Western European Technical Consumer Goods Markets Show Stable Results For Q4-2010

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Results of GfK TEMAXÂ® Western Europe for the fourth quarter and full year of 2010

Consumers in Western Europe spent almost EUR 55.0 billion on technical consumer goods in the fourth quarter of 2010, an increase of 0.2% in total compared to the same quarter in 2009.

The full year 2010 closed with growth of +2.1%, worth EUR 187.6 billion. In the fourth quarter Information Technology (IT) and Small Domestic Appliances (SDA) maintained their leading positions in terms of growth. Austria, Germany, Sweden and the United Kingdom were the key drivers. These findings are based on GfK TEMAXÂ® Western Europe, an information service developed by GfK Retail and Technology.

In Q4 2010, the positive sales trend was generated by Small and Major Domestic Appliances (MDA), Information Technology and Office Equipment & Consumables (OE). Country-wise, only the Austrian market presents positive growth for both Q4 as well the year as a whole, followed by Sweden, where only OE posted a marginally negative performance the fourth quarter of the year. Greece however continues to suffer double digit losses. All other countries and sectors show heterogeneous developments. Â

The SDA market experienced the most positive revenue growth, closing the forth quarter up 7.3% and generating growth of 5.3% for the year overall. Information Technology also demonstrated a positive increase of 4.7% for Q4, up 5.5% for the full year, followed by MDA which rose by 1.0% and 2.8% for 2010 overall. The OE sector increased slightly by +0.7% in Q4, but decreased by -1.0% in 2010. Consumer Electronics (CE) declined by -5.3% and ended the full year down -0.6%.Â The Photo and Telecom markets are also down by -1.8% and -1.0%, respectively for Q4.

Small Domestic Appliances: Dynamic Growth
Consumers spent a total of EUR 4.5 billion on SDA in the fourth quarter of 2010. This is equal to very pleasing growth of 7.3% compared to the same period last year. The SDA market for the full year was worth EUR 14.5 billion.
Amongst other countries, growth came from Germany, France, Italy, and especially from the UK. Here the influence was increased by the ongoing recovery of the British Pound.

The positive development in Q4 is particularly important for the total SDA market, because around 30% of the annual turnover is generated during these three months. In certain categories such as traditional kitchen machines, menâ€™s shavers or portioned coffee/espresso machines, the share even reaches up to 40%.

Sales of coffee/espresso machines benefitted from a positive trend especially in the espresso segment. In Q4 2010, espresso capsule machines met a rising demand, particularly in the large coffee markets of Germany and France. Â

In addition, sales of fully automatic coffee-/espresso machines added to the positive trend of the whole category. This was mainly due to a positive development in smaller markets, since the most important one, Germany, did not reach the previous yearâ€™s level.

The personal care category grows increasingly dynamically as the year evolves. In Q4 2010, this development was supported by rising sales of electric toothbrushes in particular. Menâ€™s shavers and appliances for female hair removal as well as hair dryers and stylers also added to this positive result.

In the field of kitchen appliances, rising sales of traditional kitchen machines, hand blenders, hand mixers and choppers also help to explain the general success of the SDA sector.

A closer look at the floor care market reveals that the rise in turnover was driven by two segments: on the one side, robotic vacuum cleaners were selling very well. On the other, rechargeable handstick vacuum cleaners added to the overall growth exhibited in most countries.

Information Technology: B2B-Replacement and Digital Lifestyle for Consumers boost sales

The IT sector was second behind CE in terms of absolute sales value, reaching EUR 13.5 billion in Q4 2010 and EUR 45.7 billion in 2010. Both the quarter and full year growth rates were 4.7% and 5.5% respectively. Sweden, Germany and Austria enjoyed double-digit growth rates, followed by single-digit growth in the UK and France. The Netherlands shows a slight drop while the Greek IT market broke down significantly.

Market drivers in the IT sector are still mobile computers, even if growth was slowing down in the B2C market during the

last couple of weeks in 2010. In addition, All-in-one-desktop Computing along with Communication and Peripheral products were showing very encouraging developments. On the one hand the market is driven by a fundamental replacement cycle in B2B Markets which is resulting into positive developments in Hardware, Software and Service markets for large enterprises as well as for SMEs (small and medium size enterprises).

Windows 7 and new Office-Software is causing a particular urgency for replacement; Storage Solutions as well as upgraded Network Infrastructure is needed in addition to follow the demand of a connected and mobile information society. Online remote access and collaboration is allowing companies to be more competitive, enabling them to create new marketing & selling propositions.

On the other side, consumers are still focusing on new gadgets such as tablets/slates, netbooks or "coolâ€• designed notebooks and peripherals. Digital technology is addressing more and more individual usage scenarios, @ home, @ school, @ work, during travelling & holidays. As a result, different types of devices are needed depending on the usage consumerâ€™s behaviour â€“ market segmentation is taking place and enabling industry as well as retail to realize additional revenue opportunities.

The current hype about the new generation of tablets & slates is probably the best example how new usage behaviour â€“ touchscreen in combination with the tablet-form factor â€“ is generating additional demand and sales volume.

Consumers are clearly focussed on innovations; or more precise on â€˜perceived innovationsâ€™. Categories in which consumers in particular are not experiencing innovation are suffering at present; monitors in the B2C markets are probably the best example right now.

Therefore key for a positive market development in Q4 2010, as well as in the year 2011, will be the communication of clear product benefits and usage scenarios for the B2B and B2C markets. It is currently expected, that after a positive end of year business in Q4 2010, "medium-sizeâ€• single digit market growth of between 3-5% for the IT-Markets in Western Europe will be expected in 2011.

MDA: Market climbs back to 2008 levels as new energy label is introduced
The Western European MDA market maintained its value growth finishing the year with a plus 1.0% in Q4. The full yearâ€™s growth rate is more pleasing at 2.8%.

In absolute value terms the MDA market amounted to EUR 8.3 billion in the fourth quarter and EUR 31.9 billion in 2010. A reassuring growth was witnessed in all countries, except for the Netherlands and France, which showed a slight minus, and the Spanish and Greek markets with higher declines.

Although Spain experienced an almost double-digit drop in the last quarter due to an early exhaustion of â€˜planes renovÃ©s funds (Spanish subsidy programs for energy-efficient appliances). Nevertheless the level of 2009 was reached for the full year.

Great Britain recovered much better from the crisis exhibiting sound growth in the last quarter. Italy and Germany showed positive trends for the last quarter as well as the full year. While the growth pace became somewhat slower in Italy towards the end of the year, Germany showed a more moderate, but stable growth throughout 2010.

The price erosion in the French market resulted in a slightly negative fourth quarter; eating into the positive volume growth. Despite this, full year results still exhibited a growth of 2 percent against 2009 levels.

The new EU Energy Label for Washing Machines, Dishwashers and Cold Appliances can already be used on a voluntary basis in 2011. GfK Retail and Technology expects positive impacts from the improved visibility of highly efficient appliances on markets such as Germany, Austria as well as Italy and Spain, where energy efficiency has already been a core element influencing the consumer purchasing process in the past.

Office Equipment and Consumables: Back to "blackâ€• figures
Total sales of Office Equipment and Consumables amounted to EUR 4.7 billion in the fourth quarter 2010 and reached EUR 17.6 billion in 2010. This represents a slight increase of 0.7% compared to Q4-2009, but still a decline of 1.0% for the full year.

This minimal growth is supported by a single-digit increase in major markets such as Germany, Spain and the UK, but also by growth in the Netherlands and Austria. On the contrary the market is affected by a single-digit fall in France and Italy and double-digit drops in Portugal and Greece.

The Laser Printer market has been under pressure the last few years, a trend which will most likely continue.

Mono Laser Printers, on the other hand, are performing well compared to Q4 2009 in value. Within this product group the share of products which print 30ppm and above is growing significantly and has reached nearly 50% of the market

share.Â However, the share of Laser Colour Printers is declining in all Western European countries apart from Germany.

Multifunctional devices are developing well. The market for Inkjet Multifunctional Devices has marginally increased, especially the market for W-Lan capable products.Â The market for Multifunctional laser devices with a fax functionality is also growing. Laser Mono and Colour Multifunctional Devices with a fax achieved a double digit value growth in the fourth quarter.

The end of the year saw a rise in the sales value of Consumables, especially Ink cartridges. Although this was not enough to lead to a positive result over the whole year, the prospects are good for the coming year.

The scanner market succeeded to increase moderately by value in the fourth quarter. Document Scanners and the Film Scanners were able to compensate for the drop in the Flatbed Scanner segment. The success story still continues in the DV Projector segment. Average growth of 40% and more are not exceptional. Particularly in Germany this product group is performing extremely well.

Telecommunication: Smartphones stimulate cell phone markets
The fourth quarter of 2010 saw the Telecommunication market decrease in sales value by -1.0%, however the cumulated yearâ€™s data still shows a 0.8% increase. Subsidised prices continue to influence the market figures.

Nearly one third of the sales volume has been generated by Smartphones (mobile phones with open operating systems) in Western Europe. All European countries clearly show a trend towards Smartphones.

The share of Smartphones has continued to increase in the price classes between 100 and 200 euro, and in price classes more than 200 euro there is less and less market potential for Mobile Phones without Smartphone functionality.

Smartphones have continued to penetrate in mid-tier price classes, accounting for the limited sales value development in the fourth quarter. The share of Touchscreens has also increased as a result of Smartphone popularity.

As the markets for Smart-/Mobile Phones recover, the sales of Mobile Phone accessories have also shown positive growth rates in many Western European countries.

Photo: Demand is driven by new features and techniques
In the Photo market, sales in value terms amounted to EUR 2.8 billion, a decrease of 1.8% over the same quarter last year. However, the full year remains in the black; showing a 2.2% growth and a market value of EUR 9.2 billion. The Austrian, Belgian and Italian markets performed well.

The Western European Digital Still Camera market is stagnating, which has been influenced by persistent economic difficulties in some countries and even the weather, rather than by saturation.

The main Photo market drivers are non-SLR cameras with interchangeable lenses, so-called Compact System Cameras, which have only been on the market for just under two years.

Innovative technical features in the Compact Camera product group including Wide-angle Lenses, GPS, higher zoom ranges and Waterproof Casing have become standard features and Cameras with 3D technology have also become more and more popular, helping to stabilize the market.

Digital Imaging Frames were favoured Christmas presents in Q4 2009. In Q4 2010 however, this product group was no longer able to continue its success story in Western Europe.

Consumer Electronics: Slight slowdown in Fourth Quarter
The CE market achieved sales worth EUR 14.9 billion in the fourth quarter of 2010 and continued the decrease from Q3 also in Q4-2010 with a minus of 5.3%. As a result, the full year 2010 turned negative (-0.6%). The Q4-2010 result was influenced in some countries by bad winter weather conditions.

Nevertheless, Consumer Electronics remains the largest market in terms of sales value, amounting to EUR 48.2 billion.

Flat TV still is the main category within Consumer Electronics. In the meantime it has reached a very high level of innovation. Household penetration for Flat TVs is above 70% in the majority of the Western European countries.
As there was no external push in this product group in the final quarter of 2010 such as an international sports event or a major innovation, sales were rather flat in Q4 2010.

Consumers quite often chose to purchase a basic product in larger screen size segments. Even these basic products are already equipped with a Full HD resolution without resulting in higher average prices.

In the future the TV market will most likely develop into two directions: The first direction will be an upgrade of the Flat

TVs which were purchased several years ago: there will be a second generation of Flat-TV in the living room which not only has a larger screen size, but also an upgraded technology such as 3D or Web Access. This will give the consumer a new TV experience. Both Web-TV and 3D technologies have shown excellent developments over the last months.

The second direction will be the expansion of TV equipment from the livingroom to other household rooms.Â Digital broadcasting is now available more or less all across Europe. Consumers can easily enjoy TV programs everywhere in the house and even in the garden.

Portable devices are suffering within the CE market. Functionalities of a Portable Media Player or Portable Navigation System are increasingly included in Smartphones or in Tablet Computers, resulting in Portable devices being a less attractive product compared to previous years.

In addition, Built-in Navigation Devices are often standard features in new cars and as a result Portable Navigation Devices are becoming more and more redundant.

After several years of success driven by the Flat-TV boom, the market is slowing down and the time has come to develop peripheral products around the Flat TV. Consumers are investing in new sound sources (Internet Radio, Audio Streaming etc.) as well as in accessories such as Loudspeakers, Headphones and TV Mounts. Highly advanced sound solutions for the living room such as Soundbars have developed well in past months. This will most likely continue in 2011.

Sector and country variations evident in Western Europe
Q4-2010 shows a heterogeneous picture in Western European markets. There was a stable growth in Austria, Germany and Sweden, whereas Greece and Spain registered double-digit declines. In the remaining markets the Christmas trade did not run as well as expected.

Consequently the Technical Consumer Goods (TCG) market closed the year marginally down on Q4-2009. On the other hand, cumulative full year TCG sales show a better picture, with only Portugal, Spain and in particular Greece, where all sectors declined significantly, in the red.

Even though there are new and innovative product groups like Tablet-Pcs and Smartphones, the further development in 2011 will depend on key product groups such as Flat-TV and Digital Cameras, where the degree of saturation is meanwhile high. The challenge will be to convince consumers of the necessity of purchasing products with upgraded technology.

The survey
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