HOW TO SUCCEED IN THE GERMAN FOOD RETAIL
The German food market, is for many Swedish food companies a dream with a size ten times larger than the Swedish food market. Germany opens up great opportunities for Swedish companies to grow. However, we have noticed that many Swedish companies are still struggling to reach their full growth potential. This report is written to support you to achieve and accelerate your sales in Germany.

Use the report to get inspired by different business opportunities in Germany.

Do you know what the 4 megatrends and the new trends of 2017 are? Have you heard about the 3 top happenings of 2017? Are you aware of the German interest for Swedish products?

Enhance your knowledge about the market and learn how to adapt your business model to fit the German requirements. Preferably, before entering any business dialogues as this will increase your chances of a successful outcome.

There is not only one way to enter and approach the German food market. In this report you will be able to learn some possible paths to achieve or accelerate your growth in Germany.

We want you to unlock your full international potential.
Executive Summary

Market drivers

- High Quality
- Low prices
- Wide assortment

Trends

4 megatrends that continue to influence the market

1. Private label products
2. Healthier & environmentally friendly eating
3. Free-from products
4. Online grocery sales

Happenings of 2017

- New player entering the market
- The acquisition of a German retailer
- New law becomes active

Interest for Swedish products

- NEW PLAYER ENTERING THE MARKET
- THE ACQUISITION OF A GERMAN RETAILER
- NEW LAW BECOMES ACTIVE

Top 3 happenings of 2017

- NOT TO MISS: Achieve sales in Germany through Swedish campaign at tegut

Business Sweden in Germany

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@BusinessSwedenDEU

TRY SWEDISH!
WITH 161 BEUR TURNOVER THE GERMAN FOOD MARKET IS TEN TIMES LARGER THAN THE SWEDISH

The German food market is ten times larger than the Swedish food market

- The German food market reported a turnover of 161 BEUR in 2015, compared to 16BEUR in Sweden
- Germany is the largest food market in Europe, where France holds the second place accounting for 153BEUR

The food market has grown by 25% in ten years

- The positive economic and consumer climate in Germany has had a great impact on the food market over the past years
- Growth drivers has also been the sustained trend of organic food and retailers widening their food sections, as well as discounters investing in branded products

Discounters holds the largest market share

- Discounters such as Lidl, Aldi and Netto holds the largest market share with 42 % of total turnover

THE GERMAN FOOD MARKET OFFERS LARGE POTENTIAL FOR SWEDISH FOOD COMPANIES

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
HIGH QUALITY, LOW PRICES AND WIDE ASSORTMENT ARE MARKET DRIVERS IN GERMAN FOOD RETAIL

**TOP 3 CHARACTERISTICS**

**High Quality**
- German customers require high quality products
- Quality is specified through certificates and standards
- Many international industry standards rest on German foundation
  - *Do you have the required or preferred certifications in place?*

**Low prices**
- Price is the dominating sales strategy
- Low margins have made it difficult for foreign companies to establish in Germany
  - *Do you have an attractive pricing model for German retailers?*

**Wide assortment**
- The individualization of German customers is demanding retailers to have a wide variety of products
- It is important for Swedish companies to know the value the product brings to the retailers
  - *What value do you bring to the table?*

**SOURCE:** BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
IT IS AN OLIGOPOLISTIC MARKET DOMINATED BY FIVE LARGE DOMESTIC RETAIL GROUPS

5 RETAILERS DOMINATING THE MARKET

1. Edeka Group
2. Rewe Group
3. Schwarz Group
4. Aldi Group
5. Metro Group

Market share by retail groups in %

25% 15% 15% 12% 5%

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS

TO KEEP IN MIND!

Know your customer well before initiating any business dialogue, you might only get one chance!
THE BIG 5 IN GERMANY HAS ALMOST TEN TIMES MORE STORES THAN THE BIG 4 IN SWEDEN

GERMAN FOOD MARKET OFFERS GREAT POTENTIAL FOR SWEDISH COMPANIES TO GROW INTERNATIONAL REVENUE

25% 48BEUR 11.224
15% 45BEUR 10.178
15% 34BEUR 3.800
12% 28BEUR 4.192
5% 5BEUR 400
TOTAL 70% 160BEUR 29.800

50% 10BEUR 1.300
19% 2BEUR 655
16% 4BEUR 1.050
8% 0.9BEUR 190
TOTAL 93% 33BEUR 3.200

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
FOUR MEGATRENDS* IN GERMANY THAT CONTINUES TO INFLUENCE THE FOOD MARKET

1. Private label products continue to dominate

2. Healthier & environmentally friendly eating

3. Free-from products is still a hot topic

4. Online grocery sales continues to grow

SEIZE THE OPPORTUNITIES THAT THE GERMAN MARKET OFFERS

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS

* A MEGATREND IS A LONG-TERM CHANGE THAT INFLUENCE A INDUSTRY, IN THIS PARTICULAR CASE THE FOOD MARKET OVER LONG TIME OF PERIOD
PRIVATE LABEL DOMINATES THE GERMAN FOOD MARKET WITH A MARKET SHARE OF 45%

Private label products continue to dominate

- The market share for private label products increased in Germany with 2% in 2017 to 45%, compared to 31% in Sweden
- Product categories where private label accounts for more than 50% of the turnover are; sausage products, snacks, cheese, bakery products and frozen products

German consumer behavior

- Almost half of the population do not notice any difference in quality between private label and branded products
- Private label products in Germany also enjoy a positive image
- Low prices still a determining factor, with 66% of German consumers saying they rather buy the product with the lowest price, favoring private label products rather than branded.

Have you thought about the possibility to sell your products under private label to the German food retail?

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
ORGANIC SALES INCREASED BY 13% IN 2015, WITH WOMEN AS THE LARGEST CUSTOMER GROUP

Healthier and environmentally friendly eating

- Organic sales increased by 13% 2015, with a total turnover of 8,7BEUR
- Supermarkets by far the largest sales channel accounting for 55% of total organic sales
- Vegetables and fruit is the largest product group accounting for 21% of total organic sales
- Are you capturing the market opportunity within the growing market for organic products?

Women are more likely to buy environmentally friendly food

- In comparison to men, women more often take organic labels into consideration when grocery shopping (58% compared to 39%)
- This is also true for fair trade products and animal welfare labelled products
- People from East Germany eat more healthy food than in Western Germany, where 23% eat sweets every day compared to 11% in East
- Do you know your target group?

“The interest in healthy products has grown over the past year, especially for products with high percent of protein eg. protein ice cream and protein yoghurt” Journalist, Lebensmittelrundschau

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
Free-from products is still a hot topic

- Sales for gluten-free products reached 134MEUR 2016
- In April 2017 these sales figures were already outnumbered with 174MEUR in turnover
- Lactose-free products is also increasing in popularity, every third German household buys lactose-free products

Do you have free from products in your offering and want to grow your international revenues?

Free-from products – a lifestyle trend

- Buying free-from products have become a lifestyle trend in Germany
- 80% of the consumers buying free-from products are not suffering from any food intolerance, they buy it because they think it is more healthy

Do you know your target group?

“The free-from products is a growing segment and we always look for new innovative products to further strengthen our portfolio within these niche.”

Buyer, German retailer
Online grocery sales continue to grow

- Online grocery sales accounted for 44BEUR in 2016, a turnover growth by 60% in 5 years
- The five largest online shops by turnover for food and beverages are [amazon.de](https://www.amazon.de), [Hawesko.de](https://www.hawesko.de), [rewa.de](https://www.rewa.de), [lidl.de](https://www.lidl.de) and [mymuesli.de](https://www.mymuesli.de)
- German consumers are more likely to buy long-lasting products online eg. confectionary, snacks and preserved food rather than fresh food eg. meat, fish and frozen products
- Lower risk to enter a new market, as you do not have to pay any listing costs etc.
- You also understand where your customers are located

"Online grocery sales are growing especially for some product categories. However, I still see that German consumers tend to want to buy food in ordinary retailers where they can see and feel the product and also be more spontaneous about their grocery shopping."

 Buyer, German retailer

**Turnover growth in 5 years**

The online sales for groceries has increased by 60% over the last 5 years

**YES! NO!**

German consumers are more likely to click home long-lasting products rather than fresh and frozen food

**IN 2016 ONLINE SALES ACCOUNTED FOR 44BEUR, A GROWTH BY 60% IN 5 YEARS**

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
NEW TRENDS IN THE GERMAN FOOD RETAIL 2017

1. **Fancy is the new black within discounters**
   - Competing against discounters, supermarkets have to step up their game and are now making grocery shopping to a full experience.
   - Edeka has opened up restaurants in several of their stores.
   - Supermarkets start offering cooking classes to attract their customers.

2. **Grocery shopping in supermarkets - a full experience**
   - Price is not everything.
   - Discounters e.g. Lidl and Aldi rebuild their stores with a more fancy look in order to attract and hold on to German customers.
   - Aldi has coffee mug holders on the shopping trolleys.

THE NEW TRENDS IN THE FOOD RETAIL OPEN UP FOR NEW OPPORTUNITIES FOR SWEDISH COMPANIES
3 TOP HAPPENINGS OF 2017 IN THE GERMAN FOOD MARKET

Amazon fresh enters the German market

- Since May it is possible to order food from Amazon in Berlin

- March, 2017

The acquisition of Kaiser's Tengelmann through Rewe and Edeka

- Rewe changed all the stores by the end of March
- Edeka is planning to be ready with their stores next year

- May, 2017

The 9. GWB Novelle becomes effective

- The changes in the competition law becomes effective
- The law aims to reduce the abuse possibilities of the market dominant retailers eg. not allowing them to sell goods under purchased price

- June, 2017

CHANGES IN THE MARKET OPEN UP TO NEW POSSIBILITIES FOR SWEDISH COMPANIES
THERE IS AN INTEREST FOR SWEDISH PRODUCTS AMONG RETAILERS AND DISTRIBUTORS

Category manager, tegut

“We are very happy to be able to offer our customers Swedish products in the Swedish campaigns and since 2005 we have been able to list and establish numerous Swedish products in our assortment as a result.

For the upcoming 5th Swedish campaign in 2018 we are excited to discover good Swedish products that our customers will find interesting.”

Sales manager, Citti

“We always have an interest for Sweden and Swedish products. We have many Swedish customers visiting our stores. However, we feel that Swedish producers often are not prepared for the German market. They need to know how to set up distribution, have budget for marketing etc.”

Manager, Importhaus-Wilms

“It could be interesting for us to evaluate Swedish producers within the ecological segment for our private label line”
GERMANY IS THE HOME OF FAIRS – HERE ARE THE FOUR LARGEST AND MOST IMPORTANT FOOD FAIRS

1. ISM Cologne
   - Homepage: [www.ism-cologne.com](http://www.ism-cologne.com)
   - When: 28-31 Jan 2018, Cologne
   - What: Worlds largest trade fair for sweets and snacks
   - Visitors: ca 38,000 only trade visitors

2. Biofach 2018
   - Homepage: [www.biofach.de](http://www.biofach.de)
   - When: 14-17 February 2018, Nuremberg
   - What: The largest exhibition and fair specialised on organic food
   - Visitors: ca 48 000 only trade visitors

3. Internorga
   - Homepage: [www.internorga.com](http://www.internorga.com)
   - When: 9-13 March 2018, Hamburg
   - What: The largest trade fair in Europe for foodservice and hospitality
   - Visitors: ca 96 000 only trade visitors

4. Anuga
   - Homepage: [www.anuga.com](http://www.anuga.com)
   - When: 7-11 October 2018, Cologne
   - What: World's largest trade fair for food and beverages
   - Visitors: ca 158.603 only trade visitors

MEET GERMAN DECISION MAKERS AND INCREASE AWARENESS OF YOUR BRAND AT FAIRS

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
BUSINESS SWEDEN CAN SUPPORT YOU THROUGH YOUR ENTIRE INTERNATIONALISATION

Selected examples of how Business Sweden can support you in your internationalisation

- Retail
- E-commerce
- Individual support
- Trade fair support

Swedish campaigns
Seminars & Matchmaking
Swedish online shop
Market expansion

Try Swedish!

Do you want to read about performed activities? Click on the pictures!

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
AN EXAMPLE OF HOW TO PROPEL YOUR INTERNATIONAL GROWTH WITH SUPPORT FROM BUSINESS SWEDEN

How to approach the market?

- Are you new to the market with no sales?
  - Build market knowledge
  - Adapt sales strategy
  - Approach retailer A

- You have low sales volume at one retailer?
  - Regional listing at retailer
  - Marketing at retailer A
  - Low sales volumes
  - Approach retailer B

- You have established sales to more than one retailer?
  - National listing at retailer A
  - Regional listing at Retailer B
  - Medium sales volumes
  - Marketing at retailer A and B

- You see further growth potential in Germany?
  - Nation wide listing at retailer A and B
  - Marketing at retailer A and B
  - Higher Sales volumes
  - Approach Retailer C, D, E…etc.

What ideal sales strategy should you have on the market? You might be able to accelerate your sales through a **German distributor**.

- “With our local network, experience from the industry we evaluate the market and relevant business partners for your company. Thereby we shorten your time to the market and enable you to grow your international revenue” – Business Sweden

The **Swedish test sales campaigns** in the German retail market are appreciated and are an ideal platform to get in touch with decision makers. They have made it possible for us to achieve new listings as well as raise awareness of our established products. At the same time they emphasize our Swedish origin.

With the right competence, a test sales week can be a **stepping stone into the German market.**

– Swedish food company

A Swedish company participating in the activity Food Business Days in Germany 2015 says:

“The store checks gave us the opportunity to understand the competition on the shelf, prices and product assortment, but also which customers we should focus on in the future”

**Business case**

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
### PLANNED ACTIVITIES THE NEXT 3 YEARS TO HELP COMPANIES TOWARD THEIR EXPORT GOAL IN GERMANY

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<th>Q3 2017</th>
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<td><em>Sales pitch preparation and Swedish campaign tegut</em>**</td>
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<td><strong>Try Swedish stand at Anuga with Swedish food companies</strong></td>
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**SOURCE:** BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
ACHIEVE SALES TO GERMAN FOOD RETAIL THROUGH A SWEDISH SALES CAMPAIGN AT TEGUT

WHAT?

Achieve sales to German food retail through Swedish campaign at Tegut:
- Step 1: Obtain information needed to sharpen sales pitch
- Step 2: Present your products for the retailer Tegut
- Step 3: Sell your products in Tegut 280 stores during a week in a Swedish campaign
- Step 4: Follow up including sales numbers, Tegut and consumer feedback and Business Sweden’s recommendation for next steps

FOR WHOM?

Tegut is interested in meeting with Swedish food companies that are new to Tegut or already listed at Tegut:
- Products suitable for a Swedish test sales week for possible continued listing
- Suitable products have recognition value and/or a clear connection to Sweden

Meet the German retailer tegut
- Full assortment with focus on quality and fresh products
- A total of 1 BEUR
- Test sales are held in all of tegut’s 280 stores

Why Swedish products are of interest for tegut?

We are very happy to be able to offer our customers Swedish products in the Swedish campaigns and since 2005 we have been able to list and establish numerous Swedish products in our assortment as a result.

For the upcoming 5th Swedish campaign in 2018 we are excited to discover good Swedish products that our customers will find interesting.”

Category manager food, tegut

THE SWEDISH CAMPAIGN IS PART OF SWEDISH COMPANIES OVERALL EXPORT STRATEGY TO INCREASE SALES TO GERMAN RETAIL

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS

*NOTE: BUSINESS SWEDEN CANNOT GUARANTEE INTEREST FROM TEGUT OR LISTING*
OUR EXPERIENCE WITHIN GERMAN RETAIL INCREASES CHANCES OF SUCCESS FOR SWEDISH COMPANIES

Knowledge of the market
- Local presence since 1972 and many targeted food retail activities within Food From Sweden assignment
- Knowledge of the retail and food retail market, trends, leading players, challenges, possibilities, regulation etc.
- Engaged expert team within food

Some examples of targeted retail activities
- 18 test sales campaigns with leading food retail players
- E-commerce Sweden shop for Swedish products
- Individual tailored support for Swedish companies
- Trade fair exhibition and support e.g. Anuga, ISM, Grüne Woche

Network to leading retail players- some examples

Some of our references- See www.tryswedish.com

COMPANIES ARE SUPPORTED WITHIN ALL PHASES OF INTERNATIONALIZATION AND WITH SELECTED ACTIVITIES

SOURCE: BUSINESS SWEDEN DESK RESEARCH, INTERVIEWS AND ANALYSIS
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