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Expanding Grocery E-Retail Market in Germany

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Report Highlights:

Online grocery retail, although off to a somewhat slow start in Germany, offers promising opportunities for food producers and marketers. In 2018, German online grocery sales generated \$1.3 billion. Those sales are expected to nearly triple to \$3.8 billion by 2023, as shoppers turn to the convenience of food delivery services and purchase groceries online more frequently. Still a small segment of the overall \$273.5 billion German grocery industry, the success of the online grocery market will require a paradigm shift from retailers—who must invest heavily in storage, logistics, and delivery infrastructure—and consumers—who must experiment with new digital grocery platforms.

General Information:

I. Market Overview

As the largest food and beverage market in the European Union, Germany—home to more than 83 million of the world’s most affluent consumers—offers increasing marketing opportunities in grocery e-retail. [1] Around 2014, some grocery companies and e-retailers piloted online ordering and delivery services in Germany. Between 2014 and 2018, those services expanded, with total revenues in the online grocery sector increasing by more than 20 percent per year. [2] In 2018, German online grocery sales generated \$1.3 billion. That figure is expected to triple by 2023, when online grocery sales in Germany are projected to reach \$3.8 billion. [3]

The online grocery market in Germany remains in its infancy, claiming only 0.5 percent of Germany’s 2018 total grocery sales of \$273.5 billion. However, with an expected compound annual growth rate of 23.2 percent between 2018 and 2023, the online grocery market presents potentially lucrative sales opportunities for early adopters of e-commerce and grocery delivery platforms. [4] More than one-third (38 percent) of German digital grocery shoppers had groceries delivered at least once a week in 2018. That figure is expected to surpass 50 percent by 2021, as current online shoppers increase their use of online ordering and delivery platforms. [5]

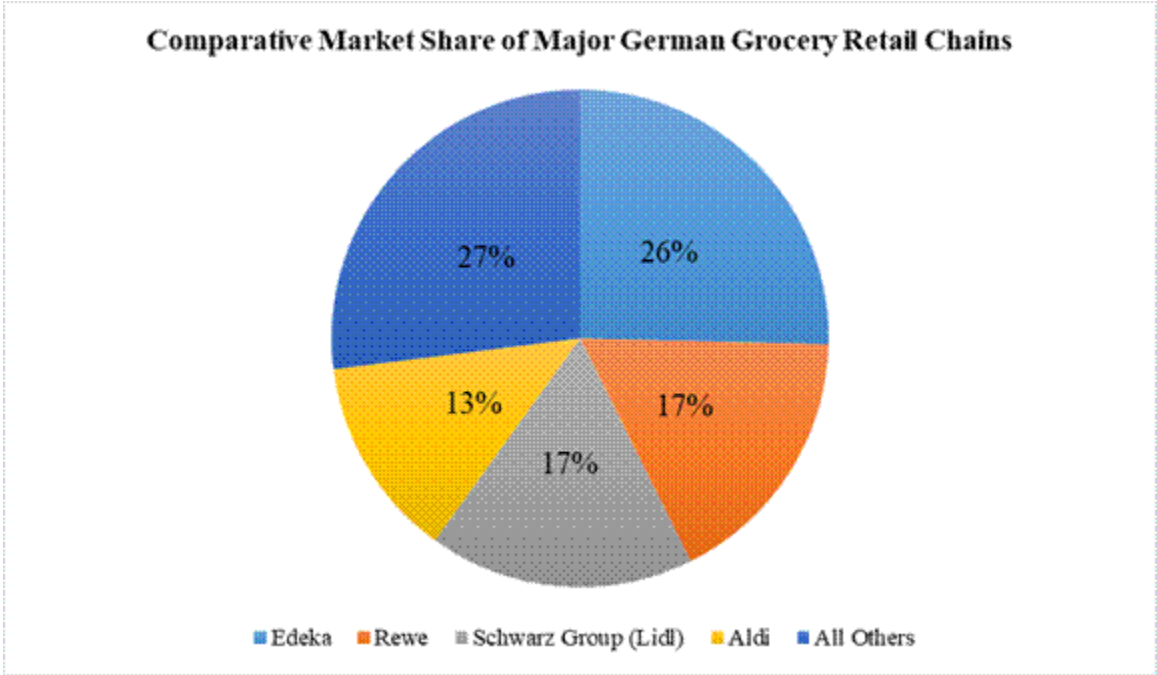
Table 1: Top 10 Emerging Online Grocery Markets Comparison

Country	Online Grocery Market Size (\$ Billion)		Growth (\$ Billion)	Compound Annual Growth Rate (%)	Online Grocery Channel Share (%)	
	2018	2023			2018	2023
China	\$50.9	\$196.3	+ \$145.4	31.0	3.8	11.2
US	\$23.9	\$59.5	+ \$35.6	20.0	1.6	3.5
Japan	\$31.9	\$46.5	+ \$14.6	7.8	7.1	9.9
U.K.	\$14.6	\$22.1	+ \$7.5	8.7	6.0	7.9
South Korea	\$9.9	\$21.3	+ \$11.4	16.5	8.3	14.2
France	\$11.6	\$17.2	+ \$5.6	8.2	4.5	6.0
Australia	\$2.1	\$4.2	+ \$2.2	15.3	2.1	3.7
Germany	\$1.3	\$3.8	+ \$2.5	23.2	0.5	1.2
Canada	\$0.8	\$2.1	+ \$1.3	21.0	0.8	1.8
Spain	\$0.9	\$2.0	+ \$1.1	17.9	0.7	1.4
Total	\$147.9	\$374.9	+ \$227.0	20.4		

Source: [Institute of Grocery Distribution; IGD Research](#), 2018.

The German grocery market is saturated, highly consolidated and competitive. The German grocery retail space has traditionally been dominated by only a few key players—supermarket chains Edeka and Rewe and discount grocery retailers Lidl (owned by Schwarz-Group) and Aldi. (See Figure 1 below for the comparative market shares of the major German grocery retailers.) Lidl and Aldi compete primarily on price, economizing their operations and supply chains to provide the most

affordable products to price-conscious German consumers. Due to the constraints of their low-cost, discount-based sales models, neither chain has made a substantial investment in online grocery retail. Mid-range supermarket chains Edeka and Rewe, on the other hand, have both developed online ordering platforms and delivery infrastructure, attempting to strengthen their value propositions in the saturated German grocery sector. In 2018, Rewe opened a \$120 million fulfillment center near Cologne to support its expanding online grocery business. As of 2018, Rewe delivered in 75 cities, reaching up to 40 percent of the German population. [6]



Source: [2018 USDA-FAS Retail Foods Germany](#)

Several international companies have also entered Germany’s food and beverage e-retail market, altering the competitive landscape for Germany’s major domestic retailers. Amazon debuted its Amazon Fresh online grocery platform in 2017. Its services are currently available in three German cities—Berlin, Munich, and Hamburg. As of late 2018, Amazon’s share of the total German grocery market was below 1 percent. [7] In 2018, the online-only retailer Picnic, based in the Netherlands, introduced its grocery e-retail services in the Rhineland region. The company currently has more than 35,000 customers in that area and continues to expand its market in the region and neighboring areas. [8]

II. Online Grocery Sales – Advantages & Opportunities

Although grocery e-retail has been slow to gain a foothold in Germany, several conditions make online grocery sales an attractive option for both retailers and German consumers. Germany has a robust digital marketplace. Up to 88 percent of German consumers shop online, with the average German online shopper spending \$1,650 a year on e-commerce purchases. [9] Although only a small percentage (0.5 percent) of that online spending is for groceries, German consumers’ embrace of online shopping in other contexts—for clothing, electronics, and household goods—may lead to increased interest in online grocery shopping in the years to come.

German consumers have ready access to technology and the internet, further enabling the growth

and development of online grocery sales. At least 95 percent of German households have access to a broadband internet connection, and 61.5 percent of Germans (more than 55 million) use smartphones. [10] About 40 percent of German e-commerce orders are made via smartphone or mobile device; the rest are placed via computers. [11]

Several inherent attributes of grocery e-retail—including store-to-door delivery, on-demand ordering, or click-and-collect in-store pick-up services—make it an attractive option for convenience-seeking customers. Of the German consumers who shop for groceries online, 74 percent say they do so because it allows them to shop at their own leisure, without having to shop during a grocery store’s opening hours, wait in check-out lines, or choose from the more limited selection of a traditional brick-and-mortar market. [12]

The flexibility of online grocery shopping is especially attractive in Germany, where grocery stores are generally closed on Sundays. With online grocery shopping and delivery services becoming more available, German consumers are no longer as constrained by the limits of traditional brick-and-mortar retail formats.

In addition to online grocery shopping, more German consumers are taking advantage of meal kit delivery services as a convenient way to purchase and prepare food. These subscription services simplify meal preparation by delivering fresh ingredients, along with recipes and menu ideas, straight to customers’ homes. Valued at more than \$280 million, the German meal kit delivery market is expected to continue growing as companies like Germany-based HelloFresh expand their customer bases. [13]

Germans also have a growing appetite for restaurant food delivery services. Food delivered directly from restaurants or via independent delivery services like Deliveroo and Foodora will generate \$2.08 billion in Germany in 2019. Currently, 15.5 million people in Germany utilize restaurant-to-consumer food delivery services, while around 3.5 million order food from restaurants via independent delivery platforms. The average annual revenue per user for these food delivery services is around \$100. By 2023, restaurant food delivery is expected to grow by half a billion dollars to \$2.5 billion in annual sales. [14] As German consumers continue to embrace online food delivery in other contexts, like meal kit delivery and restaurant food delivery, it is likely they will begin to adopt similar services in the grocery context.

III. Barriers to Development of Germany’s Grocery E-Retail Market

Online grocery retail requires a heavy initial investment in storage, logistics, and delivery infrastructure. Germany has strict regulations regarding food storage, and companies must design fulfillment centers and delivery technologies that ensure compliance with the various temperature requirements for fresh and frozen products. Although much of the order fulfillment process can be automated, some quality control functions—checking produce for freshness, for example—are still done more reliably by employees. Adopting expensive and innovative systems for online grocery sales and delivery is beyond the reach of some German discount retailers, whose primary revenue models are centered around providing low-cost groceries via expansive networks of brick-and-mortar stores.

Most German consumers—particularly the 80 percent who live in urban areas—enjoy convenient access to a physical grocery store, living or working a short walk or drive from a brick-and-mortar market. [15] The abundance of grocery stores and the growing number of convenient small-scale groceries in urban residential areas make grocery shopping relatively convenient, meaning German consumers may not be as attracted to online shopping.

Germany's economy has long revolved around cash, posing a unique challenge to card-based online grocery platforms. In 2018, consumer credit card payments exceeded cash payments for the first time in Germany—but only by a margin of 0.3 percent. Even though the value of payments by credit card exceeded the value of cash payments, there were still more cash transactions than card transactions. Of the 20 billion purchases consumers made in Germany in 2018, three-quarters were paid for in cash. [16] Click-and-collect grocery services often allow customers to order online and pick up and pay for their groceries in-store by card or cash. However, most online ordering and delivery platforms rely exclusively on card payments. To achieve market success, online grocery retailers must overcome German consumers' historic skepticism toward card payments—a skepticism that is beginning to erode as younger consumers, more accustomed to online shopping, wield their growing purchasing power.

IV. eFood Control in Germany

In 2013, the German Federal Office of Consumer Protection and Food Safety (BVL) created the Common Central Unit "Control of Food, Feed, Cosmetics, Consumer Goods and Tobacco Products Traded on the Internet", in short G@ZIELT. Acting on behalf of the German Federal States (*Länder*) as a central body, the Common Central Unit is overseeing the internet trade, which transgresses German Federal States (*Länder*) and national borders. With help of G@ZIELT, the German food control authorities perform in the enforcement of consumer protection in the e-commerce of food. In collaboration with four providers of quality seals, BVL and the authorities of the Federal States are aiming to create an online marketplace where product safety is on a similar level to that in the supermarket or in the bakery around the corner.

E-retailers who offer food must register with the German [Food Control Authority](#) in their county or their city. As a result, they become controlled in a risk-based manner as conventional retailers. The four existing seals in Germany that meet the [quality criteria of the D21 initiative](#) help the consumers to reliably identify reputable suppliers. Food businesses can purchase one of the following four seals only if they are registered, and thus identify themselves to the consumer as being a store under official control.



When carrying out research in the e-food sector, the Common Central Unit focuses on searching for risky food offered on the internet that can cause harm to the health of consumers or mislead them, and unregistered food businesses.

The results of the searches are passed on to the competent authorities of the German Federal States (Länder), of other EU Member States or of third countries, so that they can take the necessary steps within their field of competence, for example, to delete the offer from the Internet or to enforce registration [17] .

In accordance with § 38a of the German Food and Feed Code (LFGB), the [Federal Central Tax Office](#) (BZSt) regularly submits automatically generated data on food companies on the Internet to BVL. This data is forwarded to the Federal States to check their registration. This way the food companies that operate on the Internet and were not previously known to the competent authorities are tracked down and brought under the umbrella of official food control.

For suppliers of cosmetics, consumer products such as kitchen utensils, toys and clothing as well as of various tobacco products, there is no legal obligation to obtain registration or authorization. That means that in these areas, G@ZIELT can only search for products that do not meet legal requirements and are either harmful to consumers' health or deceptive. Nevertheless, BVL has the ambition to create concepts for a safe marketplace also in this field [18] .

V. Contact Information

For questions regarding this report or exporting to Germany, please contact the Foreign Agricultural Service in Berlin. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of American food and beverage products.

If you are interested in exporting to Germany, the following GAIN reports provide useful background information:

- [Exporter Guide Germany 2018](#)
- [Food and Agricultural Import Regulations and Standards Report 2018](#)
- [Retail Food Germany 2018](#)

For trade inquiries and export assistance, please contact:

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[1] [2018 USDA-FAS Retail Foods Report - Germany](#)

[2] [“Food and Drink Internet Retailing: % Value Growth 2013-2018.”](#) Food and Drink Internet

Retailing in Germany. Euromonitor International. Jan. 2019.

[3] [Leading global online grocery markets to create a \\$227bn growth opportunity by 2023.](#) IGD Research & Institute of Grocery Distribution. Oct. 29, 2018.

[4] IGD Research, 2018.

[5] [The Last-Mile Delivery Challenge.](#) Capgemini Research Institute. 2019.

[6] Weiss, Richard. [“Playing Tetris in Germany to keep Amazon Fresh at bay.”](#) The Star. Nov. 16, 2018.

[7] Dobush, Grace. [“How Amazon is steamrolling Germany’s retail market.”](#) Handelsblatt. Nov. 7, 2018.

[8] Zimmerman, Jana. [“Picnic Expands Its Delivery Service in Germany.”](#) European Supermarket Magazine. May 29, 2019.

[9] [“5 key facts about European e-commerce payments.”](#) PaymentsSource. May 20, 2019.

[10] [“Share of households with a broadband internet connection in Germany from 2011 to 2018.”](#) Statista. 2019.

[11] [“Number of smartphone users in Germany from 2015 to 2022.”](#) Statista. 2019.

[12] [The Last-Mile Delivery Challenge.](#) Capgemini Research Institute. 2019.

[13] [Meal Kit Delivery Services Market 2019.](#) Reuters. Feb. 21, 2019.

[14] [Platform to Consumer Delivery.](#) Statista. 2019; [Restaurant to Consumer Delivery.](#) Statista. 2019.

[15] [Population Statistics: Germany.](#) Destatis, Statistisches Bundesamt. 2019.

[16] [Card payments outstrip cash payments for first time in Germany.](#) EHI Retail Institute. May 7, 2019.

[17] [Federal Office of Consumer Protection and Food Safety \(BVL\)](#)

[18] [Federal Office of Consumer Protection and Food Safety \(BVL\)](#)