Technical Consumer Goods Market Loses Pace

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Results of GfK TEMAX Germany for the third quarter.

After a successful start to 2008, the German technical consumer goods market fell in the third quarter by 1.6% from the third quarter of 2007. The greatest downturns were recorded by telecommunication and photography. However, the markets for major and small domestic appliances developed positively. The IT sector and consumer electronics remained stable on the year.

The overall market for electrical goods monitoring by GfK TEMAX amounted to EUR 9.8 billion in the third quarter of this year, which represents a downturn in sales of 1.6% from the same period of the previous year. The first three quarters recorded a cumulative market volume of EUR 29.5 billion, which is still an increase of 2% from the previous year. However, lower growth rates and declines in certain sectors darkened the overall picture.

The segment of Office Equipment & Consumables fell into negative figures for the first time this year, losing 1.8%. On the photography market, sales fell more severely (down 7.8%) and the downturn on the telecoms sector continued uninterrupted with minus 14.5%. The IT sector and consumer electronics stagnated at 0.1 and 0.0% respectively.

Major and small domestic appliances developed positively, both rising 1.8% and 3.9% respectively. These were the leaders in sales growth in the third quarter.

Small domestic appliances: market spurred by coffee consumption
Over all three quarters, this market recorded a steady growth of 5.7%, and 3.9% in the current examined timeframe, bringing the sector to the value of EUR 570 million. The strongest product group was hot beverage makers, particularly espresso machines. Vacuum cleaners, the second strongest group in small electrical appliances, only grew slightly. The market for electric razors also rose slightly. Hairstyling products achieved double-digit growth, as in previous quarters.

Major domestic appliances: product upgrades raise prices
The major domestic appliance market recorded similarly positive figures, rising by 1.8% to EUR 1.8 billion. Important product groups such as washing machines, refrigerators, freezers and dishwashers showed stable growth on the year. Hoods recorded double-digit growth while microwaves and tumble dryers lost out. The major domestic appliance segment demonstrated that consumers valued energy efficiency, modern design and low noise levels. These product upgrades are also being increasingly promoted by manufacturers and raised average prices and sales income while sales figures remained largely stable.

Information technology: notebooks in demand
The information technology sector, with a volume of EUR 2.4 billion, stagnated in the third quarter. Notebooks recorded double-digit growth, which was mainly attributable to the B2C segment. The enormous rise in demand for small, lower priced netbooks (notebooks with a small display and handheld format) also buoyed the market. This positive development was weakened by stagnant and negative sales figures in other product groups like monitors and desktops. Growth in IT, at 0.1%, was therefore insignificant.

Consumer electronics: LCD TVs still sought after
In the third quarter, the market for consumer electronics stagnated at EUR 2.4 billion in sales. Total sales since the start of the year were EUR 7.3 billion, up 8.8% on the year. The main growth drivers were LCD TVs, which account of almost half of the consumer electronics market. Growth in this group was uninterrupted even in the absence of major football events, which shows that the market is far from saturated. Many consumers are in the process of switching to LCD and are therefore supporting the market. In particular both sets with large screens (37 inch and above) and cheaper 32 inch sets are both selling well.

The positive trend of 2008 also continued in the Hifi segment, with receivers and home cinema systems seeing good sales. The figures for MP3/MP4 players and in-car electronics did not fare so well because of huge price drops. The same applied to blank CDs and DVDs. Overall, however, the German consumer electronics market had three quite successful quarters in 2008.

Office equipment: all-rounders slow losses
For the first time in 2008, office equipment and consumables recorded negative growth at 1.8%, reaching a value of EUR

1.3 billion in the third quarter. This downturn was caused mainly by the fall in sales of stand-alone printers, which are increasingly being replaced by multi-functional devices (MFDs). These items, which combine functions like printing, faxing and scanning, were the most important growth driver in the office equipment segment along with projectors, but they could not quite outweigh the losses, as the figures for printer cartridges, which account for around two third of the office market, also fell.

Photography market: price drop for cameras
The photography market also recorded negative figures. With a drop of 7.8% from the previous yearâ€™s quarter, this sector reached a volume of just EUR 594 million. Added up over the first three quarters, this represents a market worth EUR 1.8 billion and a downturn of 1.6%. The reason for this is the constant, strong price drop in cameras, particularly single-lens reflex cameras, which previously supported the segment. Although accessories like flashes, stands and camera bags recorded gains, they did not outweigh the losses. Even digital photo frames, the usual sales frontrunners, did not produce a gain for the market.Â

Telecommunications: losses for all groups
As in the other quarters, the telecoms market recorded significant downturns. This sector fell by 14.5% to a volume of EUR 842 million, with all groups observed in GfK TEMAX recording drops in sales. The reasons for this are likely to be the high market saturation and the low levels of consumer willingness to spend. There are also currently very few innovations on the market to encourage spending.

No effects of the financial crisis seen so far
The financial crisis has not yet affected the market as strongly as feared. The consumer climate has been at a stable low level since September and falling oil prices are currently reducing concerns over spending power, which means that development in the fourth quarter is likely to be positive. However, the financial market crisis is not yet over. Consumer expectations of the economy and income are cautious and the current developments have meant that the signs are not so optimistic for trade in the ever important fourth quarter. A concluding forecast, however, is not possible due to the number of countering effects.