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.

Covid-19 - Increased Demand for Digital Learning Solutions

The corona crisis is making itself felt in the classroom, with schools closed. Digital learning providers are offering innovative solutions to meet changing education requirements.

Video Conferencing for Pre-School Children

It is half past nine in the morning in Germany. The first video conference has just begun. The 12 participants can see the other participant faces and they start talking. Their parents are present, in some cases both mothers and fathers. They sing children’s songs, do children’s yoga and read a story about the fireman together. This is the kindergarten group of a Berlin daycare center where the educators are making virtual appointments using the same video conferencing tools normally reserved for adult use.

Starting in the last week of March, the virtual meetings have already established themselves. And just like the parents and children in this Berlin day nursery, many in Germany are trying out new digital learning and communication tools as a result of the restrictions on movement put in place to combat the coronavirus disease.

Digital Apps Bringing Children Together

A number of web- and video conferencing tools have become household names overnight as working from home has become the new norm for many millions of people around the world. Similar tools are being used to bring children together during the lockdown – one prominent example being the NemBørn tool that digitally connects children, parents and daycare centers, thereby ensuring that everybody know what is happening and what the little ones and grown-ups are learning with and from each other.

Emergency Digital Pact for Schools Funding

Germany’s Federal Government has approved the release of EUR 100 million for primary and secondary schools as part of its existing “Digital Pact for Schools” program (Digitalpakt Schule in German only) in order to combat the immediate effects of the Covid-19 crisis. The EUR 5 billion initiative, put in place to help schools upgrade their digital infrastructure, is part of the country’s broader digital transformation objectives. The emergency funding has been made available to ease the transition to “home learning” using cloud platforms and solutions.

The Hasso Plattner Institute (HPI) School Cloud, a learning platform developed exclusively for schools, has also received extra federal funding as part of the new measures. The HPI school cloud will be made available to all schools which cannot use a comparable platform solution provided by the state or school authorities. Working in partnership with Alliance for Free Education members Wikimedia Deutschland e. V. and edu-sharing.net e. V., HPI will oversee the integration of learning content in the learning cloud of the school cloud.
Growing Demand for School Digital Learning Solutions

Demand for school digital learning platforms and solutions is growing. The current situation has only thrown a spotlight on the very real need for a radical overhaul of digital infrastructure in Germany’s school education system. The individual federal states are reacting at different speeds to make digital teaching services easily available to all schools. Some states are ahead of the curve in this respect, while others are effectively playing catch-up in terms of digital learning provision.

Remote Learning Solutions Opportunities

Digital learning in schools was a major presence at this year’s LEARNTEC trade fair for digital learning in January. Germany’s Bitkom digital association has repeatedly highlighted shortcomings in Germany’s digital progress to date, hampered in part by the country’s federal system which sees educational competences decided on an individual state basis. Nordic countries, as part of a project initiated by education start-ups and “Education Nation” (Estonia), have made a number of remote learning solutions freely available across Europe to support teachers and parents in the current difficult situation. Digital learning solutions providers who make their apps and solutions freely available to schools and educational establishments in Germany may well be permanently integrated into the country’s education landscape after successful test phase completion. Similar opportunities also exist for international companies in the college, university and further education environment, as they too address the current situation and the country’s changing digital learning requirements.

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 3.6 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.
INTERNET ECONOMY

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

![Chart showing internet access by device in 2018: 75% smartphones, 64% laptops, 46% desktop computers, 34% tablets, 23% smart TVs.](image)

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

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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 adver-
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**

[Graph showing advertising spending over three years, with peak in 2018 at EUR 2.065 billion.]

### 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

"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."