Fastest Radish in the West

The launch of Amazon Fresh in Germany is a shot in the arm for German online groceries. Established providers are still on the growth path despite intensified competition, creating opportunity for foreign investors, traders, logisticians and IT specialists.

During the riots around the G20 summit in Hamburg in July, one photo lit up social media: a man surrounded by armed police holding up a sign which reads: “I am a resident and I go only briefly to Edeka. Thank you.” The retailer Edeka was quick to respond, posting an edited version of the photo on Facebook, which shows a second sign in the crowd: “Stay home. We’ll bring you something. You are welcome.” It was a gift of a marketing opportunity as online grocers strive to raise awareness for their services: many German consumers have still never ordered their groceries online.

But now the German online grocery trade is gaining momentum and growing at a significantly stronger pace than bricks and mortar trading. The online market for fast moving consumer goods (FMCG) grew by a whopping 11 per cent in Germany in 2016, according to the market research firm Nielsen. The offline market, on the other hand, grew by less than 1 per cent during the same period.

Growth spurt in e-groceries

Industry observers see great potential in the online groceries market in Germany. The growth spurt in the sector opens up opportunities for service partners from other industries, such as logistics companies or IT providers. Flexible delivery times, fast delivery, omni-channel strategies including Click & Collect options and ease of operations are all factors which are motivating more and more consumers to buy their food online. But it’s not just domestic supermarkets who can benefit from this growing trend – there are opportunities for foreign grocers in Germany too, if they dare to enter the marketplace.

The entry of online giant Amazon into food delivery is likely to be a catalyst for further growth in the e-grocery market. Amazon Fresh was launched in Germany in May; and while it is only currently available in Berlin, Hamburg and Potsdam, it has made its ambition clear: “We want to make Amazon Fresh available to customers in other areas of Germany,” says a spokeswoman. Amazon Fresh is capable of offering a wide variety of products (85,000) and same day delivery.

German food retailers expect Amazon Fresh to quickly establish itself in the food market, a recent report from the trade journal Lebensmittel Zeitung shows. By the year 2021 the online giant could increase sales of its food delivery service in Germany to approximately €120m. The repercussions will be felt by competitors like Kaufland, Bringmeister and Rewe, one of the first supermarket chains to establish itself in the e-tail market and the number one brand in this space today. Rewe’s delivery service is currently available in 75 German cities. In the past year, the online turnover of Rewe increased by more than 60 per cent to over €100m and by 2020 the company aims to increase it to €800m, despite the new competition.

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