



Country factsheet - December 2013

# Germany

In 2017, 53% of the German GDP will be generated by ecommerce

With a population of 41 million online shoppers, Germany is the largest ecommerce market in Europe. Ecommerce is a real institution in the country, a situation that looks unlikely to change any time soon. The income generated by ecommerce in Germany is predicted to increase by 44% in 2013, and will then represent 83% of the total income of the online economy (this includes, for example, income from online advertising). Between now and 2017, the income associated with ecommerce will represent 53% of the GDP.

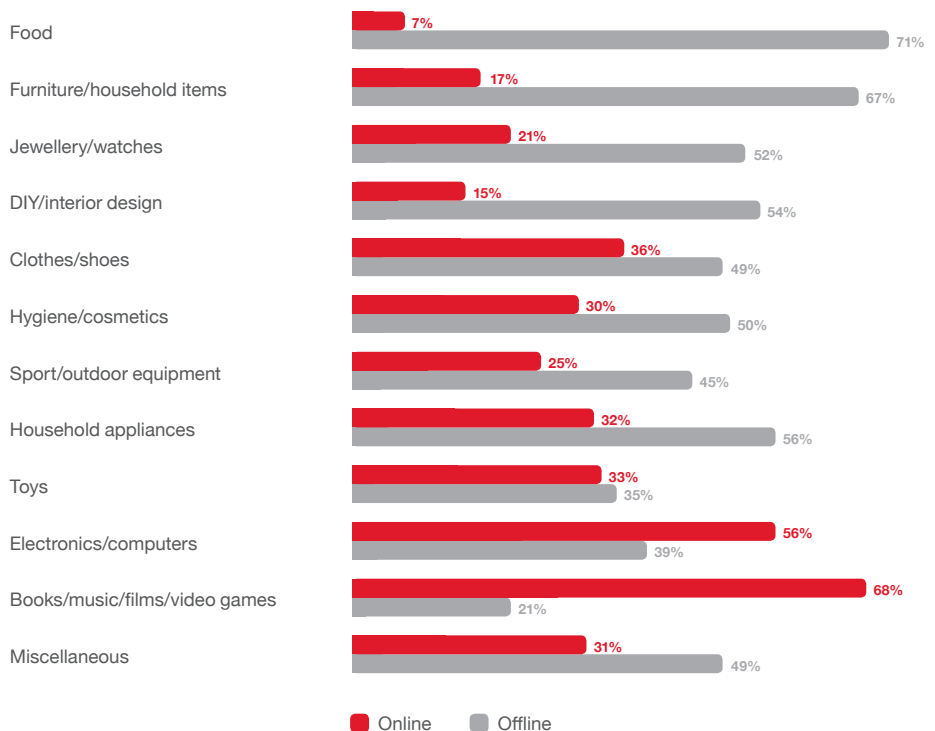
## 1. The German consumer

In Germany, the average online shopper checks out **€1,300** worth of goods in their **shopping basket each year**. But what are the features of the typical German eshopper? We could start out from the theory that the younger generation is more likely to shop online; however, the share of spending represented by 45-64 year olds saw the strongest growth in 2012 (+12% when compared to 2007). In addition, the over 55s are being targeted more and more by all retail sectors. And with good reason; they have the greatest purchasing power.

### Multi-channel and not all digital

The German eshopper appears to be more of a multi-channel fan than an online shopping purist. In nine-out-of-11 product categories, German eshoppers state that they prefer physical shops, yet at the same time one point-of-sale purchase in three is made following preliminary research online. Eshopping is mainly reserved for electronics products and computers, as well as for the category of books/music/films/video games.

#### Breakdown of preferred purchasing channels:



Some studies estimate that product return rates in Germany is around 50%.

## The king of returns

Germany has one of the highest product return rates, with some studies estimating the figure to be around 50%. The German shopper should not be viewed as a permanently dissatisfied customer, however. The German Economic Development Agency explains that this phenomenon is one of the consequences of the strict regulations protecting consumers. These are not to be blamed, however, because at the same time they contribute to increased consumer confidence in eshops and an increasing desire to shop online.

## 2. The ecommerce market in Germany

### Solid bases and a favourable context

Although in some countries online commerce has arisen in response to a difficult economic situation, Germany, on the contrary, has built its ecommerce business on solid foundations. In fact, the **extremely well developed** German **logistics infrastructures** have facilitated the expansion of ecommerce. The country has no fewer than 3,500 courier and delivery companies and 60,000 logistics providers. Germany represents 24.4% of the European „courier, express mail and package“ market in terms of income.

Another favourable factor is that in Germany **labour costs** have remained **relatively stable** (between 2003 and 2012 they only increased by 1.8%) and **employment arrangements** in the country are **flexible**: temporary contracts, shifts structures, authorisation for 24/7 rotation are common.

The country's **favourable legal framework and tax system** also deserves a mention. Germany is not protectionist. On the contrary, it applies no restrictions or obstacles to transfers of capital, purchases of property, repatriation of profits. It is no coincidence that Germany is home to the largest multi-nationals.

### Significant entrepreneurial spirit at the heart of a market of SMEs

99,7%  
of companies  
are SMEs

The Germany economy is mostly made up of **SMEs**. They **represent 99.7% of Germany companies**, i.e. 3.6 million companies, and employ 80% of the German workforce. These SMEs are mainly characterised by a philosophy of innovative technology and are supported by a market which has enabled them to become world leaders in major industries and niche markets. This is all the more true for the online economy. In Germany, the online economy has a high level of diversification and the importance of SMEs has created a dynamic digital ecosystem. This leaves **plenty of room for start-ups** which are looking to enter the German market with innovative products and ideas.

Zalando and Westwing Home & Living, to mention just a couple, have rapidly scaled the heights of the German economy. In just a few years, they have positioned themselves in the top 100 ecommerce companies of the country.

Westwing Home & Living, a private sales site devoted to décor and lifestyle, was founded during summer 2011 and generated 34 million in income during its first year.

Another German company that demonstrates the foothold of ecommerce and this entrepreneurial spirit is Rocket Internet. This start-up incubator has a business model that „copies“ successful foreign sites, often American ones (for example Groupon), in other countries such as Germany (with, for example, Citydeal). The sites are consequently often purchased by their originals (this was the case with Groupon and Citydeal in 2010).

No surprise then, that **the European Top 100 ecommerce companies** today include **22 German companies**.

### A cross-border experience already on the right track

Almost 90% of ecommerce companies and German distance sellers generate income outside of their own borders and 43% of those who do not still operate abroad. The main cross-border customers of German etraders are to be found in Switzerland and Austria, owing to the obvious geographical and linguistic proximities.

German etraders also purchase freely outside of the country and **the amount of this cross-border expenditure should reach €14.1 million in 2013**. They mainly purchase **clothes/shoes/accessories**, personal **electronic equipment** and equipment for the home, **hygiene and beauty products** and **plane tickets**. These products come mainly from the United States (48%) and the United Kingdom (46%), but also from Austria (33%), China (17%) and the Netherlands (16%).

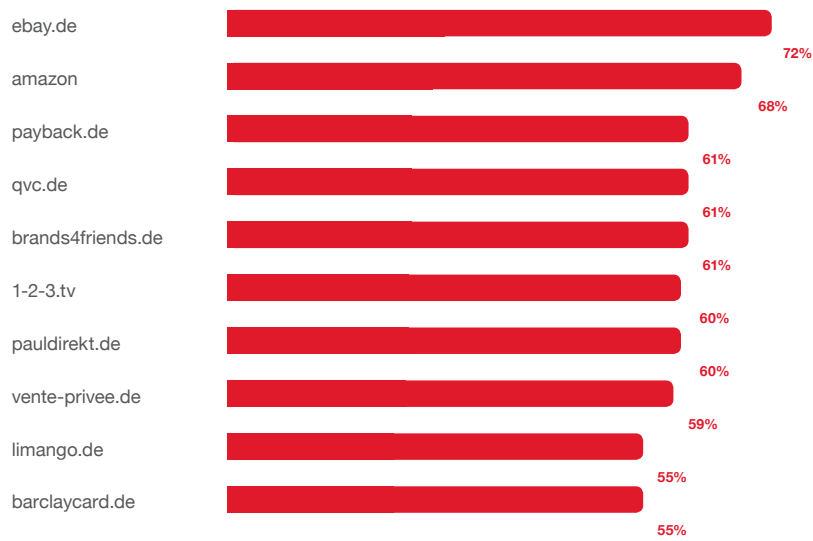
These figures attest to the cross-border anchor in the German ecommerce industry, with equally good *inbound* and *outbound* flows.



## Pure plays lead the dance

As we have seen above, Germany had a number of pre-requisites that were conducive to the flourishing development of the online economy. Unsurprisingly, the most visited ecommerce sites are pure plays, distance selling and teleshopping companies: eBay, Payback (site with money-off and promotional coupons), QVC (teleshopping), Brand4friends (private sale site) and 1,2,3 TV (teleshopping).

### Top 10 commercial and ecommerce sites in Germany based on frequency of use in June 2013



WVI (WebValue Index) published by GfK which calculates the frequency of visits to websites

## 3. Trends

### Current challenges

The state of development and progression of ecommerce being what it is, German etraders are currently involved in improving their delivery services in order to further expand and ensure widespread implementation of same-day delivery. This task is not always simple as the expansion of B2C deliveries has made routes less profitable. For this reason, many companies are moving towards Click&Collect to avoid the problems associated with decentralised deliveries. However, this option does not meet the demands of consumers as home delivery remains the preference of 87% of Germans.

### Gaming and social gifting to spice up the multi-channel approach

A business model that illustrates well the maturity of the market is that of Food.de, an online supermarket that has launched its organic offering and which enables its customers, amongst other things, to replicate the approach of the well-known game „Farmville“, to cultivate their favourite vegetables and to see them grow. Social media are also exploited in the „social gifting“ approach, which involves using virtual means to offer a real gift. Giving your friend a gift then becomes as simple as wishing them happy birthday on their Facebook wall.

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