

CONSUMER SPENDING ON THE HOME – GERMANY – 2022

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Consumer Spending On The Home - Germany - 2022

This report looks at the following areas:

- How inflation, supply chain disruption and the ongoing conflict in Ukraine will impact spending on the home in the short, medium and long term
- Changes in spending behaviour on the home after two years of the COVID-19 pandemic, and current spending intentions on the home
- Sources of inspiration for home projects
- Factors impacting the choice of online retailers and implications from the growing role of online channels
- Behaviours towards the home, including consumer demands driven by the rise of flexible living and environmental consciousness



In times of high inflation, brands need to rethink existing business models. This provides chances for services like furniture rental, repairs and buy back schemes.

Overview

45% of Germans who intend to spend more on their home in the next 12 months plan to invest in **higher quality items**. However, when shopping online for the home, **65%** look for **cheap prices, indicating** that consumers are searching for **good value for money**.

After a boost in spending on the home in 2020, the home retail market only experienced a **small growth in 2021** (0.6%). Due to pandemic-induced pent-up demand for experiences, consumers are keen to **redirect spending to other discretionary categories** such as travel

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and leisure in 2022. Beyond that, **increasing living costs** due to inflation put pressure on general spending levels.

While **62% of German consumers** plan to spend money on their home in the next 12 months, **46%** say they are likely to delay or cancel plans for major purchases (eg furniture, home improvements). Retailers now need to cater to **more price-sensitive consumers** and address the growing **demands in terms of sustainability**. This requires them to **rethink existing business models** and provides chances for innovative additional services like furniture rental, repairs and buy back schemes.

With the **increasing acceptance of online shopping**, online sales are expected to grow further in the home retail market. The rise of online pure players is causing growing competition in the ecommerce environment. Traditional retailers are encouraged to take a **blended approach** by combining the benefits of online and offline channels and delighting consumers with outstanding in-store experiences.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five year outlook for consumer spending on the home

Market context

- Economic uncertainties impact spending on non-essential items
- eCommerce surges in popularity
- Germany's population is ageing

Mintel predicts

- Market size & forecast
- Unprecedented growth in 2020, with slower growth followed in 2021
 - Graph 1: consumption expenditure of households for the home (in €bn), 2017-21
- The sector looks set to sustain moderate growth

Opportunities

- Blend the benefits of online and offline channels
- Provide multifunctionality and storage solutions to meet the demands of flexible living
- Seize chances for new digital customer experiences to appeal to younger consumers
- Rethink existing business models to account for growing eco-awareness
- Quick download resources

MARKET DRIVERS

- German economy hit hard by COVID-19 disruptions
- Strong post-COVID-19 bounceback followed by a period of slower growth
 - Graph 2: key economic data, in real terms, 2019-23

The impact of the economy on household spending

- The impact of COVID-19 on household spending
- The Ukraine conflict causes new worries
 - Graph 3: household and lifestyle issues faced in the last two months, 2022
- Inflation is the key concern for 2022

eCommerce

- Online shopping on the rise

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- Internet purchases exceed the EU average
- Online spending on the home

Hybrid working

- Flexible employment patterns increase the importance of the home

Demographic changes

- An ageing population affects the home retail market

Sustainability

- German consumers are driven by environmental concerns

WHAT CONSUMERS WANT AND WHY

Purchases for the home

- Decoration is the most popular product group
 - Graph 4: spending on the home in the last 12 months, 2022
- More than two in five consumers spent on multiple home areas
- Cater to the needs of German tenants
- Energy efficiency offers prospects for growth
- New movers strive for personalised spaces
 - Graph 5: spending in consideration of current time in home, 2022
- Special deals and customised support can attract new movers
- Spending on the home varies with the individual lifestage
- Couples aged under 45 are an important target group

Spending plans for the near future

- Almost two in three German consumers plan to spend on the home in the coming months
 - Graph 6: spending plans for the next 12 months, 2022
- Young women show ambitious decorating plans
 - Graph 7: spending plans on decorating and free-standing furniture, by age and gender, 2022
- Inspire younger women and seize chances for entirely new customer experiences...
- ... but also meet the needs of elderly consumers
- Provide inspiration and full expert support to promote consumer spending
- Driving demand for higher quality items
- Partner with local brands to strengthen identity bonds

Sources of inspiration

- More than two in three consumers find inspiration from digital sources...
 - Graph 8: sources of inspiration before starting a project or purchasing an item for the home, 2022

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- ...but store visits are still a key driver of inspiration for spending on the home
 - Graph 9: [no title]
- Enhance the in-store experience to make older consumers happy
- COVID-19 boosts online shopping patterns
 - Graph 10: increase of online shopping since COVID-19 outbreak, by generation, 2022
- Improve the user experience of your online presence
- Social media offers new opportunities to engage with younger consumers
- Leverage the power of influencers
- Use the effect of positive word of mouth

Reasons for choosing an online retailer

- Consumers strive for good value for money
 - Graph 11: reasons for choosing online retailer, 2022
- Provide good value for money to support consumers dealing with high inflation
- Financing options come to the fore
- Outstanding customer service provides opportunities to target older consumers in an online environment
 - Graph 12: selected reasons for choosing online retailer, by generation, 2022
- Younger consumers value innovative technology applications

Behaviours towards the home

- The importance of the own home is boosted by the pandemic
 - Graph 13: consumer behaviours towards the home, 2022
- The home as a central place for wellbeing and leisure
- Sustainability as a key trend when buying for the home
- Supporting consumers to live in a sustainable way
- Cater to consumers who celebrate regular style updates
- Rental models as a sustainable alternative to fast furniture
- A chance for takeback and resale models
- Stop buying, start repairing
- Embrace multifunctionality and storage solutions
 - Graph 14: prioritisation of space-saving solutions and multi-purpose use, by generation, 2022
- Home connectivity is becoming mainstream
- Respond to consumers' purchase interest in smart home devices
 - Graph 15: interest in buying smart home devices (Top 5), 2021

LAUNCH ACTIVITY AND INNOVATION

- IKEA wants to give furniture a second chance
- Start-up Renovido: subscription models are getting more attention

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- IKEA pop-up stores
- Höffner delights its customers with an improved online customer experience

Advertising and marketing activity

- IKEA 'Space Unfolded' provides exceptional design experience
- XXXLutz caters to younger consumers
- Bauhaus undergoes a rejuvenation process
- toom Baumarkt promotes garden products with prominent support

MARKET SIZE, SEGMENTATION AND FORECAST

- Spending on the home covers a wide range of products
- Short-term boost due to COVID-19
- Furniture, lightings, carpets and floor coverings are most popular
- Stagnation and slight declines predominate in 2021
- The Ukraine conflict already shows substantial effects on online sales
- The sector is set to sustain moderate value growth over the next five-year period
- Short-term stagnation
- Medium-term uncertainty ahead
- Long-term moderate growth

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- A note on language

Appendix – market size and forecast

- Forecast methodology
- Forecast methodology – fan chart
- Market size – value
- Market forecast and prediction intervals – value

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