

# Western Europe: Positive growth for technical consumer goods market

NUREMBERG, GERMANY: According to the results of GfK's TEMAX Western Europe for the first quarter of 2010, consumers in Western Europe spent €46.5 billion (about R430 billion) on technical consumer goods in the first quarter of 2010, an increase of 2.7% in total compared to the same quarter in 2009. There is growth for nearly all sectors involved.



All GfK TEMAX countries reported positive or stable trends and seem to be back on track. When excluding currency effects the UK market has also grown by 2.1%. These findings are based on GfK TEMAX\* Western Europe, an information service developed by GfK Retail and Technology.

The previous publication of GfK TEMAX for Western Europe identified the first signs of recovery. A return to growth was already evident for three sectors in Q4-2009. For the period of Q1-2010 this trend has continued and all sectors, besides Office Equipment and Consumables show a positive development.

The Small Domestic Appliances market experienced the most positive revenue development; closing the first quarter at +6.5% for Western Europe in total. The Telecommunication sector also shows positive growth (+4.9%) followed by Major Domestic Appliances (+4.1%). The Photo market is up by +2.7%. With an increase of +0.7%, the Consumer Electronics market only saw slight improvement, while Office Equipment & Consumables declined by -1.2%.

## SDA - product groups pulling together to achieve growth

In total, consumers spent €3.4 billion on Small Domestic Appliances (SDA) in the 1st quarter of 2010. This is a very pleasing increase of 6.5% on the same period in 2009. The UK (excluding currency effects) and Spain, as well as smaller markets like Sweden performed very well in sales value.

A closer look at the floorcare market reveals that cylinder vacuum cleaners were key growth drivers. In addition, upright sales recovered in Great Britain. Robotic vacuum cleaners contributed to the reversal of the former downward trend in Southern Europe.

In the area of hot beverage makers, the portioned segments developed especially well: espresso capsule machines met a rising demand in almost all countries, also sales of filter pad machines were up. Moreover, water kettles contributed to the very positive SDA development.

Notable growth in demand for traditional kitchen machines further supports overall growth in the SDA market.

The least dynamic segment of the SDA market in the first quarter of this year was the field of personal care - this, despite a slight positive development of the male grooming and haircare markets.

As regards the development in 2010, a further stabilisation of the SDA market is expected. Many countries with a negative development in 2009 already showed a significant recovery.

## **Telecommunication - rebound for first quarter 2010**

While the telecommunication market declined by -3.2% in the fourth quarter 2009, the first quarter 2010 looks promising: the market recorded a sales value of €5.1 billion (about R47 billion) (all telecom values based on subsidised sales prices), representing a positive +4.9% increase. The British, Swedish and Dutch markets encountered double digit growth rates in sales value, with France and Germany also among the recovering growth regions. Spain, Belgium and Portugal however declined in the first quarter, while Austria remained unchanged.

Just as in 2009 the smartphones trend continues. As a matter of fact one out of five terminals sold already runs an open operating system and uses a touchscreen or keyboard as an input interface. Open Operating Systems include Symbian 60, Windows Mobile, Linux, Android, iPhone OS, RIM and Palm WebOS. More and more open operating systems are used for netbooks, web books and soon in printing devices, too.

In the first quarter of 2010 more than 40% of the sales value came from smartphones. First marketed as products for business purposes, smartphones are gaining popularity in consumer markets, too. The "ubiquitous" internet access; the option to use the internet anytime, anywhere, is already a reality.

Mobile email is becoming the alternative to the well perceived SMS services. Navigation software often comes pre-installed on the devices and with social networks migrating from notebook/pc's at home into the smartphone segments the younger target group is also well attracted.

With a wide range of innovative, new smartphones showcased at the Mobile World Congress in Barcelona, and to a certain extent now available on retailers' shelves, the smartphones trend is likely to continue throughout 2010.

## **MDA - value features revive the market**

The Major Domestic Appliances (MDA) market is ranked third in terms of growth rate. Overall, sales in value terms amounted to €7.7 billion (about R71.3 billion) in the first quarter, increasing by +4.1%. The Netherlands is the only market with a slight decrease. All other markets performed well, Portugal and Sweden have finally reached two-digit growth after a double-digit negative trend at the beginning of 2009.

For washing machines the trend for higher loading capacity continues both for front loaders as for top loaders. The capacity of front loaders has also seen an increase, more than 40% (32% in 2009) of all front loaders come with more than 6kg loading capacity; in Greece 6 out of 10 appliances have a loading capacity of 6kg or more, making it country No. 1 for higher capacities. A capacity of 9kg plus however still remains a niche in Western Europe. Already 10% of all front loaders sold in Western Europe are equipped with an energy efficiency class of A or better, up 3% in the past year, the highest share being 23% in the notoriously eco-conscious German market.

In the tumble dryer product group 18% of turnover in Western Europe is generated through high quality energy efficient heat-pump dryers, shares reaching as high as 50% in Italy. It is important here to note the traditionally low penetration and modest market size of this category in Italy. Consumers choosing an A class appliance are generally better off, educated

and tend to be more eco-conscious socio-economic groups.

In the Cooling appliance market more than a third of volume sales comes from freestanding bottom freezers making it the most popular segment in Western Europe; the highest shares in Spain, at more than 60%. The governmental year-end 2009 campaign in Austria led to a surge in A++ class sales. Clear that sales would not continue at the same rate into early 2010, the market was nevertheless able to retain approximately half of the sales made during the campaign.

Products with top quality features succeeded also in the hobs market. One out of five hobs sold in Western Europe already features Induction technology. Even in traditional gas markets like France or Great Britain consumers are switching from Gas to Induction with a similar on-off heating behaviour to that of gas.

Throughout 2010 a moderate recovery for Western Europe can be expected, whereas business in Eastern Europe will most likely remain difficult.

## **Information technology - Windows 7 ignites upgrade cycle**

The Information Technology market, the 2nd biggest market behind Consumer Electronics, was worth €11.5 billion (about R106.5 billion) in Q1-2010. The value growth has turned positive in Western Europe with an increase of +3.6%. Nevertheless growth rates are varying between the countries. The Swedish and the Belgian IT markets have gained tremendously while Germany, the Netherlands, France, Greece and UK grew by one digit growth rates. Consumer demand is focusing on Mobile Computers, but also on accessories, peripherals, software and especially All-In-One-Desktop Computers too.

The successful introduction of Windows 7 initiated a new replacement and upgrade cycle. Lots of consumers leapfrogged Vista, staying with existing installed hardware, software and even accessories/peripherals. Overlooking Vista led to many installed products being outdated upon the arrival of Windows 7, thus consumers were "ready" for an update. As consumers are becoming more aware, they are looking for wide product range. As a consequence expectations for 2010 are positive following this trend in consumers' attitude.

## **Photo - single-lens reflex cameras remain popular**

In the Photographic market, sales value amounted to almost €2 billion (about R18.5 billion) and faced an increase of +2.7% on the same quarter last year. This is a better result compared to the development in previous quarters in 2009. The Portuguese and Swedish markets performed quite well, but also other markets like the Austrian, the German and the UK market grew around 5%.

For Imaging products there is a recovery particularly in Eastern Europe and a clear positive trend in Western Europe.

Average prices per category were increasing in Western Europe as consumer demand for high quality features and new systems like 4/3rd was rising. Important in this respect are HD functions in digital still cameras, generating 30% of the sales volume and more than 50% in sales value; even for fixed lens digital still cameras we see a 30% share in HD functions. Another attractive feature is wide angle with 26mm, meanwhile achieving 15% share in fixed lens cameras. Also touch screen starts to move into the markets.

Across Western Europe one product group shows significant growth: Multimedia Cameras. These are cameras with video functions and sometimes voice recording; attractive products for young and lifestyle oriented target groups who are used to sharing images and films via the internet.

All in all, product innovations are clearly the most important drivers in the Photographic market.

## **Consumer electronics - popularity of LCD-TV's soars**

Consumer electronics, also in Q1-2010 the largest sector, achieved €12.1 billion (about R112 billion), an increase of +0.7% on Q1-2009. The impact of the crisis on the CE markets no longer exists.

Several trends were causal for this positive result. First of all ongoing positive growth for the key product group in CE, the Flat-TV, can be observed. Still, most countries in Europe have a huge consumer demand in terms of replacing the old CRT-TV by a new Flat-TV. The share of +40% is growing strongly. Of course the World Cup in South Africa is supporting this trend. With the stabilisation of prices over the past months, the revenue situation also saw an improvement.

The digital switch over is another contributing factor to the growth in this market. With analogue TV being phased out new set top boxes or even a new TV set are required to receive digital TV channels. This development can be observed in Spain (+16%), Italy (+6.9%) and Portugal (+4.4%).

Home entertainment in general gained importance with better HiFi products or "TV ecosystems" becoming increasingly popular. Positive and substantial impulses were seen from Bluray, Home Theatre Sets, Loudspeaker Sets and of course High Definition set top boxes. In all of these markets higher average prices were realised.

Consumers' willingness-to-invest in flat screens, HD and better sound systems for the home, is a clear sign of the "homing-trend". The willingness-to-invest combined with the anticipated impact of the World Cup for the most important product group Flat TV, gives reason to expect an even better second quarter 2010.

## **Office equipment and consumables - decline slows**

Total sales of Office Equipment and Consumables amounted to €4.6 billion (about R42.6 billion) in the first quarter of the year. For the moment it is the only sector that is slightly negative. On the other hand the decline of -1.2% was an improvement on -2.6% in the fourth quarter of 2009. Several markets in Western Europe (UK, IT, NL, SE) showed respectable growth. Whereas others suffered, Greece and Portugal for example encountered severe losses. However for the complete year 2010 it is very likely there will be a slight decrease for the overall Office Equipment and Consumables market.

In the first quarter of 2010 Consumables were doing quite well compared to many other Office products. Inkjet Cartridges lost, whereas laser toners increased. In some countries like Italy and Sweden the market was booming with more than two digit growth rates. As Consumables account for a big part of the overall turnover of the Office sector, this product group was also responsible for the remarkable "better-than-expected" score of total Office for the first quarter in 2010.

For Printing Devices the turnover continued to drop, but compared to previous quarters the negative development alleviated. Where 2009 showed a drop of almost 20% in value, in Q1-2010 it was only a -5% drop. Of course differing trends for different technologies continue.

Inkjet printing devices in general were performing well, especially in Benelux, the Nordics and the UK, where positive trends are visible. Stand-Alone Inkjet Printers on the other hand, showed continuous losses. A downward trend was also obvious for Small Photo Printers which lost more than one third in value terms. On the contrary, Inkjet MFD was still booming. In addition, the average prices for Inkjet MFD continued to increase thanks to the push of the W-Lan which was gaining more and more share in Inkjet MFD.

Laser Printing devices saw similar developments to Inkjet Printing devices in Q1-2010. Laser MFD was growing rapidly with a two digit growth rate, whereby laser MFD color was especially booming. At the same time there was a remarkable drop for Laser Printers Stand Alone products, what in the end means that the laser segment has lost almost one tenth in value.

## **Sector and country differences evident in Western Europe**

In Q1-2010 all Western European countries reached positive or at least stable growth rates. Hence, overall a positive increase of +2.7% for GfK TEMAX in the 1st quarter. This overall increase indicates that the technical consumer goods

market is back on a very healthy track. Nevertheless, it is worth bearing in mind the country differences, with sector performance differing sufficiently from country to country.

*\*GfK TEMAX is an index developed by GfK Retail and Technology to track the consumer durables markets. GfK TEMAX® is published internationally. The findings are based on surveys carried out by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 340 000 retail outlets worldwide.*

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