

Press release

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Commerzbank sector report: Digitalisation revolutionising the retail trade

- **Downturn in customer frequency and shift in customer requirements necessitate a strategy change**
- **Fundamental transformation with new delivery systems**
- **Digitalisation and omnichannel concepts offer new sales opportunities**
- **Innovative strength remains vital to survival**
- **Slight growth expected for 2017 with sales up 1.8 per cent in nominal terms**

Downturn in customer frequency and shift in customer requirements necessitate a strategy change

In the coming years the German retail trade, which accounts for approximately one sixth of gross domestic product, will be confronted with a number of major developments within the sector and society as a whole. Above all the shift in customer requirements, digitalisation, rapid growth in delivery services, and a downturn in customer frequency in the stationary retail trade pose major challenges for the sector and its 3.32 million employees. “The predatory competition and consolidation which has been taking place since the beginning of the new millennium will increasingly lead to the development of oligo-political structures in the industry,” forecasts Andreas Resch, Sector Head Consumer & Retail at Commerzbank in Frankfurt.

The boundaries between the different types of company will gradually become blurred. Discounters will adapt, increasingly becoming more like supermarkets, and vice versa. New shopping trends, such as experience shopping, more consulting-intensive shopping offerings and the rise of ethical consumers are leading not only to a re-design of retail outlets and service structures, but also to totally new ranges. The demographic change is also spurring on this development. “The population of Germany is shrinking, becoming older and more diverse. So there are also new consumption requirements,” says Resch, quoting from the latest sector report from Commerzbank on the retail trade.

Fundamental transformation with new delivery systems

Probably the most fundamental change is already in the starting blocks: the launch of new delivery services. However, this still requires viable business models. In the future, there will be an increase in drones, robots, electric delivery vehicles which are particularly suited to inner-city locations, and bicycles delivering goods to the customer’s doorstep. “Retail trade in Germany has the potential to transform itself in part from a stationary to an ambulatory trading system. However, in which form this trend will ultimately assert itself remains to be seen,” comments Resch.

Digitalisation and omnichannel concepts offer new sales opportunities

This transformation of the retail trade, which posted sales of €508 billion in 2015, is being driven by the megatrend of digitalisation. In Germany the total volume of online trading already amounts to €44 billion. Many companies of all sizes firmly rooted in the stationary trade are endeavouring to break into online trading. "All the efforts are geared to the bundling and concentration of all online and offline sales channels in the form of omnichannel concepts. This development will be accompanied by the digitalisation of retail outlets and corporate structures. For example, intelligent shelves, which fix prices in a dynamic manner using computer systems, logistics systems which automatically place new orders for products and fill shelves, the analysis of customer data, and the use of such data to recommend personalised products, all create additional potential. However, at present these are often still a long way off in the retail trade," adds Resch.

Innovative strength remains vital to survival

Slight growth expected for 2017 with sales up 1.8 per cent in nominal terms

Growth of 1.8 per cent in nominal terms is expected for sales in 2017. But the increasing competitive intensity and a decline in frequency in the stationary trade are risks that cannot be ignored. "The necessary amendment and adjustment of business models in part requires significant investment in know-how, IT infrastructure and personnel. It also requires the modernisation of sales outlets to provide a personal and beneficial shopping experience. In part there is considerable need for investment and this will have to be shouldered by the retail trade in the coming years. However, the largest challenge for retail traders is to reach the right strategic decisions with regard to megatrends. This encompasses an extensive and at times radical adjustment of business models. In the long term, those companies which recognise change as an opportunity will have a better outlook for success," is the conclusion reached by the retail expert.

The Commerzbank Sector report Retail Trade in Germany 2017 is available in its abridged version under this link:

[Commerzbank Sektorbericht Einzelhandel – Kurzversion](#)

The report is based on analyses and assessments of the industry by the following units of Commerzbank AG:

Segment: Corporate Clients
Unit: Research
Department: Economic Research

Segment: Corporate Clients
Unit: Advisory & Primary Markets
Department: Sector Team Consumer & Retail

Segment: Group Risk Management
Unit: Credit Risk Corporates
Department: Sector Team Retail

Press Contact

Jutta Wellmann +49 172 2953136

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