

E-COMMERCE IN GERMANY

With 82 million inhabitants, Germany is one of the most attractive e-commerce markets worldwide. 82% of Internet users, i.e. around 67 million people, are also online shoppers. The increasing relevance of online retail is not least reflected by figures: In 2016, e-commerce revenue in Germany in the B2C sector amounted to €44.2 billion. Sales of goods alone amounted to €52.7 billion. In 2016, online sales accounted for 12.7% of total German retail sales. The top-selling product categories were clothing, with €11.16 billion, followed by electronics and telecommunications with €8.7 billion.

When asked whether they prefer to shop in stores or online, 6 out of 10 of those surveyed between the ages of 18 and 69 (59.8%) stated that they preferred shopping in stationary stores. That means 40.2% already prefer shopping online or by mail order. And the trend is clearly playing into the hands of digital trade: the number of online shoppers rose in 2016 – 75% of shoppers have already ordered online, with the 24 to 44 age group being the most active in online shopping. In 2016, the

proportion of people who shopped online was around 67.6% of the German-speaking population aged 14 and older.*

Apart from the independence from opening times and the home-delivery, there are also the enormous time savings and the larger selection of goods on the Internet, which are the main factors for ordering online. According to a study by the industry association Bitkom, which is called “Shopping Digital”, buyers are primarily oriented towards other buyers (65%) when it comes to products or retailers.

However, price comparison pages and personal recommendations of family, friends or acquaintances also serve as a primary source of information. 30% of those surveyed in the study also stated that they had researched before making an online purchase in a brick-and-mortar store. According to the Bitkom survey, customers recognise reputable online retailers based on various factors, such as the choice of payment options, shipping and return conditions, online evaluations and personal recommendations.

*SOURCE: STATISTA DOSSIER: E-COMMERCE IN GERMANY



INFO

THE 5 ONLINE SHOPS WITH THE HIGHEST TURNOVER IN GERMANY IN 2016 WERE:

- amazon.de**
with a turnover of €8.1 billion
- otto.de**
with a turnover of €2.7 billion
- zalando.de**
with a turnover of €1.12 billion
- notebooksbilliger.de**
with a turnover of €706 million
- the Otto subsidiary bonprix.de**
with a turnover of €586.6 million.

SOURCE: STUDY OF EHI RETAIL INSTITUTE: E-COMMERCE-MARKT DEUTSCHLAND 2017

MOBILE COMMERCE

Looking at the devices used to connect users to the Internet and make online purchases, it is clear that the mobile sector has become the undisputed leader in recent years: in 2016, German e-commerce revenue from PCs rose by only 8% year-on-year, while online revenue generated via smart phones and tablets grew significantly faster – by 39.5% and 53.2%, respectively. The proportion of mobile device users who use them to shop on the Internet has also increased in recent years: in 2016, 69% had already resorted to this option and only 31% stated that they were not using the devices accordingly. Overall, 83.7% of 18 to 39-year-olds in Germany are already shopping on the move. Also, 48.2% of local retailers think that mobile commerce will continue to grow over the next three years.*

* SOURCE: STATISTA DOSSIER: E-COMMERCE IN DEUTSCHLAND 2017

CROSS-BORDER COMMERCE

Already 27 % of German Internet users shop online abroad and 14 % of global customers shop at German retailers. It is hardly surprising that German online retailers are primarily expanding into the German speaking countries (DACH). Internationally active merchants operate at 89% in Austria and 77% in Switzerland.

The Chinese market is a challenge for German retailers: only 14% are represented here. All in all, fewer than 60% of German retailers are active beyond the borders of German-speaking countries. As a result, as many as 68% of these retailers make only 10% or less of their total turnover through cross-border selling. German online retailers still have a lot of catching up to do.*

* SOURCE: WHITEPAPER "INTERNATIONALISIERUNG DER DEUTSCHEN DIGITALWIRTSCHAFT" OF OXID ESALES AND TEXTMASTER

LEGAL REQUIREMENTS IN E-COMMERCE

As soon as German entrepreneurs present their goods or business on the Internet, they are obliged to inform about their identity. In concrete terms, this means that they must post a complete legal notice (Impressum) on their website. The legal notice must be easily recognisable, immediately accessible and always available for the visitors of the site. In addition to the purely legal aspects, a clearly visible legal notice generates trust among customers.

Those who have their headquarters exclusively outside of Germany need a legal notice that conforms to their own countries' laws. The standard data required in Germany, such as address and electronic contact data, should in no way be waived.

In addition to the obligation to provide a legal notice, an online retailer has other duties to provide information. In the case of contracts concluded online, the merchant must, inter alia, point out the following aspects: the decisive purchasing characteristics of the goods, the total price including all taxes and duties, all freight, delivery or shipping costs, if necessary the term of the contract or the conditions of termination.

The obligation to inform the customers about their right of withdrawal should not be forgotten either. It is therefore also necessary to provide a complete set of withdrawal instructions including a sample withdrawal form for Internet contracts with German consumers.

A special feature of shipping to Germany is the monitoring of compliance with legal obligations. There is no state supervision of competition violations in Germany. On the contrary, all competitors, associations with legal capacity for the promotion of commercial or independent professional interests, qualified institutions and chambers of industry and commerce or chambers of trades are entitled to the claim to punish an "unlawful commercial act". The use of this method is extremely intensive in Germany – unlike in other countries. Compliance with the legislation is therefore particularly important in Germany. In practise, this means that the merchant receives a written warning and is notified of the violations for a fee. A warning letter can be in the mid three-digit range, but can also cost several thousand Euros.

LOGISTICS

The enormous growth in the e-commerce industry requires new, fast logistics solutions that meet the demands of both stationary and online trade. Fast shipping, tracking and free returns are just a few aspects of the services consumers expect. In terms of the number of parcels transported, DHL is the most important service provider in the B2C sector with 49 % market share, followed by DPD (16%), Hermes (14%), UPS (13%) and GLS (8%). *

According to the study “Endspurt” of OC&C Strategy Consultants, consumers want fast, predictable and cost-effective delivery. Delivery to the doorstep (78%) dominates the German market, pick-up and drive-in models have rarely been used up to now. Compared to other European countries, however, Germans are much more flexible when it comes to accepting parcels: Deutsche Post DHL packstations are very popular. According to the study, only 4% of local consumers are prepared to pay for deliveries within three to five days of ordering – and only 15% for next-day deliveries. For special delivery options such as Sunday delivery or immediate delivery, a quarter or almost a third of Germans would pay. In the area of returns, companies such as Zalando have set high service standards: 100 days of free return shipping has raised German customers’ expectations of online retailers. A return rate of 40% in some cases is therefore not surprising. Especially in the fashion sector, retailers have to expect high return rates. German customers not only expect this process to be free-of-charge, but also easy to do.**

* SOURCE: STATISTA 2018

** SOURCE: FRAUNHOFER SCS STUDY “TOP 100 DER LOGISTIK”



PAYMENT

In Germany, in addition to the “classic” payment methods such as purchase on account or direct debit, prepayment or cash on delivery as well as credit card, there are numerous other payment methods that have been specially developed for online trading. For example, Klarna, PayPal, Wirecard, Paydirekt, Sofortüberweisung, etc. can be mentioned here. The share of sales processed with “newer” payment methods is continuously increasing. The most common payment method offered online by merchants in Germany is purchase on account (93.3%). Prepayment and direct debit rank second and third with 64.4% and 48.9% respectively. This is followed by the payment methods credit card with 46.7%, cash payment with 44.4% and PayPal with 44.4%.*

A glance at customers’ preferences and payment behaviour shows that the range of payment options offered is not always precisely tailored to the needs of consumers: from the customer’s point of view, 70% use purchase on account, closely followed by 67% who use online payment service providers such as PayPal or Amazon Payments. After all, 47% pay by direct debit, 43% by credit card and 28% by direct bank transfer. According to the ECC payment study, German online merchants offer an average of six payment methods. The payment options that should definitely be offered include payment by invoice, direct debit, PayPal and credit card.

With China making inroads into Western markets, retailers should also consider Alipay, Alibaba’s payment offering. Mobile payment methods such as Apple Pay and Android Pay are just as relevant, as payment via smartphone is already very popular. In the summer of 2018, Sparkasse Banks also launched their in-house mobile payment service in Germany. This means that more than 50 million customers now have instant payments available.

* SOURCE: STATISTA 2018

MARKETPLACES

Online marketplaces are an essential part of e-commerce. The most important marketplaces in Germany are Amazon.de, eBay.de, DaWanda.com, Etsy.com, Allyouneed.com, Idealo.de, Rakuten.com and Real.de. However, the well-known providers DaWanda and Allyouneed discontinued their service in the summer of 2018. According to the “Digital Shopping Index 2018” of the strategy consultancy EY-Parthenon, Amazon, Ebay

and Ebay Kleinanzeigen (Classified Ads) together account for 66% of the German market share. With a market share of 28.7%, Amazon can secure first place ahead of Ebay (22.9%) and Ebay Kleinanzeigen (14.8%). According to the Ebay Retail Report 2017, 17 million of 168 million users worldwide are active in Germany alone.



COUNTRY SPECIFICS

German customers want online shops that are written in their native language. With English websites, foreign retailers who want to sell their products to Germany do not get very far. That means, for those wishing to enter the German market, a German-speaking online shop is indispensable.

But German customers not only expect to be able to choose German as their language in an online shop, they also have high expectations of customer service, which should of course also be available in the local language. According to Accenture's annual customer satisfaction study (Accenture Kundenzufriedenheits-Studie), 83% of German consumers are in favour of customer service interaction with people. German consumers are prepared to change service providers due to bad experiences. 68% of these customers are irretrievably lost after the change of provider. 83% of customers said that

more personal customer service could have had a positive influence. It is no coincidence that values such as trust and security are particularly popular in Germany. This is also reflected in the fact that German customers spend the most on the protection of their personal data in comparison with other major economic nations. Quality guarantees and certifications also help German customers to decide for (or against) a shop and also to become loyal, returning customers. And even if stationary trade scores points primarily through giving customers advice, in comparison to online trade, online shoppers hardly seem to miss anything in online shopping. According to Bitkom's "Shopping Digital" study, 95% of customers are satisfied with the advice in online shops. First and foremost, customer service there is usually by e-mail. In addition, however, contact by telephone or call-back or via chats is also gladly used.

SOCIAL MEDIA



According to a study by Global Attitudes, Germany still lags far behind the global average in terms of social media use: only every second adult was on social networks in 2016. Although 82% are active in the 18-34 age group, only 39% of people over 35 are on Facebook, Instagram and Co. WhatsApp has become the most popular app with 79.2%, followed by Facebook with just under 60% and Snapchat with 24.3%. Although only a quarter of Snapchat users are active, the app has grown fastest since 2015 – by 207%. In June 2017, Facebook cracked the 30 million user mark in Germany, with 31 million active users in the meantime. In detail, use in Germany currently looks like this: 30 million people in Germany were active on Facebook every month in the first quarter of 2017, 23 million people in Germany are active on Facebook every day and 27 million people use Facebook on their mobile device, 21 million of them every day.

Facebook scores not only with its social media portal of the same name, but also with its corporate offspring, Instagram. In Germany, the portal has around 17 million active users per month, which makes the app increasingly attractive for companies as well: more than 2 million companies now use Instagram as a platform to play off product placements, for example.

The photo and link platform Pinterest is also growing steadily in Germany: in 2017, Pinterest recorded growth of 72% in Germany alone. Pinterest can also be an interesting platform for retailers to inform potential customers about new trends and products and to generate more reach.

According to an ARD/ZDF online study, Twitter has 1.8 million weekly and 600,000 daily active users in Germany. When it comes to social networks in Germany, the business network XING must not be forgotten either. The German company can be compared with the US business portal LinkedIn and has around 13 million members in the DACH region. However, users are less active than with the well-known industry giants that have already been mentioned: according to the ARD/ZDF online study, only 1.2 million users are active here every week. In addition to a free basic membership, XING also offers a paid premium membership, which users need, for example, to search for people with certain qualifications. Similar to LinkedIn, there are also closed groups and you can see how each member is connected to each other member. Three quarters of the page views come from Germany. The competitor portal LinkedIn, on the other hand, already has 10 million members in German-speaking countries.