considering both internationalization scenarios: entering a foreign market with a standardized marketing mix, and gradually adapting to local requirements or entering with an adapted marketing mix, which already considers existing market requirements.

We suggest that experience and knowledge, gained from operating abroad, can also be used for future international market entries of the internationalizing company itself, but also for businesses that are planning to do so. It is an essential opportunity for marketing managers to see which marketing mix elements can potentially remain standard or what has to be adapted and why. Possible mistakes or difficulties, previous companies have faced, can consequently be avoided.

Taking the above-mentioned results into consideration, we decided to dedicate our research to the grocery retailing industry, which mostly aims to promote standardized products on the international arena. Thus we came up with the following research question:

> What do grocery retailers, which specifically work with the strategy of standardization, adapt in their marketing mix to the host market, and why?

In order to answer this question, this study will compile the following steps:

1. The comparison of the home and one host market of a grocery retailer with a standardized marketing strategy.
2. The identification and discussion of adaptations of the marketing mix in the retailer’s host country.
3. A question of why retailers with a standardized marketing strategy should adapt their marketing mix abroad will be discussed by focusing on consumer characteristics in terms of psychic distance.
2. Theoretical Framework

2.1. International marketing strategy

One of the most remarkable trends in today’s business environment is the globalization of firms and markets. The possibility to enter new and foreign markets, have increased significantly. With new emerging markets, consumer preferences in different countries became more similar and improvements in information technology enabled the creation of foreign subsidiaries and increased operations across borders (Tatoglu, Demirbag, Kaplan, 2003).

Within the past two decades, retailers have discovered possibilities of expanding its businesses internationally as a means of strategic growth (Tatoglu, et al., 2003). Before the 1980s, retailers were more seen as a localized, domestic industry. However, they realized that international expansion creates advantages, as for instance the increase of sales and profits, the expansion into underdeveloped markets or the achievement of goals that were not realizable in their home country. Furthermore they saw their expansion as a strategy to reduce competition when their domestic product, which is successful in their home market, is new in the foreign market they are entering. The ability to distinguish from similar mature markets can therefore be profitable for the firm (Williams, 1992).

Besides its advantages, Williams (1992) highlights that retailing across borders is not an easy process. Apart from lacking required resources and managerial culture, he also mentions the obstacle of consumer-, market- and structural differences which challenges the acceptance of the retail offer by foreign consumers. When going abroad, firms need to find the appropriate balance between their international marketing strategy of standardization and adaptation in order to be profitable, to allow the firm to exploit its strength and to overcome market threats (Schmid & Kotulla, 2011; Sousa & Bradley, 2005). This process is fundamental as it influences the organization in how it will compete (Ang & Massingham, 2007, as cited in Brei, D’Avila, Camargo & Engels, 2011). The general question of what is the most effective marketing strategy in terms of adaptation or standardization, has been posed by many academicians (Levitt, 1983; Walters, 1986; Cavusgil & Zou, 1994; Zou & Cavusgil, 2002; as cited in Ryans, Griffith & White, 2003). This issue has been widely discussed within international marketing and business research over the last 50 years, and arguments in favor for each of the three approaches - standardization, adaptation or mix of both - have been debated (Schmid & Kotulla, 2011). Ryans et al. (2003) note that even though a lot of research has been conducted, the progress of one developed unifying theory is unclear.
Studies about the international marketing strategy of standardization started in the 1960s. The standardized marketing strategy implies the offering of identical product lines with the same price, promoted in an identical way and within the same distribution system across countries (Shaoming & Cavusgil, 2002, as cited in White & Absher, 2007). This definition evolved from Buzzell (1968) and is seen as too extreme according to Omar and Porter (2011). They argue that the global environment influences the standardizing elements greatly and the focus should be on the appropriateness of standardization, which requires flexibility in strategic and operational developments within the firm. Szymanski et al. (1993, p.1, as cited in Ryans et al., 2003, p. 592) view the standardized marketing strategy as the “standardization of the pattern of resource allocation among marketing mix variables across national markets”. Proponents of this approach believe that the world has been homogenized by the ongoing improvements in communication and transportation systems. Consumers will tend to have the same preferences and tastes which increase the demand for similar, standardized products (Shaoming & Cavusgil, 2002, as cited in White & Absher, 2007). Samiee and Roth (1992) support the idea as they figured out that many observers see the world as becoming more similar which is why a standardized approach towards the companies’ marketing, production and sourcing is required. Advantages of the standardization approach are the achievement of economies of scale, the presentation of a consistent brand image across countries, reduced marketing expenses, and savings in research and reduced managerial complexity (Samiee & Roth, 1992; van Mesdag, 2000; Theodosiou & Leonidou, 2003). Ryans et al. (2003) highlights the goal to achieve economies of scale as the main reason for companies to apply some degree of standardization as they expect higher costs with modifications. This way of lowering costs is more effective and hence, increases the margins of the firm (Peebles et al., 1978; Levitt, 1983; Jain, 1989, as cited in Ryans et al., 2003). According to Samiee and Roth (1992, p.14), “the ultimate decision criterion for a firm which considers global standardization, is long-term performance”. It is important that a firm considers that the standardization approach is only appropriate to an extent that it has a positive influence on the financial performance.

Strong arguments have been evaluated against the standardized approach more recently, as literature has shown that retailers can benefit significantly by adapting and tailoring their marketing mix to foreign markets (White & Absher, 2007). The difference between consumers’ needs, laws and regulations, culture and traditions, infrastructure as well as technical developments, are still too high and require the consideration of adapting products.
and processes. “Consumer preferences across national boundaries are more likely to be idiosyncratic to local cultures, value structures, tastes, economies, and other factors” (Samiee & Roth, 1992). Even in the beginning of the twentieth century, researchers such as Propson (1923, as cited in Ryans et al., 2003) have seen adaptation as a necessity to appeal to divergent local markets. As soon as markets are viewed as dissimilar, firms prefer the adaptation of marketing strategy (Sousa and Bradley, 2005).

Proponents of the adaptation strategy view markets as heterogeneous, which implies various consumer wants and needs. Adaptation can therefore contribute to greater value delivery. Ryans et al. (2003) could not identify a direct linkage between adaptation and performance but they stated that this relationship is a clear issue in terms of effectiveness.

A third group of researchers argue that both strategies cannot exist independently. Rather than deciding for one strategy, firms should decide upon the degree of both standardization and adaptation of the marketing strategy (Ryans et al., 2003) as subliminally mentioned before. There seem to be a need for using both strategies simultaneously whereby the degree should depend on psychic and physical distance factors (Brei et al., 2011). Other researchers share the same opinion and argue that a company’s decision is situation specific and the internationalizing company has to determine which specific strategy is useful or desirable, to what degree and under what condition (Cavusgil & Zou, 1994, as cited in Theodosiou & Leonidou, 2003). According to Martenson (1987, as cited in Sousa & Bradley, 2005), the degree of standardization and adaptation can be explained by the perceived differences between the home and the host country.

Once the company’s marketing strategy is defined, it has to adjust all elements of the marketing mix in the direction of the chosen strategy. This concept will be further examined within the following paragraphs.

2.2. Marketing mix
The Marketing mix concept has dominated marketing since the 1940s. In 1964, McCarthy developed the concept and presented the classification of the 4 Ps, which is still popular among marketers (Goi, 2009). In his article, Goi (2009) compares the marketing mix idea with a process of baking a cake. Just as the same kind of cake, baked by two different people, will never taste the same. The marketing mix will always vary for different products, companies, markets and marketers.
The marketing mix consists of four tools: product, price, place and promotion. Each of them are described in the paragraphs below.

In retailer contexts, the *product* is the service offered by the retailing company. Therefore, product does not only belong to the creation of an international product portfolio of the company presented in the store (Doole & Lowe, 2001; Burt, et.al, 2010), but also to the store’s in- and outside format and its opening hours.

The store format is of great importance as it helps consumers to differentiate stores from one another. The main types of store formats are defined as follows:

- Supermarkets are characterized by more than 400 square meters (sqm) in sales space and offer a broader assortment at a lower price than previously common small self-service stores (Kulke, 2006). They are meant to be the smallest modern stores of the grocery retailing industry (Herrmann *et al.*, 2009).
- Hypermarkets have a sales space of more than 1,000 sqm and their assortment consists of food and non-food products (Nielsen, 2004, as cited in Herrmann *et al.*, 2009; Kulke, 2006).
- Discount stores offer a very limited assortment of articles (660 to 1,300). Discounters can be subdivided into hard and soft discounter. *Soft discounter* are distinguished by having a larger product mix and complexity than *hard discounter* which are known for its highly limited assortment (Bundeskartellamt, 2005). Nevertheless, the distinction between hard and soft discounter is increasingly blurred as hard discounter emphasize an increasing number of brand products which is usually common for soft discounter (also known as brand discounter) (Twardawa, 2006).

Beside the definition of its store format, retailers need to choose the most attractive assortment of products for the international market. A proper chosen product portfolio fits the market the company is operating in and wins new customers. Here the company also defines the product line (including private brand and its length (number of products in the line) and depth (number of product types within one line) (Doole & Lowe, 2001; Burt, *et al.*, 2010). A brand is part of a product and is just as important as the products presented in the shops. While some customers are ready to consume higher-priced and well-known brands, which are produced by famous manufacturers, others prefer to purchase private store brands, which are offered for a lower price and are “produced on behalf of some retailers to sell them under their
own brand names in their own stores” (Seth & Randall, 2005; Baltas, 1997, as cited in Thanasuta, 2015, p.102). When deciding on whether to standardize or adapt products, the company usually examines a cost-benefit ratio (Doole & Lowe, 2001). Most of the time, it is easier to maximize profits when they keep its products standardized. Other advantages of standardized products include the “easier control of product management and the possibility to reduce costs through economy of scales”, (Doole & Lowe, 2001, p. 297). However, most of the products on the international market are adapted to different extents. The product adaptation may include the adaptation of the product or service variety, the design, features, the brand name, quality, packaging, its image, pre-sales and after-sales services (Vrontis, 2012).

The **price** element is used by companies to set an appropriate and efficient price for the product. Price efficiency depends on the company’s strategies and objectives. When the company uses the strategy of **price standardization**, the product prices on the international level remain exactly the same as on the domestic market, but the final customer will additionally pay for logistics and import fees to his country (Doole & Lowe, 2001). The adaptation of the price strategy can be implemented through various price strategies. Usually the company examines how the price will affect indicators such as demand, revenues, volume, profit and relationships with a customer (Woodruff, 2004).

**Place** defines the process of how the product is made available for the customer. It includes the retailer’s distribution system, which means the process of how the goods are transported from the manufacturing to the final customer. Furthermore it includes the actual location of the stores of the company. By standardizing these operations, the retailer can cut costs of the company. According to Seth & Randall (2005), the most competitive companies are constantly adapting the place element by searching for the best solution for every specific market.

The **promotion element** includes various promotion activities that are targeted to the final customer, which helps him to decide in favor of the promoted brands. This category includes channels such as TV, radio, printed materials, in-store campaigns, and in-store navigation (Doole & Lowe, 2001; Burt, et al., 2010). Standard communication helps the company to avoid promotion costs, increases the perceived value for the customer through widely recognized images, and increases the awareness of the product (Doole & Lowe, 2001). However, adaptations in promotion activities are essential for some markets. They include the
adaptation of images, designs, and the language, for instance. Consequently, we see that marketing mix decisions can greatly vary for domestic and international markets.

The question is, why the marketing mix of a company requires adaptations? The research literature describes the differences in international marketing strategies by the physical and psychic distance concepts. These concepts are presented in the following abstract (Prime, Obadia & Vida, 2008; Brei et al., 2011; Angdal & Axelsson, 2012).

2.3. Impact of physical distance on the marketing mix

Physical distance is related to the marketing mix component place and is usually defined in terms of the geographical distance of a company’s host market to its home market. Some scholars recommend companies to enter markets with low physical distance first (Johanson & Vahlne, 1977). For the company it may be of high importance to adapt to physically distant markets. The higher the physical distance between two markets, the more factors a company needs to consider that may require an adaptation in its operations (Agndal & Axelsson, 2012). Examples of these factors are:

- Longer shipping times,
- Higher shipping costs, as long physical distance requires either longer logistic chains or more expensive means of transportations,
- Time differences that influence communication processes (when it is morning time in the home market, the host market may have a late night),
- Season and climate differences: summer clothes may be of high demand all year around in Brazil, but not in Sweden, for instance (Agndal & Axelsson, 2012).

2.4. Impact of psychic distance on the marketing mix

Psychic distance factors include the differences in culture, consumer characteristics, the market economy, the development of technologies, social perspectives, the government policy, laws and regulations (Johanson & Vahlne, 1977; Doole & Lowe, 2008; Agndal & Axelsson, 2012; Akgün, Keskin & Ayar, 2014). Many scholars agree that psychic distance has a great influence on the marketing mix choice within the international marketing strategy. The bigger the psychic distance between domestic and foreign markets, the more difficulties
the company will face when it enters this market (Johanson & Vahlne, 1977; Doole & Lowe, 2008; Akgün, Keskin & Ayar, 2014). Many retailing companies usually start its internationalization by expanding to markets that are located closer to their domestic markets, which means that they tend to choose countries with lower psychic distance. This way of internationalization is called ‘traditional’ pattern (Burt, et al., 2011).

An example shows that psychic distance can be of great importance to international consumers, who differ in their preferences regarding to one or another country (Agndal & Axelsson, 2012). In their research, Safari, Thilenius & Hadjikhami (2013) identified that Swedish consumers tend to buy online products from countries with less psychic distance, such as Nordic countries, Great Britain, Germany and the USA. Countries with higher psychic distance (Russia, Poland, African and Middle East countries) were perceived as unsafe and are unreliable countries with a high level of uncertainty. The language was also one of the faced difficulties in distant countries.

The importance of consumer characteristics might be one of the reasons, that lately the marketing world has been paying a lot of attention to the target audience of the brand, and product strategies are often focused on the preferences of final consumer (Fournier, 1998; Roberts, 2004).

Therefore, this study will focus on consumer characteristics in various countries when a company chooses the international marketing strategy. Consumer characteristics include their behaviors, customs, traditions and language (Prime, et al., 2008). Thus, consumer characteristics greatly affect our purchasing behavior, for instance. In their article Prime, Obadia and Vida (2008) mention pattern of thoughts to be one of the main problem when communicating with foreign partners, as each consumer has a particular way of thought expressions. This makes it difficult to predict the behavior of foreign partners or consumers: “A Japanese will never say that he’s not interested in your product. He will tell you that your product is very interesting, but one must know, by decoding the way he says it, that, in fact, he’s not interested at all” (Prime, et.al, 2008, p. 192). This elaborates into a problem of understanding the behavior of foreign partners or consumers, as in every culture people are used to act in a different way.

In his research, Pehrsson (1995) found out that most of the companies try to focus on similarities between consumers in different countries in order to produce standard popular
products at lower costs. However, in most of the cases, it will be difficult to keep all marketing mix elements standardized. Marketers need to precisely examine the differences between consumers in local and foreign countries, in order to launch successful marketing campaigns (Roberts, 2004).

Examined literature shows that by taking into consideration the consumer differences, the product is usually kept standardized for both local and foreign markets in terms of store in- and outside format and product assortment (Doole & Lowe, 2001). However, Akgun et al. (2014) found out that some product characteristics such as the package, design, language and colors, are subject to the adaptation strategy. Safari, et al. (2013) found out that the language is one of the most significant factors, that needs to be adapted in order to become accepted by foreign consumers, while the brand name and the logo are kept standardized in order to increase the brand awareness (Akgun et al., 2014). The example of McDonald’s can be applied here: even though the main strategy of the company is standardization, in order to be able to deliver the same taste of its products worldwide, the management of the company understands that some of the products need to be adapted to the local culture, its tastes, the religion and laws. Thus, McDonald’s started to sell “beer and McCroissants in Germany, yogurt drinks in Turkey and Big Macs with no cheese in Israel, due to the requirement of kosher food to separate diary and meat products” (Vignali, 2001, p. 99).

Previous research found out that most of the companies have been lately focused on consumer characteristics as the main marketing factor while setting the appropriate price strategy in the market. Today one of the main price strategies is when pricing correlates with the consumer’s perceived value (Doole & Lowe, 2001; Akgun et al., 2014). Therefore consumers don’t see the product price level as the way to maximize profits of the company but to provide him or her the real product value (Woodruff, 2004). This trend evaluated due to the development of internet technologies, which have increased the price transparency of retailers all over the world (Doole & Lowe, 2001). Consumers can easily find lower prices of other markets and switch from one product to another. However, consumers realize that a certain brand belongs to a certain segment (low, middle or premium) and the price is part of a brand segmentation on the market. This is the reason why sometimes a brand’s price has to be adapted for two different markets: A Chrysler 300C costs almost the double price in the Swedish market, related to the USA. The price variation can be explained with different brand segmentations in the market: A Chrysler 300C is considered to be an exclusive car in Sweden, however in the
USA the Chrysler does not belong to the same brand segment and the same price as in Sweden, “ may like an odd way of positioning Chrysler” (Agndal & Axelsson, 2012, p. 476).

The main task of the *promotion* element of the marketing mix is to support the dialogue with consumers by responding to their requirements (Seth & Randall, 2005). The consumer feels more welcome and comfortable in the shop, where an emotional connection between him or her and the store can be created and supported by communication means. Over time, this emotional attachment will encourage the consumer to increase his shopping activity within the store (Fournier, 1998; Roberts, 2004).

Consequently, the four elements of the marketing mix – *product, price, place* and *promotion* – are often subject to adaptation due to consumer characteristics of a particular market. Thus, consumer preferences and requirements are crucial factors that affect the choice of the international marketing strategy (Johanson & Vahlne, 1977; Pehrsson, 1995; Evans & Bridson, 2005; Akgun *et al.*, 2014).
3. Research Design

3.1. Research Strategy

To discuss the grocery retailer’s international marketing strategy of standardization and adaptation, a concrete example of one international grocery retailer was chosen and studied with the help of secondary data, in-depth interviews and our personal observations.

We think that the qualitative study is the appropriate method for this research in order to reach the paper’s aim. According to Lewis, Thornvill and Saunders (2007), this data technique generates non-numerical data, by conducting in-depth interviews or observations. The collected data should be analyzed in order to understand the meaning. As our aim is to find out what the company adapts in its marketing mix and why, open interviews, as well as the interpretation of secondary data and own observations seemed to be the best way to get as much information as possible in order to see the whole picture of what the company standardizes or adapts, and to fulfill the study’s aim.

A case study method was chosen for this research. A case study describes a problem or an incident, which is based on a real-life situation and is meant to be analyzed or solved. One of the main purposes of this approach is to bridge the gap between theoretical concepts and realities (Roselle, 1996). Therefore we chose a case, which is up-to-date, widely known, of interest and relevant for the aim of the paper. By picking an example that fulfills these criteria, the study is expected to be of academic and especially of managerial interest. Furthermore we are customers of the retailer ourselves, and it is interesting to see how the company implements required adaptations.

The case we chose is of the international retailing company Lidl, which is the biggest grocery retailer in Europe, that started its internationalization in the 1990s (Lidl UK GmbH, 2015; Andersen & Poulfelt, 2006) and plans to expand its business beyond the EU intensively in the near future (Mirror, 2014). Lidl is a significant example for discussing the choice of a company’s international marketing strategy. The core strategy of Lidl is a strategy of standardization of all processes in terms of its marketing mix. This strategy is implemented in the home market of Lidl and the retailer tends to enter foreign markets with the same standardized marketing strategy.

Due to its unwillingness to adapt to the market at first, Lidl experienced market failures in foreign countries like Norway and Lithuania (Eide, 2010; Schramm-Klein et.al, 2013).
The research will study the choice of the international marketing strategy at Lidl Germany and Sweden in terms of its marketing mix. Lidl is part of the retailing market in both countries, therefore it is important to comprehend the current overall situation of each retailing market, evaluate competitors and define the portrait of general consumers in terms of their purchasing criteria. As all of these factors are expected to have a direct impact on the marketing strategy choice of the retailer, we will examine adaptations that have been made on two markets in terms of psychic and physical distance factors. This study aims to answer the question of what and why Lidl adapts to foreign markets and can shed light on the necessity of prior adaptations in distant countries.

3.2. Data Collection

Information from both primary and secondary data sources was collected for this case study. Firstly, secondary data about retailing markets in Germany and Sweden as well as each country’s consumer portrait were gathered. Online news and articles, as well as journals, reviews and books, were carefully examined from data platforms such as Google scholar, Libris and the online library of the Högskolan Dalarna. Data about the consumer portrait helped us to identify the most popular consumed product categories in Sweden and Germany, which were used to limit conducted interviews and observations. Secondly, general information about Lidl and its international marketing strategy was collected from secondary data. We evaluated a variety of articles, newspapers, reviews, journals, books and the retailer’s website, in order to provide information about the case.

We collected primary data by implementing personal observations at Lidl stores from a customer perspective, which means that we compared the retailer’s marketing mix in terms of products and prices, for the most purchased grocery category, as well as promotion and place in Germany and Sweden.

During observations, pictures of the store in- and outside format, product location, assortment range, prices and promotion were taken with the permission of Lidl’s personnel. Later on, the observed data were used to compare Lidl stores in the two countries according to the 4P’s of the marketing mix:

- **Product**: the in- and outside format, the product allocation and presentation were defined. Based on the most purchased category by consumers in both countries, the product types, brands, package design and the language were compared.
- **Price**: Prices for one product from the most purchased category were compared.
- Place: the store location of Lidl and its distributional system was defined.

- Promotion: current communication campaigns, which imply TV commercials, web presence and printed materials, were observed.

As one of us is German, we asked her relatives and friends to visit a store in Germany to collect the data. They picked two convenient stores in their region in North-Rhine-Westphalia and Berlin. In Sweden we visited three Lidl stores in total: Lidl Falun, Lidl Borlänge and Lidl Hofors. Stores, which were located in easily reachable distance, were chosen. Time and money for our research could therefore be saved. Nevertheless, Lidl stores are known to be identical within each country, therefore the sample choice is not expected to play a role in terms of the outcome of our study.

Further, primary data was collected by conducting interviews with Lidl employees in Germany and Sweden. The head offices were contacted in both countries via email in order to introduce the study and schedule personal interviews. However, we did not get any feedback about their willingness to take part in the interview. Nevertheless, we managed to schedule four interviews: two in Germany and two in Sweden. In Germany, the interviews were held with acquaintances of ours. One of them was a former sales trainee at Lidl Germany. The participant was trained to become a sales manager in Baden-Württemberg and worked in the company for seven months. The second participant is a regional sales manager in North Rhine-Westphalia, who is working in this position since November 2014.

In order to schedule interviews in Sweden, we contacted three stores in Falun, Hofors and Borlänge. The store manager in Falun refused to participate in the interview. However, two other stores agreed to take part and we held interviews with the store manager at Lidl Hofors, who worked at Lidl for approximately five years, and the regional sales manager at Lidl Borlänge region with almost two years of experience.

The interviews were realized via phone and Skype in Germany and by personal meetings with the participants in Sweden. The interviews helped us to identify the marketing mix choice in both markets. Furthermore the respondents gave us examples of what adaptations were made at Lidl stores in Germany and Sweden.

Our open interviews were guided by prepared questions. This left space for further comments and directions within the topic. All interviews have been recorded with the agreement of the participants.
3.3. Research Questions

According to Gillham (2010), clearly stated research questions are a vital part of the research structure. Thus, a preliminary question list was made for the interviews. It can be found in the Appendix 1 at the end of this paper. The questions were used as a guideline and were developed, if it was required by the interview process. The initially prepared list of questions was a tool that helped us to gain the required knowledge in order to fulfill the research aim. Some of the questions can be applied to both Sweden and Germany. The raised questions were not anyhow related to consumer characteristics, in order to avoid that the respondents get influenced in their answers about the reasons for marketing mix adaptations.

We tried to cover the required information for the research about Lidl’s international marketing strategy choice with prepared and complementary questions. The questions were separated into three blocks:

1. **General questions** can be applied for both Germany and Sweden. These questions helped us to understand the case by receiving general information about Lidl, its values and consumer portrait.

2. **The Marketing strategy in Germany and Sweden**: this part was aimed to examine information about Lidl’s prevailing marketing strategy of adaptation, standardization or a mix of both strategies. What factors influenced its marketing strategy choice? Is Lidl profitable on the market? Here we got some knowledge about the readiness of Lidl to adapt its services.

3. **The Marketing Mix**: this section helped us to find out how the marketing mix of the 4 P’s is applied at Lidl stores in both Germany and Sweden and what kind of adaptations were made.

Firstly, we planned to raise the same questions to each interviewee. However, due to the respondent’s lack of time or lack of knowledge, we had to modify or skip some of the questions during the meeting. Therefore, we did not receive the same amount and content of information in each interview. Moreover, secondary data helped us to understand that the company has the same standardized concept within one country. Thus, we did not ask the questions we already had answers for from previously researched secondary data. Due to that, we saved our respondents’ and our time, but also gained additional information by discussing questions that were not part of the guideline (Appendix 1a).
3.4. Data Analysis Methods

In his book, Yin (2014) describes four types of case study analysis strategies. For this paper we chose the *strategy of developing a case description or descriptive framework*. The idea for our research design came from reviewed theoretical literature where we found a gap on the retailer’s international marketing strategy choice. Our analysis is based on the questions asked during the interview, secondary data and our personal observations (Yin, 2014). All gathered pieces of information were carefully compiled into one whole picture.

Questions about the marketing mix section led us to the development of four main categories for data analysis such as price, place, product and promotion. Hence a table was created that includes these four categories and it was filled by evidenced data, collected during the information review process from all three data collection types. The table with the findings helped us to get answers on our research question of what has been adapted within the marketing mix of the retailer, as each marketing mix component could be compared to visualize the differences.

To understand the reasons for the discovered adaptations, we reviewed the gathered information again and again. This enabled us the identification of “different kinds of evidence bearing on the same issues of the research” (Gillham, 2010, p. 95). The recognized similar patterns were categorized as indicators for either signs of the standardized or adapted strategy of the retailer, which is why we developed codes that sum up the similar answers of the same matter.

In order to define these codes, we referred to the content of our secondary and primary data findings. Here we identified the main components of Lidl’s marketing strategy. As these components could be generalized on one or another piece of gathered information, they were chosen as the main codes, and helped us to present information in a more structured way.

By analyzing the data, we realized that the main codes are too broad which is why sub-codes were created in order to separate the ideas that belong to this umbrella term. Hence, the study findings table has been developed by adding the codes to its related statements. The combination of all findings from our three data sources, with the related main- and sub-codes, can be found in the Appendix 16.

The coding procedure built up a connection between different parts of contents and combined them into a chain of evidence, which helped us to understand the meaning of the gathered
information (Yin, 2014). The analytical codes were useful to cover all important data and made it more structural and logical (Gillham, 2010). The codes themselves and its meaning are presented in the analysis chapter further in this paper. The analysis resulted in the development of four compact tables, which summarizes all our analysis findings in relation to each element of the marketing mix (Appendix 12-15).

3.5. Data Quality

In order to guarantee that our collected data is meaningful, reliable and valid, we are considering the following aspects.

First, secondary data was collected from official websites of Lidl in Germany and Sweden. Further articles were chosen from recommended, noted journals, newspapers and libraries in the Internet. Here we selected a variety of different sources in order to be able to compare data and see similarities, which increase the reliability of secondary data. Furthermore, the collected data is up-to-date wherefore it was possible to compare and combine the data of various references.

To guarantee that our primary data is meaningful and valid, we implemented interviews via phone, Skype and personal interviews, as we expected to find out information, which is not possible to collect via secondary data or a questionnaire. Furthermore we prepared questions that are not too revealing, in order to increase the chance to get broad answers. In order to increase the chance of gathering meaningful data, we offered the possibility to conduct the interviews with German participants in the German language. However, the English language seemed to be convenient for all of the interview participants.

3.6. Research Ethics

Yin (2014) developed a number of ethical standards, which were implemented in this research. In order to eliminate plagiarism and ensure credibility, a list of all primary and secondary sources is provided according to the APA (American Psychological Association) referencing standard. Yin (2014) also claims the agreement from all people who are involved in the case study. Due to the chosen method of personal interviews, every employee agreed to take part in the study on a voluntary basis. The respondents were informed about the interview purpose along with the interview questions by mail and later on briefly at the beginning of the interview itself. Yin (2014) stated the announcement of the research’s nature, which can be fulfilled in that way.
We respect the rights of our respondents and keep, if he or she wants, their personal information confidential. Therefore we did not present the list of interviewees at the end of the research, as none of the respondents wanted to highlight their names. That is why we only mentioned the position and the country of work of the respondent to protect the interviewees’ privacy (Yin 2014). All collected data was strictly used for the research purpose. As researchers, our aim is to provide the reader with relevant and reliable information, therefore we ensured accuracy of data collection with our respondents and correct misinterpretations if necessary.

3.7. Methodological limitations
One of the main problems in this case study was the lack of access to the retailer. As it was stated above, we contacted the company’s head offices in both Sweden and Germany, in order to interview representatives of the sales and marketing departments. However, the company refused to participate in the research due to limited time. The regional sales manager in Borlänge recommended us to contact the communication office of the head office of Lidl. However, the representatives of the communication office were not able to participate in an interview due to reasons of time shortage. Nevertheless we conducted four interviews: two interviews were realized in Germany and two in Sweden. Even though we did not manage to conduct a larger number of interviews, the information we received was useful for our case and could be well linked to the data we gathered from secondary information and observations.

The German interviewees’ were just recently employed in the company. This could have had a negative impact on the intensity of information we got. However, we assume that a company’s strategies are communicated to all employers of the sales and marketing department, which is why we don’t expect a lack of data. Nevertheless we experienced that one respondent was not willing to answer strategically based questions due to confidentiality reasons.

For personal observations, just two outlets in Germany and one in Sweden were taken into consideration. Our research identified that Lidl standardizes every store within one country. Therefore we expect a similar marketing mix for the particular market in Germany and Sweden.

Since the secondary data was partly translated from German and Swedish into English, the meaning can be slightly distorted. Nevertheless, we did not perceive it as a problem, as unknown words could be translated by reputable dictionaries or we had the chance to ask
native speakers for help in terms of Swedish language understandings and translations. The interviews were conducted in English, which is a foreign language for all respondents. This could reduce the amount and intensity of information. However, when we faced any misunderstandings of the respondents, we switched to the language of the respondents in order to clarify the meaning.
4. Empirical Findings
4.1. Presentation of case study: Lidl

In order to specify the study, the thesis explores the case of the German retailing company Lidl. Lidl is part of the Schwarz Unternehmens Treuhand KG group, which occupies the 6th place of the Deloitte report of the top 250 global retailers in 2012 by gained revenues (Deloitte, 2014).

Lidl is an example of a hard discounter chain, which internationalized during the 1990s and still notifies an ongoing trend of internationalizing within Europe and even beyond. Lidl is the biggest grocery retailer in Europe and started its business in the 1930s (Lidl Germany, 2015; Lidl UK GmbH, 2015). The first store opened in 1973 and its operations abroad started in the 1990s where Lidl grew into a European player, which was feared by its competitors (Andersen & Poulfelt, 2006). Hence, the low price strategy of Lidl does not only attract customers in its home, but also in its host countries. Today Lidl has approximately 9,900 stores in 26 countries with the total of 170,000 employees.

Besides its success, Lidl experiences market failures as well. After less than four years in Norway, the retailer decided to move from the market and sold all its Norwegian businesses in 2008 (Eide, 2010). The same happened in Lithuania in 2001, where Lidl stayed on the market for only two years (Schramm-Klein et al., 2013). Sweden and the UK were also challenging markets to enter for the company, but within the following years, the retailer increased its adaptation to the market in order to attract customers and increase its market shares. With the help of a TV campaign in the UK, Lidl gained the attention of consumers to convince them of the retailer’s high quality products. In Sweden, Lidl opened a restaurant, which offers dishes that are exclusively cooked with ingredients from Lidl. This should increase the trust and commitment of Swedish customers (Sugrue, 2014).

Generally speaking, Lidl has gained a reputation of a competitive retailer in the European Union over many years, but nevertheless the company still experiences difficulties in entering foreign markets. Lidl is planning to extent its business globally, as for instance in America, Russia and China (Mirror, 2014). As these countries are located even further than the ones in or next to the European Union, Lidl will probably face higher difficulties in entering these markets.
Due to its different business results in a number of countries, it will be interesting to examine and compare the marketing strategy of Lidl in two retailing markets:

1. **Germany**, as the home market.
2. **Sweden**, as a foreign market.

In order to understand the choice of the international marketing strategy at Lidl Germany and Sweden in terms of its marketing mix, the current situation of each retailing market and a portrait of each country’s consumer in terms of their purchasing criteria, comprehends to an overall understanding of the case. The following chapter will introduce these topics.

### 4.2. Research Findings

#### 4.2.1. Retailing markets

#### 4.2.1.1. The retailing market in Germany

Germany is a member of the European Union (EU) and listed under the top five economies in the world. Germany has a population of 82 million people and created a leading market for groceries. Germany is one of the largest exporter and importer of the world and provides not only a gateway to its consumers, but also opportunities within the surrounding EU markets (Agriculture and Agri-Food Canada (AAFC), 2015). The prime market for German grocery exports is the EU single market with 77%. Germany’s main partners are the Netherlands, Italy, France, UK and Austria. The most likely exported products are meat, milk, sweets and bakery products (Bundesvereinigung der Deutschen Ernährungsindustrie, (BVE) (2015); WeltN24 GmbH, 2013). According to WeltN24 GmbH (2013), German products are export winners. During the last ten years, export business in Germany grew more than double. The main reason for it is the country’s good reputation in terms of quality and safety (Frankfurter Allgemeine Zeitung, 2015).

**The development of the German retailing market**

Until the end of the 1950s, the German grocery retailing market was dominated by *small stores with a sales assistant*. This type was replaced in the early 1960s when *small self-service stores* with a broader product range on a larger space increased its market share. Another type – the *supermarket* – expanded in the 1970s. From the mid-1970s, *hypermarkets* increased their market share predominantly. The most successful store format developed...
within the last 10 to 15 years which is the discount store. Herrmann et al. (2009) summarize the two major developments in the Germany grocery retailing market as: a) the change towards store formats with bigger sales areas and b) the strong expansion of discounter (Appendix 2).

A current profile of the German retailing market

A statistic from 2013 by the Bundesverband des Deutschen Lebensmittelhandels (BVLH) identified the number of grocery retailer outlets according to their store format. More than 16,000 discounters could be counted in Germany, followed by supermarkets with more than 10,000 stores and small grocery shops. Big supermarkets and hypermarkets had a relatively small number of stores with around 1,000 each (Appendix 3).

Within the last decade, the German grocery retailing market experienced an immense concentration process (Kulke, 2006; Herrmann, Möser & Weber, 2009; Haucap, Heimeshoff, Klein, Rickert and Wey, 2013; Nitt-Drießelmann, 2013; Bundeskartellamt, 2014). Andreas Mundt, the President of the German Federal Cartel Office (Bundeskartellamt), says that the EDEKA-Group, the REWE-Group, the Schwarz Group and the ALDI-Group have a share of nearly 85% of the total nationwide sales in the grocery retailing industry (Bundeskartellamt, 2014; Bundeskartellamt, 2015a; Bundeskartellamt, 2015b). Chart 1 shows the market share of the leading grocery retailers in Germany.
According to Mundt, there is a need to take action in preventing the effects of the increasing competition. Companies that are trying to achieve a high market share, no matter what price they pay for it, will gamble with the trust of their customers and suppliers in the long-run (Haucap, et al., 2013).

The following paragraphs will present a short overview of the main players of the grocery retailing market in Germany.

The **EDEKA-Group** is the biggest grocery retailer in Germany with a total revenue of 40.9 billion € in 2012 (Lux, 2012) and 46.2 billion € in 2013 (EDEKA Zentrale AG & Co. KG, 2014). Measured by total revenue, procurement of producer brands, sales areas and the number of locations, they are the leading retailer group in Germany (Bundeskartellamt, 2014). The medium-size enterprise only operates in Germany apart from the big international food retail concerns. The sales lines of the EDEKA-Group are EDEKA center, EDEKA neukauf, EDEKA aktiv markt, Netto Marken-Discount, Plus Marken-Discount, EDEKA c+c großmarkt and Marktkauf (EDEKA Zentrale AG & Co. KG, 2008).

The concern is known for its variety and regional products, which is why it supports small and medium-size farmers and producers and can differentiate itself in the competition with large chain store companies (EDEKA Zentrale AG & Co. KG, 2014). The retailer is specialized in offering a full assortment which emphasizes the importance of fresh products and a good service. Furthermore the company differentiates itself by its strong discount concept (EDEKA
Zentrale AG & Co. KG, 2015) and various private brands (18% of whole grocery retailing). In future, the retailer plans to open 200 EDEKA stores and 250 Netto Marken-Discount branch outlets every year (EDEKA Zentrale AG & Co. KG, 2008).

The **REWE-Group** is one of the leading business and tourism groups in Germany and Europe. It has 15 000 stores and generated a turnover of 51 billion € in 2014. The retailer develops its business in a few different directions, which are national and international full assortment stores, national and international discounter, specialist stores, tourism agencies and others. To the food retailing segment within Germany belong the full assortment stores REWE, REWE.de Lieferservice, REWE To Go, toom Getränkemarkt, nahkauf, Temma, Oh Angie!, Kaufpark and Akzenta and Penny, which is a discounter. The REWE-Group promotes itself as a provider of quality, service and a good price-performance ratio. In future, the group wants to focus on the development of its e-commerce activities, creates new sales formats and channels as well as adaptations to the existing formats according to the ongoing changes of consumer requirements (REWE Group, 2015a; REWE Group, 2015b).

The **Schwarz-Group** is a complex network of some 600 subsidiaries, foundations and corporate sectors (stern.de GmbH, 2008). The group consists of well-known grocery retailer enterprises such as the self-service warehouse chain Kaufland and the discounter chain Lidl. Both store formats are operating on national and international arenas (Schippenbach & Pavel, 2011).

**Kaufland**, in Germany, has 635 branches. The stores offer a huge variety of food and non-food products (Kaufland Warenhandel GmbH & Co. KG, 2015).

**Lidl** has 3 300 stores in Germany. With its philosophy “good quality at a low price” Lidl explains its success in the home country and abroad.

The **Aldi-Group** consists of the discounter branches Aldi Nord (North) and Aldi Süd (South). Aldi is one of the leading discounter in Germany and a widespread international operator with a standardized marketing strategy. Aldi is the biggest competitor of Lidl in Germany (ALDI Süd, 2015a; Twardawa, 2006). The discounter has 66 regional companies all over the country. With its 4 250 branches in Germany, Aldi offers exclusively private label products and promotes them under the slogan “high quality and a low price” (ALDI Nord, 2015a; ALDI Nord, 2015b; ALDI Nord, 2015c; ALDI Süd, 2015a; ALDI Süd, 2015b).
4.2.1.2. The retailing market in Sweden

Sweden is a Nordic country, which is located in the North of Europe. Since 1995, Sweden has been one of the 28 full members of the European Union (EU). The EU cancellation of trade barriers resulted into a possibility for its members to be a part of the European single market. This enables the possibility of free trade between the 28 EU full members and the 4 members that belong to the European Economic Area, which are Finland, Norway, Iceland and Denmark. Therefore Sweden has a chance for trade with no barriers with the other 31 countries (Chamber Trade Sweden, 2013).

Sweden imports almost 50% of its food and beverage items. The main imported groceries in Sweden are the ones, which cannot be produced inside the country such as juice, tea, coffee, wine, certain fruits and vegetables, spices and herbs. The export of Swedish products has been steadily increasing. Sweden mainly exports fish and seafood, spirits, refined oils and cereal items (Chamber Trade Sweden, 2013).

Within the EU, the Swedish market is regarded as a middle-sized market with its total population close to 9.76 million people by the end of February 2015 (Chamber Trade Sweden, 2013; SCB, 2015).

The development of the Swedish retailing market

Pattern of the development of the Swedish retailing market show that self-service stores with wider product ranges in Sweden replaced stores with personal assistance in the 1960s. This was followed by a tremendous growth in the number of supermarkets, which covered almost 75% of all new stores. In 1962 the first hypermarket was opened in the outskirts of Malmö. Since that time, the number of hypermarkets was increasing by two to three stores annually and even more in the end of the 1980s and the beginning of the 1990s (Forsbers, 1998; Appendix 6). Hard discounter came to Sweden in 2002, and since then, their share has been slowly increasing (Chamber Trade Sweden, 2013).

A current profile of the Swedish retailing market

Due to the stable economic situation of Swedish consumers (RTT News, 2015), the Swedish retailing market shows a constant growth within the last years (Trading Economics, 2015; Appendix 7). The retailing food industry in Sweden is represented on the market by the following store formats: hypermarkets (150 stores), supermarkets (2300 stores), convenience
stores (3 100) and hard discounters (450 stores), (Chamber Trade Sweden, 2013; Appendix 8).

The Swedish grocery retailing market is divided by four main trade groups in correspondence to their market share (Chart 2): ICA (50.7%), Coop (20.9%), Axfood (15.9%) and Bergendahlsgruppen (6.8%). These companies supply more than 95% of the market (Chamber Trade Sweden, 2013; Delfi, DLF & Fri Köpenskap, 2014). Discount stores are also presented on the market and in 2012 their market share reached a relatively large size and was evaluated to be 12% (USDA foreign agricultural service, 2012). Today foreign discounters such as the Danish Netto (2.28%) and the German Lidl (3.32%) operate in the Swedish retailing market (Delfi, DLF & Fri Köpenskap, 2014).

Chart 2: Market share of retailing companies in Swedish market in 2013, percentage

Source: Delfi, DLF & Fri Köpenskap, 2014

The following paragraphs will present a short overview of the main players of the grocery retailing market in Sweden.

The ICA Group started to operate on the Swedish market in 1917. Today the company is divided into the following segments: ICA Sweden, Rimi Baltic, Pharmacy Operations (since January 2015), ICA Bank, ICA Real Estate and Portfolio Companies. The core business of the group is grocery retailing with other segments to support the main business (ICA Group, 2015, a). Today ICA is the leading grocery retailer on the Swedish market with 1 314 outlets,
which are segmented into the following chains in correspondence to the share of total sales in 2013: ICA Nära (15%), ICA Maxi (30%), ICA Supermarket (31%) and ICA Kvantum (24%) (Delfi, DLF & Fri Köpenskap, 2014). The main idea of the ICA retail business is the collaboration with independent ICA vendors, based on a franchising business model. “They all run their own store, which makes it possible for them to tailor concepts and offers to local demands” (The ICA Group, 2015, b).

**Coop** was founded in 1908 and is part of the KF Group today. The KF Group is segmented into companies with different core businesses such as KF Fastigheter (real estate business), Akademibokhandeln with its online bookstore Bokus, Norstedts publishing group, PAN Vision Group (distribution of films and digital games), Vi Magazine, KF Invest and Vår Gård Saltsjöbaden (conference facility) (Coop Sweden, 2015a). Coop is the second biggest food retailer in Sweden with 650 stores (Chamber Trade Sweden, 2013) and is divided into the following chains in correspondence to the share of total sales in 2013: Coop Forum (37,9%), Coop Extra (23,2%), Coop Konsum (26,7%), Coop Nära (6,5%), Coop (5,2%) and Coop Online (0,5%) (Delfi, DLF & Fri Köpenskap, 2014). Each chain has its own goals and directions (Coop Sweden, 2015b). Recently Coop have changed the concept of its grocery stores in order to give the customer the feeling of being on the real market with fresh vegetables, meat and other products. Furthermore Coop outlets have presented Sweden’s biggest “assortment of ecological and environmental friendly products, as well as an assortment of ethnic groceries“(Chamber Trade Sweden, 2013, p.13). They want their customer’s to be able to offer the most beneficial experience within the store and have the chance to choose between expensive and cheap goods (Westerrlund, 2009).

**Axfood AB** has been operating on the Swedish market since 1999. The company is segmented into the wholesale and retail business through wholly owned chains (Axfood, 2015, a). The retail segment is presented through Willys with a share of 64% of total sales in 2013 and Hemköp with 36% (Delfi, DLF & Fri Köpenskap, 2014). The total number of the retail stores is 259 (Axfood, 2015a). The mission of Axfood is the grocery chain with clear and attractive concepts, and a focus on private labels and efficient logistics (Axfood, 2015b).

**Bergendahlsgruppen** is a family business since 1922. Operations are conducted in three business areas with the focus on food, fashion and home decoration (Bergendahls, 2015). Their food segment is presented by 139 “large discount superstores” (Chamber Trade
Sweden, 2013), which is segmented into two chains with the share of total sales in 2013: City gross (82.6%) and Matrebellerna (17.4%) (Delfi, DLF & Fri Köpenskap, 2014). The main goal of Bergendahlsgruppen is to run its business differently by investing into regional and local Swedish producers and by cooperating with companies that use a minimal number of chemical food ingredients (City gross, 2015; Matrebellerna, 2015).

The Schwarz-Group is presented on the Swedish market by the German discounter chain Lidl. Lidl launched its first supermarket in Sweden in 2003. Currently Lidl has 160 stores all over Sweden (Lidl Sweden, 2015a). The retailer’s market share in Sweden was 3.32% in 2013 (Delfi, DLF & Fri Köpenskap, 2014). Lidl promotes itself as a store for the practical consumer, who wants to get good quality at the lowest possible price. Lidl did not thrill Swedish consumers from the beginning. However, today Lidl chooses the direction of becoming more “Swedish” and familiar to every Swedish consumer, while teaching him or her that good quality can be sold at a low price (Bränström, 2010; Rosengren, 2014a).

Netto is a Danish discounter, which started its business in Sweden in 2002. In 2013 Netto’s market share was 2.28% (Delfi, DLF & Fri Köpenskap, 2014). The total number of outlets in 2013 was 157 (Netto Sweden, 2015a). The retailer’s business idea is to provide quality food at the lowest price (Netto Sweden, 2015b).

4.2.2. Consumer portrait
4.2.2.1. Consumer portrait - Germany

When it comes to the most demanded product category, German consumers choose dairy products, followed by bread, sweets, meat and cold cuts, coffee, pasta, fresh fruits, fish and cakes (Daniel, Reisch, Hamm, 2014, Appendix 5). But what is the main purchasing criteria of German consumers when it comes to grocery shopping?

German customers were, for a long time, highly focused and sensitive about prices (Herrmann et al., 2009). It was argued that German consumers are incredibly price-conscious towards grocery purchases, but at the same time prefer to spend money for traveling and other leisure activities. German consumers shop smart (Kulke, 2006; Nitt-Drießelmann, 2013; AAFC, 2015), compare prices and frequently visit discount stores. Menrad’s (2004) article supports
this idea that German consumer tend to be very price sensitive, specifically when it comes to basic grocery products. Even though the German society is known for investing in expensive cars, electronic devices or long holidays, Germans are very grasping towards grocery shopping.

However, a number of newer pieces of research identified quality, as another highly important criteria for German consumer (WeltN24 GmbH, 2012). Today, 58 percent of the Germans see quality as the primary factor for their purchasing decision. Taste and freshness of food as well as its origin and sustainability are relevant factors in the consumer buying choice (WeltN24 GmbH, 2012; AAFC, 2015; Bundesvereinigung der Deutschen Ernährungsindustrie (BVE), 2015). The results of the annual consumer study in 2014 by SGS (Société Générale de Surveillance) – a worldwide leading grocery and product testing concern - agrees that quality is one of the most important criteria for German consumers today. Cleanliness and well-tended stores are first steps to attract customers as they procure a sign of quality. This is why mainly discounters changed their marketing strategy and improved the appearance of their store format to a more attractive and structured one (SGS Institut Fresenius GmbH, 2015). A sign for quality is embedded in different ways that show further trends in the German consumer behavior.

Consumers become more careful about environmental and social impacts that their consumption causes. Ecological and Fairtrade products are of cumulative demand (Nitt-Drießelmann, 2013; AAFC, 2015; BVE, 2015). Information about the animal welfare standards and genetically-modified contents should be transparent and available for the consumer (AAFC, 2015). 51% take care of the origin of the products and call for a quality label (BVE, 2015; SGS Institut Fresenius GmbH, 2015).

In the context of quality, sustainability plays an important role as well. For every fourth consumer, sustainability factors influence the purchase decision. They are not willing to surrender in consumption, but in price - consumer are willing to pay more for sustainable products (BVE, 2015) and want to be informed about it by certifications on the product package (AAFC, 2015).

Another trend comes up in regard to locally produced groceries, which has a rising market share. The AAFC (2015) states that 75% of the German consumers prefer regional products. The same results are supported by the survey of SGS. In 2013, 54% of the German consumer answered that they focus on regional products in terms of their purchasing decision.
A population survey in 2012 initiated by Dr. Oetker and the F.A.Z.-Institute about German grocery trends, safety and brands, agrees on and summarizes the previously collected literature. Quality is the primary factor of the consumers buying decision (90%). Good taste (85%), fresh products (85%), severe controls (73%), regional products (67%), products from Germany (63%), and an attractive visual appealing (59%) for consumer. The result agrees on that even though the price is losing its importance, it is still a relevant criteria (56%). The survey also measured the importance of brands when it comes to quality. Well-established grocery brands are increasingly demanded as they communicate quality and safety for the consumer. In order to achieve trust towards these brands, companies need to steadily ensure quality and safety by regular controls, which are promoted and visible on the package (with a seal of approval, for instance). Consumers also consider the ingredients and origins of the groceries, especially when it comes to fresh products (Dr. August Oetker Nahrungsmittel KG & F.A.Z.-Institut für Management-, Markt- und Medieninformationen GmbH (2012). A graph in the Appendix 4 summarizes the information above.

The Nielsen study (2013) investigated German grocery consumers in regard to their purchasing behavior. Quality is a big issue in terms of their purchasing decision, but this does not mean that Germans rush to buy brand name products. 61% of the surveyed consumers answer that a company’s private label products are comparable to name brand products. The study investigated an increasing trend in the demand and purchasing of private label products. A reason for this trend is the increasing price for groceries. This is an alarm signal for name brand manufacturers as their positioning, through the quality assurance of name brands, in the competition with private labels, is no longer enough (Nielsen Media Research GmbH, 2013).

4.2.2.2. Consumer portrait - Sweden

Swedish consumers are considered to be advanced and alert in terms of their buying behavior with the focus on high product quality (Wikström, 1997).

According to the Chamber Trade Sweden (2013) the most consumed categories of food and beverages were dairy products, fats and eggs, which equal to 16% of all the retailer sales in 2012 (Appendix 9).

But what encourages Swedes to buy these products? The GFK (Association for consumer behavior) Sweden, together with the Jordbruksverket (Department of Agriculture, 2014), conducted a research on the purchasing criteria of Swedish people (Appendix 10). The results show, that quality and taste are mainly important when Swedish people buy groceries. 30%
totally agree that the choice, to buy groceries with as few additives as possible, is important. For more than 55% it is important to know that the food was produced with the care in regard to the environment and the animals. Only 31% agree that the price of groceries counts. The price and the brand fell into the most "polarized" areas (e.g. that a large group thinks a lot about these issues, while a large group rarely think of it) (GFK & Jordbruksverket, 2014). While the brand is the last important factor in the purchasing criteria of the Swedish population, people also do not give much importance to the choice of a name brand or a private brand. Most of the Swedish people do not see much difference in private brands and consider their quality to be almost the same as that of name brands (Nielsen, 2014).

According to The Hofstede Research Center (2015), Swedish people try to keep a better balance between their life and work. They tend to care about their health, family, hobbies and travelling (Wikström, 1997). They appreciate positive experiences of happiness, joy and comfort more than the material good itself. That is also what they are looking for when making food purchases Therefore categories of food items such as ecological, nutritious, healthy and Fair Trade, have been very popular among the consumers lately and gained a large share within the market (Chamber Trade Sweden, 2013). Whenever it comes to the product’s country-of-origin, the Swedish society prefers to buy products from geographically close locations. Nowadays, there is an increasing trend towards regionally or locally produced food, which is considered to be more authentic and natural. Furthermore consumers can support local producer, which is important for Swedish people. The study, done by the Lantbrukarnas riksförbund (Federation of Swedish Farmers), shows, that for 40 % of the respondents it is important that the food is regionally or locally produced. The main reasons to buy locally or regionally produced food are to support the workplaces, the environment, the local countryside or local farmers (Jordbruksverket, 2010; Appendix 11).

Consequently, the consumption of ecological, nutritious and regionally or locally produced food is increasing, and people in Sweden are ready to spend more on it, while cutting their expenses on other product categories (Wikström, 1997; Chamber Trade Sweden, 2013).

Finalizing the portraits of the consumers in Germany and Sweden, we got the following results: Germans prefer low prices for groceries. However, the German consumers has recently evolved the demand for quality, ecological friendly and regionally produced goods. The same trend of high quality eco-groceries, which are produced within Sweden, can be
noticed among Swedish consumers. Both groups of consumers did not associate high product quality with name brand products, which is why they don’t see the big difference between private and name brands, and choose their goods according to other criteria, which were mentioned in this chapter.

4.2.3. Lidl’s Marketing Mix

The marketing strategy of standardization is widely adopted within Lidl, which means that the company tends to have a similar marketing mix of store formats and its locations, product lines and prices, promoted in almost identical ways, with slight adjustments across the borders. By doing this, the retailer can reduce costs and achieve its economy of scale which is one of the core reasons for the success of Lidl. Nevertheless, adaptations are necessary to be able to win both existing and new customers, especially when it comes to expanding operations abroad. However, even in its home country, Lidl makes regional adaptations to respond to consumer requirements (Former Sales Trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication 2015). According to the regional sales manager at Lidl Germany (Personal communication, 2015), many adaptations of the marketing mix at the host market have to be made, even if the company experiences financial losses in the short run after entering the foreign market. The retailer’s experience of marketing mix adaptations to local consumer preferences, results in a rapid growth of its market share which is why the retailer’s primary aim is to attract as many consumers as possible (Bränström, 2010; Rosengren, 2014a; Regional Sales Manager, Lidl Germany, personal communication 2015).

The following section will present the marketing mix of Lidl Germany and Sweden in order to identify similarities and differences.

4.2.3.1. Product

Lidl Germany

The main idea of Lidl’s store format is that every customer must have the same experience within the Lidl outlets. This concept is standardized in Germany as well as abroad. All stores look similar and are characterized by simplicity (Andersen & Poulfelt, 2006; former sales trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015). Lidl Germany has approximately 3 000 stores
The store size is between 1 200-1 400 sqm (Andersen & Poultfelt, 2006). Lidl stays flexible in choosing store formats and sizes due to the surrounding area, which slightly affects the size of the offered product range (Lidl Immobilien International, 2014; Former Sales Trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015). But as both, the regional sales manager and former trainee in Germany (Personal communication, 2015) highlights, the bigger the area is, that Lidl can get, the better it is, as the retailer is steadily increasing the assortment. Some impressions are demonstrated below.

![Store formats of Lidl Germany](Image)

*Source: Lidl Immobilien International, 2014*

When customers arrive at the store, they see a large parking space with special places for disabled people and families with kids. These special parking places are located close to the store entrance, in order to ensure the short walking distance for customers. Lidl also provides bicycle lock-up places for those customers, who prefer an eco-friendly way of travelling. In order to provide an easy entrance to the store for people with disabilities, Lidl makes sure to have ramps. Inside of the stores one can find a separated room for cans and bottle recycling (personal observation, 2015). The retailer’s blue and yellow logo with the red ‘I’ is located outside of the building (personal observation, 2015).

The store layout is similar in each outlet. Stores are located in a one floor building, separated by five to six corridors inside. (Former Sales Trainee, Lidl Germany, personal communication, 2015; Personal observation, 2015). When the customer enters the store, he or she sees flower stands. Tea, coffee, sweets, fresh baked products, fruits and vegetables, ultra -heated milk and eggs are presented in the first aisle. The refrigerator is located next to the perimeter of the store and product categories such as take-away food, cold-cuts, cheese and other dairy products are placed there. Special offers for frozen food and fresh meet are located just next to the fridge. Water, soft drinks, spirits, wine and beer are located in the middle of
the store next to the non-food products. Seasonal non-food items are always located in the middle of the store to avoid a crowd in the entrance and exit areas (Andersen & Poulfelt, 2006; Former Sales Trainee, Lidl Germany, personal communication, 2015; Personal observation, 2015). The last aisle consists of frozen food, baby products, household goods and cosmetics. Newspapers are located next to the short band cashier system (personal observation, 2015).

Customers should be able to do their shopping quickly with the limited amount of assistance that would be necessary to find the products they are looking for (Andersen & Poulfelt, 2006; Turban & Wolf, 2008; Regional Sales Manager, Lidl Germany, personal communication, 2015). Chart 3 demonstrates the standardized store outline with its location of products.

A strong characteristic of the Lidl concept is the presentation of goods. Instead of presenting the products on shelves, the products are presented in the original boxes they have been delivered in. This reduces costs and the store personal needs less time when locating the groceries in the store (Andersen & Poulfelt, 2006; Regional Sales Manager, Lidl Germany, personal communication, 2015). It even encourages customers to purchase larger amounts as

![Chart 3. Store format Lidl Germany.](image)

Source: Personal observation, 2015
for instance, beverages, which are packed together with several bottles (Andersen & Poulfelt, 2006).

As a discounter, Lidl offers a limited range of a basic assortment of durable consumer goods (Turban & Wolf, 2008). Its assortment consists of approximately 2,500 groceries and non-food items. This number is steadily increasing due to the changing consumer requirements. Fresh products such as meat, fish, or bakeries are presented inside the store, which was not part of the standardized system of Lidl years ago (Former Sales Trainee, Lidl Germany, personal communication, 2015). According to this, Lidl gained reputation of being fast in responding to changing customer needs (Andersen & Poulfelt, 2006).

Product adaptations are made within the country, which are based on regional consumer tastes or seasonal conditions. In Bavaria, for instance, white sausages and obaztda (special crème cheese mixture) belong to the permanent offer of Lidl, as these products are popular within the region, whereas in other parts of Germany, these products are only offered in special weeks. Good weather forecasts in specific regions lead to a higher demand of salads and barbecue goods which is why Lidl supplies a higher amount of the required products in its stores on these days (Former Sales Trainee, Lidl Germany, personal communication, 2015). Lidl puts great value on regional products (Lidl Immobilien International, 2014). Fruits, vegetables and meats are ordered from local suppliers. However, German customers demand a variety of goods all over the year, which is why the discounter also supplies seasonal products, such as strawberries, from foreign suppliers, when these products are not available in Germany (Former Sales Trainee, Lidl Germany, personal communication, 2015).

The company’s assortment is characterized by a mixture of private (85%) and name brands (15%). This allows Lidl some form of product uniqueness due to the supply of items that are exclusively sold at the discounter. Furthermore, the high ratio of private brands allows the retailer to sell quality at a lower price (Andersen & Poulfelt, 2006). According to the regional sales manager at Lidl Germany (personal communication, 2015), the quality of Lidl’s private brands has the same standard as a name brand product. He mentions the example of toothpaste where the quality of the name brand is the same as from the private brand of Lidl which
was tested and proven by Stiftung Warentest\textsuperscript{1}. Regular product tests guarantee a high quality standard.

Some examples of Lidl Germany’s private brands for groceries are: Milbona (dairy products), Gelatelli (ice cream), Dulano, Metzgerfrisch (cold cuts), Bellbake (bread, bakeries, cake), Freeway, Sølevita, Vitafit (soft drinks), Biotrend (ecological products) and Fairglobe (fair trade products) (Lidl Germany, 2015b).

A limited product range of ecological products is provided for customers. However, this category is still seen as a niche product category (Former Sales Trainee, Lidl Germany, personal communication, 2015) which means that the demand for these products is rare as it belongs to a sub group of goods.

Lidl’s opening hours in Germany are standard from Monday till Saturday from 08:00 till 21:00. In some regions they offer an extended service and start from 07:00 or extent them to 22:00, as in the center of Berlin for instance (Lidl Germany, 2015c; Lidl Germany, 2015d).

\textit{Lidl Sweden}

Lidl Sweden presents an almost identical store format to Lidl Germany (Personal observation, 2015). Every Swedish Lidl looks the same despite small differences depending on the surrounding area (Bränström, 2010; Store manager, Lidl Sweden Borlänge, personal communication, 2015).

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{store_formats_lidl_sweden.png}
\caption{Store formats of Lidl Sweden; \textit{Source: Personal observation, 2015; Lidl Facebook page, 2015}}
\end{figure}

\textsuperscript{1} Stiftung Warentest is a German foundation that provides consumers with a comparative testing of products and services. \textit{Source: https://www.test.de/unternehmen/}
When a customer arrives at the Lidl store in Sweden, he or she sees the big parking lot with special parking places for people with disabilities, families with kids and bike lock-ups. All outside facilities are identical to the German standard (Personal observation, 2015).

The size of the Lidl stores in Sweden are between 600 – 1 200 sqm, depending on the area (Store manager, Lidl Sweden Hofors, personal communication, 2015). Now Lidl tends to build bigger sizes, which are more preferable in order to keep sufficient space for customers (Regional Sales Manager, Lidl Sweden Borlänge, 2015).

The rest of the store format concept in Sweden is similar to Germany. The logo is located outside the building in the same size and colors. The products in the stores are located within five to six shelf rows (Personal observation, 2015). The product location within the store is applicable to every Swedish Lidl. “You should be able to find milk at the same spot in Lidl Hofors as in Lidl Falun”, says the Store Manager of Lidl Sweden Hofors (Personal communication, 2015).

The products in Lidl Sweden are located almost in the same order as in Germany. The slight differences are explained in the paragraph below and marked in orange in chart 4. When the customer enters the store, he or she may find the food baskets on the right side, whereas Lidl Germany does not have food baskets at all. Items, such as crispy bread, self-service stands for candies, potatoes and onions, canned vegetables and fresh fish are presented only in Lidl Sweden and located in the first aisle. Fresh meat, weekly non-food goods, sugar and spices are located in the center of the store. According to the Swedish legislation, only a light kind of beer (under 3,5%) is presented at Lidl Sweden (Personal observation, 2015).
Chart 4. Store format Lidl Sweden; 
*Source: Personal observation, 2015*

The products are presented in the store in its original boxes they have been delivered in. This way, the personnel of Lidl does not spend their work time and energy on re-packing or re-arranging products one-by-one on the shelf (Lidl Sweden, 2015b).

One of the adjustments Lidl had to do on the Swedish market was the adaptation of the cashier system. The first cashier tapes, Lidl Sweden had, were same as in Germany. They were short in comparison to other Swedish retailer tapes and had no space to pack the bags after the payment. Swedish consumers were feeling stressed which is why in 2008 Lidl replaced its short cashier system with standard long cashier systems in Sweden (Bäckman, 2008). An impression from Lidl Germany’s (picture 5) and Lidl Sweden’s (picture 6) cashier system is shown below:
In terms of the product assortment strategy, Lidl Sweden follows the same concept as Germany. It is important for Lidl Sweden to offer the same product range for its customers, despite what Lidl Sweden store they prefer to make the grocery shopping in. Each store offers the same product range of groceries and non-food items across the country (Store Manager, Lidl Sweden Hofors, personal communication, 2015). At the moment the retailer’s assortment consists of around 3 000 products. Sweden is also trying to constantly improve its positioning by offering a wider range of products (Regional Sales Manager, Lidl Sweden Borlänge, personal communication, 2015). Today most of the Swedish Lidl stores consist of a bakery shop and constantly increase the range of bread products (Fri Köpenskap, 2015a). Today there are around 40 different kinds of bread products available (personal observation, 2015).

When Lidl started in Sweden, practically every product was imported from Germany (Store manager, Lidl Sweden Hofors, personal communication, 2015). Within the following years
this trend has evolved. Lidl adapted its product range by offering more Swedish products (Bränström, 2010) and today almost half of the assortment is produced in Sweden (Store manager, Lidl Sweden Hofors, personal communication, 2015). An example of this is the fresh meat assortment. Lidl Sweden stopped selling German beef after getting negative feedback from consumers, who criticized preservatives in fresh meat which was required to keep the imported product long-lasting (Hägred, 2005). "We notice that people want Swedish meat, there is a strong trend," says Caroline Fors Shell, communication manager at Lidl (Fri Köpenskap, 2012). That is why Lidl started to offer Swedish mincemeat in its outlets under the Swedish name brand Svea. Today, the only German fresh meat products in the store are by the retailer’s German private brand Guldgrytan, which stands for high German quality (Fri Köpenskap, 2012).

Another adaptation that was made for the Swedish market is the production of popular private German brands in Sweden, which first caused misunderstanding among the consumers. Today Lidl makes a clear distinction, that some German brands are produced either in Germany or in Sweden, but with German ingredients. (Rosengren, 2014a; Store manager, Lidl Sweden Hofors, personal communication, 2015). An example is shown on the picture 1 below: Kassler pork meat is produced in Sweden by using German meat.

![Picture 1. Kassler pork meat;](image)

*Source: Personal observation, 2015*

Lidl’s private label products have their origin in Sweden, Germany and other countries. Examples for adopted German private labels are Milbona and Fairglobe, Nygräddat, Ängens
(dairy products) and Enebacken (cold cuts) are Swedish private label products that are exclusively sold at Lidl Sweden (Lidl Sweden, 2015c).

Even though Lidl offers very low prices, the quality and taste of private brands is not worse, but the same as that of name brands, says the regional manager of Lidl in Borlänge (2015). This is achieved by the agreement with name brand producers to use the same ingredients and process technology when the retailer’s private label products are produced. It is the same concept as in Germany. An example is juice that is offered under Lidl’s private brand Vitafit, which tastes exactly the same as Tropicana juice (name brand). This was proven by a blind test (Regional manager, Lidl Sweden Borlänge, personal communication, 2015).

Due to the strong demand of Swedish customers, Lidl puts a lot of effort and investment into ecological products. In 2014, the number of sold ecological products tripled the sales of the previous year and showed an increase to 290% (Rosenqvist, 2014). Yearly sales of eco-products are estimated at 1,5% of Sweden’s total turnover. 90% of the eco-products are sold by the private brands of Lidl. The retailer sells ecological mincemeat under the Swedish brand Svea. Fruits and vegetables are offered under the German private brand Biotrend. Last year every tenth fruit or vegetable sold at Lidl was ecological (Fri Köpenskap, 2015b).

Another eco-category, launched in 2014, includes ecological milk, yoghurts and sour milk which are products that are offered by the retailer’s private brand Ängens (Rosenqvist, 2014). Lidl customers also requested lactose-free options, which were successfully launched in 2014 and include lactose-free yogurts and milk (Rosegren, 2014b).

Lidl Sweden is opened every day a week in Sweden from Monday till Friday from 9:00-20:00, Saturday from 10:00-18:00, and on Sunday from 11:00 – 18:00 (Lidl Sweden, 2015d).

*Milk product category at Lidl Germany and Sweden*

In both Sweden and Germany, the most consumed product categories of food and beverages are dairy products, fats and eggs (Chamber Trade Sweden, 2013; Daniel, Reisch & Hamm, 2014). The following paragraph will examine the dairy product category on the example of milk, offered at Lidl stores, in order to compare the applied marketing strategy in Sweden and Germany.
Milk in Germany is presented in two types:

1. **Fresh milk**, sold by two brands: Lidl Germany’s private brand *Milbona* and the German name brand *Bärenmarke*.

   *Milbona* is produced and offered at Lidl Germany. The brand offers whole and semi-skim milk as well as ecological whole and semi-skim milk in three different fat percentages – 1,5%, 3,5% and 3,8% in 1 liter.

   *Bärenmarke* milk is produced and offered in Germany and is offered as a whole and semi-skim milk with 1,5% and 3,8% fat and in a 1 liter package (personal observation, 2015).

2. **Ultra-heat treatment milk** is exclusively sold by Lidl Germany’s private brand *Milbona*.

   The retailer offers 1 liter in whole, semi-skim, lactose-free whole and lactose-free semi-skim milk in 1,5% and 3,5% fat. Chocolate milk is sold in 0,5 liter. All products are produced in Germany (personal observation, 2015).

Milk in Sweden is presented in two types:

1. **Fresh milk**, sold by two brands: Lidl Sweden’s private brand *Ängens* and the Swedish name brand *Arla*.

   *Ängens* is produced and offered only at Lidl Sweden. (Rosengren, 2014a). The brand offers lactose free, ecological and conventional milk in different fat percentages from 0,5% up to 3%. The most common size is 1 liter. Eco-milk is also available with 0,3 liter, semi-skim milk with 1,5 liter.

   *Arla* milk is produced within Sweden out of 100% fresh Swedish milk (Arla, 2015). At Lidl, Arla is offered as 1 liter whole milk (3% fat) (personal observation, 2015).

2. **Ultra-heat treatment milk** (last up from 6 up to 24 month) (Watson Dairy consulting, 2015), sold by one brand: Lidl Germanys’ private brand *Milbona*.

   *Milbona* offers a 1 liter size format of semi-skim, whole, lactose free semi-skim, chocolate, soya unsweetened and sweetened milk. All Milbona milk products are produced in Germany (personal observation, 2015).
We compared the design of ultra-heat treatment semi-skim milk. The package of the product offered in Germany shows all information in the German language, whereas the product information at Lidl Sweden is presented in three languages, which are Swedish, Finnish and Danish. The front page of the German product has a DLG (Deutsche Landwirtschafts-Gesellschaft e.V.) quality logo. The product in Sweden, instead, presents the energy value
block on the same place. The rest of the package design is similar for both countries (personal observation, 2015). Picture 2 and 3 illustrate the differences.

![Picture 2. Milk package design Lidl Germany; Source:Personal observation, 2015](image)

![Picture 3. Milk package design Lidl Sweden; Source:Personal observation, 2015](image)

### 4.2.3.2. Place

**Lidl Germany**

Lidl is characterized as being well reachable and can be found in single locations, specialized retail parks, shopping centers or central locations. This offers customers a convenience way of shopping. (Andersen & Poullfelt, 2006; Turban & Wolf, 2008; Regional Sales Manager, Lidl Germany, personal communication, 2015; Lidl Immobilien International, 2014). No matter if Lidl locates its stores in poor or rich areas, the idea is to create a well-known brand, which people are aware of. This can be achieved by locating stores in all regions. This way customers become aware of the Lidl brand. Nevertheless it is difficult to get the permission to build or move stores in the town center, due to the noise the delivering trucks create.
Therefore, the locations of Lidl stores can slightly vary (Lidl Immobilien International, 2014; Former Sales Trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015).

When it comes to the delivery system, the fully loaded trucks of Lidl, deliver supplies at night and the early morning. This innovation is aimed to reduce the delivery time (it must take a shorter time to deliver products at night compared to the daytime) and to improve the working hours for the driver (Former sales trainee, Lidl Germany, personal communication, 2015).

**Lidl Sweden**

First, the Lidl stores in Sweden were mostly located in industrial areas, next to big parking’s (Bränström, 2010; Store manager, Lidl Sweden Borlänge, personal communication, 2015). Now Lidl is trying to change that by locating stores closer to residential areas and existing facilities, where they can be easier reached by customers (Bränström, 2010; Rosengren, 2011).

The night-time supply delivery is similar organized in Sweden. Since 2014 Lidl is taking part in an off-peak project, together with the administration of the Stockholm city, and transports its goods in Stockholm one time a day during nighttime. This adjustment has been made according to the restriction of the city, where Lorries can drive into the city from 22 till 6 o’clock in the morning (Krantz, 2014). Lidl also replaced old Lorries for electric hybrid cars (Lidl Sweden, 2014). This practice has been implemented in the whole area of Sweden (Store Manager, Lidl Sweden Hofors, personal communication, 2015).

**4.2.3.3. Price**

**Lidl Germany**

One of the main corporate principles of Lidl is the good price-performance-ratio (Lidl Germany, 2015e). Lidl constantly offers a low price without reductions in product quality (Turban & Wolf, 2008; Regional Sales Manager, Lidl Germany, personal communication, 2015). With its philosophy ‘best quality at the lowest price’, the retailer is aimed to attract every customer, despite his or her income. A survey about the retailer’s consumers, by AC Nielsen, identified that both low and high income customers shop at Lidl (Andersen & Poulfelt, 2006).
The strategy of Lidl is to be cheaper than its retail competitors in its home country. In order to achieve this, Lidl may even reduce the selling price below the purchasing price and accept temporary financial losses (Former Sales Trainee, Lidl Germany, personal communication, 2015). The following example shows the price competition between Lidl and its strongest competitor Aldi. When Aldi reduced its price for eggs, Lidl was forced to start selling eggs at a lower price than its competitor, in order to keep but also attract new customers (FOCUS Online, 2014). In comparison to Lidl’s full assortment competitors, Lidl offers 16% cheaper prices which is possible due to its strategy of simplicity. This strategy includes the following concepts:

- A small range of brands and a big number of private brands presented in the store;
- A simple store appearance;
- The utilization of local food suppliers;
- Smart logistics and negotiations;
- Smart working conditions;
- Environmental thinking.

(Andersen & Poulfelt, 2006; Turban & Wolf, 2008; Regional Sales Manager, Lidl Germany, personal communication, 2015). According to the Former Sales Trainee at Lidl Germany (Personal communication, 2015), the price level is always adapted to the region or country and the core principal of being cheaper than competitors is the same for every store.

**Lidl Sweden**

The strategy of simplicity has been adopted from Germany to Lidl Sweden. The retailer is very proud of its low prices, which are adapted to the local market and tend to be 10% lower than the prices of its competitors (Regional Sales Manager, Lidl Sweden Borlänge, 2015). Twice in a row, in 2012 and 2013, Lidl had the cheapest grocery prices in comparison to other grocery retailers (Lidl Sweden, 2013a).

During our store observations in Germany and Sweden, we compared the prices for locally produced milk products.
Fresh semi-skim milk
The German Lidl offers 1 liter of fresh semi-skim milk with 1,5% of fat by its private brand Milbona and sells it for 0,55 EUR (Euro), which is 5,08 SEK according to the current exchange rate (May 10, 2015). In Sweden, 1 liter of fresh semi-skim milk with 1,5% of fat by Lidl’s private brand Ängens, is sold for 7,89 SEK (personal observation, 2015).
Table 3 summarizes the information.

<table>
<thead>
<tr>
<th>Country of observation</th>
<th>Milk type</th>
<th>Brand</th>
<th>Product</th>
<th>Size format Litres</th>
<th>% of Fat</th>
<th>Country of origin</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>Fresh</td>
<td>Ängens</td>
<td>Semi-skim</td>
<td>1</td>
<td>1,5</td>
<td>Sweden</td>
<td>7,89 SEK</td>
</tr>
<tr>
<td>Germany</td>
<td>Fresh</td>
<td>Milbona</td>
<td>Semi-skim</td>
<td>1</td>
<td>1,5</td>
<td>Germany</td>
<td>0,55 EUR (5,08 SEK)</td>
</tr>
</tbody>
</table>

SEK = Swedish Krona
EUR= Euro

Table 3. The comparison of milk prices at Lidl Germany and Sweden;
Source: Personal observation, 2015

4.2.3.4. Promotion
Lidl Germany

A reason for the success of Lidl can be traced back to the retailer’s intensive and well-positioned promotion in the retail industry where Lidl is one of the most active players in comparison to other discounters. Its low cost advantage through simplicity enables huge investments in marketing campaigns. Weekly leaflets about the upcoming offers are send home to its customers. Furthermore Lidl promotes itself by its web presence, the social network, TV campaigns, radio advertising, regular weekly offers, sponsorships and the support of public events (Andersen & Poulfelt, 2006; Former Sales Trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication, Lidl Germany, 2015). All promotion activities are implemented in the German language as it is the mother tongue of Lidl Germany’s customers.
Lidl is trying to change its image from a greasy discounter to a well-structured and high quality standard store, as quality is an increasing purchasing criteria for German consumers.
Lidl implemented fair trade and ecological products which are promoted on the retailer’s website and on posters inside the store (Lidl Immobilien International, 2014; Personal observation, 2015).

One of the most recent slogans is “Lidl lohnt sich” which means “Lidl is worth it”. This slogan can be found on posters in and outside the store, in the retailer’s TV campaign and on its shopping bags (personal observation, 2015). The idea behind is the promotion of a good price-performance ratio (Regional Sales Manager, Lidl Germany, personal communication, 2015).

“A strong outlet network”, “a strong concept”, “we take responsibility”, “on our way to tomorrow”, “our most sold: sustainability”, “ECO2 Logic”, “technical concept - new store generation”, “Lidl is international”, “totally flexible”, “Lidl on solitaire habitat”, “we bring life in retail center”, “urbanity requires flexibility” - with these headlines, Lidl is promoting its concept and activities on the main website www.lidl.de (Lidl Immobilien International, 2014).

Web page visitors are able to follow the development of Lidl for the last 40 years, where pictures present its increased participation in ecological friendly, sustainable and fair trade activities. The main website of Lidl presents the current special offers of food and non-food articles on the cover page. www.lidl-lohnt-sich.de offers an even more extended overview about Lidl’s product assortment, its origin and ingredients, embedded in huge advertising slogans which indicate high quality products and low prices (personal observation, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015).

The retailer’s recent TV campaign (WeltN24 GmbH, 2015) sets a strong focus on its philosophy which is high quality at the lowest price (personal observation, 2015). According to the regional sales manager (Lidl Germany, personal communication, 2015), Lidl gains an immense amount of new customers by this campaign. The first results excelled the company’s expectations on gaining new consumers. To keep the customers updated, every Saturday the advertisement changes and presents the new offers (Verlag Werben & Verkaufen GmbH, 2012; Former Sales Trainee, Lidl Germany, personal communication, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015).
Within the stores, Lidl puts a lot of effort to promote its good quality and the low price (Regional Sales Manager, Lidl Germany, personal communication, 2015). High quality is proven by the product testing foundation Stiftung Warentest, which awarded many private label products that are presented in the store (personal observation, 2015; Regional Sales Manager, Lidl Germany, personal communication, 2015). Advertising posters in the shop say “Good quality can be identified by its test results” and promote the company’s private label products (see examples below).

Picture 7. Poster in Lidl Germany presenting Stiftung Warentest products;
*Source: Personal observation, 2015*

Every week Lidl changes its discount offers in order to attract customers. This happens on Monday and Thursday, when Lidl presents the new arrival of food and non-food offers at a discount price whereas the store is much more crowded by attracted customers. Every Saturday Lidl has the “Super Samstag” (Super Saturday), which implies extra low prices on big size packages. Lidl translates its offers in the form of leaflets, posters and as the part of TV campaign (Regional Sales Manager, Lidl Germany, personal communication, 2015).
Lidl attracts its customers by offering high demanded products, which are related to public or seasonal events. During the FIFA World Cup in Brazil in 2014, the discounter offered the World Cup trading game cards and benefited from the passion of the customers (WeltN24, 2014a). These cards are collected and exchanged by people all over the world. Another example belongs to seasonal demands. In summer, grilling is a favorite activity of many customers, which is why they can find a huge variety of grilling products in the shop. But also the opening of a new store implies a special promotion offer. When Lidl opens a new store, three previously picked customers are allowed to do free shopping (Former Sales Trainee, Lidl Germany, personal communication, 2015).

Some impressions are shown below to demonstrate the retailer’s promotion of high quality products (picture 9), its huge variety of grocery offers (picture 10), low prices that are offered at special days (picture 11) and weekly offers (picture 12).
Lidl Sweden

All of the promotion activities at Lidl Sweden are presented in the Swedish language. Lidl Sweden’s effort in advertising follows the same pattern as Lidl Germany does. The retailer aims for a single message communication strategy (Bränström, 2010) which is: Good quality should not cost more, it should be clearly highlighted by all advertising means that are used by the retailer, such as weekly leaflets with special offers at Lidl, the TV and Web campaign, the utilization of social networks (Facebook page and blog), posters in- and outside the store and magazines, which are weekly sent to the postboxes of the residents within the area of the store (personal observation, 2015; Lidl Sweden, 2015e).

If you reverse the letters from the word Lidl, you will get the word Dill, which is the name of a popular restaurant that Lidl opened in September 2013 in Stockholm with the British chef Michael Wignall who has two Michelin Stars\(^2\) (Lidl Sweden, 2013b). The opening of the Dill restaurant is as a part of the retailer’s communication strategy, as the main idea was to change people’s opinion that “cheap food cannot taste good” (Store Manager, Lidl Sweden Hofors, personal communication, 2015). The restaurant serves a nine course menu for 495 SEK. The Dill chefs only use ingredients that can be found in the 160 stores of Lidl all over Sweden. (Lidl Sweden, 2013b). Last year Lidl went further with the promotion of the restaurant and organized a tour through Sweden to let more people taste the food and change their prejudices about the quality and the price (Fri Köpenskap, 2014).

Lidl Sweden supports a dialogue with their consumers through promotion. One of the Swedish customers, named Bosse, asked Lidl why he should drink German milk of the private label Ängens. The retailer answered that “Ängens private label has been 100% Swedish since 2010” (Johansson, 2014). Soon the milk name was changed into Bosse’s milk (Bosses mjölk) and this answer became a part of the milk package design with the consumer’s picture on it (picture 13). Later on, this case was supported by a TV campaign. This trend is supported in a few more videos, where the retailer’s celebrity chef David Enmark responds to the consumer’s statements about the poor product quality at Lidl (Lidl Sweden, 2015e).

![Picture 13. Bosses Milk at Lidl Sweden; Source: Johansson, 2014](image)

The idea of the retailer’s good quality is intensively communicated in- and outside the store, as well as in commercial videos (personal observation, 2015; Lidl Sweden, 2015e). In Sweden, Lidl stresses on products that have been produced in Sweden, which means they didn’t experience long transportation ways and thus will be more fresh and natural with no additional preservatives. Lidl is proud of its nomination for having the best fruits and vegetable department in 2014, that Lidl won, which is continuously communicated in its latest advertisements (personal observation, 2015). Some promotion examples of Lidl Sweden are presented in picture 15, where Lidl promotes (from top to bottom): high quality should not cost much; the variety of private brands presented in the Swedish market; the retailer’s groceries are produced within Sweden; the nomination for the best fruits and vegetable department in 2014.
Like in Germany, the Swedish promotion campaign notes the most important celebrations and events for Swedish people, such as Christmas, Easter, Midsummer, the start of the grilling season or big sport events (Personal observation, 2015). Every Monday, Lidl Sweden changes to a new weekly campaign. The promotion activity includes special offerings of the retailer’s goods and products, which are the same within the whole country (Store Manager, Lidl Sweden Hofors, personal communication, 2015).

The retailer’s website is constantly updated with current discount offers on the main page www.lidl.se. The web site presents an overview of the retailer’s private labels along with the information of its high quality, which is proved by blind tests (Lidl, 2015f; Personal observation, 2015).
Lidl stores in Sweden do local promotion campaigns; such as the support of a local football/hockey team or free shopping spree for previously picked customers (Store Manager, Lidl Sweden Hofors, personal communication, 2015; Lidl Sweden Facebook page, 2015).

Picture 15. Seasonal promotion poster at Lidl Sweden;  
*Source:* Personal observation, 2015

Picture 16. Free shopping spree at Lidl Sweden;  
*Source:* Personal observation, 2015
5. Analysis

As it was mentioned above in the research design part, by repeating the review of our findings from secondary sources, conducted interviews and personal observations, we identified the main components of Lidl’s marketing strategy, which are:

- **Cost reduction**: as Lidl, by being a hard discounter, is known for its primary strategy of standardization that involves simplified operating processes and enables cost savings in all operating markets. This code helped us to define the price strategy Lidl uses for the German and Swedish market and the reasons behind.

- **Competition**: as Lidl, being a part of a retailing environment, has to adjust its marketing strategy in order to stay competitive on the market, either in Germany or in Sweden. Competition exists on both markets and Lidl has to adapt to its competitors. This code helps us to understand Lidl’s strategies to stay competitive and evolves the reasons behind. Therefore the code is strongly connected to Lidl’s adaptation to the conditions of the local market.

- **Performance**: as one of Lidl’s main goal is to increase the number of its customers and thus gain a bigger market share. The marketing strategy of Lidl is strongly focused on the ability to offer its customers high quality at a low price. This is a standard strategy for both countries, but what Lidl does in order to fulfill this strategy, may be specifically adapted for each market.

- **Customer focus**: as our findings showed that Lidl is concerned about its customer and responds to most of his or her requirements. The code helps us to explain why the adjustment has been made on either the German or the Swedish market.

- **Communication channels**: through which Lidl translates its activities to the final consumer. The code shows whether Lidl tends to have a standardized or adapted strategy in terms of its promotion.

We realized that every piece of gathered data can be generalized and related to one or another component. Therefore, the above mentioned components of Lidl’s marketing strategy led us to the creation of five main codes for the study. Sub-codes were created in order to separate different ideas within the main codes, which made the analysis of our findings more structural. They are listed below and present our interpretations:
• **Cost reduction:** information that gives an indication about Lidl’s simplified operations and its standardization which again, is related to Lidl’s low price strategy. Sub-codes that are interrelated to cost reduction are:
  o **Product range:** data about Lidl’s product type, brands and amount of products that are offered in the store.
  o **Presentation:** information about how products are presented in the store.
  o **Store format:** how is the store build up; the inside and outside layout of the store; where are products located, how the product is made available to the customer.
  o **Efficiency:** implies information about processes, or strategies that are planned or practiced in order to improve Lidl’s productivity or to reduce time and costs for the retailer or its customers.

• **Customer focus:** indicates information about Lidl customers; consumer characteristics in terms of tastes and demand; consumer’s purchasing decision; specific geographic-related differences in terms of peoples’ habits, language, tastes and requirements; Lidl’s adaptations made based on customers’ demands. Due to its influence in consumer expectation and demand, the following sub-category was created:
  o **Market condition:** refers to data about specific market conditions in Germany and Sweden such as currency, rules, regulations, and the political or governmental system.

• **Competition:** implies information about Lidl’s competitors; Lidl’s strategic moves and reactions against competitors.

• **Performance:** indicated information about Lidl’s success in terms of its market share (number of customers); financial strategies. It also implies sub-categories that are interrelated with performance which are:
  o **Price-performance-ratio:** indication about the concept of low prices at highest quality.
  o **Flexibility:** indicates Lidl’s fast changes in strategies or processes in order to stay competitive, meet customers’ tastes, reduce costs, increase accessibility.

• **Communication channel:** summarize all the promotion activities used by Lidl in order to communicate its practices to final consumers (retailer’s message, TV campaign, web presence, offers, and local promotion).
Even though our study focuses on adaptations that are related to consumer characteristics, the following analysis identifies further reasons that explain the adaptations on the marketing mix that Lidl has made.

5.1. Product

Cost reduction, product range, store format, efficiency, customer focus, market condition, performance and price-performance ratio were codes that have been created in order to analyze the product category of Lidl’s marketing mix (Appendix 12).

Cost reduction is presented through the idea of almost the same assortment within one country. Lidl, in both countries, has the standard mix of products: private brands, name brands and non-food items. The product range may have slight differences depending on the Lidl store size, but mainly the same within one country. Here we have seen the implementation of the strategy of standardization in both markets, which enables the retailer to buy items in big volumes in order to offer lower prices in the shop (Williams, 1992; Doole & Lowe, 2001; Pehrsson, 1995; Peebles et al., 1978; Levitt, 1983; Jain, 1989, as cited in Ryans et al., 2003).

Product range: Our research showed that the product range in Sweden is higher than in Germany. This may be explained by different perceptions of private and name brands on two markets (Seth & Randall, 2005; Baltas, 1997, as cited in Thanasuta, 2015). Findings about each countries’ consumer portrait show, that neither in Germany nor in Sweden, people do not automatically connect name brands to quality (Nielsen Media Research GmbH, 2013; Nielsen, 2014). However, Lidl Germany’s private brands have been presented on the market for 40 years. According to this, German consumer could gain trust and loyalty towards the private brands of Lidl, therefore Lidl Germany might afford to have a higher share of private brands in its assortment. In Sweden, people do not know the taste and quality of private brands of Lidl Germany yet and are, therefore, reluctant towards them. That is why retailer, along with its private brands from Germany, launches new private brands, which are produced in Sweden and use Swedish product names and language on the package. However, this is not enough to attract the Swedish consumer to whom the retailer’s private brands are still unknown. Therefore Lidl also chooses to have a number of name brands, in order to attract Swedish consumer with the presence of brands he or she knows from further shopping experiences at other retailer (Vrontis, 2012; Safari, et al., 2013; Akgun et al., 2014; Vignali, 2001; Prime, et.al, 2008; Bundeskartellamt, 2005; Twardawa, 2006).
Store format: Slight differences in the in- and outside store format have been examined. Differences in the outside format are not preliminary related to variances in the markets, but more to the permissions Lidl received, to build up its stores. As previously discovered, Lidl faces difficulties in getting permissions to build or move into specific locations such as city centers. In order to get closer to these areas, Lidl has to adjust the size and outside format of its stores. Therefore this variation cannot be identified as an adaptation.

Differences in the inside store format were identified. Inside Swedish outlets, food baskets are located in the entrance of the store, which is not a part of Lidl Germany’s layout. This adaptation might be related to Lidl’s retailing competitors. All Swedish retailer offer food baskets, which is why Lidl wants to offer the same standard. Consumer may experience the food basket as a convenient alternative to a trolley, which may be too big for the shopping the customer is planning to do. We presume that the Swedish retailer wants to offer a comfortable shopping experience for everyone (The Hofstede center, 2015). Even if the customer buys a small amount of goods, he or she should be able to choose the appropriate carrier during the store visit (Fournier, 1998; Roberts, 2004). Hence an adaptation could be identified.

At Lidl Sweden we identified the introduction of a self-service potato, onion and candy stand, as well as the introduction of a refrigerator with fresh fish. This can be related to consumer tastes, especially to their demand for high quality (GFK & Jordbruksverket, 2014) of specific products. When consumers are able to pick the quantity and pieces of products by themselves, he or she can pick the product that shows a good quality and weigh the amount that is required instead of buying a closed package (The Hofstede center, 2015). We assume that Swedish consumers, being highly focused on quality, prefer to see what they buy which is why Lidl Sweden had to adapt this service. Candies are offered at self-service stands at Lidl Sweden’s competitors and therefore obviously attract Swedish customers. Fresh fish is a popular delicacy offered in many varieties in Sweden, which is why Lidl introduced a refrigerator with fresh fish in the store. An adaptation could therefore be recognized (Agndal & Axelsson, 2012).

The cashier system offers Swedish customers a stress-free purchasing process (The Hofstede center, 2015). They have an additional space where all purchases are collected. As this system could be identified as a standard in Swedish supermarkets, Lidl Sweden had to adapt, in order to offer the same shopping experience as its competitors.

In terms of cost reductions, we found the close relation between the store format and efficiency codes. The idea is that every store looks the same, which offers advantages for (1)
the company by a reduced numbers of required employees; (2) for customers in order to get easily familiar with the concept and enable fast and easy shopping without required assistance (The Hofstede center, 2015). The study examined that these cost reductions in setting the place are a similar strategy in the Swedish market. This let us presume that Lidl wants to reduce costs and create a familiar picture of the brand Lidl across borders (Doole & Lowe, 2001). If every Lidl looks the same, consumers know what they can expect and where they can find the products, which may create a kind of commitment to the discounter (Samiee & Roth, 1992; van Mesdag, 2000; Theodosiou & Leonidou, 2003; Fournier, 1998; Roberts, 2004). This is a part of standardization strategy.

**Customer focus:** Today Lidl Germany and Sweden are both moving in the direction of a soft discounter by constantly increasing its offer. This strategy is aimed to make the discounter more appealing for consumer. The customer code had the biggest number of hits in our product analysis, which let us assume, that Lidl puts huge effort in both countries to attract the consumer by offering goods that they are eager to buy (Fournier, 1998; Roberts, 2004). Research about the German and Swedish consumer portrait, evaluated similar trends in consumer product requirements. One of it is a strong demand for regionally or locally produced groceries, as consumers would like to support local supplier (Jordbruksverket, 2010; AAFC, 2015) but also avoid preservatives, which are required for long product transportations (Agndal & Axelsson, 2012). Thus, today almost the whole fresh assortment (meat, fish, fruits and vegetables) in Lidl is purchased from local supplier in both countries. This is an adaptation made for Swedish market, as from the beginning Lidl whole assortment was been transported from Germany. For Lidl Sweden it took time to change the location of its production from Germany to Sweden and to encourage local Swedish suppliers to supply to Lidl.

Another important trend that gains popularity is the presence of ecological and Fair Trade products, which are presented on both markets (Nitt-Drièßelmann, 2013; AAFC, 2015; BVE, 2015; Chamber Trade Sweden, 2013). One additional adaptation by Lidl Sweden was presented last year as a launch of a new line of lactose-free dairy products. Thus, the findings show that Lidl in both countries does not only follow but also respond to the changing consumer characteristics in terms of their demand (Fournier, 1998; Roberts, 2004).

The **market condition** plays a role in Lidl’s product strategy. Lidl Sweden offers beer with up to 3,5 % of alcohol which is related to the Swedish legislation. Here, Lidl highly adapted to
the Swedish market by reducing the product range of alcohol drinks, which is reflected in the change of product allocation. As Swedish consumers are used to this legislation, they do not expect to buy drinks with more than 3.5% of alcohol at grocery store. Therefore an adaptation towards consumer tastes has not been made. However, Lidl was forced to obey the Swedish legislation and therefore adapted to different market conditions.

Furthermore in Sweden, the opening hours are extended in comparison to the German market. Lidl’s competitors are open from Monday till Sunday and even during public holidays. Being a part of the local retailing environment, Lidl has to stay competitive and therefore adjust to its other Swedish competitors, which are open seven days a week.

Lidl’s product strategy is closely linked to performance. Lidl is willing to adapt in many ways, which is supposed to be a requirement to stay competitive and attract Swedish customers. As examined in the study, the retailer wants to increase its store sizes in order to provide customers with more space during their shopping (The Hofstede center, 2015) and to increase its sales area. Consequently it is an advantage for the customer but also a financial benefit for the company.

The price-performance ratio which is a sub-category of the performance code, helped us to realize that Lidl sets low prices on its groceries, but offers high quality at the same time which was proved by quality tests in both Germany and Sweden. Lidl wants its consumers to realize that private brands with their lower prices do not necessarily mean bad quality and may compete with name brands. This strategy is aimed to keep operational costs low and therefore positively influences Lidl’s financial performance (Doole & Lowe, 2001; Pehrsson, 1995; Schmid & Kotulla, 2011; Sousa & Bradley, 2005).

We realize that despite its preferential strategy of standardization, Lidl tries to overcome psychic distance barriers between the consumers in Germany and Sweden. Lidl is ready to adapt to them by defining the appropriate product strategy presented in the store (Fournier, 1998; Roberts, 2004). Here the retailer chose the most cost effective way in order to see the similarities in product preferences between two countries in order to be able to standardize these products and offer them at a lower price (Doole & Lowe, 2001; Pehrsson, 1995; Schmid & Kotulla, 2011; Sousa & Bradley, 2005). Moreover, in order to become closer to the local consumer, Lidl studies the differences in consumer requirements to launch adapted products in terms of consumer tastes or the language on the package (Vrontis, 2012; Roberts, 2004; Samiee & Roth, 1992; Safari, et al., 2013; Akgun et al., 2014).
5.2. Place
By analyzing the marketing mix component place, the following codes could have been evaluated: *cost reduction* and *efficiency* (Appendix 13).

*Cost reduction*: Lidl Germany and Sweden aim to fully load its delivery trucks. The reasons are a reduction in delivery time and the improvement of working hours. Lidl Sweden intends to consider sustainability even more than Germany. The retailer had to decrease its delivery time to one time per day. Furthermore its old Lorries were changed to hybrid electric cars (Seth & Randall, 2005). This adaptation can be related to the Swedish customers who have a higher interest in ecological services (Chamber Trade Sweden, 2013). It seems that Swedish customers generally differ in its expectations on products and services where Lidl had to face the requirement of an appropriate adaptation.

*Efficiency* is closely related to cost reduction and evolved as another code within the place analysis. By locating Lidl’s outlets in easy reachable areas, close to or inside the centrum, or next to other retailers (Seth & Randall, 2005), Lidl creates a convenient shopping experience for its customers. This convenience is supposed to increase the number of customers and contributes to its sales performance. Here, no difference between the German and Swedish market could be seen which let us assume that both countries’ customers are interested in convenient shopping in order to save time and money. Hence Lidl Sweden adopts the strategy of standardization.

5.3. Price
The marketing mix category price has been analyzed by creating the following codes: *performance*, *price-performance ratio*, *flexibility*, *competition*, *market condition*, *cost reduction* and *customer focus* (Appendix 14).

*Performance* (*price-performance ratio*, *flexibility*): As it was figured out throughout the study, Lidl follows the same price strategy on both markets. Lidl wants to be cheaper than its competitors by offering the same quality standard. According to our data collection, the *price-performance ratio* code implied the most hits in the price analysis, which means that most of the answers contained information about Lidl’s price-quality relation. This let us assume that this strategy is the preliminary concept embedded in all operations both in Germany and Sweden (Doole & Lowe, 2001).
The example of fast adaptations in prices shows, how flexible Lidl is in adapting to changing conditions of its competitors. As earlier examined in the literature, Lidl has a reputation for being fast in adapting, when its competitors changes its prices. Lidl adapts accordingly, which is assumed to be one of its strategies for being profitable (Woodruff, 2004). This concept is embedded in Lidl’s price strategy and standardized in Germany and Sweden. However, the final prices in Lidl stores depend on the prices of its competitors within the certain country and are adapted accordingly.

*Competition* is closely related to previous ideas. This code is one of the most frequently evaluated ones in the price analysis. It can be explained by Lidl’s major goal to offer lower prices compared to its competing retailer. Lidl constantly monitors and responds to the activities of its competitors. Whenever a retailer reduces its prices for a specific product, Lidl adapts its products to the same price or set even lower prices in order to stay competitive and to avoid that customer move to its competitors (Woodruff, 2004). In this context, both Germany’s and Sweden’s high concentrated retailing markets show its relevance. There is a limited number of big players on two grocery markets where Lidl gained market share (BVE, 2014; Delfi, DLF & Fri Köpenskap, 2014). As the retailer is expected to be interested to keep or develop its position, Lidl presumably evaluates its competitor’s strategies in much detail. Hence, Lidl standardizes its competition strategy abroad.

At Lidl Germany, the prices are 16% cheaper in comparison to its competitors. In Sweden, Lidl’s prices are 10% lower in comparison to its competitors. This variance is assumed to be related to differently developed *market conditions* (Woodruff, 2004). Lidl Germany is known for strong price negotiations, which are realizable as it orders huge volumes per article for many years. In Sweden, Lidl does not have the same market experience in terms of social networks or developed supplier relationships as Lidl Germany. These social connections established throughout of time and presumably allow Lidl in Germany to reduce purchasing prices, which is not yet possible to do to the same extent in Sweden.

1 liter of private label milk produced in Germany cost 5.08 SEK, whereas the product with the same conditions cost 7.89 SEK in Sweden. The price difference of this example is 55%. Therefore, grocery prices of some product categories in Sweden are almost double in comparison to Germany. In our study we found out that Swedish people associate a low price to a lower quality. This is assumed to be another reason why Lidl tries to stay closer to the Swedish grocery price level its competitors offers, in order to avoid this customer association.
The concept of psychic distance shows its relevance. It can, even though there is a price difference between each market, be described as being low. A reason for this might be that both Germany and Sweden are part of the EU, which simplifies trade between them in comparison to countries outside the EU. This may require a similar price level. Therefore Lidl may be interested in offering similar prices in its internationalized countries. According to that, Lidl Germany’s consumers are also encouraged to buy Lidl products abroad as they expect the same concept. Therefore, as the low psychic distance does not cause huge differences, a similar price level should be provided, wherefore an adaptation can be identified (Johanson & Vahlne, 1977; Doole & Lowe, 2008; Burt, et al., 2011; Akgün, Keskin & Ayar, 2014).

Cost reduction is one of the reasons why Lidl is able to offer much lower prices than other retailers. That’s why Lidl adopts this concept in Sweden as well as in Germany. Lidl’s limited assortment enables high purchasing volumes per item which safe costs; a simple store layout and product presentation reduces costs and assistant employees; local supplier avoid transportation expenses and safes costs; standardized working processes increase efficiency and reduce expenditures. Summed up, with simplified operations and processes, Lidl is able to keep its prices low which is a strategy that the retailer internationalized (Doole & Lowe, 2001).

Nevertheless, it is questionable how the low cost strategy attracts customers. The customer focus code plays an essential role in the price analysis. Whether in Germany or in Sweden, Lidl follows the same philosophy and does not target a specific type of customer. Nevertheless there are different expectations on prices when both countries are compared. German consumers were evaluated as being price-conscious and can be easily attracted by Lidl’s discount prices (Kulke, 2006; Nitt-Driebelmann, 2013; AAFC, 2015), whereas they are assumed to overlook the simplified concept of the discounter. Quality, instead, is the preliminary purchasing criteria of Swedish consumer (Wikström, 1997; GFK & Jordbruksverket, 2014) which is why the price does not attract them that much. Here Lidl tries to set the same focus on quality as on price which leads to its strong price-performance ratio (Doole & Lowe, 2001; Akgun et al., 2014). Lidl’s focus on quality and a combined lower price, may create a reputable image for Swedish consumer, which is still underdeveloped as many of them still think that a low price signifies low quality. Therefore Lidl’s price-
performance ratio is similarly standardized in Sweden in order to gain an increase in number
of customers in the Swedish market (Woodruff, 2004; Doole & Lowe, 2001).

5.4. Promotion
In order to analyze the final marketing mix category of Lidl, promotion, the following sub-
categories were created: cost reduction, customer focus and communication channels
(Appendix 15).

Cost reduction: Lidl, both in Germany and Sweden, translates one single message for its
market: “Lidl is worth it” in the German market and “Good quality should not cost more” in
Sweden. All communication channels used by the company translate the above-mentioned
messages. Thus, Lidl supports the main idea of the company - the strategy of simplicity in
advertising. The single message communication is mainly aimed for the consumer. This helps
the consumer to realize the core values of the company and avoid any confusion. The main
message is also aimed to highlight the requirements of German and Swedish consumers
(Johanson & Vahlne., 1977; Doole & Lowe, 2008; Agndal & Axelsson, 2012; Akgün, Keskin
& Ayar, 2014). As it was previously found out, German consumers are price-sensitive when it
comes to shopping of basic items (Kulke, 2006; Herrmann et al., 2009; Dr. Oetker & F.A.Z.-
However, quality of the groceries also plays an important role (Menrad, 2004; Dr. Oetker &
2015; SGS Institut Fresenius GmbH, 2015). Therefore, German consumers may see the
slogan “Lidl is worth it” as the promise of the retailer to provide high quality, which will be
totally worth the money the consumers spent on their purchase.
Lidl’s message on the Swedish market reflects different ideas. For Swedish people, the
product price is not the main criteria they are looking at when doing their grocery shopping,
while quality plays one of the most important role (SGS Institut Fresenius GmbH, 2015; GFK
(Chamber Trade Sweden, 2013) neither gained any fame for the quality of sold groceries nor
became popular among consumers (Chamber Trade Sweden, 2013). Therefore, with its slogan
“Good quality should not cost more”, Lidl reflects the most important purchasing criteria for
the Swedish consumer - quality, together with teaching him or her that high quality does not
always mean a high price. Therefore, the main ideas of Lidl’s slogan are adapted for the
specific market in order to reach the consumer by reflecting his or her expectations (Prime, et
Customer focus: As mentioned above, Lidl aims to reach the consumer when promoting its groceries, by responding to consumer requests in his or her mother tongue and fulfilling his expectations in terms of price or quality. Moreover, Lidl constantly supports the dialogue with its consumer, however this is done differently in Germany and Sweden (Seth & Randall, 2005; Fournier, 1998; Roberts, 2004).

Lidl has a long 40-year-old history in Germany and for this time retailer formed an image of a “greasy”, down-market store. Lidl Germany today is trying to change the not very appealing old image to a new one, which is a clean, well-organized discounter with high quality groceries, whose quality is proved by the trustworthy organization – Stiftung Warentest. All communication channels constantly communicate this new image (Doole & Lowe, 2001; Burt, et.al, 2010). Here, we can follow how Lidl reflects the trend of changing consumer characteristics during its long presence in Germany and reacts to new requirements of the German consumer (Fournier, 1998; Roberts, 2004). Lidl does not only care about a low-cost strategy of simplicity that results in low prices, but tries to be more up-to-date and offer better service to its consumer.

In Sweden, the retailer is also aimed to improve its image of a “cheap and bad quality” discounter in the eyes of consumers in order to gain trust and popularity of its consumers. One of the main steps here was the launch of Lidl’s Dill restaurant, which implies to change the popular opinion among Swedish consumers that food at a low-price cannot taste good. To support this idea, the Dill restaurant organized a tour around Sweden to let potential Lidl customer’s taste the food which is prepared by Lidl groceries and change their opinion towards the store. In this dialogue, Lidl responds to consumer statements about Lidl’s seemingly poor product quality not only in tête à tête, but it also translates its response to a wider audience in TV campaigns. Lidl, furthermore, changed the name of one of the products to the unsatisfied customer’s name and added his picture and question on the package (Fournier, 1998; Roberts, 2004).

Another reflection, how Lidl responds to Swedish consumer requirements, is an intense wave promotion of groceries produced within Sweden, as a respond to the consumer requirements of locally or regionally produced food (Jordbruksverket, 2010).
Communication channels used by Lidl stores are the same for both markets: TV campaign; Web presence (Lidl official site, blogs and social networks); in- and out-side store posters, weekly catalogues and flyers, which communicate current discount offers at Lidl stores; and local promotional activities, which can vary in every store (Doole & Lowe, 2001; Burt, et al., 2010). Even though the promotion design (images and language) of communication means is different (Prime, et al., 2008; Akgun et al., 2014; Safari et al., 2013), in both markets Lidl communicates its main idea of high quality at a low price.

The offers are a big part of Lidl’s promotion activity on a national level in Germany and Sweden. Here, Lidl reflects customer expectations when it comes to big sport football/hockey events or seasonal holidays by launching campaigns for special grocery offers, which may be of high demand on these days. Lidl Germany provides offers three times a week, including Super Saturday where Lidl offers special prices for big package sizes. Lidl Sweden introduces new offers every Monday. This difference between two countries can be connected to the different purchasing characteristics of consumers. A price-conscious German consumer (Kulke, 2006; Herrmann et al., 2009; Dr. Oetker & F.A.Z.-Institute, 2012; WeltN24 GmbH, 2012; Nitt-Drießelmann, 2013; AAFC, 2015; BVE, 2015) can find it more attractive to visit Lidl in order to have the option of buying groceries from new discount offers, whereas such a big number of discount offers will not catch the Swedish consumer, who has other priorities when shopping groceries, such as a positive shopping experience of high quality groceries (Johanson & Vahlne, 1977; Wikström, 1997; Doole & Lowe, 2008; Agndal & Axelsson, 2012; Akgün, Keskin & Ayar, 2014).

Therefore, in its promotion Lidl mainly uses the strategy of adaptation in order to respond to the specific requirements of final consumer in terms of consumer characteristics and therefore improves the attractiveness and appealing of the store in the consumer eyes (Johanson & Vahlne, 1977; Doole & Lowe, 2008; Agndal & Axelsson, 2012; Akgün, Keskin & Ayar, 2014; Prime, et al., 2008; Fournier, 1998; Roberts, 2004; Seth & Randall, 2005).
6. Conclusion
Based on the case study, it was possible to identify what and why one of the top international grocery retailers (Deloitte, 2014) adapts in its marketing mix abroad. Even though the retailer defines its primary marketing strategy as a strategy of standardization, a number of adaptations have been made within the host market. Consumer characteristics were taken into consideration in order to evaluate reasons for these adaptations. Some of them have been evaluated with the help of this study and showed how relevant it is for the retailer to consider differences in consumer tastes and requirements when the marketing mix has been chosen for a foreign country. Nevertheless other reasons, such as different market conditions, were identified. We suggest that a wider research could have been recognized even more psychic distance factors, which influence the choice of the marketing mix. These findings demonstrate the importance of taking into consideration all of the psychic distance factors when entering the foreign market. Therefore, all other psychic distance factors, which where not considered in this study, leave space for the future research, which is discussed in the final sub-chapter of this paper. The results of our conducted research are briefly summarized below.

Product
In both countries, the retailer keeps the following features of the product element standardized: the limited assortment presented in the store, the presence of ecological and fair trade goods, a simplified presentation of the assortment and a similar store format of each outlet. This helps Lidl to increase its economies of scale and keep the costs as low as possible. Lidl implemented a number of adaptations on the Swedish market. In order to acquaint Swedish consumers, and familiarize them with the new retailer, Lidl offers less German private brands, but instead focuses on the production of Swedish private brands, which resulted in a wider product range in Swedish Lidl outlets. Lidl had to adapt to the Swedish consumer characteristics and expectations and offers a reduced and limited choice of alcoholic drinks, a launch of a lactose-free dairy product line, an adapted language on grocery packages, self-service grocery stands, extensive opening hours and a convenient cashier system. The conducted research also helped us to figure out that Lidl does not only adapt to the host market, but follows the trend of changing consumer characteristics, in both, Germany and Sweden by offering more groceries which are regionally and locally produced. Furthermore, Lidl offers a constantly increasing product range. The wider assortment in the store gives customers the possibility to make their main shopping at Lidl, while shopping for supplementing goods can be concluded at other retailers.
**Price**

In terms of the price element, Lidl follows the standardized strategy at both markets. The strategy of simplification gives the retailer an opportunity to offer high quality goods at a low price. Lidl, in both countries, aims to offer prices lower than its competitors, in order to be more appealing for the final consumer. Therefore, the price level of Lidl has been adapted for both countries in order to stay competitive on the market and win new customers.

**Place**

Place, as the next component of the marketing mix, is a part of the Lidl strategy of standardization. All of its outlets tend to be located close or inside central areas, in single locations or next to other retailers. A mutual idea about being located close to its customer and therefore offer him or her convenient shopping, is commonly standardized. In both countries, Lidl’s transportation system is built around the same idea of rationality, sustainability and low costs. Therefore, Lidl delivers its groceries in fully loaded trucks at night or early in the morning. Lidl Sweden went further and changed its trucks to more eco-friendly electronic hybrid cars. This adaptation has to be highly evaluated by Swedish people, who have a high priority towards ecology and sustainability.

**Promotion**

In terms of promotion, Lidl utilizes the same mix of communication channels such as the TV, the Internet, social networks, weekly leaflets, in- and outside posters and local advertising activities in Germany and Sweden. These communication channels translate to the final consumer that Lidl offers high quality products at a low price. However, promotion is a subject to adaptation and differs in both countries. This highly depends on the expectations and requirements of the final customer in terms of his or her language and purchasing criteria. In its home market, the promotion campaigns of Lidl focuses mainly on price sensitive consumers and communicates them that its groceries are worth the money they spent. In order to attract more German consumers, Lidl Germany changes its discount offers across the country three times a week. In Sweden, the retailer’s advertising slogan has its main focus on the promotion of high quality products – “Good quality should not cost more”. This is the most important factor that influences the purchasing behavior of Swedish consumers. Lidl Sweden strengthens the idea that quality can be bought at a low price by opening the Dill restaurant and in its TV campaign.
Finalizing the results of this study, we see that Lidl, on the one hand, adapts its marketing mix to reach and satisfy the customer of its host country, but on the other hand, tries to keep its marketing strategy as standardized as possible in order to reduce costs. This was also shown in our conducted analysis, which revealed cost reduction and customer as the most frequently evaluated codes. These codes are closely related to two marketing strategies the retailer runs on the market, which are the strategy of standardization that is closely related to cost reduction, and adaptation that is closely related to customers. The retailer is obviously trying to find the most rational balance by implementing a mix of two types of marketing strategies. This research additionally shows that three elements of the marketing mix - product, price and promotion - require the most adaptations in the Swedish market. The identified adaptations can be explained by Lidl’s strong customer focus. The standardized grocery retailer is willing to adapt to consumer tastes, demands and expectations as much as it is required. Even though the psychic distance between Germany and Sweden is perceived to be low, the retailer should seriously consider this distance in order to attract already existing and new consumers to the store.

6.1. Discussion

The previous chapter summarized adaptations of Lidl that have been made on both, the German and the Swedish market. The main aim of all the above mentioned adaptations is to increase the number of Lidl customers and therefore its market share. But how can we define the retailer’s market share in Sweden today? Is Lidl well positioned in the Swedish retailing market? Did the implemented adaptations result in the attraction of new customers?

The market share of Lidl in Sweden is comparatively low in contrast to its competitors and the retailer is still struggling to position itself as a strong player on the Swedish market. One of the reasons for this might be the primary ambition of Lidl to implement the same standardized marketing strategy as in its home country and the retailer’s unwillingness to adapt to local consumer characteristics. Even though the psychic distance between Germany and Sweden is quite low, it becomes relevant when we look at the retailer’s results in regard to the Swedish customer attraction. When Lidl just entered Sweden, the consumers were not willing to purchase groceries of the unknown foreign retailer and associated Lidl’s low prices with a poor quality of goods. Today, Lidl is trying to improve its image and wants to attract
Swedish people by offering a variety of articles produced within the country, a higher share of name brands, ecological, Fair Trade and lactose-free products, which are gaining more popularity among Swedish consumers. Communication channels give them appealing information about the Lidl product range while teaching them a new way of high quality shopping at a low price.

Nevertheless, Lidl Sweden still faces difficulties in attracting customers, because of its poor reputation. Lidl’s total costs of adaptations, in order to avoid negative associations, are expected to be high. The question is, whether these high costs and critical associations could have been avoided if Lidl entered Sweden with an already adapted marketing mix?

Lidl is in the process of expanding its operations to countries outside the European Union. Presumably, it will be even more challenging for the discounter to run a standardized marketing strategy abroad, as greater geographically distant countries are expected to require more adaptations in terms of psychic and physical distance factors. In this case, instead of adapting the marketing mix gradually, the retailer could invest in intensive market research in order to estimate similarities and differences in psychic and physical distant countries and enter the market with an adapted marketing mix. We presume that these investments could be beneficial and precautionary in order to avoid financial losses in the host market. However, this requires further research that could be of high relevance for internationalizing companies.

But how does the consideration of further psychic distance factors, apart from consumer characteristics, influence the marketing mix of an internationalizing company? We were confronted by the issue of different market conditions in terms of the government policy, laws and regulations. Dissimilarities in here force companies to adapt its marketing mix, when it comes to governmental rules, as in Sweden, for instance, where retailers are not allowed to offer alcoholic drinks with more than 3.5% of alcohol in their assortment. Any foreign company has to accept this regulation, if it decides to enter the Swedish market. The example shows, that adaptations may not only be required in terms of consumer expectations, but also in terms of other psychic distance factors.

Within this study, we realized how problematic it can be to internationalize a standardized marketing strategy, not only for the retailer, but also for other kinds of companies. No matter what psychic and physical distance they experience, it can influence the company’s profitability when the company refuses to adapt to local requirements of any character. The
awareness of the internationalizing company of similarities and differences in psychic and physically distant countries, may result in a better position of this company on the foreign market.

6.2. Limitations & Future Research

This study confirms that adaptations of the marketing mix, in accordance to consumer characteristics, should be taken into account by internationalizing retailing companies that work with standardization as their core strategy. However, the results of the study must be interpreted with caution, as this research presents a single case study of a grocery retailer in two retailing markets – Germany and Sweden. By considering these two markets, the evaluated data cannot be adopted to other countries’ cases, as every market is expected to differ. Moreover, this case focuses on one psychic distance factor, which is the consumer characteristics on the studied markets. Factors such as the market economy, the development of technologies, social perspectives, government policy, laws and regulations were not considered whereas the outcome of the study can vary in its results. Additionally this study had a limited time frame, which limited our focus for this study. Nevertheless, we expect that our findings will contribute to the knowledge of grocery retailers and show them the importance and necessity of studying the market along with its consumers before entering a host country. In order to develop this topic further, research in the following fields might be of interest:

- A study that observes further psychic distance factors within the same case.
- Research on a grocery retailer’s profitability, when considering both internationalization scenarios: entering a foreign market with a standardized marketing mix, and gradually adapting to local requirements or entering with an adapted marketing mix which already considers existing market requirements.
- To conduct the same case study on a larger scale of other countries, retailing markets and its consumers.
- To complement this case study with other choices of grocery retailing companies in order to be able to generalize the results.
References


Appendix
Appendix 1

Interview:
Position:
Experience:

1. General questions:
   a. When did Lidl open in Germany?
   b. Can you define Lidl’s market share in Germany?
   c. How many stores does Lidl have in Germany?
   d. What are Lidl’s values?
   e. What message does Lidl want to send to its customers?
   f. How would you define Lidl’s customers?
   g. How successful is Lidl in Germany?

2. Marketing strategy:
   Germany
   a. Can you define Lidl’s (marketing) strategy in Germany/general? Standardization?
   b. Can you describe what implies this strategy?
   c. What is their goal with this strategy?
   d. How is this strategy working in Germany / abroad?
   d. Is this strategy realizable abroad?
   e. What are the factors that may require adjustments?
   f. Can you give examples of adjustments?
   Sweden
   a. Why did Lidl choose Sweden as a new market to enter?
   b. Which marketing strategy prevails in Sweden? Standardization (from German market), adaptation or a mix of both?
   c. Why did Lidl choose the above-mentioned strategy for this market?
   d. Could you name advantages/disadvantages of the market you are operating in?
   e. When Lidl entered the Swedish market, did they face any unexpected incidents / conditions?
   f. Have you heard of Lidl’s Dill restaurant? Do you know why they opened it and which effects it has/had?
   g. Are there plans of opening new stores in Sweden?
   i. There are some stores that had to be closed. Can you explain why?
3. **Marketing mix:**
   
a. **Price:**
   
   I. How are the prices set in Germany?
   
   II. Have prices been adapted to the Swedish market? How do you set the prices for the Swedish market?
   
b. **Place:**
   
   I. Where are the stores preferentially located?
   
   II. What is Lidl’s in- and outside format?
   
   III. To what degree are you able to adapt in here? (abroad/home)
   
c. **Product:**
   
   I. Are all products in German stores the same? If no, can you give examples of adjustments?
   
   II. Are all products in Sweden the same like in Germany? If not, how many products are kept standardized in the Swedish market?
   
   III. Can you name few examples of brands/products that has been adapted to the market you are operating in? What are the product categories that have to be adapted the most?
   
   IV. Where are the products produced for German/Swedish market? Are you using local supplier and if so, to what extent? Why?
   
d. **Promotion / Communication:**
   
   I. What privileges do customers get when shopping at Lidl?
   
   II. How do you promote stores? Is promotion adapted to foreign/Swedish market?
   
   III. TV? Catalogues? Website? Internet? Social activities?

**Appendix 1a**

*Interview: 1*

*Position: Regional Sales Manager, Lidl Germany*

*Experience: since November 2014*

**1. General questions:**

1. Can you define Lidl’s market share in Germany?

   *Lidl is on Place 1 in Germany.*

2. Who is Lidl customer?
German customers in general and also at Lidl are very price sensitive. But we at Lidl do not have any target group. We want to see everyone as our customer (young, old, rich, poor). We are aimed for every customer of other retailers REWE and EDEKA as well like.

3. How does Lidl attract its customers?

We offer the same quality at a much lower price. For example, a tooth paste costs 5EUR in a supermarket, we offer tooth paste by Lidl brand at only 0.45EUR. Our brand is marked by foundation of product testing - Stiftung Warentest with the highest point: 1,3. This strategy helps us to attract many new customers – 70-80% above our expectations.

2. Marketing strategy:

1. Which marketing strategy prevails in Germany?

Lidl strategy of standardization is very successful when it comes to cost reduction. But Lidl’s focus is aimed towards consumer. Due to regional differences customer requirements vary within Germany. That is why on-going adaptation is necessary to become successful.

2. Which marketing strategy prevails abroad?

Now Lidl tries to see the differences between consumers in different countries and adapt to them. Lidl understands that it is necessary to adjust as much as possible. Even though we may make financial losses at first, in the long run we gain new customers and come back to standardization strategy. We also constantly work on negotiations with local supplier in order to decrease costs.

2. Marketing mix:

   e. Place:

1. How many stores does Lidl have in Germany?

   Approximately there are 3000 stores.

2. What is the store size?

   Size is always different. It depends on regulations and permissions; in town it is very complicated. In general size is from 800 sqm on, but we always try to get bigger places. The bigger location the better. Ideally 1.200 sqm – 1.400 sqm.

3. Where are the stores preferentially located?

   Stores are primarily located in crowded areas with many potential customers: in towns, city centers, easy reachable spots with good transportation options; next to other shops (convenience shopping), located in poor areas and rich regions to create area covered store structure (profitable in long-run even though they also make minus
in poor regions – but the better every one can find Lidl in every region, the more familiar it is and successful)

f. Product:

1. What is the total number of products within one Lidl store?
   
   *Product range has about 2500 products, from which there are 85 kinds of fruits of vegetable. For instance, Aldi has just 700 products in total.*

2. Is there any ratio between private and name brands?
   
   *No we do not have any specific ratio, however for every brand label Lidl offers a substitute with our own private label. If you do not see some brand at Lidl, we are working on it with our suppliers.*

g. Promotion / Communication:

1. How do you promote in Lidl? Is promotion adapted to local markets?
   
   *Lidl adapts a lot to customer needs. Everything is about the customer. That is why, for example, Lidl introduced a fresh bakery shop which is 10-12m long, which other discounter do not have at all.*

2. TV? Catalogues? Website? Internet? Social activities?
   
   *At the moment there is a big advertising campaign on TV. It is expensive as we play commercials at prime time hours with a big number of repetitions. First results were very positive and showed that we gained an impressive amount of new customer. Lidl has weekly flyers, which are sent home, posters communicating Lidl high quality and low prices in- and outside that shop. We change weekly offers on Monday, Thursday and Saturday. On Saturdays there is a Super Saturday day with offers for big products. We see that days with new offerings are very popular and shops get very crowded. Lidl also use website www.lidl-lohnt-sich.de as a promo channel.*

3. What do you pay attention to when promoting Lidl?
   
   *Quality is our second priority after the price. We consider strict standard regulations in terms of quality, which are discussed it with farmers and producers of our brands. Many Lidl products have a sign of quality by Stiftung Warentest. Our consumers know and trust this sign.*
1. **Marketing strategy:**

1. Which marketing strategy prevails in Germany?

   *It is the strategy of standardization, which enables economy of scale. That is one of the reasons of Lidl success in Germany. This strategy is also applied to other countries. But Lidl can make some adaptations to specific requirements and tastes of consumers in the country abroad.*

2. **Marketing mix:**

   a. **Price:**

      1. Have prices been adapted to the local market? How do you set the prices for local market?

         *Lidl tries to keep prices very low and even lower than its competitors. For example, if Aldi reduces prices, Lidl will also reduce them even below purchasing price. This is possible as Lidl works with few producers who supply in a big quantities.*

      2. How would you define Lidl’s customers?

         *People who come to Lidl are very price-sensitive, but in its strategy Lidl never mentions any target group of people.*

   b. **Place:**

      1. Where are the stores preferentially located?

         *Lidl wants its stores to be located right next to the people. But sometimes it is just hard to get permission to build the store in the town center for example, as people do not want to hear noise around from the building and delivery trucks later on.*

      2. What is Lidl’s in- and outside format?

         *Lidl has standard stores, which should all look similar. They try to expand within store size to have more spaces and products inside. Inside stores also look very similar: 5-6 rows of groceries: starting with bread, sweets, jam and ending with cosmetics at the cashier. Non-food assortment is located in middle of the store to avoid crowds.*

      3. What is Lidl logistics system?

         *Lidl always wants its trucks to be fully loaded whenever delivering groceries as it helps to lower the costs. Trucks usually delivery at night, to the stores where groceries*
can be accepted automatically, or early morning to save time without standing in traffic.

c. **Product:**

1. Are all products the same within Germany?

   *Product range varies within Germany. Germans living in different parts of the country have different food preferences that is why Lidl adapts products to regional tastes. For example, Bavaria offers white sausages and obatzda which is common dish in the region, but these products are not available in North of Germany. Also product range varies depending on the store size.*

2. Can you name few examples of brands/products that has been adapted to the market you are operating in?

   *Since lately Lidl offers ecological products to target niche customer. More people are interested in ecological products but the demand is still not that high that Lidl focusses a lot on these product type. Nevertheless they want to attract as many customers as possible and therefore offer a small product range of ecological food which is increasing.*

3. Where are the products produced? Are you using local supplier and if so, to what extent? Why?

   *Fruits, vegetables and meat are produced locally. Whenever it is not fruit/vegetable season in Germany, products has to be imported from other countries. Also Lidl changes its product offers due to the season or even weather: like for example, if the forecast promise sunny whether, it means that many people would like to grill and store manager of Lidl stores orders more salad and barbeque products to offer to Lidl customers.*

d. **Promotion / Communication:**

1. How do you promote stores? Is promotion adapted to local markets?

   *Today Lidl tries to go away from 'greasy' discounter image. This is much needed for both customers and employees who do not think very well about Lidl. Customer at Lidl is very limited in terms food and its country-of-origin. Lidl tries to attract customers by special low-price offers on products, brands and non-food items. Ideally Lidl wants its customer to make all the necessary shopping at Lidl and to buy rest in other stores.*

2. TV? Catalogues? Website? Internet? Social activities?

   *Lidl makes intensive TV campaign, which can be enabled by the low-cost strategy of other expenses. Every week Lidl sends leaflets home to its customers. Three times a
Lidl has days with special discount offers on groceries. Lidl also locally supports sport teams and orphan houses, where employees themselves can buy Christmas gifts or make donations.

Interviewee: 3  
Position: Store Manager in Lidl Sweden Hofors  
Experience: 5 years

1. General questions:
   1. When did Lidl enter Sweden?  
      
      *In 2003.*
   2. How many stores does Lidl have in Sweden?  
      
      *160 stores in Sweden and still growing.*
   3. What are Lidl’s values?  
      
      *Cheap food and high quality.*
   4. What message does Lidl want to send to its customers?  
      
      *High quality at a low price.*
   5. How would you define Lidl’s customers?  
      
      *Everyone. No specific age, social class or occupation.*
   6. How successful is Lidl in Sweden?  
      
      *Lidl is growing bigger every year. One of the most growing stores at the moment.*

2. Marketing strategy:  
   1. Which marketing strategy prevails in Sweden? Standardization (from German market), adaptation or a mix of both?  
      
      *Lidl has mainly one united standard system over whole Europe, which can vary to a small degree. For example, in promotions, store appearance. Concept in Sweden is almost the same as in Germany with some adjustments.*
   2. Have you heard of Lidl’s Dill restaurant? Do you know why they opened it and which effects it has/had?  
      
      *Dill opened to change people’s opinion that cheap food can not taste good. Dill is a very successful project. It attracts more customers to Lidl in Sweden.*
   3. Are there plans of opening new stores in Sweden?  
      
      *Lidl is growing. This year there was one store opened in Ljungby and more stores are on the way.*
   4. There are some stores that had to be closed. Can you explain why?
There were two stores in Falun. One of them has been closed. The main reason – the store could not sell as planned. With this decision, Lidl management wanted to concentrate energy on one store. I guess Falun just need one Lidl store.

3. Marketing mix:
   a. Price:
      III. Have prices been adapted to the local market? How do you set the prices for local market?
      
      *Prices has been adapted to local market, but I can not tell how. This is head quarter’s decision.*
   
   b. Place:
   
   IV. What is Lidl’s in- and outside format?
   
   *Lidl is built at a concept, that every store looks the same with some small differences. For example how old or new store is or it’s location. Store size is between 600 – 1200 sqm. You should be able to find the milk at the same spot in Lidl Hofors as in Lidl Falun for example. Easy for the consumer. So you can not move things around like you want. You have to follow some rulers as a Lidl coworker.*
   
   c. Product:
   
   1. Are all products in Sweden the same like in Germany? If not, how many products are kept standardized in the Swedish market?
      
      *From the beginning almost everything in Lidl Sweden was transported and made in Germany. Nowadays almost half of our assortment is Swedish. Customers are still positive about German products. It is important to offer the same assortment for consumer, despite which Swedish Lidl choose to make the shopping at.*
   
   2. Can you name few examples of brands/products that has been adapted to the market you are operating in? What are the product categories that have to be adapted the most?
      
      *Most of the products are German, but made in Sweden.*
   
   3. Where are the products produced? Are you using local supplier and if so, to what extent? Why?
      
      *Our products are produced in many European countries, so we are able to offer the highest quality at lowest price.*
   
   d. Promotion / Communication:
   
   1. How do you promote in Lidl? Is promotion adapted to local markets?
In our store in Hofors we are sponsoring local football/hockey teams.

2. TV? Catalogues? Website? Internet? Social activities?

In general Lidl is promoting the company by TV commercials and sponsorship of big events. We are sending a new catalogue for “this week campaign” every week to people’s mailbox. Some promotions are done by Lidl site: www.lidl.se. In Sweden we change offerings every Monday. All stores have the same offering.

Interviewee: 4
Position: Regional Sales Manager in Lidl Sweden Borlänge
Experience: 2 years

1. General questions:

1. When did Lidl enter Sweden?

   In 2003.

2. How many stores does Lidl have in Sweden?

   160 stores at Swedish market

3. What are Lidl’s values?

   Best quality at low price.

4. What message does Lidl want to send to its customers?

   Best quality at low price.

5. How would you define Lidl’s customers?

   Every Swedish person.

3. Marketing mix:

   a. Price:

      1. Have prices been adapted to the local market? How do you set the prices for local market?

         Prices are adapted. Usually 10% lower than prices offered by Lidl competitors.

   b. Place:

      1. Where are the stores preferentially located?

         Next to residential areas and other stores. Close to consumers. Today Lidl prefers to have bigger stores with more space for consumers.

   c. Product:

      1. What is the total number of products within one Lidl store?

         Product range at the store today is 2500-3000 products. Lidl is moving to soft discounter by increasing number of offered products.
2. Lidl says that its private brands taste the same as name brands? Is it true? Can you give us any examples?

*Yes, often Lidl private brand products taste exactly the same as name brands. This is a part of contract between Lidl and product producers to use the same ingredients and technology at the production stage. An example is juice by Lidl brand Vitafit and by name brand Tropicana. We prove the results by blind test.*
Appendix 2

Figure 1. Characteristics, market share and locations of retail formats in Germany.

Source: Herrmann et al., 2009

Appendix 3

Figure 2. Number of grocery shops in Germany according to store format (2012)

Figure 3. Net sales of grocery shops in Germany in € according to store format (2012)

Source: Bundesverband des Deutschen Lebensmittelhandels (2013)
Appendix 4

Figure 4. German consumer purchasing criteria.


Appendix 5

Figure 5. Germans most demanded grocery products of 2012 (green) and 2013 (grey).

Source: Daniel et al. (2014)
## Appendix 6

Table 1: Number and market share of different types of food stores, 1978-1994

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<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Other food stores</th>
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<td>Number</td>
<td>Market share</td>
<td>Number</td>
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<tr>
<td>1980</td>
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<td>4.8</td>
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<td>1800</td>
</tr>
<tr>
<td>1994</td>
<td>78</td>
<td>9.8</td>
<td>1940</td>
</tr>
</tbody>
</table>

Source: Forsbers, 1998

## Appendix 7

Chart 1: Sweden retail sales year-over-year, points.

Source: Trading economics, 2015
Appendix 8
Chart 2: Food retail market 2012.

Source: Chamber Trade Sweden, 2013

Appendix 9
Chart: Consumption of food and beverages, by value 2011-2012

Source: Chamber Trade Sweden, 2013
Appendix 10
Chart 5: What makes you buy the product, when grocery shopping?

Source: GFK & Jordbruksverket, 2014

Appendix 11
Chart 3: The main reasons why consumers buy food produced locally and regionally

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
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<tr>
<td>Encourage workplaces</td>
<td>45%</td>
</tr>
<tr>
<td>Environment</td>
<td>43%</td>
</tr>
<tr>
<td>Support to local countryside</td>
<td>42%</td>
</tr>
<tr>
<td>Support for farmers</td>
<td>37%</td>
</tr>
<tr>
<td>Animal ethics</td>
<td>27%</td>
</tr>
<tr>
<td>Higher quality</td>
<td>22%</td>
</tr>
<tr>
<td>Taste</td>
<td>18%</td>
</tr>
<tr>
<td>Healthier</td>
<td>11%</td>
</tr>
<tr>
<td>Ecology</td>
<td>10%</td>
</tr>
<tr>
<td>Small-scale production</td>
<td>8%</td>
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<td>Regional food tradition support</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Jordbruksverket, 2010
### Cost reduction

- Brand names (15%) & private label (85%) products + non-food items
- Mainly same assortment

#### Product range

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Lidl’s private brands &amp; name brands; non-food</td>
<td>Lidl’s private brands &amp; name brands; non-food</td>
</tr>
<tr>
<td></td>
<td>Same product range for customers in all shops in Sweden</td>
<td>Fresh bake-off products</td>
</tr>
</tbody>
</table>

- Bakery

- Examples of Lidl’s private brands are: Milbona (dairy products), Gelatelli (ice cream), Dulano, Metzgerfrisch (cold cuts), Belbake (bread, bakeries, cake), Freeway, Solevita, Vitafit (soft drinks), Biotrend (ecological products) and Fairglobe (fair trade products)

- Private brands produced in Germany, Netherlands and other countries
- Lidl offer a substitute with their own private label to every name brand
- Packages in German language
- Assortment around 2500

#### Store format/efficiency

- Huge parking, special places for disable people, families or kids; short walking distance to entrance; bicycle lock-up places for eco-friendly customers
- All Lidl stores similar in their look (e.g. logo, store lay-out/format)
- Standardized store buildings
- Blue and yellow logo with red ‘I’
- Cashier system with short band, customers have no packing area
- Products presented in boxes, pallets to reduce costs and allow faster process in delivering
- Simplified in product placement enables easy access around the store, efficient store organisation, small sales area, limited assortment enables fast store pass by customers
- One floor building, 5-6 corridors, starting with bread, sweets, jam and ending with cosmetics at the cashier
- Non-food items placed in center of store in order to guide consumer when hunting for seasonal offers (p.85)
- Store size is between 1200 – 1400 sqm

#### Presentation

- Self-service stands for onion, potatoes and candies
- Fringes with fresh fish
<table>
<thead>
<tr>
<th>Appendix 12</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Product</strong></td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
</tr>
<tr>
<td>Lind expands in its size</td>
<td>Lind expands in its size</td>
</tr>
<tr>
<td>Less variety but aim to a superior price/quality relationship</td>
<td>Product for best quality</td>
</tr>
<tr>
<td>All products are subject to strict &amp; regular quality controls (Stiftung Warentest)</td>
<td>Blind tests to indicate high quality</td>
</tr>
<tr>
<td>Quality is Lidl second priority after price</td>
<td>Quality is of primary importance</td>
</tr>
<tr>
<td>Private label products have same standard like name brand products; tooth paste is at much lower price at Lidl with Stiftung Warentest logo, product at other retailer much more expensive – 5EUR in supermarket, vs 0,45EUR at Lidl</td>
<td>Price-performance ratio: quality and taste of private brands is often same as name brands - agreement with name brand producers to use the same ingredients and process technology for Lidl private label products - example Vitafit and Tropicana juices - results by blind test</td>
</tr>
<tr>
<td><strong>Price-performance ratio:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td></td>
</tr>
<tr>
<td>Architecture of stores varies due to country &amp; location</td>
<td>Stores vary in size and look due to surrounding area</td>
</tr>
<tr>
<td><strong>Customer focus</strong></td>
<td></td>
</tr>
<tr>
<td>Stores should all look similar that customer have same experience; find articles quickly without assistance</td>
<td>Stores offer the same shopping experience within Sweden</td>
</tr>
<tr>
<td>Product range varies within Germany / adapted to regional tastes (Bavaria offers white sausages and obatzda which is common dish in the region; not available in North Germany)</td>
<td>Product range is the same within the country</td>
</tr>
<tr>
<td>Fruits + vegetable + meat are from local supplier</td>
<td>Lidl is adjusting to Sweden and starts to produce almost 50% of products within Sweden. Negative feedback about German beef - today all sold beef is Swedish (Svea)</td>
</tr>
<tr>
<td>Assortment varies due to customer demand in terms with season/weather</td>
<td>Some popular private German brands are now produced in Sweden with a clear distinction, that some German brands produced either in Germany or in Sweden, but with German ingredients.</td>
</tr>
<tr>
<td>Number of products steady increasing - getting closer to full assortment store</td>
<td>Assortment gets wider constantly</td>
</tr>
<tr>
<td>Fairtrade products under Lidl quality brand ‘fairglobe’</td>
<td>Fairtrade products - Fairglobe</td>
</tr>
<tr>
<td>Ecological products from private brand ‘Biotrend’</td>
<td>Eco-fruits and vegetables - Lidl Germany private brand Biotrend</td>
</tr>
<tr>
<td>Lidl adapt always to changing customer needs - reputation for being fast (p.96)</td>
<td>Lactose-free yogurts and milk launched in 2014.</td>
</tr>
<tr>
<td><strong>Market condition</strong></td>
<td></td>
</tr>
<tr>
<td>Opening hours vary from 07:00 or 08:00 am to 21:00 or 22:00 from Monday till Saturday; example Berlin centrum</td>
<td>Working hours from Monday till Friday from 9:00-20:00, Saturday from 10:00-18:00, and on Sunday from 11:00 – 18:00.</td>
</tr>
<tr>
<td>Lidl offers wine, beer, spirits</td>
<td>Lidl offers beer under 3.5% of alcohol</td>
</tr>
</tbody>
</table>
### Appendix 13

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost reduction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistic centres in every region; fully loaded trucks deliver at night without staff + in the morning -&gt; reduce delivery time</td>
<td>Night-time supply delivery system, new hybrid cars - this practice is being implemented in all Swedish stores</td>
<td></td>
</tr>
<tr>
<td>Highly frequent locations with good transportation accessibility + visibility, that allows convenient shopping</td>
<td>Lidl wants to be easy accessed by customers. Lidl chooses to locate stores closer to residential areas and existing facilities - can be easier reached by customers</td>
<td></td>
</tr>
<tr>
<td>Stores can be found in classic single locations, specialised retail parks, shopping centres + central locations in highly developed areas (p.17)</td>
<td>First stores located in industrial areas, next to big parkings. Now Lidl locates stores closer to residential areas and existing facilities.</td>
<td></td>
</tr>
<tr>
<td>Stores should all look similar that customer have same experience; find articles quickly without assistance</td>
<td>Same concept as in Germany</td>
<td></td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Architecture of stores varies due to country (p.13) + architectural + urban character of the location (p.17)</td>
<td>Every Swedish Lidl looks the same with small differences depending on the surrounding area</td>
<td></td>
</tr>
<tr>
<td>Customer focus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td>Prices are adapted abroad</td>
<td>Prices adapted to the local market</td>
<td></td>
</tr>
<tr>
<td>Price conscious + sensitive consumer, but no specific target group (young, old, rich, poor)</td>
<td>Every consumer is a target audience</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>When Aldi reduced egg price, Lidl was forced to start selling eggs at a lower price than its competitor, in order to attract even more customers by a cheaper price</td>
<td>In 2012, 2013 Lidl had the cheapest grocery prices</td>
</tr>
<tr>
<td>Prices are 16 % lower than competitors</td>
<td>Prices usually are 10% lower than the prices of their competitors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost reduction</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction as key parameter for success in cost reductions (p.82), simplify all operations and pass on cost saving to consumer (p.85)</td>
<td>Same concept as in Germany</td>
</tr>
<tr>
<td>Guarantee of low price can be achieved by cost advantages through reduced ordering and trade costs + low complexity of product mix and processes --&gt; further reductions in costs through avoidance of store assistance staff, efficient store layout, simplified product presentation, cost oriented location policy + cheap logistics</td>
<td></td>
</tr>
<tr>
<td>Try to keep prices very low/lower than competition --&gt; possible due to standardization strategy</td>
<td></td>
</tr>
<tr>
<td><strong>Appendix 15</strong></td>
<td><strong>Promotion</strong></td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>Customer focus</strong></td>
<td><strong>Germany</strong></td>
</tr>
<tr>
<td>Lidl is trying to change its image from a greasy discounter to a well-structured and high quality standard one as quality is an increasing purchasing decision for consumer, whereas the retailer is increasingly active in improving a good picture</td>
<td>Dill restaurant, opened 2013 September, serves only ingredients from Lidl.</td>
</tr>
<tr>
<td>Try to go away from 'greasy' discounter image &amp; want to change image of company for customers + employees</td>
<td>Dill tour around Sweden. Dill restaurant to change people’s opinion that “cheap food cannot taste good”</td>
</tr>
<tr>
<td>During FIFA World Cup in Brazil in 2014, the discounter offered the famous World Cup trading cards and benefited from the passion of the customers</td>
<td>Lidl promotes products produced in Sweden - no long transportation - more fresh and natural with no additional preservatives.</td>
</tr>
<tr>
<td>Pictures and posters inside the shop with current/seasonal/upcoming offer, demonstration of low/best prices and offers, presentation of ingredients (meat), promotion of best quality</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Communication channels</strong></th>
<th><strong>Message</strong></th>
<th><strong>Web presence</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Lidl lohnt sich&quot; = Lidl is worth it. Can be found on posters in and outside store, TV campaign, shopping bags</td>
<td>Lidl aims for a single message communication strategy. Good quality should not cost more, translated in all advertising means: weekly leaflets, Web campaign, Social networks (Facebook page and blog), posters in- and outside the store and magazines.</td>
<td>Promotion on web site</td>
</tr>
<tr>
<td>Presence of many Stiftung Warentest products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting Lidl concept and activities on its website with eye catching slogans</td>
<td><a href="http://www.lidl-lohnt-sich.de">www.lidl-lohnt-sich.de</a> with high marketing portion that indicate high quality and low prices; show products with origin and ingredients</td>
<td></td>
</tr>
<tr>
<td>Strong website presence on <a href="http://www.lidl.de">www.lidl.de</a> to promote current offers, assortment, online shop and upcoming special offers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 15: Promotion

<table>
<thead>
<tr>
<th>Germany</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Web presence</strong></td>
<td>Updated site with new offers, private brand range, site communicates high quality</td>
</tr>
<tr>
<td>Presentation of success in last 40 years on website</td>
<td></td>
</tr>
<tr>
<td>Active in social networks such as facebook</td>
<td>Active in social networks</td>
</tr>
<tr>
<td><strong>TV</strong></td>
<td></td>
</tr>
<tr>
<td>TV campaign in Germany + German language</td>
<td>TV campaign in Sweden + Swedish language</td>
</tr>
<tr>
<td>&quot;Lidl lohnt sich&quot; = Lidl is worth it. Can be found on posters in and outside store, TV campaign, shopping bags</td>
<td>Good quality should not cost more</td>
</tr>
<tr>
<td>TV campaign presents philosophy: High quality at a low price; is shown at prime time</td>
<td></td>
</tr>
<tr>
<td>To keep the customer updated, every saturday the advertisement changes and presents the new offers</td>
<td>Prize for the best fruits and vegetables department of 2014 communicated in Lidl latest advertisements.</td>
</tr>
<tr>
<td>At the moment big advertising in TV which is very expensive (play advertising campaign to main tv watching times, many times – gained an impressive amount of new customer);</td>
<td></td>
</tr>
<tr>
<td><strong>Offers</strong></td>
<td>Weekly offers-Every Monday Lidl Sweden changes to a new weekly campaign, which are the same within Sweden</td>
</tr>
<tr>
<td>Weekly offers (Monday/Thursday/Saturday advertising days – shops are very crowded), super Saturday (special offers)</td>
<td>Free shopping spree for previously picked customers.</td>
</tr>
<tr>
<td>Free shopping for three selected customer</td>
<td>Weekly leaflets sent home</td>
</tr>
<tr>
<td>Weekly leaflets sent home</td>
<td>Offers are on in-and outside shop posters</td>
</tr>
<tr>
<td>Posters in shop/outside that show quality/low price, ingredients (to get trust and demonstrate good quality).</td>
<td></td>
</tr>
<tr>
<td><strong>Local promo</strong></td>
<td>Local promotion campaigns - local football/ hockey team support</td>
</tr>
<tr>
<td>Support of sport teams</td>
<td></td>
</tr>
</tbody>
</table>

---

### Appendix 16: See the table of the study findings in the attached excel file: Study findings.