

GfK RETAIL REPORTS

Q3 / 2018



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 Q3 analysis of following markets:

- Retail in General
- Consumer Electronics
- IT & Office
- Telecom
- Major Domestic Appliances
- Small Domestic Appliances
- Media & Entertainment
- Books
- Home & Living
- Stationery

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.



MARKETS INSIGHTS INTRODUCTION



Wim Boesmans
Commercial Director

The Belgian non-food market showed a minor decline in Q3. Continuing on the same trend as Q2, about half of the panels are struggling, while the other half shows good growth. On a year-to-date scale, this affects our market, but the loss is limited to less than a percent.

In this Market Insights report, our consultants share their conclusions drawn from the third quarter results and their advice for the rest of the year.

I wish you all the best in the next quarter.

Wim Boesmans – Commercial Director

RETAIL IN GENERAL

An increasing average purchase price limits value losses in Non-food, while volume declines more severely



Rachel De Greef
Consultant Retail

Let's have a look at the Belgian results in Non Food during Q3 this year. While half of the panels are decreasing, the other half is capable of upholding their values, despite growing only slightly. Unfortunately, the total value still dropped by -1,3% in Q3 for the measured Non Food panels, in comparison to the third semester of 2017.

Trends and growth in specific PGs are not strong enough to push the total value of Non-food into the green. While Telecom (+5,6%), MDA (+1,1%), SDA (+0,2%), IT (+0,3%) and DIY (+0,4%) lift the value up, the declining panels are moving faster than those which are growing, explaining the value loss on total level. We note strong declines of over -5% in the panels Consumer Electronics and Media & Entertainment. Books (-4%) and Stationery (-2,2) are having issues upholding their value as well, indicating a less effective Back-to-School period.

An interesting evolution is that many panels benefit from an increasing average purchase price, limiting the value losses from the decline in sales volume. This positive price effect indicates a mentality switch amongst consumers towards high end and quality products. Especially the CE, IT, SDA and Stationery sectors are improving their value this way.

The clear winner of Q3 will come as no surprise: Telecom boosted its value with +5,6%, driven by the popularity of higher end models and features that command higher prices. The Domestic Appliances categories also increased slightly in Q3, adding value to their overall result. Both panels however, are still in the red on a YTD base.

RETAIL IN GENERAL

The hottest summer in years affected our panels visibly. A shift in product relevance in DIY was noted, but did not really bring extra value. Growing only by 0,4% in comparison to last summer, the Home Improvement categories were once again dominated by the trends in Garden. The Entertainment business dropped in value by over 5%, partly due to the lack of interesting releases within Gaming products – this left the Entertainment category to decline for the third quarter in a row. Gamers however seem to prepare for a better Q4, with IT spending still on the rise in different Gaming specific categories.

In summary, a minor shrink in Q3 led to a year on year decline of -0,7%. However, a strong end-of-year in the run-up to Christmas could overturn our total and still conclude 2018 with a bang.



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CONSUMER ELECTRONICS

CE business in decline in comparison to last year's quarter due to many downfalls



Vanessa Theunissen
Consultant MDA

The consumer electronics market shows a value decline of 0,9% year to date, as well as a drop of 9% in sales units. The average price of CE appliances is increasing but not enough to fully counter the negative effect of sales units. Can end of year sales reverse this negative trend?

The majority of product groups is in decline in Q3: audio home systems decreased almost -10%. Cam corders (-23%), car navigation (-29%), digital camera's (-15%) and loudspeakers (-1,4%) are also suffering in terms of value in Q3 2018.

The biggest growth driver in this market is definitely PTV/flat which increased in value by 10%. However, the TV must vie for the attention of the digital natives, who will be browsing the internet on their smartphones or tablets while watching shows/sports on the big screen. Other growing segments in the CE market are drones (6,5%), amplifiers (2,4%) and TV mounts (1,5%).

Q3/2018

IT & OFFICE

Value stable thanks to price increase



Alain Brys
Consultant IT & Office
Equipment

During the third quarter of 2018, the IT and Office Equipment market increased in value by almost +0,3%, for a total value of close to 511 Mio €. The average price of products purchased in the IT and Office Equipment sector increased by almost 5% compared to the same quarter in 2017.

For the first 9 months of 2018, we registered an increase of 1,7% in value or close to 1.500 Mio €.

IT: positive results thanks to the continued growth in computing hardware and peripheral categories

Several IT product groups continued to perform strongly during the third quarter of 2018, accounting for an increase in the overall IT sector of +1.1% to 418 Mio €.

The categories such as gaming-oriented computing products, gaming monitors and gaming peripherals (mice-keyboards-gaming devices) continue to have excellent sales results. The storage categories such as external hard disk drives, USB memory and memory cards are having difficult times, since customers are switching towards cloud-based storage solutions provided by software vendors.

Office Equipment and Consumables: growth of business inkjet and CISS systems.

In Q3 2018, the Office Equipment and Consumables sector recorded a decrease of -3% compared to Q3 2017, giving a value of 93 Mio €. The average price of products purchased in the Office Equipment sector increased this quarter by almost 5% compared to the same period in 2017.

The market of Multi-Functional Printing Devices was able to maintain its level of sales thanks to the success of continuous ink supply systems (CISS) and business inkjet-orientated printing hardware products. Sales in both inkjet and laser cartridges declined further.

Q3/2018

TELECOM

Great results thanks to the introduction of high-end featured models and must-have mobile phones accessories



Alain Brys

Consultant IT & Office
Equipment

With a turnover of close to 338 Mio €, and almost 2.7 Mio units sold, the telecom business ended the third quarter again on a very positive note. Overall, it returned a growth rate of more than 5% in value compared to Q3 2017 period.

The average price of products purchased in the Telecom sector remained stable at 126€.

The market for hardware devices - especially the phablet products - managed excellent results. It is clear that the market is still surfing on the success from high-end featured devices.

If we look at the accessories market, we also notice very positive results, especially in categories such as mobile headsets, screen protectors and smart watches. Mobile phone accessories are becoming as important as a mobile phone in our day-to-day life. Most of us would find it difficult to survive without a minimum set of accessories.

MAJOR DOMESTIC APPLIANCES

White goods market in minor decline, due to average pricing effects



Vanessa Theunissen
Consultant MDA

The market of Major Domestic Appliances shows a minor decline (-0,3%) on a year-to-date base in value terms, but there is a positive unit growth rate of 2%. Meaning that the market is still progressing but that the average price is declining.

Total Washing category grew in Q3 thanks to the excellent result of washing machines +2%. Dishwashers also show a positive result with a growth rate of 1,6%, mainly driven by the energy efficiency built-in appliances. The hot summer season in 2018 has caused a decline in tumble dryers of -2,2%, however. This compares badly with Q3 last year, when the market remained stable (0,3%).

The cooling segment also showed positive results (+1,3%) mainly driven by the side-by-side, 2-door and 3-door freestanding appliances. The freezer segment shows opposite results, with a decline of -0,8% in retail value terms.

When analyzing the cooking category figures, this segment shows a fall in value. In particular, hoods (-3,4%) and built-in hobs (-2,9%) suffer from a severe decrease in sales value. Cooking continues its poor performance within the freestanding business and shows a decline (-1,9%) in Q3 2018.

Q3/2018

SMALL DOMESTIC APPLIANCES

Vacuum Cleaners are saving SDA sales



Thalia De Mesmaeker
Consultant SDA

The SDA market showed a decline of -1,5% in units and a stable result of +0,2% in value in Q3 2018 - but there is one impactful product group that gave the total SDA market an important and much needed boost in 2018.

Vacuum Cleaners continue to contribute the most important growth, standing at almost +7% in Q3. This is not thanks to the classic Bagged/Bagless Cylinder Vacuum Cleaners, but thanks to the Handsticks. Brands and retailers are expanding their assortment within these kind of appliances, as this is becoming a more and more important category each month.

Next to this category, Dental Care products are also growing strongly, giving an overall increase of +15% in value during Q3. Having good-looking teeth and taking care of them is still important to consumers. Also the warm summer could have driven the growth seen in Draught Systems (+7,5%), together with the Hot Beverage Makers (+2%).

Products that have contributed to the overall decline in SDA are Food Preparation (-9%), Deep Fryers (-6%), Irons (-5%) and everything that has to do with Hair Care. In this segment, Hair Clippers (-0,2%), Hair Dryers (-1,3%) and Hair Stylers (-18%) show strong declining figures quarter after quarter. Maybe it is time for some innovations to boost this market again?

Q3/2018

MEDIA & ENTERTAINMENT

For the third consecutive quarter, the Belgian home entertainment spending is declining



Conrad Hayen
Senior Market Analyst
Entertainment

The year-on-year decline that the gaming market has been facing throughout 2018 is gradually improving towards the end of the year. After -4,5% in the first quarter and -2% in the second, the Q3 decline is limited to -1,2%. This is all the more striking when looking back to Q3 2017, when the gaming revenues increased by 17% compared to 2016.

PlayStation 4 remains by far the market leader, but does lose in terms of revenues compared to last year. In comparison, Xbox One and, of course, Nintendo Switch overachieved Q3 2017, ultimately leading to a near status quo in the console hardware market.

Console gaming lost as much as 9% in value, although it should be noted that this is limited to 6,5% if we exclude portable gaming. Traditionally, September is marked by the release of Fifa, but this has not grown for the second year in a row. Apart from Fifa and Spiderman, no major bestsellers have been released in the past quarter, unlike last year, when Splatoon 2, Destiny 2 and Uncharted were released.

Boxed console gaming seems to have taken the digital path that the music and film market have been following for several years. The physical media in both markets lost a quarter of their turnover in Q3 this year compared to Q3 2017.

What was quite surprising in Q3 this year is that 22% growth in subscription-based music streaming failed to offset the 4% decline in the total music market.

HOME & LIVING

Exceptional summer significantly influences Q3 Home Improvement results



Kristof Scheys
Consultant DIY

The Belgian Home Improvement sector experienced moderate growth in the third quarter, with retail turnover increasing by 0,4% compared to the previous year.

It may come as no surprise that the hottest summer on record since 1901, as measured by the Belgian Royal Meteorological Institute, has had a significant effect on Home Improvement sales. A varied range of “outdoor” categories showed turnover growth, while (power)tools and paint sales suffered losses.

When we take a closer look at the product groups, it becomes clear that shoppers were looking for products that provided the necessary thermal comfort during the summer heat waves: sales of fans, air conditioners and solar shading increased drastically in the third quarter. As gardeners were trying to mitigate the effect that the drought had on their lawns, we registered a similar sales growth for garden watering products, such as garden hoses, nozzles and sprinklers. Nonetheless, many Belgian lawns resembled arid plains by the end of summer – meaning that lawn mower and string trimmer sales fell more than one third compared to the previous year.

Manufacturers of specific product categories might have experienced the third quarter as rather extreme, either positively or negatively, depending on their area of business. We should, however, keep in mind that the sector’s overall year-to-date results have been positive so far. Therefore, we also maintain a positive outlook for the sector’s final quarter results as we approach the end of the year.

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STATIONERY

2017: The year of the modest bestseller



Thalia De Mesmaeker
Consultant Stationery

Although the Total Stationery market is still under pressure after Q3 2018, Writing Materials grew in value (+1%) for the second year in a row during the most important period of the year. However, consumers were not buying more in terms of quantity, as seen by the -4% decline in units sold in Q3.

Because we see a growth in value but not in volume, we know that higher priced products have won popularity. The unseen growth within Highlighters (+11%) is a perfect example for this, where they are definitely the biggest growth contributor in value. Pastel colored items can be found in almost every pencil case these days. Fountain Pens (+4,5%) have also found growth again in Q3, together with Writing Felt Pens (+4%) and Coloring Pencils (+7%).

Products that suffered due to consumers finding other favourites to write with are Ball Point Pens (-2%) and Roller Balls (-3%). On the other hand, Erasable Roller Balls are still popular items to have.

Other products in the Writing category, such as Adhesive Tapes (-2%) and Correction Products (-2%) declined during this period. However, people are still like to spend money on Selfstick Notes (+4%). Office Adhesives, although showing a flat quarter at +0%, shows a nice growth of +3% on a YTD level. This has a lot to do with a growth in sales of White Glues, which are needed to make "Slijm", a popular hype among kids.

COLOFON

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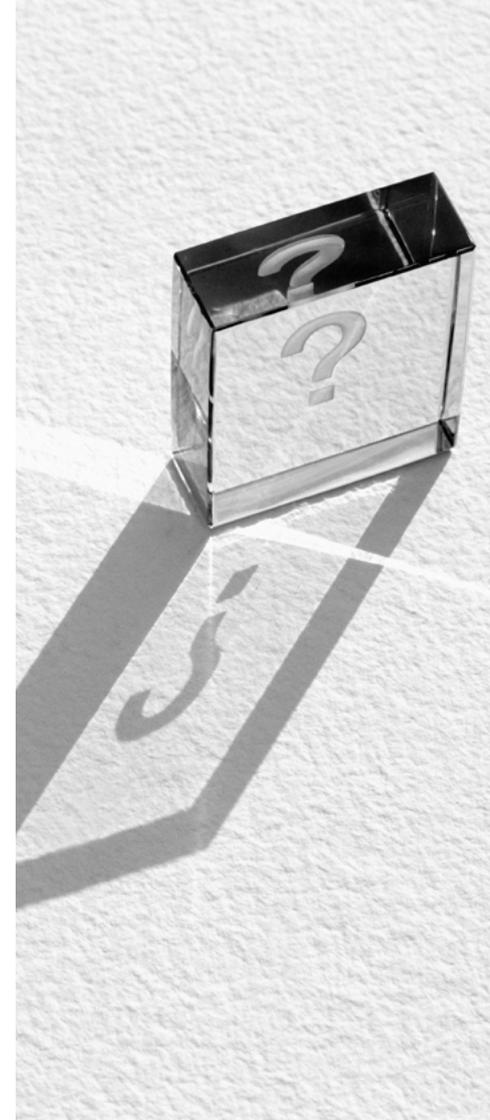
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