

Press release

Global market for technical consumer goods turns positive in 2020

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Julia Richter
Public Relations
T +49 911 395 4440
public.relations@gfk.com

New lockdowns in 2021 mainly impacted Developed markets

Nuremberg, March 1, 2021 – The COVID-19 pandemic disrupted multiple industries in 2020, however the global market for technical consumer goods (excl. North America) displayed resilience with a value growth of +2 percent in the full year. Consumers turned to tech to continue working and learning while staying at home, which led to a surge in demand for IT and Office products. Equally important was the need for the convenience offered by home appliances to cook and clean, especially in Europe and other affluent regions.

After the market contraction of April 2020 with a sales value decline of almost 25 percent, it looked like COVID-19's impact would be devastating. But the markets recovered as the year unfolded.

“An unprecedented year lies behind us – and in the end, COVID-19 turned out to be a driver of the tech and durables industry” **explains Norbert Herzog, GfK's expert on technical consumer goods.** “This will have lasting effect as household digitization was fast-tracked and consumers invested heavily in their IT equipment and home appliances. Today, the number of products owned per household is higher than ever, pushing TCG markets to increased revenue levels long-term.”

But there is a clear divide between Developed and Emerging regions globally. In Europe and Developed Asian regions, consumers invested in their homes (+8 percent value growth in 2020 Year-on-Year). Emerging markets in Asia and Latin America, however, posted a decline of -4 percent versus 2019. Being hit first in January 2020, heavyweight China contributed to this negative result. The market recovery in China accelerated as 2020 progressed but was unable to compensate for the losses overall. And the world's biggest lockdown in India devastated all sales in the month of April across the country.

GfK SE
Nordwestring 101
90419 Nuremberg
Germany

T +49 911 395 0

Management Board:
Peter Feld (CEO)
Lars Nordmark (CFO)

Supervisory Board Chairman:
Ralf Klein-Bölting

Commercial register:
Nuremberg HRB 25014

E-commerce was boosted by lockdown, but consumers remained loyal to trusted retailers

COVID-19 disrupted consumers preferred purchasing channels. GfK's experts believe that the boost to the e-commerce channel driven by the 2020 lockdowns is irreversible, and consumers have high expectations of the channel for 2021. But the biggest winners in the top five European markets (Germany, UK, Italy, Spain, France) were not the pure online players who grew at a strong +39 percent versus 2019. Rather, it was the online shops of traditional retail that outperformed the market, with +69 percent uptick. Many consumers remained loyal to their known physical retailers when they were forced to move their shopping online. As a result, peak growth rates of 200+ percent became a reality during some lockdown weeks.

Distributor's proved their value

Distributors proved to be reliable partners during the pandemic. From January to December 2020, the number of brands sold by distributors increased by 6 percent, as more brands followed indirect shipment strategies to safeguard the channel's supply. Distributor sales surged, with a plus of 4 percent in volume in Europe. In Europe, the share of point-of-sale volume, sourced via distribution for Mobile PCs, Desk PCs and Media Tablets grew in 2020 versus 2019. It peaked in the first post-lockdown period at +67 percent (July 2020) as distributors sold a staggering 20 percentage points more volume to retailers and resellers than in July 2019.

This high demand was not only generated by working and studying at home but was also driven by the demand for gaming PCs. In the first four weeks of 2021, sales of Mobile PCs are up +48 percent and Desk PCs up +59 percent versus 2020. Gaming accessories have also seen a sales growth.

The impact of new lockdowns in 2021

So far in 2021, high COVID-19 infection rates have mainly impacted Developed markets, particularly Europe and the Americas. In comparison, to date Asian countries have often been able to avoid new lockdowns.

When comparing last year's initial March/April lockdowns with those in November/December in the five biggest European countries, the overall negative effect seems reduced. In fact, sales of technical consumer goods even increased during week 47 of 2020 to week 2 of 2021, up by 11 percent. During the first lockdown (weeks 11 to 19 2020) sales declined by -5 percent. This is because the closure of traditional retail was avoided as much as possible, and when it did happen, it was not at the same time across Europe.

When comparing lockdowns in the largest market Germany like-for-like, the impact is quite similar. We see double-digit losses during the weeks when shops were closed - both in March/April as well

as in December/January.

Norbert Herzog concludes: “New lockdowns encroached into the peak season in Germany and online retail struggled to satisfy the inevitable high demand. Supply increasingly became a limiting factor and warehouses were understocked already before the new December/January lockdowns.”

As markets have shifted from demand- to supply-driven, growth dynamics will rely even more heavily on the industry’s ability to get the right products to consumers at the right time. As long as contact restrictions are in place, strong demand will continue to shape the tech and durables retail scene. And the expected economic recovery in the emerging Asian countries will drive demand there putting further pressure on supply. On the other hand, what GfK expects to see - especially in Developed markets - is sales declines once the focus shifts from staying home in the second half of 2021 - assuming a high success rate for vaccinations.

Ends

Note to the editors

As part of its retail panel, GfK regularly collects sales data in more than 70 countries worldwide for products in the consumer electronics, photo, telecommunications, information technology, office equipment, and major and small domestic appliance segments. Data for North America are based on estimates.

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