

German discounter plans major Canadian expansion

Lidl seen filling grocery sector void

By MARINA STRAUSS
RETAILING REPORTER

Saturday, Oct. 25, 2003

UPDATED AT 9:33 AM EST

A fast-growing European discounter is quietly mapping out a major rollout of grocery stores in Canada as it looks to take on existing food retailers.

Germany-based **Lidl & Schwarz Stiftung & Co.** is looking to launch its first mid-sized discount outlets in Ontario next year and expand to 200 or more eventually, industry sources say.

They say Lidl focuses on low prices, narrow selection but quality products in convenient locations.

"It's a powerful company," said one real estate source, whose firm is in contact with Lidl officials in Canada. "They're on fire in Europe -- they're the hottest thing. They're seizing the moment."

Retail development consultant Rick Pennycooke said Lidl may fill a void because supermarkets have virtually abandoned the mid-sized format, while convenience stores are usually smaller and pricier.

"There certainly is room for a new player to fill a niche not filled here," said Mr. Pennycooke, president of Lakeshore Group in Toronto. "But they're going to have to offer something really different. . . . It's a challenge."

Lidl Canada's head office is in Mississauga. "It is the general policy of our company to not publicly comment on our business and not release information to the press," a fax from Lidl Canada LP said in reply to questions to the company.

"Therefore, we are unfortunately not able to answer your questions."

The arrival of a new discount player comes at a time when the field is becoming crowded. **Wal-Mart Canada Corp.** continues to open more stores and steal customers from rivals, while grocery leader **Loblaws Cos. Ltd.** is also bolstering its operations.

Next week, Wal-Mart will open its first Sam's Club warehouse club outlets in Canada, which represents a big push into the food sector for the discounter. Analysts view it as a springboard to Wal-Mart further expanding into groceries by bringing its mammoth supercentres to Canada in the coming years. They carry a full range of food and general merchandise.

Meanwhile, Loblaws is scrambling to build giant stores that sell everything from furniture to pharmaceuticals and food -- in preparation for the Wal-Mart and warehouse club onslaught.

As well, Loblaws runs discount chains under banners such as No Frills, Maxi and Real Canadian Wholesale Club, while other grocers have their own discount formats.

Geoffrey Wilson, spokesman for Loblaws, said he had heard that Lidl was sniffing around for stores in Canada, but pointed to his company's strong business in the discount sector.

"Canada has very vibrant and strong discount competition already in every marketplace," Mr. Wilson said. "We will continue to grow our discount segment."

Privately held Lidl is growing by leaps and bounds in Europe, ringing up an estimated \$21.6-billion (U.S.) in sales last year -- a 32-per-cent surge from the previous year, according to industry estimates.

It operates about 4,800 deep-discount department stores and no-frills Lidl supermarkets throughout Europe, with almost half of them in Germany.

The second-largest discounter in Germany, Lidl has one of the lowest gross profit margins among retailers in Europe, according to media reports.

In recent years, it has expanded into new territory, such as Finland and Hungary, and already has a strong presence in Ireland, reports say.

But the entry into Canada would be its first foray outside of Europe.

In Canada, Lidl's real estate strategy appears to be similar to that of Shoppers Drug Mart Corp., in terms of the size of stores and emphasis on convenient sites, sources said.

Lidl is searching for conspicuous, freestanding street fronts, preferably at intersections with space for parking, the sources said. It likes to own its property rather than lease it, giving it the flexibility to eventually enlarge stores.

Tom Balkos, vice-president at realtor CB Richard Ellis Ltd. in Toronto, has met with Lidl officials, who tell him they have an "insatiable appetite," he said.

"The biggest challenge for them will be securing the prime locations," he said. "They are very picky about their locations. . . ."

"But their concept could be very interesting. There's a niche for them."

Lidl facts

Lidl & Schwarz Stiftung & Co. focuses on low prices, narrow selection but quality products in convenient locations.

Head Office

Bad Wimpfen, Germany

Stores

About 4,800 discount department stores and no frills Lidl supermarkets throughout Europe, including 2,000 in Germany.

Sales

Estimate for 2002 of \$21.7-billion (U.S.)

Ownership

Billionaire Dieter Schwarz and family.

Countries

Austria, Belgium, Croatia, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Britain.

Marketing

Low prices, quality products, narrow selection of each type of product, convenient locations.

SOURCES: TRADE AND BUSINESS PUBLICATIONS