



Growth
from
Knowledge

From Chaos to Opportunity: Navigating market disruption

May 2023

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Agenda



State of Tech and durables Market

7/26/2022

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What defines value?

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Impacts of inflation

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Evolution of channels & promotions

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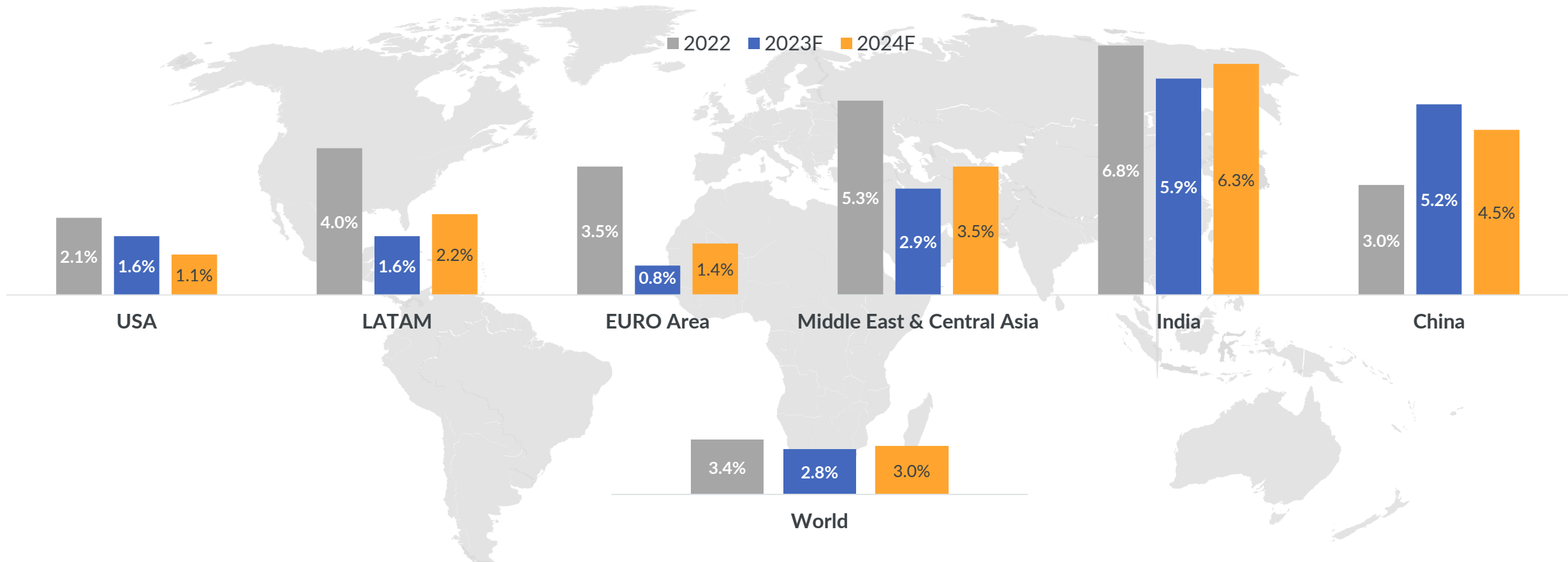
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State of Tech and durables Market

The world economy is slowly recovering

Outlook is uncertain due to financial turmoil, high inflation, war in Ukraine & 3 years of COVID

IMF Real GDP growth rates (in %)



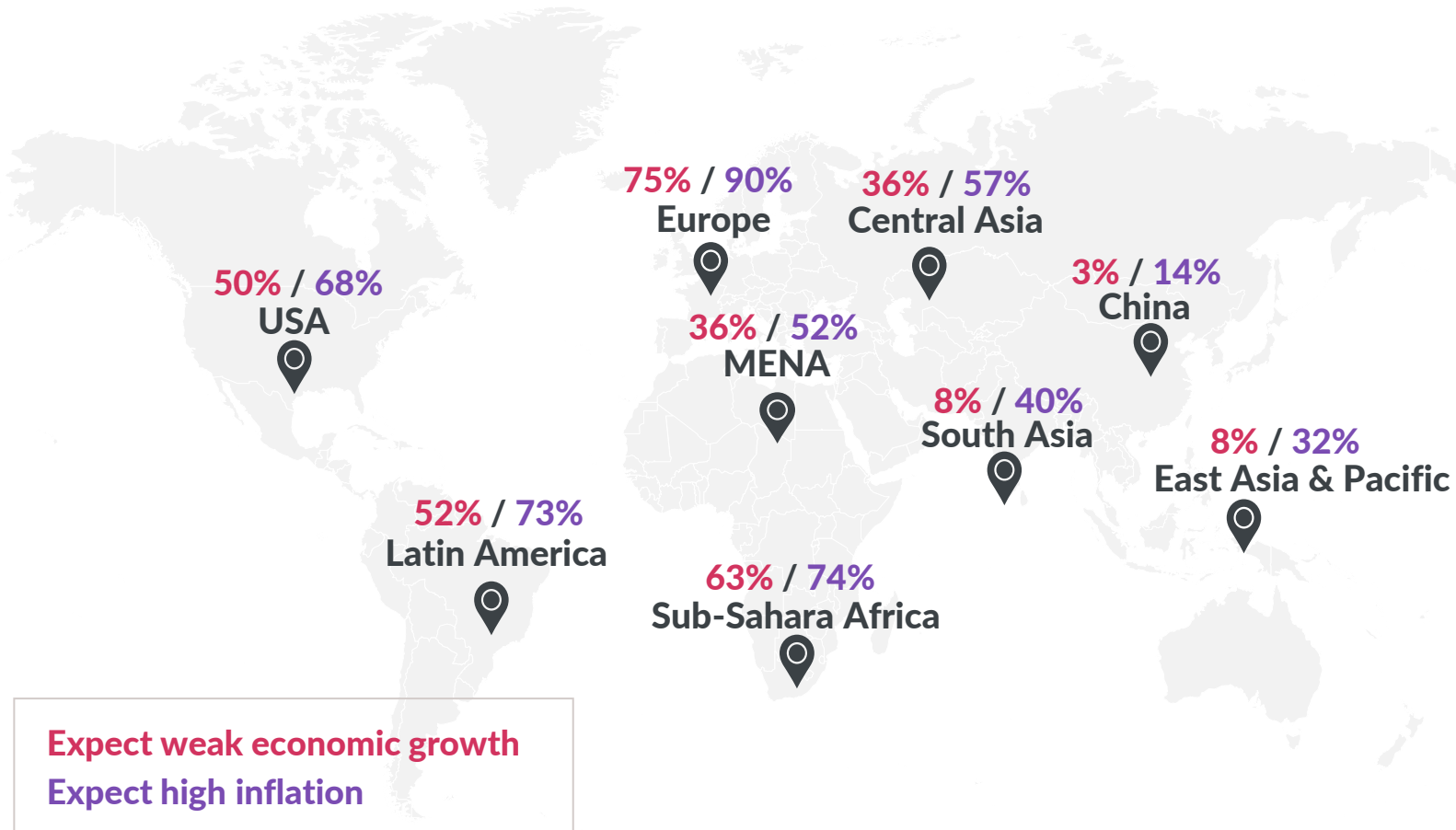
Source: Real GDP growth annual % change IMF Data Mapper| WEO Jan 2023 EU Area: AT, BE, CY, DE, EE, ES, FI, FR, GR, IR, IT, LT, LV, LUX, Malta, NL, PT, SK, SI
Middle East & Central Asia: belt from Mauritania to Kazakhstan, incl. North Africa, Somalia, Georgia, Pakistan
* <https://www.imf.org/en/Blogs/Articles/2022/10/23/europe-must-address-a-toxic-mix-of-high-inflation-and-flagging-growth>,
<https://www.thenationalnews.com/business/economy/2022/10/26/jp-morgan-and-goldman-sachs-expect-recession-in-us-and-europe/>
Socio Macroeconomic Report Jan 2023 Interim Update – Global Strategic Insights-NF

Volatility drives risks of poly-crises: Expectations for stag-flation?

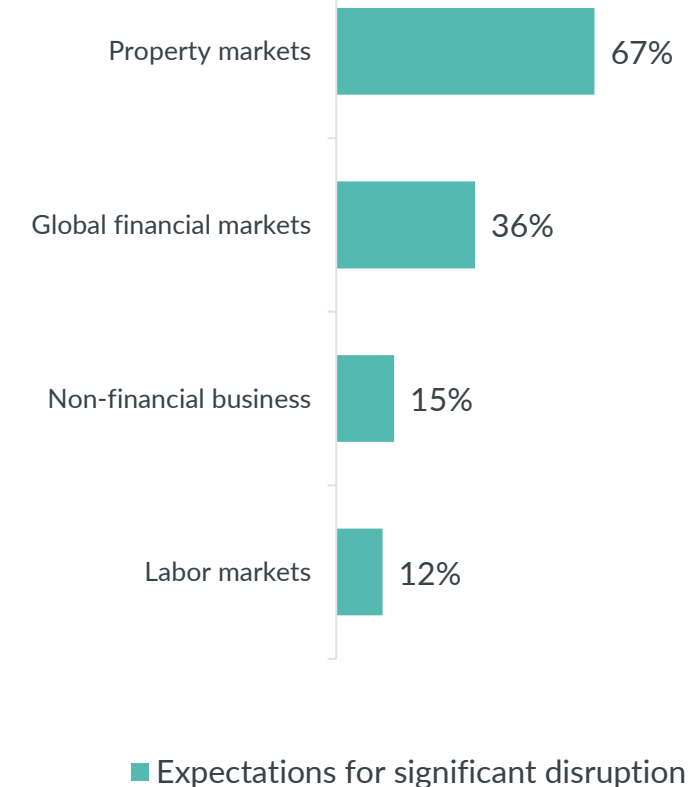


79% expect central banks to face a trade-off between managing inflation & maintaining banking sector stability

Chief Economist Survey | World Economic Forum | May 2023



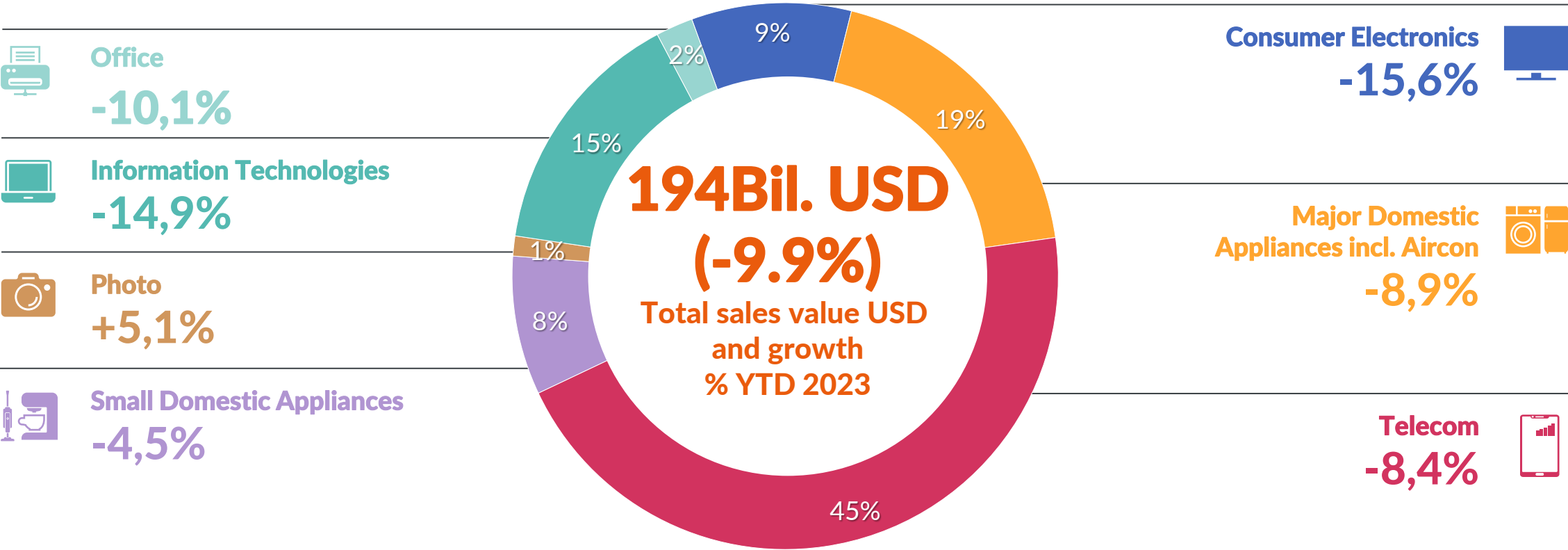
Areas expected to have significant disruptions amid high interest rates in 2023-24



The market is in a transition from deceleration to stabilization and however market still operates on high revenue levels



Sales Value USD (NSP) in % / growth rate YoY in % | B2C Retailer Market | YTD: Jan-Mar 2023



Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) Value & growth Jan-Mar2023 vs Jan-Mar2022, CE includes Multifunctional Technical Devices and SDA includes Personal Diagnostics

Europe – Over 60% are in, or close to, a budget squeeze



Concerned

44%

Struggling financially
Slight worry about job
or not working



Affected

18%

Afraid of losing job or
currently unemployed

Resistant

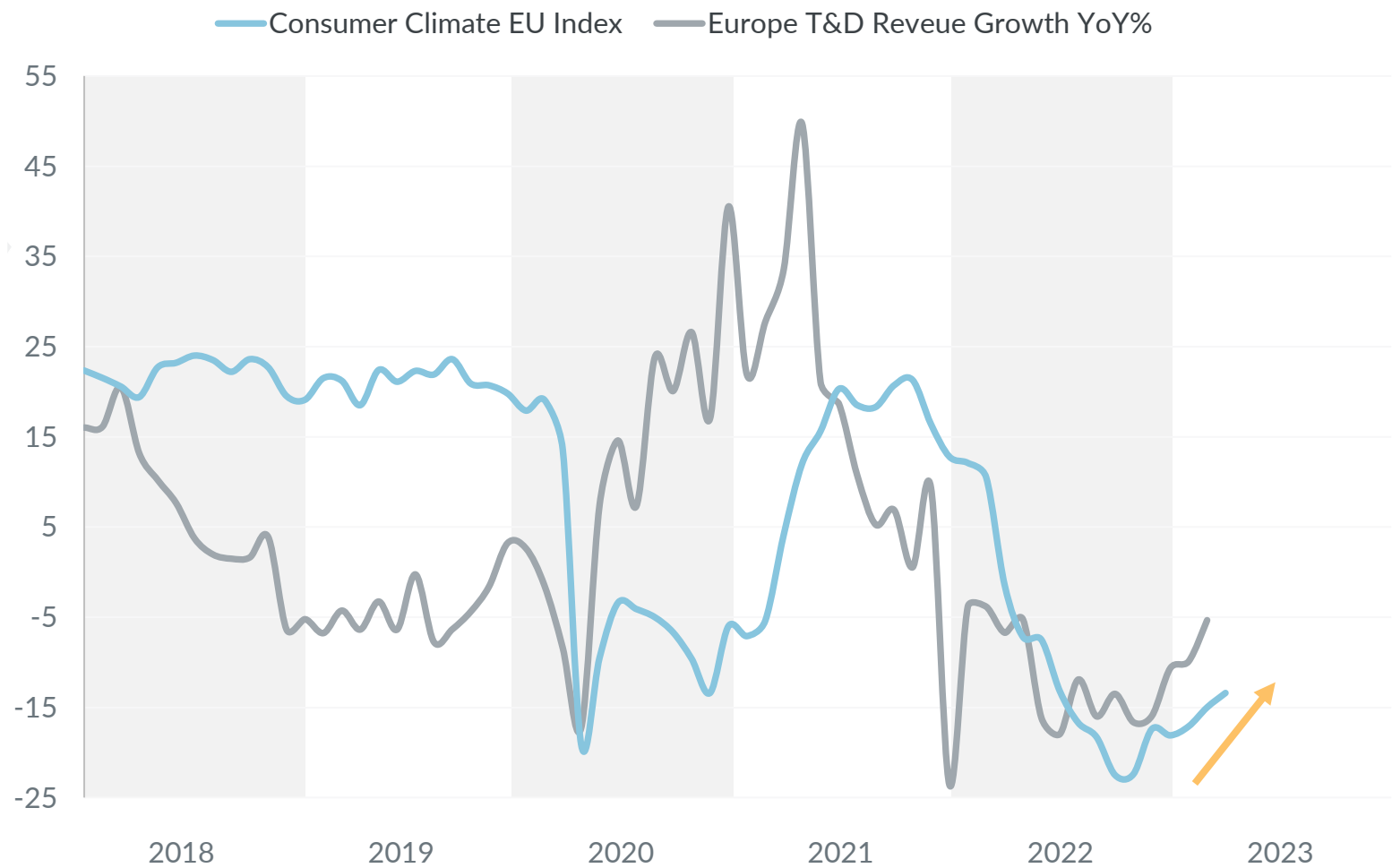
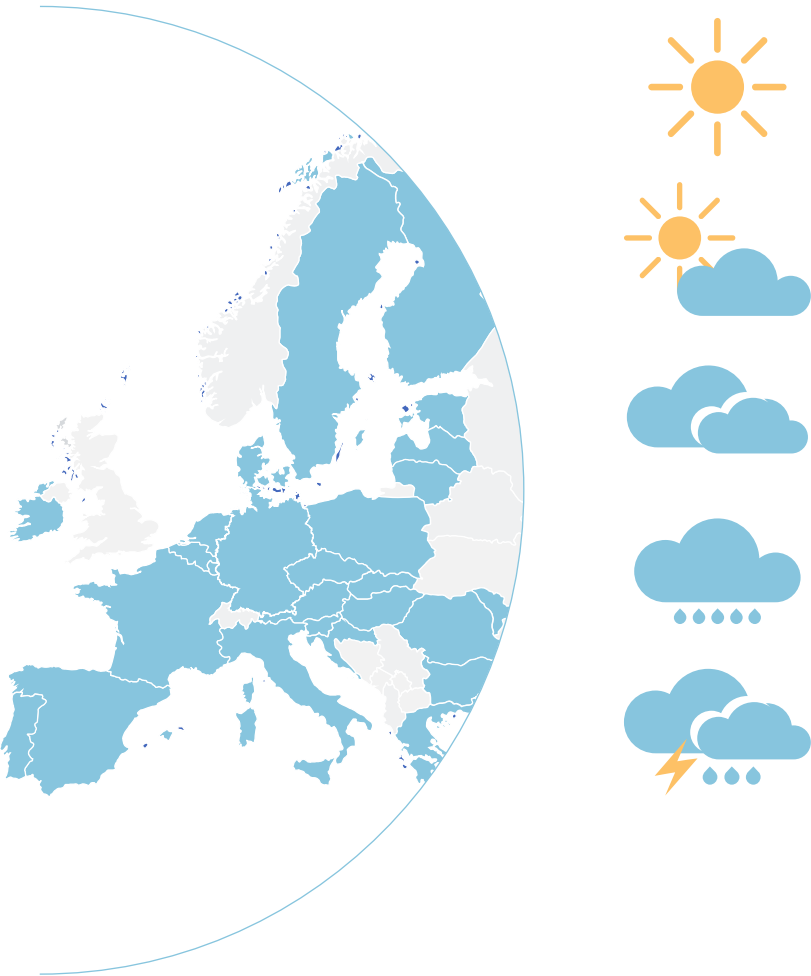
38%

Financially comfortable
Not, or only marginally worried
about job (or not working by choice)

Indicators remains low, but consumer confidence recovers slightly



Consumer Climate EU - March 2023



What should I be conscious about the market...



01

World is heading for a **rocky recovery**. Poly-crises is resulting in stagflation and recession.

02

Market are slowly **stabilizing on low levels** in Q1 2023. Market saturation and postponed purchase are contributors

03

Consumer climate and **sentiment have slightly improved** in past months, but concerns persists

What defines value?



Consumer shopping behavior has changed, and it is certainly reflecting in their expectations from a product/brand



42%



I am prepared to pay more for products that make my life easier

47%



I prefer to own fewer but higher quality items (clothes, technology products, etc.)

47%



I am always looking for ways to simplify my life

What defines „innovation“ and „value“?

It can mean different aspects in different categories; also based on the target group, its interpretation and relatability could be different



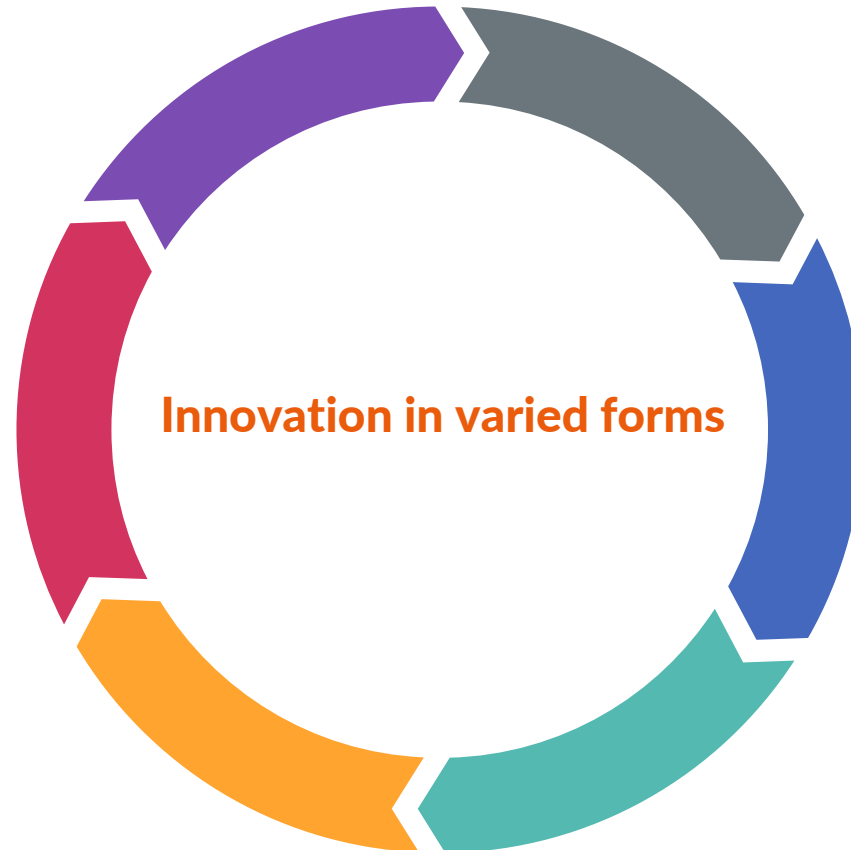
Specialization/Niches: e.g.,
Content Creation
Vlogging, Small Printers

Health, Hygiene & Wellness:

Steam functionality in VC, WM,
Hot air fryers

Aspirational Design:

French Door Refrigerators,
Frame/Rollable Televisions



Smart & Connected:
Robotics (Vacuum cleaner,
lawnmowers, virtual assistants)

Multi-functionality:
Air frying Oven,
Multi-functional Cooking Pot

Sustainability:
Energy efficiency A WM,
Inktank Printers

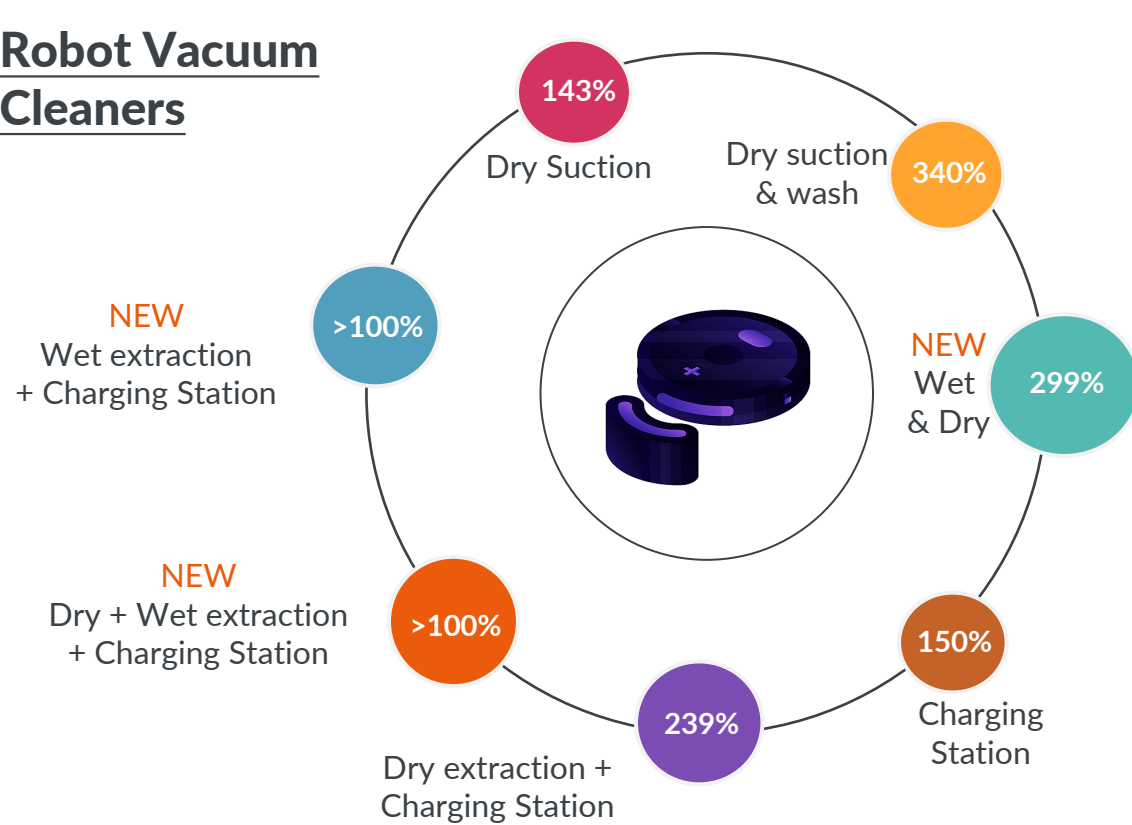
Innovative, convenience driving products are a lever for premiumization

Feature sets driving premiumization in robot vacuum cleaner and robotic lawnmowers



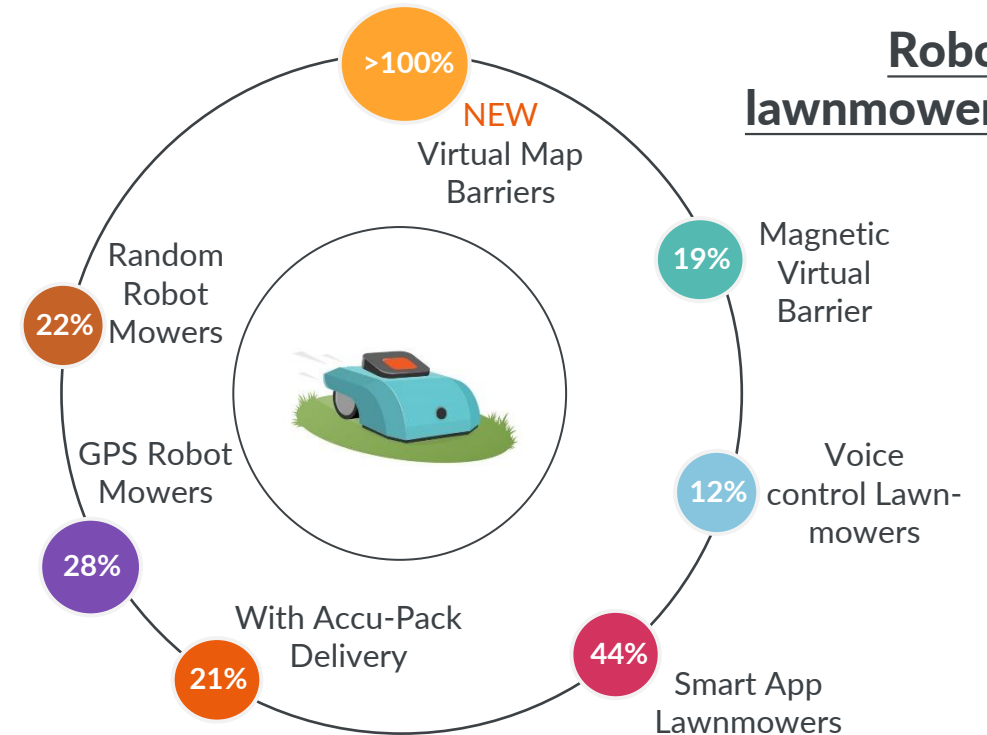
Sales Value Mio US\$ Growth Rate: Jan-Mar 2023

Robot Vacuum Cleaners



Value Share: 22%

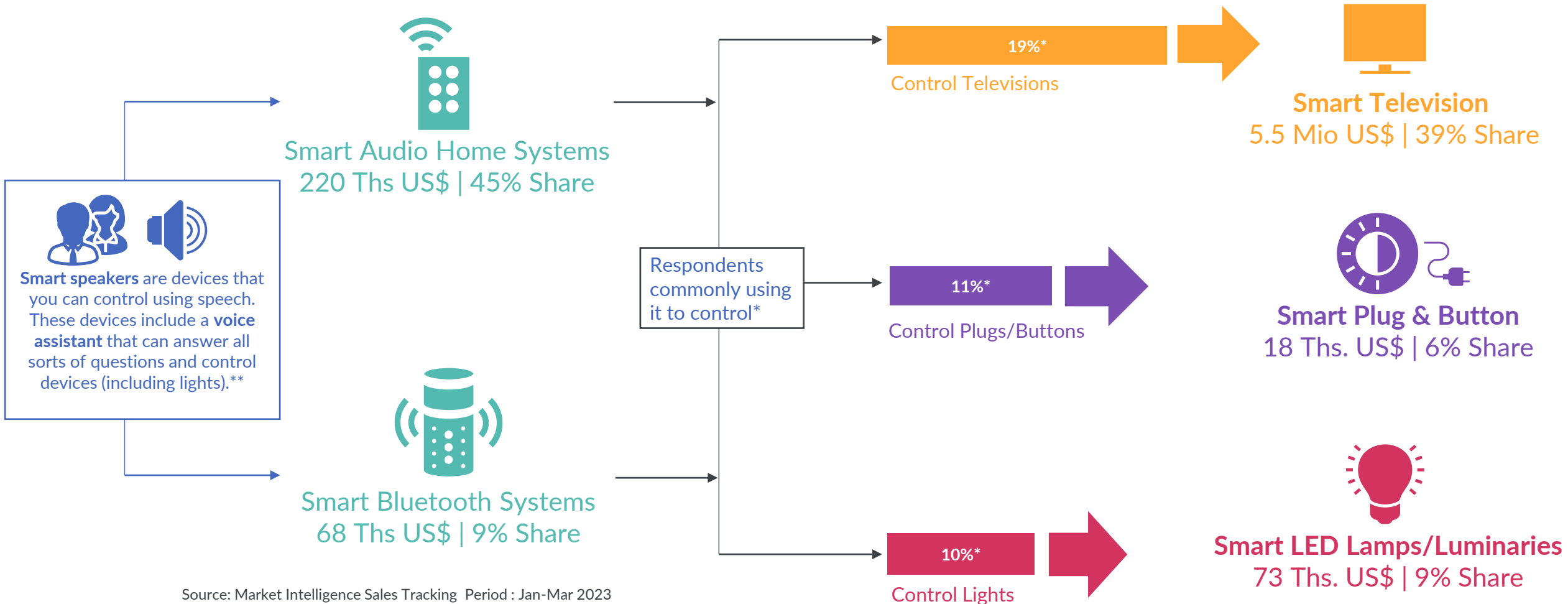
Robot lawnmowers



Value Share: 20%

Convenience & control offered by smart products makes life easy & efficient

Our studies shows most common usage is to control Televisions, Lighting and power sources



Source: Market Intelligence Sales Tracking Period : Jan-Mar 2023

Smart Television /Smart AHS, Smart Bluetooth Speaker is not just smart connect= App & Voice control. We have some type of Operating AI. Smart Bluetooth is RPG Bluetooth Speaker

Smart Plug and button share is calculated on total smart communication devices

*Smart Speaker owners most commonly use their device control their Smart TV and Smart Lighting and Smart Plugs Tech UK Connected Home Report.

**Smart Home Monitor 2022 NL smart plug and button share is calculated on smart comm devices total

What should I focus when planning assortment...



01

Investment into innovation will be crucial to spur growth

02

Innovation can be in varied forms from being smart to sustainability or even based on pure design

03

Incremental innovation gives a rationale for premiumization.

The background of the slide features a close-up, shallow depth-of-field photograph. In the foreground, a tall, slightly wobbly stack of South African 5-cent coins is visible. The coins are silver-colored with a reeded edge. In the background, a round analog clock with a gold-colored frame is out of focus. The clock face is light-colored with dark hands and hour markers. The overall lighting is warm, and the colors are muted, giving the image a professional, financial feel.

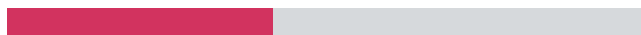
Impacts of inflation

Most consumers are scouting ways to save money

Frugality is the fastest-growing cultural value in a list of 57 values.



85%



Of global consumers have attempted some form of money-saving initiatives in the past year

57%



Consumers spent less for everyday necessities because of rising prices

48%



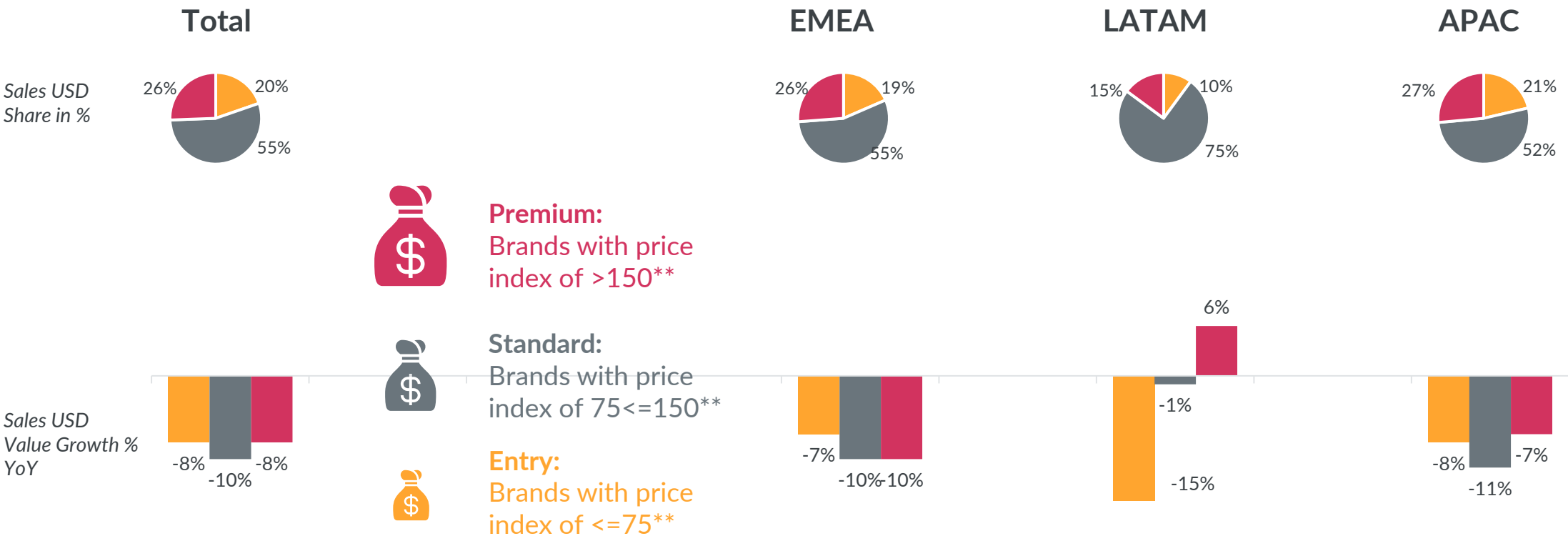
Of consumers postponed a purchase until the product was on sale/special offer

Ongoing market disruptions slow the premium brands growth

LATAM is an exception due to lower baseline effect



Global, YTD Dec 2022 / Key Technical Consumer Goods product groups*

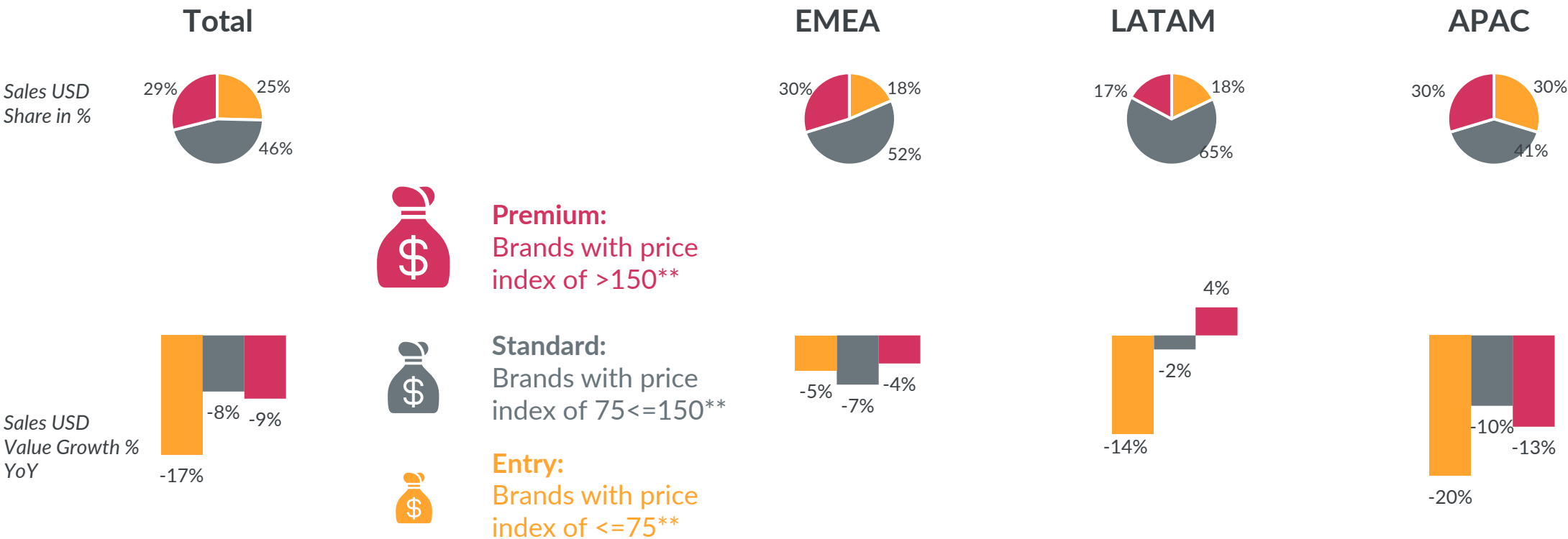


Source: GfK Market Intelligence: Sales Tracking Retailer Market, International Coverage (excl. North America), USD (NSP) Value & growth 2022 vs 2021. PRJ 249348 - RG 5670422 - RP 40319047 - ID 589517860. *COOLING, WASHINGMACHINES, AIR TREATMENT, VACUUM CLEANERS, SHAVERS, FOODPREPARATION, DENTAL CARE, HOT BEVER.MAKER, MOBILE COMPUTING, MONITORS, POINTING DEV, KEYING DEV, MEDIATABLETS, Smartphones, Laser Printing Devices, Inkjet Printing Devices, PTV/FLAT, Soundbar/base, AUDIO HOME SYS., DESKC.excl.MEDIABOX&MEDIASTICK, HEADPHONES, HEADSETS. ** Price Index per brand is aggregated up from a country/product group level to use comparable price index information within one country and product group. E.g., price index of Bosch in Germany/fridges is used for the analysis, not price index of Bosch across all product groups (to avoid bias)

Ongoing market disruptions like inflation or cost of living crisis slow the premium brands growth

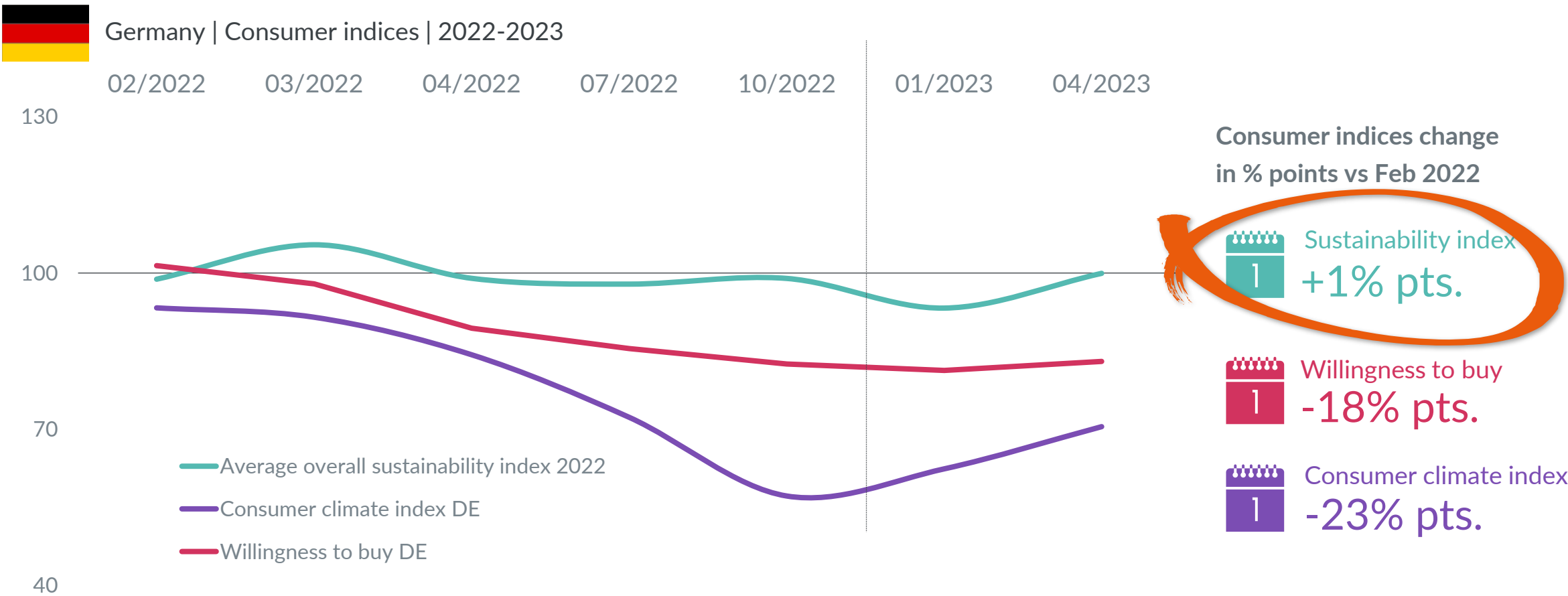


Global, YTD Q1 2023 / Key Technical Consumer Goods product groups*



Source: GfK Market Intelligence: Sales Tracking Retailer Market, International Coverage (excl. North America), USD (NSP) Value & growth 2022 vs 2021. PRJ 249348 - RG 5670422 - RP 40319047 - ID 589517860. *COOLING, WASHINGMACHINES, AIR TREATMENT, VACUUM CLEANERS, SHAVERS, FOODPREPARATION, DENTAL CARE, HOT BEVER.MAKER, MOBILE COMPUTING, MONITORS, POINTING DEV, KEYING DEV, MEDIATABLETS, Smartphones, Laser Printing Devices, Inkjet Printing Devices, PTV/FLAT, Soundbar/base, AUDIO HOME SYS., DESKC.excl.MEDIABOX&MEDIASTICK, HEADPHONES, HEADSETS. ** Price Index per brand is aggregated up from a country/product group level to use comparable price index information within one country and product group. E.g., price index of Bosch in Germany/fridges is used for the analysis, not price index of Bosch across all product groups (to avoid bias)

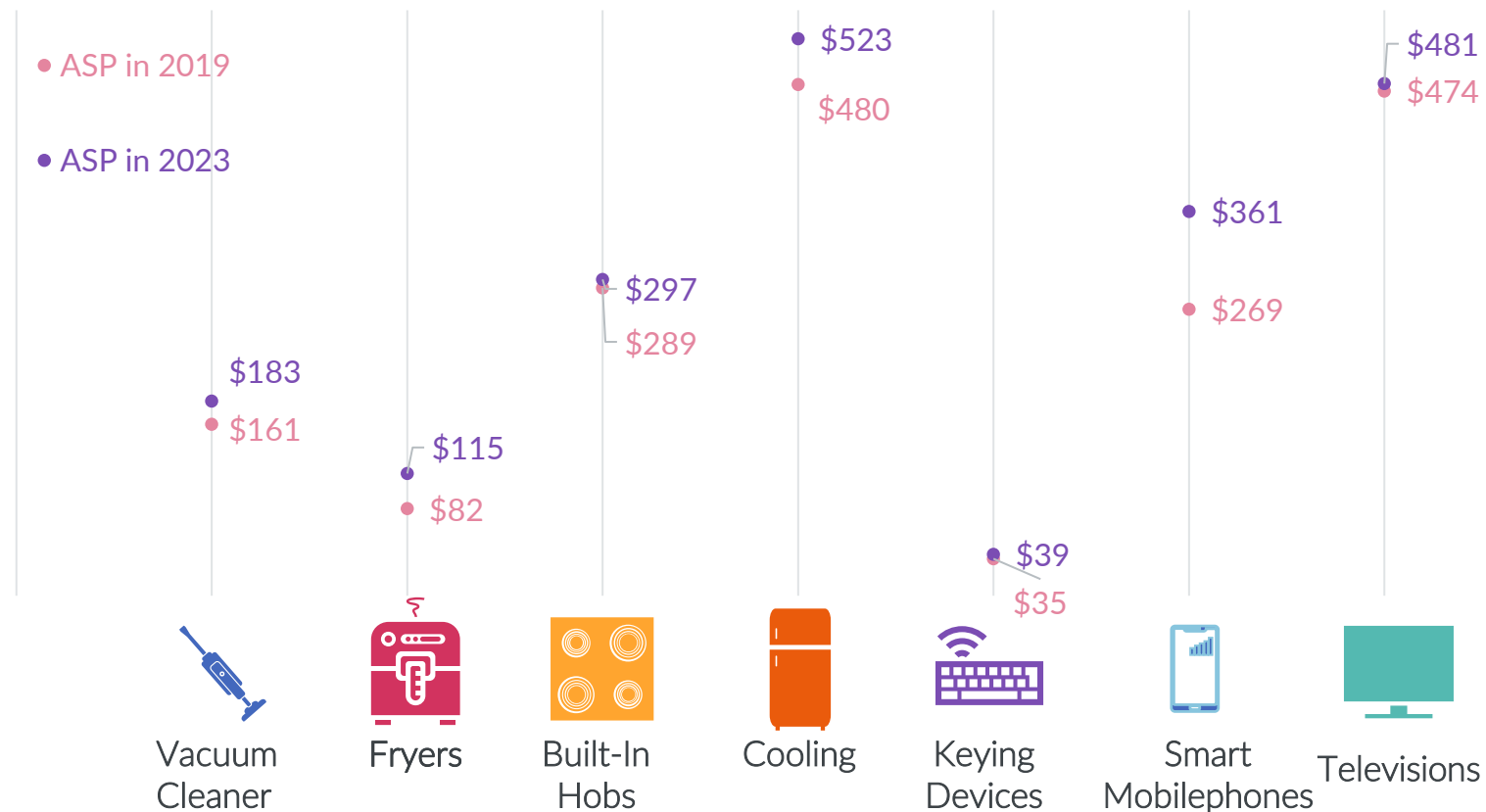
However, consumption related to sustainability remains significantly more resilient compared to general consumer mood in Germany



Premiumization has been an ongoing trend, but current price increases have multiple factors and vary per sector/category



Average sales price increase in 5 years: US \$, Jan-Mar 2023



Core aspects driving price increases are:

Inflationary/Price increases: Price increases to secure profit margins

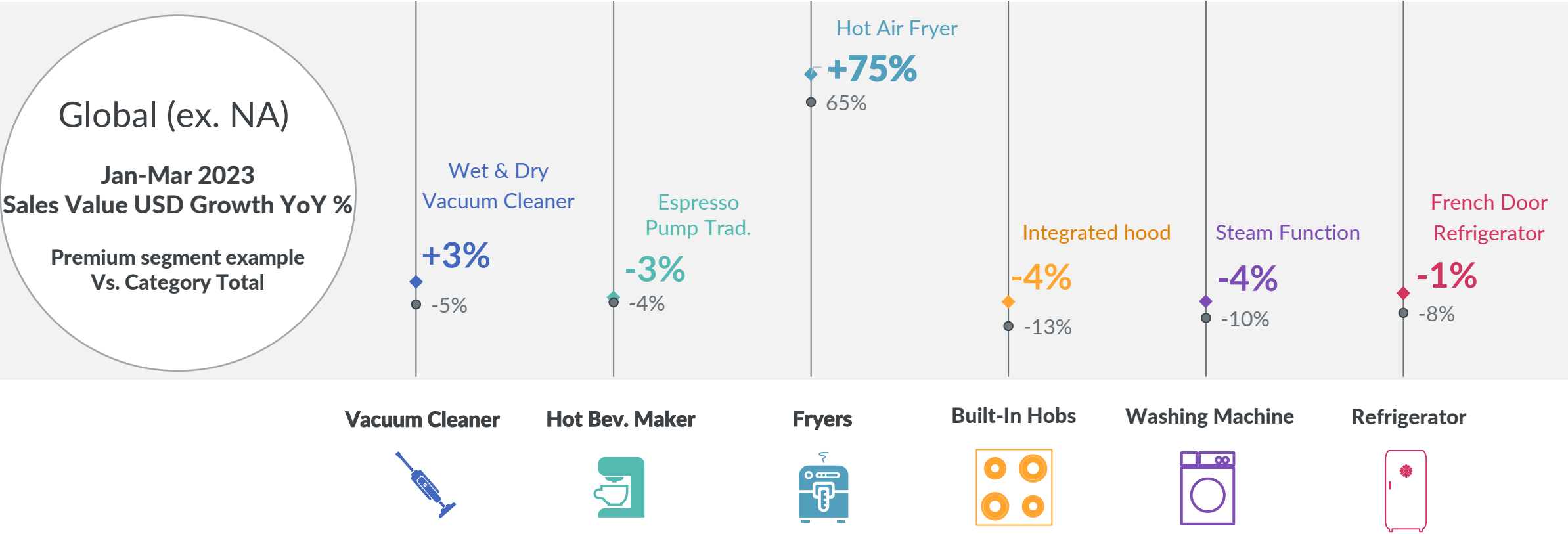
Product mix effect: Consumers drifting to premium segments or affordable premium range

High priced new items: Owing to increased raw material and production cost. Innovation also triggers a price increase.

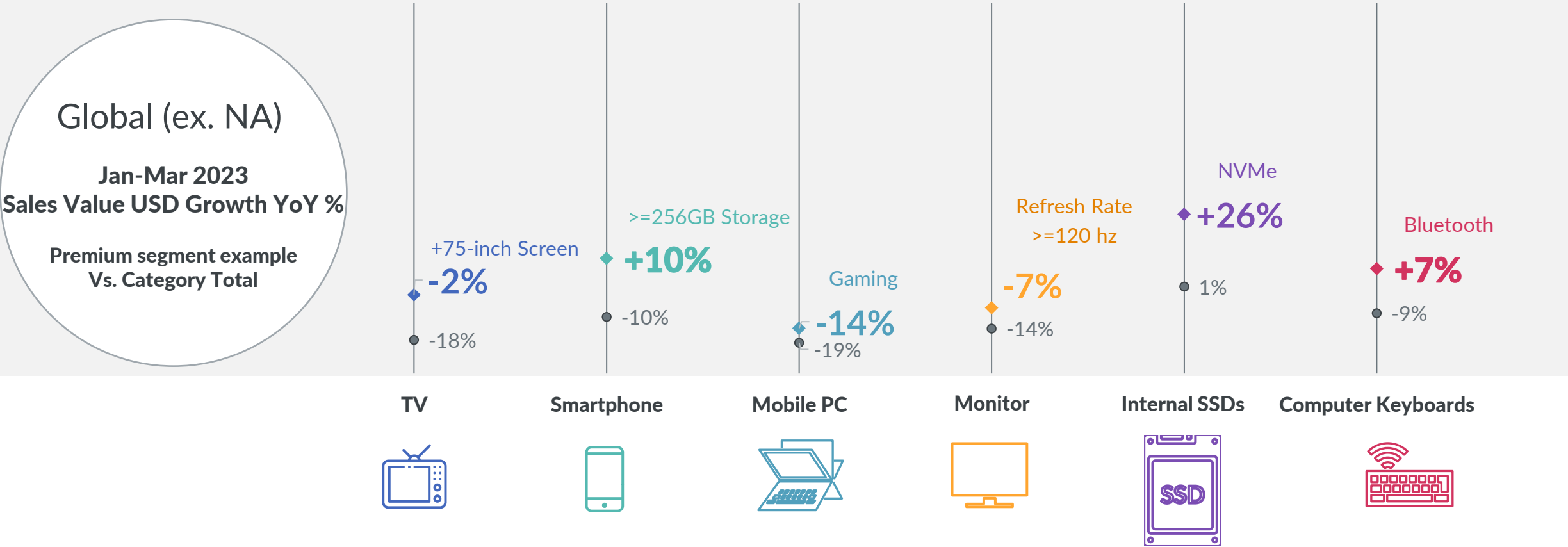
Price erosion: Certain older SKUs becoming technology-wise/design-wise obsolete and general price erosion

Market Saturation/Old products exiting the market: As older/more discounted items exit the market or face market saturation as most consumer have it.

Selective premium feature sales increased/declined slower than the category average for appliance categories



Selective premium feature sales increased/declined slower than the category average for digital categories



Source: GfK Market Intelligence Tracking Retailer Market Sales Value USD growth rate YoY Period Jan-Mar 2023 Global excl North America and SDA in India
NVME =Non volatile Memory express

What aspects of pricing are crucial...



01

Inflation has dented consumer wallets. Hence consumers seek products that align with **their sense of “value for money”**

02

Premiumization as a trend at large has taken a **pause**. But it continues in select segments, and it is an **essential as a margin driver**.

03

Certain long-term trends like **sustainability, connected/smart appliances** are enablers for premiumization

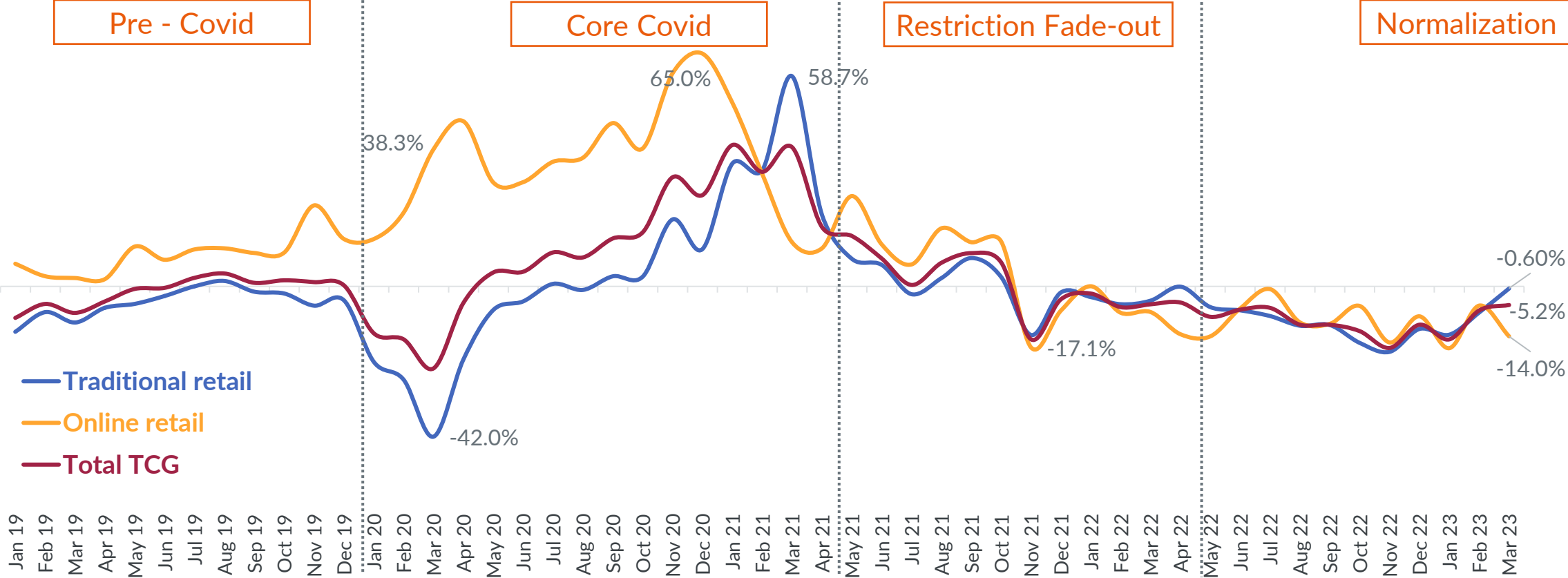
Evolution of channels & promotions



Traditional retail rebounds in 2022 against 2021 restrictions but still catching up with online retail



Global | TCG | Sales USD Growth rate +/- %

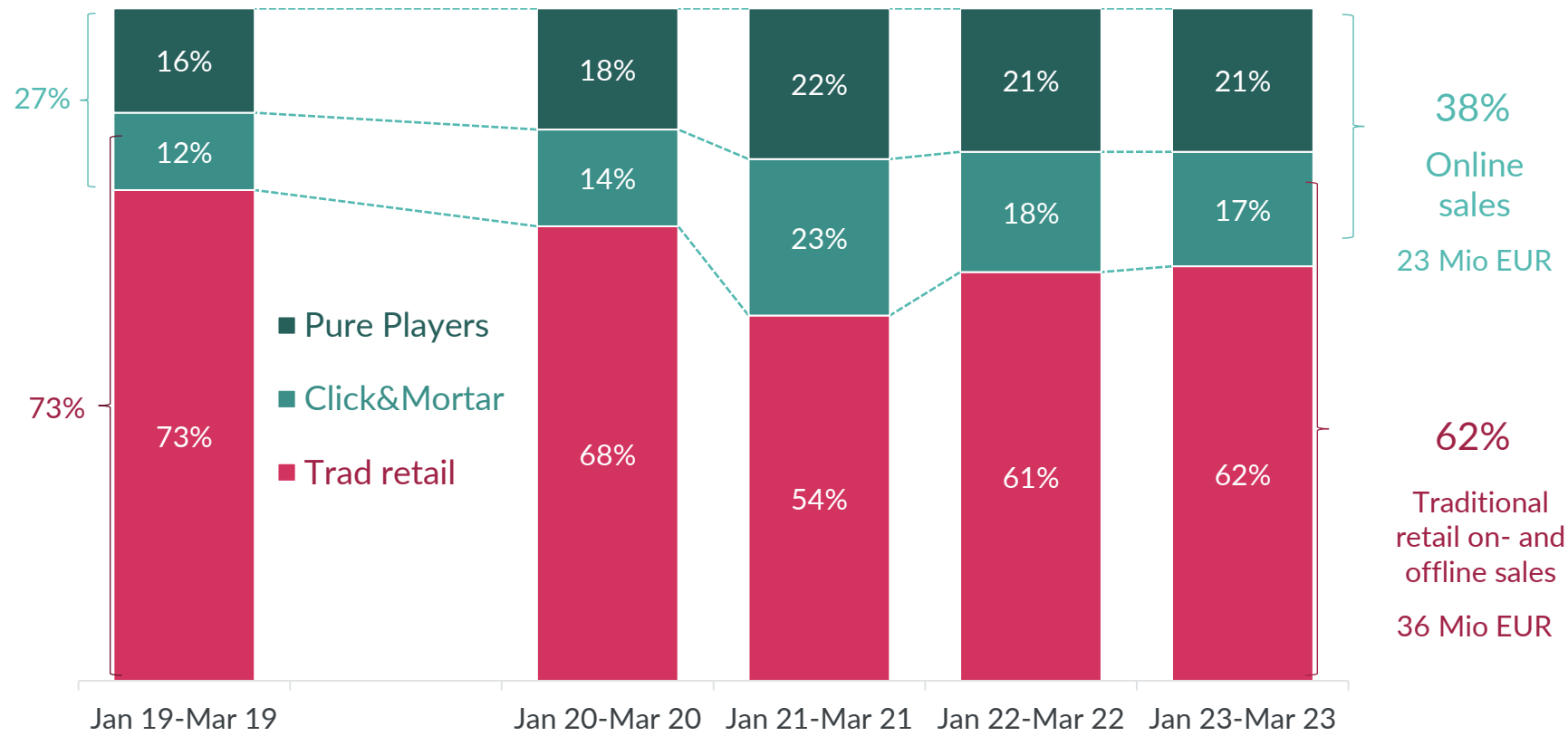


Source: GfK Market Intelligence: Sales Tracking Retailer Market, global USD Value +/- % Period Jan 19-Mar 23

Click & Mortar slows down within online channel compared to the high levels in previous years



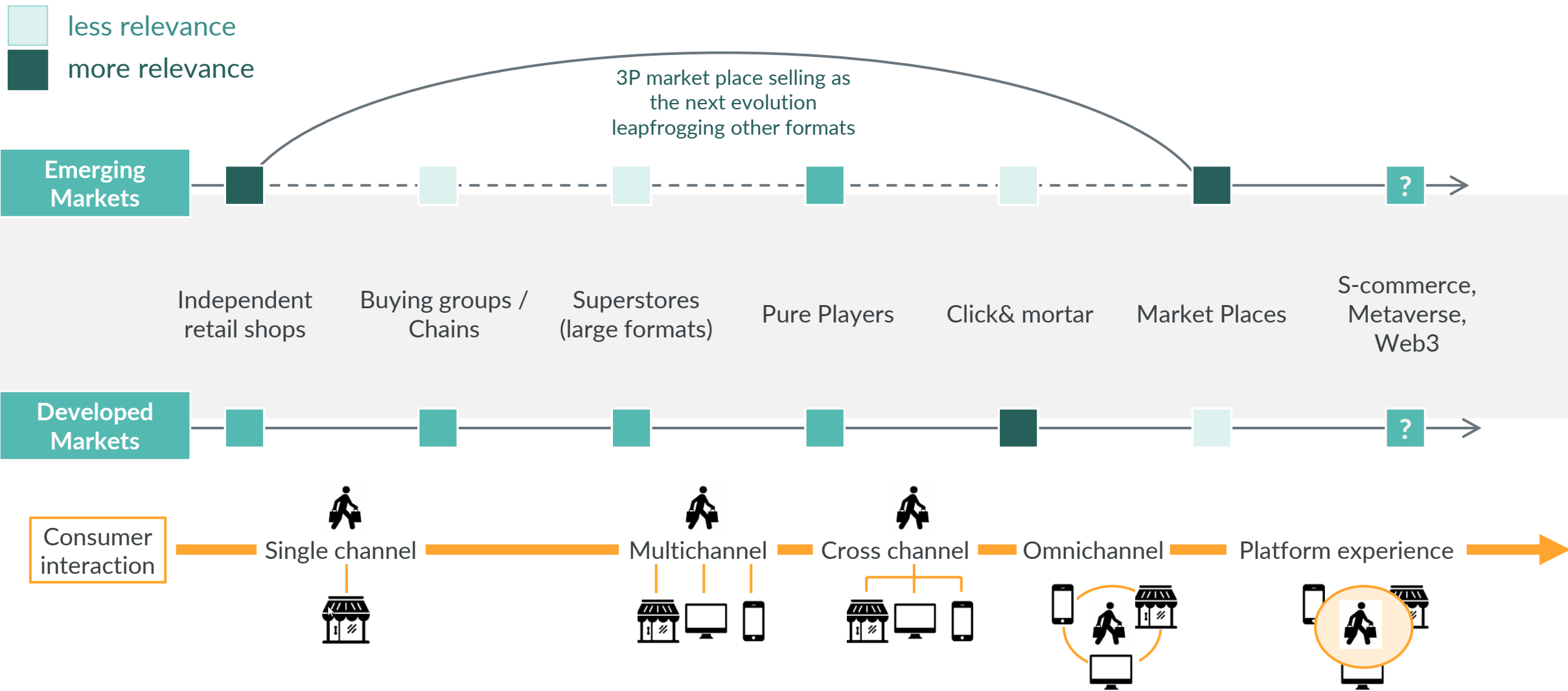
GfK B2C Retailer Market | Technical Consumer Goods | Sales Value USD (NSP) in Mio. | Share %



Different countries are at different stages of retail evolution



Clear differences between developed and emerging markets, leapfrogging stages is also happening

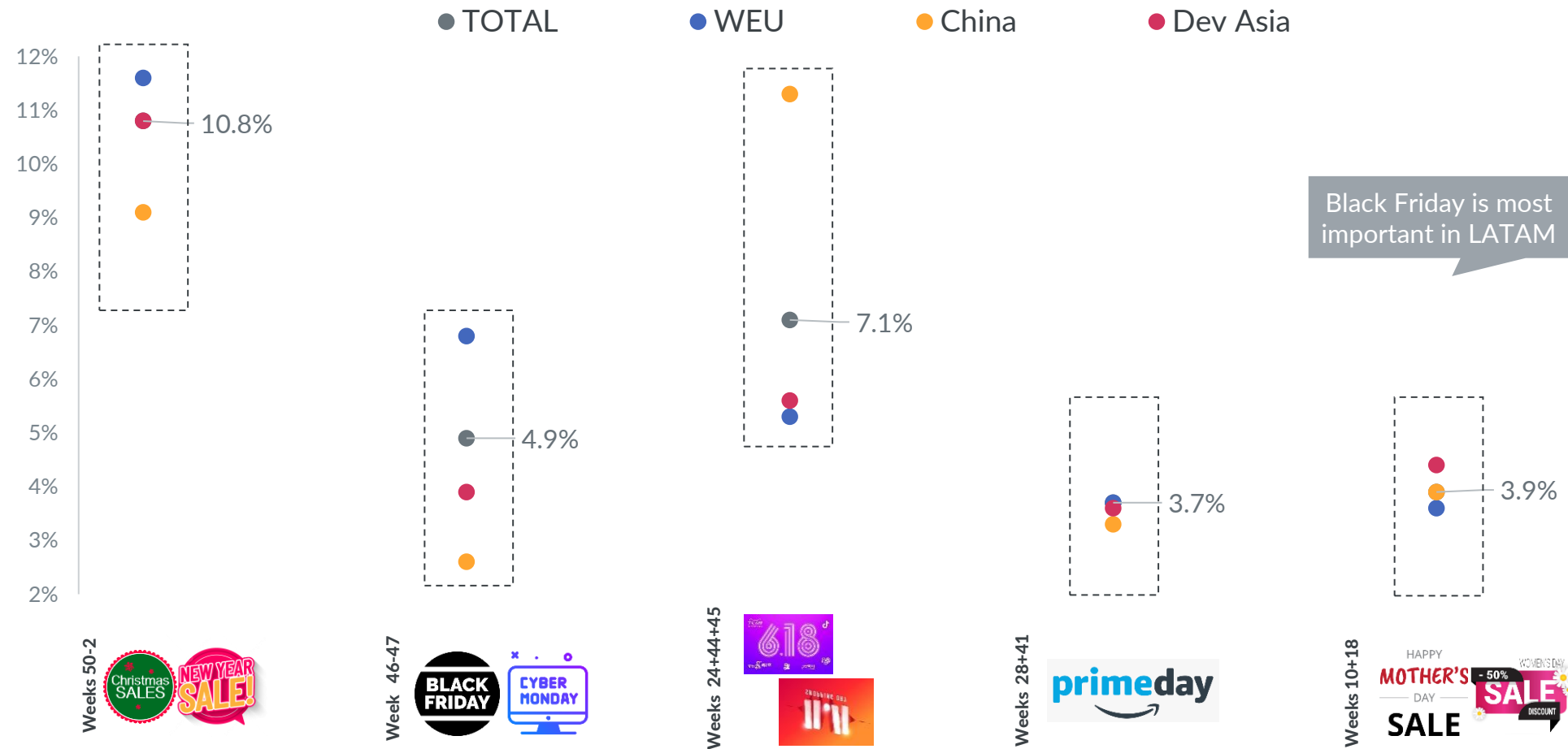


Significance of promotional events is different region by region



Cumulatively more than a quarter of the global TCG sales is concentrated in 6 promotional events during 14 weeks of the year

Top 6 promotional events that matter: Sales Value % of total year sales



**TCG Sales:
Event % of
year in 2022**

30%

14 weeks
Top 6
Events
Total

What should I be aware about my channels and promotion...



01

Traditional retail is rebounding. However, online will maintain the 5-10% point share gain from covid period.

02

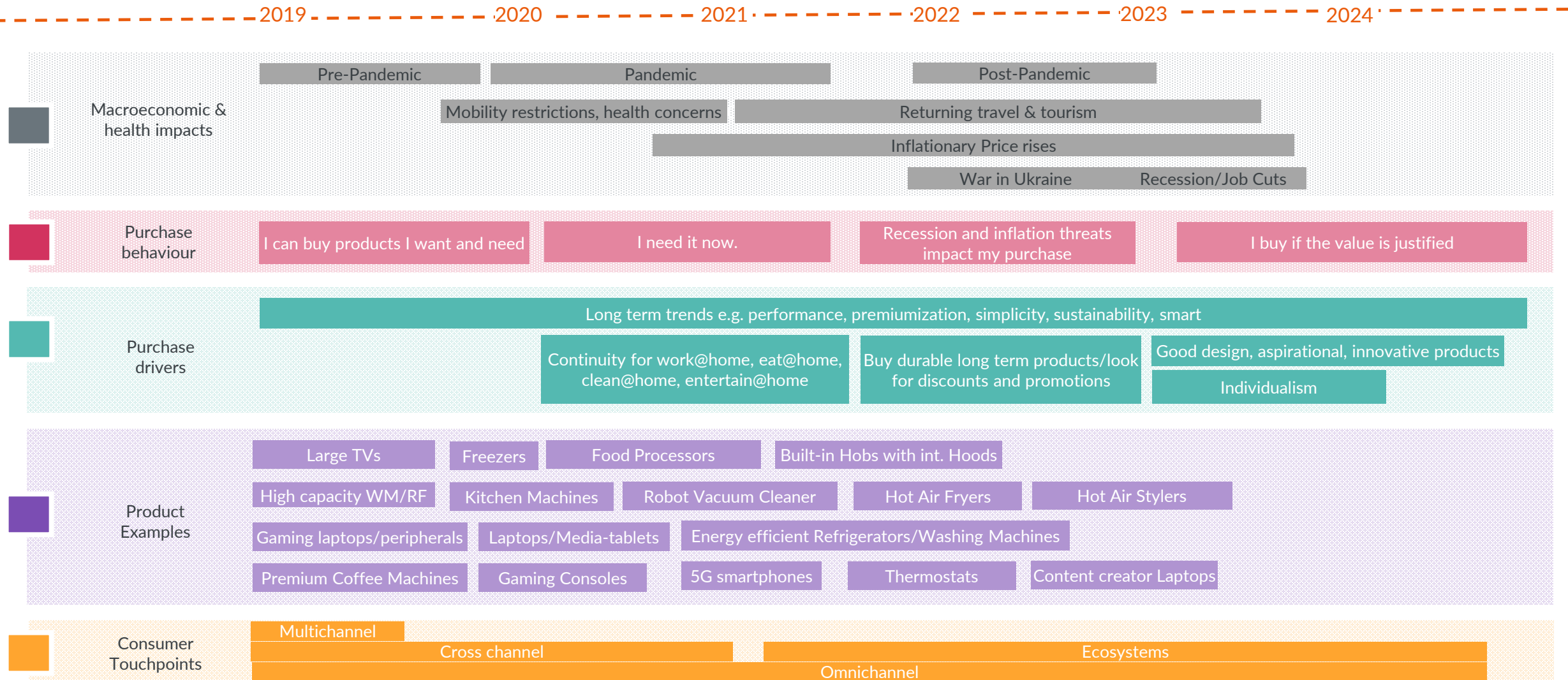
There is a need for a focused, “**omni-channel strategy**”. Click & Mortar will grow in absolute numbers

03

Impacted by inflation consumer will time their purchase more. **Promotions will be crucial in 2023**

Outlook

Mid-term evolution for tech and durables market





Deceleration after the peak sales of 2020 & 2021. While impacted consumers exit due to volatile and uncertain market, confident consumers stay, contributing to premium sales

Rocky Recovery



Value is manifested in varied forms. In some cases, it could be performance aspects like size/capacity, sustainability factors like energy efficiency or simplicity factors like smart, multi-functionality etc.

Value for money



Higher Inflation has dented consumer wallets . Premiumization as a trend is taking a pause at large. But premiumization still continues in select segments within categories and is a margin driver.

**Inflation /
Premiumization**



Traditional retail is rebounding. Online will maintain the 5-10% point share gain from COVID period. Promotions will be crucial in 2023. Going forward a “one channel strategy” is important

**Omnichannel /
Promotions**

Thank you

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