SUPERMARKETS – GERMANY – 2020

Boosted by the COVID-19 pandemic, supermarkets experienced a strong year in 2020, fighting a hard battle with discounters to remain relevant to consumers.

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Report Content

EXECUTIVE SUMMARY

- Mintel's perspective

Market context

- Supermarkets gain market shares in Germany
- Digitalisation will lead to structural changes
- Current trends will strengthen supermarkets' position

Mintel predicts

- Growth opportunities for German supermarkets ahead
- Supermarkets will continue on a strong growth path
  - Graph 1: supermarket market size (incl VAT), 2015-25
- Private label will make gains in Germany

What consumers want and why

- Consumers want: redefined value
- Consumers want: compelling product assortment
- Consumers want: fulfilment of ethical expectations
- Consumers want: premium private label ranges

Opportunities

- Discounters pose a major threat to supermarkets
- Premiumisation will offer opportunities
- Ethical challenges go beyond sustainability

The competitive landscape

- Supermarkets outperformed discounters before COVID-19
- Edeka and Rewe dominate
  - Graph 2: leading grocers' share of all food retailers' sales, 2019 (est)
- Online competition is heating up
- Quick download resources

THE IMPACT OF COVID-19

- COVID-19's impact on the broader category
- Market size and forecast following the COVID-19 outbreak
- Second lockdown will further boost sales with Brexit having a limited impact

- German consumers remain cautious, yet protective shopping behaviours have started to soften
  - Graph 3: statements that have applied to consumers since the start of the COVID-19/coronavirus outbreak, 21 April-1 October 2020
- Key shifts in consumer behaviours
- Interest in localism will rise
- New hygiene habits will continue to grow
- Supermarkets adapt with new hygiene initiatives
- Cooking and at-home treats rise during lockdown
- Private label ranges are big winners of the 'next normal'
- Embracing digitalisation is crucial
- Premiumisation will offer opportunities
- Maximise local ties
- The impact of COVID-19 on the marketing mix
- The impact of COVID-19 on the German economy
- Economy expected to bounce back in 2021
- Unemployment rates stabilised by Kurzabeit scheme
- Outlook for the next five years

MARKET DRIVERS

- Positive economic growth forecast to resume in 2021
  - Graph 4: real GDP growth, 2008-20 (est)
- Optimism about a fast economic recovery still cautious
  - Graph 5: OECD consumer confidence index, October 2019-September 2020
- Germany's retail landscape is shaped by discounter culture, but supermarkets are gaining market share
- The rise of online shopping
- eCommerce leads to structural changes
- Despite the ageing population, it's essential to attract younger consumers
  - Graph 6: maximum total population by age, % share, 2020-30
- Germany's dependence on immigration
- The demographic change strongly impacts the grocery retail industry
- Socially conscious consumers focus on ethical lifestyles
  - Graph 7: food and drink launches with ethical/environmental claims, Q1 2018-Q4 2020

MARKET ACTIVITY

Sector size and forecast

- Supermarkets continue strong growth path
  - Graph 8: supermarket sales size (incl VAT), 2015-25

- Current trends strengthen supermarkets' position

Consumer spending

- Consumer spending grows steadily
  - Graph 9: consumer spending on food, drink and tobacco, €bn, 2014-20 (fore)
- Reduced VAT was introduced to boost consumption
  - Graph 10: Consumer Price Index total, January 2018-September 2020
- Price war intensifies in Germany

Channels of distribution

- Supermarkets and discounters dominate the German grocery retail sector
  - Graph 11: retailers via outlet type, 2019
- Online share of retail sales has grown continuously
- Digitalisation of grocery retail is imminent

WHAT CONSUMERS WANT AND WHY

Who shops for groceries

- The majority of German households has a primary grocery shopper
  - Graph 12: responsibility for grocery shopping, August 2020
- Women dominate grocery shopping
  - Graph 13: consumers who are responsible for grocery shopping in their households, by gender, August 2020
- Home cooking growing with men
- Generation Z consumers are less frequent grocery shoppers
  - Graph 14: responsibility for grocery shopping, by generation, August 2020

Where they shop for groceries

- Discounters remain the most popular grocery shopping channel
  - Graph 15: store types where consumers regularly spend the most money in a typical month, August 2020
- Supermarkets have to emphasise value to prevent shopper migration
- Rewe and Edeka remain leaders for main shopping trips, yet Lidl and Aldi follow closely behind
  - Graph 16: grocery retailers consumers spend the most money with in a typical month, August 2020
- Edeka loses out as a main spending destination
  - Graph 17: grocery retailers consumers spend the most money with in a typical month, 2018-20

Who shops at supermarkets

- Young people are most inclined to shop at supermarkets
  - Graph 18: store types consumers typically shop at, by age, August 2020
- Supermarkets' more sustainable image resonates with younger shoppers
- Environmental awareness is high

- Rewe attracts Millennials, while Edeka appeals to the older generation
  - Graph 19: consumers who spend the most with Rewe and Edeka, by generation, August 2020
- Urban lifestyles make Rewe appealing to younger shoppers
  - Graph 20: consumers who spend the most money with Rewe in a typical month, by age and gender, August 2020
- Edeka appeals to affluent consumers with a more premium offering
  - Graph 21: consumers who spend the most money with Edeka in a typical month, by financial situation, August 2020
- There is a big opportunity to target the 'silver economy'
  - Graph 22: job loss or furlough as a result of the COVID-19 outbreak, by age, 20-28 May 2020

Satisfaction with supermarkets

- Consumers' satisfaction with supermarkets is very high
- Product assortment and quality are most important to German supermarket shoppers
  - Graph 23: overall satisfaction with supermarkets, August 2020
- Private label can boost customer loyalty
- Ethical/environmental and suitable-for (free-from) claims are surging in the German private label market
  - Graph 24: private label product launches, by claim categories, 2015-20
- Transparency brings improvement potential for supermarkets
- Supermarkets elevate transparency with QR codes and regional references on pack

Attitudes of supermarket shoppers

- Consumers will champion local sourcing and community businesses
- Ethical expectations will fuel 'value with values'
- Wasting less food means wasting less money
- More consumers switch to private label
- Supermarkets' premium ranges are set to thrive

RETAILER ACTIVITY

Leading retailers

- Supermarkets outperformed discounters before the COVID-19 outbreak
- In 2019, supermarkets recorded the strongest sales growth among all food retail channels
- German supermarket network has reached its saturation point
- With the variety of store formats, sales per outlet figures vary significantly across retailers

Market share

- Edeka and Rewe dominate the supermarket landscape
  - Graph 25: leading grocers' share of all food retailers' sales, 2019 (est)
- Smaller players feel the squeeze
- Supermarkets increasingly focus on smaller stores

Supermarkets and online

- Increase in digitalisation
- The online grocery market is growing rapidly
- Rewe and Edeka are the leading players
- Rewe: the dominant market leader

  - Graph 26: leading food delivery retailers, turnover, 2019
- Millennial men are spearheading online grocery shopping

  - Graph 27: consumers who regularly spend the most money in online grocery stores, by age and gender, August 2020
- Trend accelerator: the COVID-19 crisis
- Online competition is heating up
- Amazon Fresh is still a threat to German retailers

Retail innovation

- Convenience is key for consumers
- Automated retail offers more convenience for consumers
- Taking the lead in health and wellbeing
- Health will become a bigger priority, presenting opportunities for innovation

  - Graph 28: consumers giving higher priority to eating healthily and doing exercise since the COVID-19 outbreak, by gender, age and parental status, 6-13 May 2020
- Organic is a point of differentiation
- Supermarkets of the future are centred around experience
- Locavore trend takes root
- German supermarkets create environmentally friendly solutions
- Opportunities exist to explore refill stations
- Tap into the renewed awareness of food waste

Advertising and marketing activity

- Supermarkets focus on low prices to compete for consumers' attention
- Leading supermarkets promoting price
- Edeka supports diversity and inclusion with new campaign
- Edeka's Christmas campaign promotes diversity
- Edeka looks to help Germans during lockdowns
- Rewe starts food donation campaign
- Supermarkets show solidarity in difficult lockdown times
- Exploring omnichannel is crucial to growth
- Voice opens up new advertising opportunities

Company profiles

- Edeka

- Rewe
- Bartels-Langness
- Bünting
- Dohle

APPENDIX

A note on COVID-19

- COVID-19's impact on online retailing and German consumer behaviour

Appendix – abbreviations and consumer research methodology

- Abbreviations
- Consumer research methodology

Appendix – market size and forecast

- Market size and forecast – value

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