

# Germany

## Global Overview

### Project Background

In 2015, both HSBC Trade Winds and Global Trade Forecast highlighted the importance of consumer demand in shaping what products businesses offer. This supplementary campaign is drilling down into this subject, in order to help businesses around the world spot new opportunities and adapt.

### Overview

HSBC's Future of Consumer Demand report looks at the changing nature and role of the global consumer, and the factors influencing their growth and increased spending power. It outlines what businesses must take into consideration if they are to fully understand what opportunities the growing global consumer class presents.

As levels of absolute poverty continue to fall in emerging and developing markets, a larger 'consumer class' is being created. Around 85% of the world's population is now considered to be a part of the global 'consumer class' - those who have an interest in and the ability to 'consume'.

The report reveals that this growth in the number of people able to consume around the world is coinciding with key demographic and cultural shifts, including themes such as the changing role of women, multi-generational consumption and ethical considerations, that will present new opportunities for businesses. The key global themes in the report are:

#### *Who Are Consumers?*

The report estimates that 90% of the global population will be considered consumers within the next 20 years and the numbers of those living in subsistence declining. Once a consumer's basic needs are met, they think about purchasing a wider range of goods and services.

When it comes to how they think and feel, the research shows that the importance people place on the balance between leisure time and work is crucial. In addition, the value they give to trusted brands influences how individuals from both advanced and emerging markets buy. However, not all nations neatly fit into their advanced and emerging categories - individual cultures come into play.

#### *Technology and the power of data*

Advances in digital technology, increasing smartphone ownership - 6.1 billion people will use a smartphone by 2020 - and growth in people 'online' have revolutionised the way people access, buy and pay for goods and services.

People now have more choice, wider networks and can be more discerning. Data is supporting greater levels of insight about their needs and preferences, and loyalty.

#### *Transparency of business*

With greater choice and access to information, the digital revolution is also allowing consumers to live out their value system and use social media to put ethics in the spotlight. Trust is also essential to the growing sharing economy - people choosing to exchange goods or pay for temporary access rather than owning them permanently.

Consumers in emerging markets appear to place more importance on buying trusted and reliable brands than those in advanced markets.

#### *The growth of middle-income consumers*

Defined as those that earn \$10-\$20 per day, middle-income consumers currently account for one in seven of the global population. This is forecast to grow to 3.2bn middle-income consumers in 2020 and furthermore to 4.9bn a decade later. This rapid growth, combined with increased purchasing power and relative economic stability, makes middle-income consumers an important customer base for businesses.

The growth of middle-income consumers is particularly pronounced in emerging markets and specifically in emerging Asian economies. This economic shift is significant because businesses will have to consider the influence that cultural differences will have on their operations in these countries.

#### *The rise of female consumption power*

Women are playing an increasing role in consumption related decisions. There are several reasons for this. Women now account for a greater part of the labour force and their global earnings will rise to \$18 trillion by 2018 (up from \$12 trillion in 2010). There are also a range of social and political trends re-orienting the role and status of women towards equality.

As a result, women are showing increasingly similar 'buying' behaviours and attitudes to men, meaning businesses must adopt a more sophisticated approach to product design and marketing to benefit from this strand of changing consumer demand.

#### *Generational consumption*

The global population is often categorised in generational groups, from Pre-War and Baby-Boomers to the newly-emerging Gen Z. With Millennials currently dominating the agenda, businesses could be forgiven for thinking they are the only age group worth marketing to. However, Baby Boomers and Gen X have considerable purchasing power in both developed and emerging markets.

One long-term demographic trend dominates above all others - that of the ageing population. Today there are more than 900 million people aged 60 and above in the world, and with ongoing improvements in longevity this figure due to rise to 2 billion by 2050.

In order to respond to these shifts, businesses need to ignore misleading stereotypes, and instead look at how they can meet the specific needs of this cohort by allowing their products to be customised, personalised and tailored to each of their target demographics.

# Germany Overview

## Who Are Consumers?

Type of Market	Population Age	Trust in national business	Trust in multinational business	Internet & e-Commerce
Advanced	Old (21.2% of population over 65)	Low	Very low	<ul style="list-style-type: none"> <li>High internet penetration, three quarters of the population has bought something online, one fifth has bought something via mobile (We Are Social Data)</li> </ul>

### 1. Summary

The German market is very leisure oriented, however it suffers from very low levels of confidence in business leaders both domestically and abroad, which results in German consumers being interested in reliability above all other qualities of a brand and only half of consumers expressing interest in novelty/trying new products or services.

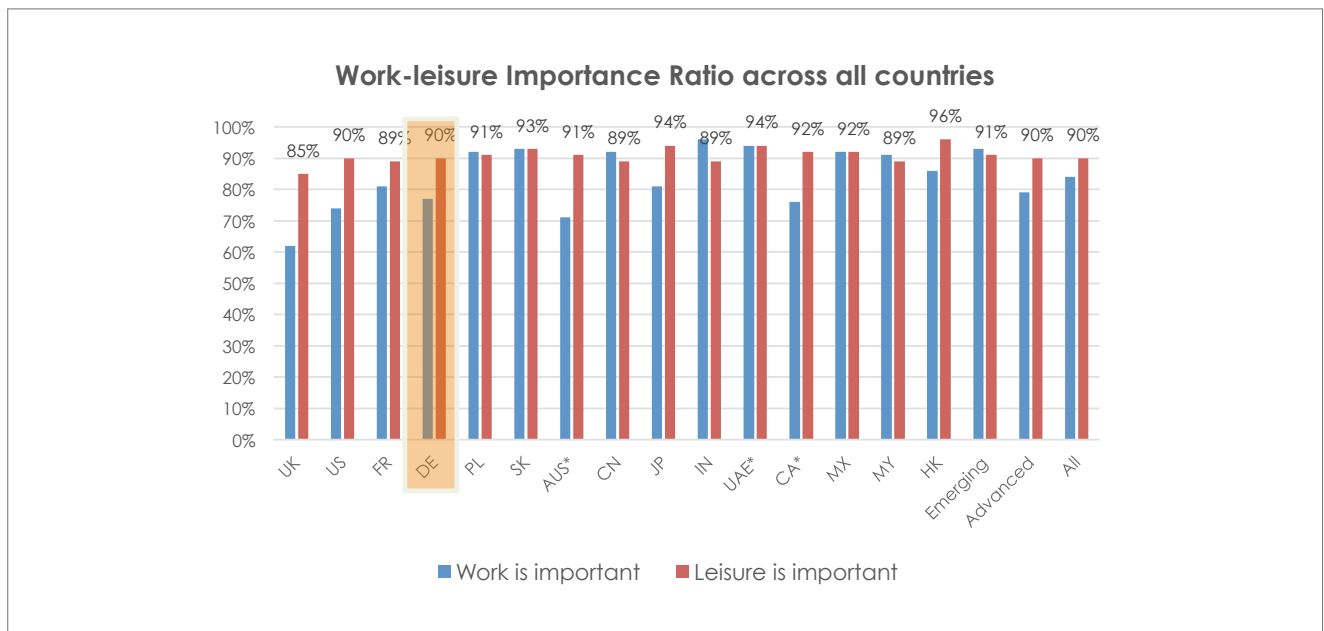
The German consumer is cautious and does not necessarily prize adventure of an exciting life – only one third of Germans disagreed with this,

Germany has the 2nd highest levels of online purchases globally, having only been surpassed by South Korea.

### 2. Work and Leisure

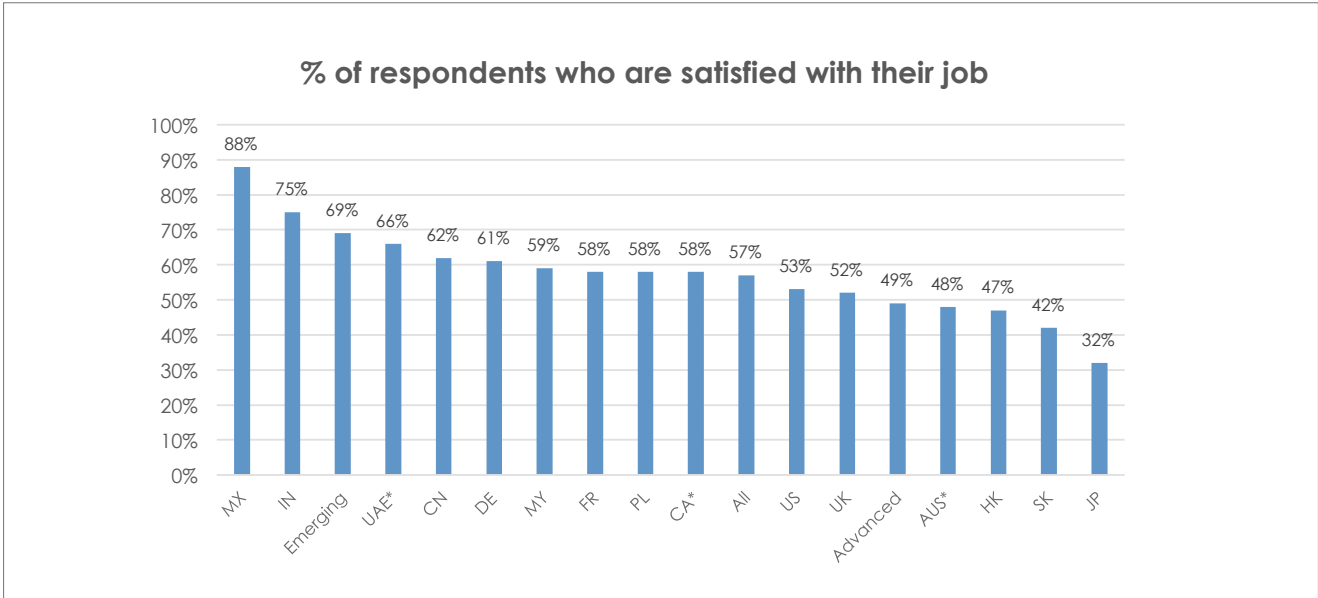
Like most advanced markets in the study, Germany is a very leisure oriented society, with the role of work decreasing year on year.

While more than 7 in 10 respondents considered work important or very important, this was surpassed by leisure, which 90% of respondents said they valued.



Source: TGF Data, 2015

TGF data also reveals that 61% of Germans were satisfied with their current job, a number higher than the average of just below 50% for all advanced markets.

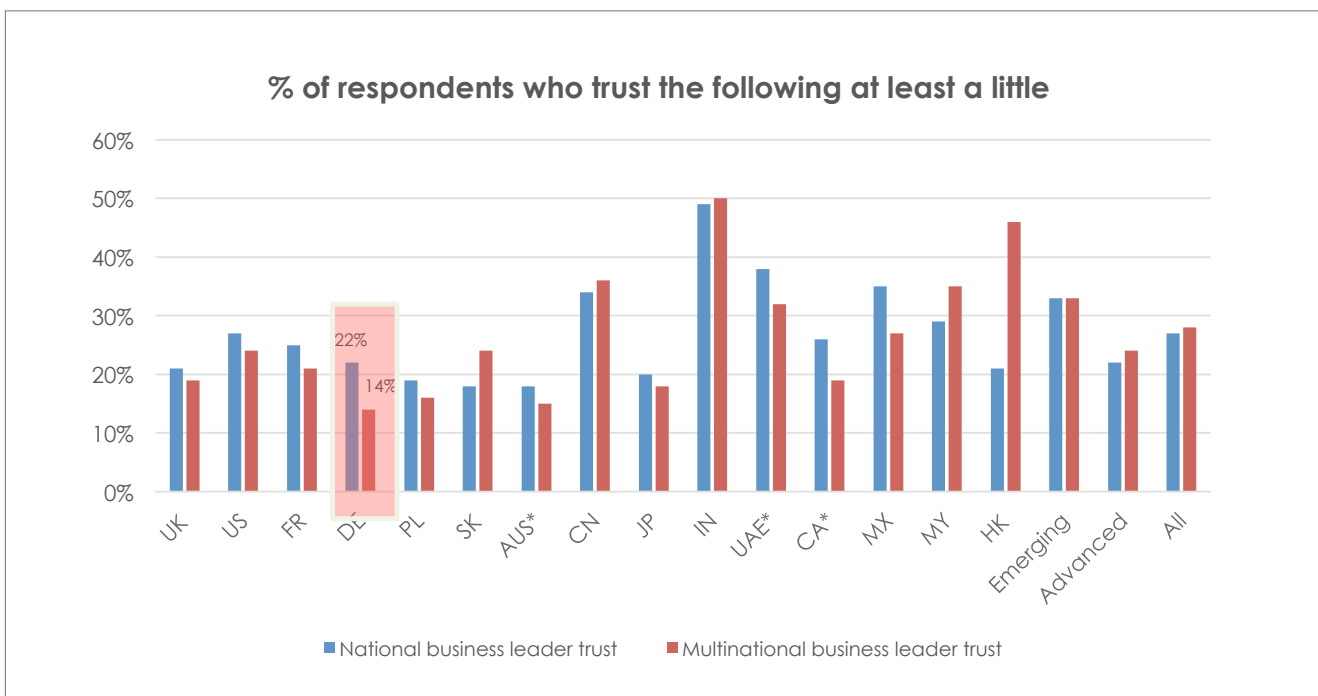


Source: TGF Data, 2015

Germans were not big holiday takers, averaging 2.15 short breaks and 1.30 long holidays per year.

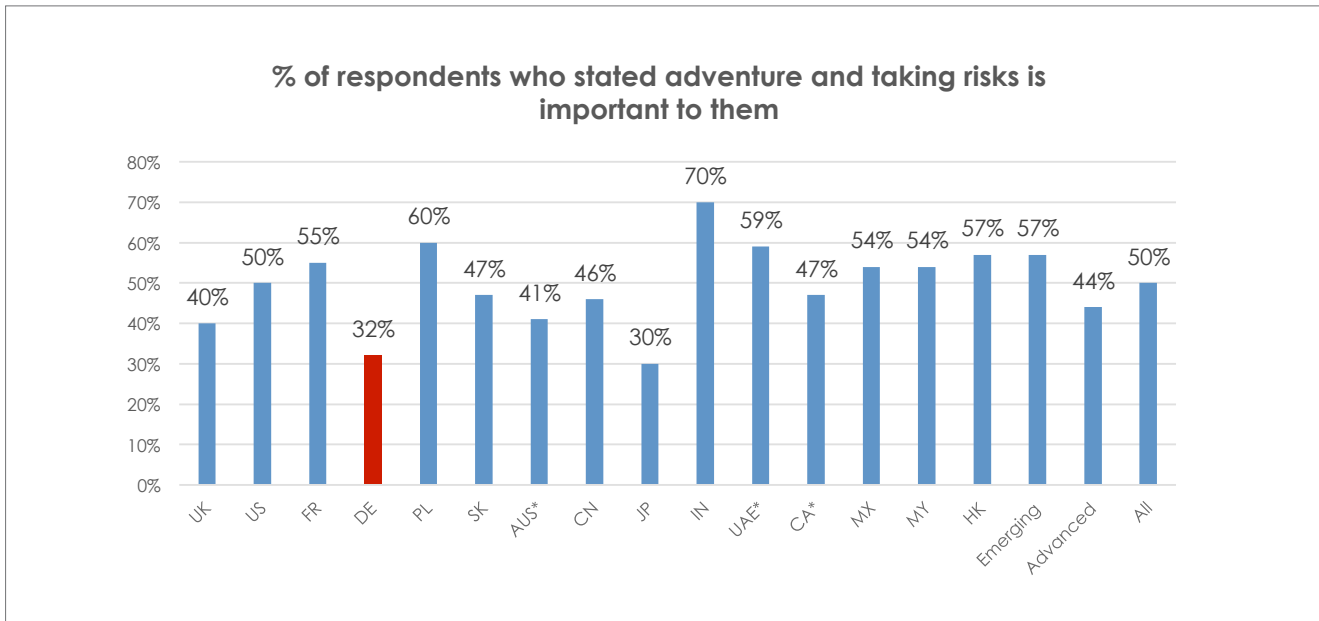
### 3. Attitudes and Trust

Trust in both national and multinational business leaders in Germany is very low.



Source: TGF Data, 2015

According to 2015 TGF data, the German consumer is relatively cautious and does not like to take risks – less than one third of respondents stated that taking risks and adventure was important to them.



Source: TGF Data, 2015

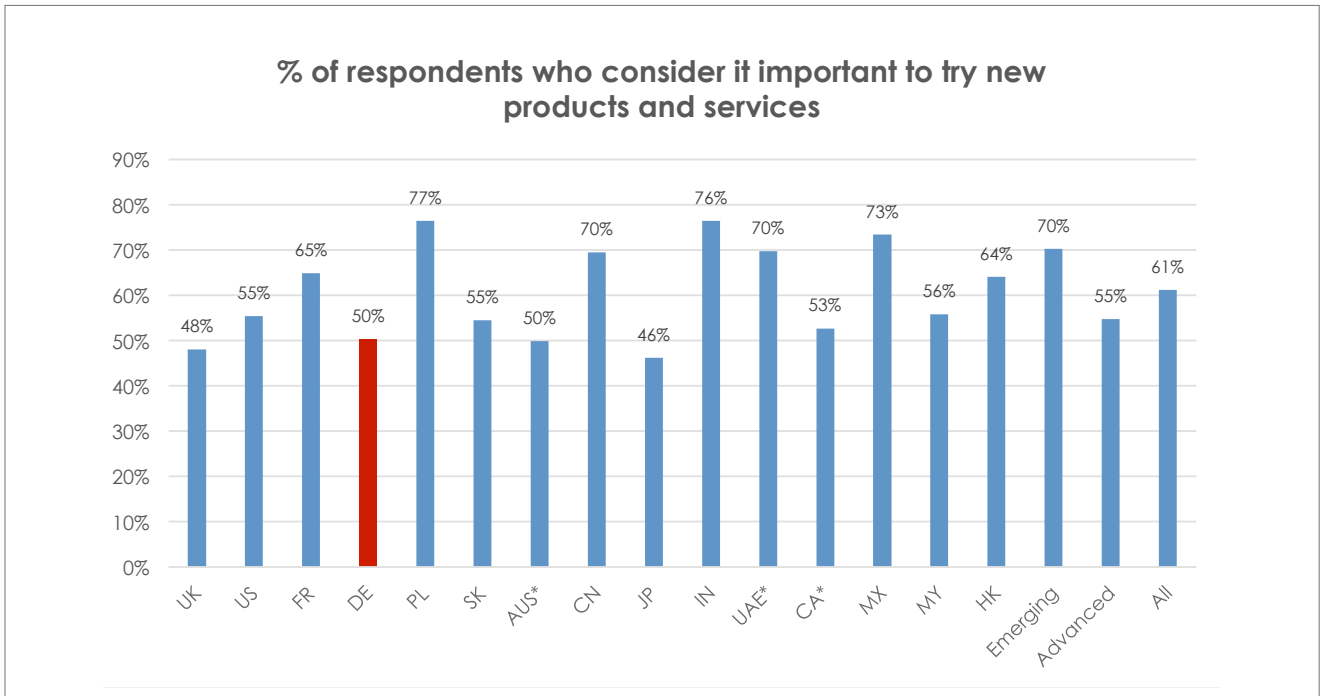
#### 4. Brand Preferences

German consumers most care about reliability and trustworthiness in brands, with almost 6 in 10 respondents stating it is important for a brand to be reliable. 4 in 10 consumers would like to buy ethically, while under a third are invested in their preferred brand being fashionable.



Source: TGF Data, 2015

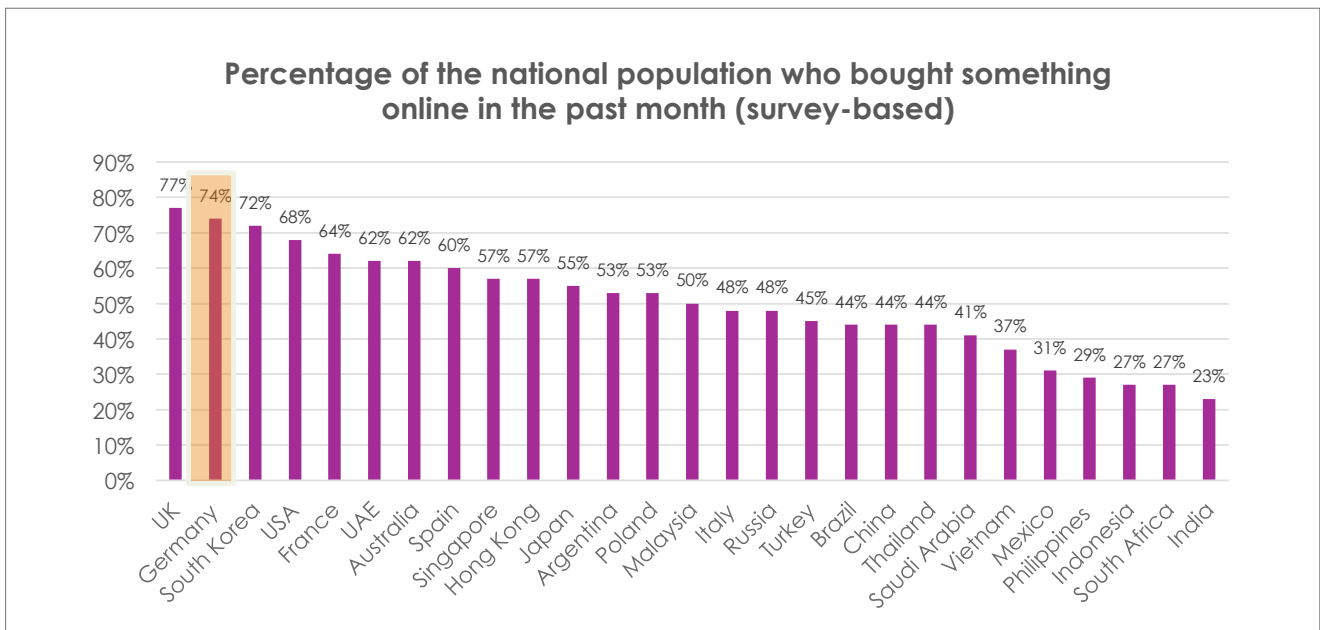
That being said, half of German respondents considered it important to be able to try new products and services.



Source: TGF Data, 2015

### 5. Digital & e-Commerce

According to 2016 We Are Social Data, Germans were among the most likely consumers to purchase items or services online.



Source: We Are Social Internet Use Report 2016

The activity Germans were most likely to do online was **banking**, with **63% of respondents**, while the activity least likely to be done online in Germany was **buying groceries**, with just **15% of respondents** stating they do this online.

20% of Germans had made a purchase via a mobile device in the past month, according to WeAreSocial 2016 data.

For media enquiries or for further information about the research please contact:

Kate Woodyatt  
HSBC Global Communications  
katewoodyatt@hsbc.com

Or click on <https://globalconnections.hsbc.com/global/en/articles/consumer-demand>

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London E14 5HQ  
United Kingdom  
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