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Management Report
**Oh come all
ye faithful ...**



messe frankfurt

Management Report

Oh come all ye faithful ...

Significance of the Christmas trade for German retailers



Executive Summary

The trend is for Christmas sales to represent a smaller share of the total annual sales

Although Christmas is an extremely significant economic factor in retail sales, the festive period is losing its importance in percentage terms compared to the year as a whole. In 2015, against total sales in independent retail of € 472.4 billion, € 87.2 billion was spent in November and December, a downward trend.

Christmas sales very much sector dependent

60.0 percent of those specialist retailers questioned are of the opinion that the point at which Christmas sales begin has not changed. The majority of retailers state that it continues to be from the second half of November to the second half of December. Closer analysis reveals that in certain sectors Christmas sales are beginning a lot later.

Trade fairs are the most important source of information for retail

In the search for seasonal trends and new products specialist trade fairs are the most important source of information for retailers. Glass, porcelain and ceramic retailers give this the highest value, with 9 out of 10 retailers stating that this is the case.

Only just under a quarter of retailers use online sales to drive their business

Only 24.2 percent of those retailers questioned also sell their products online. Electrical goods retailers lead the way in this area with 63.3 percent. The majority of retailers are convinced: online is generally becoming increasingly important for Christmas sales.

Christmas decorations are the key to sales

82.0 percent of specialist retailers are agreed: in the run up to Christmas, decorations are the most important sales tool to create awareness of the product range. Seven percent of those questioned do not use this tool.

The whole product range can benefit from the hype around Christmas

It is not only Christmas products per se that are bought in the run up to Christmas. 30.0 percent of the companies questioned have noted significant cross-selling effects for their whole product range.

The Study

When do we actually see the first Christmas decorations? Already in September? How important really are Christmas sales for the German retail sector? And how has this changed over recent years?

These are the questions posed in the current study. Commissioned by Messe Frankfurt, it was put together by the 'Institut für Handelsforschung', Cologne (IFH Retail Consultants). It provides an insight into the extent to which Christmas sales influence annual sales. In addition, it answers questions, for example, about when the Christmas sales period begins and ends and the way this has changed over recent years. The results of the study are based on different analytical approaches. The collection of basic statistical data on Christmas sales was supplemented by more detailed questioning of retailers in the consumer-goods sectors in Germany.

“We start the season off with the opening of our Christmas market at the beginning of October. Obviously, the three weeks before Christmas are the main period. However, the days up until 6 January are important with above average sales. The high season starts later than in previous years and is also affected by whether the weather is cold to reflect the season. In the two months of November and December we do approximately 33.0 percent of our total annual sales.”

*Hermann Hutter,
Managing Partner
Carl Abt GmbH & Co KG*

“Over recent years seasonal sales have been pushed back further and further. It is only during December that you see a clear increase in sales, whereby the main sales period is concentrated into the third and fourth weeks of Advent and also in the last days before Christmas. Nowadays a significant percentage of sales is done between Christmas and New Year. This period not only sees purchases made with 'gifts of money' and the use of gift vouchers, but is also used for spontaneous purchases. In the Christmas season (November and December) we do almost a quarter of our total annual sales. Depending on the product range the percentage can be even higher.”

*Joachim Dünkelmann, Managing Director –
The German Federal Association of Jewellers,
Jewellery and Watch Retailers (BVJ Bundesverband
der Juweliere, Schmuck- und Uhrenfachgeschäfte e. V.)*

This involved interviewing a total of 240 companies from seven different retail sectors: the glass, porcelain and ceramics trade, furniture trade, electrical goods trade, leather goods trade, garden centres, department stores and specialist watch and jewellery retailers. Over 70.0 percent of those questioned were independent retailers, while just under 30.0 percent were part of a retail chain. In addition, this management report is supplemented with short statements from selected market players on the subject of Christmas sales.

Results of the study

Christmas not only at Christmas time

According to IFH retail statistics, the total sales of the independent retail sector in Germany were € 472.4 billion in 2015. Christmas sales made up € 87.2 billion of this total, which is an increase on the previous year of € 2.6 billion. Whilst in 2010 the sales of the independent retail sector in November and December made up 19.0 percent of the total, it fell to 18.5 percent in 2014 and was unchanged in 2015. According to the classic definition of Christmas sales as sales in November and December, Christmas sales are declining in importance therefore, in percentage terms, in spite of increases in total retail sales.



“Christmas sales start for us in October: nowadays customers tend to buy slightly earlier, when they have a clear idea of what they want. Christmas sales make up around 30.0 to 35.0 percent of the total, whereby customers tend to focus on our whole product range rather than products specifically tailored to Christmas.”

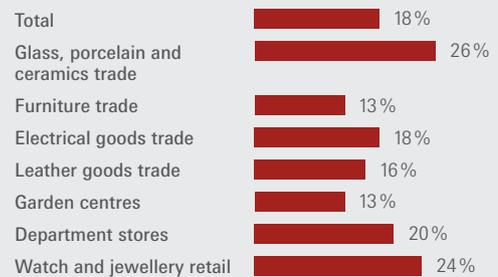
*Volker Hohmann,
Managing Director at Ikarus design shop*

Christmas sales are sector dependent

The significance of Christmas sales varies according to industry sector. According to a retail survey, Christmas sales in the glass, porcelain and ceramics trade and watch and jewellery retail represent a higher than average percentage of 26.0 and 24.0 percent respectively and so are extremely important in these sectors. Jewellery and watches are, of course, some of the most common Christmas presents. For decades this sector’s annual sales has been focussed on sales success in the months of November and December.

According to an IFH survey of retailers it is primarily small kitchen appliances such as coffee and espresso machines that lead the way in sales terms. However, even in the floor care market vacuum cleaners and robotic cleaners are products that are increasingly popular with consumers (20.7 percent). The importance of the Christmas period is less pronounced in furniture retail and in garden centres. According to the retail survey Christmas sales make up only 13.0 percent of sales in these two sectors, giving it the least importance.

The importance of Christmas in sales terms



“The most important period for Christmas sales is in the months of November and December, although we do indeed see a trend that Christmas comes ever earlier each year. Our range here at ,selected’ is based primarily on upmarket design and lifestyle trends and less on summer, winter and Christmas.”

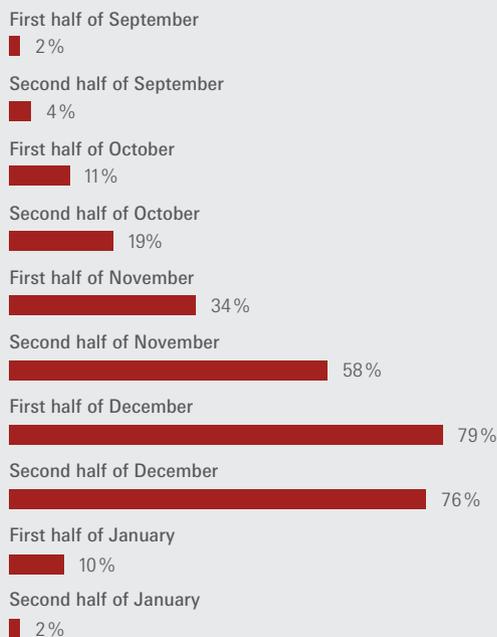
*Ralf Böckle, Owner of ‘selected’ –
The Concept Store/Design Gallery*

Christmas sales influenced by consumer behaviour

The retailers questioned defined their Christmas sales as taking place from the second half of November to the second half of December. All the same, over a number of years their importance in this time period has waned. Whilst the majority of specialist retailers questioned (60.0 percent) stated that Christmas sales have not changed over recent years, 30.0 percent also say that Christmas sales are starting later. The results of the survey of retailers show a very mixed picture as to when Christmas sales begin. In the leather goods sector, for example, 60.0 percent of the retailers state that Christmas sales start at a later point. Their view is that it is concentrated on the first and second halves of December. In the specialist watch and jewellery market 46.7 percent of retailers concur with this opinion, while

in the furniture retail and garden centre sectors they have not noticed any change. According to the IFH study a significant reason for the change to the time period is changing consumer habits. Instead of physical gifts people are more often giving money or vouchers. 43.3 percent of garden centres say that they have sold more vouchers over the last three years. According to 41.4 percent of retailers, voucher sales have continued to grow in the electrical goods trade. In department stores 40.0 percent say they have seen more vouchers bought, while for the glass, porcelain and ceramics trade the figure is 36.7 percent and for the leather goods trade 33.3 percent. On the other hand, the watch, jewellery and furniture retail sectors are not aware of any change. When money is given as a gift, it often enters the coffers of retailers in January and so reduces Christmas sales according to the classic November/December definition. This also means that Christmas sales are tending to shift towards December/New Year and into January.

Main time period for Christmas sales



“Our range is only to a limited extent seasonal. Of course, we gather information at well-known furniture and design trade fairs and select particular products for the winter season and Christmas sales. However, we only do this to a limited extent. Whilst we do tailor our product presentation to the winter and Christmas time, designing our gallery to suit, we do not focus to any great extent and/or especially on Christmas products, because you do not find such products in our market.”

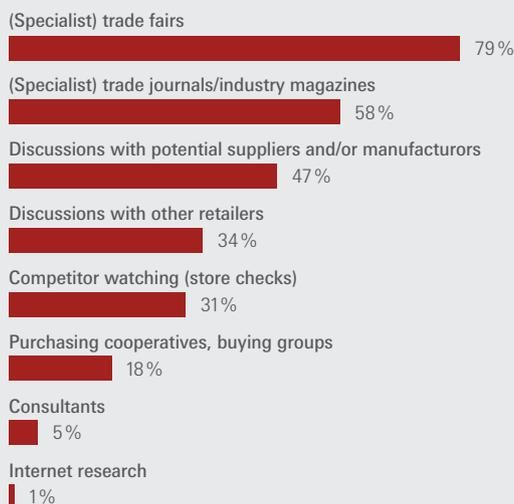
*Ralf Böckle, Owner of 'selected' –
The Concept Store/Design Gallery*

What's new for the festive season?

Trade fair as source of information

When you are looking for new trends for Christmas, (specialist) trade fairs are the most important source of information for retailers. They are used by an average of 79.0 percent of retailers questioned. In the case of the glass, porcelain and ceramics trade, the figure is even as high as 90.0 percent of retailers who visit trade fairs to obtain information. Of those retailers questioned 86.7 percent at garden centres and 81.8 percent in the furniture trade say that they go to trade fairs for inspiration. Department stores say that they cover their requirement for information primarily through trade journals. Across all sectors industry magazines and trade journals count as the second most important source of information and are mentioned by of 58.0 percent of respondents. However, other good sources of new product ideas include discussions with suppliers (47.0 percent) and specialist retailers (34.0 percent) along with monitoring of the competition (31.0 percent). Purchasing cooperatives and buying groups are used by 18.0 percent of those questioned, while consultants (5.0 percent) and Internet research (1.0 percent) cover only a small part of the requirement.

Information sources for Christmas trends/ranges



Online sales offer much greater potential

Only just under a quarter of retailers questioned generally stated that they also sell products online. The electrical goods trade is the clear leader in this respect with 63.0 percent saying they use the Internet. A long way back in joint second place come department stores and glass, porcelain and ceramics retailers both with 27.0 percent. The leather goods trade is in last place with only just under 7.0 percent selling their products online. In this respect the sectors investigated reflected a wide range of opinions. Nevertheless, when you look at the development of the online market for Christmas sales, it does show ultimately that its significance is increasing. Over 60.0 percent of companies with an online shop or online sales in this sector have seen their sales rise. This is particularly true for the electrical goods sector, where 78.9 percent of retailers have seen good development in the share of their Christmas sales done online and in the glass, porcelain and ceramics trade where the respective figure is 75.0 percent. However, the majority of furniture retailers say that the trend is static, with the online share hardly growing over the last few years.



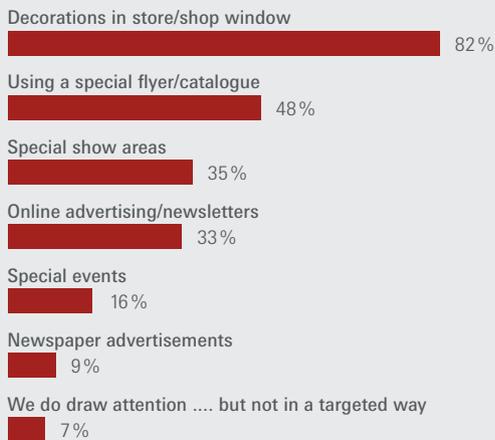
"The share of our online shop in our Christmas business has grown continuously over recent years and now accounts for 80.0 percent of the total. Including our branches in Stuttgart and Frankfurt, the online share amounts to 70.0 percent compared with classic, written and telephone catalogue orders and on-site purchases."

*Volker Hohmann,
Managing Director at Ikarus design shop*

**Christmas decorations as a tool:
Getting customers' attention**

Christmas decorations bring benefits to specialist retailers. For 82.0 percent of them it is the most important tool to draw customers' attention to their product range. Leather goods and the glass, porcelain and ceramics trade more than any others, with 96.7 and 90.0 percent respectively, use this opportunity to promote sales. In the sectors of watch/jewellery retail and department stores 88.7 and 86.2 percent respectively use decorations as a way to showcase their products. Those questioned in the furniture retail sector (78.3 percent), garden centres (76.0 percent) and electrical goods retailers (66.7 percent) are slightly less active in this respect. Of the retailers questioned seven percent have never looked at using this potential.

Pointers to products in the (pre-) Christmas period



Gift-giving time increases sales across the whole product range

30.0 percent of companies state that in the run up to Christmas people do not buy only seasonal products (cross-selling effect). The Advent period does indeed lead to increased sales of other products. So 53.0 percent of glass, porcelain and ceramics retailers and department stores both see sales rise accordingly. 17.0 percent of electrical goods retailers and only 12.0 percent of furniture retailers observe cross-selling effects, so these are somewhat less important in these sectors.



“In addition to lifestyle magazines and discussions with suppliers, trade fairs like Ambiente and Tendance provide the best information about new products and trends.”

*Volker Hohmann,
Managing Director at Ikarus design shop*

Yes, sales of Christmas products lead to higher sales of other products



Background information on Messe Frankfurt

Messe Frankfurt is one of the world's leading trade fair organisers, generating around €648 million in sales and employing 2,244 people. The Messe Frankfurt Group has a global network of 30 subsidiaries and 55 international Sales Partners, allowing it to serve its customers on location in 175 countries. Messe Frankfurt events take place at approx. 50 locations around the globe. In 2015, Messe Frankfurt organised a total of 133 trade fairs, of which more than half took place outside Germany.

Comprising an area of 592,127 square metres, Messe Frankfurt's exhibition grounds are home to ten exhibition halls. The company also operates two congress centres. The historic Festhalle, one of the most popular venues in Germany, plays host to events of all kinds. Messe Frankfurt is publicly owned, with the City of Frankfurt holding 60.0 percent and the State of Hesse 40.0 percent.

For more information, please visit our website at: www.messefrankfurt.com

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