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RETAIL INDUSTRY IN GERMANY SWOT & PESTLE ANALYSIS

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Company Name : Retail Industry in Germany

Company Sector : Retail

Operating Geography : Germany, Europe

About the Company :

Germany has the highest GDP in Europe. It is also the largest when considering the population size and the purchasing power of the population (EUR 1,893 billion). The most prominent retailers of Germany are Edeka, Lidl, Kaufland, Rewe, Aldi and Media Markt – Saturn. Amazon and Otto are the largest e-retailers in the country. The consumers with age 50+, are the actual target for the retailers, as the segment has the largest consumer group with highest number of affluent consumers. Recent transformation into e-commerce and modern retail practices is helping the retail industry to increase the volumes as well a value of sales.

The retail industry revenue was recorded at EUR 644.08 billion in 2019 which was 2.67% increase over 2018 value. The revenue was 19.82% of Germany's GDP, making retail the third largest industry in the country. The daily active customers of the retail market are around 50 million. The industry employs around 3 million in 300,000 different retail companies in the country. The e-commerce B2C sales is growing rapidly. It recorded a revenue of EUR 72.8 billion in 2020, an increase of 22.97% over the previous year.

The food and beverages industry performs best among all the segments in retail sector. Around 82 million consumers are active users of the food products at retail stores. The production of retail food items amounts to around EUR 180 billion annually. The industry is growing at a rapid pace due to innovation. The German retail food industry offers around 170 thousand different items. It is adapting to the culinary changes of the culture. As a result, 33% of the retail food products that are produced are being exported. The pandemic changed the consumption habit of the population. The demand for organic food products has increased substantially. For instance, Alnatura, an organic chain, achieved a revenue mark of EUR 1 billion for the first time in 2019-20 cycle. The online food retail has seen a growth due to changing consumer behaviour during the pandemic. Among all the online segments, food retailing saw the fastest growth of around 50% in 2019-20 over the previous cycle. In the retail sector, DIY and Home Improvement market is the second largest segment. It accounts for 10% of the total consumer goods. The market had grown eight times in the period of 2014-18 and continues to grow even today. The textiles, shoes, and garments market are a close follower of DIY and Home Improvement market. German companies are leaders in production of garments as they generate EUR 35 billion in revenue. The textile production is distributed as 60% textile and 40% clothing.

The furniture market has also remained a crucial retail segment as it accounts for 7% of the total sale. There is a growing trend of 'research online and purchase offline'. The internet has made the customers highly conscious of their choices. Technology adoption and flexible services will be the future of retail in Germany.

Revenue :

EUR 644.08 billion in 2019

SWOT Analysis :

The SWOT Analysis for Retail Industry in Germany is given below:

Strengths	Weaknesses
<ul style="list-style-type: none"> 1.Food retail in Germany is the largest in Europe 2.High CAGR for online trade 3.Continuous development of innovative sales services 4.Largest affluent consumer class 	<ul style="list-style-type: none"> 1.Unable to compete with foreign e-commerce giants 2.Poor working conditions at warehouses
Opportunities	Threats
<ul style="list-style-type: none"> 1.Personalized solutions in demand 2.Expansion into developing markets 3.Innovation in after-sales services 	<ul style="list-style-type: none"> 1.Cannibalization of stationary trade by online trade 2.Small stores in cities suffering with Covid waves 3.Consumer spending getting hindered due to curfews 4.D2C brands making retail redundant

PESTLE Analysis :

The PESTLE Analysis for Retail Industry in Germany is given below:

Political	Economical
1.Large government stimulus to stabilize the industry 2.UK-Germany trade and cooperation agreement to help businesses	1.Growing GDP resulting into high consumption 2.High unemployment to reduce the purchasing power
Social	Technological
1.Consumers highly informed due to internet 2.Increased number of households led to increased consumption 3.Declining German population will lead to loss of consumers	1.Omni channel retailing, necessary for growth 2.Voice-search devices to influence shopping
Legal	Environmental
1.Loosening of M&A restraints	1.Consumer switching to green goods

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