

German Market For Technical Consumer Goods In Robust Condition

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Results of GfK TEMAX® Germany for the second quarter of 2011

According to GfK Retail and Technology, the overall market for technical consumer goods in Germany recorded a growth of 3.2% in the second quarter of 2011, representing a total sales volume of EUR 11.2 billion.

Small and major domestic appliances (SDA and MDA) and information technology (IT) in particular, were responsible for this positive half year balance. As expected, growth rates for consumer electronics (CE) are declining compared to a strong selling year 2010.

A solid sales increase of 3.2% continues the positive growth trend within GfK TEMAX® Germany. Boosted by larger private demand for IT products and remarkable gains in the SDA and MDA segments, the market for technical consumer goods is in a robust condition.

Even the weak performance in the CE sector does not affect the sound balance. It is important to note that this decline is a result of the exceptional performance of the market in 2010 caused by FIFA world cup and Olympic Games, where record sales were registered for TV appliances.

Information technology: Growth driver within GfK TEMAX®

Products from the IT segment are in particular demand in Germany at the moment, with total sales amounting to EUR 4.1 billion in the second quarter of 2011. This has led to a respectable double digit sales growth of 18.5% on a year-on-year basis.

Notebooks remain the most important product group and are responsible for the overall performance with double digit growth rates. Webbooks (iPad & Co.) continued to perform extremely well. With low weight, long battery life and small displays, they performed particularly well with regards to mobile usage.

Desktops on the other hand, are falling behind due to lack of innovations. Additionally, they are now facing problems with market saturation; last year they had been benefitting from replacements sales. As a result, an ongoing downwards trend can be seen in this segment.

On the contrary, Communication Devices (i.e. wireless router, docking stations) recorded high double digit growth rates, increasing their sales significantly compared to the second quarter 2010. External hard disks are also in demand, especially within the B2B sector.

The announcement of new models, especially for webbooks and tablet PCs, are offering consumers an attractive product range. According to GfK RTM's estimation, this will positively influence the IT market in the second half of the year.

Major domestic appliances: positive prospects

So far, 2011 has proved to be a very pleasant year for the German MDA market. A growth rate of 7.7% in the second quarter and a market volume of EUR 1.8 billion are the result of slight price increases, which are positive from a retail point of view. Refrigerators and hobs primarily benefit with double digit growth rates on a year-on-year basis. Overall, demand for bigger appliances or better configurations, for instance NoFrost-technology for refrigerators, has been growing.

Smart Home, a concept for interactive integration of electrical appliances at home, also has future growth potential. However, some barriers persevere; consumers are afraid of being overwhelmed by technical demands, worry about high costs and feel the added value of a Smart Home is too small. Retailers have to keep in mind that this must be tackled through qualified consultancy and communication; if this is done effectively, solid growth rates are expected.

Small domestic appliances: strong selling segments on the right track

The SDA market is also responsible for the overall positive balance of the total market for technical consumer goods in Germany. On a year-on-year basis, sales are up by 3.6% to a volume of nearly EUR 600 million in the second quarter of 2011. Kitchen appliances and hot beverage makers are the main growth drivers, especially fully automatic espresso machines and espresso capsule systems.

Consumers are very interested in so called "portioned" appliances which are capable of preparing a single cup of coffee or espresso in a quick and easy manner. Among fully automatic machines, it is interesting to note that more and more appliances sold belong to higher price classes.

With vacuum cleaners and irons finally showing positive tendencies after several periods of decline, the strongest selling product groups within the SDA sector are right on track. A general trend towards brands and trading up can be observed in the vacuum cleaners category; high value vacuum cleaners without bags are especially on the rise.

Dynamic brands, innovative products and a changed retail landscape have newly formed the market for SDA. The sector showed great resistance against the last economic and financial crisis. These are good prospects for further positive growth, although the debts crisis in Europe negatively influenced consumers' mood and overshadowed the domestic economic conditions, which are still good.

Photo: stable market despite production cutbacks

Despite cutbacks in production from Japanese camera manufacturers, the German photo market was able to stand its ground. There is a slight increase in total sales of 0.5% to EUR 600 million. Altogether, a significantly lower number of appliances were produced, especially cameras in the higher value area. On the other hand, the share of lower-priced products increased.

As a result, there were slight sales decreases for the main segment, digital cameras. Concerning camera systems, there are few adjustments. Given a dynamic restart of innovative and high quality products in Japan, GfK Retail and Technology expects that current drops in some areas can be compensated.

The upward trend for the accessories business continues; a high share of photo kits determines the market development, allowing adequate additional business and additional return on investment. This becomes apparent with digital camera tripods for instance; they enjoyed a double digit sales growth in the second quarter of 2011. This product group benefits from the increasing offers of SLR-cameras with high quality video functionality. The ongoing positive trend for cameras with interchangeable lenses has also led to a higher demand for accessories and a significant rise in sales for objective lenses.

Telecommunication: Smartphones enjoy growing popularity

The telecommunication market in Germany records only a small decline in sales -by 0.4% in the second quarter of 2011. Therewith, last months' negative trend has ended for the time being. Smartphones, which are becoming increasingly popular, sold significantly more units than last year. Also, they are bought more frequently when compared to the second quarter of 2010.

This development is boosted by the huge range of apps that are now available; the impressive number of downloads is proof of that. Elsewhere, the industry is most innovative with respect to software as well as hardware. HD continues to develop in the areas of smartphones, display sizes and processor speed. Thereby, Android operating system strongly increases its market share.

Small telephone systems also registered an ongoing positive trend; an increased number of high quality products have been sold. However, the market for fax machines is lower compared to second quarter of 2010. While inkjet devices face the strongest decline, laser/LED fax machines and appliances with thermo technology are somewhat below last year's level.

Office market: moderate decline

The positive climate in the German office market has suffered somewhat in the second quarter of 2011. Sales recorded a minus of 1.5% on a year-on-year basis to a total volume of EUR 1.1 billion; the negative development for data and video projectors is crucial for that. However, this was to be expected as sales had been strongly boosted by the FIFA World Cup in the second quarter 2010; this year a comparable sport event is missing.

On the other hand, inkjet printing devices enjoyed a slight increase in sales; multifunctional appliances in particular are in demand. "Business headed" devices with a duplex function or network link are still on the rise.

Among others, they enable a direct connection to the internet which brings the benefits of cloud printing into play. The laser printing devices market continues its strong upward trend and sales grow with double digit rates. Again, multifunctional devices are the key drivers for sales increase.

Consumer Electronics: no impact from women's football world championship

The consumer electronics market is currently struggling with dropping sales, especially with regards to TVs; this is the most important product group. This resulted in a double digit decline of EUR 2.1 billion in total. However, last year was influenced by two major sport events, the FIFA world cup and the Olympic Games; growth was not expected this year.

Thanks to innovative technology, there are positive prospects ahead. Nearly all manufacturers currently advertise their new television appliances with buzz words like "Smart-TV", "Web-TV" or "Internet-TV". More and more internet capable TV appliances are entering the market. Those TV sets provide more content, with 24/7 availability, thus adapting individual viewing habits.

This technology is expected to influence consumer behavior and unlock new target groups. New models with additional features should also have a positive influence on customers'™ willingness to spend. The long-life cycle of the appliances also generates the need for appropriate accessories like set-top-boxes or Blu-ray-players. Retail and industry players must emphasize the additional value of these products in order to encourage more spending.

There is good news from the German headphone market, which also continues its success story in the second quarter of 2011. The trend for mobile appliances and the search for perfect sound " indoor and outdoor " have fueled the demand and have led to a double digit sales growth on a year-on-year basis. This is also a result of the general trend towards more quality.

GfK TEMAX® Germany: still a plus in sales

With an increase in sales of 3.2% in the second quarter of 2011, the domestic market for technical consumer goods is still in a robust condition. Thus GfK TEMAX® Germany enjoys positive half-yearly figures. However, current economic turbulences in the US, the European debt crisis as well as the latest stock exchange downswing, complicate a forecast for the upcoming sixth months.

Expectations towards the economic situation and personal revenues are currently getting lower. As it stands, the propensity to buy products shows only a slight decline. This, as well as the continuing stable conditions of the German economy, gives reason for hope that the GfK TEMAX® Germany will witness a strong development in the second half of the year.

The survey

GfK TEMAX® is an index developed by GfK Retail and Technology to track the technical consumer goods markets. The findings are based on surveys carried out on a regular basis by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 370,000 retail outlets worldwide.

Since February 2009, GfK Retail and Technology has also been compiling the GfK TEMAX® index at international level in more than 30 countries. It is the first index that includes all of the markets for technical consumer goods in different countries. All reports and press releases are available at www.gfktemax.com .

If information from this press release or www.gfktemax.com is cited, GfK TEMAX® should be explicitly indicated as the source.

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