

Consumer Appliances And Consumer Electronics:

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Connectivity and Innovation for Developed Market Consumers

One challenge facing developed markets in 2011 and beyond is the ability to adjust to a new economic reality.

A bumpy outlook is combining with an increasingly technomorphing (the effects of technology advancement across a wide range of consumer products that in turn equate to a change in behaviour) and a frugal consumer base.

Europe and North America offer medium-term potential for manufacturers and a rapidly evolving, connected and technological consumer base. Just take a look at Apple's profits of US\$4.3 billion for Q4 2010, even though its products are expensive compared to those of its competitors.

There is something almost recession-busting about cool, connected consumer electronics, and now potentially appliances. A fundamental driver of sales will be truly energy-efficient, connected, value-added appliances and electronics through 2011 and beyond.

That said, bottom lines will be squeezed, price will matter and consumers will demand both value and connectivity. The appliances and electronics market therefore risks taking a collective value hit over the short term if there are further economic setbacks over 2011.

For Europe, Portugal's request to the EU in April for a bail-out will have other markets in the EuroZone beginning to worry about the path to recovery.

Technology and the consumer

Consumer mindsets have changed dramatically in developed markets since the recession hit in late 2008. Some of these changes have been forced on consumers, for instance the rise of thrifty consumption. Others have been developing over the past decade and are therefore more deep-rooted, although not entrenched, such as consumers increasingly seeking technology that fits seamlessly into their time-starved lifestyles.

This is one of the reasons why iPads and Androids have such high adoption potential over 2011 in Europe. These products make it easier for people to do what they were already trying to get done.

The iPad offers access to a range of socially essential technology, including apps, the internet, social media and video. It encourages technomorphing and connectivity - two well-established trends in developed markets.

Manufacturers have responded in an attempt to stay ahead of the game. The Nissan Leaf, launched in 2011, also has an iPhone app that will enable the device to track the car's electric charge. Other manufacturers, including Ford, are installing Smartphone in-car apps that allow drivers to check tyre pressure, download music or keep up with their Twitter feeds.

Home energy monitors targeted at eco-friendly consumers are enabling increased energy usage across home appliances and electronics. GE's Nucleus home energy management system will take this one step further by being able to monitor energy usage of hybrid and electric cars.

Frugalistas versus green savings

According to a leading appliance manufacturer in early 2010, energy savings were a "secondary concern for consumers, one they only give thought to when they enter the retail environment". This may no longer be the case. The potential future savings an appliance can offer have to be front and centre of marketing messages now.

It offers more perceived value to the consumer than a 15% price reduction. Frugalistas are in this for the long run and Europe and North America's bumpy recovery will reinforce this.

Smart grids are now showing the way forward for appliances and energy savings. But it is not just a consumer desire for savings they are tapping into - it is also society at large. With the fastest urban boom in history (over 60 million people moved into cities in 2010) and with a consumer push for more sustainable living, the coming years will see huge investments in smart infrastructure.

Worldwide, at least 90 smart grid pilots are in the process of being implemented in the US, Japan, China and EU countries, one reason why GE initially invested heavily in the technology. An underlying consumer desire has now been coupled by a necessity that will drive sales of truly energy-efficient, connected, value-added appliances and electronics.

Implications for R&D and innovation spend

Spending to keep ahead of the innovation cycle is key for any industry, including appliances. But where best to spend those corporate innovation dollars? Are they best spent on incorporating aspects of consumer electronics into appliances? For example, an LCD television fitted into a side- by-side refrigerator?

The problem here is that a refrigerator's natural replacement cycle is longer than that of a television; the product, therefore, risks becoming obsolete due to innovations not in appliances but in electronic terms.

Thus, an alternative could be to focus on connectivity, which may prove a better long-term option. Creating appliances that are able to communicate with electronics across NFC (near field communications) or wirelessly upgrade software are likely to mean appliances will not become obsolete as they keep up to speed with the electronics world around them.

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