Consumer Markets and Retail Landscape

Large Markets, Big Opportunities

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With a population of 82.5 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 3,386 billion or almost 21% of EU-28 GDP), with one of the highest total purchasing power (EUR 1,893 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 establish 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

Textiles, Garments and Shoes

The textiles, garments and shoes market in Germany is a close runner-up to the DIY and Home Improvement industry. German companies generating more than EUR 35 billion in turnover (of which about 60% textile, 40% clothing) which makes them the European leaders. This industry is made up of almost 1,400 mostly small and medium-sized businesses with a workforce of around 135,000. It 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 fifth-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 is the largest consumer market in Germany after the food and beverage market, generating EUR 45.86 billion in 2018 (equivalent to 10% 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 2.3 billion in 2014 to more than EUR 18.75 billion in 2018 - which is about eight times the turnover of 2014. 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.

Technical Consumer Goods (office equipment and consumables)

Technical consumer goods (e.g. telecommunications, small domestic appliances, consumer electronics/photo and information technology/office equipment) also constitute a large portion of the total German consumer goods market,
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generating around 7% of revenue. This market segment is also the second fastest-growing segment in the consumer goods market, generating turnover of EUR 26.9 billion in Q1 and Q2 2019 (+2.2% compared to 2018).

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 33 billion in revenue in 2018. Belonging to a group of growing industries in Germany, the sector has recorded a more than 9% increase in revenue since 2010. Germany also hosts a plethora of different furniture manufacturers, with almost 1,005 enterprises in 2018.

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. Millennials 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. According to a PWC study in 2016, 40.9% of those surveyed would like to see more extensive product knowledge on the part of salespeople and around 33% would like to see the entire product range on a screen and be able to order directly. These results underline the fact that the connection between online and offline shopping is becoming more and more intensive.

Household Structure

Seventy-five percent of Germans now live in a single or two-person household, totaling around 31 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 2018 revenue of EUR 525 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 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 2019. One driver of this growth is e-commerce, which generated EUR 65.1 billion in B2C turnover in 2018, growth of 11.4% compared to 2017.

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 “multichannel retailing” or “omni channel 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 study by Deloitte in 2017, digital media influences 30% of stationary purchases. In fact, a PWC study in 2016 found out that 64% of German consumers research online before they shop in a store and 62% find out about a product in retail before they purchase it online.

‘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. This is also confirmed by the figures of the current study by inRiver, a product information management (PIM) specialist. According to the study, 49% of consumers are willing to pay more for a product if it is clearly labelled as consisting of recycled materials or fully recyclable. Transparency towards consumers has an influence on purchasing behavior. For example, 57% of consumers would return fewer items if retailers provided more information about the environmental footprint of a return. Attention to sustainable articles and their production is currently at a high level in Germany.

Testimonial - YANG Bin / President / COSCO Europe GmbH

"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