Exploring Direct Online Sales Strategies in the German Consumer Goods Market

Abstract

In German consumer goods markets, traditional indirect sales through retailers are reassessed and direct sales channels become more prevalent. By focusing on companies that traditionally sell through indirect channels, this research establishes a strategic framework for direct e-commerce sales channel strategies. It categorizes strategies used by selected companies within this framework, highlighting the strategic goals and notable case studies. It provides a comprehensive overview of direct sales channels in Germany, including company-owned online stores and direct sales in marketplaces, and discusses the implications of single and multi-channel digital distribution strategies.

Through a detailed analysis of thirty German consumer goods companies, it uncovers that the prevalent strategies are 'Multi-Channel' and 'Exclusive Owned Store'. However, it also underlines that no universal approach exists, and strategy adoption is influenced by a company's unique business model and market conditions. In a discussion on managerial implications of direct strategies, potential benefits and challenges are underlined.

Keywords

E-Commerce Channel Strategy, German Consumer Markets, Direct Multi-Channel Sales, Online Store Operation, Digital Marketplaces.

Track choice

Digital Marketing; Marketing Strategy; Retailing and E Commerce; Sales, CRM, Pricing and Promotion

Introduction and Objectives

Digitalization of sales processes is pivotal for the growth of consumer businesses in Germany, prompting innovative digital strategies (Deutsche Telekom, 2022). Rising competition and evolving customer demands for digital product distribution underscore the need for consumer goods producers to embrace digital transformation, including revamping sales strategies.

As traditionally consumer goods companies primarily engaged in indirect sales through retailers, the advent of e-commerce has introduced new channel options, boosting digital channels' significance. Ailawadi and Farris (2020) suggest that even straightforward distribution channels have complex dynamics, with suppliers and resellers aiming to both maintain cooperation and secure larger profit shares. The evolving e-commerce and direct sales channels cause companies to reassess their channel strategies, sometimes opting for direct sales to interact directly with consumers (Esch & Alt, 2021). From the retailers' perspective, this process is described as supplier encroachment (Arya et al., 2007).

The direct sales trend is also driven by the evolution of service providers that specialize in setting up direct sales and offering fulfillment. While one strategy includes setting up an owned online store, which necessitates building or procuring fulfillment and service operations, another option is utilizing marketplace providers. These providers simplify the process of establishing a direct sales channel (Schulte, 2023).

Online marketplaces make up 50% of Germany's online retail profits, led by Amazon Marketplace (HDE, 2023). Amazon's platform allows sellers easy entry, offering storage and fulfillment services. However, using this strategy carries risks including potential variability based on the seller's service and product cost-value ratio (Shi, et. al., 2020).

Especially for consumer goods companies focusing on a differentiation, both the owned store and marketplace channel have emerged as a relevant for digital sales strategies, whether selling only through company owned stores, implementing direct sales featuring a marketplace or a combination of both (Schulte, 2023).

The objectives of this research are the identification of the adopted strategic approaches for direct sales and the examination of these strategies as applied in selected consumer goods companies operating in German markets.

Research Question

What are the adopted direct e-commerce distribution channels in German consumer goods companies and how can they be explained in terms of channel strategy?

Conceptual Framework

The conceptual framework for this study differentiates direct sales strategies within the e-commerce sphere, where three distinct approaches can be identified - selling exclusively through a marketplace, selling exclusively through an owned store, or adopting a multi-channel approach, combining both channels. Each channel strategy presents unique advantages and aligns with different business objectives. Selling though indirect channels such as retailers are not part of this framework.

The direct sales strategy of selling exclusively through marketplaces is attractive due to low entry barriers (Tian et al., 2018; Schulte, 2023). These platforms offer full-service sales, extensive consumer reach, and robust infrastructure. However, they may also compete as retailers, take commission, withhold valuable sales and customer data and could gain pricing power. This marketplace dominance and data access has competition and legal implications and is under scrutiny by the European Commission (European Commission, 2019).

The exclusive owned store strategy involves selling only through a dedicated online or mobile store, receiving and processing orders directly (Esch & Alt, 2021). This strategic option offers full control over sales processes, enabling companies to consistently project their brand message and engage directly with customers for a personalized shopping experience. However, it demands a noteworthy investment in setting up the store and managing the fulfillment process, posing challenges for manufacturing companies typically not focused on retail operations (Leimstoll & Wölfle, 2021). But, despite potentially cannibalizing sales from other channels, this strategy retains a higher share of the profit-margin for the seller (Schulte, 2023).

Strategy	Description	Pros	Cons
Exclusive marketplace	Selling exclusively through the marketplace channel	- Easy entry, existing infrastructure - Potential for good customer reach	- Marketplace operators may be(come) competitors - Commission costs can be high - Operators retain information on sales and customers
Exclusive owned store	Selling through a dedicated online store or mobile store/ application	- Greater control over presentation - Direct customer interaction - No commission	- Cost of store setup and fulfillment - Can lead to cannibalization of other channels - Retailing not business focus
Multi-channel	Incorporating both the own store and marketplace strategies	- Offers flexibility to customer - Maximizes potential customer reach	- Resource intensive - Channels need to be balanced regarding dynamics and customer behavior

Table 1: Overview of direct sales channel strategies (Source: Author's Own).

A multi-channel approach incorporates both mentioned strategies. It gives businesses the strategic control of an owned store and maximizes customer reach through marketplace participation (Schulte, 2023). This offers businesses the flexibility to direct the customer experience while also expanding their potential customer base by integrating established online marketplaces into their strategy. Table 1 provides an overview of the strategic options.

Method

This study investigates the implementation of direct online sales strategies of selected German consumer goods manufacturers by gathering existing e-commerce channel data and categorizing it into the discussed strategic approaches.

The initial stage of the study involves the selection of a representative sample of consumer goods companies in Germany. Thirty companies were chosen for the analysis via purposive sampling, based on their prominent market positions and the presence of their brands within their respective sectors. This method ensures a comprehensive portrayal of the various strategies employed by consumer goods companies operating in Germany.

Data collection, conducted in September 2023, involved two sources. Firstly, each selected company's online presence was assessed for an online store. Secondly, data regarding presence on Amazon and eBay, Germany's largest online marketplaces, was collected. Owned websites merely offering product information or empty marketplace stores were included in the dataset.

Data was arranged and interpreted using comparative thematic analysis, highlighting chosen channels, product availability, and categorization of direct sales strategies. The findings discuss strategic choice influences and sector differences. For some cases, secondary data like news articles or press releases supplemented the analysis.

Ensuring study reliability and validity, data analysis encompasses systematic coding of company websites, marketplace profiles, and product availability. Collected data results for selected companies are included in the Appendix table.

Findings

The 30 consumer goods companies represent the top providers of their respective market sectors and were examined for their direct sales strategies.

None of the companies in the sample used *exclusive marketplace-channel strategy*. Twenty-six of the companies in the sample operate an owned online store. In total, there are 18 companies that utilize the *exclusive owned store strategy* and 4 companies with no direct channel. The potential of wide access to marketplace consumers is only utilized by 8 companies overall, who opt for a *multi-channel direct sales strategy*.

	Exclusive owned store	*Multi-channel*	*No direct channel*	***Total***
Confectionery	3	-	1	**4**
Sports apparel and equipment	2	1	-	**3**
Toys	2	1	-	**3**
Audio products	-	3	-	**3**
Home appliances	2	1	-	**3**
Kitchenware	2	1	-	**3**
Outdoor clothing and equipment	2	-	-	**2**
Personal care products	2	1	3	**6**
Writing instruments	3	-	-	**3**
Total	**18**	**8**	**4**	**30**

Table 2: Direct Sales Strategies in Market Sectors Cross-Table (Source: Author’s Own).

Further examination of the individual market sectors shows that three out of the four companies in the Confectionery sector sell exclusively through owned stores, while one chooses not to engage in direct sales. For the sectors of Sports apparel and equipment, Toys, Home appliances, Kitchenware, and Personal care, a similar pattern is observed. Two-thirds of companies in these sectors opt for owned stores, the remaining third follows a *multi-channel direct sales strategy.*

For the Audio product sector, all three companies in the sample adopt the *multi-channel direct sales strategy*. Outdoor clothing and equipment, as well as writing instruments, are sold only using the *exclusive owned store strategy* by two companies respectively.

Personal care products have the broadest representation in the dataset and display the most strategic diversity, with representation in all strategy types. Out of the six companies in this sector, three opt not to engage in direct sales at all while only one employs the *multi-channel direct sales strategy*.

Discussion

The findings reveal intriguing patterns that pertain to the companies' direct sales strategies. No companies in the sample solely rely on the marketplace as a channel, likely because our sample consists of firms already established in their sales strategy and this strategy is usually used for market entry. The majority run their online stores, giving them more control over sales processes and customer data, aligning with Esch & Alt's (2021) views on how digitization has shifted the accessibility of direct sales for manufacturing brands making access to consumers high-level information relevant which helps businesses understand and retain customers more effectively.

The use of marketplaces and owned stores, adopted by eight firms, aims to maximize customer reach while retaining sales and customer data control. Analysis shows strategy variance across sectors; Confectionery, Sports Apparel, Toys, Home Appliances, and Kitchenware favor owned stores. In the case of Home Appliances, the AEG brand stands out as the only company with a direct multi-channel strategy, aligning with owner Electrolux's 'Digital first' approach (Electrolux, 2017).

In the Audio product sector, all companies favor a multi-channel direct sales strategy. One of the companies in this sector, Teufel, has harnessed a multi-channel direct sales strategy since their first e-commerce order via email in 1985 and direct sales have remained their prominent sales strategy, enabling them to expand its product portfolio, form new partnerships and optimizing their online shop (Teufel, n.d.). This seems to be in line with the sector as a whole, where there is no concentrated retailer power.

The market sector-specific differences demonstrate the implications of direct sales strategies on control, customer interaction, and market penetration and show how these are dependent on company and sector history as well as retailer power.

The results show that it becomes pivotal to tailor strategies according to these patterns for optimal resource allocation and maximum benefit. The direct sales strategy a company employs must consider its resources, market dynamics, customer behavior, and other factors that might impact its operations and potential growth. This underlines the need for a comprehensive and industry-specific understanding when rolling out direct sales strategies.

Notable within the dataset are Nivea, Gillette, and Adidas. Nivea, previously operating both an owned store and direct marketplace, ceased direct sales despite a 17% e-commerce growth rate, as detailed in Beiersdorf's 2022 annual report (Beiersdorf AG, 2022).

Similarly, Gillette's German online store, offering a subscription model for personal care products, was discontinued in 2023, which was surprising given Procter & Gamble's history of pricing disputes with retail partners such as Edeka (Kolf, 2023).

Adidas has also shown variability in its strategy. They initially banned retail partners from selling through marketplaces before allowing the practice (Joseph, 2014). They subsequently launched their own marketplace channel alongside their owned online store. Data suggests a shift to an *exclusive owned store strategy*, as the marketplace store currently offers no products.

These cases underscore the fluid nature of direct sales strategies and the importance of adaptability in response to evolving market landscapes. The strategic shifts of Beiersdorf and Procter & Gamble, despite online growth, suggest a possible realigning of resources to leverage other sales and distribution channels. Adidas' shift towards exclusivity on its owned store platform also exemplifies strategy adaptation in the dynamic e-commerce sector. Such instances underscore the necessity for companies to remain flexible and responsive to ensure sustained growth and competitiveness in their respective markets.

Conclusion

An evaluation of the dataset offers substantial insights into the direct sales strategies observed across diverse industries. It is notable that *Multi-channel* and *Exclusive Owned Store* are the dominant strategies for most companies, depending on their product type and their target market segment. For instance, companies offering audio products make extensive use of the multi-channel approach, showcasing an emphasis on online platforms or diverse marketing channels, which potentially provide substantial consumer reach and engagement.

However, an alternative analytical perspective reveals that companies dealing with personal care products, household items, or confectioneries often opt for an 'Exclusive Owned Store' strategy. This potentially underscores their focus on delivering an exclusive and high-quality customer experience while ensuring that the consumers have immediate access to authentic products. On the other hand, some firms like Henkel and Procter & Gamble do not utilize a direct channel, potentially reflecting a high level of dependence on indirect channels or retailers, they don't want to compete with.

The variety in direct sales strategies further emphasizes the concept that no 'one-size-fits-all' strategy is applicable but rather is contingent on the company's individual situation.

Limitations

This research primarily examined three direct sales strategies - the marketplace, owned store, and multi-channel, without considering indirect channels or other nuanced sub-strategies. The data, limited to a specific set of companies in each sector, hints at some strategic choices but doesn't capture the full complexity of sales strategy options. The data's single point in time, September 2023, limits comprehension of implementation or strategy modification over time.

Therefore, while valuable, the study's applicability might be limited due to the deliberate non-random sample selection, exclusion of indirect channels, and omission of strategic landscape changes. Companies' decisions to leverage different channels or close operations (like Nivea and Adidas marketplace presences) underscore the dynamism of this evolving area.

Further Research

Future research should refine strategic categories and explore success factors for different e-commerce strategies, including pricing variance between digital and traditional channels (Grewal et. al., 2010).

Adequate attention should also be given to logistics and distribution when considering new channels or transitioning to an omni-channel strategy (Abrudan et al., 2020; Galipoglu et al., 2018), with considerations for customer preferences, market dynamics, and product online sales suitability (Tahirov & Glock, 2022). Additionally, investigating strategic variation through longitudinal studies, case studies, or sector-specific trends is suggested.

Managerial Implications

The study highlights the advantages and challenges of adopting a direct sales strategy from a strategic management perspective. While these strategies can enhance consumer feedback, supply chain efficiency, control over customer experience, and profit margins, they bring managerial issues like increased competition, channel conflicts, and resource allocation (Tahirov & Glock, 2022).

Balancing direct and retail channels and synchronizing online and offline sales in an omni-channel approach are essential yet challenging. Overcoming these may require logistics alliances, customer relationship systems, and cautious strategy execution, considering both benefits and sector-specific challenges. Uncertain circumstances may, at times, necessitate a retreat from direct sales channels.

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14. Appendix

Company	Market sector	Consumer Brand	*Direct sales strategy*	Owned Presence	Marketplace Presence
Teufel GmbH	Audio products	Teufel	***Multi-channel***	https://teufel.de/	https://www.amazon.de/sp?s=A1J96EUGCSYKOO
Sonova Consumer Hearing GmbH	Audio products	Sennheiser	***Multi-channel***	https://www.sennheiser-hearing.com/de-DE/kopfhoerer/	https://www.amazon.de/sp?s=A1YIGZ9QGST3AS; https://www.ebay.de/str/sennheiserhearing
Beyerdynamic GmbH	Audio products	Beyerdynamic	***Multi-channel***	https://www.beyerdynamic.de/	https://www.amazon.de/sp?s=A36JSC3A7QC12M
Alfred Ritter GmbH & Co. KG	Confectionery	Ritter Sport	***Exclusive owned store***	https://www.ritter-sport.de/	-
August Storck KG	Confectionery	Toffifee	***Exclusive owned store***	https://www.storck.shop/	-
HARIBO GmbH & Co. KG	Confectionery	HARIBO	***Exclusive owned store***	https://onlineshop.haribo.com/	-
Ferrero Deutschland GmbH	Confectionery	Kinder	***No direct channel***	https://www.kinder.com/de/de/	-
Electrolux Hausgeräte GmbH	Home appliances	AEG	***Multi-channel***	https://www.aeg.de/	https://www.amazon.de/sp?s=A2F99FS7OEFYCG; https://www.ebay.de/str/aegdeutschland
Robert Bosch GmbH	Home appliances	Bosch	***Exclusive owned store***	https://www.bosch-home.de/	-
Miele Verwaltungs-GmbH	Home appliances	Miele	***Exclusive owned store***	https://www.miele.de/	-
Fissler GmbH	Kitchenware	Fissler	***Exclusive owned store***	https://www.fissler.com/de/	-
Zwilling J. A. Henckels AG	Kitchenware	ZWILLING	***Exclusive owned store***	https://www.zwilling.com/de/	-
WMF Group GmbH	Kitchenware	WMF	***Multi-channel***	https://www.wmf.com/de/	https://www.ebay.de/str/wmfshop; https://www.amazon.de/sp?s=A1SE4V9EFKIGBL
Vaude Sport GmbH & Co. KG	Outdoor clothing and equipment	Vaude	***Exclusive owned store***	https://www.vaude.com/de-DE	-
Ortlieb Sportartikel GmbH	Outdoor clothing and equipment	Ortlieb	***Exclusive owned store***	https://www.ortlieb.com/de_de/	-
Unilever Deutschland GmbH	Personal care products	Axe	***Multi-channel***	https://unilever.shop/collections/axe	https://www.amazon.de/sp?s=A1R67OBEFLMF94
Kneipp GmbH	Personal care products	Kneipp	***Exclusive owned store***	https://www.kneipp.com/de_de/	-
Henkel AG & Co. KGaA	Personal care products	Schwarzkopf	***No direct channel***	https://www.schwarzkopf.de/*	-
Beiersdorf AG	Personal care products	Nivea	***No direct channel***	https://www.nivea.de/*	https://www.amazon.de/sp?s=A1B2Z1NTV140SJ**
Procter & Gamble Germany GmbH & Co Operations oHG	Personal care products	Gillette	***No direct channel***	https://www.gillette.de/de-de*	-
Sebamed GmbH & Co. KG	Personal care products	Sebamed	***Exclusive owned store***	https://shop.sebamed.de/	-
Adidas AG	Sports apparel and equipment	Adidas	***Exclusive owned store***	https://www.adidas.de/	https://www.ebay.de/str/adidas**
Puma SE	Sports apparel and equipment	Puma	***Multi-channel***	https://eu.puma.com/de/de/home	https://www.amazon.de/sp?s=A1W4E2ERT98PI6; https://www.ebay.de/str/pumaeurope
Nike Retail BV	Sports apparel and equipment	Nike	***Exclusive owned store***	https://www.nike.com/de/	-
Schleich GmbH	Toys	Schleich	***Exclusive owned store***	https://www.schleich-s.de/de/de/	-
Ravensburger AG	Toys	Ravensburger	***Multi-channel***	https://www.ravensburger.de/	https://www.amazon.de/sp?s=A2D163XS3UZPPR
LEGO GmbH CSE, LEGO System A/S	Toys	Lego	***Exclusive owned store***	https://www.lego.com/de-de	-
LAMY GmbH	Writing instruments	LAMY	***Exclusive owned store***	https://shop.lamy.com/	-
Stabilo International GmbH	Writing instruments	Stabilo	***Exclusive owned store***	https://www.stabilo.de/	-
Faber-Castell AG	Writing instruments	Faber-Castell	***Exclusive owned store***	https://www.faber-castell.de/	-

As of September 2023: * No store, web presence only ** No products on offer

Appendix 1: Overview of analyzed companies, strategies and direct sales presences in owned stores and online marketplaces (Source: Author's Own).