GfK Marketing Services

Press Release

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Electric appliances market: different development trends, but positive growth in general

GfK Marketing Services Deutschland publishes statistics on the 2006 technical consumer goods market

Nuremberg, 13 February 2007 – Germany's technical consumer goods market grew by 2.1% in 2006 to record total sales of EUR 43.8 billion. However, the various market segments developed differently. The figure for total sales is based on data from continuous surveying of individual product group sales at over 7,000 outlets in Germany.

In 2006, total sales of the electrical consumer goods monitored amounted to EUR 43.847 billion. This figure relates to the total market for all product groups surveyed by the retail panel of GfK Marketing Services Deutschland. The market intelligence gained by GfK is used by the retail trade and industry all over the world, as well as in Germany.

Sales development of individual market segments extremely heterogeneous

Development in the individual segments varied in 2006. Sales increased in some of the segments, such as Consumer electronics, Small domestic Appliances and Major Domestic Appliances, while the Photo sector remained stable. The Telecommunications, Information Technology and Office Equipment markets reflected a downward trend. In general, purchases brought forward to beat the increase in VAT, buoyant consumer sentiment and the economic climate accounted for positive growth of 2.1%. Technical super stores of buying groups and retail chain branches as well as online retailing experienced above-average growth in demand.

The winner of the year was the classic Consumer Electronics sector, whose total sales rose 10.2%, making 2006 the most successful year since the mid-90s. Every fourth Euro taken went to this segment. One of the engines of growth was the high demand for LCD and plasma-screen TVs, which accounted for virtually half of all entertainment electronic sales and can largely be attributed to the World Cup. Portable navigation devices also did particularly well, with four times as many bought in 2006 than in the previous year.

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In terms of Christmas business, portable navigation devices accounted for one tenth of the total seasonal sales of Consumer Electronics.

Sales development of electronic consumer goods in Germany

Sector	2006 sales, absolute in EUR bn	Share of 2006 sales in %	+ / - compared with previous year in %
Consumer Electronics	11.1	25.3	+10.2
Major Domestic Appliances	7.0	16.0	+8.0
Small Domestic Appliances	2.6	5.9	+7.4
Photo	3.0	6.8	+0.1
Telecommunications	4.1	9.4	-3.9
Information Technology and Office Equipment	16.0	36.5	-4.0
Total	**43.8**	**~ 100**	

Source: GfK Marketing Services Deutschland, 2007
Some of these statistics may have been rounded up

2006 was also a good year for Major Domestic Appliances, which recorded relatively strong growth to account for 8% of total sales. However, the sales boom only started in the second half of the year with the advent of buoyant consumer sentiment, a high propensity to buy and purchases brought forward to beat the rise in VAT.

Small Domestic Appliances also benefited from positive consumer sentiment. Although the total number of units sold remained stable, it was noticeable that consumers tended to buy more of the higher-priced goods than in the previous year. A good example of this is vacuum cleaners, whose unit sales may have fallen slightly, but whose total sales were worth 9% more. This phenomenon is also evident in espresso machines, with one in two models sold now fully automatic and selling for an average of almost EUR 600.

The same is true of the Photo sector, where the more expensive and top quality technical equipment is accounting for an increasing share of sales. There was strong demand for digital single lens reflex cameras which resulted in two thirds more sales than in the same period the previous year. Despite slight erosion of the prices in the Photo market, sales generally remained stable.

Conversely, the Telecommunications sector weakened to record a decline in sales of 3.9% in the product groups monitored. The biggest losers in the Telecoms market were fax machines and answer-phones.

Enjoying a final growth spurt in the last half of 2006 were the major market segments of Information Technology and Office Equipment. The trend here is also towards more innovative, multifunctional and design-oriented equipment, however, demand developed very slowly in the first half of the year. Subsequently, after a very weak first six months, LCD monitors and portable computers recorded a marked increase in sales in the second half of the year. In the same period, sales of multifunctional devices integrating scanning, copying, fax and printing achieved double-digit growth, while sales of equipment such as copiers and printers continued to decline sharply. Only computer accessory product groups like webcams, TV cards, external hard disc drives, keyboards and mice recorded ongoing good growth rates. However, even the strong final sprint at the end of the year could not offset the poor first six months, so that ultimately, the sector recorded a 4.0% drop in sales.

In spite of the heterogeneous development in individual market segments, the overall electric appliances market closed the year 2006 with a pleasing rate of 2.1% growth. Innovative products responding to consumer demand for design, digitization, networking, multifunctionality and mobility accounted for this growth, a trend which is set to continue in 2007. The question now is in how far the purchases brought forward to beat the VAT increase and the buoyant consumer mood which generated dynamic added purchasing momentum will affect the development of the electrical/electronics technology market in the current year.

The survey

GfK Marketing Services Deutschland carries out continuous monitoring of more than 300 product groups in the technical consumer goods sector in over 70 countries worldwide. The sales data from more than 50,000 outlets in various sales channels all over the world are surveyed on a weekly or monthly basis at individual product level. Using a complex procedure, which ensures international and timeframe comparability, data are analyzed for market shares, price classes, technical features and hit lists. The GfK panel market is representative of all the sales channels monitored. For further information, see the appendix on the next page.

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The GfK Group

The GfK Group is the No. 4 market research organization worldwide. Its activities cover five business divisions, Custom Research, Retail and Technology, Consumer Tracking, Media and HealthCare. In addition to 13 German subsidiaries, the Group has over 130 subsidiaries and affiliates located in more than 70 countries. Of a current total of over 7,800 employees, around 80% are based outside Germany. For further information, visit our website: www.gfk.com.

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Appendix

Product groups monitored by GfK Retail and Technology

Consumer Electronics: CTV, plasma screens, LCD monitors, rear projection, wireless TV links, video recorders, DVD players, DVD recorders, DVDs, CDs, camcorders, CD players, CD recorders, MD recorders, receivers, amplifiers, tuners, loudspeakers, loudspeaker systems, audio home systems, radio recorders, box radios, clock radios, portable MD recorders, MP3 players, portable digital video players, headsets, compact cassettes, mini discs, video cassettes, set top boxes and kits, game consoles, car radios, car speakers, car navigation, car vision
Information technology and Office Equipment: network cards, hubs/switches/routers, PCs, keyboards, monitors, DVD/CD burners, mice, UPSs, PDA, computer speakers, webcams, pocket calculators, copiers, projectors, multifunction devices, printers, scanners
Telecommunications: telephones, faxes, telephone systems, mobile phones, mobile phone accessories, headsets, walkie-talkies
Photo: digital cameras, memory cards, analog cameras, films, lenses, flashlights, photographic printers, photographic paper
Small Domestic Appliances: dental care, shavers, hairclipper, hair dryers, hair styling, blood pressure meters, instant thermometers, personal scales, kitchen aids, sandwich makers/waffle irons/grills, barbecues, party cookery equipment, toasters, deep fryers, general cutters/slicers, coffee/espresso machines, kettles, juicers/citrus presses, irons, vacuum cleaners, steam cleaners, electrical heaters, air purifiers/humidifiers
Major Domestic Appliances: washing machines, washer-driers, dishwashers, fridges, freezers, electric ovens, hobs, microwaves, cooker hoods.

Sales channels monitored by GfK Retail and Technology

General retailers: department stores, mail order houses, pure players, hypermarkets, cash&carry, drugstores, supermarkets
Specialist retailers: electrical specialists, photo specialists, car radio specialists, car accessory and spares retailers, telecom and mobile phone specialists, office equipment specialists, stationers, copier specialists, computer shops, system houses, office equipment & stationery full range retailers, kitchen specialists, furniture retailers, d-i-y stores, household/ironmongers.