GfK Retail and Technology

Press Release

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Pleasing growth for consumer electronics

Findings of GfK Retail and Technology for the first half of 2010

Nuremberg, September 1, 2010 – The European market for consumer electronics is currently on an upward trend. Sales growth of 4.6%, driven by technical innovations, was recorded in the first six months of this year compared with the first half of the prior year. As a result of the increasing interconnectedness of devices and further developments in the quality of picture, sound and design, consumers are prepared to spend more money on products. Positive growth is also expected for the year as a whole.

In a Europe-wide comparison, the growth drivers are predominantly Germany, the Scandinavian countries, Italy and Spain. Meanwhile, the important sales markets of France and the UK have each recorded rather modest growth of 3%. At regional level both Western Europe (+4.9%) and Eastern Europe (+2.6%) experienced growth.

Sales of TV sets are continuing to occupy an increasingly important position in the market. In Europe, around 73% of expenditure on consumer electronics is currently invested in this segment, and the trend is upwards. TVs therefore remain the driving force of the industry. In contrast, the comparatively “young” product groups of portable audio and navigation devices are experiencing pressure. The years of massive growth are clearly over, and both of these areas are increasingly becoming cut-throat markets.

TV sets: more money for higher quality equipment

For 2010, a considerable increase in both unit sales and sales revenue worldwide (+6% each) is forecast for TV sets. GfK Retail and Technology is currently anticipating sales of 252 million TV sets and corresponding revenue of approximately EUR 110 billion for the year as a whole. LCD TVs, which account for 86% of sales, are continuing to dominate at the moment. Unit sales of 59 million LCD TVs (+10%) and 4.5 million plasma screens are forecast for Europe in 2010.

In Western Europe, experience shows that high-profile sporting events such as the Football World Cup in South Africa provide stimulus in the consumer

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electronics market, and in particular for TV sets. Alongside the "second-set" segment (screen diagonals of 22 inches), TVs with screen diagonals of 37 inches or more are particularly in demand. TVs with 32-inch screens remain the most popular category; however, while 8% more sets in this size category were sold in the first six months of the year, their market share has fallen to 30%. In principle, customers are prepared to pay more for additional features, and the integrated digital HDTV tuner is already standard. Connections between TVs and the internet are also becoming increasingly important, with 15% of LCD TVs sold in June 2010 being internet-capable. New technology such as flat screens with LED backlighting (22% sales share in the first half of 2010) and integrated hard disk recorders (15% sales share) are also contributing to rising average prices. Consumers are spending an average of EUR 540 on an LCD TV (as at: June 2010), which is slightly more than a year ago, but where the product features are unchanged, prices are falling. 3D technology is expected to have a positive impact in the future.

DVD players and recorders: trend towards blu-ray continues

The western European market for DVD players and recorders continued to decline in the first half of 2010, both in terms of the number of appliances sold (-10%) and sales revenue (-8%). However, the situation is becoming more stable as a result of positive developments on the blu-ray market, which led to a positive growth rate (+4%) being recorded in May for the first time in almost three years.

Blu-ray players and recorders were already accountable for almost a third of sales in the overall DVD market in the first half of the year – and unit sales of just under 3.8 million blu-ray devices are forecast in Europe for 2010 as a whole. As a result of additional functions such as 3D technology, built-in hard disks and integrated digital tuners, the average price for a blu-ray player stood at EUR 179 in June. Sales figures for standard DVD recorders are still experiencing a sharp downturn: at the end of the first six months of the year, a sales decline of 26% was recorded, and these products are now only contributing around a third to total sales. A similar picture emerges for standard DVD players, which are recording a significant decline – sales are down by 17% for portable appliances and by 16% for stationary appliances. As a result of low-price entry offers, the switch to blu-ray will increasingly gather momentum.

Camcorders: HD technology in demand

The camcorder segment is experiencing losses, with both the number of devices sold and sales revenue dropping by 14% in western Europe.

For 2010, forecasts are projecting sales of 4.5 million camcorders, which will generate a sales revenue of around EUR 1.5 billion. Prices are stable: at EUR 357 in June, the price level for camcorders remained constant in comparison with the previous year. HD camcorders that record using memory cards are experiencing strong growth, with unit sales of these products up by more than 100% and sales revenue by 90%. Approximately one in three camcorders sold now fall into this category, and this segment has a 55% share of camcorder sales.

Hi-fi/home cinema systems: design becoming more important

Consumers invested around 4% more in hi-fi and home cinema equipment in the first six months of 2010 than in the same period of the prior year, although the number of products sold declined by 2%. This shows that consumers are willing to pay more money for first class equipment in their living rooms.

Growth drivers include fully equipped audio systems with MP3/MP4 docking stations, as well as internet radios and surround sound projectors. Within this “soundbars” segment, design-oriented products are giving a particular boost to unit sales, contributing to the positive overall result with a rise of 27%. Increasing value orientation is also evident in the loudspeaker segment, where growth in sales revenue of 9% is contrasted by a 6% climb in unit sales. Dolby Digital receivers and receivers with access to internet radio are also making an important contribution: this product group recorded a 10% increase in sales.

Portable audio devices: innovative products are holding their own

The market for portable audio devices has posted a significant decline, with a 12% drop in unit sales, and an almost 7% decline in sales revenue. This is primarily attributable to falling demand for simple MP3 players and, to a lesser extent, also for MP4 players, in Western Europe. In general, however, the market is being supported by robust prices and the trend towards high-quality products.

MP4 players that are operated via touchscreens are enjoying a small boom: 57% more devices were sold in this product category. Interesting developments are also becoming evident in the portable radio segment. In Germany, internet radios had a sales share of 19% in this segment. In contrast, digital radios, whose sales increased by almost 14%, are providing stimulus to the UK market. MP3 and MP4 accessories such as chargers are also performing strongly.

In-car electronics: sales growth for multimedia devices

The in-car electronics category is continuing its decline, with sales in this sector falling by 20% compared with the same period of the previous year. The average price and demand are decreasing for portable navigation devices, and as a result, sales revenue shrank by around 21%. Sought-after technical details such as larger displays and photo-realistic images of cities, real-time traffic information and the fuel-saving ECO mode are helping to stabilize the price level. Demand (-11%) and sales revenue (-15%) for car radios are also down from the previous year's figures. The trend towards devices with multiple connection possibilities for mobile phones, MP3 players and USB sticks is contributing to a appropriate price level. A technical quantum leap is forecast for internet-capable car radios.

The niche for multimedia monitors that are built into cars is developing positively. Special devices in a double DIN format, some of which also have a navigation function, saw growth of 12%. Consumers are also increasingly opting for in-car multimedia devices, which can often be seamlessly integrated into the dashboard. In future, these devices are set to have an internet connection, and manufacturers and retailers are expecting to see a substantial increase in demand as a result.

Storage media: sales stable thanks to higher prices

At 7%, the western European market for storage media experienced a decline on the previous year. However, trends vary depending on the product group. Sales of memory cards remain stable. On the one hand, there was a significant decrease of 15% in the number of products sold, but on the other hand, the product group is benefiting from higher average prices for more storage capacity, which means that sales revenue remains unchanged. This development can also be observed for USB sticks. Although the number of unit sales has declined by just under 10%, higher prices mean that sales revenue has not decreased. The market for blank CDs and DVDs remains on a downward slope. CD sales dropped by around 22%, and DVD sales by 18%. However, optical media continue to represent a substantial share of the storage media market. There are positive reports from the blu-ray blank media category, which experienced sales growth of approximately 25%. This growth is likely to continue over the coming years, firstly because sales of blu-ray players and recorders are increasing strongly, and secondly because the establishment of 3D technology will have a positive impact.

The method

Through its retail panel, GfK Retail and Technology regularly gathers data on TV and video devices, portable audio products, camcorders, hi-fi and home cinema systems, in-car electronics and storage media in more than 80 countries worldwide. The present analysis is based – unless otherwise specified – on information from the six Western European countries of Germany, Italy, France, the UK, Spain and the Netherlands.

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The GfK Group

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