Trash2Cash Delrapport nr. 6.2

**Food retail sector in Germany**

Delprojekt 6: Udvinding af højværdikilder fra skaldyr

Eurofish International
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Food retail sector in Germany
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Food retail sector in Germany

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Executive summary

Germany is Europe’s biggest market with the population of 82 million, where the food retail sector represents by far the biggest market for food and beverages in the European Union. A part of the grocery demand is met by the production of local manufactures, while the country is a net importer of nearly all main categories of food products. The main characteristics of the food retail segment, which reached EUR 40.35 billion in 2012, are market saturation, strong consolidation and significant competition on one side, and price-sensitive consumers who are oriented at high quality, traceability and sustainability of their food products on the other side. The retail market is dominated by 5 national retail chains, which operate in the format of discounters, supermarkets and hypermarkets. The category of discount stores makes up one-third of the food retail sales turnover, being the driving force behind the growth of the retail sector. In terms of market players, Edeka is the largest retail group, followed by Schwartz, Aldi and Rewe groups.

German fish and seafood market was estimated to 2.24 billion tonnes in 2012, where 88% of the volume arrived from imports, while the remaining 12% was provided by the local aquaculture companies and inland catch. Frozen fish is the most important category, covering 30% of fish sales in the retail sector, followed by canned and marinated fish products (25%), fish culinary products (9%), fresh fish (8%) and other categories of fish products. Alaska pollock tops the priority of German consumers with over 20% of the national average annual fish consumption, while herring, salmon, tuna and pangasius are among other popular fish species in the country.

1. Background information

With its population of 82 million people, Germany represents the largest market in the European Union for the sales of food and drinks. In 2012, the turnover of the grocery retail sector in the country reached EUR 186.7 billion, growing by 1% compared to the year before.

Following the rapid recovery of the recession of 2008-2009, the years 2010 and 2011 brought strong growth of 4.2% and 3% respectively. In the following years, the economic situation in Germany remained on the moderate growth trajectory, yet the Eurozone is emerging from the recession. In 2012 the GDP grew by 0.7%, and in 2013 it slowed down to 0.4%, a weaker than expected. Yet, economists forecast a growth of 2.2% as the global upturn boost exports and low interest rates unleash a recovery in investments. Consumer spending is recovering in line with the economy, and the latest indicators imply that the growth will continue. In 2012, consumer expenditures per capita reached EUR 17 715, increasing by 2.9% compared to 2011. Of this, EUR 1 931 were spent on food and non-alcoholic beverages, rising by 1% compared to the

1 “German economy grew just 0.4% in 2014, but peaking up steam”, www.reuters.com, 15 January 2014
year before. However, continued fiscal consolidation and Germany’s dependence on exports could be reasons for slowing down the growth in consumer expenditures on food.

2. Food retail sector

The German grocery retail sector is rather dependent on imports. In 2012, the imports of consumer-oriented products was valued EUR 40.35 billion, of which the category of fish and seafood products was nearly EUR 3.5 billion. The grocery retail sector in Germany is characterized by highly concentrated, as in most of the European countries, where the market share of the top three retailers can range from 30% to 50%. In Germany, this share was on the level of 55% including the shares of the main retail groups such as Edeka, Schwarz and Aldi.

Discounters represent the most important distribution channel in the German food retail segment responsible for 34% of the total sales in the grocery retailing in the country in 2012 and a turnover of EUR 63.9. Compared to 2011, the sales turnover of the discounters increased by 0.6%, while comparing the results of 2012 to 2008, the sales turnover of discount stores went up by 4.2% highlighting the biggest growth among other sales channels.

Figure 1: Shares of the sales channels in the retail sector by turnover in 2012

Discounters have a very strong position in the German food retailing and they are established throughout the country. The main challenge for this category of stores has been the fact that the growth of their respective retail chains could not be achieved only by opening new stores as such. Even considering that consumers are
increasingly attracted by lower prices for their daily products in the uncertain time, supermarkets performed well due to their distinguished strategies focusing on quality. Then many discounter chains decided to implement this strategy applying a combination of lower prices and premium goods for daily products.

**Picture 1: Self-service counters with fresh fish in discount store Lidl**

The current popularity of discounters in the country is explained by the fact of their ability to offer high-quality products at attractive and competitive prices. Moreover, in the recent few years the discount retail chains have widened their product assortment focusing on more premium products and products in the category of fresh goods. This shift was very positively perceived by consumers and enabled to strengthen the image of discount stores providing interesting products and better margins to consumers.

**Table 1: Development of food sales by category of stores (in EUR billion)**

<table>
<thead>
<tr>
<th>Type of store</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounters</td>
<td>61,3</td>
<td>61,3</td>
<td>62,7</td>
<td>63,5</td>
<td>63,9</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>47,4</td>
<td>44,9</td>
<td>46,3</td>
<td>48,1</td>
<td>48,4</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>34,1</td>
<td>33,6</td>
<td>33,6</td>
<td>32,8</td>
<td>33,1</td>
</tr>
<tr>
<td>Traditional food stores</td>
<td>31,9</td>
<td>31,7</td>
<td>31,7</td>
<td>32</td>
<td>32,2</td>
</tr>
<tr>
<td>Convenience stores</td>
<td>9,4</td>
<td>9,2</td>
<td>9,2</td>
<td>9,2</td>
<td>9,2</td>
</tr>
</tbody>
</table>

*Source: Euromonitor International, FAS, USDA Gain Report*
Supermarkets compete in the overall retail sector proving increasing number of fish and seafood together with personal assistance of personnel.

The decrease of popularity of hypermarkets can be explained that they were faced by the growing competition from the side of discounters which had the only disadvantage of rather limited product assortment compared to hypermarkets. Yet, most of the turnover is done by purchasing of daily products, and proximity of the stores is increasingly important, therefore combining those two factors, discounter chains have clearly won preferences of German consumers over the past 5 years.

Traditional food stores have maintained a fairly stable position in the development of the retail sector with the overall increase of 0.9% during 2008-2012. This increase can be attributed to the traditional factor of convenience which is also the wining point for discount stores, and a fairly broad product assortment, compared to smaller convenience stores. Traditional food markets have also been very popular among German consumers due to the attractiveness of fresh and locally produced foods. There are organized weekly food markets nearly in all German cities. The share of convenience stores has been decreased by 2% after the crisis in 2008, while in was stable in the period 2009-2012.
Some traditional fishmongers have introduced snack counters or small bistro sections, in addition to their sales of fish and seafood products, to offer their customers extra treat.

Source: EUROFISH Magazine

3. Main players

The high concentration of the German food retail market is characterized by the fact that the three largest retail groups occupy a share of 55% of the total market in value sales terms. In particular, Edeka Group was responsible for 23%, Schwarz group had a share of 17% and Aldi group had a share of 15%. Another large market player, Rewe group occupied a market share of 14%. Metro group made up 5% of the total market sales, while other chains contributed to the common share of 26%.

“Edeka” is the largest German retail group with the sales of over EUR 44 million including sales in Edeka supermarkets and Netto discounters throughout the country. Edeka Group also had the highest number of stores with 7 717 Edeka supermarkets and 4 160 Netto discounters in Germany.
Figure 2: Shares of main German food retail groups in 2012 (in % of sales)

Table 2: Overview of the leading retail chains in Germany in 2012

<table>
<thead>
<tr>
<th>Retail Group</th>
<th>Retail chain/outlet type</th>
<th>Food sales (EUR million)</th>
<th>Number of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edeka Group</td>
<td>Edeka (supermarkets)</td>
<td>32.7</td>
<td>7,717</td>
</tr>
<tr>
<td></td>
<td>Netto (discounters)</td>
<td>11.7</td>
<td>4,160</td>
</tr>
<tr>
<td>Rewe Group</td>
<td>Rewe (supermarkets)</td>
<td>16.6</td>
<td>1,802</td>
</tr>
<tr>
<td></td>
<td>Penny (discounters)</td>
<td>6.7</td>
<td>2,266</td>
</tr>
<tr>
<td>Metro Group</td>
<td>Real (hypermktas)</td>
<td>6.7</td>
<td>331</td>
</tr>
<tr>
<td></td>
<td>Metro (Cash&amp;Carry)</td>
<td>4.3</td>
<td>123</td>
</tr>
<tr>
<td>Schwarz Group</td>
<td>Kaufland (Hypermarkets)</td>
<td>13.3</td>
<td>3,375</td>
</tr>
<tr>
<td></td>
<td>Lidl (discounters)</td>
<td>10.8</td>
<td>625</td>
</tr>
<tr>
<td>Aldi group</td>
<td>Aldi Sud (discounters)</td>
<td>11.8</td>
<td>1,810</td>
</tr>
<tr>
<td></td>
<td>Aldi Nord (discounters)</td>
<td>9.1</td>
<td>2,515</td>
</tr>
<tr>
<td>Lekkerland</td>
<td>Lekkerland (wholesale)</td>
<td>8.2</td>
<td>19</td>
</tr>
<tr>
<td>Tengelmann Group</td>
<td>Kaisers (supermarket)</td>
<td>2.1</td>
<td>710</td>
</tr>
</tbody>
</table>

Source: Euromonitor, Lebensmittelzeitung
4. Fish products in the German retail sector

The overall German consumption of fish has remained stable at over 15 kg per capita for the last several years. Considering that Germany is not listed among the countries with the highest fish consumption per capita, the population of 82 million people, makes this country one of the largest and powerful fish and seafood market in Europe. It is important to highlights that approximately 88% of the fish and seafood volume in the country is satisfied by imports, thus making Germany as a pure fish net importing market.

According to Dr. Manfred Klinkhardt (EUROFISH Magazine 1/2013), the total volume of fish and fishery products\(^2\) on the German market amounted to 2.24 million tones in 2011, which was on the same level in the previous years. The same stable trend has been observed in the German fisheries and aquaculture sectors, which rose slightly compared to 2010 from 274 000 tonnes to 278 000 tonnes, but was slightly below the volumes of earlier years (for example, 330 000 tonnes of fish were produced in Germany in 2007). So, Germany’s own production covers about 12% of the total demand for fish and seafood, while the remaining 88% comes from imports. In 2011, this amounted to the substantial quantity of 1.96 million tonnes of a total value of EUR 3.56 billion. At the same time, German exports of fishery products amounted to 957 000 tonnes for a total value of EUR 1.62 billion. The final balance of the production, supply and demand resulted in over 1 million tonnes of fish which remained in Germany, was marketed and consumed in the country.

**Picture 4: Fresh fish counters in German supermarkets**

Source: Aichinger, EUROFISH Magazine

\(^2\) Based on catch weight
The main supplying countries were from non-EU countries accounting for nearly 60% of the total import value, in particular Norway (13.8% of the import value), China (11.4%), the USA (5.3%), Vietnam (4.8%) and Thailand (3%). Within the EU, Poland (13.9%) was the most important supplier of fish products to Germany, followed by the Netherlands and Denmark each with a share of 8.4%.

German consumers have a great demand for marine fish species, which account for two thirds of per capita seafood consumption in 2011 (10.1 kg), followed by freshwater species (3.6 kg) and crustaceans and molluscs (together 1.9 kg)\(^3\). In terms of fish product categories in the German retail chains, frozen fish products stably make up one third (31%) of the total seafood sales in the country. Canned fish and marinades had a market share of 25% in 2011, equal to a slight decrease compared to the year before which was caused due to the lower demand for canned and marinated herring.

The share of fresh fish products was on the level of 8% of the total fish sales in the retail, as well as the category of smoked fish. Many supermarket chains have introduced service counters for fish with a view to enabling additional buying incentives as freshness and quality to stand out against competitors, especially discount stores. Fish culinary products, such as fish salads, matje herring, appetitsild, salted herring and fork bites all together accounted for 9% of the fish retail sales.

**Picture 5: Diversification of ready fish products is seen as an attractive feature for the marketing strategy in the retail stores, which are often offered in super- and hypermarkets.**

In terms of species, Alaska Pollock has for years topped the list of the most important fish species offered on the German market. Alaska pollock is used for the production of fillets with various toppings, fish fingers and other frozen convenience products. In fact, the share of Alaska pollock in the fish consumption in Germany has risen from 21.4 % to 23.3% in 2009-2011. The second most demanded species, herring, is also on the rise. Its share in the total fish and seafood consumption went up from 17.8% to 18.5% in the same period, as well as the share of another important pelagic species – mackerel – from 1.5% to 2.3% in the same period. Salmon, which ranks as the third

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\(^3\) These figures are based on the catch weight (Manfred Klinkhardt, EUROFISH Magazine)
most important species on the German market, had a share of 12.5% in 2011, which however, has been showing a slight downward tendency from 13.8% in 2009 to 13.4% in 2010.

Tuna and bonito are very popular species, which are sold mostly as canned products. Their share in the total sales of fish and seafood increased from 9.9% to 11.2% in 2009-2011 due to the continuously growing trend of convenience.

Pangasius, which was a rather popular species on the market in the previous year, has currently been under pressure. The share of Pangasius fell to 4.8% from 6.7% in just two years due to the changed image of the species. Different media had recently given rather negative reports on the species. Television programmes portrayed poor hygiene and excessive use of chemicals and medications on the Vietnamese Pangasius farms which worried German consumers and resulted in the declined demand.

<table>
<thead>
<tr>
<th>Species</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska pollack</td>
<td>21.4</td>
<td>22.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Herring</td>
<td>17.8</td>
<td>19.4</td>
<td>18.5</td>
</tr>
<tr>
<td>Salmon</td>
<td>13.8</td>
<td>13.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Tuna, bonito</td>
<td>9.9</td>
<td>9.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Pangasius</td>
<td>6.7</td>
<td>5.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Trout</td>
<td>4.9</td>
<td>4.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Cod</td>
<td>2.4</td>
<td>1.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Saithe</td>
<td>4.4</td>
<td>3.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Mackerel</td>
<td>1.5</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Redfish</td>
<td>2.8</td>
<td>2.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

5. Market highlights and consumer tendencies

The previous example of Pangasius reveals one of the most important trends in the German fish market: more and more consumers want to know where their fish comes from and under what conditions it was produced. Mistrust concerning poor farming conditions in aquaculture in general is a significant concern of German consumers, therefore traceability is the most important issue of the retail segment.

- **Consumers are demanding more sustainable fish products**

German consumers’ interest in more sustainability in fishing and aquaculture is increasingly influencing the public discussion and putting considerable pressure on producers, traders and other stakeholders. As a result interest in fish and fishery products from sustainable sources with appropriate certificates has risen very strongly. According to an announcement by the Marine Stewardship Council there were in August 2012 already 4,348 fish and seafood products in Germany marked
with the blue MSC logo for environmentally compatible fishing. In the meantime this number is likely to have risen further. In Germany, consumers’ buying behaviour with regard to fish has changed noticeably over the past few years. Admittedly, people are not buying more fish but they are paying much more attention than in the past to sustainability and environmental compatibility of the products.

Over the past few years, most of the retail chains have decided that they would sell predominantly certified fish products in their stores, and from 2013, they would sell only certified fish products. For example, sustainability is integral part of EDEKA Group strategic management. By the end of 2009, about 30% of all fish and seafood products were labeled with Panda bear. By the end of 2011, about 75% of all fish and seafood products were labeled with panda bear. Starting from 2012, EDEKA is committed to sell fish and seafood only from sustainable sources. Another example of Netto discounters showing that Netto stores can sell farmed fish only from breeders who meet all requirements and received a valid certificate on the standard for Good Agricultural Practice, which is issued by an independent organization and is registered on the individual control number (GGN).

Picture 6: MSC and WWF certified Alaska pollock fillets from Edeka (left) and “Dolphin safe” caught tuna from Edeka (right)

- Convenience, health and wellness

However, the significance of sustainability doesn’t mean that other general trends are thus becoming less important. Convenience, enjoyment value and healthy diet continue to be important prerequisites for successful marketing. The number of consumers who, when buying fish, pay attention to dietary health and want to have more information on the origins, processing, and quality of the products they eat is growing all the time, even if they are still not representative of the majority of consumers.

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4 In particular, together with WWF EDEKA assists in transforming fisheries and aquaculture into sustainable operations. All new fish products must be purchased from sustainable sources.
Increasing share of private labels

German retail market, being highly concentrated regarding the market share of the top three retail chains, tends to experience a high level of private label penetration. The share of the private labels in the total market in Germany was 35.7% in the period June 2011-May 2012, according to the data from European Food and Drink Industry\(^5\). In the same period, the EU average level of private label penetration was 35.6%, including Italy with 17.7% and the UK with 50.5%. Initially, the private label food products were focused on price and actively developed by discounter chains to offer consumers most competitive products of recognized quality. Yet, the situation has changed in the recent years, since the private label concept was developed into more expensive and premium-price products. At present, German consumers are discovering high value for money offered by private brands, and the market share of private label products is expected to increase further. Many fish products are offered as private label products, such as salted and marinated fish, frozen fillets of various species and ready-to-cook and ready-to-eat fish and seafood meals.

Picture 8: Rewe private label: frozen Alaska pollock fillet and ready fish balls

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Affordable luxury products are on the rise

The category of luxury food remains stable and even growing over the years because premium products are perceived as affordable indulgences. This trend has been evident in the fish and seafood retail in Germany, where many retail chains have come forward offering a wide assortment of premium products. This tendency can be noted in any of the categories of the stores, but a few years ago the discount stores have been offering ultra-premium products at most competitive prices breaking the rule of corresponding high price for luxury goods. The Schwartz Group, with its Lidl discount stores, has made a choice to attract middle and high-income shoppers by introducing luxury products at low prices, which became a success proving those products as best-sellers and resulting in multiplied sales.

Picture 9: “Deluxe” category of fish and seafood products in Lidl discounters by Lidl private brand

Picture 10: Examples of premium fish and seafood products from Aldi discount stores
- Locally sourced, organic, natural, fair trade, carbon neutral products

Germany is the second biggest market in the world after the USA for organic food products. The sales of organic food in Germany have continuously increased in the past years and peaked in 2012 with organic food sales reaching over EUR 7 billion. Approximately one half of organic food sales is done though traditional food stores, while the other half goes to specialized organic retail shops like bakeries, food and vegetable stores, open markets and butchers. In contrast to the conventional retail chains, the organic food retail market is not consolidated, saturated or concentrated. It is estimated that there are over 2,400 organic food stores in Germany. The biggest organic food retailer is “Denn’s”, which acts on the nationwide basis, whereas others, like for example, “Alnatura” are regional or present in some cities.

Picture 11: Bio products from German “Alnatura”, a chain of organic products supermarkets

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6 “Germany, Retail foods” by USDA Foreign Agricultural Service, GAIN Report, 2013
Picture 12: Tuna caught by sustainable fisheries methods in biological olive oil, at Denn’s organic store (left) and Denn’s Biomarkt store in Hannover (right)