

Everyday low prices and loyalty cards

The relaunch of Kaufland Hypermarkets in Europe

The leading German player is blending a traditional 'loyalty system' with daily loyalty built around the low prices of discounters. The goal is to fortify its stores against the prevailing downturn in this format.

As per the official reports from Schwartz Gruppe, which encompasses both Lidl and Kaufland, the past year (2022) saw Lidl's sales rise to €114.8 billion (a 13.8% increase), while Kaufland achieved a turnover of €31.8 billion (up by 16.1%).

At the close of the fiscal year, the German Group, with its 575 000 employees, oversaw a total of 13 700 retail points of sale (400 more than the preceding year), including over 1 500 hypermarkets under the Kaufland brand in Germany and Eastern Europe (Croatia, Czech Republic, Slovakia, Poland, Romania, Bulgaria, and Moldova). Schwartz Gruppe now commands an absolute leadership position in Europe, with a 5.3% market share. Globally, its substantial volumes are surpassed only by the American retail behemoths Walmart, Amazon and Costco.

Approximately 8 billion euros were invested last year in strategic digitalisation projects, primarily centred on refining the supply chain, expanding branches and modernising overall operations. These organisational advancements were driven by the



An evocative night image of the exterior of a Kaufland branch.



View of a parking lot from which the ongoing promotional event is immediately visible – with six large promotional signs placed on the external wall, using them as a large sales point.

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ambitious aim of attaining an efficiency level capable of sustaining all operations, which has become even more imperative due to ongoing expansion strategies.

What remains to be delineated is the definitive commercial approach to address the critical aspects of managing the extensive spaces housing the numerous hypermarkets in the Kaufland network.



Presentation of Kaufland's 'Discount-Billig!' initiative formalising the approach towards the commercial policies of discounters.



The entrance of the Kaufland hypermarket in Rostock, Germany.

The downturn of hypermarkets

In reality, this format started experiencing setbacks when shifts in the global economy altered consumer buying habits, leading them to favour the spartan, yet convenient, offerings of discounters.



Assortments of private label products, where Kaufland emphasises the optimal combination of quality and affordability.



The Kaufland Purland brand dedicated to meat products.



Exclusive Kaufland 'Crazywolf' brand of canned drinks.



Between 2007 and 2008, the 'real estate bubble' burst in the USA, causing housing prices to plummet, and subsequently contracting the value of mortgages securing existing loans. This was brought on by rising borrowing costs (after an extended period of lenient lending by the FED), which complicated borrowers' repayments to banks and resulted in reduced demand for owned properties. Many mortgage holders became insolvent, causing far-reaching repercussions worldwide. The 'subprime mortgage crisis' left an indelible mark on all sectors.

Paradoxically, the decrease in vital values like property coincided with higher costs of both money and goods. This collective realisation spurred us to embark on frugal endeavours, facilitated by the proliferation of discount stores and the simultaneous rationalisation of large retail spaces.



The hardworking operator at the 'welcome box' oversees the comprehensive commercial offerings, starting with the traditional arrangement of fresh fruits and vegetables, typical of large food outlets.



View of the 'Beauty & Care' aisle in a Kaufland hypermarket, showcasing personal care and hygiene products.

Financial intricacies, such as 'securitisations,' where banks obtained liquidity by using 'special purpose entities' to issue bonds based on anticipated credits (which had by then become difficult to recover) had, in the meantime, harmed systems to the point of triggering a general destabilisation of banking circuits and the collapse of stock market indices.

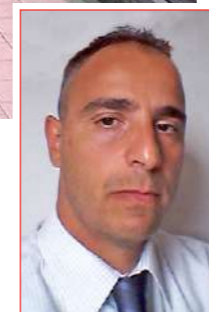
In this severe and pervasive economic climate brought on by globalisation, families began to understand that they would be dealing with more complex expenses. The experience became more prolonged, a shared reality across the globe. It was also exacerbated by subsequent geopolitical tensions, armed conflicts, abrupt spikes in raw material costs, and associated speculation.



Perspective of a self-service aisle dedicated to perishable goods in a hypermarket in the Czech Republic.



"If it's fresh it's Kaufland." This phrase is stamped on the front of the display window of a service counter prominently featuring sausages, a typical food in German cuisine.



Antonello Vilardi, professional in managing points of sale at numerous commercial signs, editorial collaborator for specialised magazines, consultant and lecturer in university masters. He has written books on large-scale retail trade.

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Essentially, contemporary economic history has created a global context where consumers feel financially fragile and seek to spend less. However, with their needs largely unchanged, they must do so more frequently. Retailers, for obvious reasons, must grapple with the containment of natural dispersion that affects large spaces like hypermarkets, a legacy from the glory days of the past when shoppers visited once or twice a week in remote locations, armed with substantial budgets.

This, in essence, is the historical-economic narrative explaining the surge of discount stores in Europe and the simultaneous decline of hypermarkets, which were also weakened by specialised large-scale distribution.

The average consumer is currently highly price-conscious, anticipates quality products and, apart from specific online purchases, frequents physical stores more often. They prefer easily accessible locations with less cluttered spaces and immediate visibility.



Fruit & Vegetable displays

Views of fruit and vegetable sections in Kaufland-branded stores. The overall display and arrangement are also reminiscent of Lidl.



The discount model in European distribution

On a European scale, while in France (where the hypermarket concept originated) there are attempts to revitalise essential resources, and in Italy there are efforts to rationalise layouts (emphasising fresh produce, local products and food lines in general, while removing excess non-food items). In Germany (where the discount store concept was born and rapidly developed), hypermarkets present themselves with characteristics that seem to echo those common to year-round low-price sellers.

Kaufland, the quintessential German hypermarket, shapes its 'service loyalty' around placing the 'low prices' of products at the forefront, perhaps even ahead of the customer themselves.

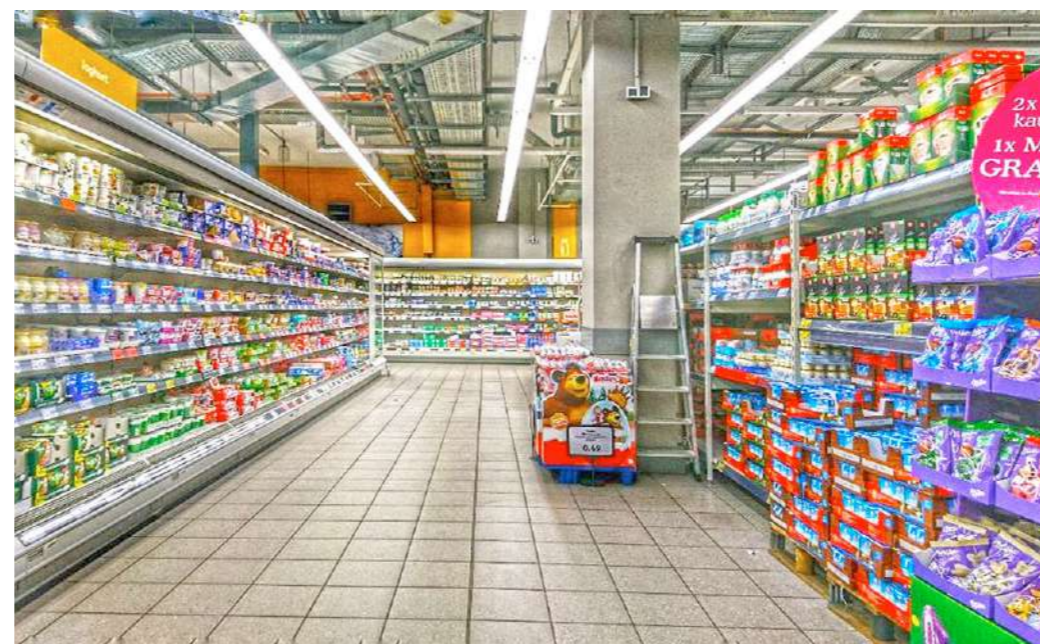
Kaufland consistently offers over 7 000 items in its assortment (regardless of whether they are branded or private label) at a 'discount price'. The brand asserts that these items are not limited to promotional campaigns but are consistently affordable.

The so-called '**DISCOUNT-BILLIG!**' is constructed on the continuous comparison of Kaufland's assortment with that of discounters and its prompt adjustment accordingly. Kaufland even went as far as publicly declaring an example of its commercial policy ...

“ If a discounter offers its chocolate at the assortment price, not at the advertised or special offer price, for example at €0.99, and we offer it at €1.19, we will permanently adjust the price for that chocolate to €0.99. ”



Display of baked products at the counter, ready for packaging. The fixed sales setup highlighting the items is reminiscent of those commonly used by Lidl. Both Lidl and Kaufland belong to Schwartz Gruppe. Lidl has built a significant part of its everyday image on offering freshly baked bread at low prices.



View of an aisle dedicated to perishable food items.



Kaufland social media says ...
"Celebrate with us and save on our 2 000+ K-CLASSIC items. Which tea do you prefer? Loose leaves, bags or granules?"



Kaufland Card and institutional loyalty

Strengthening consumer trust by daily reinforcing unequivocal traits commonly found in discounters is solidified through the tried-and-true formulas of the 'fidelity card'. The Kaufland loyalty card grants access to numerous advantages. It's free and can be obtained at the 'information box' in any branch or digitally through the official application. It entails even more affordable offers exclusive to cardholders, as well as the regular receipt of 'coupons' for product purchases in-store or online. The opportunity to accrue 'loyalty points' (1 point for every €5 spent) for redemption in exclusive prizes or discounts, participation in monthly competitions and ongoing initiatives in the online market (Kaufland.de) and the chance to obtain benefits recognised by numerous official partners.

Daily offerings inspired by the effectiveness of discounters, combined with traditional loyalty systems (enhanced by digitalisation and official partnerships), form part of an evolutionary trajectory that Kaufland is steadfastly pursuing to maintain Schwartz Gruppe's position at the pinnacle of European and global distribution.

It is intriguing to consider that, once upon a time, Lidl (a clear example of a discounter) aimed to emulate a 'supermarket' and laboured diligently to achieve this, while now it is other retail formats striving to mirror discounters. Many supermarkets are racing to adopt the Every Day Low Price approach, and even hypermarkets are moving in the same direction.

The 'know-how' shared by Lidl's counterparts (also part of the same corporate family) on the 'discount style' is a valuable reservoir of management strategies, tools and processes to draw from. Only time and future market statistics will reveal whether this was the most prudent approach to enhancing the Kaufland-branded hypermarkets. Meanwhile, in Europe, we find ourselves pondering ... **Are hyper-discounts being born?**



Self-service fridges

Kaufland Backnang, Germany self-service fridges



A vast array of self-service meat products.



Signage draws attention to products 'as advertised'.



Retail-giant Kaufland took a big leap into the digital future and equipped more than 120 new stores in Germany with at least 20 modern digital signage screens respectively. Centre piece of the digital rollout is the digital signage software. Every display can be assigned to a department and provides specifically the desired content via geotargeting. The stores can act individually as well as activate and deactivate individual articles and special offers. Thus, regional events can be considered and suitable offers can be displayed.



Above: Kaufland Romania butchery service.
Left: Kaufland Croatia fish service.



Focus on sustainability – photovoltaic systems at Kaufland.



Kaufland Bucharest's local integration approach. Shown here, an example of their community gardens.



A social media posting ... "Giveaway: Gönrgy from montanablack is back at Kaufland. We are raffling 100 x 100 € vouchers. To participate you must comment and tag 2 friends with whom you would like to go shopping at Kaufland! You can participate until 8 October 2023 at 23:59 o'clock. the winners will be announced on 22 October 2023. the winner of Kaufland contacted by direct message."



Kaufland Romania pasta



Kaufland – cooking by Shahida.



Kaufland hotdog with sauerkraut.



Kaufland has a huge array of thirst-quenchers 'ready-to-go'.



Kaufland Romania e-Rally team.