Growth Driven By Innovative Products

Contributed by GfK
Tuesday, 15 September 2009

Global GfK data on the markets for consumer electronics, IT and telecommunications

The worldwide markets for consumer electronics, audio/video, photo, IT and telecommunications are continuing to expand in spite of the crisis.

In 2009, consumers will spend 2% more on products in the audio/video, photography, IT and telecommunications segments, with total global expenditure for the year as a whole forecast at EUR 494 billion (USD 706 billion).

These are the findings of a continuous survey carried out by GfK Retail and Technology in more than 80 countries.

With sales growth of 8%, Japan is currently the region with the most rapid expansion, followed by Africa with growth of 6% and China with 5%. A decline of 3% in North America and 5% in Europe is expected.

The three largest product categories are also enjoying an uninterrupted growth trend.

Mobile phones and televisions each increased by 4% in terms of value, while consumer PCs grew by 2%. In each of these categories, which account for 78% of the total market, innovation is the main growth driver.

This is underlined by new products such as smart phones, flat-screen televisions and notebooks.

The smaller product groups also made a positive contribution to the overall development; for example, the global sales volume of Blu-ray players is expected to grow by 117% this year, with sales of portable navigation devices rising by 17%.

Consumer electronics in Europe
In 2009, European consumers will spend around 11% less on consumer electronics.

Aside from the general economic environment, one of the main reasons for this development is the negative sales trend in flat-screen televisions, previously a key pillar of growth.

This is due to the rapid fall in average prices, which is more than offsetting the current volume growth.

The highly encouraging three-digit growth in the area of Blu-ray players is not enough to compensate for declining sales in the TV sector.

All in all, 50% of sales in the first half of the year were generated in the three largest West-European countries. Germany accounted for the highest share of 19%, followed by the United Kingdom with 16% and France with 15%.

The rest is spread across the other 24 European countries for which GfK Retail and Technology collects regular comparable data.

Current sales development in Europe as a whole, which is based on the euro, is being impacted by negative exchange rate effects from the United Kingdom and various Eastern European markets.

GfK is forecasting total European consumer electronics sales of approximately EUR 54 billion in 2009.

TV sets: further growth in demand
As in previous years, televisions remain one of the key growth drivers in the European consumer electronics market in terms of units sold, with demand rising by 25%.

At the same time, however, constant price pressure meant that sales declined by 7%.

The reasons include the continued strained economic situation in a number of countries, as well as the high growth rates recorded in the first half of 2008, which was characterized by extremely high sales due to the European Football Championship.

While traditional CRT televisions are essentially irrelevant nowadays, one in every eight euros is spent on a plasma TV.

Thus, LCD TV now takes the lionâ€™s share of 88% in turnover, with particularly big increases in the larger screen sizes of 37 inches and more. 32-inch screens remain the most popular segment, being chosen by one in three customers.

In light of these trends, GfK is forecasting sales of 43.5 million LCD and 4.3 million plasma sets in total Europe in 2009.

Full HD TVs are becoming increasingly popular and now represent 49% of LCD TVs and 23% of plasma TVs sold.

The average expenditure on televisions in the first half of 2009 has fallen at just under EUR 600.

There were declines within segments with similar product features; for example, 37-inch LCD TVs and 50-inch plasma TVs each recorded losses of 20%.

The generation of additional consumer demand, and hence price stabilization, will depend on the success of new features such as LED backlights and 200Hz panels.

DVD players and recorders: market buoyed by Blu-ray players
The European market for DVD players and recorders is becoming increasingly less significant.

In the first half of the year, the number of units sold declined by 13%, with sales by revenue falling by as much as 20%.

The traditional DVD player market declined by 14% in terms of units sold and 25% in terms of sales.

These losses were partially offset by the strong growth enjoyed by Blu-ray players, which quadrupled their sales in the first half of 2009 compared with the same period of the previous year.

However, sales growth in the Blu-ray segment was less pronounced on account of the sharp fall in prices (to an average of EUR 252 between January and June 2009).

At +147%, however, development remains extremely positive.

This means that Blu-ray players are now responsible for one-third of sales in the European DVD player segment.

Sales of DVD recorders fell by 32%, meaning that this product category now accounts for only 41% of the overall DVD hardware sector.

GfK is forecasting sales of 18.7 million traditional home DVD players, 2.1 million Blu-ray players and 4.6 million DVD recorders in 2009.

Camcorders: growth driven by HD technology
In the first half of the year, the number of camcorders sold in Europe declined by 16%, while sustained price pressure led to a drop in sales of 27%.

However, there are positive developments in this market, too, with high-definition (HD) camcorders enjoying volume growth of 80% and sales growth of 22%.

HD devices now account for around 40% of total camcorder sales. One in every five camcorders sold today is a HD device.

In terms of formats, chip camcorders, which record onto flash memory cards in high or standard definition, are the best-selling segment. Every third camcorder now uses removable memory cards.

GfK expects a total of 4.9 million camcorders to be sold in 2009.

Hi-fi/home cinema systems: sales with innovative products
In the first six months of the year, demand for hi-fi and home cinema equipment in Europe fell by 11% in terms of both volume and sales by revenue.

However, there are some positive signs: new product concepts, such as fully equipped audio systems with MP3/MP4 docking stations, surround sound projectors and Internet radios, are enjoying strong growth.

Sales by revenue of these products doubled compared with the first half of 2008 and now account for 13% of total home audio sales.

Dolby Digital receivers also bucked the negative trend, recording moderate sales growth of 1%. In particular, products priced at more than EUR 600 generated sales growth and now represent 46% of total receiver sales.

Portable audio devices: additional functions in demand

The market for portable audio devices has seen a downturn in sales, with the number of units sold declining by 11% in the first half of the year along with a drop in sales by revenue of 16%.

This can be attributed to a certain degree of saturation in the market for MP3 and MP4 devices throughout Europe. Radios â€“ both with and without alarm clock functions â€“ are the only product group to still be developing consistently and, in some countries, positively.

While the first category is benefiting in particular from the development of iPod docking functions, the latter has been boosted by Internet radio.

GfK expects MP3/MP4 players to record a sales volume of 38.1 million in 2009. MP3/MP4 accessories such as chargers and FM transmitters will also benefit from the high penetration rates of MP3/MP4 players in future.

In-car electronics: multimedia devices enjoy growth
The in-car electronics market is suffering from the current economic climate, with turnover of car radios, navigation systems and multimedia products declining by 25% year-on-year in the first half of 2009.

The sales volume for portable navigation systems has decreased by 9%, with the average price falling by 20% to EUR 163.

Highly attractive functions such as 3D graphics, realistic visualizations of junctions and real-time traffic information have helped to cushion the considerable price pressure to a certain extent.

GfK expects sales of portable navigation devices in Europe to total 16.5 million at year-end 2009.

In the car audio segment, consumers are increasingly seeking out products with improved features. iPod and USB connections and Bluetooth are the most popular additional functions. However, these were unable to prevent a decline of 17% in the number of units sold and 24% in total sales.

High-priced products within this sector are enjoying positive development, with demand for multimedia monitors (some of which include navigation functions) recording volume growth of 7%.

This serves to underline the continued interest in integrated in-car multimedia devices and shows that customers are prepared to invest substantial amounts of around EUR 570 (EUR 950 in the case of devices with navigation functions).

Storage media: stable sub-markets
Demand for optical storage media (blank CDs and DVDs) is declining sharply as alternative storage solutions continue to flood the market, e.g. HDD recorders, streaming products, and video and music devices with Bluetooth, USB connections or direct connections to MP3/MP4 players.

In the first half of 2009, sales of blank DVDs among European consumers declined by 12%, while sales of blank CDs fell by 20%.

At the same time, flash USB sticks and flash cards enjoyed sales growth of 33% and 13% respectively.

Whereas the second half of 2008 was characterized by sharply falling prices and rising storage capacities, the situation stabilized somewhat in the first half of 2009.

The GfK Group
The GfK Group offers the fundamental knowledge that industry, retailers, service providers and the media need to make market decisions.

It delivers a comprehensive range of information and consultancy services in the three business sectors of Custom Research, Retail, and Technology and Media. The fourth largest market research company in the world, GfK operates in more than 100 countries and has over 10,000 employees.

In 2008, the GfK Group generated sales of EUR 1.2 billion.

For further information, visit our website: www.gfk.com .

Nuremberg - 2nd SeptemberÂ 2009