

GfK RETAIL REPORTS

Q1 / 2019



GfK. Growth from Knowledge

Every quarter, the GfK Retail Reports summarize the current developments in the biggest non-food markets in Belgian retail. It gives a clear resume of hard facts and sharp analyses of trends, in words and images.

MARKETS IN DETAIL

We invite you to glance through the Q4 analysis of following markets:

- Retail in General
- Consumer Electronics & Photo
- Telecom
- IT & Office
- Small Domestic Appliances (SDA)
- Major Domestic Appliances (MDA)
- Entertainment
- Books
- Home Improvement
- Fashion

GfK makes research matter by delivering the future. In a digitalized world, we are the trusted source of relevant market and consumer intelligence that answers your key business questions and empowers smarter decisions.

As thought leaders in our industry, we have a deep understanding of consumer experiences and choices.

We turn research into business opportunities. Through innovative systems and partnerships, we integrate on and offline data to support Growth from Knowledge.

Our goal is simple: enable our clients to create winning strategies to enrich consumers' experiences and choices.



MARKET INSIGHTS INTRODUCTION



Nikolay Dolgov
Head of Market Insights

Already five years in a row the non-food market is showing positive results during the first quarter of the year. This year started well with a growth of +2% during the first three months compared to the same period of last year. Continuing the trends seen in Q4 last year, the most important sectors (e.g. CE) showed positive results, while smaller ones (e.g. Photo) still struggle. The sales period could not push these panels forward.

Home Improvement and MDA, in particular, increased their value growth tremendously. As summer is approaching, people are ready to start gardening, and improving and restyling their homes.

While most sectors in offline sales are close to stagnation, online delivered a positive trend with SDA being the fastest moving category compared to the same period last year.

At GfK, we deliver relevant market and consumer insights and predictive analytics to the field. With this Market Insights report, our consultants share their conclusions drawn from the first quarter results, together with their vision on the near future.

I wish you all the best in the next quarter.

RETAIL IN GENERAL

2019 started off right for non-food. Most panels experienced growth in Q1



Ines Penders
Market Insights Expert

Despite a few measured panels facing negative growth during the start of the year, the total sales number is positive. Compared to the same period last year, Q1 booked a value growth of 2%.

Home Improvement (+5,3%) and MDA (+5,5%) are the two categories that steal the show during the first quarter. They both experienced the strongest growth of all panels in Q1.

In our Q4-report, we wrote that consumers postponed DIY chores to the end of the year, due to the exceptionally hot summer of 2018. This trend continued during the following quarter (Q1), despite the unpredictable weather of the last few months. March in particular experienced a sales turnaround that was influential in driving the overall quarter's results towards a growth of more than 5% for DIY.

The growth seen in MDA was mainly driven by the January sales period and the attractive conditions of the popular fair, Batibouw.

Consumer Electronics (CE, +2,3%), IT (+1,6%), Telecom (+1,4% – specifically thanks to products targeting PC gaming enthusiasts), and Fashion (+1,0%) were also able to raise their total value.

RETAIL IN GENERAL

Small Domestic Appliances (SDA, +0,2%) on the other hand was close to unchanged compared to Q1 last year. Whereas Q4's results were boosted by Black Friday, which delivered growth in both volume and value, the January sales period was not able to deliver the same result for Q1. In fact, growth in volume was actually negative (-3%). It was the high-end products, like expensive fully automatic espresso machines and versatile handsticks, that helped push the SDA value growth above zero for this quarter.

Other panels also profited from this trend, where an uplift in the average purchase price has limited the value losses from a decline in sales volume. This is particularly true for the IT & Office and CE sectors. The positive price effect has been going on for a while now and seems to be here to stay.

Fashion, on the other hand, saw a big rise in volume (+6,4%) and a limited, but positive, growth in value (+1,0%) - mainly driven by results from January and February, and the online channel.

Alongside these positive results, there were panels facing red numbers: Stationary (-3,4%), Books (-3,6%), Photo (-11,7%) and Entertainment (-6,5%) all declined significantly during the first three months of the year, with the latter two being the worst performing categories of all. Digital cameras can't compete with smartphones and phablets that boast excellent photography-technology. And Entertainment continues to battle with the current trend of decreasing spending on physical entertainment products. Luckily, it can still count on the continuing vinyl revival and the popularity of singer Niels Destadsbader.

2018 was one of the most successful years ever for the gaming market, so it will be exciting to see whether the coming months continue to deliver these excellent results. This year's game has only just begun - not only for Entertainment but for all panels - so we look forward to what 2019 will bring!



Q1/2019

CONSUMER ELECTRONICS

The market of Consumer Electronics again reaps the benefits of the traditional strong TV category



Vanessa Theunissen
Consultant MDA

Q1 has delivered 2,3% growth for Consumer Electronics, thanks yet again to the boost of PTV/Flat with a 7% increase in value.

There were also increases in audio home systems (+6%), mini Bluetooth speakers (+5%) and loudspeakers (+2%). The traditional TV category scores very high in our figures, especially during the sales periods, with other categories also benefitting from this period.

The product groups that did not fair so well in Q1 compared to the same period last year are car navigation systems (-29%, thanks to consumers using their smartphone to retrieve route information) and drones (-15%).

Photo: Digital cameras and lenses also this quarter in stormy weather

Phablets are again the star in the telecom market, which makes it difficult for digital cameras and lenses to revive. Compared to the previous quarter, Photo decreased -5% (value) and -12% (units) compared to the same period last year (-11.7% and -4.9%).

TELECOM

Telecom had a good start to 2019 due to new product launches and increased sales in the accessory market



Alain Brys

Consultant IT &
Office Equipment

With a turnover of close to 360 Mio € and just over 2,6 Mio units sold, the telecom business ended the first quarter of 2019 on a positive note. Overall, it gave an increase of close to 1.4% in value compared to the Q1 2018 period.

The average price of products purchased in the Telecom sector during the first quarter of 2019 remained at a stable level of 135€. Within Mobile-Smartphones-Phablets, the average price spend by end-users on their devices increased by almost 2%.

The market for hardware devices - especially the larger smartphone-phablet products - gave excellent results, thanks to new introductions launched at the end of the first quarter. It is clear that the market continues to demand more and more high-end featured devices.

We also see very positive results in the accessory market, especially in categories such as screen protectors, chargers, mobile headsets and smart watches. Mobile phone accessories are becoming as important as the smartphone in our day-to-day life. Most of us would find it almost impossible to survive without a minimum set of accessories.

Despite Office equipment & Consumables, IT closes Q1 with growth



Alain Brys
Consultant IT &
Office Equipment

During the first quarter of 2019, the IT and Office Equipment market increased in value by almost +1,6%, for a total value of close to 530 Mio €. The average price of an IT product purchased increased by almost 9%.

IT: positive results thanks to growth in several peripheral gaming categories

Several IT product groups showed excellent performance during the first quarter of 2019, accounting for an increase for the IT sector of +4% to 427 Mio €. Products targeting PC gaming enthusiasts continue to increase their share, especially in categories such as desk and mobile computing, gaming monitors and gaming peripherals (mice-keyboards-gaming accessories). In some IT categories, more than 35% of all products sold are specifically targeting PC gaming customers. Sales in the B2B channels also increased due to business users upgrading their PC systems because of Windows 7 service support ending in January 2020.

Office Equipment and Consumables: negative first quarter but small photo printers and continuous ink systems still performing well.

In Q1 2019, the Office Equipment and Consumables sector recorded a significant decrease of -6% compared to Q1 2018 for a value of almost 103 Mio €.

The market for printer and consumable products continues to suffer from a strong decline in sales in both the inkjet and laser cartridge categories. However, segments such as small instant photo printers and continuous ink supply systems (CISS) were able to record significant growth. This indicates once again the importance of targeting customers depending on their specific digital needs.

SMALL DOMESTIC APPLIANCES (SDA)

Stable value growth for SDA in Q1 of 2019



Thalia De Mesmaeker
Consultant SDA

After a negative Q1 in 2018, the SDA market this year reached a stable result in value compared to the same period last year (+0,2%). Unfortunately, we do not see the same results in units, where the market declined with -3,0%. The decline in Q1 was mainly due to February results.

Once again, we see that Vacuum Cleaners contributed the most important growth in Q1, with an increase in value of +7,8% and in volume of +1,0%. Clearly higher priced products are driving this value growth. Versatile Handsticks are still gaining popularity over traditional Bagged and Bagless Cylinder Vacuum Cleaners.

Another important and growing segment within SDA are the Full Automatic Espresso Machines. However, other Hot Beverage Makers didn't find growth in Q1 this year, which is why this total segment declined overall, with -1,3% in value and -4,0% in units.

Within Hair Care, Hair Stylers finally showed growth again. In the previous periods, this segment has suffered strongly declining figures, but in Q1 this year we finally saw good growth of +13,0% in value and +5,5% in units.

Looking at other important SDA segments, there have been value declines for Food Preparation (-3,1%), Irons (-5,3%), Shavers (-2,4%), Dental Care (-3,7%) and Deep Fryers (-8,1%).

The SDA market is still very dependent on a few strong segments that are growing in value, but not every segment can show the same growth in volume.

MAJOR DOMESTIC APPLIANCES (MDA)

Convenience and smart are the growing trends in MDA



Vanessa Theunissen
Consultant MDA

When looking at the first quarter of 2019, the MDA market exceeded itself with a growth of 5,5% in value in comparison to Q1 2018. Sales during January and the Batibouw (23rd February until 3rd March) period really pushed the MDA market forward and turned around the downwards trend (-0,6% in value) of the previous quarter (Q4 2018).

Convenience is key in important product groups such as washing machines. Appliances that have an auto dosing function within washing machines are definitely gaining popularity in Belgium, with a growth of 20% in Q1. In addition, the feature 'No Frost System' in the Cooling segment is extremely popular (+13%). Appliances with a No Frost System will give you several big advantages: you will never have to defrost a No Frost fridge, as the continuous air circulation prevents ice from building up. On top of that, you won't have any frost on your food, so it'll stay fresh even longer.

2019 is the year of smart everything, and that includes your home appliances. Nearly every major appliance brand on the market has at least one smart model available, and we expect that number to grow.

Q1 this year was also very strong for kitchen appliances, thanks to Batibouw. As the largest fair in Brussels for construction, renovation and home improvement, this definitely boosted sales. This quarter returned a growth of 12,5% in built-in hobs, 6% in cooking, 13% in hoods and 7% in dishwashers. Overall, a very positive performance to kick off 2019, so let's hope this can continue throughout the year.

ENTERTAINMENT

Downward sales trend in home & entertainment after one of the most successful years for gaming



Conrad Hayen
Senior Market Analyst
Entertainment

In the first quarter of 2019, Belgian consumers spent 80 million euros on physical entertainment products; 10% less than one year ago.

Last year was one of the most successful ever for the gaming market, which is going to make it difficult, if not nearly impossible, for 2019 to compete.

Nintendo Switch, the youngest hardware platform on the market, is maintaining its momentum by outselling PlayStation 4 and Xbox One combined. However, Nintendo's success failed to offset the 17% decline in console hardware revenues. After all, Xbox and PlayStation are getting closer to the end of their current console cycle, which traditionally means that consumers delay their purchases, in anticipation of the announcement of the next launch.

As for video games, 2019 is also set to be a transitional year. Aside from Nintendo, who will still drive growth with the Switch alone, pretty much everyone else is getting their ducks in a row for the next gen. During the first quarter, both the original and the limited versions of Nintendo's exclusive "New Super Mario Bros Ultimate" made it into the Top-3.

ENTERTAINMENT

In the last few years, the soaring popularity of subscription-based services like Netflix and Spotify has seriously reduced the amount that consumers spend on boxed music and film content. During the first quarter of this year, both markets declined by -15% compared to the same period last year. Still, in both markets the turnover of bestsellers remains unaffected: the Top-10 in DVD/Blu-ray even grossed +5% more than the 10 biggest titles in Q1 2018. The same goes for music albums, where the Top-10 outsold last year's Q1 bestsellers by over +14%, fueled by the success of Niels Destadsbader and the Queen revival that has followed last year's biopic.

One physical product has also bucked the downward sales trend. The vinyl revival is still going strong, with sales of LP's up +5% compared with last year.



BOOKS

Independent bookstores can breathe again thanks to the fixed book price



Conrad Hayen
Senior Market Analyst
Entertainment

During the first 3 months of 2019, almost half a million fewer books were sold in Belgium compared to the same period last year. That is a decrease of -7,8%. However, due to an increase in the average price of a book, the loss in value is limited to -3,6%.

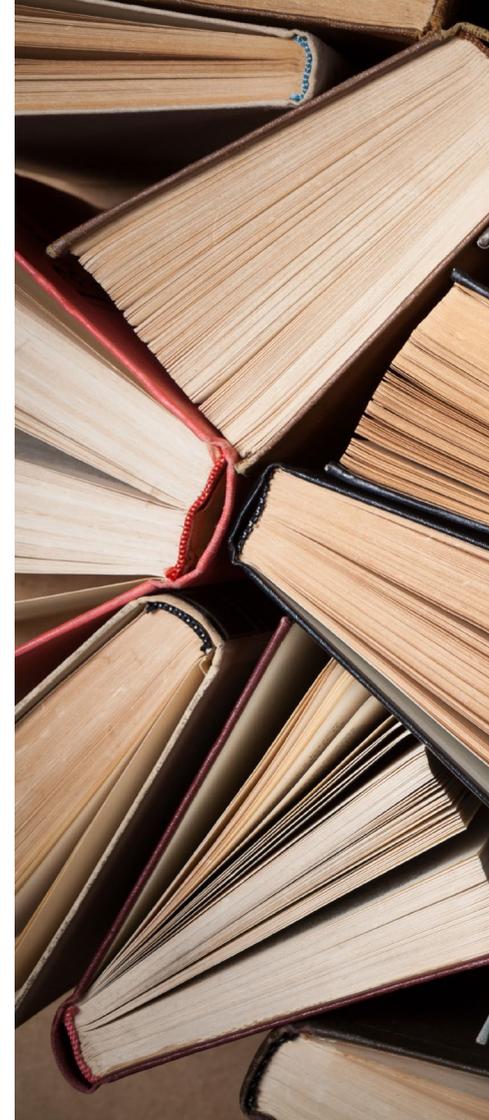
Although it remains tricky to isolate its effects in a volatile book market, this price rise seems to be a direct consequence of the newly introduced “Fixed book price”. It is difficult to draw any conclusions on a Belgian-wide level yet: the law has applied in Flanders since July 2017, but in Wallonia only since the beginning of 2018 and in Brussels only since last month. In addition, Belgium would not be Belgium if each region did not apply a different interpretation.

The same disparity currently goes for book sales in the regions too. Flanders continues the positive trend seen at the end of last year, with a growth of 0,1% in Q1, but Wallonia has seen losses of -7% in revenues.

What is similar for both parts of the country is the decline in children’s books, and the continuing rise of E-commerce and E-books. An even more profound trend is the sharp decline in non-traditional booksellers.

BOOKS

Books sales in supermarkets are declining at double-digit percentages, especially in Flanders. After all, the “Fixed book price” gives less room for price promotion, previously the supermarkets’ USP. On the other hand, the law gives the independent bookshop some economic breathing space, the effect of which is beginning to become clearly visible in Flanders. Independent bookstores have thrived in the last few months, growing almost 17% in revenues and thus, for the first time in at least a decade, outperforming online sales.



HOME IMPROVEMENT

March results save first quarter for Belgian Home Improvement sector



Kristof Scheys
Consultant DIY

The Belgian Home Improvement sector started 2019 by showing moderate sales results in January and February, with turnover across these months declining by 0,2% compared to the same months of the previous year. However, the sales turnaround in March was exceptional and reached the highest level for any month of March that we have seen over the past nine years. The staggering +14,5% turnover growth in March has driven the overall quarterly results towards a growth of +5,3%.

The gardening category was responsible for the largest part of this growth. Turnover of the category increased more than 10 million EUR in comparison with the previous year. This increase cannot be attributed to a single subcategory, but it is spread across most of the gardening assortment. Moreover, these positive results are seen in other categories. In the paint category, for example, an increase in sales of garden stains suggests that consumers are taking on certain outdoor chores at an earlier time of the year.

Although it is difficult to predict the development of such a weather dependent sector, we can say that results at the end of the first quarter are promising. The continuation of growth from previous months should be a refreshing start of the year for the Belgian Home Improvement sector.

Q1/2019

FASHION

Fashion growing in Q1 2019 thanks to January and February



Thalia De Mesmaeker
Consultant Fashion

Looking at our new Fashion Market, we ended Q1 of 2019 with a growth of +1,0% in value and +6,4% in units. This was due to value growth in January and February, whereas March was not able to grow. Next to this, the growth in value was driven by the online channel. The offline fashion market decreased in value during Q1, but not in volume.

Looking at the total market, every total gender segment (Men, Women and Kids) grew in volume, as did every category that we measure (Upperwear, Shoes, Bodyfashion, Legwear and Accessories). In terms of value, the Kids segment failed to find growth in Q1 (-4,0%), especially for Upperwear and Shoes. Shoes overall showed a drop of -8,0% in value during Q1 of 2019 (mainly driven by March), but a growth in volume of +12,5%.

Our new Fashion Panel reports on the Top 50 Fashion retailers in Belgium, with a coverage of the total Belgian Fashion market of around 55%. If you want to know more about our Fashion Panel, don't hesitate to reach out to us!

COLOFON

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This publication provides insight in the current evolutions within the major non-food markets in Belgian retail. GfK does not assume responsibility for any misprints or the contents of the advertisements contained herein.

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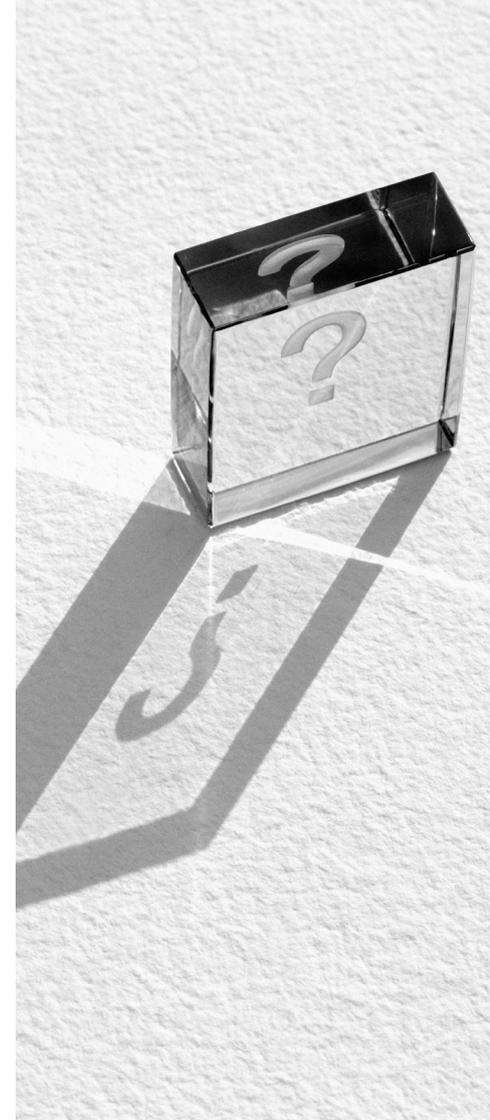
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