ITALY / DISCOUNT STRATEGY

Northern Italy's Discount Wars: Three Years of Value Seeking

Retail Cities' 2023 predictions, fact-checked for business planning 2027-2030.

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Fresh, branded promotions and treasure hunts: the battle for value on the Italian shopfloor.

What can 2023 teach us about 2029, in Italy, one of the Big 4 European markets?

In December 2023, Retail Cities pointed out something less than obvious: Northern Italy's grocery discounters - more than seven major chains - would have a combined share of over 20% by 2025.

Most suppliers did not prioritize Italy at the time because no single discounter had high market share. Lidl was a small operator in Italy and Aldi had just entered the market. Our argument was that if you add up the share of every discounter operating in Northern Italy, the combined total resembles the same weight of trade as in markets where Aldi and Lidl dominate modern trade and force "Price Match" behavior from full-assortment grocery competitors.

We called our report "Northern Italian discount wars." There were plenty of reasons for FMCG commercial leaders to pay attention. Esselunga had joined Everest/Epic alongside German giant Edeka. Italy's leading grocer, Conad, was active in the Agecore buying alliance and demanding value from leading suppliers. Similarly, Coop Italia was part of Coopernic and expressing a need for better international cooperation to bring value to its members. Carrefour was looking for a turnaround.

We now know what happened in the general grocery trade: not only did Esselunga leave Epic/Everest, but Carrefour sold its operations in Italy.

But do we know what happened with the discounters in this timeframe? Are we prepared for the next chapter of value-seeking consumers in Northern Italy - one of Europe's most strategic markets for FMCG suppliers?

Let's answer these questions by revisiting our predictions in the 2023 report. Which predictions held up? Which deserve to be put in the clearance bin? And what should suppliers prepare for by 2029?

2023 predictions that were overreach

Quick commerce. Just as Biedronka was announcing its BIEK program with partner Glovo in Poland, Lidl was testing home deliveries in Italy with Everli. Penny was partnered loosely with Glovo. We expected these partnerships to remain prominent in 2026 when we made our predictions. On our store visits, they were hard to spot. Consumers can and do buy directly from discounters on apps such as Everli and Glovo, but none of the discounters are shouting about these services at the point of sale.

Aldi's acceleration. In 2023 we said that Aldi would make a breakthrough, since our metrics indicated it had superior sales per square meter and traffic figures compared with key rivals. We expected more stores and a more visible gain in market share. Aldi is still building its Italian business, but Eurospin and Lidl have done more to move the market. We gave Aldi too much credit for what it might do and the established players too little credit for what they were already doing.

2023 predictions that continue to define the landscape

Fresh. We correctly pointed out that discounter-versus-discounter battles would turn fresh into a major battleground. Especially butchery. In 2026, it's hard to find a better market than Italy for fresh in the discount channel. If you are wondering what comes next for fresh in other European markets, visit Lidl, Aldi and Penny in Italy and find out. The future of discounter fresh is now in Italy.

Nonfood discounters. We also indicated that Action, Pepco and TEDi would change the nature of the treasure hunt / special buys business. This indeed is the case, with Eurospin, Penny, Lidl, Aldi, MD Discount, D'Più and Todis all doing hard work in nonfood treasure hunt to stick out and get noticed.

Market share. We indicated that the discount channel would reach 22% market share across the whole of Italy, with a massive concentration in the North - meaning closer to 30% share in the North. NIQ recently reported the channel is now at 24% share.

Preparing for further growth in 2027-2030

Eurospin fights back. Eurospin may have lost some share in local battlegrounds as new stores pop up that are more modern and easier to shop than some of Eurospin's aging stores. We fully expect more stores like the one it remodeled in Verona and reopened this year to set a new tone with shoppers.

Consolidation. There are so many international, national and regional discounters operating in Northern Italy that it's hard to count. The conditions are ripe for some consolidation, with some retailers either exiting the market or selling a chunk of stores directly to rivals.

Price match & promo stacking. Just as in the UK, France and Germany, the major full-assortment supermarkets will have no choice but to initiate "Discounter Price Match" strategies to persuade shoppers to retain a fuller basket when shopping their stores. The only challenge they will face is identifying which discounter to match, since there are many to choose from.

Ways to succeed in 2027-2030

Retail Cities recommends prioritizing the discount channel in the annual planning process with more urgency in the coming three years. Northern Italy remains the only major region of Europe where discounters command 30% of the market yet the discount channel is not allocated strategic importance.

Further, we suggest that commercial leaders should use Italy as a testing ground for how to manage diversity in the discount channel. Aldi, Penny and Lidl are growing less and less similar as they succeed. New discounters like Netto, Rema 1000, Biedronka and Eurospin are expanding into new markets and inspiring changes in many countries. Action, Pepco, TEDi, Normal and other non-grocery discounters are revolutionizing the treasure hunt shop. Italy is the best place in Europe to understand the diversity in discount concepts and how many different value packs and value promotions are possible in any given week of the year.

Finally, Italy now has two operators that have embraced the "hard discount" philosophy, where A-brands have no space in the permanent assortment and a "prove you can be efficient" space in the in & out assortment: Eurospin and Aldi. This philosophy is returning to more places in Europe, beyond the three markets where Eurospin trades - Italy, Slovenia and Croatia. Italy is an ideal location to make sure discount channel leaders are prepared for the upcoming changes in the discount channel across the whole of Europe.

THE SUPPLIER QUESTION FOR 2027

When are you planning your discount safari in Italy?

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