

# DIRECT TO CONSUMER RETAILING – GERMANY – 2023

In difficult economic times, selling direct allows brands to build a closer relationship with customers by personalising experiences.



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Research Analyst



# Direct To Consumer Retailing - Germany - 2023

## This report looks at the following areas:

- The impact of the cost of living crisis on D2C brand engagement and purchasing
- How consumers shop D2C and what they buy
- Factors that would encourage consumers to buy directly from brands
- Attitudes towards trying new brands, including expectations when buying from D2C brands
- Opportunities and developments for brands that sell directly to the consumer
- Trends and strategies to sell directly to consumers



In difficult economic times, selling direct allows brands to build a closer relationship with customers by personalising experiences.

## Overview

The cost of living crisis has made **60%** of Germans **hesitant to try new brands**, as they worry about spending limited discretionary income on products that don't meet their expectations. At the same time, **consumers are seeking authenticity** and don't hold back from switching brands if they are dissatisfied. D2C channels enable brands to get closer to consumers and better control the messaging, an important aspect as **54%** of Germans try to only buy products from brands that conform to their values.

**26%** of Germans like to buy directly from brands through physical stores. D2C brands can respond to this by **creating multisensory shopping experiences by merging shopping and tailored service with experiential aspects**, such as workshops, labs and personalised advice. Smaller brands can test the water with interactive pop-up shops.

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**Entertaining factors can help bring out consumers' competitive and creative sides**, which brands can target through contests, challenges and the gamification of products and experiences. Brand communities cater especially to younger consumers seeking guidance on new products.

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# Report Content



## EXECUTIVE SUMMARY

- The five year outlook for direct to consumer retailing

### Market context

- The cost of living crisis creates spending reluctance
- Online activity brings innovation
- Key D2C trends in the cost of living crisis

### Opportunities

- Build communities through authenticity
- Enhance a brand story through sensory shopping

## MARKET DRIVERS

### The German economy

- Stagnation follows a technical recession
  - Graph 1: key economic data, in real terms, 2019-24
- Inflation slows down – but remains at a higher level
- Inflation is still the key factor affecting consumers' finances...
- ...confidence and consumer expenditure
  - Graph 2: financial confidence index, 2022-23

### The impact of the economy on D2C brands

- Increasing inflation rates have been impacting D2C brands
  - Graph 3: consumer price index, 2020-23

### Online sales

- Online sales drop back from the COVID-19-induced peak
- Amazon supports SMEs but challenges the D2C channel
  - Graph 4: Amazon used in the past year, 2023
- Local businesses go for eBay marketplace
- Instagram drives small brand building
  - Graph 5: social media in relation to online purchases among 18-25 year olds, 2023

## WHAT CONSUMERS WANT AND WHY

- What is a D2C brand?

## Products bought directly from a brand

- Footwear and clothing are most commonly purchased direct
  - Graph 6: types of products bought directly from a brand, 2023
- Direct to consumer clothing brands dominate
- Men are more avid D2C buyers, especially of gaming and alcohol
- Younger consumers at home are open to new formats
- Cater to parents with seamless subscriptions

## D2C purchase channels

- In-store and online D2C channels exceed marketplace stores
- Online lowers the barrier to entry
- Physical retail offers the chance to focus on experience
- Use marketplaces to spread brand awareness

## D2C shopping frequency

- A rise in the purchase frequency of CPG products
  - Graph 7: purchase frequency changes from direct to consumer brands, 2023
- Fuel electronic purchases with return schemes
- Women buy fewer clothes directly
  - Graph 8: purchase frequency changes in clothing, by gender, 2023
- Younger consumers follow recommendations
  - Graph 9: purchase frequency changes of beauty and personal care products, by age, 2023

## Factors for D2C purchases

- Loyalty schemes offer huge potential to enhance the D2C experience
  - Graph 10: purchasing factors for direct to consumer channels over third-party retailers, 2023
- Create a physical manifestation of the brand
- Offer variety in price, channels and exclusivity – TURF analysis

## Behaviour towards D2C

- Consumers are loyal to known brands but hesitant to new ones
  - Graph 11: behaviour towards direct to consumer retailing, 2023
- Make hesitant buyers feel welcomed
- Highlight the flexibility of subscriptions
- Consumers seek stories to identify with...
  - ...which brands can bring to life in store
- Communicating risks, wins and dips
- Creating communities caters to Gen Z

## DIRECT TO CONSUMER TRENDS AND STRATEGIES

### Trends in the D2C market

- Key trends in the D2C market
- Mature and develop: Ankerkraut enhances brand awareness through D2C strategy
- Conserve and survive: retain core values until times get better
- Acquire and consolidate: taking over struggling brands

### Strategies in the D2C market

- Use D2C's flexibility to refresh positioning
- einhorn stands out with comedic approaches
- Greenforce uses celebrity influence
- Create sensory in-store experiences
- Increase in post-pandemic demand for physical experiences
- Share shows how to create a successful pop-up shop
- Creating point-based benefits to engage consumers
- Aligning brand experiences to lifestyles
- Extending the brand through advice
- Help customers improve their health
- Peloton and lululemon sign five year collaboration deal

## APPENDIX

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

- Market definition
- Abbreviations
- Consumer research methodology
- TURF analysis methodology
- A note on language

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