

E-Commerce

More than three quarters of Internet users in Germany buy goods and services online. This corresponds to 50 million online shoppers according to the Federal Statistical Office. The *Bundesverband E-Commerce und Versandhandel Deutschland* (German Federal Association of E-Commerce and Mail-Order Trade) reports that gross sales of e-commerce goods grew by 11.4% year-on-year to EUR 65.1 billion in 2018. This represents more than one in eight euros of pure e-commerce sales in the retail sector. E-commerce sales are expected to grow to EUR 72 billion (10.5 percent increase) in 2019. This puts Germany in fifth place worldwide – behind China, the USA, Japan, and Great Britain respectively. Combined with an extensive, highly developed logistics infrastructure, Germany is the clear continental leader in this area and offers a myriad of opportunities for international online retailers and service providers alike.



German E-Commerce Market Grows in Coronavirus Year 2020

Germany's e-commerce market has recorded dynamic growth in 2020 – with demand significantly up as result of the Covid-19 crisis according to the German Federal Association of E-Commerce and Mail-Order Trade (bevh).

Effects of Corona on Germany's E-Commerce Market

Some online retailers have had to struggle with significant supply chain difficulties, others have been unprepared for the sudden and dramatic increase in demand.

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- ▶ [The E-Commerce Market in Germany](#)
 - ▶ [Media Center: Interviews with our industry expert Nadine Litchfield](#)
 - ▶ [Latest Publication](#)
 - ▶ [Consumer Segmentation](#)
 - ▶ [Market Environment](#)
 - ▶ [New Ordering Models, Flexible Delivery Models](#)
 - ▶ [Current Developments: E\(verywhere\)- Commerce](#)
 - ▶ [Current Developments: Current Trends](#)
 - ▶ [Related Links](#)

The E-Commerce Market in Germany

The German e-commerce market is expanding rapidly. During the period 2012 to 2019, e-commerce grew by nearly 75% – from EUR 27.6 billion to EUR 65.1 billion. As such, e-commerce now constitutes around 96% of all interactive commerce. Industry experts expect this trend to continue, with expected turnover of EUR 84.6 billion in 2023. With 65 million people – 80% of the German population – purchasing online on a regular basis, Germany boasts not only the most internet users in Europe but also the greatest e-commerce customer potential.

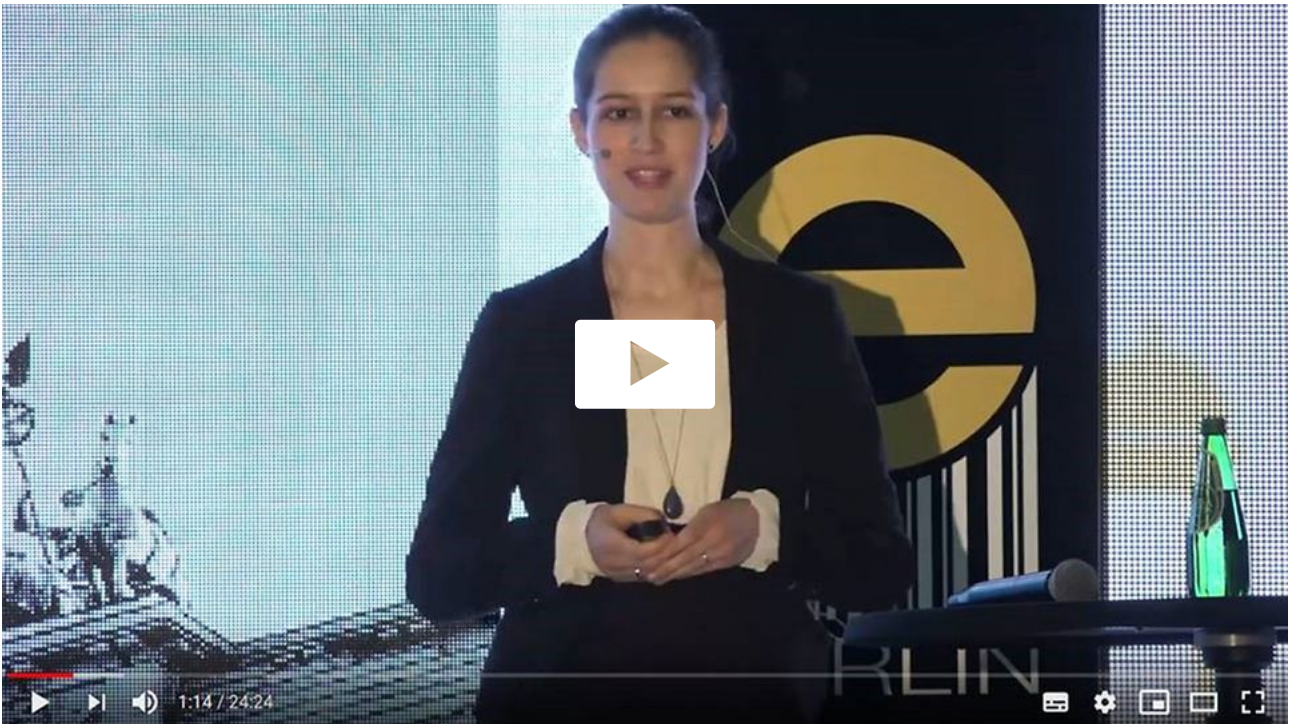
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Innovative technologies will become more and more relevant in the E-Commerce B2B sector in the coming years. According to a recent ibi research study, 77% of surveyed companies buy online. More than 50% of companies consider it likely that products will be partially automatically reordered via the "Internet of the Things." The study discovered that 75% of companies already generate online revenue, with 17% generating more than half of their revenue online. These developments highlight the fact that businesses are rapidly becoming more online-oriented, and signal the significant potential of a rapidly expanding virtual B2B environment.

Media Center: Interviews with our industry expert Nadine Litchfield

E-Commerce Market in Germany. Nadine Litchfield at e-commerce berlin expo

Germany's E-Commerce Market: Current data, developments and trends, and the significance of the Consumer: How does the German consumer shop and pay? Is he as demanding and unloyal as generally perceived? Setting up your own subsidiary in Germany: Your way to sustainability in Europe's largest market



MarketingSherpa Media Center at IRCE

Nadine Spath of the Germany Trade and Invest sat down with MarketingSherpa's Director of Editorial Content in the MarketingSherpa Media Center at IRCE to discuss how marketers can expand into foreign markets by learning about the differences between American and foreign e-commerce markets.



Germans are 'Return-Champions', but it is still the biggest consumer market in Europe.

Read the whole interview with Nadine Litchfield here [↗](#)

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How German online shoppers differ from American consumers

[Read the whole article here](#) ↗

Latest Publication



E-retail in Germany: new rules and new opportunities

New rules with wide-reaching implications for e-retailers. This current development is highlighted in my article on the internet Retailer Magazine.

- [Read our article in internet Retailer Magazine here](#) ↗



„Tips for tapping the German e-commerce market“

Find out how to be successful in Europe’s most promising online retail economy.

- [Read our article in internet Retailer Magazine here](#)

Consumer Segmentation

German Internet Use

As the biggest market in terms of population with one of the highest total purchasing power in Europe, Germany offers a variety of lucrative opportunities for international companies seeking to expand operations. With more than

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63.3 million regular online users (almost 90% of the total German population aged 14+), Germany is home to more internet users than any other country in Europe.

Consumers

Online shopping is widespread in Germany – and not just among younger members of the population. While close to 100% of individuals, aged 18-49 use the internet, the share of adults aged 50+ who surf the web is also increasing dramatically. In fact, those people aged 50-59 use the internet at a rate of 91%, while around 60% of all adults aged 60+ utilize this ever-pervasive technology. The last two groups are of particular importance for retailers as they constitute the age group with the highest purchasing power.

Market Environment

- ▶ Job Market
- ▶ Training Programs
- ▶ E-Payment

Job Market

E-commerce continues to be a rapidly growing market, and this growth is reflected in the corresponding job market. According to a survey by the *Bundesverband E-Commerce und Versandhandel Deutschland* (German Federal Association of E-Commerce and Mail-Order Trade), two thirds of recruitment consultants expect more and more applicants to be interested in careers in online and multi-channel businesses in the coming years. Because the internet is becoming more common as a sales channel, graduates - including those without a computer-science related degree - have a plethora of opportunities in this industry sector. Graduates with degrees in marketing, management, business engineering and even graphic design can find themselves with a rewarding career path in this field.

Training Programs

The demands placed upon e-commerce professionals are increasingly less technical and more business and marketing based. Moreover, e-commerce career entry points are incredibly diverse thanks to the young nature and new fields of activity in e-commerce. The requirements placed upon prospective employees can vary significantly. The number and range of market players in e-commerce is constantly growing: from mail order companies and specialty suppliers to auction and price comparison platforms. Accordingly, e-commerce offers numerous career opportunities including online shop manager, content manager, online marketing manager and affiliate manager positions to name but a few. Online retailers and industry associations also promote young talent: the Bundesverband E-Commerce und Versandhandel Deutschland (German Federal Association of E-Commerce and Mail-Order Trade) introduced a new training program, *E-Commerce Kaufleute* ("E-Commerce Merchants") in 2018. Demand for the new profession in the economy is high. More than 80 percent of online and multichannel merchant members of the bevh plan to train e-commerce professionals – for trade with both end customers and commercial clients. These training programs merge knowledge in the specialist fields of informatics and economics and provide e-commerce with a versatile and growing pool of well-educated young talent.

E-Payment

Method of payment has become an increasingly important component of e-commerce. According to a 2019 survey by Splendid Research, 53% of online shoppers cancel their online order because their favourite payment method were not offered - meaning future businesses who utilize multiple payment methods will most probably enjoy a competitive advantage.

Online shopping is typically credit card driven, but again, Germany proves to be an exception. In Germany, just 12% prefer to pay by credit card whereas 40% prefer to be invoiced for their items (i.e. invoice which can be settled from bank current account). The proportion of shoppers preferring this method of payment increases significantly according to age and gender. Online Payment Systems (e.g. PayPal, SOFORT Überweisung and giropay) are the most popular means of payment overall.

New Ordering Models, Flexible Delivery Models

- ▶ Logistics: Delivery and Return
- ▶ Same-Day Delivery
- ▶ Click and Collect
- ▶ Managing Returns

Logistics: Delivery and Return

With a highly developed logistics infrastructure of 3,500 courier companies and 60 thousand logistics service providers, Germany remains an ideal location for companies looking to provide online and multi-channel services. This concentrated network also makes services such as same-day delivery more calculable.

Parcel service providers are facing new challenges as a result of the e-commerce boom and accompanying developments. Increased B2C traffic has resulted in higher total shipping costs as deliveries become more decentralized with smaller quantities per stop. Another important factor affecting these rising shipping costs is the rate of returns experienced by many online shops. Germans are returns champions: According to the PWC "Total Retail 2018" study, 70% of online shoppers expect limitless free postal returns or the option to return to shop at any other place of convenience. Because of these increasing customer demands, innovative delivery methods could prove vital for online companies seeking to stay ahead of the competition, especially solutions that take sustainability and the environment into account. Businesses who provide innovative solutions to these emerging issues will find themselves with a distinct advantage in the German marketplace.

Same-Day Delivery

Same-day delivery options offer online retailers a distinct competitive advantage, especially those businesses who seek to capture the millennial and Generation Z markets, both of whom grew up in a digital world and expect a real-time online experience. However, the ibi research survey shows that more than half of respondents (53%) would only take advantage of this offer if no additional costs were incurred.

Amazon has offered Prime customers same-day delivery at no additional cost since November 2015. Other online retailers, including Zalando and Media-Saturn, have reacted in quick fashion. Zalando, in partnership with Tiramizoo, now offers same-day delivery to customers in Berlin as well as in the Rhineland, Ruhr area and Frankfurt am Main regions. Media-Saturn also offers a same-day delivery service that can deliver within three hours – 80% of the Federal Territory is already covered with their service offer. Since June 2018, the H&M fashion chain has also been testing the "Same Day Delivery Option" in Berlin. If the order is placed by 10 p.m., delivery takes place in the morning of the fol-

E-COMMERCE

lowing day. H&M offers "Next Day Delivery" in more than twelve German cities from Berlin to Nuremberg and plans to expand it further in the future.

If the major online retailers are able to mainstream comprehensive same-day delivery of products, the last competitive advantage of the stationary retail sector, instant gratification, may soon be a thing of the past.

Click and Collect

Many stationary retailers offer customers the option to order online and pick up their products in-store. "Click and Collect," the do-it-yourself version of same-day delivery, is also becoming more popular among consumers. According to a study of the software manufacturer JDA and the market research institute YouGov, 28% of Germans report having used this method of pick-up in 2017.

German consumers like to research online and purchase offline (ROPO), with retailers using a multichannel strategy to increase the number of visitors to their stores. Established retailers with their own traditional sales networks used to be at a comparative disadvantage to pure internet players, but today they are gaining a competitive advantage with Click and Collect, underscoring the role of online retail as a significant driver for offline business. Despite an initial one-channel focus, more and more online merchants are becoming active in multi-distribution channels like Click and Collect. Some 39% of retailers already offer the service or plan to do so in the near future.

Managing Returns

Return management represents a significant e-commerce challenge. Despite increasing e-commerce turnover, many online shops record low profits due to the high costs of returns. According to Bitkom, one in eight orders is returned – 20% more than two years ago. In the fashion sectors, up to 80% of goods are returned. According to an EHI Retail Institute study in 2018, the average return rate is rather moderate but problematic in some sectors. For more than half (57%) of the surveyed retailers, the return rate is 10% or lower. However, some specific product groups – such as fashion, textiles and shoes – do experience higher return rates of up to 80%. As a result, companies that are able to provide accurate product descriptions and visual representations will most likely experience a significant comparative advantage in the online market place due to reduced return costs. The introduction of new augmented reality technologies that use body scanners in order to create "virtual changing rooms" also provides further potential for reducing return rates and obtaining a competitive advantage among online retailers.

Current Developments: E(verywhere)- Commerce

- ▶ E(verywhere)- Commerce
- ▶ Mobile Commerce
- ▶ Social Commerce

E(verywhere)- Commerce

The multichannel approach will remain the dominant issue in e-commerce as the boundaries between stationary retail and online retail become increasingly blurred and consumer demand for multichannel transactions continues to increase. E-commerce is evolving into "everywhere commerce" as consumers are able to decide when, where and how they do their shopping.

Mobile Commerce

Mobile devices are a significant growth factor as they act as a mediator between on- and offline experiences. They function as product and price research tools and provide preliminary stage to online shopping. QR code scanning is already a means for connecting on- and offline shopping. The mobile e-commerce industry is a growing market, with mobile device sales for online shopping peaking at 69% and desktop sales some way behind at 39.7% in 2018. It can be assumed that the smartphone (and mobile shopping in general) will become an increasingly strong revenue driver, which is why shop operators should increasingly focus on the mobile experience of their customers. A growing number of interactive retailers are also offering apps and mobile-optimized websites. Smartphones provide their users with market transparency and the possibility of anytime, anywhere interaction. This brings along new challenges and opportunities for both the retail industry and advertisers as they redefine the "e" in "e-commerce" from "electronic" to "everywhere".

Social Commerce

In January 2019, there were around 38 million social media users in Germany – the population share of active users accessing social media platforms via mobile devices is 36%. A 2019 study also showed that more than 50% of Facebook users use the site several times a day. Social media is clearly having an undeniable influence on e-commerce as a whole. Business in social networks can function if the relevant tools, together with the right strategy and the necessary intuition, are deployed.

Social commerce will not function as an autonomous shopping channel in the near future, but will instead be an indispensable part of a multichannel strategy as a marketing and communication channel. Social media comments, reviews and feedback also play an important role for the reputation of many businesses - 43% of German online shoppers report being influenced by posts, reviews and feedback they read on social media. Social commerce will face a strategic change as industry associations see the priority shifting from a presence in all social networks to an improved online presence with a sophisticated strategy and continuous monitoring.

Current Developments: Current Trends

- ▶ Food
- ▶ Furniture
- ▶ Personal Care
- ▶ Niche Markets

Food

Online food retailing is not well established in Germany due to expensive logistics considerations, low margins, high density of supermarkets, and consumer reticence. However, a number of German start-ups have entered the online grocery market. Around 29% of all Internet users bought food and beverage products online in 2018 – equivalent to growth of 3.6% since 2014. The nationwide distribution of these services should be promoted In order to reach even more users. Innovative logistics solutions would be particularly helpful in this respect, as they would allow deliveries to be made even when the customer is not at home by using "smart lock" systems. The potential for growth in this in-

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dustry is strong - 40% of interviewed people explained that they had not yet bought food and beverage products online, but plan on doing so in the near future.

Furniture

Online furniture sales in Germany have risen steadily since 2014 and generated sales of more than EUR 6.6 million in 2018. This trend is also expected to continue to increase, with projected 2022 revenues climbing to almost EUR 9.2 million. An increasing number of users are also beginning to buy furniture and other home products online. According to Bitkom, 47% of Internet users report that they had previously purchased furniture online. The 30- to 49-year-old age group in particular uses the internet like a furniture department store. While 59% of 50- to 59-year-old consumers still take inspiration from furniture stores, the figure for under-30s is only 46%. Instead, the homes of friends, online blogs or travel experiences serve as a source of inspiration.

Personal Care

Consumers in Germany have also begun to buy personal care and health products online at a greater rate. Germans spent around EUR 17 million in total on personal care and cosmetic products online in 2019, according to Statista. This clearly signals personal care and health products as a high potential income stream for retailers looking to expand their businesses online.

In terms of sales channels, the highly fragmented personal care market is separated into products which sell well online and those which perform better in stationary retail outlets (e.g. essential goods including toothpaste and toilet paper). These products are subject to tough price competition and very low margins. Online retailers make the online purchase of these goods more attractive by offering subscriptions. Goods for everyday use have to be bought on a regular basis with customers often making a purchasing preference for one brand. Luxury products also sell well online. Consumer brand awareness is crucial to the success of luxury products, particularly for perfumes. Here, the internet plays an essential role in raising brand awareness through marketing and advertising.

Niche Markets

Beyond the large market segments occupied by major players, a number of niche markets are growing in importance and providing new opportunities and high growth potential for market entrants.

A number of start-ups have successfully developed innovative concepts that harness the potential of e-commerce to optimize the use and costs of products in a shared economy.

One current online niche market experiencing tremendous growth is the market for pet products. In 2018, the online pet product market generated up to EUR 1.1 billion in Germany - an increase of 30.6% from 2016 revenue levels. Most sales are generated in the specialist trade, but online sales have been growing for years - especially in the animal equipment segment. There is growth potential in the animal feed and animal equipment segments, meaning that online trading will play an increasingly important role in the future.

Other online shops offer clothes and accessories for hire: customers are able to choose dresses and accessories for any given occasion and have them delivered to their home. After use, the articles are returned to the providing company who clean and refurbish them as needed. Some shops even offer the delivery of several options and additional sizes for free. According to a Dialego study in 2018, 85% of all Germans state that they have bought an item of clothing online - an increase of 15% on 2010 levels. The customer base is predominantly female and younger than 50 years. The

E-COMMERCE

situation is similar with shoes, which are the third most popular online product (70%) with growth of 21% in the last eight years.


Similar business models have also been implemented with businesses specializing in children's toys. Parents can rent toys for their children through these websites and keep them as long as they like. Returned toys are inspected, cleaned and disinfected by the shop and are available for re-order by another customer. In 2018, 46% of Germans bought toys and baby products online. It is the parent generation of 30- to 49-year-olds who make the most orders in the toy category.


Related Links

- [BITKOM - Federal Association for Information Technology, Telecommunications and New Media](#) 
- [BEVH - German E-Commerce and Distance Selling Trade Association \[German only\]](#) 
- [BVDW – Federal Association for digital economy](#) 
- [ECC Handel - E-Commerce-Center Trade \[German only\]](#) 
- [Association of the German Internet Industry](#) 

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