



Growth
from
Knowledge

2022 INSIGHTS

THE STATE OF CONSUMER TECHNOLOGY AND DURABLES

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EXECUTIVE SUMMARY

In many parts of the world the worst of the pandemic might be over. But this doesn't mean business leaders in consumer technology and durables can expect an easy year ahead. In fact, following a year of significant growth in 2021, the industry is set to face a number of challenging hurdles in 2022 and beyond.

KEY MACRO-TRENDS FOR 2022

Deceleration

A slowdown is set to curtail growth to a forecast rate of 2% in 2022, compared to 12.2% in 2021.¹

Inflation

Ongoing supply chain disruption will see inflation continue to rise, pushing up both costs and prices. Product availability will still be in the center of attention for several markets, creating an urgent need for new supply chain networks and re-evaluation of current supply chain strategies. This will be compounded by geopolitical events, such as the conflict in Ukraine.

Declining consumer confidence

Financial uncertainty fueled by forecast inflation will see consumer's willingness to spend across some demographics waver. Only 34% of consumers believe their economic situation will improve 12 months from now, compared to 41% in 2019.²

At the same time, there is plenty of good news with trends that could facilitate value growth for brands and retailers, including:

Premiumization

There remains a willingness to pay extra for products that demonstrate added value. This is particularly true for those that align with strengthening consumer priorities on sustainability.

GfK forecasts a
+2%
YoY growth for T&D
by the end of 2022

Hybrid work

A new work culture has emerged in many global markets since the pandemic, creating new use cases for consumer technology and durables both in and outside the home, and elevating categories such as notebooks, tablets and wearables.

Ecommerce

In many regions, ecommerce continues to grow creating new demands for brands and retailers when it comes to optimizing their portfolio across multiple channels. This is a legacy of Covid-19.

¹ GfK Market Intelligence: Sales Tracking and total market estimation incl. North America, based on USD

² GfK Consumer Life Global 2021

Armed with the right, up-to-date insights there are strategies and solutions that will leave the C-suite feeling prepared to navigate this 'new normal'.

HERE ARE FIVE KEY STRATEGIES OF FOCUS FOR THE YEAR AHEAD

1

FUEL PREMIUMIZATION TO BOLSTER MARGIN AND BRAND LOYALTY

With volume demand in decline, premiumization is a key trend that brands and retailers can leverage to elevate price points. Key to this will be investing in stronger, bolder brand identities that go beyond functionality to create emotional connections with consumers.

2

BUILD DATA RICH CONSUMER PERSONAS THAT REFLECT THE NEW NORMAL

Though the pandemic has shifted to an endemic phase in the majority of global markets, this doesn't mean its impact on consumer behavior, values and priorities will disappear. Now is the time for brands and retailers to rethink customer segmentation, creating consumer personas that reflect the reality of demographics in 2022.

3

TARGET THE NEWLY CONNECTED CONSUMER WITH SMART, MULTIFUNCTIONAL DEVICES

Tap into growing demand for devices that reflect newly connected consumers. Create wearables that integrate into the internet of things or appliances delivering multiple functions at once. The key is to add value by empowering end-consumers with brand-new usecases.

4

CREATE SEAMLESS CUSTOMER JOURNEYS - WHEREVER THEY ARE

The pandemic accelerated the migration to online channels in consumer technology and durables creating new valuable insights on consumer behavior. But neither brands nor retailers should consider any channel in isolation. Instead adopt holistic omnichannel strategies that create a seamless purchase journey for end-consumers. Use data and insights empowered by artificial intelligence, industry expertise and strong cross-functional collaboration for confident decision-making and sustainable growth.

5

STRIKE ON SUSTAINABILITY AND REAP FIRST MOVER REWARDS

The field is wide open when it comes to environmental and social sustainability in consumer technology and durables. By acting ahead of the rest of the market, not only can brands and retailers create a clear differentiation in their brand identity to add value, but they also offset the potential risks of failing to act on these key global issues.

It's clear 2022 will be a year of ongoing uncertainty and volatility within the consumer technology and durables industry. To navigate this, it will be critical for brands and retailers to stay on top of a fast-moving market with reliable, up-to-date consumer and market intelligence.

STATE OF PLAY AFTER A RECORD YEAR

In 2021, the consumer technology and durables market achieved an all-time high for consumer share of wallet.

Against a backdrop of social distancing, remote working and restricted travel, strong global growth continued, with an overall value increase of 12.2%.³

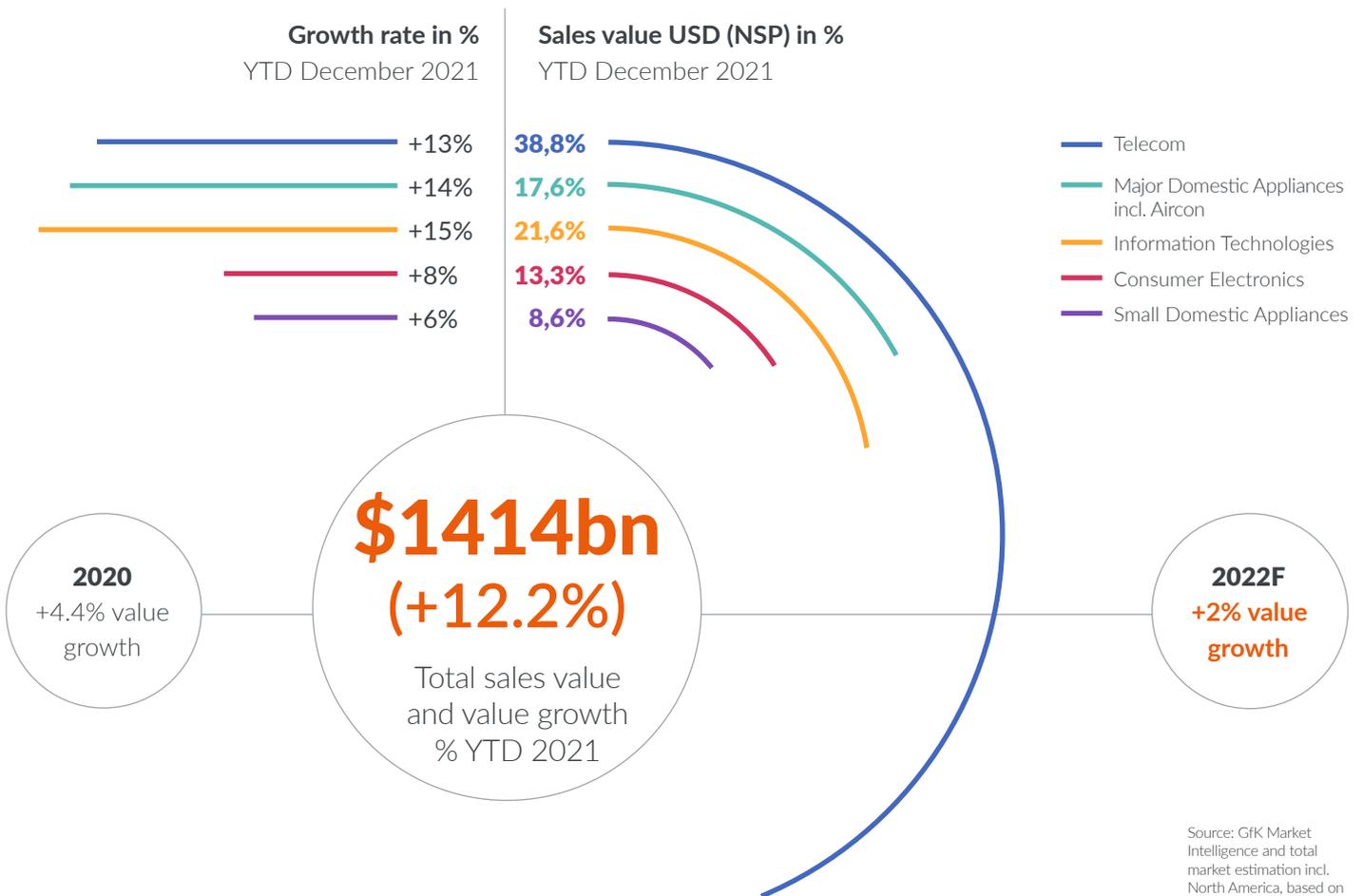
This double-digit growth spanned a number of sub-categories — telecoms (+13%),

IT (+15%), major domestic appliances (+14%) and small domestic appliances (+6%) — all reaped the benefits of a global population spending more time at home.¹

But looking ahead to 2022 this growth will slow significantly with a forecast value growth of just 2%.

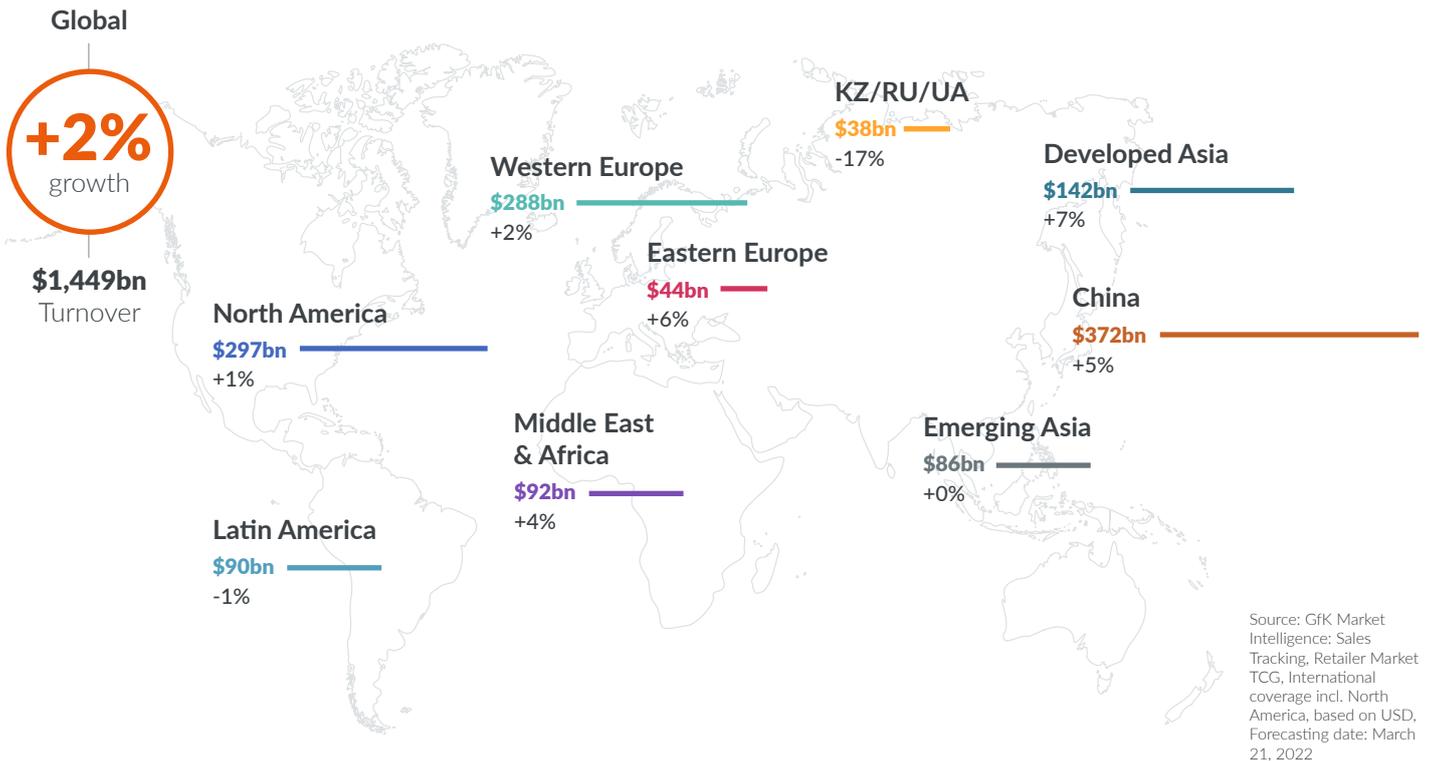
³ GfK Market Intelligence and total market estimation incl. North America, based on USD

Global Consumer Share of Wallet



Source: GfK Market Intelligence and total market estimation incl. North America, based on USD Forecasting date: March 21, 2022

2022 Regional Market Growth Forecast



Asia-Pacific looks set to fuel the majority of this modest growth, thanks to what has so far been a stable recovery in domestic retail spend in China and across developed economies in Asia more broadly. Looking ahead, this could be impacted by both China's zero Covid policy and the war in Ukraine, however. Though recovery in the Middle East and Africa has so far been more tenuous and uneven, hopes for a more stable 2022 sees a forecast of 4% growth. Latin America, in contrast, could face a small decline due to a strong baseline of growth in 2021 limiting proportionate growth in 2022.

This deceleration is a direct result of the myriad market challenges faced by consumer technology and durables in 2022.

In addition to the yet unquantifiable impact of the conflict in Ukraine, there'll be significant cost pressures across the supply chain, wider geopolitical instability, as well as rising demands for brands and retailers to take further action on sustainability. Each has the potential to weigh heavily on growth prospects for the industry.

Leadership teams will need to equip themselves with timely, data-informed intelligence to navigate periods of uncertainty, and also spot the opportunities in the market in the year ahead and beyond.

BIG TRENDS SHAPING 2022

SECTOR SLOWDOWN, AFTER THE PANDEMIC STORM

Though the consumer technology and durables market looks set to continue its upward trajectory in 2022, there'll be an inevitable slowdown on the record highs of 2021, with a forecast growth rate of 2% compared to 12.2%.¹ That represents a value growth of approximately \$110bn less in the year ahead.

In part, this reflects an inability to sustain the proportionate levels of growth seen last year. But it's also demonstrative of a confluence of challenges set to face business decision-

makers in the coming year, from getting to grips with a marked shift in consumer habits to inflationary pressures and supply chain costs, all which will be explored in more detail.

This deceleration already began to emerge in the second half of 2021, with a steep drop-off in growth following a strong first six months. In fact, while revenues grew 30% in the first quarter, this plummeted to a 1% decline in the final three months of the year.⁴

⁴ GfK Market Intelligence: Sales Tracking

2021 Global Revenue Growth Deceleration

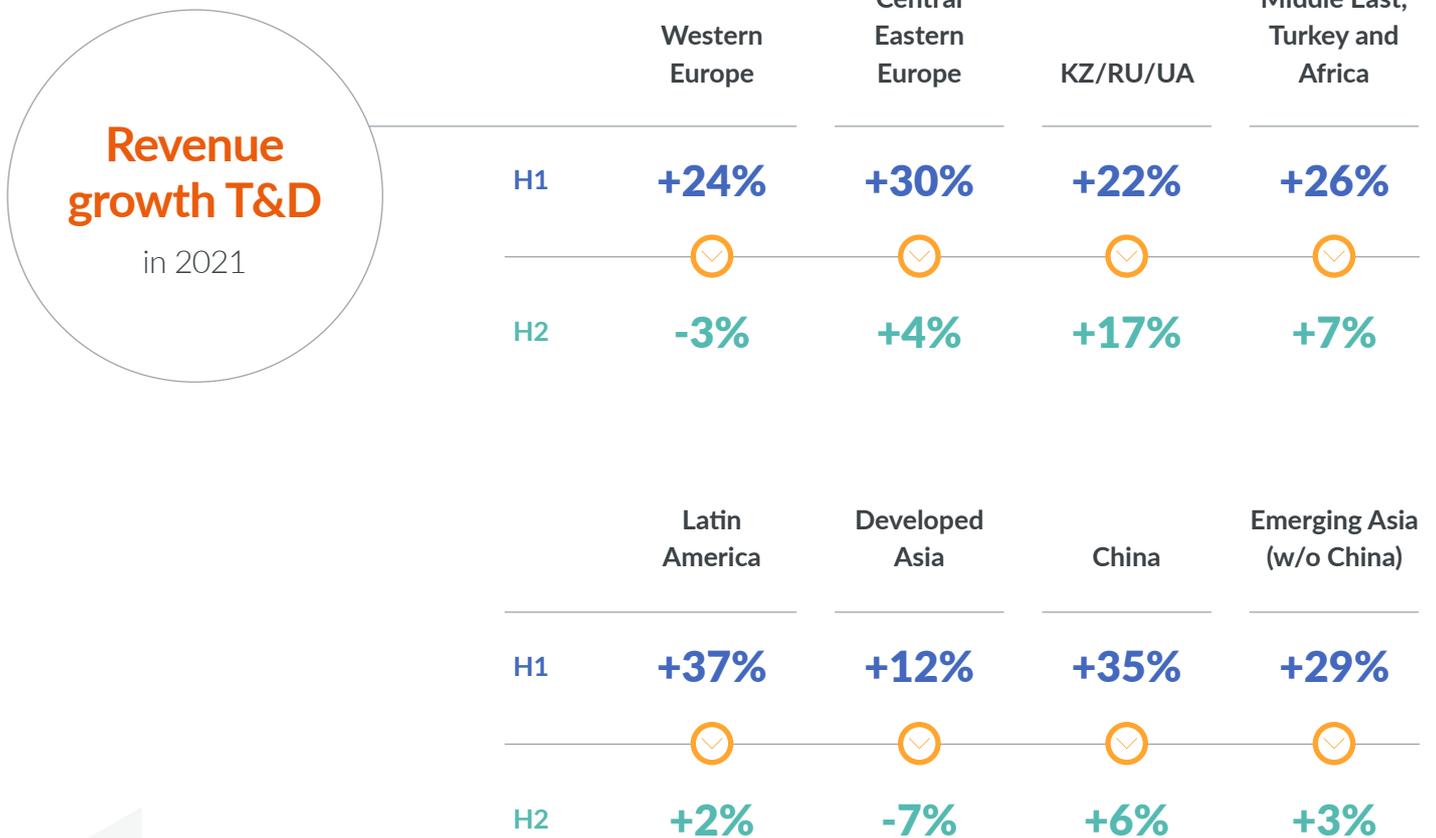


Source: GfK Market Intelligence: Sales Tracking, TCG sales value USD growth

With the exception of the former Commonwealth of Independent States region (Russia, Ukraine and Kazakhstan), this trend was reflected in each region, albeit to different extents. Asia-Pacific countries were the most likely to sustain growth throughout the whole year, though at a decreased rate, while markets where economic recovery has foundered since an initial post-Covid reopening, such as Latin America, saw revenues fall into decline in the latter half of the year.



2021 Regional Revenue Growth Deceleration



Source: GfK Market Intelligence: Sales Tracking, TCG sales value USD growth



Decelerating volume demand is a key part of this trend. During 2020, the pandemic fueled demand in the consumer technology and durables sector. Increased time spent at home forced consumers to make far greater use of small domestic appliances, such as coffee machines and juicers, while IT equipment and telecoms devices served new enhanced roles in day-to-day lives, used for a mix of connection, entertainment and commerce.

But as restrictions eased in 2021, a new balance of at-home and out-of-home habits began to emerge. According to The Economist Normalcy Index, as of July 2021, time spent outside the home was back to 92% of pre-pandemic levels, office use was at 82% and retail at 97%.⁵

Alongside this, consumers made advance purchases in consumer technology and durables in 2020, satisfying their need in categories such as IT, telecoms and domestic appliances. This has led to a corresponding deceleration in demand. While sales volume grew 3% from 2019 to 2020, this had fallen to 1% from 2020 to 2021.⁶

Intensified product availability constraints contributed to this picture. Distributor volumes

declined on a global level.⁷ At the same time, distributors were able to generate flat results on the revenue-side due to increased prices. On average, the price level grew by 7% in 2021 compared to the year before globally. For example, there were on average 11% fewer different Mobile PC models available in Germany in 2021 than in 2020. This was particularly true for entry-level models of Mobile PCs.

With distributor sales declining from May onwards, retailers faced limitations in product availability and assortment in the following months. While September results returned to 2020 levels, the year-end business was characterized by ongoing product availability challenges. Consequently, manufacturers and retailers had to prioritize certain products either for promotional events or the Christmas season. The supply chain shortages resulted in a reduction of 7% in distributor sales in the full year.⁸

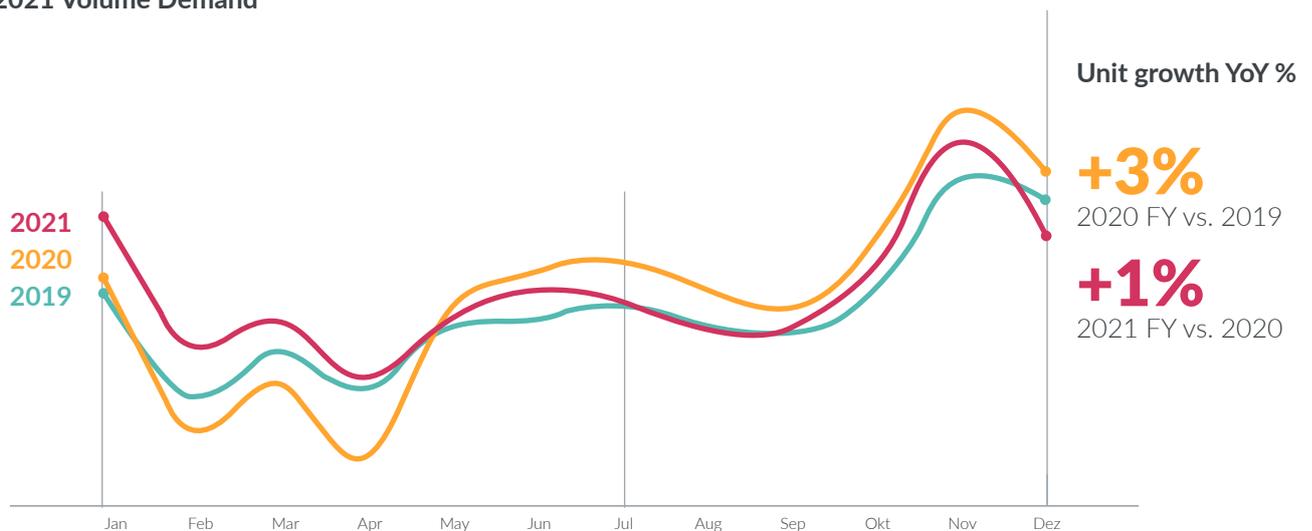
⁵ www.economist.com

⁶ GfK Market Intelligence: Sales Tracking, status Dec 2021, TCG key product groups global excluding North America

⁷ GfK Market Intelligence: Supply chain

⁸ GfK Market Intelligence: Supply chain

2019–2021 Volume Demand



Source: GfK Market Intelligence: Sales Tracking, TCG key product groups global ex. NA

How this varies by region to some extent reflects different 2020 baselines. But it also points to an ongoing unevenness in rates of economic recovery. In Western Europe and Latin America, there has been a decline in demand across all categories within consumer technology and durables.⁹ In Eastern Europe, in contrast, where the risk associated with coronavirus remained high,¹⁰ demand is still strong as restrictions persisted. In the Middle East, Turkey and Africa, IT and office sales proved the exception, with all other categories in decline in the fourth quarter of 2021.

As volume demand has decreased, while overall sales value remains in growth, this suggests price

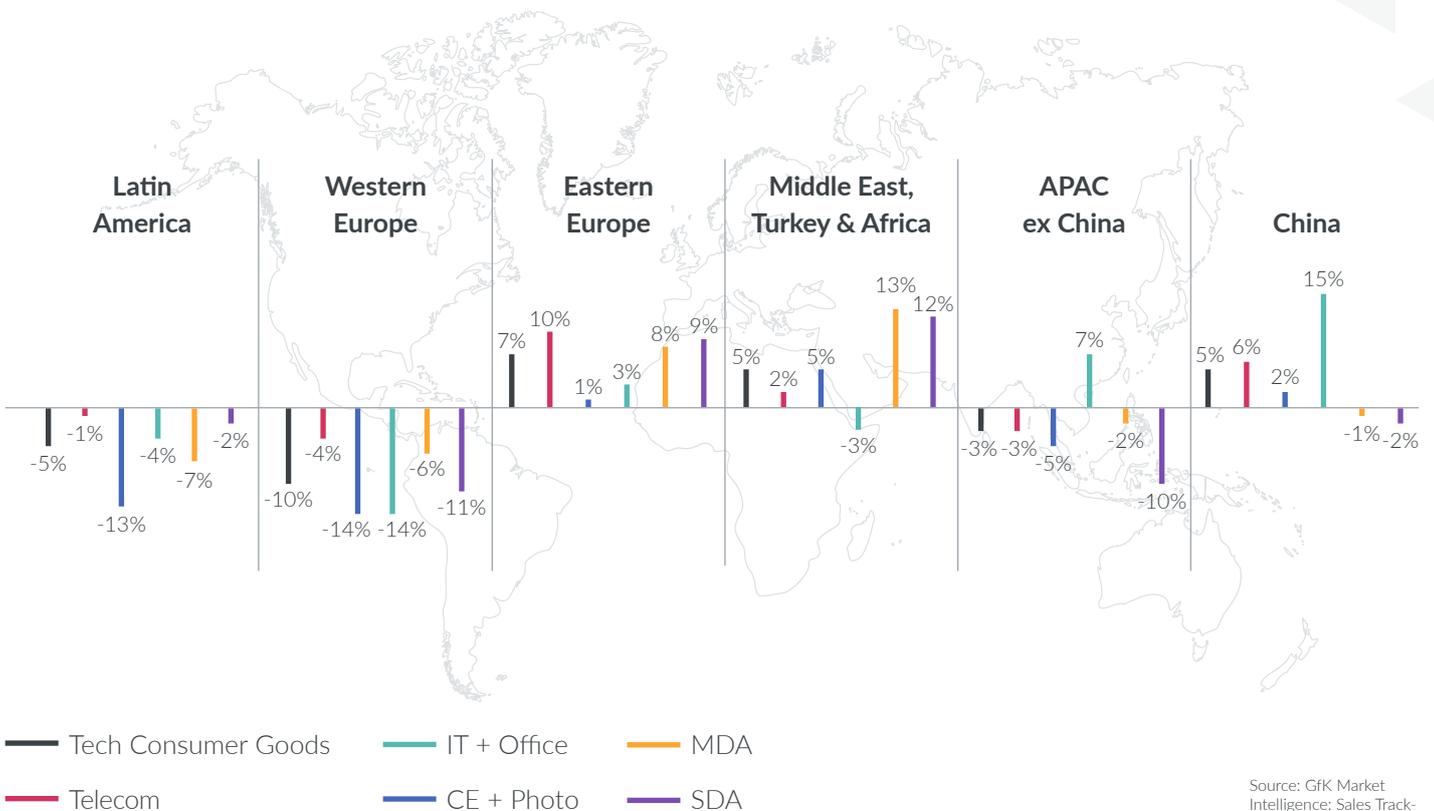
increases in the sector over the last year.

It's a shift that can be explained by looking at both external pressures – inflation and rising supply chain costs – as well as a market trend toward premiumization. For business decision-makers in the sector, it should highlight the need to seek out new avenues for adding value and defending margin going forward, or risk major hurdles on both value and volume growth.

⁹ GfK Market Intelligence: Sales tracking, retail market, international coverage excluding North America, USD value, growth Q4/2021 v Q4/2020, CE including multifunctional technical devices

¹⁰ www.euro.who.int

Q4 2021 Regional Differences in Volume Demand



Source: GfK Market Intelligence: Sales Tracking, Retailer Market, International Coverage (excl. North America), USD value & growth Q4/2021 vs Q4/2020



CRAVING CONVENIENCE SUSTAINS DEMAND IN SDA

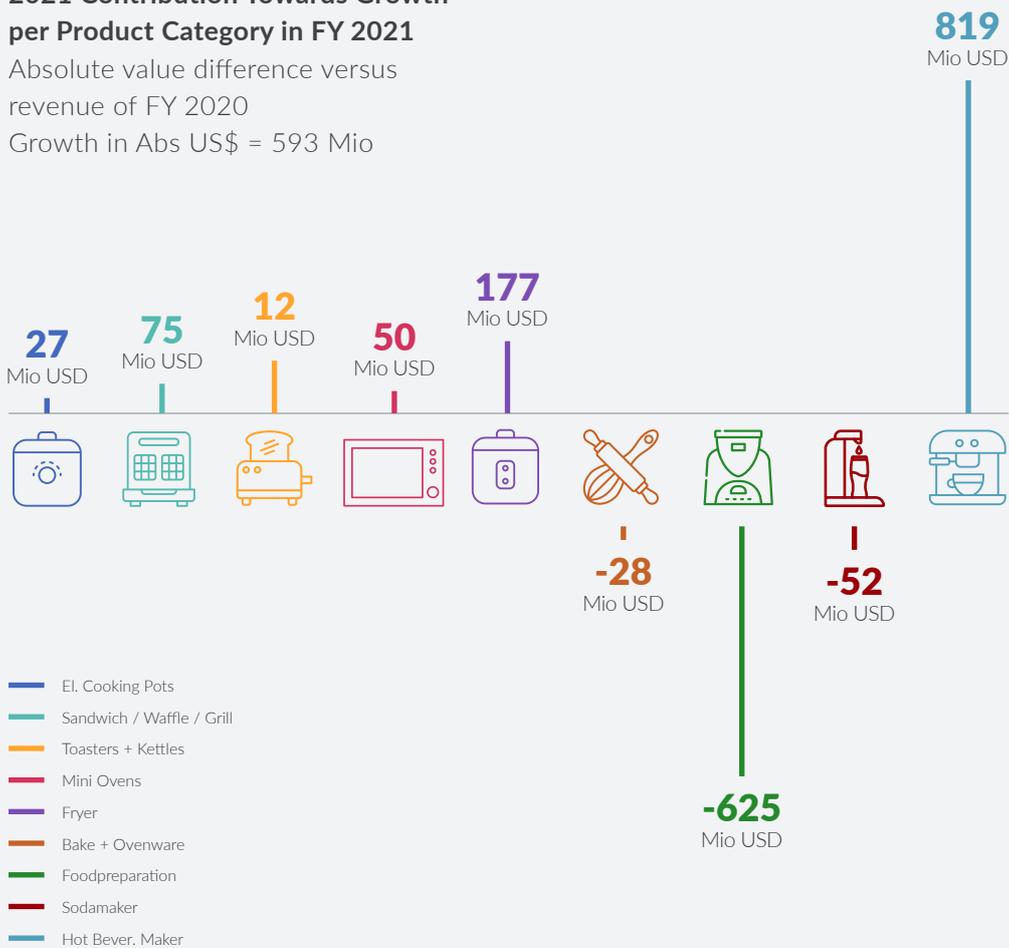
In Small Domestic Appliances (SDA), this deceleration in demand was far less pronounced than in other categories. Despite a strong baseline, growth in 2021 was a strong 7%. It achieved a 23% increase in value sales from 2019 to 2021.¹¹ Those devices that satisfied consumer demand for convenience fueled this performance, with hot drinks machines and food preparation devices sustaining demand in the second half of 2021, albeit with some indications that a saturation point is approaching.¹²

2021 vs. 2019



2021 Contribution Towards Growth per Product Category in FY 2021

Absolute value difference versus revenue of FY 2020
Growth in Abs US\$ = 593 Mio



¹¹ GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) revenue growth 2021 vs 2020 resp. 2021 vs. 2019

¹² GfK Market Intelligence: Sales Tracking, comparison Jan-Dec 2021 to 2020; sales value USD of all tracked product groups for countries

INFLATIONARY PRESSURES WILL DRIVE UP COST

Though the global economic recovery has been stable so far, that rebound looks set to lose some momentum as a result of renewed inflationary pressures pushing up prices.

There are three key drivers of this inflation:¹³

1. Ongoing disruptions in energy, food and commodity markets, driving up prices
2. Fuel shortages, limiting key manufacturing materials and goods and driving up energy prices
3. Supply chain disruptions, causing bottlenecks and a shortage of goods.

This inflation is expected to increase further throughout 2022. Economists have already

revised their forecasts upwards by 4.4 percentage points since since Q3 2021, with the outbreak of war in Ukraine expected to exacerbate the situation.¹⁴

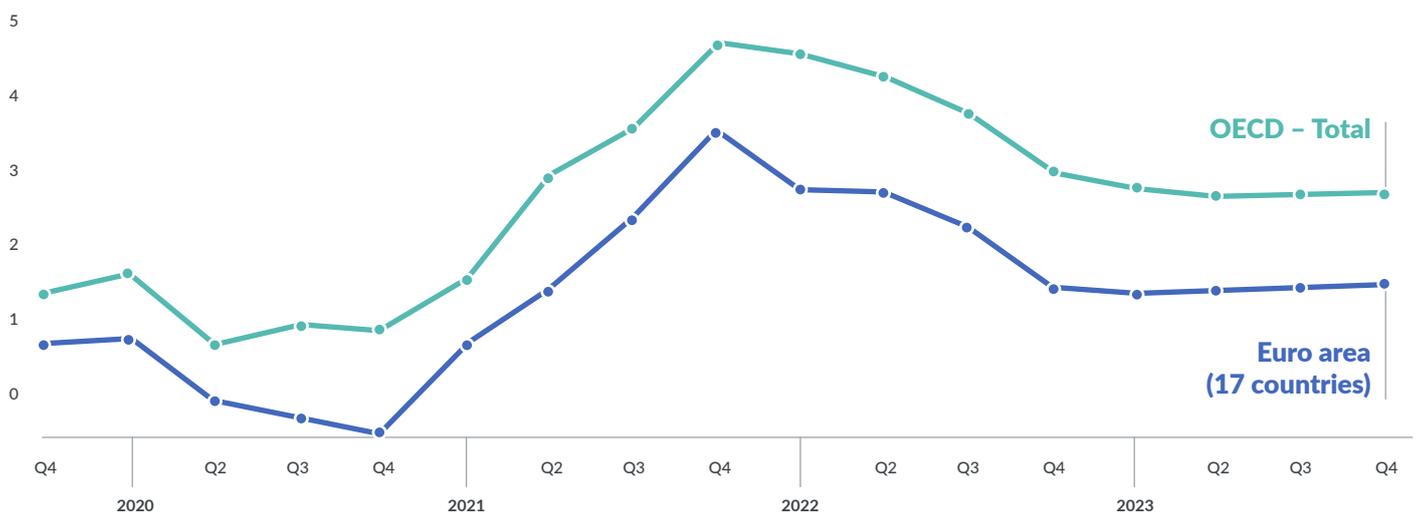
For the C-suite across both retail and manufacturing, it will be critical to take account of these upward pressures when setting budgets for the year ahead, not only in relation to the direct impact on cost of goods within their supply chain, but also the impact on the household finances of their end-consumers.

¹³ www.oecd.org

¹⁴ www.imf.org

Inflation Growth Rate

Total, Annual growth rate (%)
Q4 2019 – Q4 2023



Source: OECD Economic Outlook: Statistics and Projections

DISRUPTION WILL CONTINUE TO DOG SUPPLY CHAINS

Both logistical disruption and shortages of core goods have contributed to rising costs in the last year.

For the consumer technology and durables sector, additional demand has put pressure on the supply chain for semiconductor chips creating shortages. This has placed a considerable strain on output in 2021, which the International Monetary Fund predicts could persist throughout 2022.¹⁵

Shortages have become clearly visible across various categories, with the heaviest impact on computing. The number of available mobile computers in distribution markets declined by 15%. At the same time, it fueled prices which went up by 8% on average.¹⁶

In addition, logistics networks have labored under rapidly rising costs further driving up prices. Shipping costs were up 218% globally year on year, as of March 2022.¹⁷ Though the reasons behind this vary from region to region, from additional trade friction and red tape between the European Union and UK as a result of Brexit, to the zero Covid policy in mainland China leading to the temporary closure of key ports, the impact was a shared increase in the costs of goods along the value chain.

Price rises on key goods included:¹⁸



*Data valid as of 03/25/2022, however prices are volatile and may fluctuate

The conflict in Ukraine is set to create further pressure globally. In addition to economic sanctions being applied to Russia, several major brands in consumer technology and durables have ceased supply or provision of services to the country. Key supply chain routes face disruption, while the cessation of agricultural exports from Ukraine such as wheat creates a risk of destabilization in emerging regions.

Crude Oil Prices in International Markets



Source: <https://tradingeconomics.com/commodity/crude-oil>

These cost increases are squeezing margins for consumer technology and durables manufacturers and retailers, with leadership teams making the decision to pass on at least a proportion of these price rises to their end-consumers.

During 2021, the first wave of these price increases occurred, with a peak of +29% in June.¹⁹ Looking ahead to 2022, this upward pressure on prices will continue.

¹⁵ Supply Bottlenecks: Why, where how much and what next (February 2022)

¹⁶ GfK MI: Supply Chain: Jan-Dec 2021, Mobile Computing, Number of different items, Price EUR wo. VAT

¹⁷ www.freightos.com

¹⁸ www.tradingeconomics.com

¹⁹ GfK Market Intelligence: Global sales tracking, January to December 2021, technical consumer goods total, USD (NSP)

Global Average Price Increases

Consumer Technology and Durables price growth +/- % vs Jan 20



Source: GfK Market Intelligence: Global Sales Tracking Jan-Dec 2021, Technical Consumer Goods Total, Price (NSP) USD Adj.

The new price level is also visible at distribution markets. Key categories accelerate in pricing while product availability is limited. However, 2022 started well for distributors. Driven by strong sales in Western Europe, globally distributors recorded over \$9 billion in revenue in the first two months of 2022. This is supported by continuous strong partnerships.

But the uncertainty and unstable political situation does not only result in surged prices, it also raises security concerns. Considering the increased installed base of computing devices, distributor sales indicate a high investment in security software, hardware and consultancy already which are big drivers in 2022.

This leaves senior business leaders with key questions to address.

For brands and manufacturers, how well have they planned for increased costs along their supply chain? And how can they balance the need to pass on a proportion of these costs to consumers, while minimizing impact on demand?

For retailers, how might these price increases against a backdrop of broader inflation influence consumer shopping behaviors? It's possible there will be higher interest in products that offer greater perceived value, for instance, as consumers balance an overall rise in their household costs. This in turn has an impact on decisions for both ranging and merchandising, in stores and online.

EXPECT CONSUMER CONFIDENCE TO STAY VOLATILE

The broader picture of consumer confidence remains both fragmented and unpredictable. An easing of the acute crisis around the pandemic did appear to temporarily alleviate some uncertainties around finances, with indicators of a slow return to pre-pandemic activity levels, in particular with retail spend.³

Yet forecast inflation rates, coupled with additional pressure on both energy and food prices as a result of Russia's invasion of Ukraine, have damaged confidence.

Prior to the conflict, 28% of households were

uncertain about their economic future²⁰ and just 34% of consumers were confident their economic situation would improve in 12 months, compared to 41% in 2019.²¹ These figures could reduce further as the war brings additional uncertainties. In developing Asian markets and Latin America, this level of confidence is significantly lower than in Western Europe and North America though. It reflects the need for business decision-makers to tailor their price ranges and messaging to each region, with vastly different approaches from country to country.

Consumer Confidence in Own Economic Future



Source: GfK Consumer Life Global 2021

The conflict in Ukraine remains a highly unpredictable variable influencing consumer behaviors and sentiment, as does the potentially cyclical nature of Covid-19 and the arrival of new variants, returning consumers periodically to a state of uncertainty and disruption.

Business leaders will need to monitor consumer sentiment and priorities more frequently as a result, to ensure they stay on top of sudden

changes in demand. For retail leaders, there's a need to be aware that these external events could see different channels gain importance at different times. In particular, new restrictions could see spikes in ecommerce. This will require a high level of agility in logistics and distribution.

²⁰ GfK Consumer Life Global 2021

²¹ GfK Consumer Life Global 2021

BUT DON'T UNDERESTIMATE A WILLINGNESS TO INDULGE

The trend for premiumization continued throughout 2021, with premium brands now occupying a 24% share of the total consumer technology and durables market.²² In fact, premium brands achieved year-on-year sales growth of 32%, an increase that saw them significantly outperform both standard and entry-level brands.

Price Bands' Share of Market

Key Technical Consumer Goods product groups*



Standard:
Brands with price index of 75 ≤ 150**

Premium:
Brands with price index of > 150**

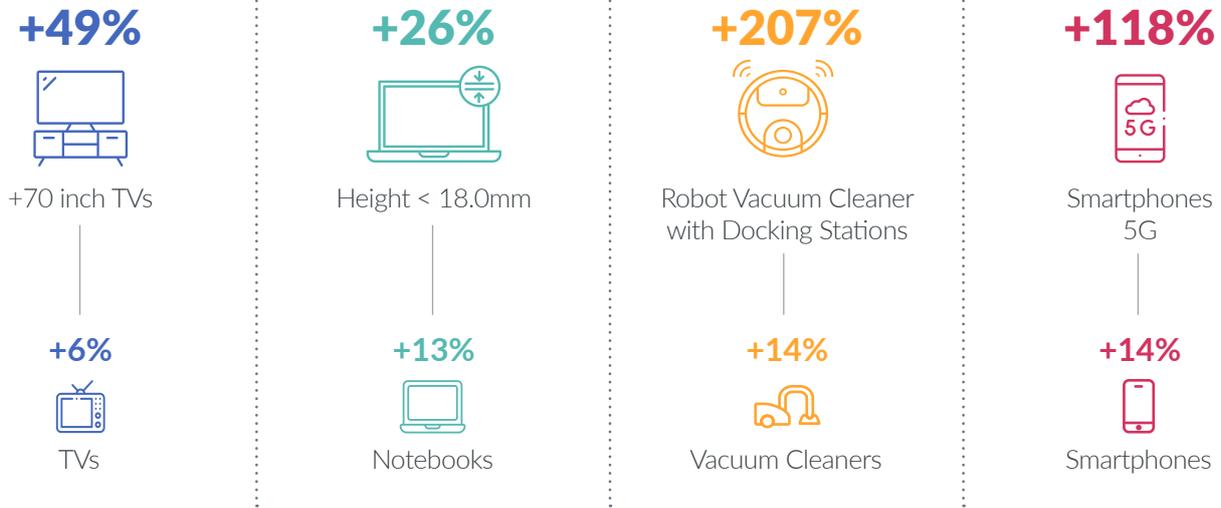
Entry:
Brands with price index of ≤ 75**

Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) Value & growth 2021 vs 2020. Key product groups included

In particular, brands with distinctive or innovative design features outperformed the wider market. While sales of vacuum cleaners grew 14% for example, robotic vacuum cleaners with docking stations were +207%.¹¹

²² GfK Market Intelligence: Sales tracking, international coverage excluding North America, USD (NSP) value and growth 2021 v 2020

Trend Towards Premium Featured Products Continues



Source: GfK Market Intelligence: Sales Tracking, International coverage (excl. North America), growth in USD YTD: Jan-Dec 2021

This trend is partly driven by a level of pent-up demand across household expenditure.

Across developed economies in particular, a mix of financial uncertainty around the impact of the pandemic and fewer opportunities to spend on out-of-home leisure, travel or entertainment fueled a significant increase in household savings. This has led to temporarily higher levels of disposable income and a held-back demand in consumer spending, which may have lowered price sensitivity.

Almost half (44%) of consumers globally now agree it's important to indulge or pamper themselves on a regular basis.²³

In small domestic appliances, brands directly responded to this, with those already trading in the high-priced segment moving toward further premiumization, using innovation and added convenience to drive up price points even more.

For business decision-makers this represents a clear opportunity. But they will need to consider it in the broader context of growing consumer uncertainty, with pressure on household finances set to be further impacted by the conflict in Ukraine.

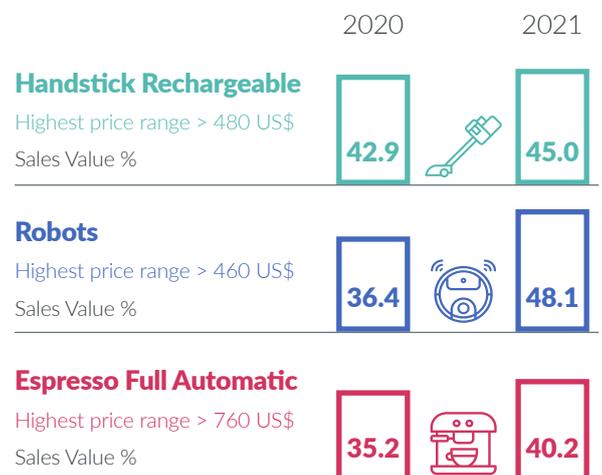
Norbert Herzog, Senior Global Strategic Insights Manager at GfK, says: "Experts are saying the next Covid variant of concern is just around the corner and so we shouldn't make the mistake of thinking the pandemic is entirely over. Covid will come in waves and people will stay cautious, though

premium may be less impacted than entry-level or mass-market categories."

In addition, though premiumization represents a strong opportunity to add margin and offset declining volume demand, it won't be the right route for every brand. Manufacturers and retailers will need to consider carefully whether they have the right brand positioning and product range to credibly add value for the end-consumer, or risk a move to premiumization backfiring in the long term.

²³ GfK Consumer Life 2020

High Priced Products Gaining Sales Value Share



SUSTAINABILITY IS STILL AT STAKE

Sustainability creates a core opportunity for brands and retailers in consumer technology and durables to add value, by allowing consumers to buy products that align with not only their priorities on price and functionality, but also sustainability and ethics. Consumers are actively seeking out such products. Some 77% of consumers say it's important that companies take environmentally responsible actions and 62% will choose one brand over another because of its support for a particular cause.²⁴

Business decision-makers need to take account of such statistics, using the latest data to prioritize and pivot as trends change. While there is routinely a gap between the intention shared by consumers and the actions they take when buying a product, there's a clear indication of changing priorities.

Currently, consumer technology and durables brands are often falling short on aligning themselves with these priorities.

"This could be a missed opportunity to use sustainability as a way to elevate their brand, in particular for new players looking to penetrate the market with a clear, differentiated message," says Jutta Langer, Vice President Consulting at GfK.

"The sustainability topic is one that is definitely a challenge to established players," she says. "Even in the highly controversial fashion industry, challenger brands have managed to weave the topic right through their strategic ecosystem and through every decision-making process, gaining positive consumer recognition."

"In consumer technology and durables, it hasn't been decided who will own this space and win consumer trust in the sustainability dimension."

Jutta Langer,
Vice President Consulting at GfK

By aligning with consumer values around sustainability, both environmental and social, consumer technology and durables brands can create a standout brand positioning that justifies a higher price tag. For instance, for washing machines across most EU5 countries an average of 75% of the premium top sellers are EU efficiency A compared with just 1% of the cheapest best sellers.²⁵

HYBRID WORKING ISN'T GOING ANYWHERE

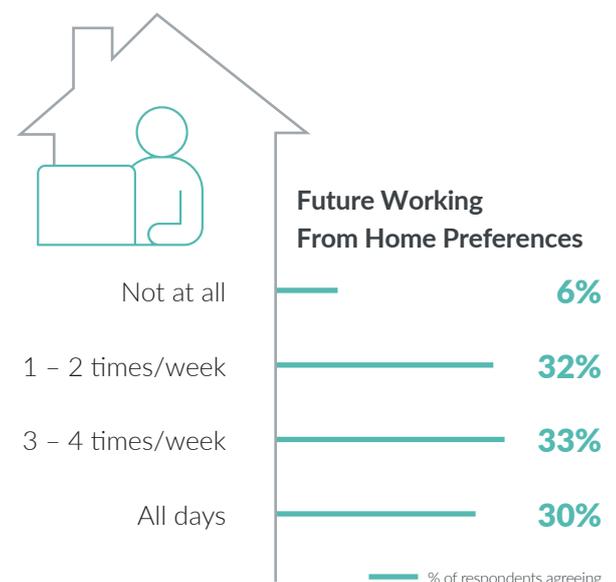
The switch to remote work during the pandemic has prompted a rethink of how and where we work. There is now far greater openness among some companies to a hybrid work schedule going forward, where staff combine both remote work and time spent back in the workplace.

There is also clear employee demand for such a change in some cases. In a GfK social media poll of nearly 500 respondents, 65% said they would like to work from home 1-4 times per week in the future.²⁶

²⁴ GfK Consumer Life Global 2021

²⁵ Data from gfknewron Predict 2022

²⁶ GfK social media polling 2022, LinkedIn n=4471 respondents across all age groups and regions



It's important not to overstate this change, of course. Though office-based roles are likely to see a higher proportion of hybrid working arrangements, there are many industries where jobs must be carried out on site, including retail, manufacturing and hospitality.

There will also be geographical variations. In more advanced economies, such as the United States, UK and France, there is often a greater dominance of those industries that have a higher potential for remote work, including professional services, consulting and IT.

In these economies, the potential for productivity loss from hybrid or remote work is therefore less than in countries such as Mexico, China and India, where physical manufacturing remains a core part of the jobs market.

Where it does happen, there is clear potential for hybrid working to influence consumer and corporate demand around the consumer technology and durables sector, a trend leadership teams need to factor into their strategies.

For brands and retailers serving primarily a single domestic market, there will be a need to fully understand how this is likely to play out at a country level, by considering the dominant industries and individual work culture. In some Asia-Pacific countries, for instance, presenteeism remains a core workplace attitude.

For those with an international footprint meanwhile, there will be a need to map out how this trend will evolve at a global and regional level. It could require adjustments to ranging, availability and messaging for different regions.

Potential Share of Time Spent Working Remotely



Developed economies



Developing economies



— Effective Potential (No productivity loss)

Source: **N = 2000+activities across 800 occupations Mckinsey Global Institute analysis

LEGACY OF COVID-19 IS SHAPING WHERE AND HOW CONSUMERS SHOP

Though we're seeing an overall decline in volume demand compared to the peak of 2020, there are categories where demand is strong compared to pre-pandemic levels. This is partly a result of the enduring legacies of the pandemic on consumer behavior, such as heightened interest in health and wellness.

As such, the sector has been buoyed by a strong

performance across core wearables, such as smart watches, with 2021 growth of 79% compared with 2019.²⁷ Headsets have also increased by 59% as have notebooks, by 43%.

Performances elsewhere reflect this same enhanced, multi-functional role of the home.

²⁷ GfK Market Intelligence: Sales tracking, international coverage excluding North America, USD (NSP) revenue growth 2021 v 2019

'At Home' Category Growth

+15%

growth in Jan – Dec 2021
vs Jan – Dec 2019

Entertainment & Health

Eat at home

Work & study at home

Clean at home



Core wearables



Hot bev. maker



Monitors



Dishwashers



Gaming mice



Built-in hobs



Headsets



Vacuum cleaner



Gaming keyboards



Freezer



Media tablets



Microwave ovens



Notebooks

Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) revenue growth 2021 vs 2019

But it isn't only what consumers are buying that has changed; it's also the channels in which they're making those purchases.

Ecommerce continues to grow from strength to strength. Globally, it now accounts for a 35% share of the total consumer technology and durables market²⁸ with 17% growth in the last year.

This varies significantly from market to market. In both the Middle East and Africa, as well as emerging Asian economies, the penetration of online sales remains low overall, despite some growth in 2020 and 2021. In China, despite incremental growth, the impact of the pandemic was less pronounced due to a strong baseline of online retail. Elsewhere, the effect of the pandemic as a catalyst for online growth was clearer, accounting for just under half of overall sales across many regions.

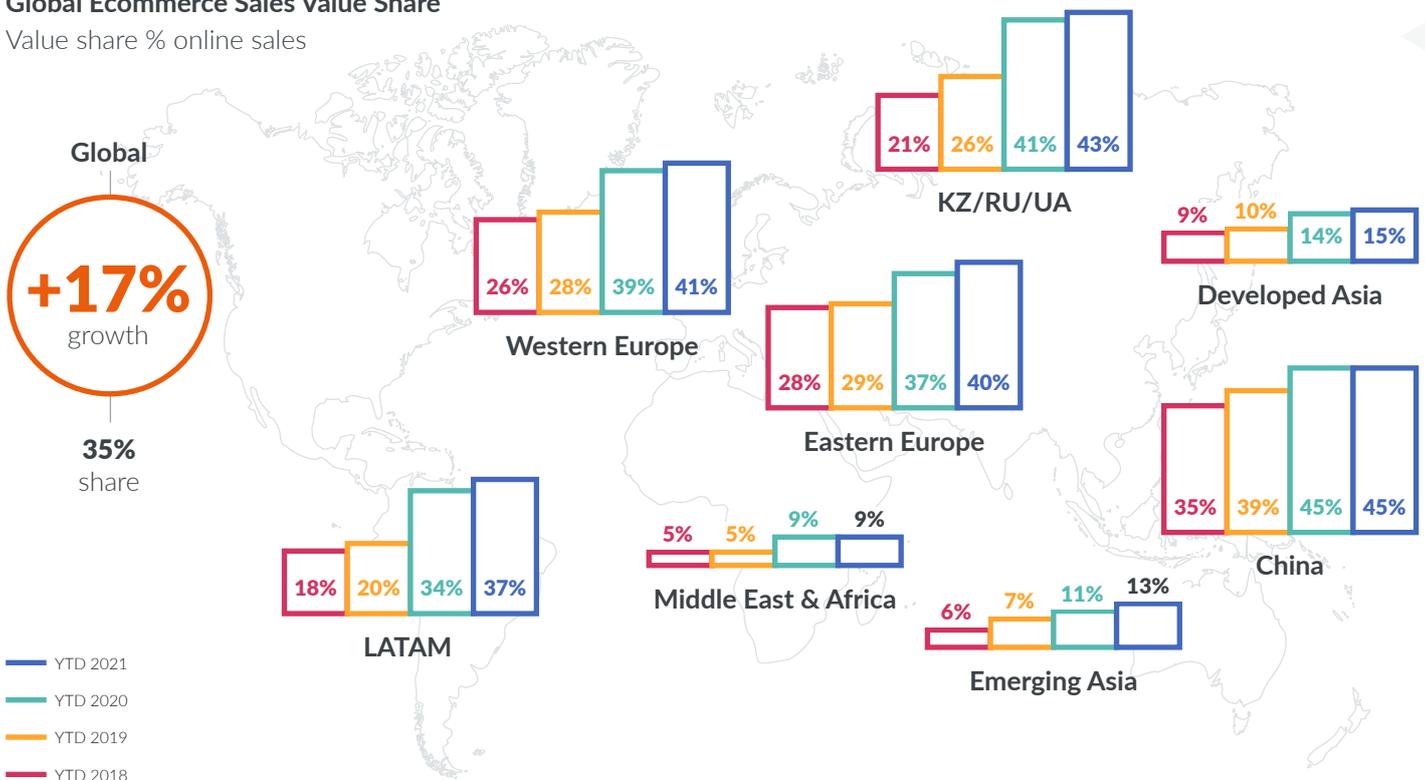
Though the pandemic undoubtedly acted as a catalyst on these changing consumer behaviors, both the migration to online retail and growing demand for products that cater to changing lifestyles are here to stay.

Business decision-makers need to ensure this is reflected in mid to long-term strategies. Ecommerce will require new models for distribution and logistics, while growing interest in sub-categories such as wearables should be used as a key trend to inform future new product development.

²⁸ GfK Market Intelligence: Sales tracking, retailer market, international coverage excluding North America, sales value USD (NSP), value growth percentage year on year, technical consumer goods.

Global Ecommerce Sales Value Share

Value share % online sales



Source: GfK Market Intelligence: Sales Tracking, Retailer Market, International coverage (excl. North America), Sales Value USD (NSP), Value Growth % Year-on-Year Technical Consumer Goods (TCG)

STRATEGIES TO NAVIGATE THE YEAR AHEAD

It's clear the consumer technology and durables sector will continue to face complex and evolving challenges throughout 2022. But with the right foresight and strategies in place, there is the opportunity for decision-makers to navigate these challenges and leverage emerging opportunities. So, what are the strategies and solutions that consumer technology and durables brands and retailers can deploy to cope, and even thrive, in current market conditions?

OPTIMIZE OMNICHANNEL

The shift to at-home lifestyles during the pandemic acted as a major catalyst on the adoption of e-commerce by consumers worldwide.

A GfK Consumer Life 2021 survey showed that 63% of consumers globally purchased online to avoid going to a store, and plan to continue doing so. In response, not only did retailers ramp up and improve existing ecommerce operations to meet increased demand, but consumer technology and durables brands developed more sophisticated direct-to-consumer (D2C) offers.

As a result, omnichannel strategies have become more and more advanced. But now it's time for senior leadership teams to take this one step further.

"Neither brands nor retailers can consider online and offline as two separate channels," says Andrew Hayers, Senior Product Manager, Global Market Insights at GfK. "There has to be a seamless experience and an understanding of consumer behavior across dual channels at once, with aligned messaging throughout the consumer purchase."

In other words, instead of developing siloed strategies for each channel, be it in-store, online, mobile, social or D2C, aim for a seamless view across all channels, at once. After all, that's how consumers experience your brand.

Generation Z and millennials, in particular, are truly omnichannel; 57% of both groups say they shop for key technology and durables products

both online and in-store. Looking through an omnichannel lens begins with making use of the right insight to keep your finger on the consumer pulse.

"The conversations we've had with customers in the last two years have changed significantly from 'too much data; we're not sure what to do with it', to more of an acceptance they need to figure out how to use it, and how to quickly surface the insights they need," says Warren Saunders, President of Global Sales and Marketing at GfK.

"While in an offline environment the point of sale and pricing may change on a quarterly basis, online it's changing on a daily basis. The need to act more quickly is far more heightened than it once was ."

Warren Saunders,

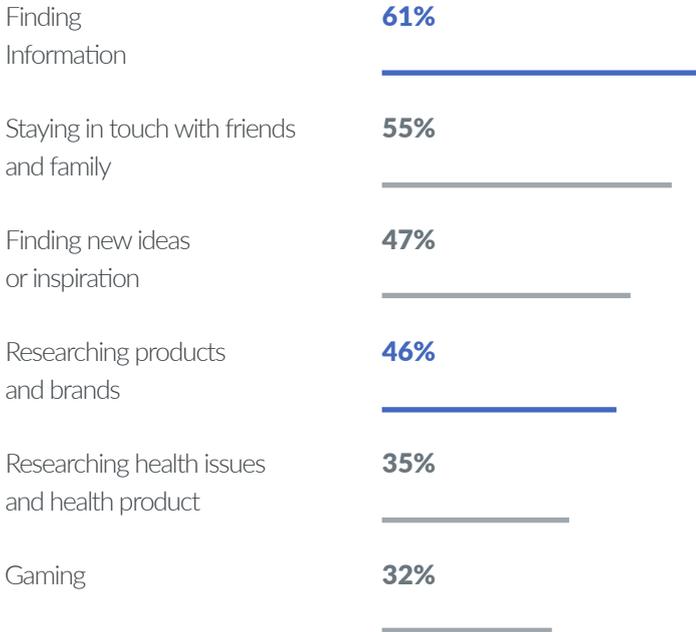
Global President Sales and Marketing at GfK

The role of the online channel transcends the transactional too. Both retail and brand websites now function equally as places where consumers can find out more about a product, its use and how it compares to others on the market, as well as being a place to buy.

²⁹ GfK Consumer Life Global 2021

³⁰ GfK Consumer Life Global 2021

Internet Usage



Impact for Retail

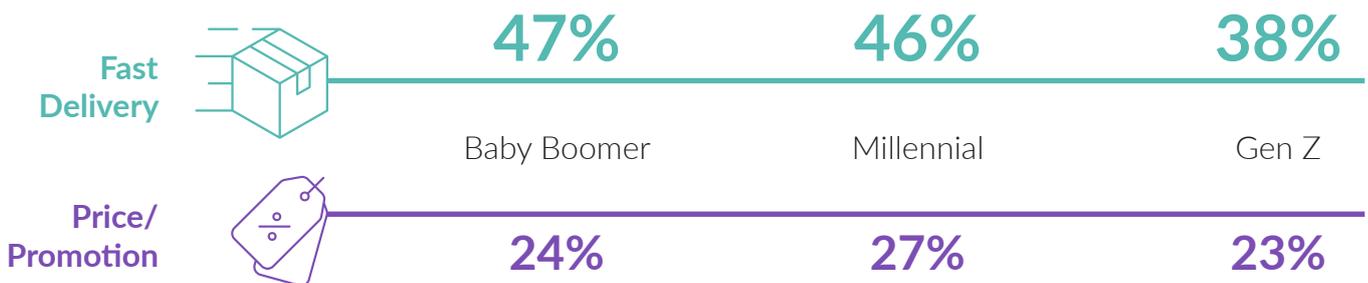


By checking into cross-channel data more regularly, the C-suite at brands and retailers can develop a far more nuanced understanding of changing needs, including how these can vary significantly between different demographics.

This approach requires a greater level of collaboration on insight between brands and retailers. But the pay-off for both is optimizing convenience for their shared end-consumers, ensuring the right touchpoints, at the right moments, are available.

Source: gfknewron Consumer Period Jan-Jun 2021 Product categories, www.gwi.com

Generational Differences in Reason for Choosing Retailer



JOIN THE DOTS FOR YOUR CONNECTED CONSUMERS

The last 12 months has seen strong demand for connected, multifunctional devices that empower consumers by saving them time, providing them with greater value and richer insights on their personal performance and productivity.

This is a key opportunity for brands and retailers, with two key strands: wearable health and multi-functionality.

WEARABLE HEALTH

Staying in good mental and physical shape is “extremely important” to two thirds of consumers.³¹

This has created strong demand for tech-enabled devices that equip users with feedback on a raft of health-related metrics, from quality of sleep and number of steps, to blood sugar levels and calories burned.

The wearables category has seen strong growth as a result in both distribution and retail markets. In Western Europe, distributor sales surged in demand in the first nine weeks in 2022 by 11% while revenue grew by 15%.³²

³¹ GfK Consumer Life Global; importance of health and fitness - percentage of people in the top two categories for health and fitness

³² GfK Market Intelligence: Supply chain, Western Europe, core wearables, CW1-9/2022, sales units, sales value EUR excluding VAT

Category Growth in Core Wearables



Health tracker and personal diagnostics, already an emerging trend before Covid-19, have seen significant growth off the back of this increased interest, with monitors that analyze sleep, blood pressure and blood-oxygen levels achieving at least double-digit growth from 2020 to 2021.³³

By spotting this trend and pivoting into health, technology brands have successfully secured market share, representing 86% of total sales value in wearables, compared to 14% by health and sports brands.³⁴

Leadership teams should therefore aim to build on this credibility and capitalize further on demand. Connected devices, for example, are an emerging area of interest that allow users to tap into the internet of things via wearables connected to a

range of other household devices, from scales to mattresses or sports equipment.

For brands that span multiple devices, it could create the opportunity to boost shopping baskets by cross-selling connected devices. It's a strategy some brands are already adopting. Of the top 10 selling brands in wireless connected scales, for example, six also sell wearables under the same brand name.³⁵ For retailers too, it creates the chance to upsell and cross-sell, present different technologies as part of the same ecosystem and even position connected devices as promotional bundles.

³³ GfK Market Intelligence, global data, sales value USD (NSP) percentage, Panelmarket

³⁴ GfK Market Intelligence: Sales tracking

³⁵ GfK Market Intelligence, EU10, Panelmarket

Growing Features in Wearables



Source: GfK Market Intelligence, global data, sales value USD (NSP) percentage



SECURE FIRST MOVER ADVANTAGE IN WEARABLES

Globally, comparing sales of Smartphones with Wearables we can see that there is still a lot of space to grow before each smartphone is connected to a Smartwatch or Health and Fitness tracker. However, this lower baseline coupled with rapidly rising consumer interest creates ripe conditions for significant gains in the year ahead.

This first-time purchase behavior also creates significant opportunities for both brands and retailers to secure market share at a fluid time in the category's growth. So long as they can give consumers what they're looking for.

"The focus is changing around these devices from simply having one to be considered a 'leading tech consumer' to devices that really create value in consumers' everyday lives," says Jan Lorbach, Senior Global Strategic Insights Manager at GfK. This means intuitive and accessible devices, coupled with clear communications.

IT'S TIME TO GET (MULTI)FUNCTIONAL

Products that satisfy multiple use-cases are another key area of growth. The extent of this trend varies regionally, with disposable income and household space as key variables. But the traditional borders between product categories are blurring. In some cases, this trend is even pushing up the value positioning of key products.

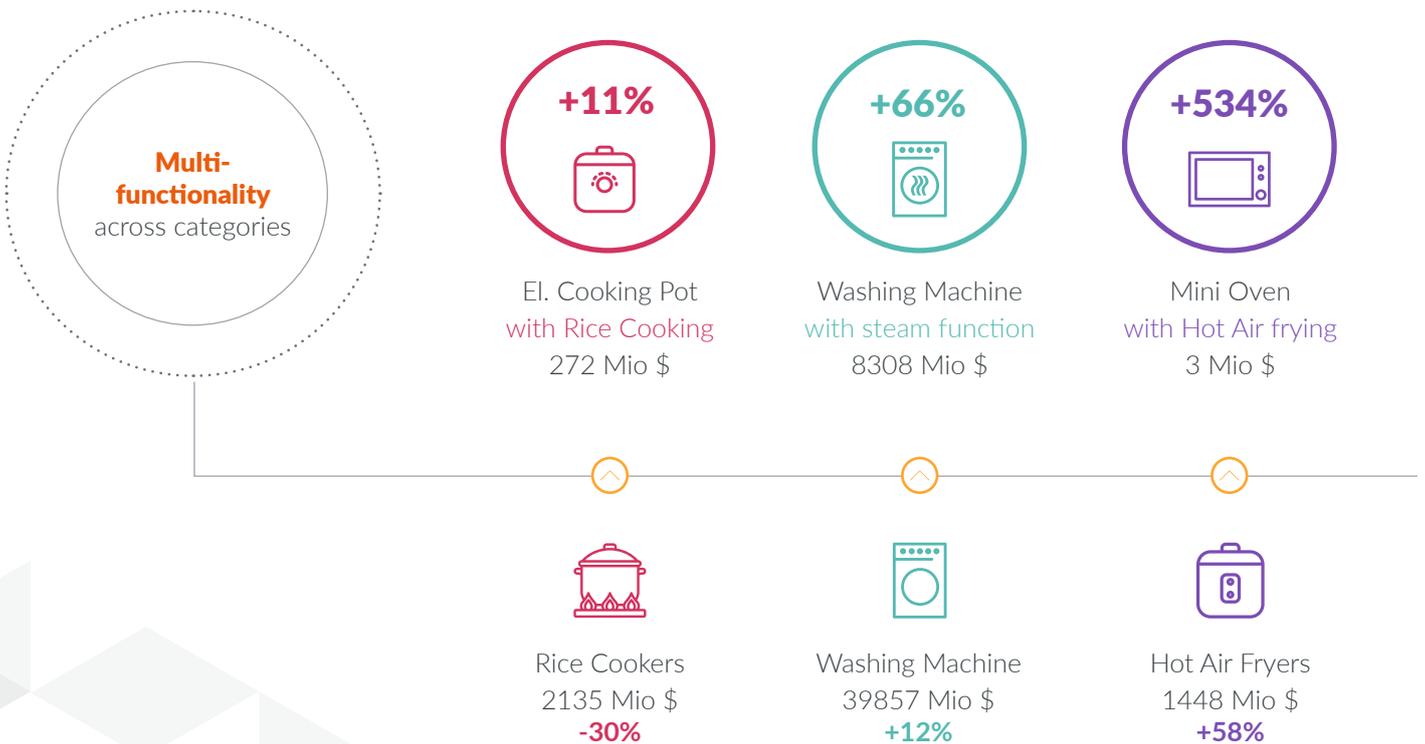
Mini ovens, traditionally seen as low-tier products, have been elevated to a more premium price point thanks to the addition of integrated hot-air frying and humidifying steam. As such, these products have seen an astronomical growth in sales of 534% and more than 1,000% respectively.

Meanwhile, simple air fryers have grown by 58% to 1448 Mio US \$. Similarly, mini ovens because

of new multifunctional features like hot air frying functions is now being sold at a premium price points and Mini Oven's with Hot Air frying have grown by 534% whereas simple rice cookers have actually shrunk by 30%.

³⁶ GfK Market Intelligence: Sales tracking January to December 2021

Growing Sales of Multifunctional Products



Source: GfK Market Intelligence Sales Tracking
Period : Jan-Dec 2021

This opportunity to add value via multifunctional devices is particularly strong in home cooking and cleaning. The temporary closure of foodservice outlets throughout the pandemic forced locked-down consumers to spend not only more time at home, but more time cooking.

Those technology and durables products that meet the connected needs of health and convenience in this space are cutting through. Such as the growth in air fryers.²²

This applies when it comes to upgrading or replacing home cleaning products too. The growth in robotic vacuum cleaners with docking stations (207%)³⁷ significantly outperformed the broader

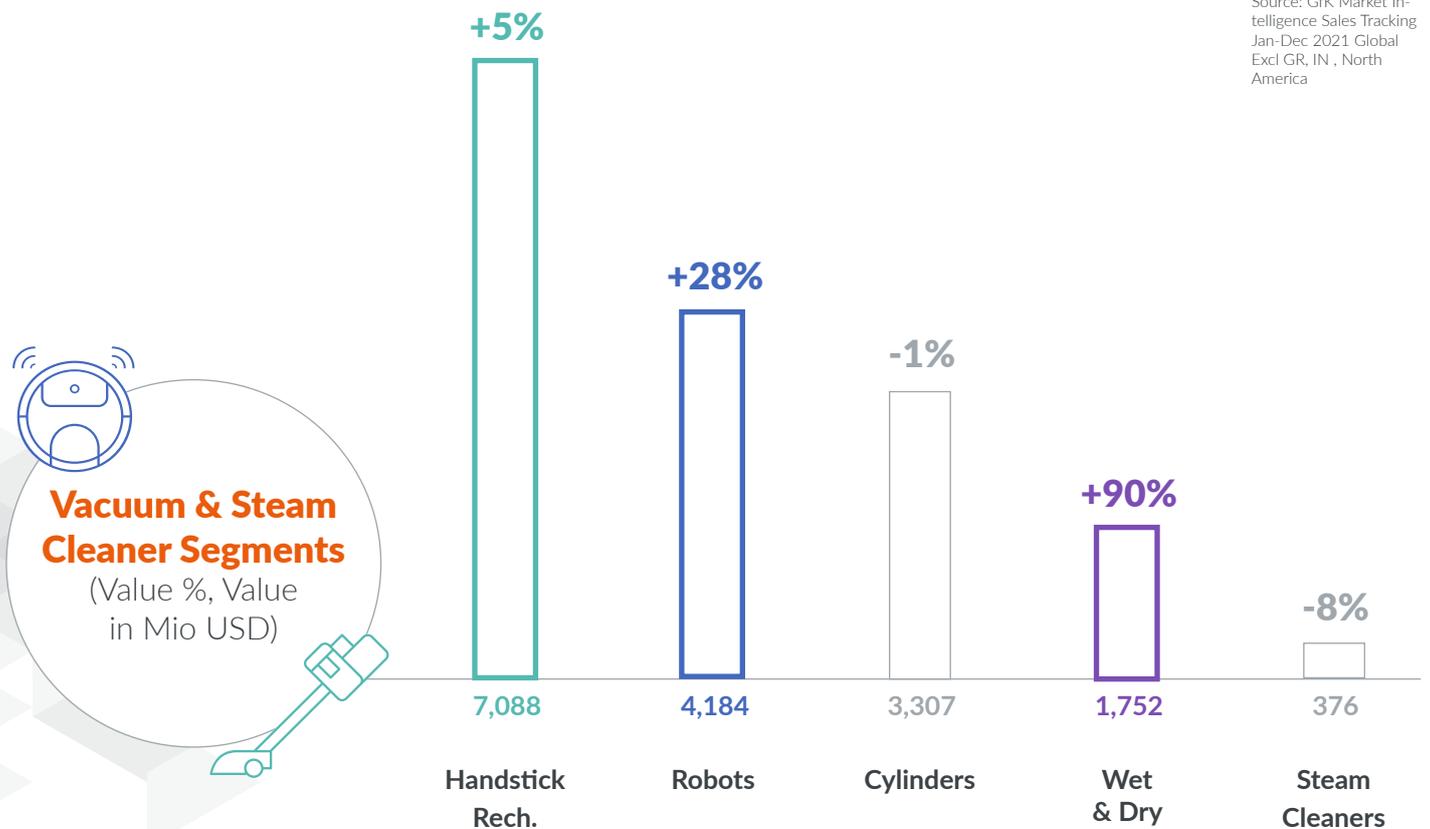
category (+14%). In fact, previously more of an add-on purchase, robots are now a challenger to handstick segments in vacuum cleaners.³⁸

The key theme for business decision-makers to take note of here is the ability to add value by giving end-consumers greater convenience. Consumers are willing to pay a premium for devices that afford them greater time and space, be that through carrying out two tasks at once via a single device or responding to two needs, such as cooking and health.

³⁷ GfK Consumer Life 2020, GfK Market Intelligence: Sales tracking, international coverage excluding North America, growth in USD, January to December 2021

³⁸ GfK Market Intelligence: Sales tracking, January to December 2021, global excluding Greece, India and North America

Vacuum & Steam Cleaner Segments Value Share





UPGRADE OPPORTUNITY

Consider how to appeal to those consumers looking to upgrade after their initial purchase in a category, such as wearables or automated devices, like robotic vacuum cleaners. In many cases, consumers may have picked up their initial device as an exploratory purchase and hence revealed a low willingness to pay a high price.

Now having been convinced of the use-case, they're seeking to trade up, with a growing share of people now upgrading and exchanging a working product rather than exchanging a faulty one. In categories such as wearables, dishwashers or vacuum cleaners, there is an opportunity to build on existing penetration, says GfK's market expert Norbert Herzog. "There are devices for which there's less opportunity to grow penetration, such as smartphones or refrigerators," he says, "but in vacuum cleaners, for instance, more and more consumers tend to have two or three now, with a handstick and a robotic one in addition or replacing the traditional vacuum cleaner. That creates significant opportunities for 2022 and beyond."

GET TO KNOW YOUR POST-PANDEMIC CONSUMER

The pandemic, and its seismic impact on how consumers lived, worked and shopped, dramatically shook up traditional consumer categorization. That disruption isn't about to disappear as the serious effects of Covid-19 wane. For the C-suite at consumer technology and durables companies, it could mean increased scrutiny and updating of consumer segmentation and modeling activities.

"Now that we're in recovery or the next wave of the pandemic, consumers are finding a new balance between home and work, for instance," says Eric Wagatha, Head of GfK's Consumer Life, North America.

"That means there are new packages of opportunities based on an individual's work and home-life circumstances. This is complex and can look very different even between two next-door neighbors because of their different working arrangements. People who may have fallen within the same targeting bracket previously now have completely different needs."

So now is the time to develop rich and granular personas, and consider how the portfolio of needs around technology at home, at work and on the move has evolved. Brands should use this insight to create messaging and product positioning that is

more closely tailored to these needs. For retailers, think about creating promotions and merchandising that more accurately reflect these different tranches of consumer needs. In short, develop a greater sense of personalization in your communications. It's important here, as with channels, not to think in silos. "The savviest brands will look at lifestyle as a platform for solutions," says Madalina Carstea, Head of Global Sales, Brand and Marketing Intelligence at GfK.

"Brands need to consider how they're fitting into a consumer's life. This means complete integration of tech, lifestyle, behavior, and solutions. Tech and durables companies need to approach all this in a more holistic way."

Madalina Carstea,
Head of Global Sales, Brand and
Marketing Intelligence at GfK.

Fully understanding how consumer behavior will evolve post-Covid is still to come. Meanwhile, on-going use of data and insight can help with fleshing out shifting consumer segments.

BUILD BOLD BRAND IDENTITIES

The consumer technology and durables sector can lag behind when it comes to creating standout brand identities.

“There isn't always the level of sophistication you might see in adjacent sectors, nor the same level of investment in branding.”

Gonzalo Garcia Villanueva,
Global Chief Marketing Officer at GfK

“There are those brands that are the exceptions, that make significant investment in this space, and are incredibly thoughtful from branding to how they build promotions and take advantage of peak seasons. And they'll use a lot of data to do so.”

This is partly because higher ticket household devices are less likely to be driven by emotions or impulse, in contrast to, say, food and drink brands. As a result, manufacturers have typically focused on function, price and quality above all else.

But with volume demand in decline and supply chain disruption driving up costs, it's time for leadership teams to reconsider the value of brand identity as a mechanism for premiumization.

This is particularly pertinent given it's not only the functions and features on a device that will cement premium positioning. That suggests it is also the broader customer experience and perception of a brand ethos that count.

In fact, when asked their top five reasons for choosing premium brands, consumers said it was because it was...³⁹

- a brand they loved
- a brand they deemed trustworthy
- offered good value for money
- worth paying more for
- a joy to use

Largely speaking these purchase drivers didn't alter much between high and low revenue premium brands, with the exception that high revenue premium brands were considered worth paying more for at a much higher rate. Value for money was also considered less important than a brand being a joy to use.

Significantly for both high and low revenue premium brands the attributes of being a "brand I love" and being 'trustworthy' were consistently listed as two of the top three key purchase drivers. Again, this suggests that brand perception and association should be of utmost importance for premium brands.

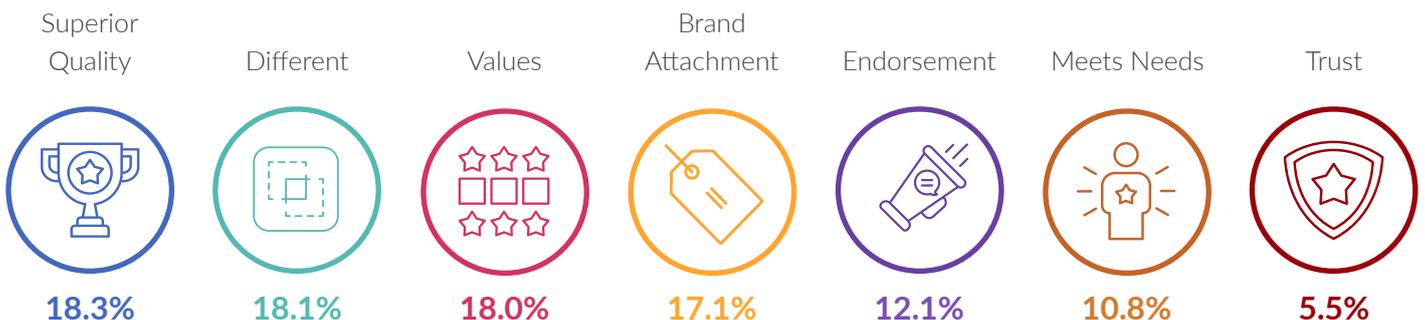
Indeed with a strong brand at the core of a product, consumers are...

- less likely to prioritize price when choosing an item or a retailer
- likely to spend more than anticipated.

³⁹ Data from gfknewron Predict 2022

Drivers of brand premium

Source: GfK Brand Architect



Being bold and outspoken, while retaining mass-market appeal, is by no means easy, but there are steps both brands and retailers can take to start the process:

CREATE CLARITY OF VISION

Create a brand identity that transcends individual products and acts instead as a consistent thread running through your portfolio. This requires C-suite leaders to collaborate on a clear, shared vision for the brand, forged at the top before being filtered through departments.

“In order to create a coherent brand vision, it’s vital to foster cross-functional collaboration and alignment between product, brand and sales. This is the key for sustainable success.”

Jutta Langer,

Vice President Consulting at GfK

DON'T SHY AWAY...

For challenger brands in particular, a bold brand voice that cuts through blandness and resonates with a clearly defined target consumer base can help secure a foothold in a fiercely competitive market. This could include a clear stance on issues that resonate with your target consumers, such as environmental and social sustainability.

... BUT STRIKE THE RIGHT BALANCE

In categories where repeat purchases are infrequent, such as major domestic appliances, mass-market appeal can be important to sustain volume. Go too bold and you can narrow your appeal too much. This is a balancing act that requires careful consideration by leadership teams, taking into account the diversity of portfolio, the level of repeat purchases and opportunity for premiumization.

INVEST IN THE RIGHT MATERIALS

Ensure that any library of shared brand assets – logos, imagery, color palates and style guides – all consistently reflect the brand “voice”. This helps ensure an identity is reflected across all communication channels, with greater ease, rather than in piecemeal fashion. This requires upfront investment, but can hugely support optimizing an omnichannel approach.



For both manufacturers and retailers the benefit of a bold brand identity can pay dividends with consumer perceptions and their willingness to engage with a product or store.

BECOME A FIRST MOVER ON SUSTAINABILITY

In consumer technology and durables, sustainability is well and truly up for grabs. As yet, few providers have landed a clear brand positioning focused on either environmental or social sustainability with consumers. That's despite a compelling commercial case for doing so.

Those manufacturers and retailers that take the lead will be rewarded with first-mover advantages.

They will:

- solidify their position as an ethical and sustainable brand in the minds of consumers
- be able to elevate products to a more premium tier
- gain the upper ground on an issue that will become a non-negotiable element of doing business in the years to come.

“Eventually, the moment will come when authorities, the media and consumers force manufacturers to take a serious look at their sustainability.”

Gonzalo Garcia Villanueva,
Global Chief Marketing Officer at GfK

“They will have to look at the whole supply chain, and this is coming at a very fast pace. The sooner you start that journey the better because in three to four years it's going to require a much bigger investment,” says GfK's Villanueva.

Here are some important considerations for C-suite leaders when going green:

INTEGRATE SUSTAINABILITY INTO YOUR DNA

It is not enough to install a single eco-friendly tool or function into a product. Nor is it enough to make isolated commitments on, say, carbon emissions. Sustainability should be treated as a narrative that weaves through the broader DNA of a product or brand. For brands that are new to

market, this is more easily achieved with price and brand messaging constructed around green credentials when it is first introduced to consumers. For established brands, it will be more challenging and require a level of openness and transparency with consumers on progress.

PRIORITIZE CREDIBILITY, OR FALL FOUL OF GREENWASHING

In many global markets, the concept of greenwashing is of growing concern. In taking steps toward more concrete messaging on sustainability, opt for credibility over speed, only flagging green attributes that are clearly substantiated.

TAKE A LONG, HARD LOOK AT YOUR WHOLE VALUE CHAIN

In adjacent sectors, such as grocery and fast-moving consumer goods, there has been a strong shift toward major brands and retailers using their leverage to affect change across the whole supply chain. Where possible, consumer technology and durables brands should consider their own value chain in the same holistic way.

CRAFT A SUSTAINABILITY-PLUS MESSAGE

Avoid sustainability messaging that sits in isolation of the wider ethos of a product. In consumer technology and durables, for example, there are clear connections between the quality and longevity of a device, and sustainability, with a longer life reducing the need for repair and replacement, and therefore the associated manufacturing and carbon costs of a new device.

5 KEY STRATEGIES FOR THE YEAR AHEAD

1

FUEL PREMIUMIZATION TO BOLSTER MARGIN AND BRAND LOYALTY

With volume demand in decline, premiumization is a key trend that brands and retailers can leverage to elevate price points. Key to this will be investing in stronger, bolder brand identities that go beyond functionality to create emotional connections with consumers.

2

BUILD DATA RICH CONSUMER PERSONAS THAT REFLECT THE 'NEW NORMAL'

Though the pandemic has shifted to an endemic phase in the majority of global markets, that doesn't mean its impact on consumer behavior, values and priorities will disappear. Now is the time for brands and retailers to rethink customer segmentation, creating consumer personas that reflect the reality of demographics in 2022.

3

TARGET THE NEWLY CONNECTED CONSUMER WITH SMART, MULTIFUNCTIONAL DEVICES

Tap into growing demand for devices that reflect newly connected consumers. Create wearables that integrate into the IoT or appliances that deliver multiple functions at once. The key is to add value by empowering end consumers with brand new use cases.

4

CREATE SEAMLESS CUSTOMER JOURNEYS - WHEREVER THEY ARE

The pandemic accelerated the migration to online channels in consumer technology and durables creating new valuable insights on consumer behavior. But neither brands nor retailers should consider any channel in isolation. Instead adopt holistic, omnichannel strategies that create a seamless purchase journey for end consumers, wherever they choose to shop.

5

STRIKE OUT ON SUSTAINABILITY - AND REAP ALL THE 'FIRST MOVER' REWARDS

The field is wide open when it comes to environmental and social sustainability in consumer tech & durables. By acting ahead of the rest of the market, not only can brands and retailers create a clear differentiation in their brand identity to add value, but they also offset the potential risks going forward of failing to act on these key global issues.

SOURCE DATA

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gfknewron is the unparalleled, always-on platform that radically transforms data-centric decision making and enables teams to gain actionable and connected insights, collaborate effectively, and act at speed to ignite sustainable growth. It is a single access point that combines market, consumer and brand intelligence supercharged with AI-powered recommendations that show you how to shape what happens next.



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