

German retailers need to bolster multi-channel offerings to entice customers to the store

It's all smiles in Germany. The country is riding on a wave of positive news regarding the strength of its economy, with some commentators suggesting that Europe's most industrialised and populous nation is on the verge of a boom. A clear indication of how good the situation is, is the fact that the GfK consumer sentiment indicator, which measures how optimistic German consumers are about the overall state of the economy, was at a twelve year high in March. Furthermore, consumer willingness to make purchases was at an eight year high.

Low interest rates set by the European Central Bank (ECB) are a key reason behind the current mood. On the one hand, these have helped German exports be more competitive outside of the EU, while at the same time consumers' incentive to save is virtually non-existent. But what are Germans spending their money on? Research indicates that, in the main, consumption has largely been focused on home renovations and travel. The latter has risen by 7%, while the former by 10%, compared to last year. This isn't great news for retailers, as it would suggest that the prolonged decline in their share of consumer spending will continue.

Analysts do believe, however, that there will be some incremental gains to be made during this period of increased consumer spending. The electrical goods market made a strong start to 2015 and projections indicate that the personal care and cosmetics sector will continue to experience the momentum it gathered in 2014. The food retail market will grow by 0.5 this year according to forecasts and the non-food sector is slightly healthier again, with growth projections set at around 1.3 percent; a marginal improvement on last year. Ultimately though, this is not enough to merit a big celebration.

As is the case with other European states, German's ecommerce industry is perhaps the only true retail success story. A recent report highlighted it was now the fifth strongest online retail market in the world. Ecommerce, however, isn't the panacea to all of traditional retail's woes. PwC's latest annual consumer survey confirms that, globally, shoppers still prefer to make their purchases inside an actual store. But, in order to entice consumers back to the store, German retailers need to leverage multi-channel strategies, using on and offline touch points, as a way of improving footfall.

This shouldn't be a major challenge for German businesses either. Internationally, Germany is still the most attractive retail market for investors according to CBRE's 2014 research and some believe its only matter of time before there is a real, tangible turning point for the retail industry. In 2012, Deloitte highlighted that around 25% of online or mobile sales in the UK and Germany couldn't be purchased in store, totalling around 9 billion Euros worth of sales. The key messages for operators in this sector, therefore, are that engagement, more so than price, is the key to growth and innovation and improved satisfaction of consumer needs need to be priorities.