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Consumer Markets and Retail Landscape

Large Markets, Big Opportunities

With a population of 81 million (almost 16% of the EU-28 population), Germany remains the largest consumer market in Europe - in terms of both population size and purchasing power. The country also has the highest GDP in Europe (EUR 3,026 billion or almost 21% of EU-28 GDP), with the highest total purchasing power (EUR 1,776 billion).

The German population is affluent and current trends point to continued development and growth. German consumers are increasingly following individualistic value-for-money concepts. The typical German consumer is as equally receptive to discount retailers as to established brand names across different product segments. As the largest consumer group with the greatest purchasing power, the generation of consumers aged 50+ is proving particularly attractive as a target group. Members of this group are healthier, more demanding and quality conscious than their parents were at the same age.

E-commerce, flexible hours and innovative sales services help boost demand. Modern and consumer-friendly structures support both volume business as well as niche suppliers alike.

- For more information on e-commerce, [click here](#) ▶

Consumer Markets in Germany

Textiles, Garments and Shoes

The textiles, garments and shoes market is the largest consumer market in Germany after the food and beverage market, accounting for 10% of the total German consumer goods market. Generating more than EUR 43 billion in turnover, this industry is made up of almost 1,200 mostly small and medium-sized businesses with a workforce of around 120,000. This industry has also transformed over the years into an increasingly innovative, high-tech sector. The German textile industry is a global market leader for technical textiles with a market share of 45%. Germany is also the fourth-largest exporter of clothing and textile products worldwide, and the second largest textile importer in the world next to the United States.

DIY and Home Improvement

The DIY and home improvement market in Germany is a close runner-up to the textile and clothing industry; generating more than EUR 40 billion in 2014 (equivalent to 9% of the total consumer goods market). This market shows particular e-commerce promise, having experienced rapid growth in recent years. DIY and home-improvement e-commerce sales jumped from EUR 409 million in 2006 to more than EUR 2.3 billion in 2014 - equivalent to an almost fivefold increase in sales. The market is also dominated by small and medium-sized enterprises, with more than 15,500 different DIY retailers in the German market in 2014.

Office Supplies, Computers and Telecommunications

Telecommunications, office supplies and computers also constitute a large portion of the total German consumer goods market, generating around 8% of revenue. This market segment is also the second fastest-growing segment in the consumer goods market. Generating EUR 35 billion in 2014, this segment has experienced growth of almost 25% since 2004.

Furniture

The furniture market is also an important sector in the German economy, constituting around 7% of the total consumer goods market in Germany and generating almost EUR 30 billion in revenue. Belonging to a group of growing industries in Germany, the sector has recorded a more than 8% increase in revenue since 2004. Germany also hosts a plethora of different furniture manufacturers, with almost 9,000 enterprises in 2013.

Consumer Behavior

Retailer's Service and Flexibility

Retail service and flexibility are imperative in both the online and offline worlds. Customers are better informed than ever before, and thanks to the development of the strong e-commerce industry, individuals can conveniently switch retailers with the click of a button. This can be seen in the high percentage of individuals who switch retailers when not satisfied. According to a Forsa study, 60% of respondents criticized service in retail, and another 80% reported switching to a competitor (offline or online) when their needs and desires were not met. Millennials and Gen Z-ers are especially prone to switching from stationary retailers to their online counterparts. High demands can also lead to low brand loyalty levels as customers shop around for the brand that meets their individual value-for-money concept.

Household Structure

Seventy-five percent of Germans now live in a single or two-person household, totaling around 30 million households. The generation of adults aged 50+ has also become the group with the highest purchasing power, holding more than 50% of per capita purchasing power.

Savvy Customers

Thanks to the rapid development of the internet as a research tool for purchasing decisions, the typical German consumer is savvier than ever. Information is just the click of a button away, and with the growth in popularity of smartphones and tablets, many can research alternatives to products on the go. This means it is crucial for retailers to utilize technology in order to get the right information to the right person via the right channel at the right time (e.g. through social media or beacons to attract customers to the store).

Retail Landscape

With 2015 revenue of EUR 472 billion, the retail industry is the third largest industry sector in the Germany economy, making up 16% of total GDP. Customer traffic is also considerable, with a total of 50 million daily customers. The industry also boasts a large job market, with around three million employees working for 300 thousand different companies. The sector is also expected to keep growing, with an expected growth rate of 2% for 2016. One driver of this growth is e-commerce, which generated EUR 46.9 billion in B2C turnover in 2015.

Trends

ROPO Effect

ROPO is short for "research online, purchase offline." This effect refers to the increasingly popular concept of researching products online and then going to a stationary retail store in order to buy them. Retail companies are responding to this development by combining online and offline sales channels. Also referred to as "multi-channel retailing" or "omnichannel retailing", this method of shopping is especially popular among millennials, as this group is just old enough to have experienced the analogue world before the internet became an all-pervasive part of society. According to a 2014 Deloitte survey, 38% of frequent online shoppers in Germany and the UK reported researching products online prior to visiting a store, with another 27% of less frequent shoppers reporting the same. Furthermore, the emergence of smartphones and tablets allows shoppers to engage in ROPO activities in-store – 25% of frequent shoppers responded as having researched online while in store, with another 11% of less frequent shoppers responding the same. Customers are also increasingly savvy, and many reported have used multiple sites – 14% of frequent shoppers and 11% of less frequent shoppers.

'Green' Goods

Another strong trend in the German consumer goods market is the trend to "go green." Consumers in Germany have become increasingly environmentally conscious in recent decades, and companies able to manufacture sustainable and environmentally friendly products find themselves at a significant competitive advantage. According to a 2015 Verbrauchs- und Medienanalyse (VuMA) poll, approximately 26.6 million Germans are somewhat willing to pay higher prices for environmentally friendly products. Another 23.6 million people are mostly willing to pay premiums for green products, and over 6 million are fully willing to pay these premiums.

Testimonial - YANG Bin / President / COSCO Europe GmbH



YANG Bin, President of COSCO Europe GmbH | © COSCO Europe GmbH/GTAI

"German employees are outstanding. I can say without a doubt that they are the best in Europe. My impression is that German employees are effective, disciplined, and attentive. German workers are very loyal to their company and possess a strong work ethic." *YANG Bin / President / COSCO Europe GmbH*



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