

ONLINE RETAILING SERIES



Sizes, players, opportunities and threats

A situational analysis of expansion opportunities into the market

JANUARY 2011

ResearchFARM

THE KEY QUESTIONS

- ? How does the German online retailing market differ from other markets in the EU and US? What are the long term potential growth rates? Are there any hindrances to growth going forward? How attractive is the German online universe? What is absolutely crucial to bear in mind when expanding into the market?
- ? Why despite the infrastructure being highly developed with a network of dedicated click & collect/drop off points all over the country and the high number of broadband connections is Germany not leading online retailing on a per capita basis in the EU?
- ? What are the leading online sectors (it is not consumer electronics, PCs and peripherals as in the UK)? Why has online grocery not taken off in Germany so far? How big is the opportunity?
- ? How concentrated are the top ten's sales? What is the consolidation of the sector? Which online specialists are still missing? Who is the German equivalent of Zappos? Vente privee? And Asos?
- ? How big are the sales figures of the leading players, interesting newcomers to the online scene and a selection of food specialists? What are their growth rates? What benchmarks are the best players in the sector achieving?

Features:

- Market sizes for retailing, online retailing and the leading online sectors
- Profiles of the top ten of Germany's online players, a selection of the most interesting players outside the top ten as well as a selection of food players in the market
- Our propriety model assessing the attractiveness of the market, taking into account broadband penetration levels, purchasing power, established competition, general growth outlook

- ? Will Otto profit more in future from its own online businesses or from its services to its competitors - by providing services in the financial area or in fulfillment (Hermes)?
- ? When did Amazon become the leading online retailer in Germany trumping Otto? And why? What are the success chances of Amazon's recent foray into e-food?
- ? Who are truly global players among Germany's pureplays? What opportunities and threats are they coming up against?
- ? What are the discounters doing online? With online being the only sphere where the Plus fascia survived, as owner Tengelmann is increasingly betting on online with its start up financing and shareholdings, and Lidl having shocked the non food online sector by launching its operation, what will happen next?
- ? Why is Germany characterized by a high rate of returns? What are the traditional mail order players up to?
- ? Which operating software is the most popular among German smartphone users? (It is not Apples OSx). Which fulfillment provider is the leading player in the country? What is the leading new social media site (It is not facebook)
- ? And what exactly has the Catholic Church to do with online retailing in Germany?



OVERVIEW

As online operations internationalise from 2010 on especially in the EU, we ask whether Germany offers an attractive opportunity for pureplays as well multi-channel players. Germany is after all the market with most broadband connections in the EU, so will it pay to expand online operations into the market? Recent new developments from German online retailing included ebay buying brands4friends, the German discounted luxury club site, basically a well functioning vente pri-vee copy, and the specialist footwear pureplay Zalando starting its facebook retail operations. We believe that the market is very much in upheaval and exciting chances and opportunities will emerge.

Moreover the German DIY giants OBI and Hornbach are finally launching their transactional websites, OBI's well documented problems with franchisees notwithstanding, mirroring the problems Metro Group has encountered with launching online operations for its Media Markt/Saturn Consumer electronics chains. In a nut shell the internet is set to cannibalise offline sales (for both OBI franchisees and Media/Saturn) and as store managers/franchisees are incentivised by obtaining a share of profits of their particular store, a clear conflict of interest is developing. While in theory sales could be allocated on a post code basis, allocating sales to those stores from whose catchments online orders were made, the reality is a lot more messy, with aftersales service and returns only one bone of contention.

Both Sweden's finest retail exports, H&M and Ikea, launched transactional websites in Germany (their main market) years before launching in the UK (one of the EU's most developed online retail markets). The recent arrival of Inditex and Gap will shake up the clothing sector though, especially against the backdrop of the Arcandor implosion and the disappearance of Quelle, Germany former mail order champion. That said leading specialist C&A's transactional site has been performing strongly for a while now and as such is ready to fend off the encroachment of the fast fashion players.

Studying the pureplays, Thomann, the musical instruments specialist from Bavaria has turned into a truly global player and internationalised operations to such a degree that it could serve as a model for other busi-



nesses going forward, facing obstacles and problems such as differing VAT rates which are relatively straightforward to resolve and import restrictions for wood (musical instruments) into Australia or Canada, which are much harder to crack.

That said, Germany is also a market where the mail order giants (Otto, Neckermann) reacted to the emerging threat of online early on by launching their own sites and hence healthy online competition has evolved. A side effect of the legacy of mail order operations and customers knowing their rights is that Germany can be dubbed the land of returns. In footwear for example a 40% returns quote is no exception. Moreover German consumers - despite the recent very positive macroeconomic news - remain extremely price focused, one reason why online grocery is relatively underdeveloped, but this could be about to change.

METHODOLOGY

WE FOCUSED ON DELIVERING ADDED VALUE THROUGH THIS REPORT:



1. HIGH LEVEL ANALYSIS

We believe that delivering value means combining high-level analysis with real hands on, on-the-ground experience. We deliver premium insights, outlining future trends and opportunities.



2. ACTIONABLE RECOMMENDATIONS

Our reports provide you with recommendations for each chapter to help your strategic decisions.



3. BEST PRACTICES

Every chapter features a case example and is illustrated with high quality pictures.

Online Retailing in Germany 2011 delivers analytical information with exclusive case examples and strategic recommendations about a sector that hasn't been covered in much detail yet.

ABOUT RESEARCHFARM

ResearchFarm is an analyst firm specialized in the retail sector. We have worked in this area for several years and have acquired a great deal of invaluable experience and knowledge. Our close relationship network of retail analysts allows us to deliver the best insight to our clients.

ON-THE-GROUND EXPERIENCE

Our experience includes 1000s of store audits. This unique expertise allows us to spot issues but also to share and reapply best practices.



BENEFITS

ResearchFARM

Researchfarm strives to deliver a starting point for constructive discussions and provide clear solutions and direction.

Our in **depth observations of fundamental changes** combined with our strategic insights into the sector and our entrepreneurial thinking provide unrivalled, actionable and meaningful solutions.

Our recommendations will enable you to formulate new strategies, head for the right milestones, drive future growth and set the right incentives.



THIS REPORT WILL ALLOW YOU TO...

- **Benchmark** by comparing your KPIs with those of the outstanding players profiled in the report and shows best in class execution.
- **Identify** pitfalls and highlights opportunities with market an sector sizes to target the growing niche about to become mainstream.
- **Learn** from established players as key drivers for success and the points of difference in operating are clearly laid out, these can be incorporated into your own model, shows how to best communicate with the shopper.
- **Understand** the competition and what the future will bring.

OUR CLIENTS



WHO SHOULD BUY THIS REPORT ?

- Retailers (strategic insight/market research, buyers, online operation departments)
- Logistics providers
- Property companies
- FMCG players
- Financial services industry
- Telecoms and IT services providers

SAMPLE PAGES

OUTLOOK & RECOMMENDATIONS: GERMANY

According to our model assessing the future potential of the online market in Germany, **the market achieved an attractiveness rating of 15 points out of a possible 20.**

Germany is of course a truly massive market with **the biggest number of households with a broadband connection in the EU at 25.5m.**

Traditionally mail order acceptance has been high, which spells good news for online retailers in the country. And even in an ageing society – such as Germany – migration from catalogues to online is progressing at breakneck speeds.

Moreover in many sectors not that much has happened in online retailing terms. Metro Group's Kaufhof, the department store, is only now talking about becoming truly multichannel, while Metro

Group's MediaMarkt and Saturn Hansa suffer from a chronically underdeveloped online presence for reasons of internal politics as described above.

In clothing there is definitely movement with the fast fashion players such as H&M, Zara and Gap entering the online market in Germany. However they will come up against stiff opposition from the likes of Otto and the traditional mail order players that dominate the market for now.

TOTAL RETAIL AND ONLINE RETAIL SPEND 2005 – 2010 (€M): ONLINE STORMING AHEAD

Sizes, historic evolution, segments

2010 looks set to be another bumper year for online retailing in Germany, with sales forecasted to reach €17.8bn or 4.4% of overall retail spend. Since 2007 online growth rates have been in the high double digits with 2010 on course to reach a whopping 14.8% year on year, clearly outperforming total retail. When accounting for traditional mail order sales as well, total multichannel retailing reached €29.1bn. 2009 was the first year in which online accounted for more than half of total multichannel sales, with traditional forms catalogues, telephones, TV etc making up the remainder.

No doubt impacted by the internet – but also by other factors such as out of town retailing, the rise of inner city shopping centres, discounter might – **2010 was the year of the demise of the department store giant Karstadt** and its subsequent rescue out of administration by N. Berggruen and Max Azria.

This also had an impact on multichannel retailing in the country as the demise of Arcandor, Karstadt's holding company dragged Quelle, historically the leading German catalogue/mail order player, down with it into insolvency.



TABLE OF CONTENTS

Market fundamentals: Germany	p4
Total retail and online retail spend 2005 – 2010 (€m): online storming ahead	p5
The background	p6
2009 Sales in €m: Segments	p7
Segment profile: Clothing & footwear; Books, music, DVDs and games	p8
Segment profile: Consumer electronics, computers and peripherals & others	p9
Retailer online turnover in €m: Germany 2008-2010	p10
The Top 10 Germany: from Amazon to Notebooksbilliger	p11
Other interesting players: brands4friends, frontline & Zalando	p14
Assessing the opportunity: Germany	p16
Assessing the opportunity: The model	p18
Assessing the opportunity: The result	p19
Outlook & Recommendations: Germany	p20
Focus on online grocery	p23
Introduction, sizes and latest developments	p24
MyMuesli – the customization opportunity	p25
Gourmondo – the premium long tail	p27
Otto – looking for the right partner and learning from past mistakes	p29
Amazon – who is the target customer?	p31
Sources	p32

HOW TO ORDER

PRICE

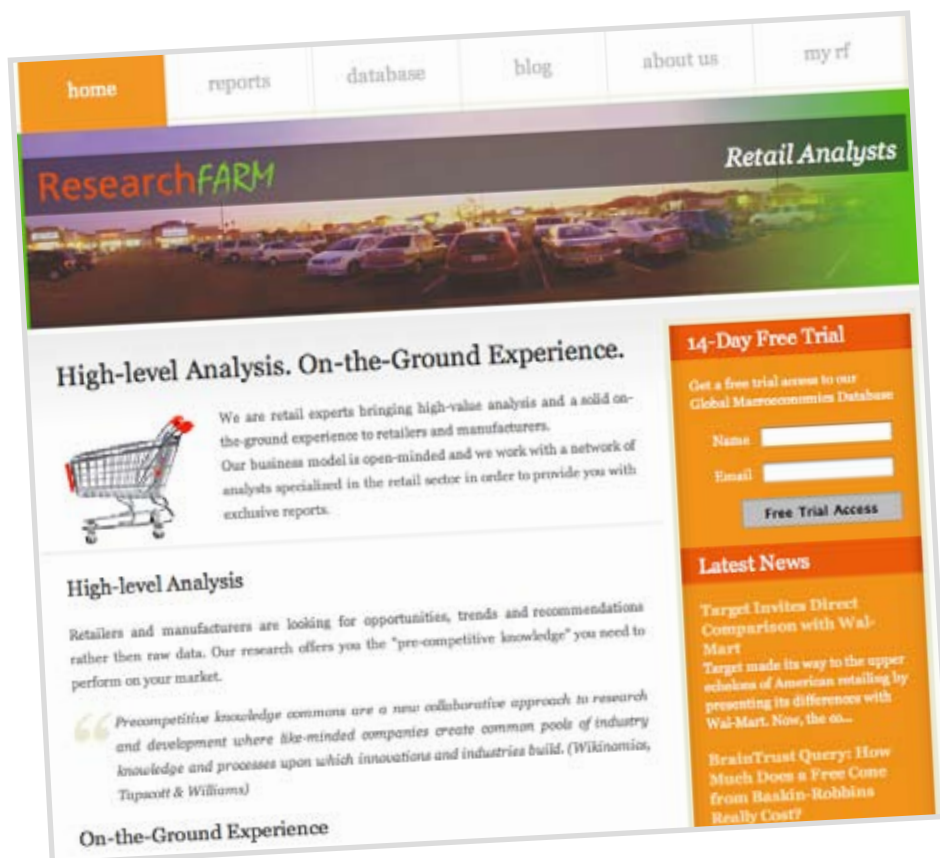
This report is priced **GBP 600** (32 pages, delivered as a PDF file).

BUY ONLINE

To order your report, please go to www.ResearchFarm.co.uk

Payment modes offered :

- **By bank transfer**
When checking out, please check 'invoice' as payment mode. We then send you an invoice.
- **By credit / debit card**
Secure payment via Paypal.



CONTACT

ResearchFarm Ltd
Suite 12154 - 2nd Floor
145-157 St. John Street
London EC1V 4PY (UK)
Company No. 6618604

Phone
Email
Web

+44 (0)20 3286 9801
sales@researchfarm.co.uk
www.researchfarm.co.uk