











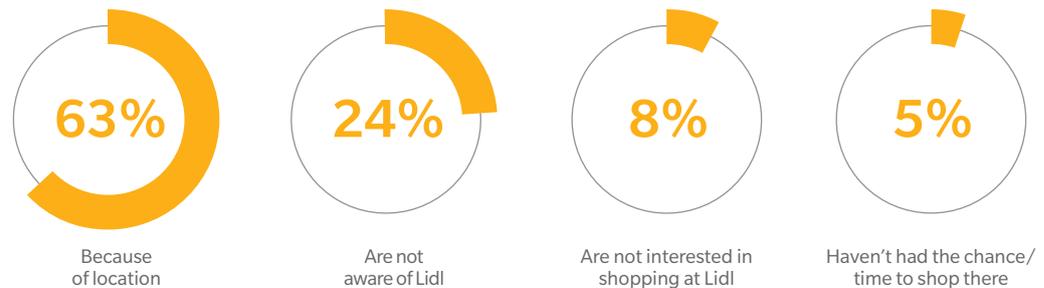


# CEO AGENDA FOR THE 24 MONTHS BEFORE LIDL ENTERS THEIR MARKET

Lidl has been in the US market for only a few months but already industry reports are declaring they are in trouble, citing management changes and loss of shoppers. We believe these items are far less relevant in predicting Lidl's long-term success than the consumer insights we have captured. Lidl has demonstrated in country after country they play the long game; tuning their offer, driving customer trial, and connecting with them to achieve repeat purchase. We believe Lidl are a serious threat and warrant CEO attention and action.

## Exhibit 2: Why do consumers not shop at Lidl?

Customers trialed Lidl's stores when they were aware of them



Source: Oliver Wyman analysis

### Fund investments for growth by profoundly cutting costs:

- Radically simplify the business – operate more leanly in stores and in head office.
- Change the nature of relationships with suppliers.
- Consider automation and artificial intelligence.
- Manage the asset base more aggressively.

### Invest in value and offer differentiation:

- Invest in prices to be within your customers' willingness to pay a premium.
- Invest in better customer engagement and services that support your new positioning.
- Invest in a strong private brand – adapt to major customer trends.
- Invest in strengthening the overall assortment – localize and offer true choice.

Lidl's entry into the US is a clear threat, in our view, to incumbent grocery retailers. We believe early shifts in strategy funded by step changes in cost reduction can position grocery retailers to retain their customers and find ways to thrive, even as Lidl and Aldi realize their plans to grow aggressively in the US.

# FIRST-TIME LIDL SHOPPERS LOOK LIKE LOYAL SUPERMARKET SHOPPERS

## HOW LIKELY ARE THEY TO BECOME REPEAT LIDL CUSTOMERS?

56% OF ALL LIDL SHOPPERS SAY THEY WILL SHOP THERE MORE FREQUENTLY IN THE FUTURE (ONCE A WEEK OR MORE OFTEN)



## WHAT IS THEIR INCOME PROFILE?

INCOME DISTRIBUTION OF LIDL SHOPPERS VS. OTHERS, IN PERCENT



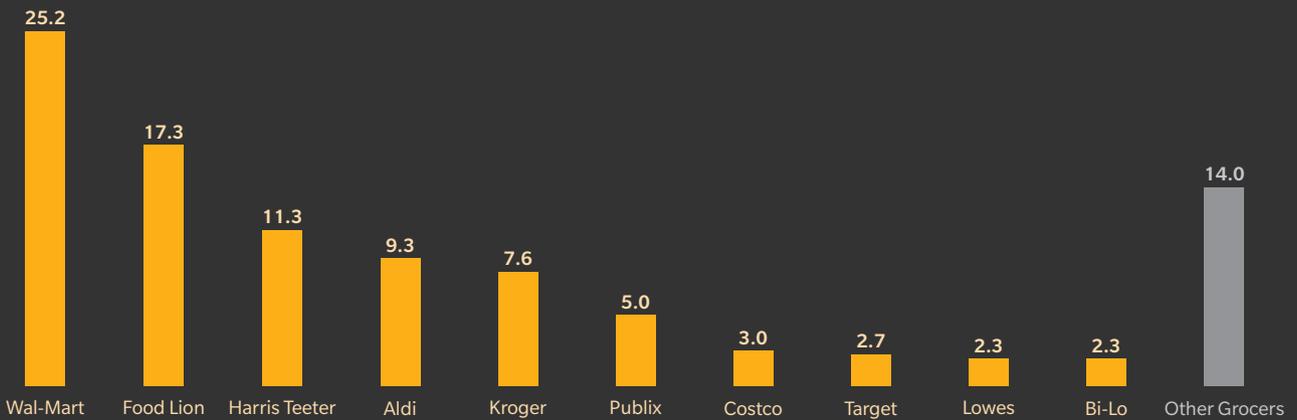
## HOW BIG ARE THEIR BASKETS?

SHARE OF BASKETS >20 USD



## WHICH IS THEIR CURRENT, PREFERRED GROCER?

IN PERCENT



Source: Oliver Wyman analysis