SUPERMARKETS – GERMANY – 2024

Supermarkets are facing stronger competition from discounters and online, but have kept their share of grocery retail and will be favoured as shoppers decide to trade up.

Armando Falcao,
Associate Director -
Retail Reports

MINTEL

Supermarkets - Germany - 2024

This report looks at the following areas:

- Market performance, the effects of the COVID-19 pandemic and the rising cost of living
- Who is shopping at supermarkets and how frequently they shop
- Channels and supermarkets used to purchase own-label and branded products in Germany
- Understanding and establishing purchase drivers for supermarkets and for private label items
- Analysing elements of interest and behaviours towards supermarkets and grocery shopping
- Innovations by leading retailers both online and in-store, including the use of new technology, sustainable initiatives and providing a multichannel experience

> Supermarkets are facing stronger competition from discounters and online, but have kept their share of grocery retail and will be favoured as shoppers decide to trade up.

Overview

Whilst the stronger focus on price has led 59% of grocery shoppers to shop at discounters more, supermarkets have actually **increased their share of total grocery retail sales**, reaching 38.1% in 2023 and returning to the peak value witnessed in 2018.

As a result of the stronger focus on price, 77% of grocery shoppers have **cut back on branded items for financial reasons**, rising to 93% for those households that are struggling financially. Nevertheless, **supermarkets still outperformed both food and non-food retail** between 2021 and 2023, with local supermarkets having grown the most.

Decreasing food inflation and rising consumer confidence mean grocery shoppers will be **increasingly tempted to trade back up**, favouring supermarkets. However, food discounters are **preparing to offer more than price** by raising the quality of their offering and investing in new technology to improve checkout efficiency and the in-store experience to retain these shoppers.

Since grocery shoppers have increasingly resorted to own-label items due to the higher cost of living, **supermarkets can retain these customers** by exploring exciting premium private label ranges that include features like local sourcing, higher quality of ingredients and healthier options. In parallel, retailers will expand with **smaller store formats powered by AI technology**.

Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five-year outlook for Supermarkets

Market context

- More grocery delivery options bring shoppers choice and more flexibility
- Inflation is slowing down fast but still impacts consumption

  - Graph 1: monthly harmonised consumer price index, by category, 2021-23
- Germans are welcoming fast delivery services for groceries
- Higher focus on price challenges supermarkets and favours discounters

  - Graph 2: breakdown of total retail sales by retailer category, 2019-23

Mintel predicts

- Market size and forecast
- Supermarket sales will continue to rise supported by the demand for food and drinks
- Supermarkets will compete with discounters with stronger digitalisation and new formats

Opportunities

- Attract discretionary spending with stronger focus on communicating value
- Premium ranges will be essential to retain grocery shoppers
- Target family households with strong loyalty discounts and special offers
- Target family households with strong loyalty discounts and special offers
- Expand in metropolitan areas with smart stores

The competitive landscape

- Edeka and Rewe completely dominate the supermarket segment

  - Graph 3: leading players' estimated share of total supermarkets' sales, 2023
- Supermarkets have increased their share of grocery retail and are closing in on discounters

  - Graph 4: breakdown of total grocery retail sales according to retailer category, 2014-23
- Competition remains high and the leading players are seizing the opportunities

MARKET DRIVERS

The German economy

- Stagnation follows a technical recession

- Smaller stores will support growth in metropolitan and urban areas

Consumer spending

- Consumer spending on key categories grew moderately in 2023
  - Graph 13: consumer spending on food and selected categories (incl VAT), 2014-23
- Consumers' spending power has been eroded but will rise again in coming years

Channels of distribution

- Supermarkets and discounters both grow share of German retail
  - Graph 14: breakdown of total retail sales by retailer category, 2014-23
- Supermarkets are fighting back and gained share of retail in 2023
- Supermarkets are fighting back and gained share of retail in 2023
- Discounters remain the most popular format and have taken popularity from supermarkets in 2023
  - Graph 15: most money spent on a month, by store format, 2020-23

WHAT CONSUMERS WANT AND WHY

Household grocery shopping

- Frequency of post-pandemic grocery shopping was unaffected
  - Graph 16: shopping frequency for groceries on a typical month, 2021-23
- Women remain predominantly responsible for grocery shopping…
  - Graph 17: responsibility over grocery shopping, by gender, 2023
- …but this responsibility seems to be shifting
- Whilst more engaged, the young are less likely to be responsible for grocery shopping for the household
  - Graph 18: responsibility over grocery shopping, by age group, 2023
- Target younger men with click & collect and more convenience via apps

Retailers used for grocery shopping

- Discounters' popularity challenges supermarkets in grocery retail
  - Graph 19: grocery retailers shopped at in a typical month, 2021-23
- Lidl and Rewe are favoured by the young whilst older shoppers shop more at Edeka and Netto
- 73% of grocery shoppers spend the most at the leading five grocers
  - Graph 20: grocery retailers that shoppers spent the most at, 2023
- Discounters are slightly favoured for additional top-up shops
  - Graph 21: grocery retailers also shopped at in a typical month, 2023
- Discounters play an important role in retail, making it vital for supermarkets to continue to differentiate
- Aldi is the preferred choice for top-up shops, especially for Lidl shoppers
- Germans shop for the household at multiple grocery retailers…
  - Graph 22: repertoire of grocery retailers shopped at, by age group, 2023

- ... but can be tempted with exciting loyalty rewards and promotions
- ... but can be tempted with exciting loyalty rewards and promotions
  - Graph 23: those encouraged to shop with a different grocery retailer with loyalty/membership promotions, by age group, 2023

Grocery shopping patterns

- Eight in 10 Germans do a main, large grocery shop for the home
  - Graph 24: household grocery shopping pattern, by age group, 2023
- Entice families to upsell with special bundle offers
- Leverage large packs to quantify value for money
- Target singles with convenient meal solutions

Own-label products

- Own-label products have strong penetration among grocery shoppers
  - Graph 25: purchase of own-label and branded products, by monthly household income, 2023
- Nearly three in 10 grocery shoppers have bought more value own-label items
  - Graph 26: own-label and branded products purchased by grocery shoppers, 2023
- Price is the key factor encouraging the purchase of own-label items
  - Graph 27: factors that would encourage buying own-label over branded grocery products, 2023
- Own-label items are particularly relevant during harder economic times
- Entice wealthier shoppers with lower-priced, locally sourced own-label items
  - Graph 28: factors that would encourage buying own-label over branded grocery products, by financial situation, 2023
- Combining these factors will considerably increase the likelihood of purchase
- Lidl shoppers are most interested in price, but also loyalty schemes
- Focus on promoting the quality and regionality instead of fighting for price
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Important factors when choosing where to shop

- Proximity to home is essential to drive shopping at supermarkets
- Increase accessibility and expand into metropolitan areas with smaller stores
- Entice those who do smaller, weekly top-up shops with attractive discounts as they favour savings over convenience
  - Graph 29: factors encouraging buyers to shop more at supermarkets, by how they shop for groceries, 2023
- Loyalty prices and discounter price-matching initiatives can be a valuable tool to prevent shoppers from switching
- Target wealthier shoppers with proximity and wider ranges over price
  - Graph 30: factors encouraging buyers to shop more at supermarkets, by monthly household income, 2023

Behaviours towards grocery retailing

- Own-label items are key, as nearly eight in 10 have cut back on branded grocery products
  - Graph 31: consumer behaviours towards shopping for groceries, 2023
- Target younger shoppers with scan & pay and in-app shopping benefits as loyalty rewards

- Target younger shoppers with scan & pay and in-app shopping benefits as loyalty rewards
  - Graph 32: those interested in scan & pay and who find shopping for groceries via app convenient, by age group, 2023
- Encourage shoppers to spend with attractive loyalty rewards & discounts
  - Graph 33: discounter shoppers who are interested in loyalty programs, by age group, 2023
- Successful loyalty programs promote communities and sustainability to engage members
- Discounter shoppers are the most pleased with how their stores have kept prices low in 2023
- Whilst price is important, other factors contribute to consumer loyalty
  - Graph 34: consumers' loyalty to their main grocery retailer and appreciation for them keeping prices low, by where they spend the most, 2023
- Target higher income households with strong loyalty discounts and special offers on premium own-label products
  - Graph 35: consumers encouraged to shop at a different retailer with strong loyalty promotions, by monthly household income, 2023

RETAILER ACTIVITY

Leading retailers

- Competition for the German grocery retail market will remain heated
- Leading supermarkets
- Edeka remains a trusted brand in Germany
- Rewe attracts a slightly younger audience
- Four supermarkets form the group of mid-size grocery retailers
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- The Aldi group leads in popularity in grocery retail
- Lidl leads in sales and popularity among discounters
- Edeka and Rewe continue to dominate the segment with a combined store count that exceeds 10,000 branches
  - Graph 36: leading supermarkets, number of stores, 2021-23

Market share

- The supermarket segment remains highly concentrated in Germany
  - Graph 37: leading supermarkets' estimated share of grocery retail sales, 2023
- Leading supermarkets' market share

Retail innovation

- Smart stores are already entering the grocery market in Germany
- AI-powered smart screens are entering the in-store experience
- Edeka employs robots in automated 24/7 stores
- REWE Pick & Go stores offer cashier-free convenience 24/7
- Kaufland invests in making its loyalty card experience more omnichannel
- Rewe trials "rolling shopping carts" in Hamburg

Advertising and marketing activity

- Edeka's latest campaign fights back against the discounter takeover
- Rewe gives up printed leaflets as part of its shift towards higher digitalisation
- Rewe's #umdenkbar campaign appeals to environmentally conscious grocery shoppers
- Kaufland's Christmas campaign showed an interesting “spin” on product range

APPENDIX

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

- Definition of the market covered in this Report
- Abbreviations and terms
- Consumer research methodology
- Generations
- A note on language

Appendix – repertoire analysis methodology

- Repertoire analysis methodology

Appendix – market size and forecast

- Forecast methodology
- Forecast methodology – fan chart
- Market size – value – supermarket segment
- Market size – value – total grocery retail
- Market forecast and prediction intervals – value – supermarket segment
- Market forecast and prediction intervals – value - total grocery retail

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www.mintel.com
email: store@mintel.com

Help desk

UK	+44 (0)20 7778 7155
US	+1 (312) 932 0600
Australia	+61 (0)2 8284 8100
China	+86 (21) 6386 6609
Germany	+49 211 2409023
India	+91 22 4090 7217
Japan	+81 (3) 6228 6595
Singapore	+65 (0)6 818 9850

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