

# **E-Commerce and Retail Tech in Germany**

Spotlight on the German e-commerce and retail industry for  
Finnish companies on their way to market entrance

# Content

- Structure of the German E-Commerce & Retail Tech Market
- Development of Consumer Behaviour in Germany
- Future Outlook
- Summary & Recommendations
- Appendix

# Aim of this report

- Aim of this report is to provide an overview of the German e-commerce and retail tech market as a guideline to market entrance for Finnish service providers
- The target audience are Finnish service providers in the e-commerce and retail technology sector.
- In detail, this report presents an overview of the current market situation in both retail and e-commerce in Germany with, an introduction into the current tech-landscape and commerce-setups and information about consumer behaviour.
- The report also contains recommendations on potential target companies fitting the portfolio of the Finnish service providers, considering relevant aspects like size, target audience and price and digital maturity level.
- The report will also provide actionable insights on a planned market entry with focus on useful tips regarding doing business in Germany and potential quirks that can be encountered in the market.
- Where applicable and feasible, the impact of the current Coro-pandemic has been considered.

# Content

## ▪ Structure of the German E-Commerce & Retail Tech Market

### ▪ Market Overview

- E-Commerce Market Overview

- Retail-Tech Market Overview

- Characteristics of E-commerce and Retail-Tech in Germany

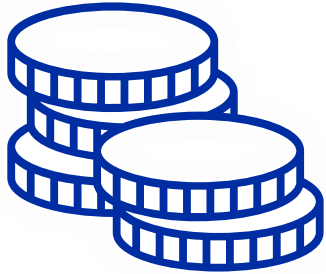
- Development of Consumer Behaviour in Germany

- Future Outlook

- Summary & Recommendations

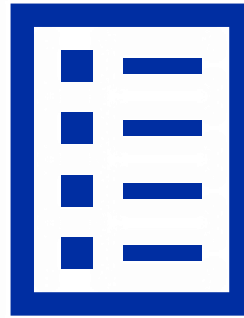
- Appendix

# German e-commerce market at a glance



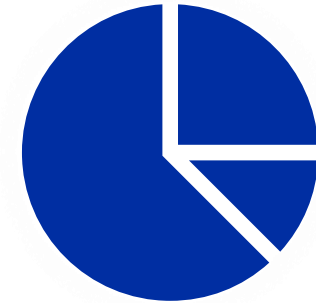
**€ 57.8 bn**

annual net revenue  
B2C e-commerce



**€ 33,63 bn**

annual turnover  
top 100 online shops



**12.3 %**

e-commerce share  
total retail Germany

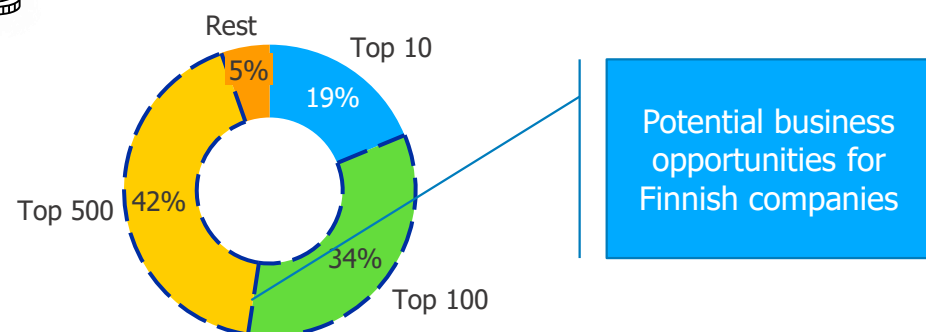
# Looking back on constant growth, German e-commerce market is in transition as marketplaces gain importance

- E-Commerce in Germany is growing constantly and revenues have accumulated to 57.8 bn € in 2018. CAGR of 8,41%\* has been below previous years and expected growth will remain stable with CAGR of 8,44%\*\*
- Marketplaces have become the growth-driver for e-commerce players, as more and more are using platforms as an additional online sales channel. Amazon (47% of online retailers using the marketplace) is the leading marketplace, followed by Ebay (37%) and Real (9%)
- At the same time, more and more retailers have started to transform their platforms into marketplaces, offering infrastructure specific for their respective categories
- Before the Corona-pandemic hit the world economy at full speed, German online retailers were optimistic with their outlook for 2020. At this time, the impact of the economic crisis on the German e-commerce market caused by the counter-measures against the pandemic can not be quantified, however, the upcoming recession will certainly not spare out this sector
- Various lockdown initiatives in Germany, including contact reduction and total closure of stationary retail, have unveiled former failings in terms of digitalisation initiatives. Taking a careful outlook into the future, German retailers will have to close the digitalisation gap to keep up with the digital natives, opening up possibilities for projects and business relationships in Germany

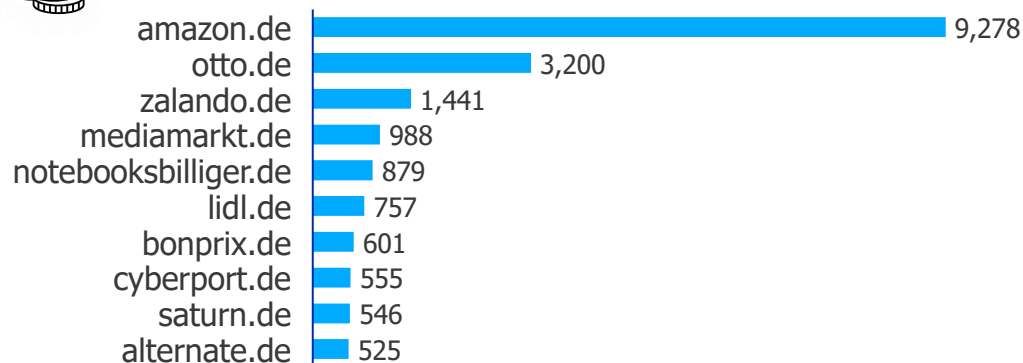
# 19% of net revenue is obtained by the top 10 online shops, Amazon is leading the market with € 9.3 bn, Otto far behind



E-Commerce Sales Distribution 2018 [%]



Top 10 online shops Germany by net-revenue 2018 [€M]



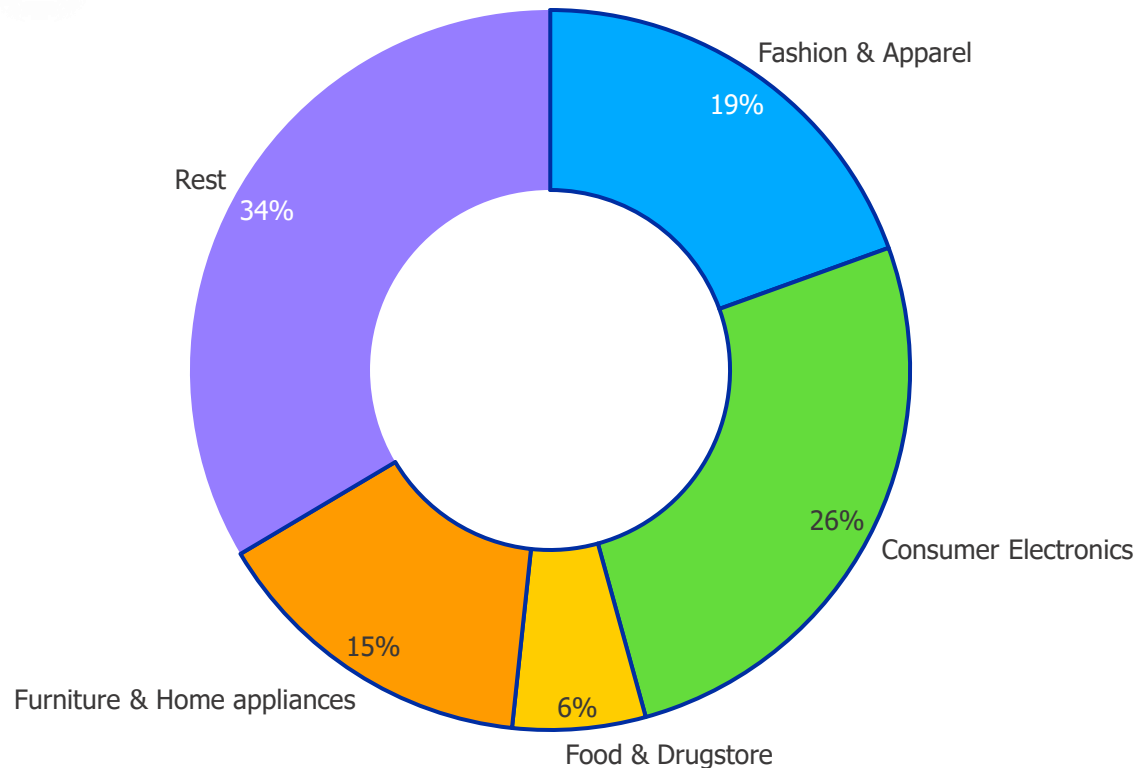
Remarks

- Digital heavy-weights such as Amazon and Zalando dominate the German e-commerce market
- The well-established generalist Otto has successfully transformed from a mail order house to an e-commerce player, ranking on second place in terms of revenues
- Top 10 players show generally high capabilities in digitalisation and usually have own digital development units
- Business potential for Finnish players can primarily be found within the Top 100 to 500 range of German e-commerce players as digital capabilities are not a given fact amongst all of them, while financial possibilities still exist due to sufficient revenue
- Further information about the Top 100 shops is available from Business Finland upon request

# Four categories account for 66% of e-commerce revenue in the German market, fashion and electronics in the lead



E-Commerce Revenue Distribution by Category 2018 [%]



## Remarks

- Revenues from digital sales channels origin from three major categories and emerging food category
- The biggest categories are by far fashion & apparel and consumer electronics
- Food & drugstore is currently small in total category share, however as this category has not reached maturity yet, further growth is expected



# Established digital players dominate German fashion e-commerce, opportunities arise from traditional retailers



## Category Facts



€ 15.3 bn  
category size



34%  
top 10 shops  
revenue share



6%  
projected CAGR  
until 2024

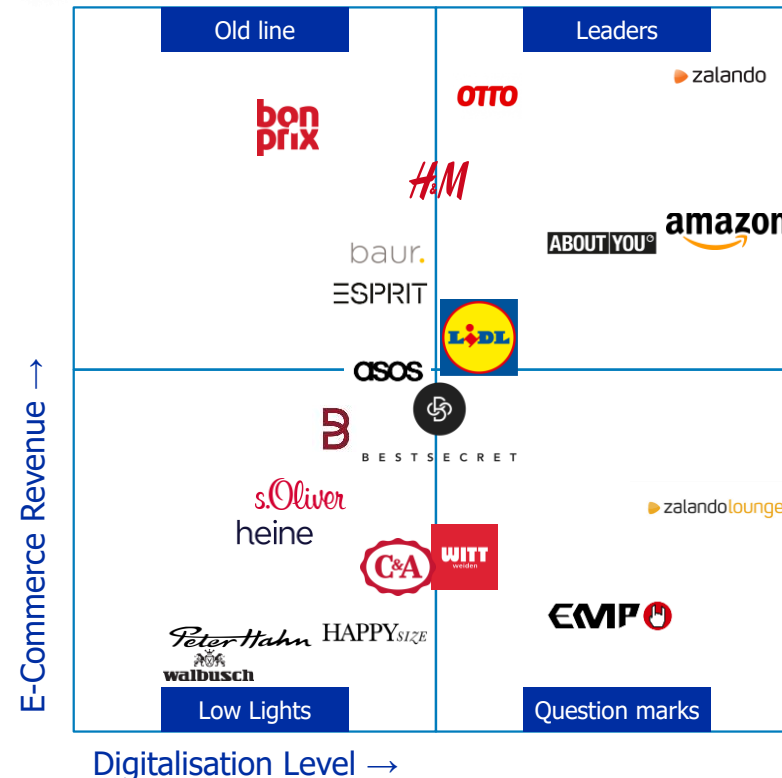


## Category Trends

- Sustainability/ ethical brands
- Direct2Consumer approach
- Ultra Fast Fashion



## Fashion & Apparel Quadrant



## Remarks

- Fashion & apparel is the one of the largest e-commerce categories in Germany
- The category is dominated by players with a high digitalisation level
- Business potentials can be found in the „second row“ where traditional German fashion players are located:
  - S-Oliver
  - Heine
  - C&A
  - Best Secret
  - EMP
  - Breuninger
  - Esprit
  - Asos

# Various players within consumer electronics & media category fit target group for business potentials



## Category Facts



**€ 15.2 bn**  
category size



**38%**  
top 5 shops  
revenue share



**9%**  
projected CAGR  
until 2024

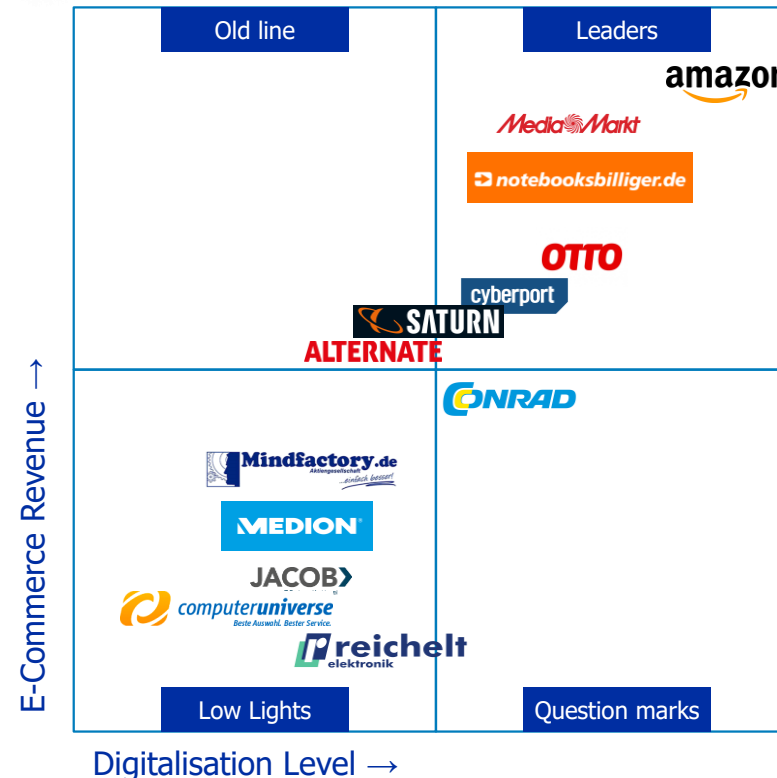


## Category Trends

- Online purchase on the rise due to improved delivery capabilities
- Marketplace power results in importance of visibility on all channels



## Consumer electronics Quadrant



## Remarks

- Consumer electronics & media is dominated by Amazon far off, followed by electronics retailer Media Markt, notebooksbilliger.de and generalist Otto
- Difficult category for smaller players as buying decisions influenced by price
- Opportunities for Smaller players within tailored services or niches
- Business potentials:
  - **Cyberport**
  - **Alternate**
  - **Mindfactory**
  - **Reichelt**
  - **Conrad**

# Online food purchase is slowly gaining popularity, drugstores and pharmacies already well established



## Category Facts



**€ 6.7 bn**  
category size



**39%**  
top 10 shops  
revenue share



**10%**  
projected CAGR  
until 2024

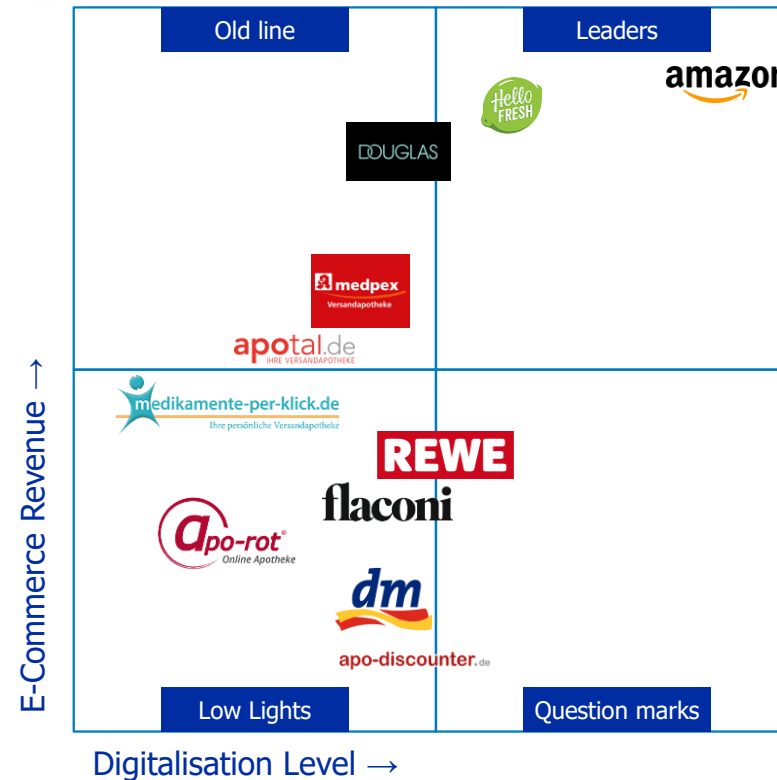


## Category Trends

- Changing customer behaviour beneficial for food home delivery
- Direct2Consumer approach rising in cosmetics



## Food & Drugstore Quadrant



## Remarks

- Online food purchase has slowly started to gain popularity in Germany, ultimately accelerated by the Corona pandemic. Discounters ALDI and Lidl have been expanding their online activities heavily, future impact on the market is expected
- Online purchase of cosmetics and medication has been common for several years and a variety of players have established themselves in the field
- Besides Amazon there are only few big players in the field
- Business potentials:
  - **Flaconi**
  - **All online pharmacies\***

# Digital players disrupt furniture & home appliances while traditional players try to expand digital capabilities



## Category Facts



**€ 8.7 bn**  
category size



**43%**  
top 10 shops  
revenue share



**7%**  
projected CAGR  
until 2024

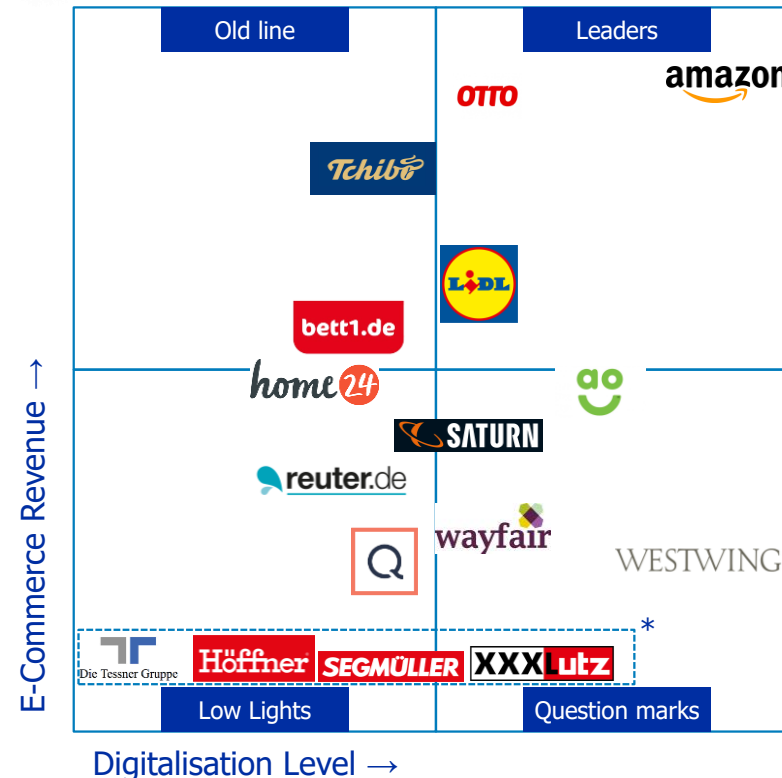


## Category Trends

- Drop shipping
- AR guided product information



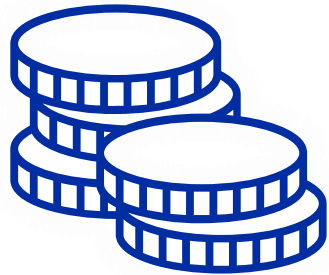
## Household & Furniture Quadrant



## Remarks

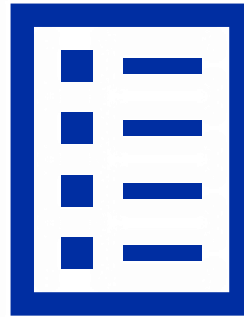
- Online shopping for furniture and appliances has become more popular as retailers are offering flexible and cheap delivery options
- The online market is dominated by Amazon and Otto, however, both digital players as well as established furniture retailers are pushing into the market
- Business potentials can be found with classical retailers
- Business potentials:
  - XXXLutz Group
  - Höffner
  - Segmüller
  - Tessen Group
  - bett1.de

# German retail market at a glance



**€ 627.3 bn**

annual net revenue  
retail Germany



**€ 406.1 bn**

annual turnover  
top 10 retailer



**60%**

focus investment priority  
on marketing & customer  
retention

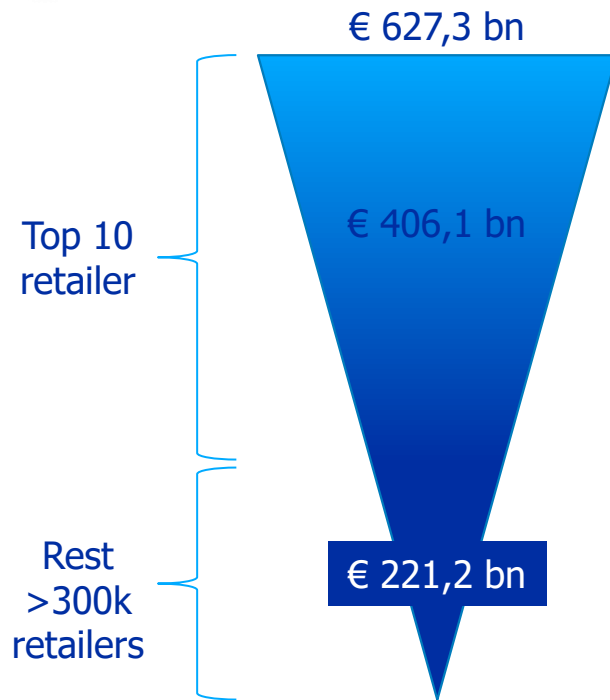
# The German retail market is undergoing a heavy transformation phase while bringing online & offline together

- Retail in Germany has been growing after a short drop in 2017/18 and revenues have accumulated to 627,3 bn € in 2018. Projected CAGR for the third largest German economic sector is at 2% until 2024
- German retail is facing numerous challenges, especially digital transformation has become a priority topic for the industry for several years - not only to answer the aggressive market development of Amazon
- Center of attention is the combination of stationary retail with e-commerce, leading to online pure players investing into brick and mortar locations while former offline retailers heavily expand their online activities
- Digitalisation in retail is more than offering the product portfolio online as new technologies such as indoor navigation, mobile payment and digital product data are becoming more and more popular
- The Corona-pandemic has hit hard on stationary retail and the long-term consequences cannot be quantified yet. However, it is very likely that the current retail landscape will change, affected by market exit of traditional businesses or a change in consumer behaviour

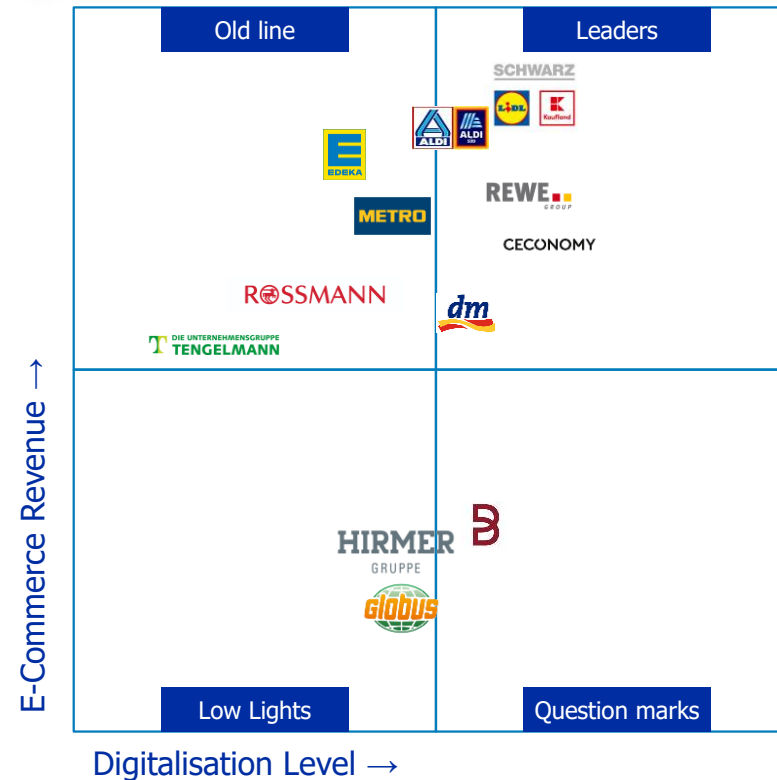
# German retail market is dominated by a handful of big players, opportunities within the mid-sized retail segment arise



## Retail Revenue Distribution



## Retail Quadrant



## Remarks

- The retail market in Germany is highly fragmented and 64% of revenue is generated by the top 10 companies of a total of 300.000 retailers
- Large players show a heterogeneous degree of digitalisation, however projects have been initiated amongst all of them to catch up
- **Best business opportunities arise from mid-sized retail companies that lack own manpower and financial resources to run digitalisation projects by themselves:**
  - Globus
  - Breuninger
  - Hirmer

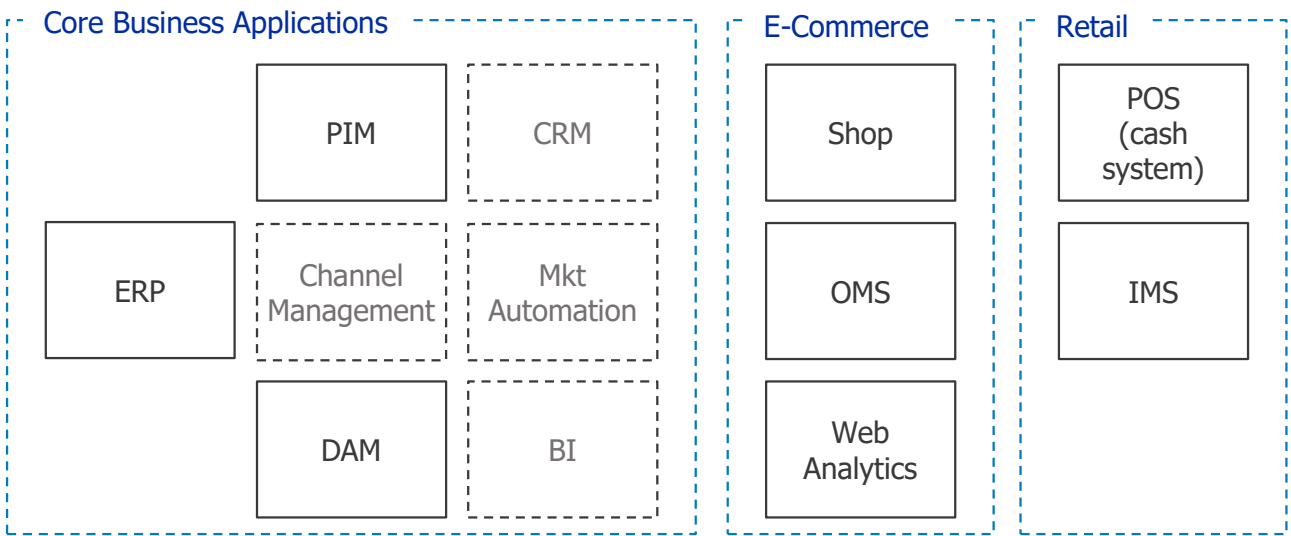
# E-Commerce and retail applications rely on the same core business application architecture serving all sales channels



## Exemplary e-commerce & retail application architecture



## Remarks



Application typically present in German mid sized companies

Application present in a few German mid sized companies

- Core business applications are the foundation for e-commerce and retail system clusters
- Typical German mid-sized companies are equipped with a centralized ERP or Merchandise Management system in the center, accompanied by PIM and DAM systems
- Additional value creating systems (CRM, BI, etc.) are not always found
- Classical E-Commerce setup consist of a centralised shop system supported by OMS and Web Analytics
- Retail setup is basically consisting of POS and IMS applications

### Tech. Infrastructure

On Premise Cloud

### Tech. Operating Model

Self Operated SaaS

### Software Development

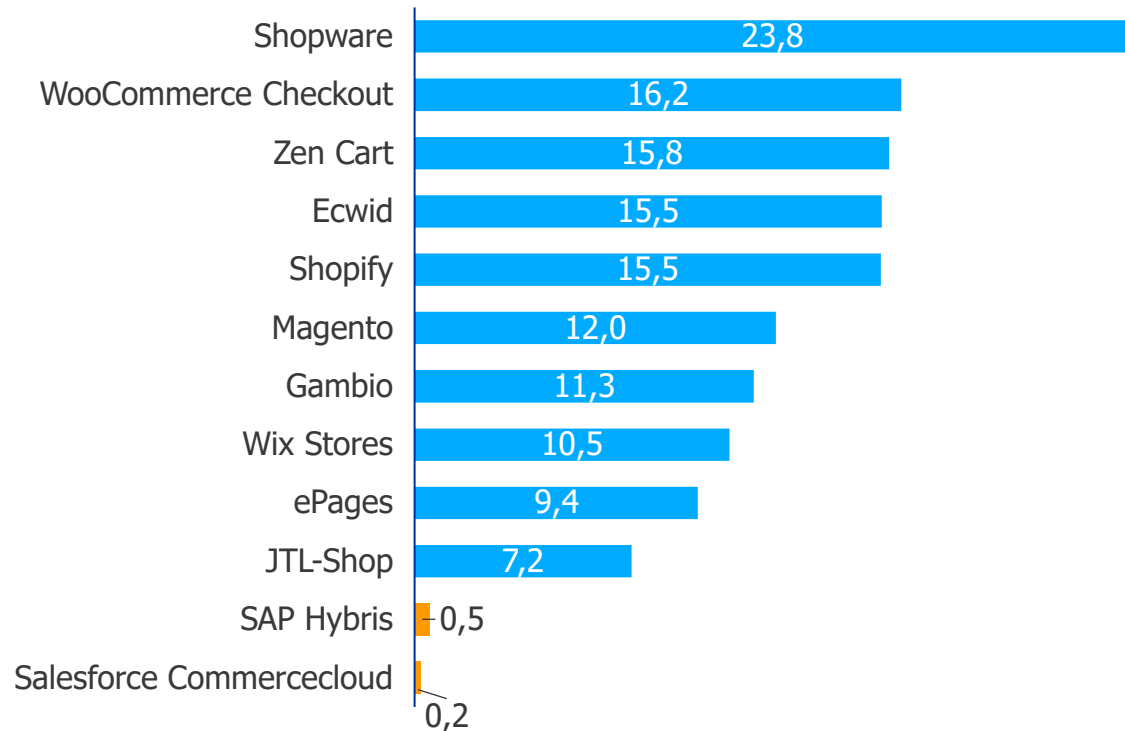
Make Buy



# Highest popularity for community based commerce software followed by SaaS products, Enterprise solutions only minor



## E-Commerce Technology Distribution [k installations]



## Remarks

- German e-commerce is dominated by (former) community platforms (Magento, Shopware), open source (WooCommerce) and full service solutions (Wix, Shopify)
- Community and open source platforms are highly popular due to an extensive third party plugin and extension market as well as a good availability of software developers specialized on those solutions
- Enterprise solutions (SAP Hybris, Salesforce Commercecloud) only account for a small piece of the total market

# Externalization of skill-intensive services is common amongst mid-sized e-commerce players, digital leaders invest in HR



Degree of internalization in medium-sized e-commerce companies



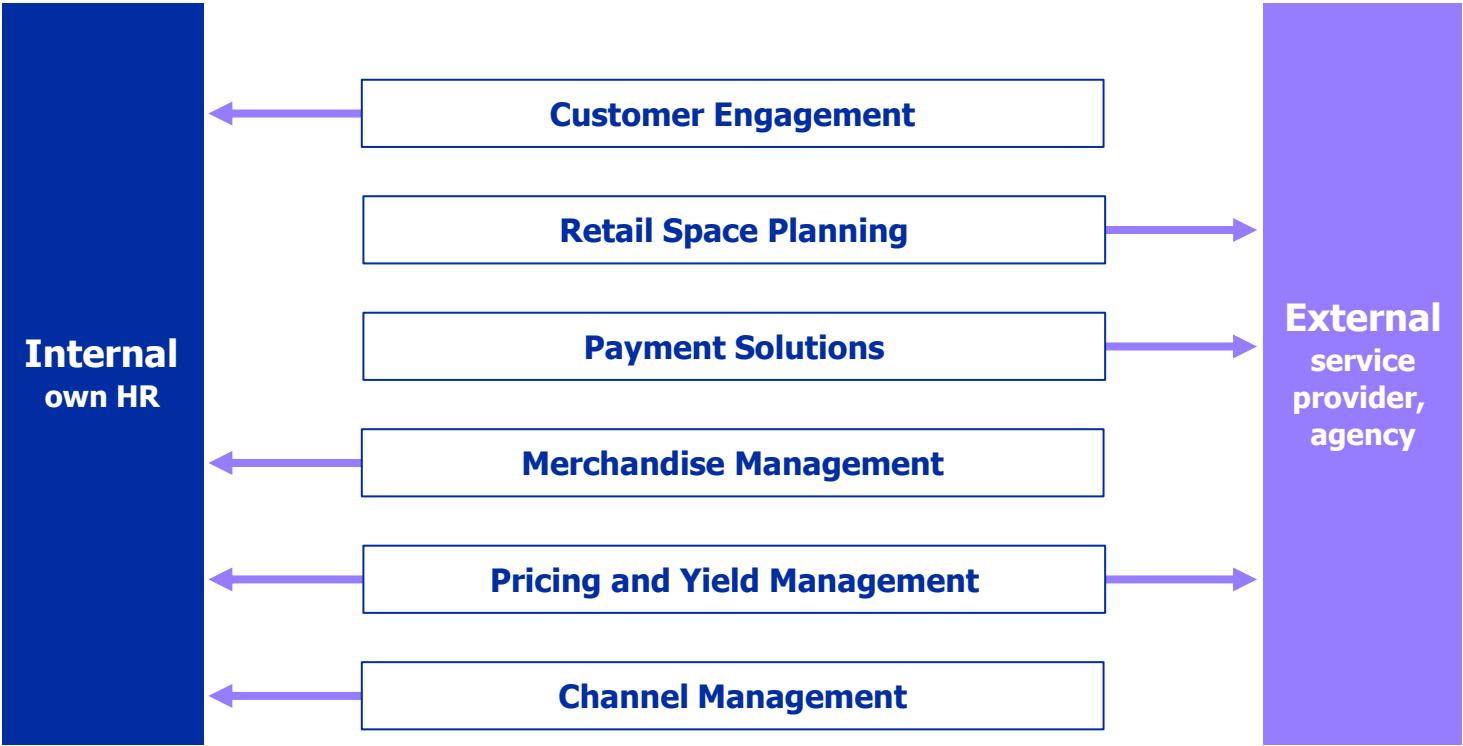
Remarks

- Mid-sized companies in Germany often do not have the resources to build up their own digital teams to cover all aspects of the digital value delivery chain
- Typical services outsourced include areas where intensive knowledge about the service is needed, whereas specific branch-knowledge is not necessary
- Large players have invested into their own digital units, usually covering all steps of the digital value chain by themselves

# Complex & regulated techniques are generally externalized in retail while internal capabilities focus on core business



Degree of internalization in medium-sized retail companies



Remarks

- Mid-sized retailers focus on their core-business when it comes to building up internal capabilities
- Experience with new retail technology is relatively low amongst mid-sized companies which results in the utilization of service providers
- Regulated techniques, such as payment solutions, are practically exclusively covered by external partners due to high degree of regulation

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## ■ Characteristics of E-commerce and Retail-Tech in Germany

### ■ Key Success Factors

### ■ Key Barriers to Entry

## ■ Development of Consumer Behaviour in Germany

## ■ Future Outlook

## ■ Summary & Recommendations

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# Customer experience is the crucial topic when it comes to determine between success and failure in e-commerce

## E-Commerce key success factors

### Differentiation and Occupation of Niches

- The omnipresence of e-commerce heavyweights such as Amazon, Otto or Zalando within the German market require online retailers to utilize a differentiation strategy to stand out against the top 3.
- As there is no single patent for success, online retailers have to sharpen their understanding about their customers and find the exact niches where they can outperform the generalists.

### Omnichannel

- Closer connection to the customer can be achieved by bringing the digital experience to the offline point of sale. Brands and retailers can benefit from the direct contact to their target group and improve the brand experience tremendously.
- Pop-up stores in prime locations and special events have proven to be most effective in connecting the online with the offline world.

### New Business

- Even as e-commerce has outgrown the niche itself, there are still business fields that have not been fully developed yet. This fact is particularly true for the food segment, where none of the e-commerce heavyweights could take the lead.
- The high requirements in fulfilment and warehousing combined with the strong brick-and-mortar competition makes this field demanding and promising at the same time.

### Special Interest

- Differentiation can not only be achieved by occupying niches, as online retailers and brands with a focus on broad special interest segments have proven to be successful by tailoring their services exactly to the needs and expectations of their customers.
- The success in special interest is based on the combination of products with information, services and community – all unified in a seamless brand resulting in extraordinary customer experience.

# Digitalisation of retail and focus on the customer are the keys to keep up with rising online competition

## Retail key success factors

### Research online, purchase offline

- Consumers in Germany are more and more researching online before making a buying decision, however, the purchase is preferably made offline.

### Building gateways to brand experience through physical stores

- Brick-and-mortar stores are no longer expected to be a sole place of broad product selection, as they have emerged to a place where the experience of products can take place
- The term „experience“ has gained much more importance as consumers want to be entertained, make use of service and be inspired when spending their time in shopping locations

### Sustainability is now considered as an essential part of product quality attributes

- Following the global sustainability trend, German consumers have become more sensitive to environmental impact of their consuming habits.
- Environmentally friendly packaging and the reduction of carbon footprints are connected with local shopping activities and regionally sourced products

### Connection of customer touchpoints for seamless customer experience

- Customers expect a seamless experience on all touchpoints, making a unified connection of customer touchpoints in both the online and the offline world essential
- A unified database enriched with real time product- and stock information and broad availability of omni-channel services are the foundation for great customer experience

# Data privacy concerns and adherence to corporate compliance guidelines have high influence on tech-innovations

## Regulatory implications



### Key barriers to market entry

Germany is traditionally a market with various rules and regulations. Within the scope of this study, the focus is put on regulatory implications that service providers of digital solutions will face most likely.

### Data privacy



The German concern for the protection of personal data has direct impact on practically all projects related to digitalisation. Especially Business Intelligence and Marketing Automation intentions will face tedious discussion with data protection officers and regulatory authorities

### Compliance



Corporate compliance guidelines are taken very serious in German companies, giving rise to a whole set of unexpected obstacles when tackling digitalisation projects. Consultancy with compliance officers is recommended at early project stage

„Before thinking of a new payment process for our digital services, we have to hold legal-workshops and get approval“

Head of Digital  
Electronics Manufacturer

„We have to build our own BI solution as our compliance does not allow to host sensitive information with a service provider“

Head of E-Commerce  
FMCG Manufacturer

# Sequential project methodology overrules agile approaches, consideration of formality and “politics” is essential

## Cultural implications



### Key barriers to market entry

Germans put high attention on education and business/company value as well as on diligence and competence. On the other side, a reserved attitude to digital innovations still exists and agile approaches are only a concept accepted by few.

#### Business Politics



Business politics is quite common in German companies and it is important to address all obvious and hidden stakeholders early in advance, otherwise unforeseen blockers can arise

#### Digital Mindset



The digital mindset, especially in medium sized German companies, is still expandable. Modern methodologies such as agile product development are often known in theory but not practically applied.

“We have to make sure that the other business line is standing in good light when we do the project, otherwise the board will not approve”

Business Unit Lead  
Leading German Mail Order Company

“The project can only be evaluated and started when fully detailed specifications are agreed on in advance”

PMO  
Food Retailer



# Sequential project methodology overrules agile approaches, consideration of formality and “politics” is essential

## Structural implications



### Key barriers to market entry: structural implications

A major implication arises when translating business needs into IT solutions, which can be traced back to an insufficient management of requirements. Furthermore, technical limitations arising from organically grown application landscapes often act obstructive

### Requirements Management



Many projects exceed time & budget because requirements were either not clear, not properly managed or understood. It is vital to take a consulting role when discussing requirements and technical solutions to avoid feature discussions afterwards

### Technical Limitations



Application landscapes have grown organically over many years, suffering from heavy customization and outdated components. This is often blocking or complicating the implementation of new solutions and has to be addressed at early project stage

“I am unable to integrate a new commerce tool into our application landscape without initiating a mid sized IT change project”

IT Director  
Mid-sized vertical fashion retailer

“Our Shop development agency does not understand what we need, our feature requests take ages to be implemented”

Online Shop Product Owner  
FMCG Manufacturer

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# German Online Shoppers at a glance



## Demographics



### Age

25 – 44 years

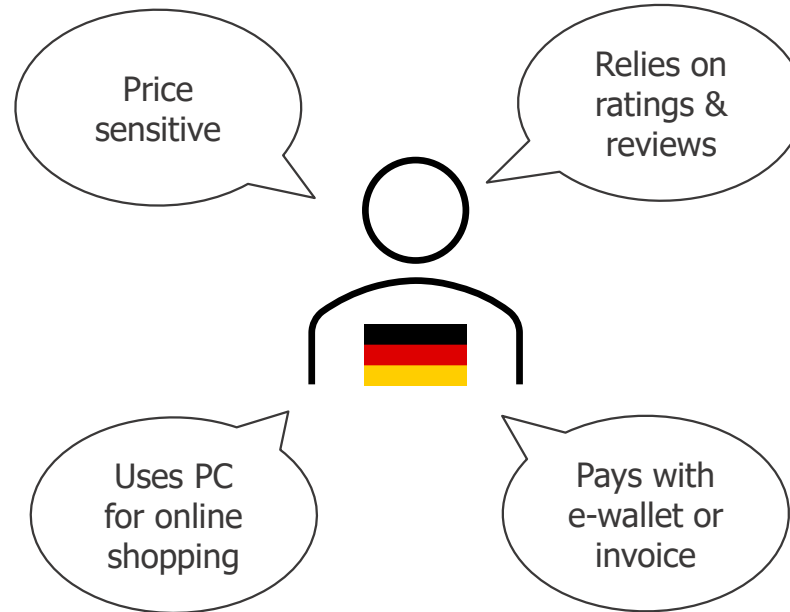


### Income

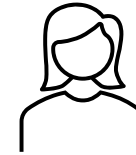
€ 1.500 – € 2.000



## Consumer Habits



## Gender specifics



Preferred Channel: **Multichannel Retailer**  
Preferred Category: **Fashion & Apparel**



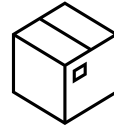
Preferred Channel: **Online Marketplace**  
Preferred Category: **Consumer Electronics**

# German online shoppers care for prices, demand flexibility in delivery and returns and a have strong security concerns



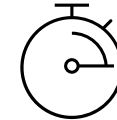
## Discount Affinity

Buyers show high affinity towards discounts and compare prices frequently before purchasing



## High return volumes

Germans tend to try before they buy: Return volume is very high, especially in fashion & apparel



## Speed

Customers expect flexibility in deliver options, delivery in short time is a critical buying-decision criterion



## Humility

Product descriptions fortified with superlatives do not only have less impact on Germans, but also make buyers suspicious



## Trust Seals

Trust seals and reviews are an important source of information and have a significant impact on buying decisions



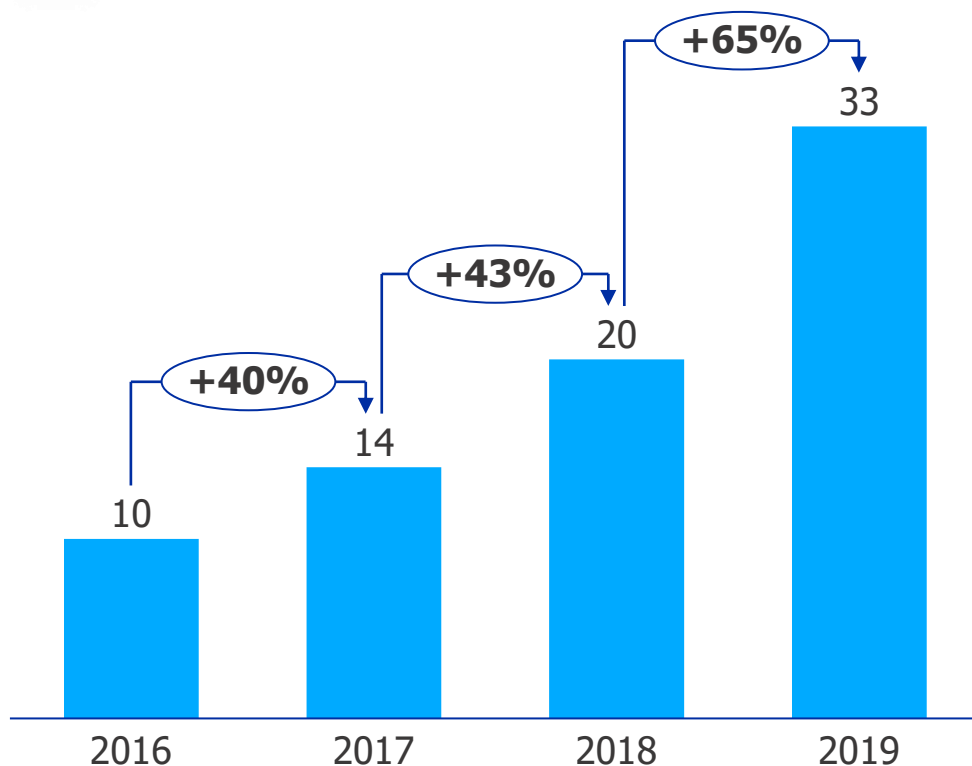
## Language

Customers in Germany expect a localized shopping experience and generally refrain from buying from vendors that do not offer a German product description

# Customers adapt to self-checkout and mobile payment as they speed up checkout processes in retail stores



Mobile payment usage [%]



Remarks

- Mobile payment and self checkout are becoming more and more popular amongst both retailers and customers, primarily based on the high convenience and the speed up of the checkout process at the cash desk
- Germans are generally reserved when it comes to switching from the popular cash payment, however, the avoidance of physical contact resulting from the Corona-pandemic and recent launch of Google Pay and Apple Pay in Germany will certainly boost contactless payment methods in the country.
- The preferred payment methods are still cash and bank transfer, however, the acceptance of digital payment wallets such as PayPal is rising. Consequently, retailers will have to adapt to the behavioural change and include alternative payment methods in their checkout processes.

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# Highest e-commerce growth rates are expected in food purchase and consumer electronics for the next years

## E-commerce growth segments – market perspective



### Food & Drugstore

CAGR until 2024 **+10%**

- Food and drugstore category features highest projected CAGR until 2024, mainly driven by change in consumer habits
- Significant potential is expected within this category as the market has not consolidated yet
- Entrance of new players in the market is possible as none of the big players has claimed the whole territory yet



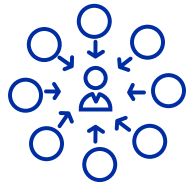
### Consumer Electronics

CAGR until 2024 **+9%**

- Despite being a mature category, growth for consumer electronics is still projected with 9% CAGR until 2024
- Potentials arise from channel expansion and D2C ambitions from manufacturers
- Entrance of new major players in the market is not likely

# E-Commerce growth is driven by digital commerce platforms laying the foundation for customer-centric business activities

## E-commerce growth segments – company perspective



### Customer Centricity

Personalization

Marketing Automation

- Customer centricity is vital for e-commerce players to keep revenues growing
- To achieve this, a unified view on and thorough understanding of customer data is essential
- The number of customer centricity related digitalisation projects is going to rise over the next years, opening a broad field of business opportunities



### Platform modernization

Service based application architecture

Modernization of core applications

- Unified data handling and customer understanding goes hand in hand with a solid technical foundation
- The relatively old tech-stack of many online retailers in the mid-sized segment is a significant obstacle, therefore platform modernization projects are projected to expand



# Platform economy and unification of sales channels are the main e-commerce topics for the upcoming years

## E-commerce business model implications



### Rise of Marketplaces

- Online Retailers are currently opening up their shopping platforms for third-party sellers, transforming their business into marketplaces
- Marketplaces enable manufacturers to test D2C selling without heavily investing into own infrastructure



### Channel Unification

Manufacturers face the challenge to offer their products on all possible sales channels to meet consumer demand while keeping prices and customer data unified at the same time



### Business Opportunities

- ✓ Solutions to unify customer data over all digital sales channels
- ✓ Solutions for setup and operation of marketplace-based D2C business
- ✓ Infrastructure for channel management and marketplace operations infrastructure

# Shifting from monolithic commerce platforms to microservice based architecture assures flexibility for online retailers

## E-commerce tech model implications



### Platform Relaunch

- In order to keep up with rising technical requirements, platform relaunch projects are going to grow in the future
- The majority of affected companies is reluctant to tackle those projects due to high complexity



### Third Party Integration

- Shifting the application architecture to a microservice based setup, third party providers have to be integrated continuously
- Many mid-sized companies have little to no experience in this tech-field



### Business Opportunities

- ✓ Application architecture design
- ✓ Platform relaunch services
- ✓ Requirements management
- ✓ Cooperation with system integrators
- ✓ Third party service integration

# Highest retail growth rates are expected in furniture and fashion & apparel during the next years

## Retail growth segments – market perspective



### Furniture

CAGR until 2025\* **+4%**

- Today furniture is being replaced more frequently than it was common in the past which leads to a steady growth of the category
- The market is not consolidated yet, leading to a lot of activity and demand for innovation within the sector
- Entrance of new players in the market is possible as none of the big players has claimed the whole territory yet



### Fashion & Apparel

CAGR until 2025\* **+4%**

- Despite being a mature category and being hit hard by the Covid-19 pandemic impact, growth for fashion & apparel is still projected with 4% CAGR until 2025
- Potentials arise in the development of new supply chains from global to a local approach
- Consumer trends will be sustainability and social responsibility which can both be met with a shift in production and sourcing

# Connected customer touchpoints and unified customer data have direct implications on retail tech requirements

## Retail tech model implications



### Artificial intelligence

- AI as customer centricity enabler and precise predictive analytics is the favoured future IT topic in German retail
- Most important retail IT related projects will focus on unification of data to build a solid foundation for predictive analytics and other AI use cases



### Augmented Reality

- Full store virtualization is still a topic for the not so near future, however, retailers can already utilize the technology to generate value for customers
- Present use cases include enriching the shopping experience with advanced storytelling and the provision of valuable, additional information



### Business Opportunities

- ✓ Support in implementing proper business intelligence processes
- ✓ Creation of data models and unification of customer and company data
- ✓ Strategy and content creation for AR use cases
- ✓ Implementation of proper technical infrastructure for AR

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# The German e-commerce and retail tech market is highly active, especially medium sized companies seek support

## Key findings

### Chances & opportunities



Selected e-commerce segments are still evolving



Retail is undergoing heavy transformation



Mid-sized companies are behind in digitalisation compared to the big players



Mid-sized companies have built up a huge tech-investment backlog blocking digital transformation



Digital mindset in the majority of mid-sized companies is still underrepresented



Limited availability of digital expert workforce favours outsourcing of complex tasks



Privacy concerns are very high and have a huge impact on digitalisation



Basic development of clear understanding of business and IT requirements

### Risks & Threats

# Heterogeneous e-commerce segments, heavy transformation in retail & digital construction sites offer great possibilities

## Recommendations: Chances & Opportunities



### Focus on growing segments

Especially immature e-commerce segments such as food & drugstore offer business opportunities



### Tackle outdated tech-stack

Resolving high investment backlogs in core business applications and shift to microservice architecture are the foundation for digitalisation activities



### Utilize retail transformation

Heavy digital transformation in retail gives potential for numerous digitalisation projects



### Add value in complex tasks

Low affinity to digital mindset in German mid-sized companies gives room for service providers who are willing to take their clients by the hand on their way to digitalisation



### Target mid-sized companies

German "Mittelstand" is particularly attractive for Finnish service providers due to size and lower level of digitalisation



### Complement lack of skills

Service providers can benefit from the lack of digital experts in mid-sized companies by making use of well-established outsourcing practices

# Heterogeneous e-commerce segments, heavy transformation in retail & digital construction sites offer great possibilities

## Recommendations: Risks & Threats



### Resolve privacy concerns

Ensure to address privacy and data protection topics at an early stage and prepare to go several rounds before an agreement with data protection officers and regulatory authorities can be achieved



### Get requirements clear

Put high emphasis on formulating clear and unmistakable requirements on both business and IT-side to avoid multiple iterations circles when it comes to delivering technical solutions



# How to capture the opportunities?

## Recommendations: Get involved

- ✓ Focus on mid-sized companies instead of category leads
- ✓ Distinguish from competition by putting a high emphasis on explanation of difficult topics
- ✓ Show great understanding for the self-perceived uniqueness of each company
- ✓ Understand the individual problems of each target company and its industry to be prepared to present a possible solution before approaching them
- ✓ Utilize the market knowledge and resources from Business Finland to prepare your market entry

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# Content

- Structure of the German E-Commerce & Retail Tech Market
- Development of Consumer Behaviour in Germany
- Future Outlook
- Summary & Recommendations
- **Appendix**

# E-Commerce: Clothing & Apparel

Zalando is leading the second-largest e-commerce category in Germany

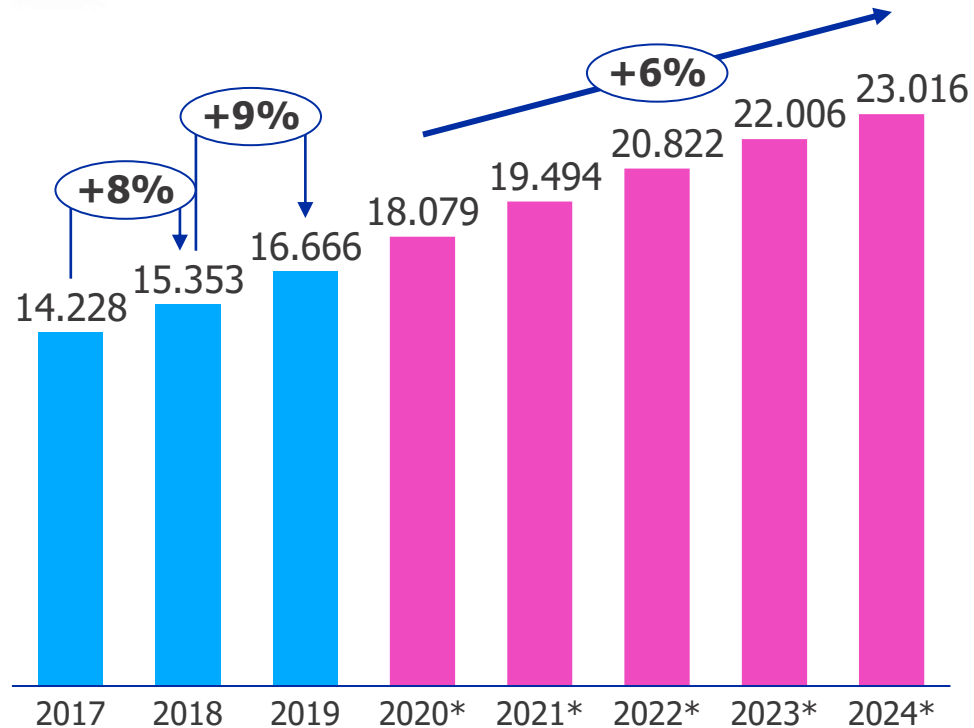
- Clothing & apparel is the one of the largest e-commerce categories in Germany
- Revenues in clothing & apparel have been growing constantly over the last years and future growth has been predicted with 6% until 2024\*
- The category is dominated by fashion retailers (Zalando, AboutYou, Bonprix), fashion brands (H&M, Esprit) online retailers (Amazon, Otto), shopping clubs (Best Secret) and discount food retail (Lidl)



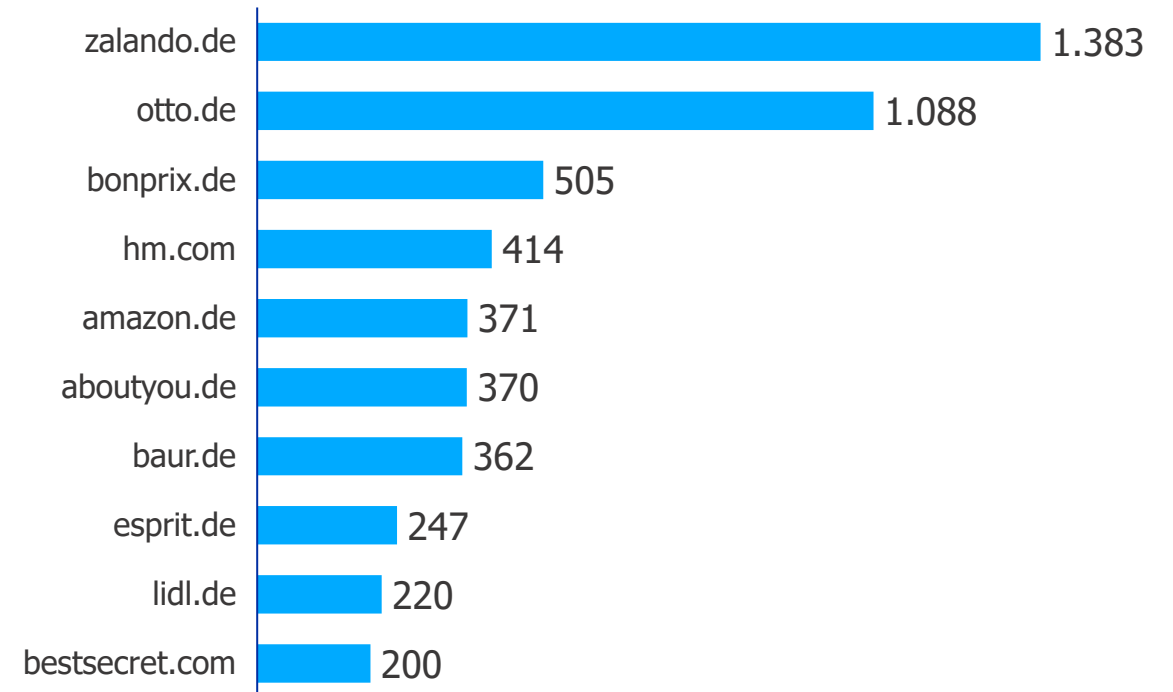
# E-Commerce: Clothing & Apparel – Facts & Figures



E-Commerce Net Revenue Clothing & Apparel [€ m]



Clothing & Apparel top 10 shops by revenue 2018 [€ m]



# E-Commerce: Consumer Electronics & Media

The largest e-commerce category in Germany is dominated by Amazon

- Consumer electronics & media is currently the largest category in the German e-commerce market and it is dominated by Amazon, generating 3.725 m € in net revenues
- Revenues over all shops have grown double-digit during the last years and the future growth has been predicted with 9% until 2024\*
- Besides Amazon and Otto, the category is dominated by tech-only players, on the retail side with Media Markt and Notebooksbilliger and on the brand side with Apple

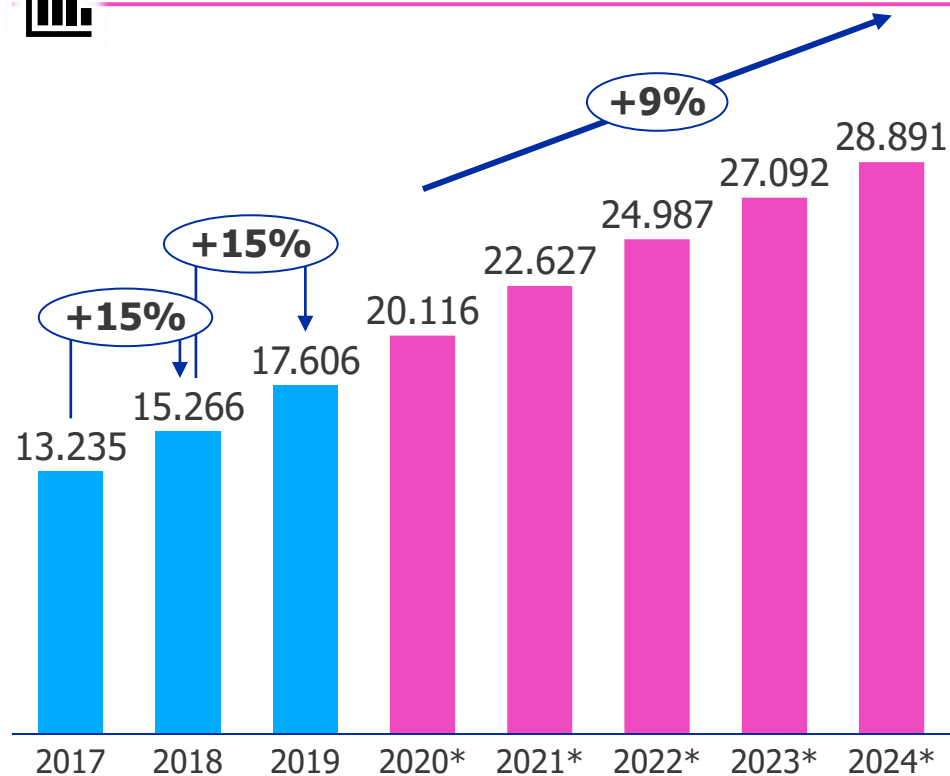




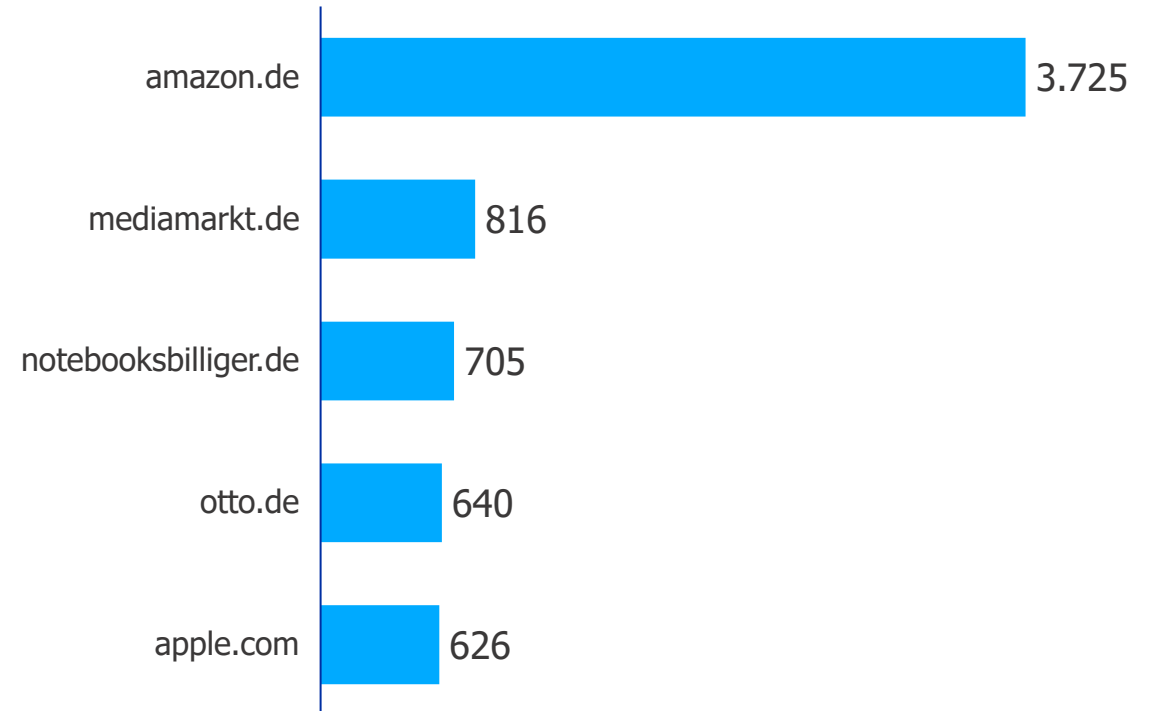
# E-Commerce: Consumer Electronics & Media



E-Commerce Net Revenue Consumer Electronics [€ m]



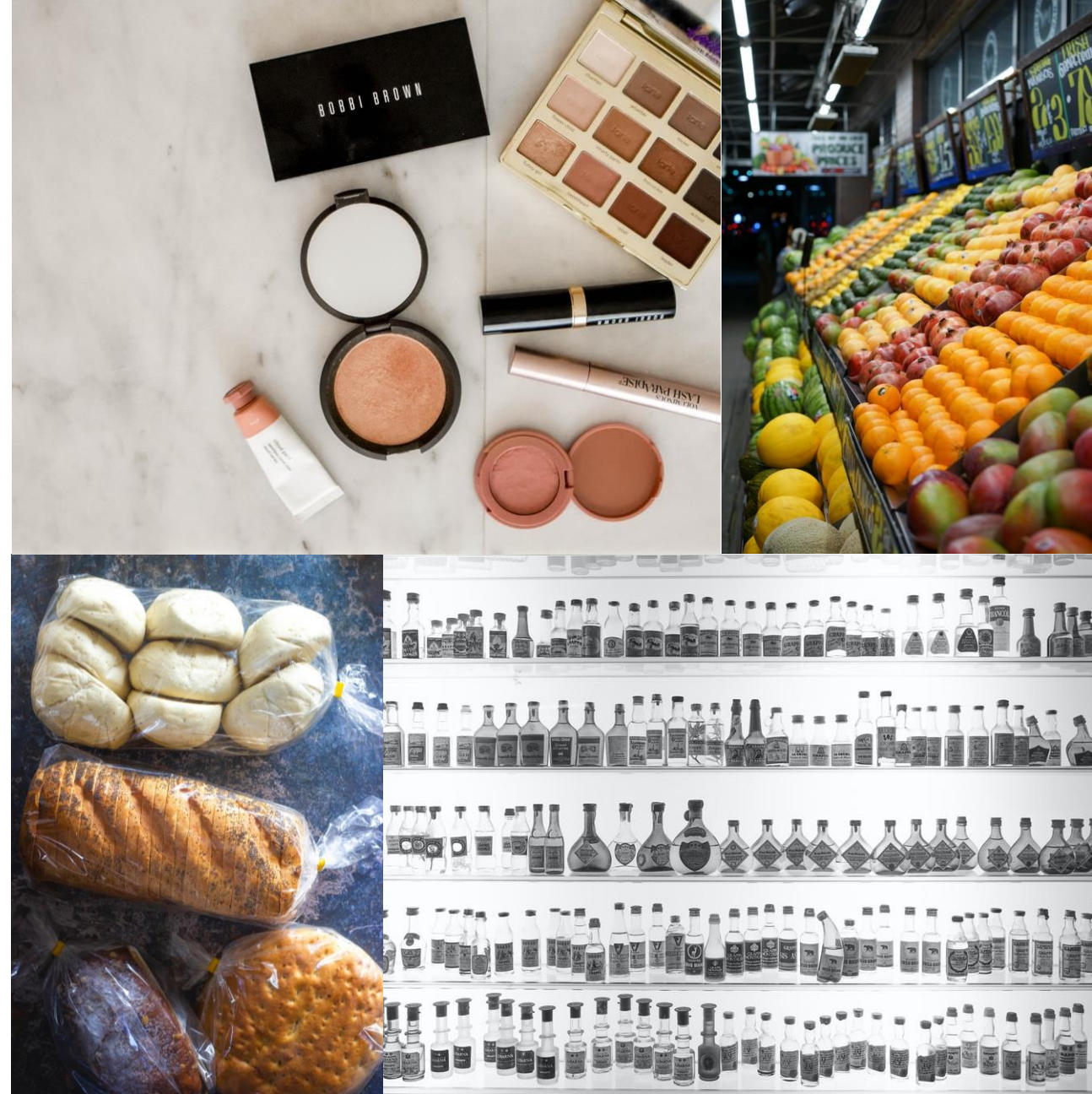
Consumer Electronics Top 5 Shops by revenue 2018 [€ m]



# E-Commerce: Food & Drugstore

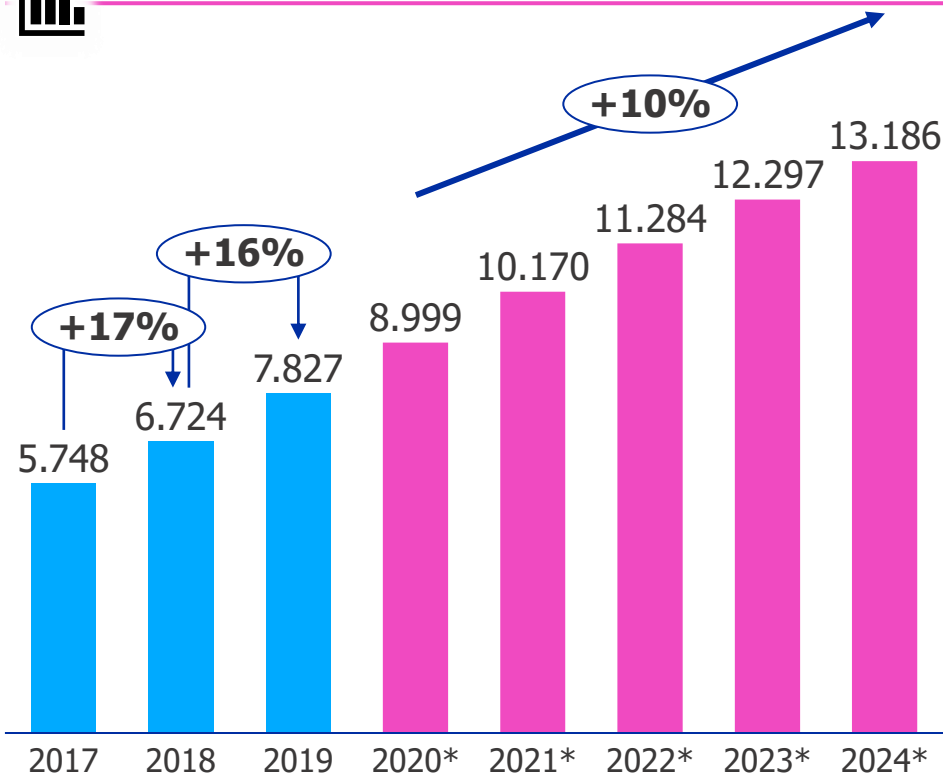
Rising food & drugstore online market in Germany is lead by Amazon

- Purchasing food, cosmetics and pharmaceutical products online is, compared to e.g. fashion or electronics, a relatively new market
- Amazon is leading the category in total with a combined product portfolio, however competition with homogenous product portfolio such as hellofresh (food) or docmorris (pharmacy) are only a small step behind
- Purchasing food online is becoming more and more popular, especially since Covid-19 situation demand is rising
- Revenues over all shops have grown double-digit during the last years and the future growth has been predicted with 10% until 2024\*

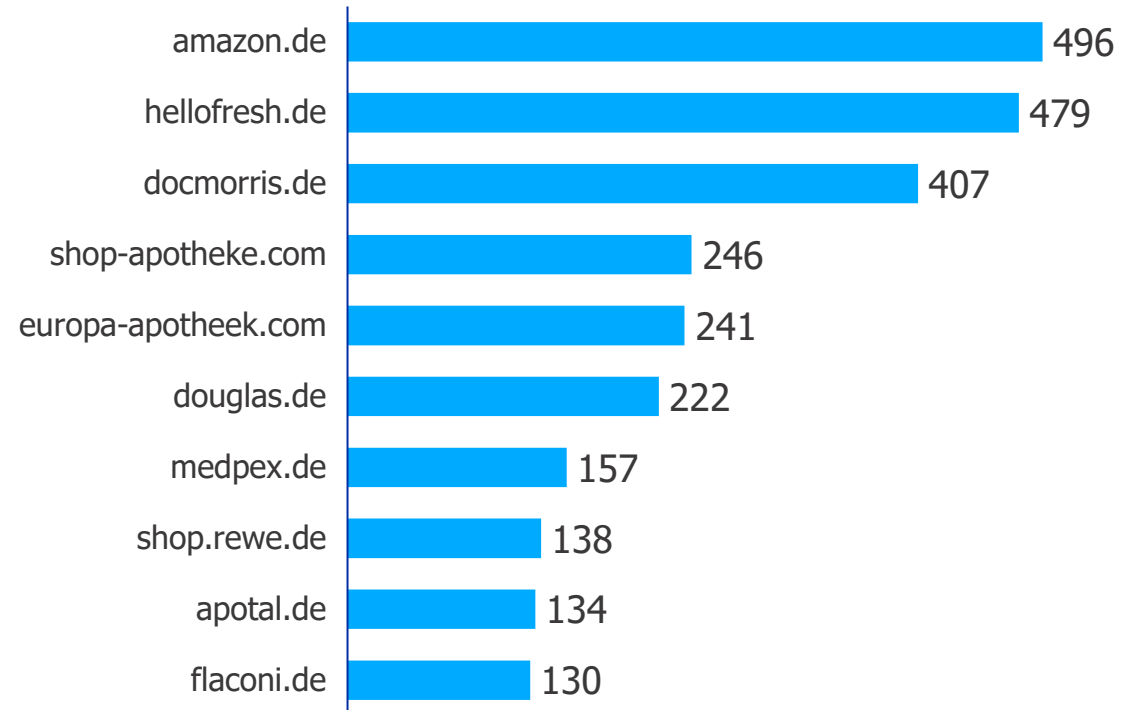


# E-Commerce: Food & drugstore

 E-Commerce Net Revenue food & drugstore [€ m]



 Food & drugstore Top 10 Shops by revenue 2018 [€ m]






# E-Commerce: Household & furniture

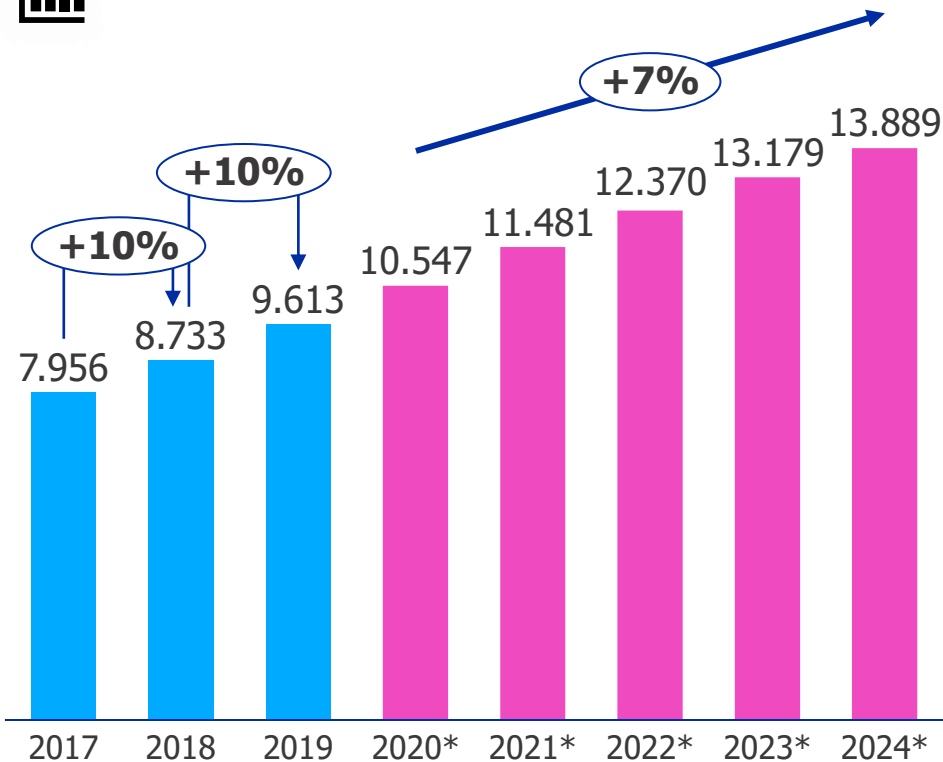
## Full-range-traders leading household and furniture category

- Households and furniture category is dominated by Amazon and Otto, putting online retailers to the top. Ikea has expanded online activity, bringing the Swedish furniture giant to the third place in revenues
- Revenues in household & furniture have been growing constantly over the last years and future growth has been predicted with 7% until 2024\*
- The category is dominated by fashion retailers (Zalando, AboutYou, Bonprix), fashion brands (H&M, Esprit, Asos) Online retailers (Amazon, Otto) and discount food retail (Lidl)

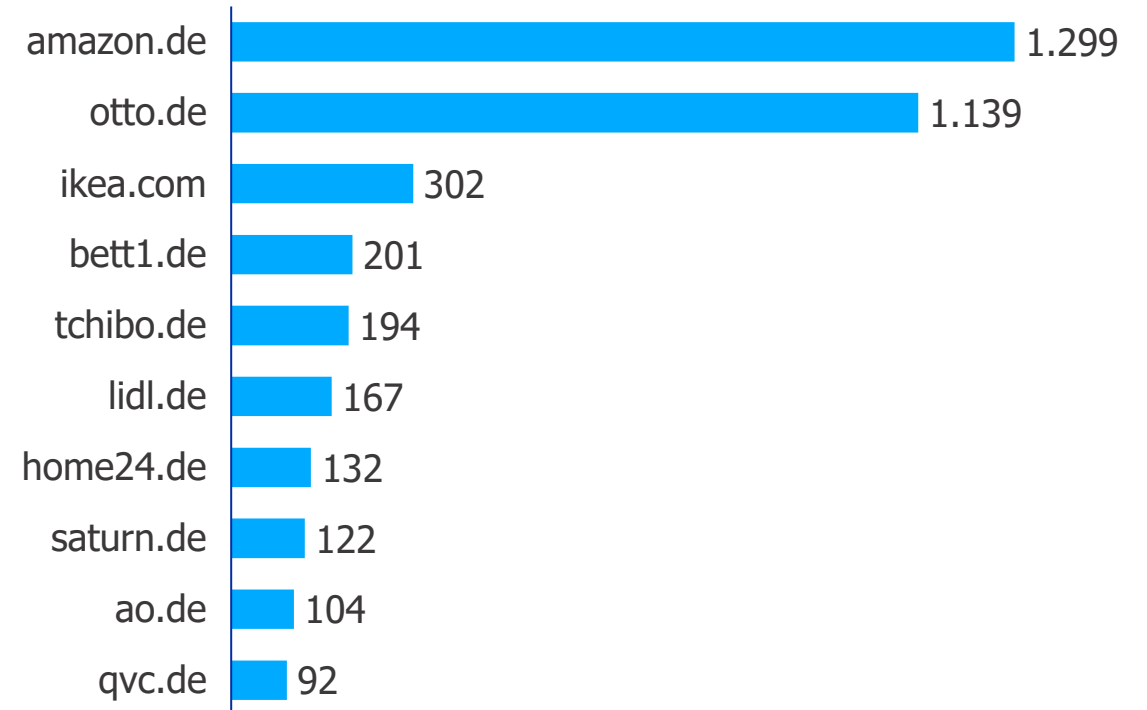


# E-Commerce: Household & furniture

 E-Commerce Net Revenue household & furniture [€ m]



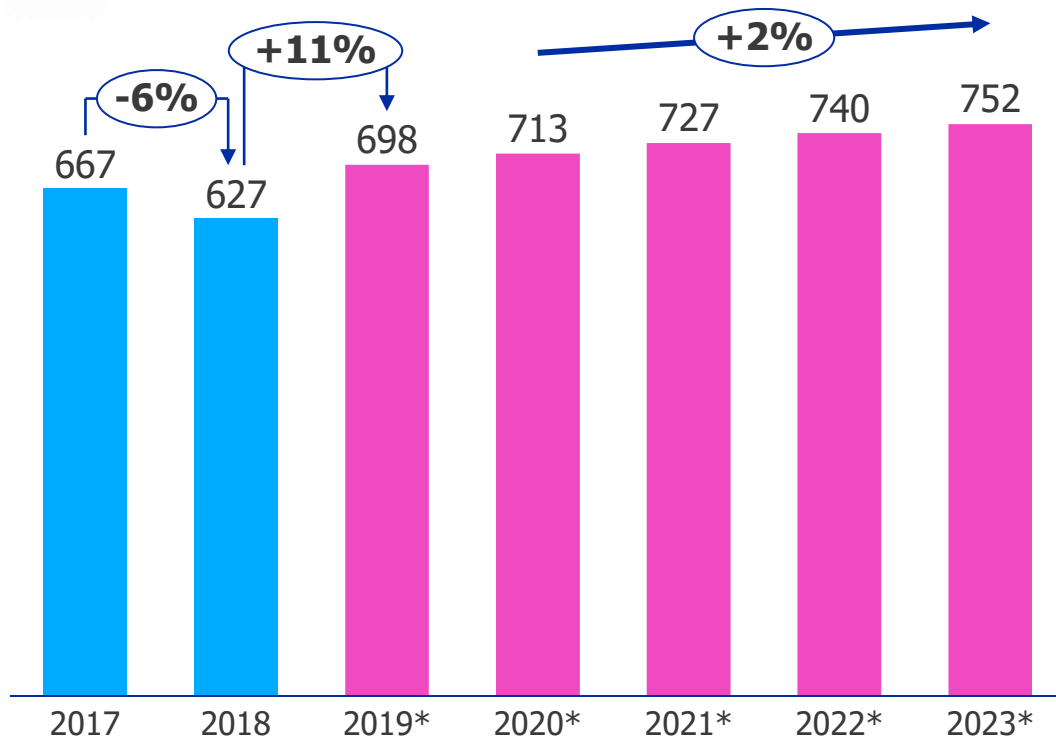
 Household & furniture Top 10 Shops by revenue 2018 [€ m]



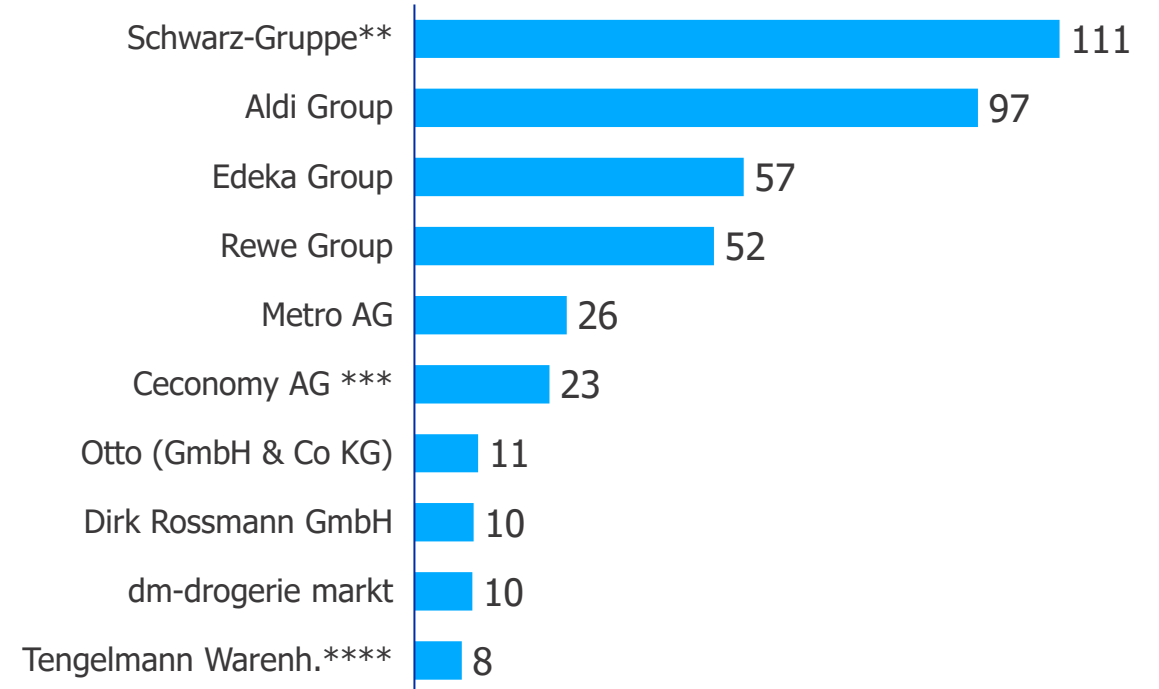
# Retail Germany



Retail revenue Germany 2017-2023 [€ bn]



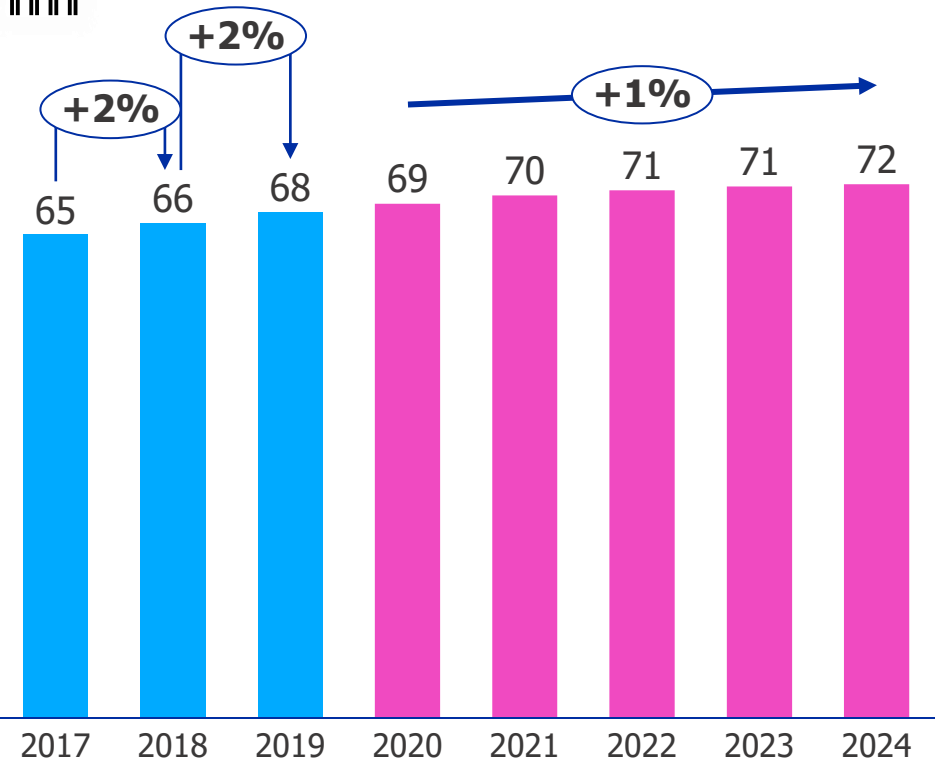
Top 10 retailer Germany by revenue 2018 [€ bn]



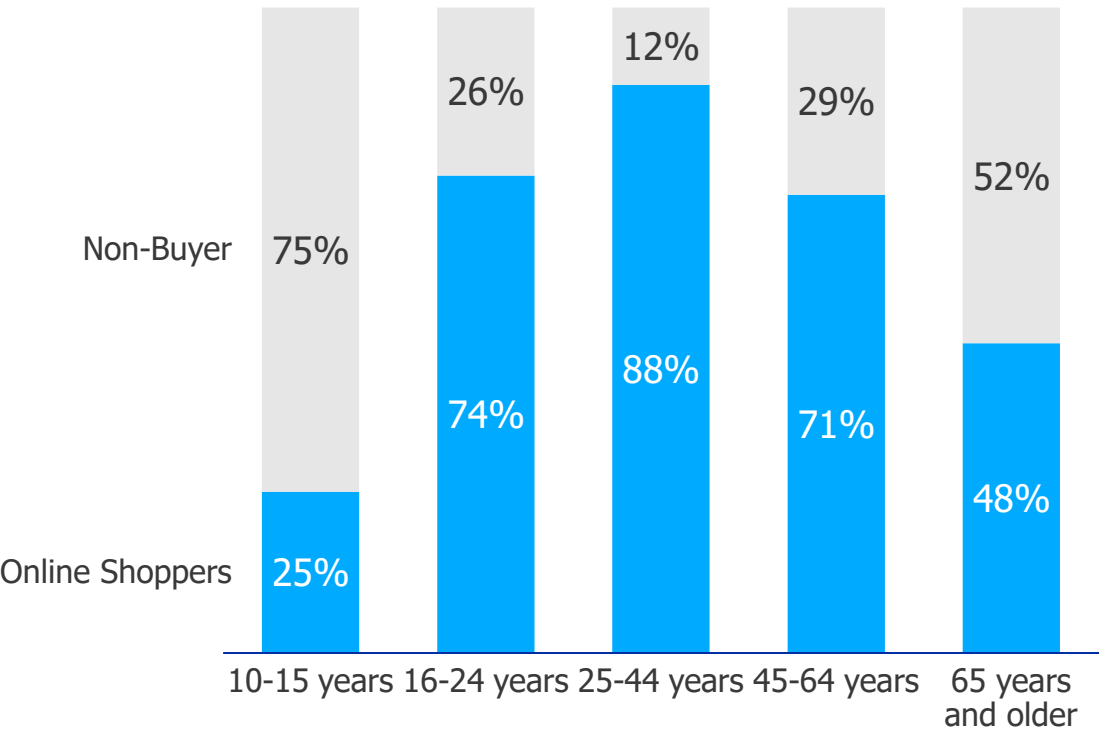
# Online Shopping Behaviour Germany



E-Commerce users in Germany 2017 - 2024 [m users]



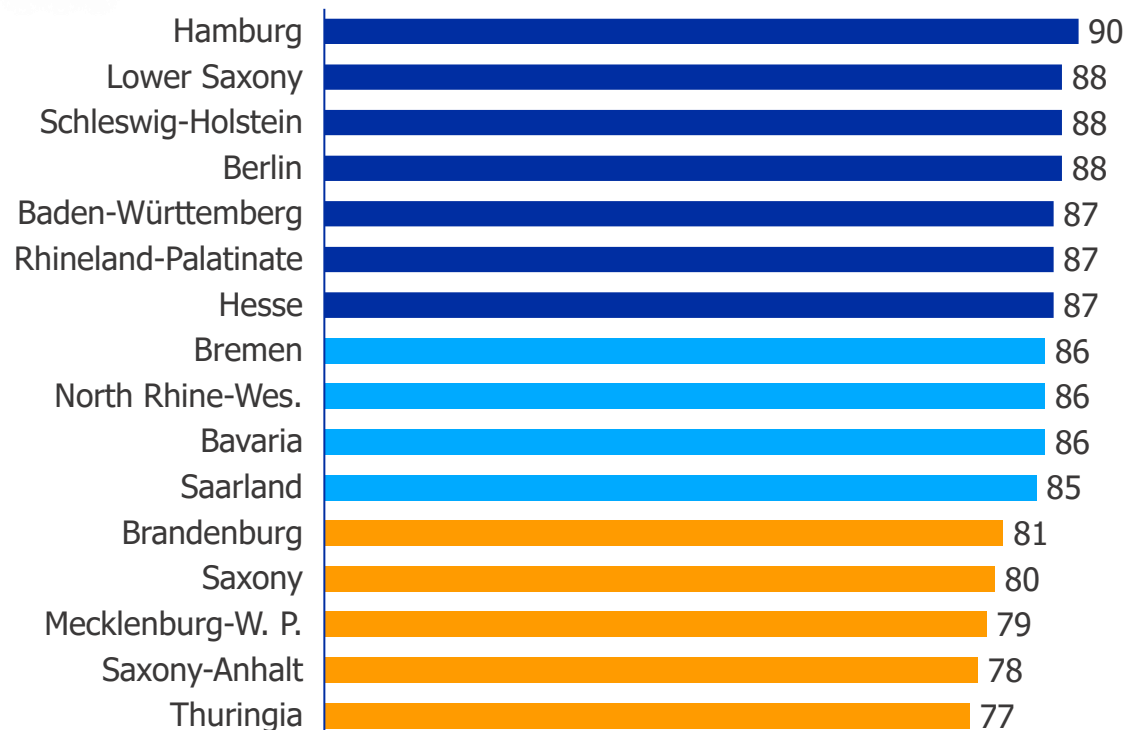
Age Distribution of German online shoppers 2019 [%]



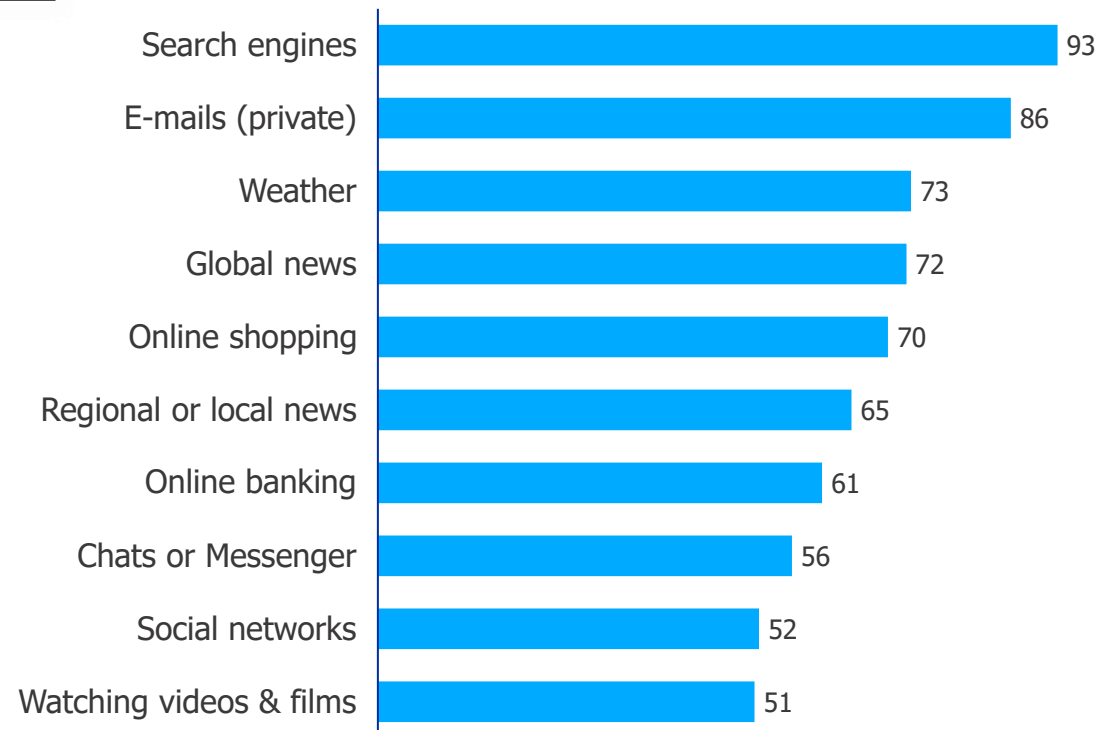
# Internet Usage Germany



Internet users by German state 2018 [% tot. population]



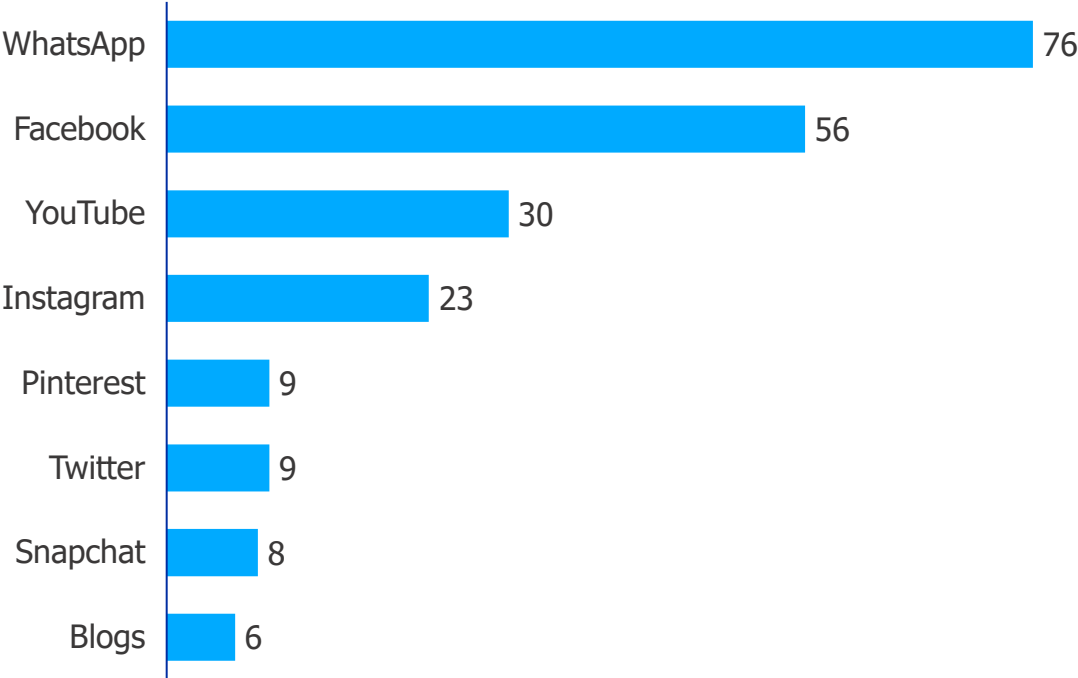
Thematic focal points of online usage Germany 2019 [%]



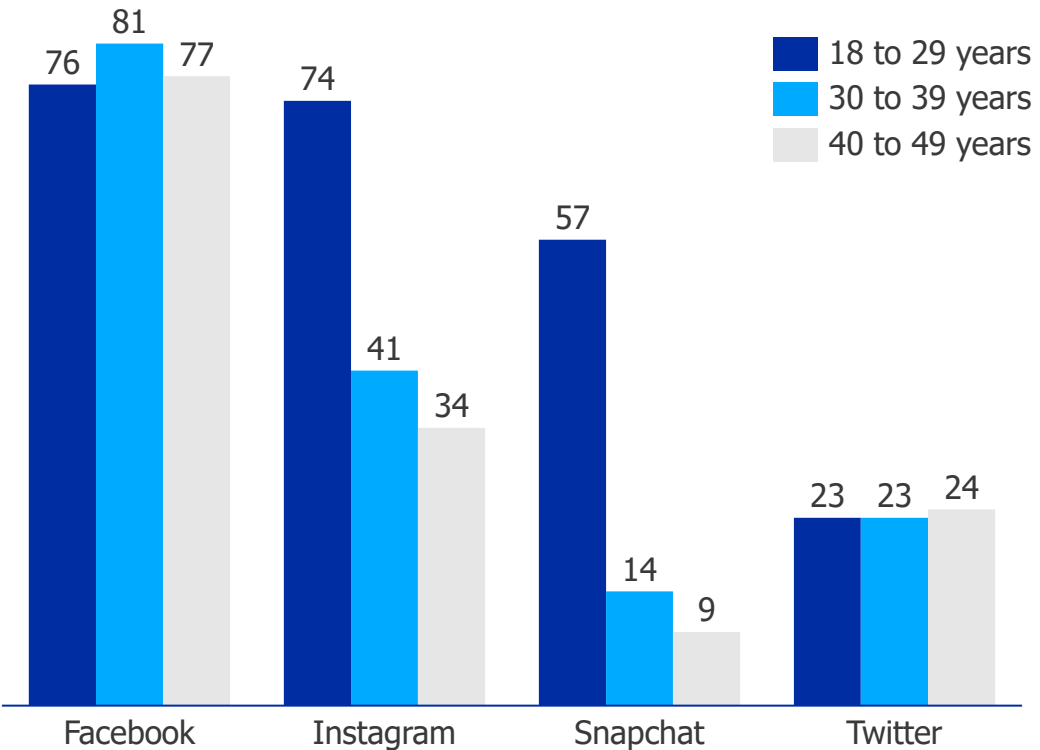
# Social Media Usage



Daily usage of social media platforms Germany 2018 [%]



Age Distribution of Social Media users 2018 [% of age group]



# Interview transcript: Electronics

**Industry:** Electronics Manufacturer      **Position:** Head of Digital

## **1. Which digital sales channels do you already operate?**

We are just getting started to build our own digital sales channels as we have been relying on wholesale to stationary and online retail so far. The complexity of our products has shown that direct interaction with our customers is already vital in the early stages of the buying process. We have tested this concept on Amazon and it turned out great.

## **2. Which chances do you see in digitalisation for your industry?**

The direct interaction with end-users without having any intermediaries gives us the chance to explain our products and advise for the correct solution for any use case. On the other hand, we are able to gather valuable insights from our customers giving us the opportunity to tailor both products and offers more precisely.

## **3. Which challenges does your industry currently face most in terms of digitalisation?**

For many years, IT has been seen as a sole service center but not as an enabler within the value chain. The mindset is still common amongst many colleagues and we are facing a slow but steady change-process here. The biggest challenge is definitely to bring business users and IT together when developing future solutions, they still seem to speak different languages.

## **4. Looking back to previous digitalisation projects - what was good, what was bad?**

Our biggest project has just finished recently - the total renewal of our core business applications including our legacy ERP system. In the beginning, IT was working in a tunnel on their own leading to a lot of frustration when delivered services did not meet expectations of business units. Therefore, we switched the methodology and brought both parties together in an early stage of requirements analysis. The outcome was much better service delivery and less iteration cycles.

## **5. Do you have any concrete projects planned with regards to digitalisation?**

We continue to build our own digital sales channels, currently we are working on digital payment solutions.

## **6. What impact did the Corona crisis have on your industry so far and how would you describe the future outlook?**

We have seen a significant drop in demand of our products, however, we cannot evaluate yet whether this is temporarily due to uncertainty within our customers or a long-run effect due to recession.

# Interview transcript: FMCG

**Industry:** FMCG Manufacturer

**Position:** Head of E-Commerce & Online Shop Product Owner

## **1. Which digital sales channels do you already operate?**

We have our own online shop in the second generation and we are utilizing Amazon both in vendor- and seller-model.

## **2. Which chances do you see in digitalisation for your industry?**

Our product portfolio occupies niches in order to avoid direct competition with big FMCG-players. For us, digitalisation has brought advantages in getting direct interaction with the customer on the one side and on the other side, we are able to improve our margins as we can skip wholesalers to a certain degree.

## **3. Which challenges does your industry currently face most in terms of digitalisation?**

Our technical infrastructure is still not on the level as we need it. Especially product data management, warehousing and fulfilment are limiting our ambitions to grow in digital channels.

## **4. Looking back to previous digitalisation projects - what was good, what was bad?**

We have had two major projects recently that I can talk about - one was the web shop relaunch and the other one was the implementation of a new ERP system. The shop relaunch went well as we had a dedicated agency and external support to steer our service provider. On the other hand, we managed the ERP implementation with internal know-how only which lead to a huge gap in deliverance of service against what was expected. We are still fixing various issues that are constantly making daily operational work hard.

## **5. Do you have any concrete projects planned with regards to digitalisation?**

In order to expand our marketplace activities and to meet our growth projections, we are planning to implement a dedicated software for channel management and order management.

## **6. What impact did the Corona crisis have on your industry so far and how would you describe the future outlook?**

As we have a strong share of hygiene products in our portfolio, demand has been outperforming any outlooks that we have created for the first two quarters of 2020. However, our other business lines are dropping and we expect that also the demand for hygiene products will shrink significantly compared to the peak time of the pandemic.



# Interview transcript: Food Retail

Industry: Food Retail

Position: PMO

## 1. Which digital sales channels do you already operate?

Besides our own online platform that was launched last year, we only operate in brick-and-mortar locations

## 2. Which chances do you see in digitalisation for your industry?

There is a huge potential for food retail when it comes to utilise digitalisation but we are still at the very beginning. In terms of our operations, I would say, we are already doing well. Our procurement and logistics are fully digital and we are gaining huge benefits from that. Looking at the distribution side however, we have to do our homework when it comes to understanding our customers better. We already have a lot of data but we are still looking for the final concept to gain advantages from that.

## 3. Which challenges does your industry currently face most in terms of digitalisation?

Any activities that we approach have to be tested and finally implemented in our several thousand retail-outlets. That is time consuming and cost intensive. I think that our competitors face the same problem.

## 4. Looking back to previous digitalisation projects - what was good, what was bad?

It is vital to bring every stakeholder on board at an early stage, otherwise changes occur at a very late stage of the development process which again can kill the whole project timeline. Especially legal/data privacy should be settled as early as possible.

## 5. Do you have any concrete projects planned with regards to digitalisation?

We are constantly working on projects that somehow touch digitalisation, currently we are tackling Big Data/AI.

## 6. What impact did the Corona crisis have on your industry so far and how would you describe the future outlook?

I can probably speak for all industry partners here, too - demand was excessive during the last weeks and we were struggling to keep supply chains up and running. We are now slowly getting back to normal pace, however, I cannot make a reliable prognosis for the future

# Interview transcript: Mail Order

Industry: Mail Order

Position: Business Unit lead

## 1. Which digital sales channels do you already operate?

We are operating our own digital sales platform that we are currently upgrading to a full and open marketplace. Besides that, we have subsidiaries that are offering white label cloud solutions for the fashion and apparel industry. Of course, we also have our own smartphone apps.

## 2. Which chances do you see in digitalisation for your industry?

Digitalisation is the only way to survive in the business. We and others see ourselves as an industry leader in the German market. Generalist retailers can only grow if they are able to build a loyal customer base that shops regularly with us. Therefore, I see the greatest change from digitalisation in understanding and engaging our customers even better.

## 3. Which challenges does your industry currently face most in terms of digitalisation?

We are evolving from the "old", mail order and catalogue based sales channels to fully digital. This is a hard way to come as our complete technological stack has to be rewritten and adjusted to meet new demand.

## 4. Looking back to previous digitalisation projects - what was good, what was bad?

Complex projects have always been challenging to handle; I see it as a key success factor that everybody who is affected is totally clear about what should be achieved with a project or even a single feature. This is particularly challenging in large corporations where dozens of business units compete about limited IT and tech resources.

## 5. Do you have any concrete projects planned with regards to digitalisation?

As I mentioned before, our main project is the transformation of our sales platform into a marketplace.

## 6. What impact did the Corona crisis have on your industry so far and how would you describe the future outlook?

Contrary to our assumption, demand did not rise even though all physical stores were closed. However, people keep their money together right now. Overall, we are going through the crisis quite well.

# Interview transcript: Fashion & Apparel

**Industry:** Vertical Fashion Retailer

**Position:** Director of IT

## **1. Which digital sales channels do you already operate?**

As a vertical, we operate on probably all digital sales channels - let it be our own shop-platform or online retailers.

## **2. Which chances do you see in digitalisation for your industry?**

We see a better understanding of our customers as a main chance from digitalisation. Offering the right product at the right time to the right customer is vital to increase our revenues. On the other side, our sourcing and production can benefit heavily from digitalisation - starting in product development over prototyping to final product release. Speed is essential in our industry and if we want to keep up with fast fashion players, we have a long and hard way to go

## **3. Which challenges does your industry currently face most in terms of digitalisation?**

Many mid-sized companies in our sector have a certain tradition and therefore, processes have grown organically over the last decades. Fast fashion companies are generally digitally natives that were able to sketch their processes directly to be digital while we have to undergo heavy change to get only somewhere near that. Besides our digital sales channels, we operate several hundred physical stores in the world and it is a constant struggle to those profitable on one side and innovative on the other side. A great challenge will be to bring the channels together, currently our omni-channel activities are limited to click-and-collect and loyalty points.

## **4. Looking back to previous digitalisation projects - what was good, what was bad?**

We had to learn the hard way that a great brand name of a solution is not always the best to go. We require deep industry knowledge when it comes to find the right solution for our core business applications, as differences between fashion companies in terms of business processes are detailed, but vital.

## **5. Do you have any concrete projects planned with regards to digitalisation?**

We are preparing a huge revamp of our complete application architecture, practically no stone will be left on the other when we are done.

## **6. What impact did the Corona crisis have on your industry so far and how would you describe the future outlook?**

Corona hit us very hard - we had to close all physical outlets due to government regulations and also revenues in digital channels dropped down greatly. Our warehouses are full of unsold stock and the next collections have already been ordered from our suppliers.

# Glossary

<b>AI</b>	Artificial Intelligence	<b>FMCG</b>	Fast Moving Consumer Goods
<b>AR</b>	Augmented Reality	<b>HR</b>	Human Resources
<b>B2C</b>	Business to Consumer	<b>IMS</b>	Inventory Management System
<b>BI</b>	Business Intelligence	<b>IT</b>	Information Technology
<b>CAGR</b>	Compound Annual Growth Rate	<b>OMS</b>	Order Management System
<b>CRM</b>	Customer Relationship Management	<b>PIM</b>	Product Information Management
<b>D2C</b>	Direct to Consumer	<b>PMO</b>	Project Management Office
<b>DAM</b>	Digital Asset Management	<b>POS</b>	Point of Sale
<b>ERP</b>	Enterprise Ressource Planning	<b>SaaS</b>	Software as a Service