



High angle view of technicians working in server room. | © Erik Isakson/Getty Images

Internet Economy

Vibrant Heart of Europe's Digital Landscape

With 84% of the German population (around 63 million) using the internet on a regular basis, Germany boasts the most internet users in Europe. This significant digital economy customer base is also coupled with the highest total purchasing power in Europe (EUR 1,968 billion), making Germany a crucial player in the global digital economy. In line with the rest of Germany's stable economy, the internet economy has faced no downturn from the European economic crisis.

The Industry in Numbers

In 2017, Germany's internet economy recorded **revenue of more than EUR 119 billion**. There are **more than 97,000 IT companies** in Germany, employing more than **1.1 million IT professionals**. This steady growth is allowing the German internet economy to establish itself as a major force in Europe's strongest economy.

A significant feature of the German economy is the importance of small and medium-sized enterprises (SMEs). These companies represent 99.95% of all German companies (around 3.67 million) and employ another 68% of the working population (29.1 million). These companies are best characterized by heavy investment and sustained technological and market innovation – features that have allowed them to become world leaders in a number of important industries and niche markets.

These SMEs also trained more than 1.2 million young adults (89% of all trainees). A strong commitment to investment and innovation has also allowed these businesses to perform well in the internet economy, leading to a high level of diversification and a vibrant digital ecosystem where dominant industry giants are few. This leads to an environment with few barriers to entry, allowing new and innovative start-ups – or “smart-ups” – the opportunity to enter this ever-growing industry.

Germany’s Digital Economy: Opportunities for International Investors

Germany is a crucial market for the global internet economy; constituting the most internet users in Europe coupled with Europe’s highest total purchasing power.

Current market conditions in Germany are favorable, with the internet economy far from being saturated. The sector is dynamic, having experienced significant growth in the past years, with experts forecasting continued growth in the future.

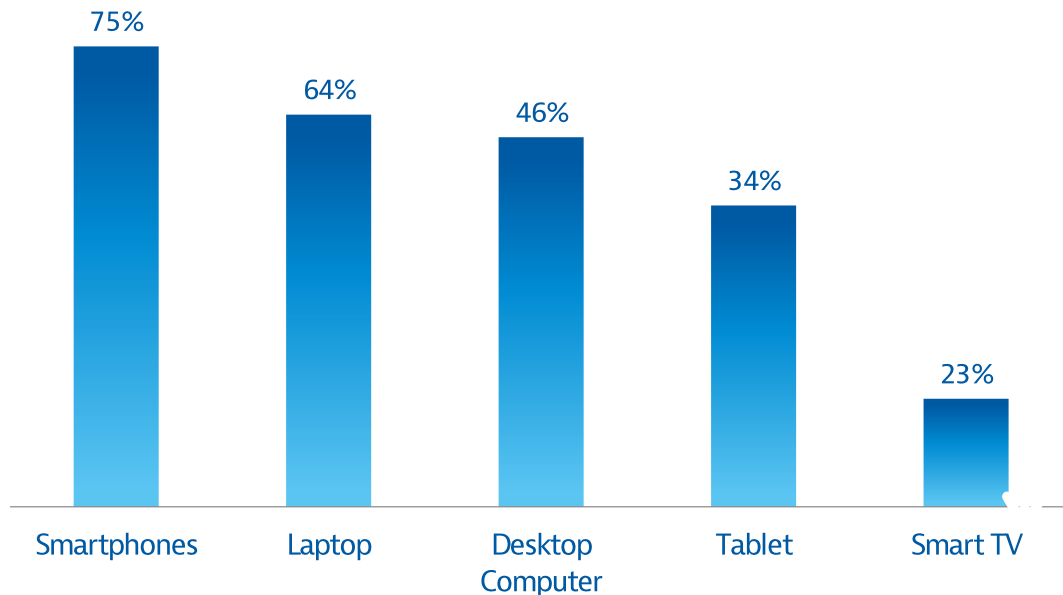
With more than EUR 119 billion in turnover (coupled with Germany’s ideal location at the heart of Europe), the German internet economy presents a perfect opportunity for investors who want to expand operations not only in Germany, but also across Europe.

Market Opportunities

Mobile

Germany’s internet economy is increasingly moving into the mobile sphere. While 73% of German internet users in 2018 went online with their laptop or desktop computer, around 74% used their smartphone for this purpose. Around 48% of German respondents to a MasterCard 2018 poll report stated that they always or often use their mobile device to buy goods online. An additional 24% said that they sometimes shop with their smartphone.

Devices used in Germany to access the internet 2018



Reference: Germany, 21,043 User, from 10 years old
Source: D21-Digital-Index 2018 / 2019

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Devices used in Germany to access the internet 2018 | © D21-Digital-Index 2018 / 2019

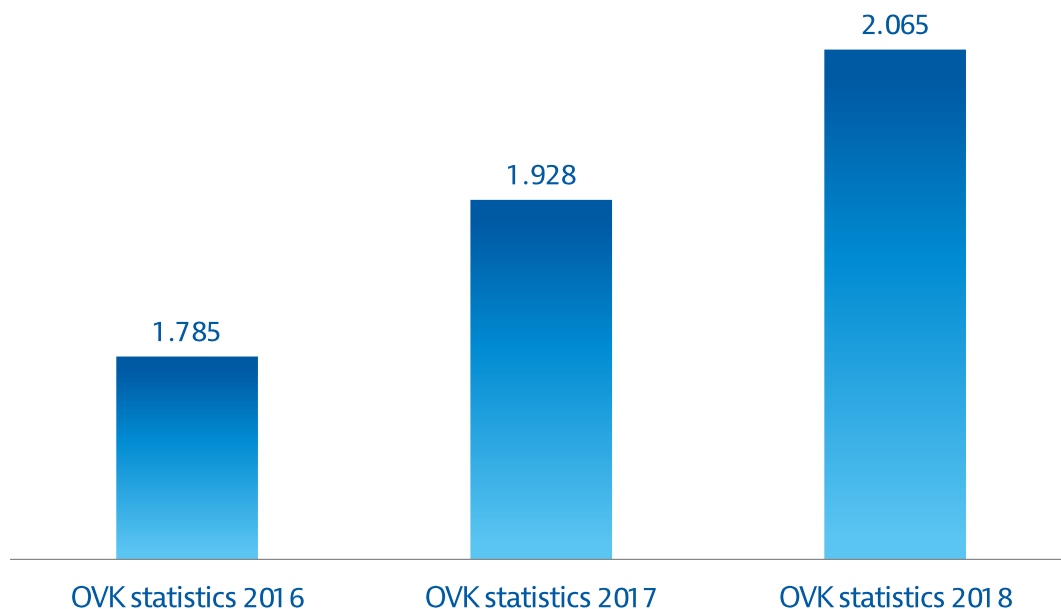
Advertising Technology (AdTech)

The increasing digitalization of modern life has had a significant transformative effect on advertising delivery models and media platforms used. Around 84% of Germany's population regularly uses the internet, spending more than six hours online each day in 2018.

The broadcast and print media models of the analogue world are slowly being superseded by the digital world's emphasis on online and mobile delivery platforms, with the domestic market set to continue growing. In 2016, net advertising investment in digital (display and search engine marketing) overtook television advertising spending, making the internet the strongest medium in the media mix for the very first time.

Online and mobile advertising volume for the year 2017 is expected to be EUR 1.9 billion according to market projections made on behalf of the Circle of Online Marketers (OVK) within the German Association for the Digital Economy (BVDW). Forty-five percent of this volume is spent via programmatic advertising, with continued growth predicted for the foreseeable future. The advent of sell-side platforms and demand-side platforms, allied to an array of new formats, multi-screen concepts, and targeting options help digital campaigns to reach a hard-to-reach target audience.

Digital Net Display Advertising (Online and Mobile) 2016-2018 in million Euro



Source: OVK 2019

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Digital Net Display Advertising (Online and Mobile) 2016-2018 | © OVK 2019

Online Videos

Online videos play an important role in total online consumption in Germany. In 2017, some 72% of total internet users in Germany reported in the ARD/ZDF Onlinestudie that they watch videos online. In the same year, 24% of internet users reported watching online videos daily, with another 53% watching online videos weekly. Streaming is the most heavily used format (57% of people use streaming services such as YouTube and Vimeo), followed by live or recorded TV (usage rate of 52%). The runner-ups are the media libraries of the terrestrial TV stations (used by 43% of the German population) and portals like Netflix and Amazon Prime Video (around 38% of Germans utilize these sites).

Games

- [Gaming Industry](#) ▶

E-Commerce / E-Payment

- [E-Commerce](#) ▶

Germany: European Home of the Start-Up Scene

The German economy is largely shaped by SMEs and is home to a deep pool of entrepreneurial talent. This well of talent has resulted in a broad and diversified economy that can be relied upon in times of economic tumult. Germany's IT sector is also a thriving entrepreneurial environment with more than 97,000 IT companies.

In 2018, there were 621 venture capital investments into German start-ups with a total volume of EUR 4.6 billion. This is an increase of 7% compared to the previous year's investment levels. The majority of this new investment went to Berlin start-ups (EUR 2.6 billion), followed by Bavaria (EUR 802 million) and Hamburg (EUR 548 million) respectively.

Wanted: New Business Models

The internet economy is relatively young, meaning traditional business models may not always be capable of matching the speed and nature of consumer-vendor interaction in the digital economy. Concepts like cooperative value chains, multi-channel business models (e.g. ROPO – "research online, purchase offline") and consumers who are constantly connected to the internet are all relatively new.

When it comes to monetizing digital content such as films, articles and music, new business models that combine acceptable revenue for the content creators and competitive prices for consumers are in high demand.

International Workforce

Germany is located in the heart of Europe, and metropolitan areas such as Berlin and Munich attract young and highly educated people from across Europe. This multicultural mix not only provides a large, multilingual, highly skilled labor pool, but also makes Germany an excellent starting point for those companies wanted to expand operations in Europe.

Testimonials for Germany

Mattias Hjelmstedt, CEO and Founder | Magine Germany GmbH



Mattias Hjelmstedt, CEO und Gründer | Magine Germany GmbH | © Magine Germany GmbH/GTAI

"We are extremely pleased to offer users in the German market, which is of particular importance to us, a new and flexible way of watching television."



Oliver Wilken | © GTAI

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