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

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
- Expand in metropolitan areas with smart stores

The competitive landscape

- Edeka and Rewe completely dominate the supermarket segment
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MARKET DRIVERS

The German economy

- Stagnation follows a technical recession
  - Graph 5: 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 6: financial confidence index, 2022-23
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  - Graph 7: retail sales (incl VAT), 2016-23
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- Uncertainty has (re)sparked German interest in localism
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MARKET ACTIVITY

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- Grocery retail has continued to grow, supported by high inflation

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- The year 2024 will be challenging at first
- German grocers will continue to see growth in coming years
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- Despite the competition from discounters, supermarkets have regained share on grocery retail

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WHAT CONSUMERS WANT AND WHY

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  - Graph 17: responsibility over grocery shopping, by gender, 2023
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Retailers used for grocery shopping

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  - Graph 22: repertoire of grocery retailers shopped at, by age group, 2023
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- 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
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  - Graph 27: factors that would encourage buying own-label over branded grocery products, 2023
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- 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

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
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- Target younger shoppers with scan & pay and in-app shopping benefits as loyalty rewards
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- Graph 33: discounter shoppers who are interested in loyalty programs, by age group, 2023

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- Whilst price is important, other factors contribute to consumer loyalty
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- Target higher income households with strong loyalty discounts and special offers on premium own-label products
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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
- 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
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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

APPENDIX

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

Appendix – repertoire analysis methodology

Appendix – market size and forecast

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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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