Technical Consumer Goods Market Expands Despite Economic Crisis

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GfK TEMAXÂ® reveals uneven growth in market segments

Despite the general mood of crisis in the economy, 2009 began successfully.

With sales growth of 3.2%, the GfK TEMAXÂ® indicator was positive for the first quarter of 2009. While the markets for consumer electronics, small and major domestic appliances and IT recorded good growth, the picture remained overcast for office equipment & consumables, telecommunications and photographics.

The overall market volume for Technical Consumer Goods tracked by GfK TEMAX amounted to EUR 10.6 billion in the first quarter of this year, which corresponds to sales growth of 3.2% compared with the same period in the previous year.

This shows clearly that the GfK TEMAX index has returned to positive territory, following the previous two negative quarters. In view of the negative economic situation a remarkable result.

Apparently unaffected by the crisis, consumer electronics stormed ahead with growth of 9.5%. Small domestic appliances also recorded growth of 6.2%, followed by information technology (IT), with 4.8%, and major domestic appliances, with 4.5%. Conversely, the indicator for office equipment and consumables was down by 3.6%.

This still represents a moderate loss compared with telecommunications product groups, where the decline was 6.5%. Bringing up the rear is the photographic market, which dropped back 6.8% in value. In this respect, the development of the markets was very different in the first quarter of the year. None of the market segments stagnated: all either grew significantly or suffered considerable losses.

Consumer electronics better than expected
With excellent growth of 9.5% in the first quarter, the consumer electronics market outperformed expectations. Sales increased to EUR 2.8 billion and as usual, LCD televisions accounted for half this amount. Compared with the same period in the prior year, despite a slight fall in prices, the LCD television segment was up by just under a third.

The price is a relevant sales criterion here: in March, one in four sets in the 32-inch screen size category was sold for less than EUR 400, and this category constitutes just below 40% of the total LCD TV market.

However, demand for television "peripheralsâ€• is less price sensitive and hi-fi components, set-top boxes with HD reception and universal remote controls all recorded double-digit sales growth.

Innovation, mobility, substitution
Small domestic appliances continued to record a healthy growth rate, buoyed by high-quality and innovative products. With a rise of 6.2%, they were ranked second in terms of sales growth.

In particular, the most important and second-most important of the small domestic appliance product groups, hot beverage makers and vacuum cleaners, continued to record above-average growth for the segment.

Even some of the smaller product groups in terms of sales achieved growth figures extending into double digits. Deep fryers, oral hygiene appliances, hair straighteners, "bodygroomersâ€• and epilators all registered significant gains.

The sales growth for small domestic appliances is attributable to two factors: higher quality technical features or innovative product characteristics. This development means that sales growth for small domestic appliances, as in previous quarters, remained strongly positive.

Attractive product features are also the reason behind the positive results from the IT market, particularly in the case of computers. The big sellers were the small, travel-friendly netbooks (notebooks with a maximum screen size of 10.3 inches and a small hard disk), which registered three-figure growth rates in both value and unit sales.

The desktop-replacement notebooks, i.e. notebooks with a screen size of 17 inches and more that are a substitute for stationary computers, also developed well. Overall, healthy growth of 4.8% and an increase in sales to EUR 2.6 billion was recorded.

The high level of restraint seen in the previous two quarters has been overcome and in March, the IT market even achieved its highest monthly sales growth since the beginning of 2008.

Major domestic appliances generated an increase in growth of 4.5% compared with the same quarter in the previous year. Here too, the market profited from the need of consumers to replace appliances, in particular those that were acquired after German reunification.

The economic crisis is not having a great deal of influence here, because if a fridge or a washing machine is broken, it will always need to be replaced with a new one. This concept is further supported by numerous financing offers from retailers.

Furthermore, the trend towards high-quality and therefore more expensive products is continuing. This is particularly evident in the "washingâ€• and "coolingâ€• segments, and is identifiable, for example, in the energy efficiency of the devices that are offered and sold.

Saving electricity is a relevant criterion when making a purchase: for instance, tumbledryers with energy efficiency classification A registered above-average growth. Only kitchen appliances such as ovens, cookers, hobs and cooker hoods recorded a more stable moderate development.

Losses as a result of falling prices and a moderate level of innovation
While consumer electronics, IT and small and major domestic appliances registered considerable sales increases owing to attractive product features such as innovations and mobility, as well as to replacement purchases, losses in other markets have been just as pronounced.

With a 3.6% reduction in value, the office equipment & consumables market has only been moderately affected to date. For months, small photo printers have been experiencing double-digit losses. Monofunctional office appliances also continued their downward trend.

Sales of data and video projectors increased by double-digit percentage points, but at the same time, lost value as a result of the drop in prices. Scanners and lettering machines recorded gains, particularly document scanners and hand-held lettering devices.

The important segment of multi-functional devices also registered a slight increase, although overall, even this could not lift the market into positive figures.

Telecommunications experienced a halving of the negative growth rate in the corresponding quarter of the previous year, registering a fall of -6.5%. A rise in sales of higher value smart phones, which combine the functions of a mobile phone with those of a personal digital assistant, had a positive effect.

However, their share of the overall mobile phone market only amounts to approximately 10% so far. Cordless landline telephones registered an upward trend, whereas fax machines and small telephone installations recorded double-digit losses.

The photographics market brought up the rear in the first quarter of 2009, with a decline in sales of 6.8%. However, the result is partly attributable to the fact that Easter, which usually has a positive influence on sales of photographics items, fell in March last year and therefore in the first quarter, whereas the Easter sales this year will be included in the second quarter.

In addition, the fall in prices for digital compact cameras as well as for digital single lens reflex cameras pushed sales into negative figures. For example, more budget-priced entry-level models of single lens reflex cameras are now on offer as the result of increased demand.

A trend resulting from the wider availability of single lens reflex cameras is a growing need for accessories, such as interchangeable lenses, tripods, cases, and flashes, which resulted in double-digit growth.

A further bright spot are the weekly surveys on digital cameras, which revealed a positive trend in April and give reason for hope of stablilization in market development.

GfK TEMAXÂ® also available at international level
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The survey
GfK TEMAXÂ® Germany is an index developed by the Retail and Technology sector to track the durables market. GfK TEMAXÂ® is published internationally. The findings are based on surveys carried out by the retail panel of GfK Retail and

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