# Harnessing Innovation for Convenience

**Nevin Francis** 

**Director, Global Strategic Insights Team** May 2024





# TCG market environment

#### **Macroeconomics**

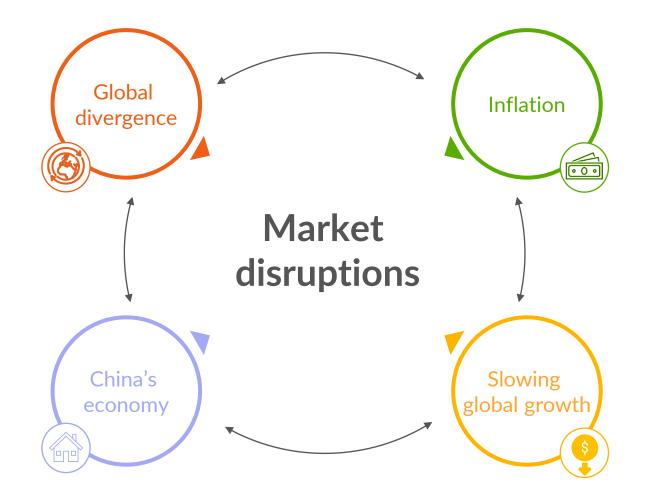
### (Smart) product portfolio

How to create a consumer pull?

**AloT opportunities?** 



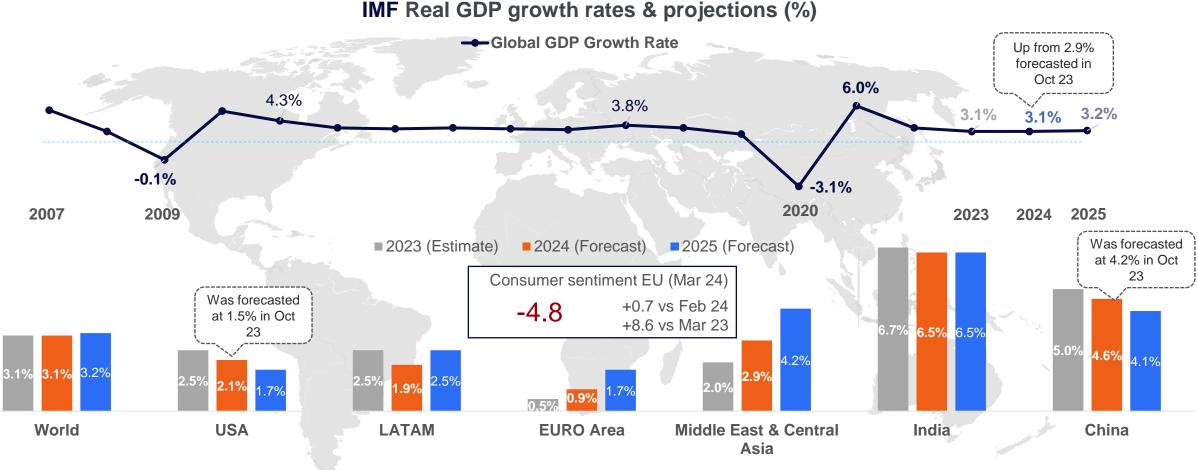
#### Despite economic resilience, challenges remain





#### **Global divergences – most growth expected from emerging economies**

USA & China forecast for 2024 revised upwards while Euro, LATAM and MEA downgraded



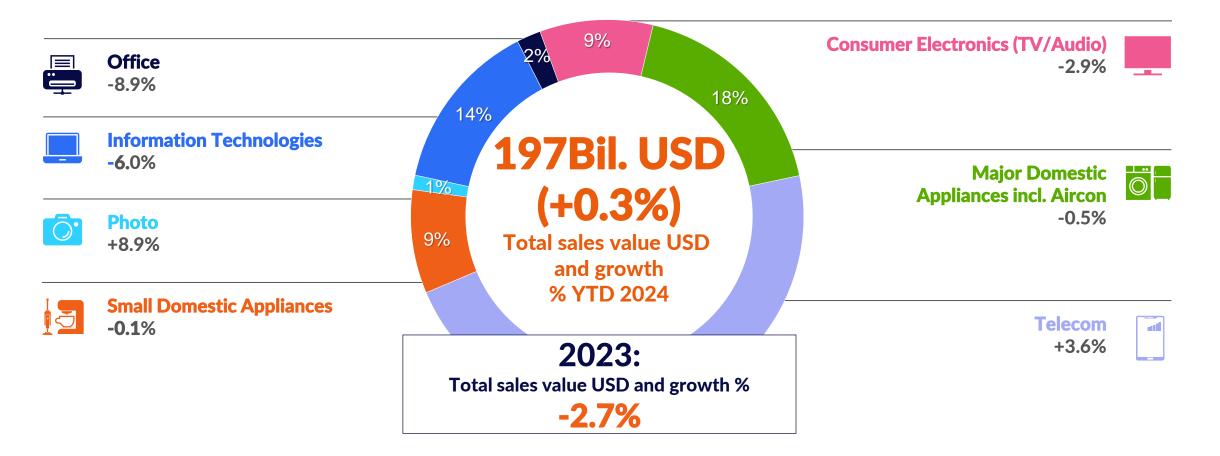




Source: Real GDP growth annual % change IMF Data Mapper| January 2024 [\_EU Area: AT, BE, CY, DE, EE, ES, FI, FR, GR, IR, IT, LT, LV, LUX, Malta, NL, PT, SK, SI 2024 Nielsen Consumer LLC. All Rights Reserved. Middle East & Central Asia: belt from Mauretania to Kazakhstan, incl. North Africa, Somalia, Georgia, Pakistan World Economic Outlook - Interim Update (January 2023) - Real GDP growth (imf.org)

#### Turnaround with growth for the first two months of 2024

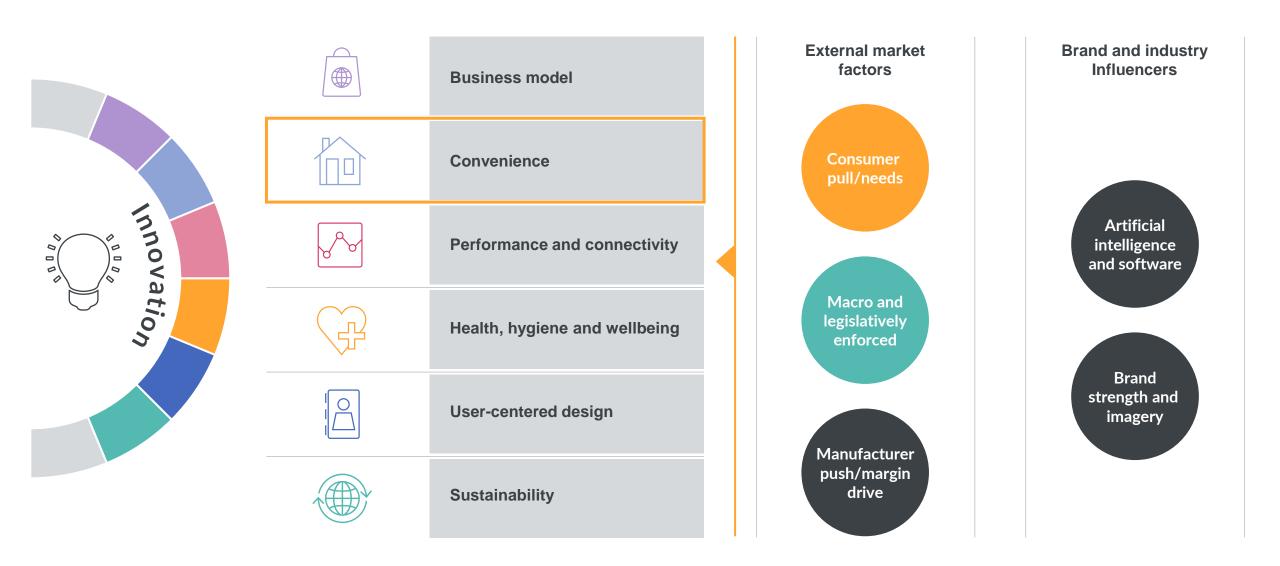
Sales Value USD (NSP) in % / growth rate YoY in % | B2C Retailer Market | Year To Date: Jan – Mar 2024





Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), Sales revenue growth 2023 vs 2022 CE includes Multifunctional Technical Devices and SDA includes Personal Diagnostics Global TCG Trends Report Q4 2023 – Global Strategic Insights

#### **GfK's Innovation Framework for Tech & Durables**





Source: Conceptualized by market experts of Global Strategic Insights Team @GfK. This is conceptualized by looking at some of the key categories across all key TCG and H&L sectors. How is it different from trends and themes: There will some level of overlap as some trend manifest as drivers of innovation. But innovation is at a more basic level at an execution or implementation level versus a trend which is more broad

Impact and opportunities for the smart home market

**Macroeconomics** 

#### (Smart) product portfolio

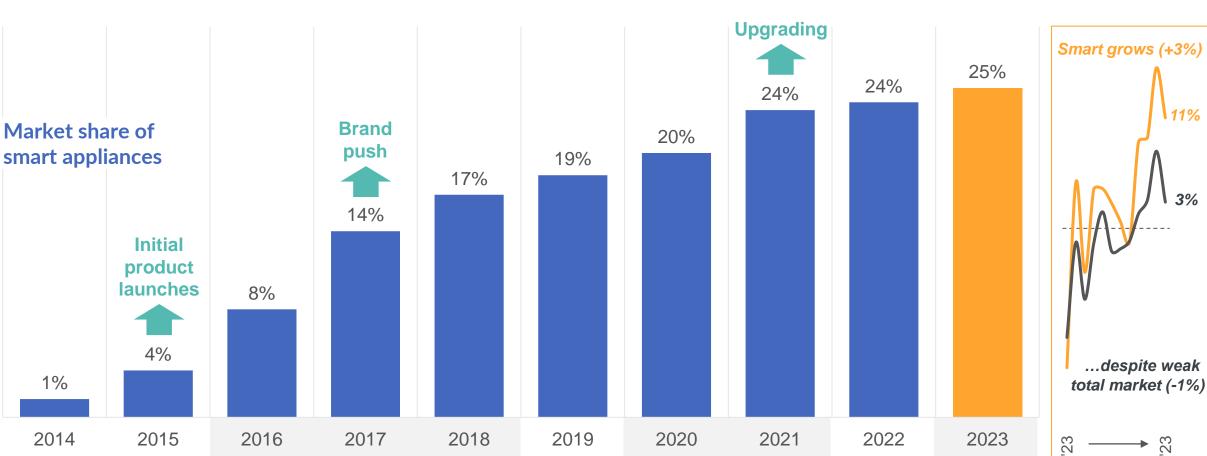
How to create a consumer pull

**AloT opportunities?** 



#### Home appliances market has seen multiple major pushes of smart appliances

Resulting in every fourth dollar spent on connected appliances



**COVID-19** push

Global (ex. North America) | Home Appliances (MDA/SDA) | Share % and growth rate +/-% of smart appliances

NIQ GIK

"Connectivity"



"Smart"

 $\ensuremath{\textcircled{\sc 0}}$  2024 Nielsen Consumer LLC. All Rights Reserved.

"Smart

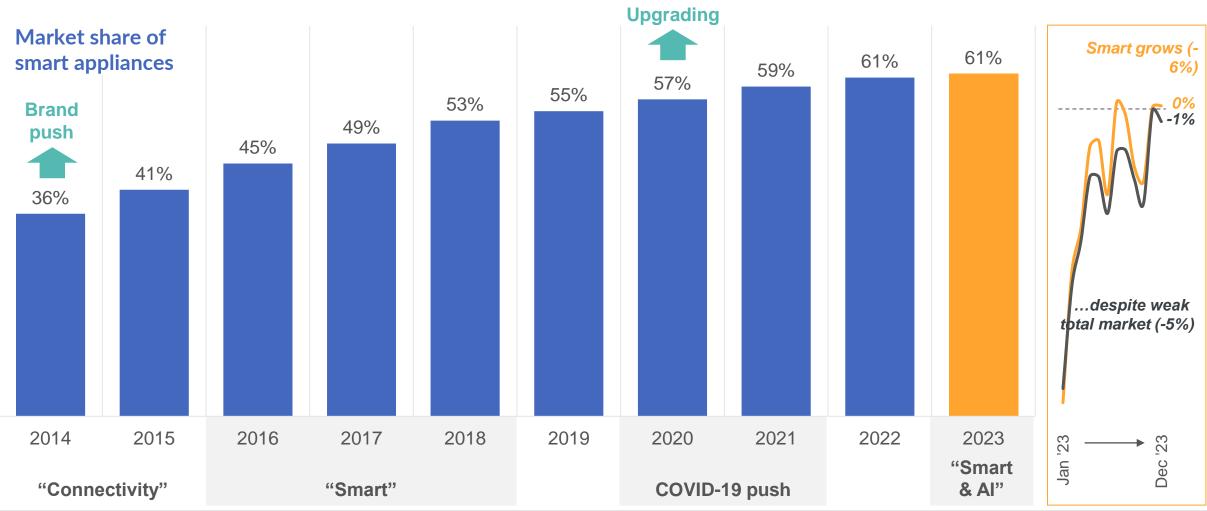
& Al"

Jan

Dec

## **Digital smart categories matured earlier than smart appliances**

Share of smart is quite high due to over skewing of Televisions and Audio categories



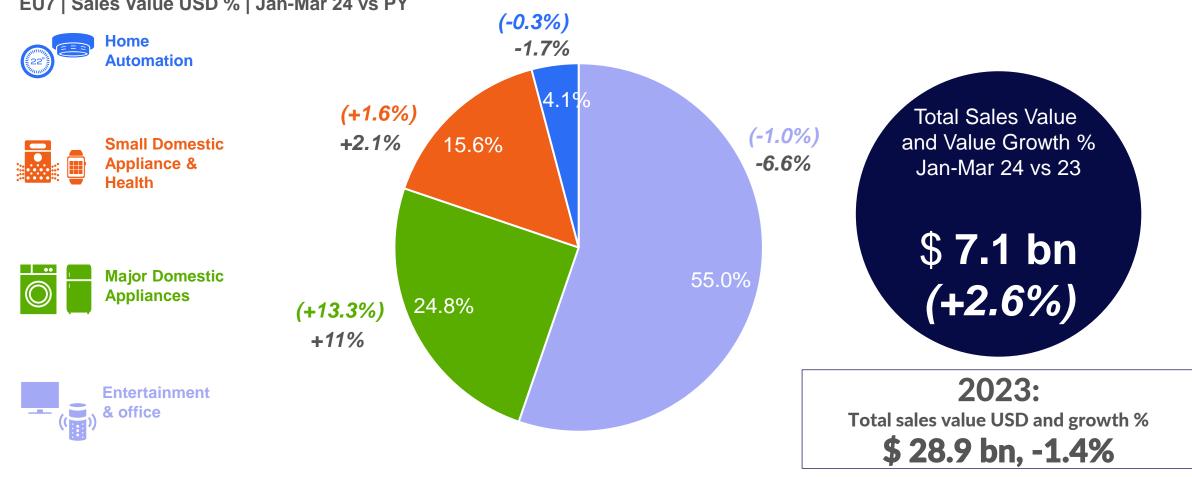
Global (ex. North America) | Digital Categories\* | Share % and growth rate +/-% of smart appliances



Source: GfK Market Intelligence | Sales Tracking, International Coverage (ex. North America) Digital Categories = RPGs Gaming & Leisure Devices, Digital Cameras, Monitors, Printers, Camcorder, AHS Excl. Home Theater, Soundbar/base, PTV, Headphones & Mobile Headsets, Bluetooth Speakers

#### Smart Home adoption is facing a deceleration in-line with market deceleration

However smart features and connectivity features are still one of the best levers for product premiumization if the product has the right use cases especially for home appliances







Source: GfK Market Intelligence: Sales Tracking, EU7 coverage, USD Value & growth 2023 vs 2022, Countries: DE, IT, GB, ES, NL, BE, FR Measure. Control. Act : Smart Home Dynamics 2023-NF

Consumers' ask for simplification and convenience resonates with smart appliance promises

**51%** agree

"I am always looking for ways to simplify my life"

All time high reached in the COVID-19-year 2020

19%

pts from 2015

Who is my consumer and the relevance of key usecase

**Macroeconomics** 

(Smart) product portfolio

How to create a consumer pull

**AloT opportunities?** 



#### Who is the "buyer" of smart product?

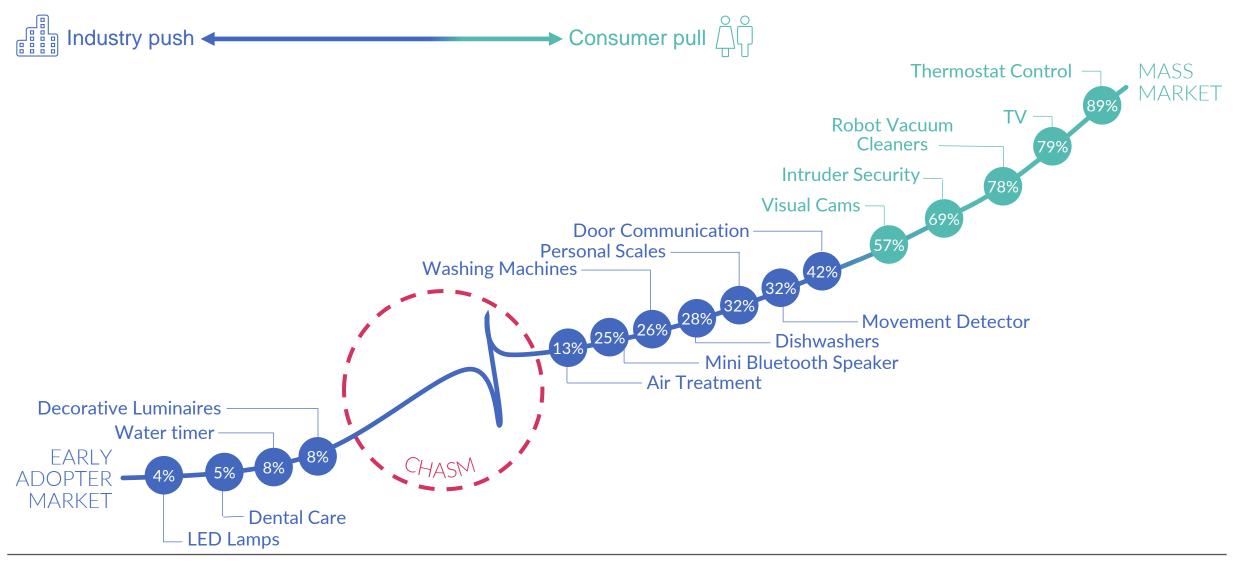
	TVs	Vacuum Cleaners	Washing Machines	Wearables
SMART	<ul> <li>High Income: 30%</li> </ul>	High Income: 43%	High Income: 49%	High Income: 44%
TOTAL MARKET	<ul> <li>High Income: 32%</li> </ul>	High Income: 30%	• High Income: 29%	• High Income: 37%
	TVs	Vacuum Cleaners	Washing Machines	Wearables
SMART	<ul> <li>Millenial: 31%</li> </ul>	<ul> <li>Millenial: 40%</li> </ul>	<ul> <li>Generation X: 39%</li> </ul>	<ul> <li>Millenial: 40%</li> </ul>
TOTAL MARKET	<ul> <li>Millenial: 30%</li> </ul>	<ul> <li>Baby Boomers: 29%</li> </ul>	<ul> <li>Millenial: 31%</li> </ul>	<ul> <li>Millenial: 34%</li> </ul>



Source: Time Frame:Last four quarters (Jan 23 - Dec 23)| Country:Austria, Belgium, Brazil, France, Germany, Great Britain, Greece, India, Italy, Japan, Netherlands, Roland, Nielsen Consumer LLC. All Rights Reserved. Portugal, Spain, Turkey, Switzerland| Product Group:TV, Vacuum Cleaner, Washing Machines, Wearables

#### Relevant use cases are key to achieve mass market adoption

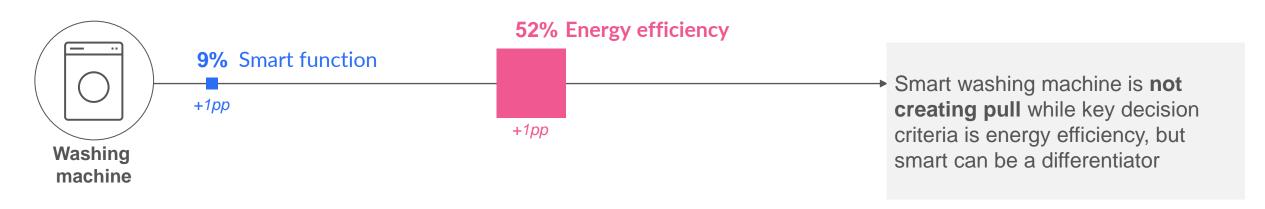
EU14 countries | Sales Units % | Jan-Dec 2023





#### Smart use case is key to enable consumer pull

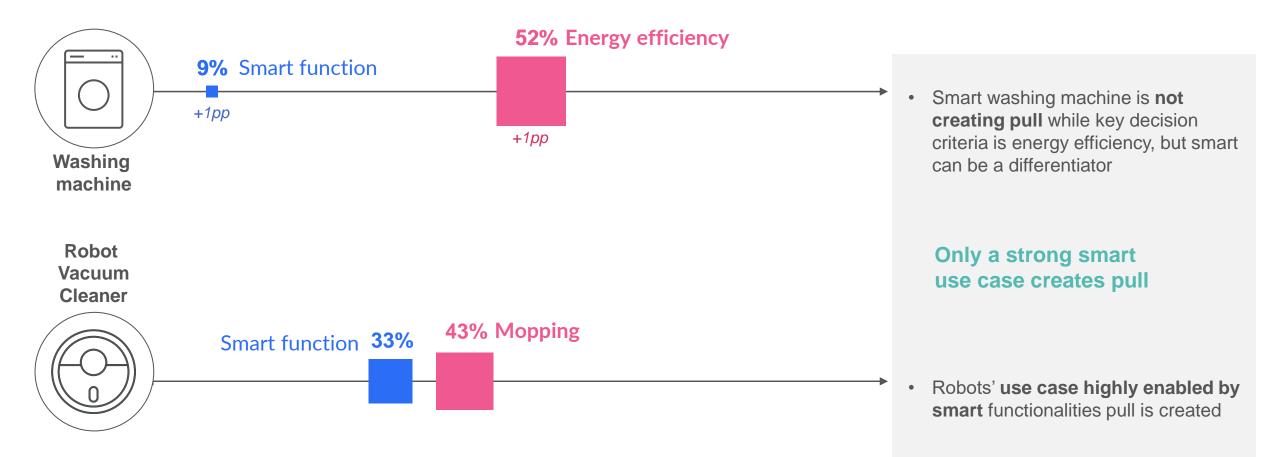
Most important product features during purchase (~30.000 interviews) | Q3 2023





#### Smart use case is key to enable consumer pull

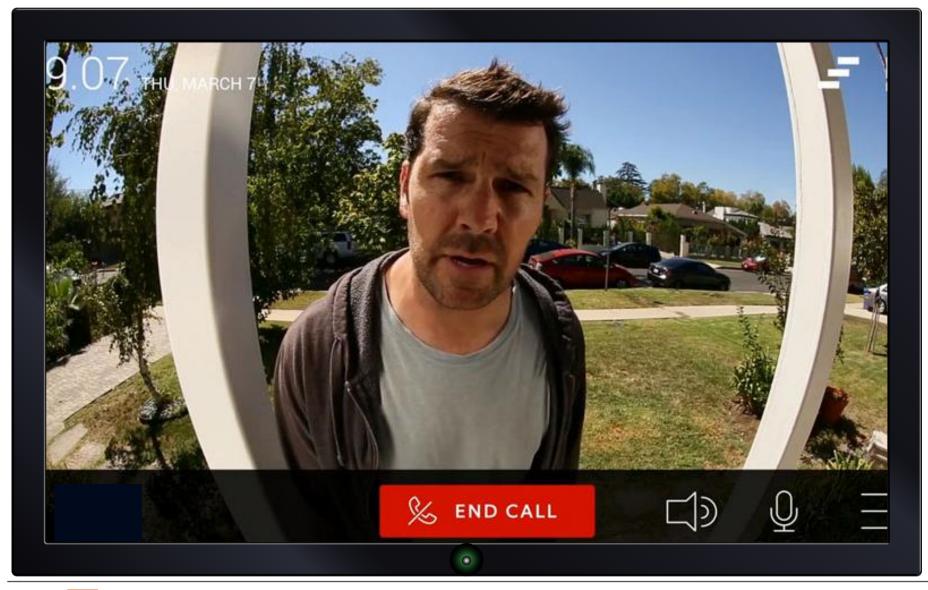
Most important product features during purchase (~30.000 interviews) | Q3 2023





Source: gfknewron Consumer | Countries: Belgium, Brazil, France, Germany, Great Britain, India, Italy, Japan, Netherlands, Russian Federation, Spain | Washing machines; most important product features when purchasing a product

What can you already do with your Smart TV that creates this consumer pull?

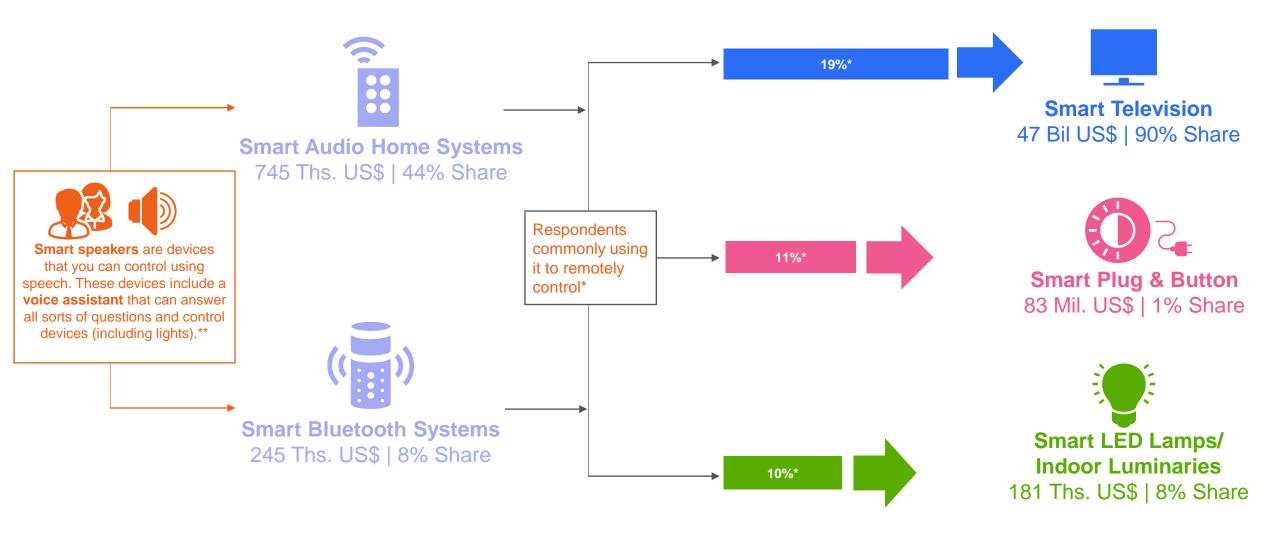


Smart Hub: Transmitting information and messages from other connected devices



#### What are the conveniences offered by smart speakers?

Our studies shows most common usage is to remotely control televisions, lighting and power sources

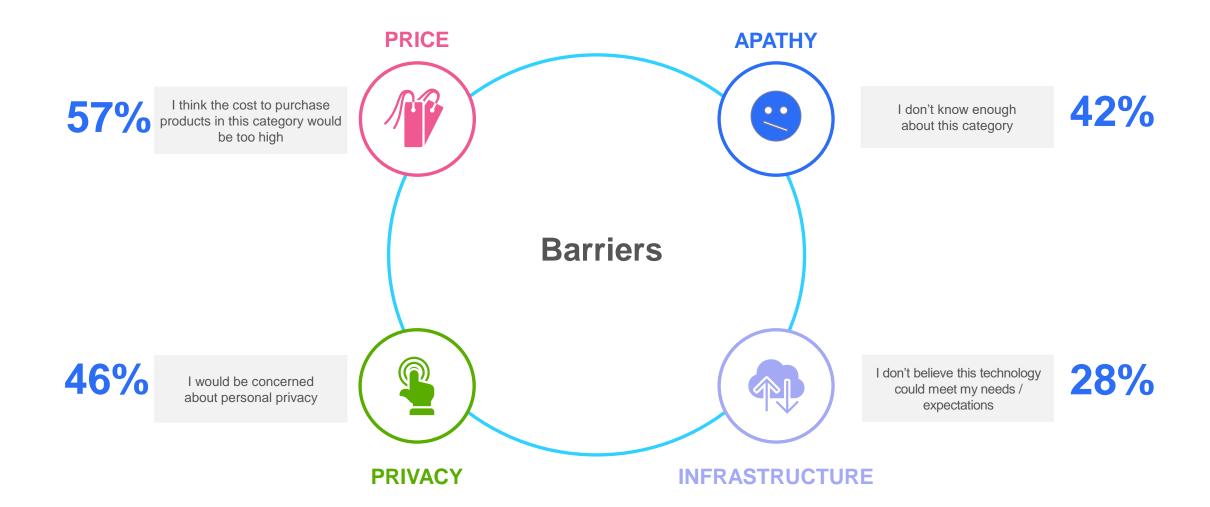




Source: GfK Market Intelligence Sales Tracking Period: Jan-Dec 2023, Smart Television/Smart AHS, Smart Bluetooth Speaker is not just smart connect = App & Voice control. We have some type of Operating AI. Smart Bluetooth is RPG Bluetooth Speaker, Smart Plug and button share is calculated on total smart communication devices \*Smart Speaker owners most commonly use their device control their Smart Plug 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

#### **Barriers to smart home adoption**

...lead by price, privacy and security concerns, but lack of understanding also prominent



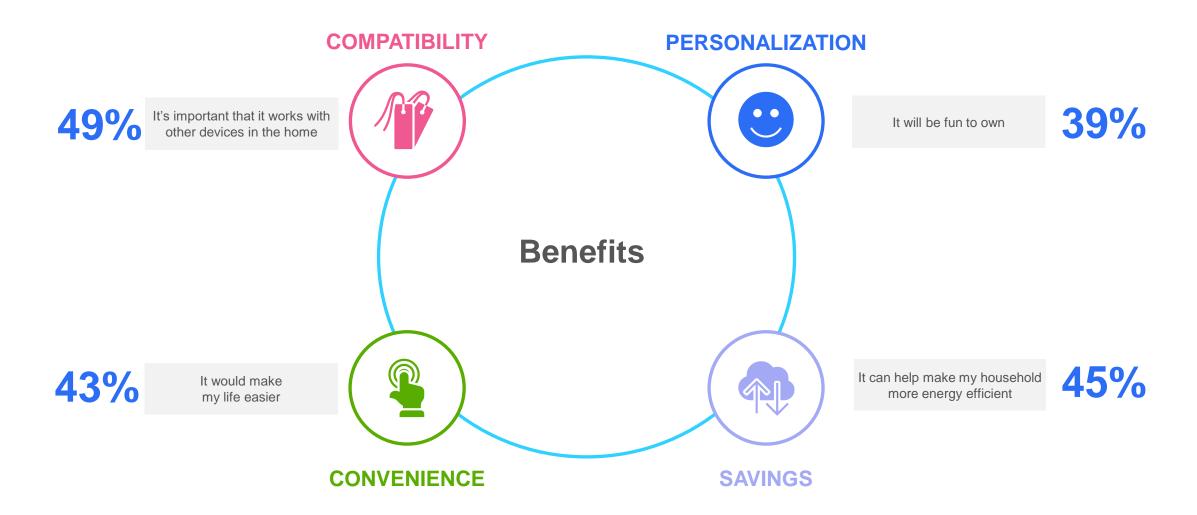


TechUK Connected Home Report 2022:Base: D07. Please use the scale provided to show how much you think each statement applies to smart home technology. Base: All respondents: 1001 in 2022, 1000, 2021 Smart Home Monitor 2022 Netherlands: B05: Suppose you are planning to buy one or more Smart Home solutions. Which criteria will influence your choice?



**Criterion / benefits sought while buying smart home products** 







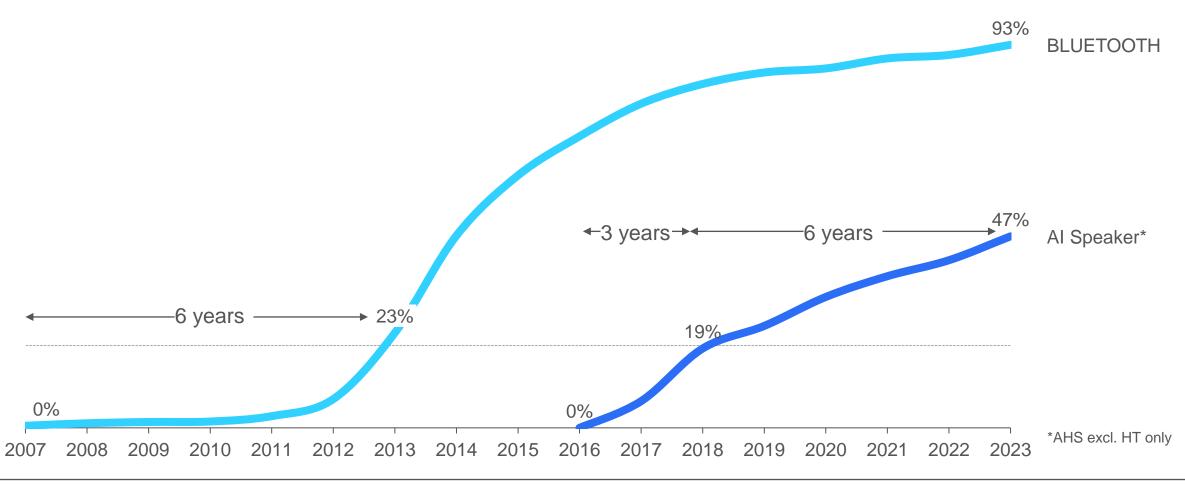
TechUK Connected Home Report 2022:Base: D07. Please use the scale provided to show how much you think each statement applies to smart home technology. Base: All respondents: 1001 in 2022, 1000, 2021 Smart Home Monitor 2022 Netherlands: B05: Suppose you are planning to buy one or more Smart Home solutions. Which criteria will influence your choice?

## Adoption of new technology in audio providing improved use cases

While Bluetooth needed about 6 years to reach 20% of revenues,

AI Speaker clearly gained quicker but then developed rather linear

GfK Panelmarket | AHS excl. Home Theater + Mini/Bluetooth Speaker with Bluetooth and/or Operating AI | Sales Value USD%





# Impact and opportunities of AI on TCG market

**Macroeconomics** 

(Smart) product portfolio

How to create a consumer pull

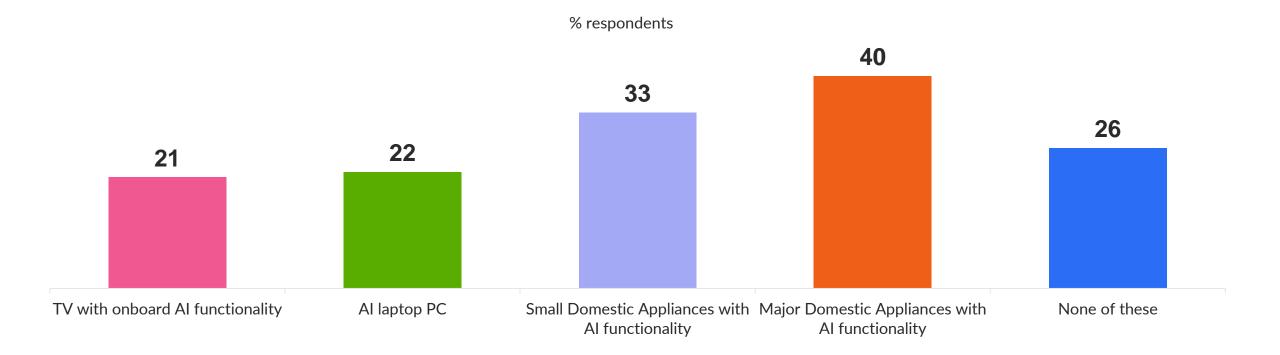
#### **AloT opportunities?**



## Are consumers aware of AI in Tech and Durables categories?

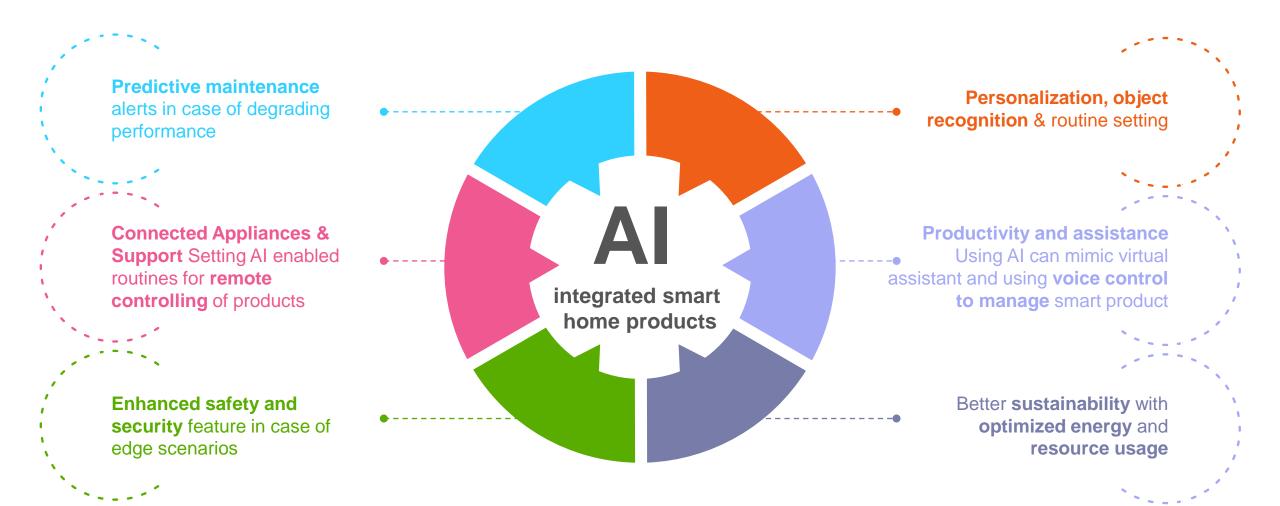
Germany consumer survey

"Have you ever heard about the following?"



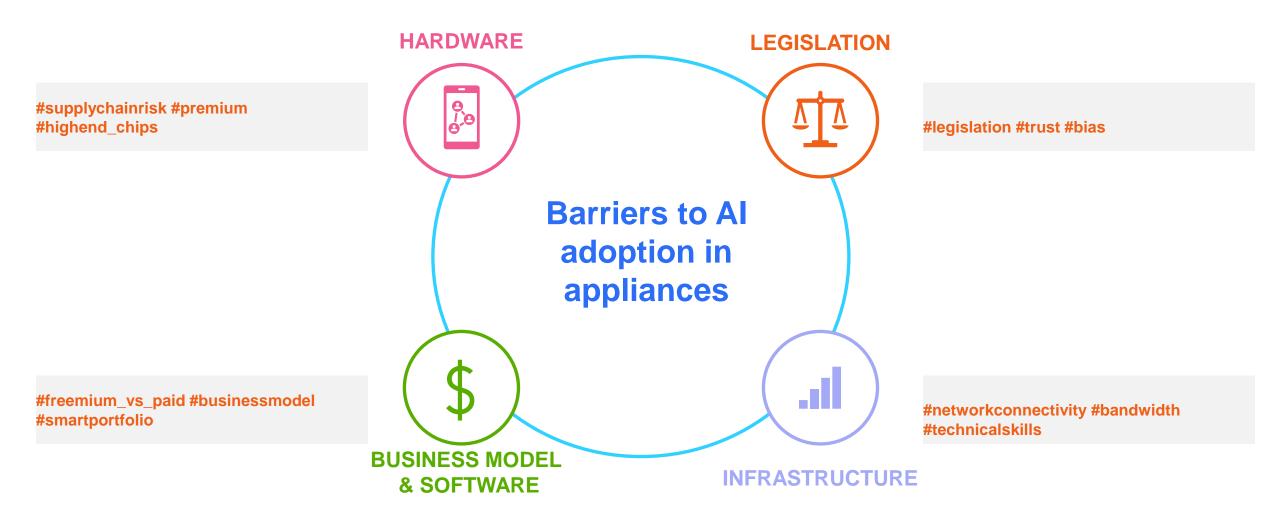


Source: GfK eBus survey – Germany, 2024 CW11, n=1011 Small Domestic Applicances: vacuum cleaners, espresso machines, food preparations, dental care, ... Major Domestic Appliances: refrigerators, washing machines, disch washers, ... Further development of smart home integrating AI opens more opportunities





#### **Barriers for (Gen) Al adoption**





# Al for Retail



© 2024 Nielsen Consumer LLC. All Rights Reserved.

Generative AI is here, and executives expect it to have an enormous impact on business, but most say they are unprepared for immediate adoption.

## How big is the market for Al in retail? > 31bn in 2028

Potential benefits of AI

#### Optimization

Increase of profits and **optimization of processes**, for example by providing support for smart staffing, management of inventory and optimization of product offerings.

#### Sustainability

Al enables further success for sustainability initiatives. Being used for forecasting, Al can improve inventory planning and thus reduce waste.

#### **Customer Experience**

Enriched customer experiences with improved personalization or recommendations and better loyalty programs.

#### Insights

Support to create actionable insights. This might be done by creating demand forecasts, optimizing pricing strategies or tackling supply chain issues by integrating AI.



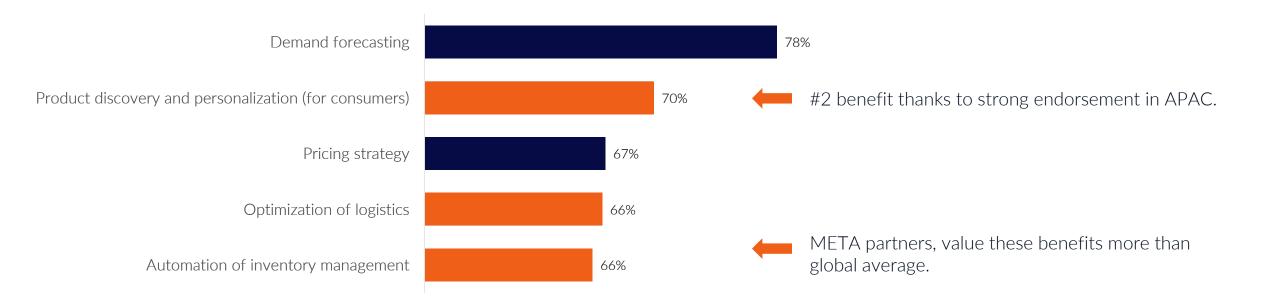
Here's how artificial intelligence can benefit the retail sector | World Economic Forum (weforum.org); Amid Uncertainty, AI Gives Retailers a Path to Resilience (bcg.com); 24 Nielsen Consumer LLC. All Rights Reserved. KPMG Generative AI Survey

## Demand Forecasting seen as most beneficial followed by personalization

Benefits for retailers with strategic focus on AI and ML

482 respondents will strategically focus on Artificial Intelligence (AI) and Machine Learning (ML) in the next 2-3 years

Expected benefits of AI and ML:





#### **Summary**

2

3

**Incremental Innovation:** Smart portfolio is slowly but steadily expanding there's a critical need to iteratively innovate, learn consumers needs and offer products that stand out in features and connectivity to capture this growing market.

**Convenience & Savings:** Consumers prefer products that simplify their routines, saves resources and money. To succeed, brands must focus on ease of use and integration capabilities that enhance daily life, emphasizing convenience in marketing strategies.

**Utilizing AI and its impact:** AI poses challenges like cost and privacy concerns, but it also offers unique personalization and efficiency improvements. Brands need to balance the cost and technology challenges, possibly adopting tiered product features for different market segments.

**Regional Variance:** Varied economic conditions influence consumer spending on tech globally. Understanding regional economic trends can help tailor products and marketing campaigns to specific markets, optimizing sales strategies.

**Outlook & Benefits**: Advancements in AI and IoT are paving the way for more sophisticated smart home products. Offering innovative AIoT products along with applications that offer control and integration, enhances brand reputation and consumer loyalty.



5

# Thank you !

Nevin Francis Director, Global Strategic Insights Team

13/05/2024

