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Lidl Becomes More Flexible in Expansion Push

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German hard-discount grocery retailer Lidl has become much more flexible in its store development as it steps up its pace of expansion in the U.S., according to industry observers.

When it first entered the U.S. in 2017, Lidl was focused on buying properties and building freestanding stores from the ground up, but it has since shifted to a strategy that includes more leasing and more conversions of former supermarket locations, as well as a reduction in the size of its prototype footprint.

“They can often do a remodel or a retrofit much more quickly than building a new store, because they don’t have to deal with new zoning issues or access issues, for example,” said Bob Gorland, vice president at Rahway, New Jersey-based Matthew P. Casey & Associates, which specializes in site selection feasibility research.

Lidl has recently begun converting some of the 24 Best Market stores on New York’s Long Island that it acquired in 2018, while also continuing to open newly built stores there and in other markets. It has in recent weeks opened new stores in Pennsylvania, New Jersey, and North Carolina, and in December agreed to acquire six Shoppers Food & Pharmacy stores from United Natural Foods Inc. in the Baltimore market.

The company could have 100 or more stores open by spring, according to reports, up from 89 as of this week. It has opened nearly 20 locations in the last few months, after pulling back on expansion following a period of rapid growth when it first entered the U.S. It is one of the largest retailers in Germany and operates more than 10,500 stores globally.

Most of the new sites that company has been opening in the U.S. are in in the 25,000- to 30,000-square-foot range, with 15,000 to 18,000 square feet of selling space, Gorland says, as opposed to previous sites of about 36,000 square feet with a 22,000-square-foot selling area. In some cases, the company has acquired an existing space with a larger footprint and divided the space to fit its new, smaller prototype, he says.

“Basically it’s just a smaller version, with a tighter footprint,” says Gorland of the new, smaller prototypes.

Among the design enhancements in the chain’s newest stores are the addition of “Rethink Grocery” signage displayed outside the store, calling attention to the fact that it is in fact a grocery store, noted research firm IGD in a recent report. Other flourishes include chalkboard signage in fresh departments and the use of more wooden, market-style fixtures in the produce displays.

Gorland says he believes the company will continue to focus on competitive pricing, a strong produce offering and a smaller, easy-to-shop footprint. Many of the company’s locations, he says, have been opening in densely stored markets that already include competitors such as Aldi and Walmart, in addition to conventional supermarkets.

“They are not afraid to go up against the big boys,” says one industry observer, who asked not to be identified.

Will Harwood, a spokesman for Lidl US, says the company is “constantly adapting and enhancing” its offering based on customer feedback.

“If you were to study our assortment from when we first launched in the U.S. until today, you would find an ongoing evolution that includes hundreds of new products, a stronger and enhanced organic offering, a full range of grass-fed and organic beef, and more,” he told *Specialty Food News*.

One of the newest features of the four Long Island stores that have opened thus far are store-sliced deli meats and cheeses.

“As we prepared to open on Long Island, we heard often from shoppers that a deli was important to them, so we created a new concept that will help us serve them, and learn,” says Harwood.

The industry observer says a deli offering is particularly important in the Northeast, but it remains to be seen if consumers will accept the concept of fresh-sliced deli offerings without a full-service deli.

“Assuming they have the right products and the right quality, they might eventually convince customers to buy those items,” the observer said.

Lidl sources most of its product in the U.S. and carries a fairly limited range of SKUs, but Harwood says the company is open to carrying some specialty and international items.

“With our deep and in many ways unprecedented food expertise across Europe, we have the ability to enhance our offering with unique, high quality specialty items from across Europe at the best prices on the market,” he says. “Our ‘best of both worlds’ approach resonates well with shoppers and is something we will continue to build upon.”

IGD said in its report that Lidl’s current expansion push could be an opportunity for suppliers to get their foot in the door, especially given that the company carries a wider assortment of brand-name products than rival Aldi, although both are predominantly private-label retailers.

Lidl is “positioning itself for the long-term opportunity” in the U.S., IGD said, citing the under-penetration of the hard-discount channel.

Lidl’s assortment also includes a treasure hunt display of general merchandise—“anything from power tools to fake leather mini-skirts”—says Gorland.

The industry observer who asked not to be identified says the in-and-out general merchandise displays “seem odd for a supermarket,” but added that he expects the company will continue tweaking its offering as it expands.

“They are smart people—they will get the assortment right eventually,” he says.

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Photo: Lidl