
State of the industry and outlook for 2024

*What manufacturers should
know about this year*

Jan Lorbach
Global Strategic Insights



**How much pressure will consumer
wallets be under in 2024?**



**How will consumers
react to that in 2024?**



**How do you find
pockets of growth?**



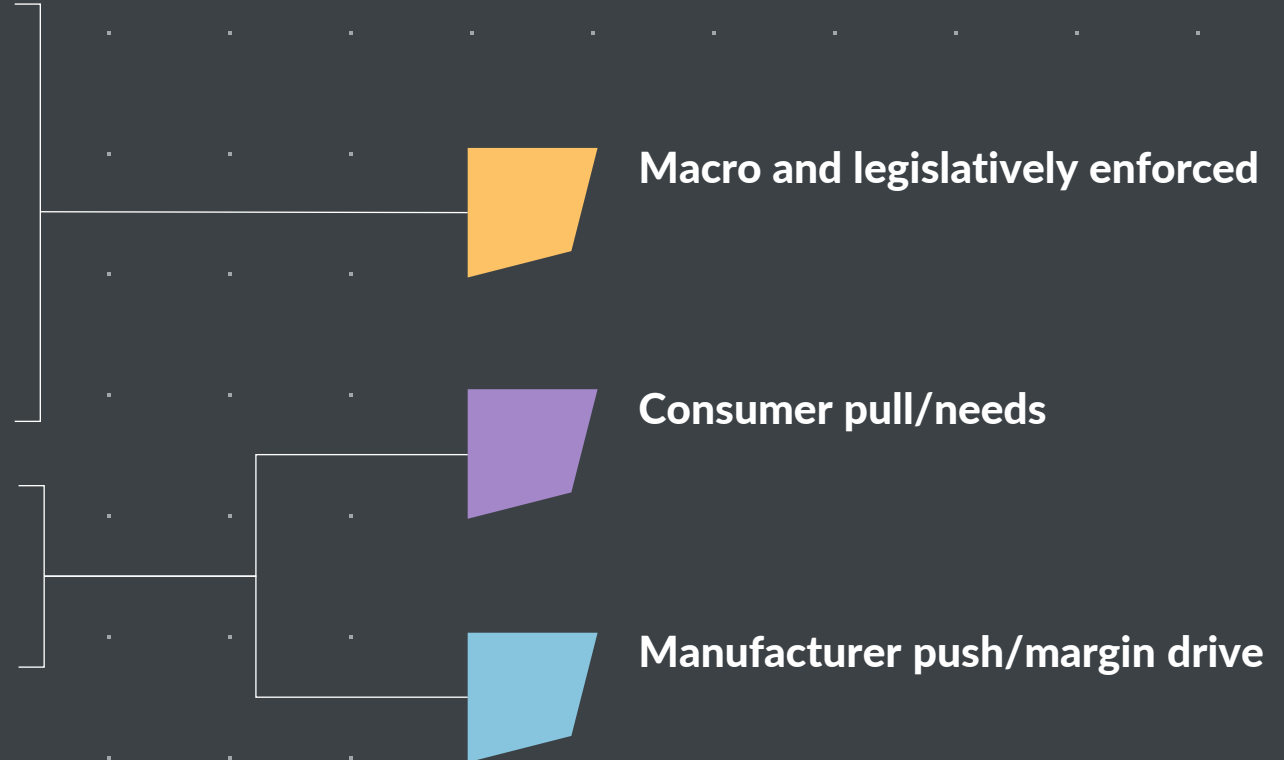
How much pressure will consumer wallets be under in 2024?




How will consumers react to that in 2024?




How do you find pockets of growth?






How much pressure will consumer wallets be under in 2024?



How will consumers react to that in 2024?



How do you find pockets of growth?



Macro and legislatively enforced

Overall, what macro themes will impact markets in 2024?

- **Wars** and **geopolitical tensions** continue to inhibit global trade and have a significant impact on supply chains, and inhibits progress on joint global goals
- There is a wide variance of growth and inflation between regions across the world
- **Deflation** and the **Real-estate crisis** in China have dampened its economic prospects for 2024
- Real-estate crisis is a concern as it locally affects household wealth and **consumer confidence**
- Risk of **spill over** to the global economy

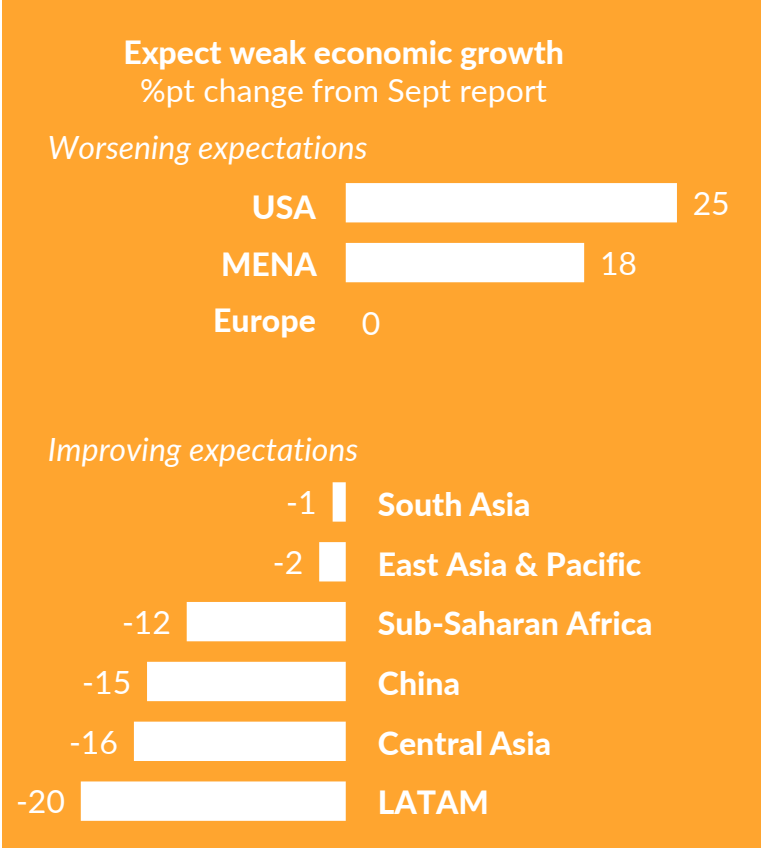
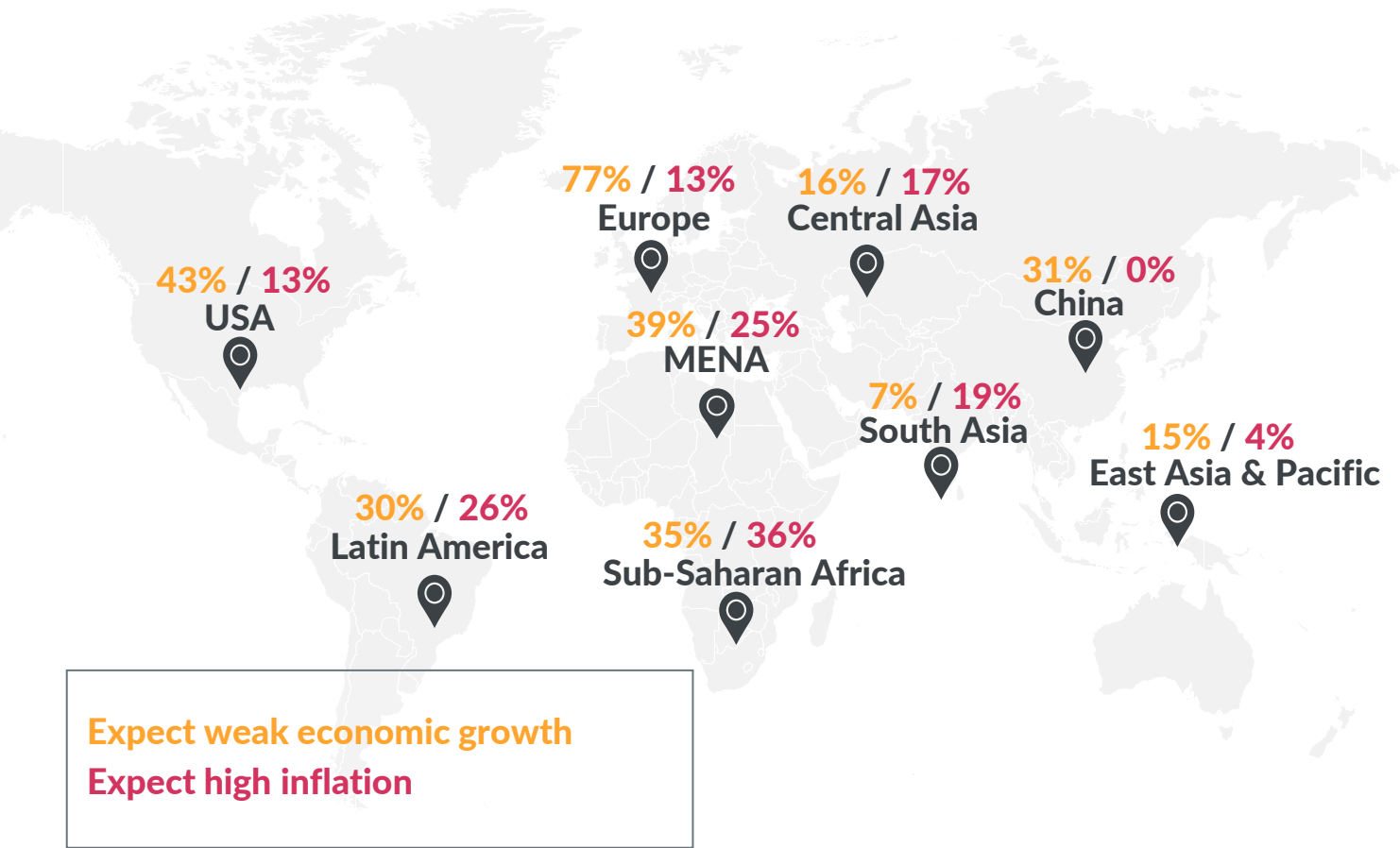


- Inflation is expected to **continue to decrease at a steady rate** in 2024, especially in advanced economies, but remains above central bank targets in almost all economies. Headline inflation targets are expected to be reached by mid 2025
- The global economy is **recovering slowly** from the impact of the pandemic, Russia's invasion of Ukraine, and a cost-of-living crisis
- **High interest rates** result in more difficult access to credit and lower investment – but **lower rates are anticipated** for 2HY 2024 with positive impact on mortgage rates

More than half (56%) of chief economists expect the global economy to weaken in 2024 with geoeconomic fragmentation expected to accelerate

The prediction of high inflation has cooled, but regional growth outlook varies

Chief Economist Survey | Expectations for GDP growth/inflation in 2024 | January 2024

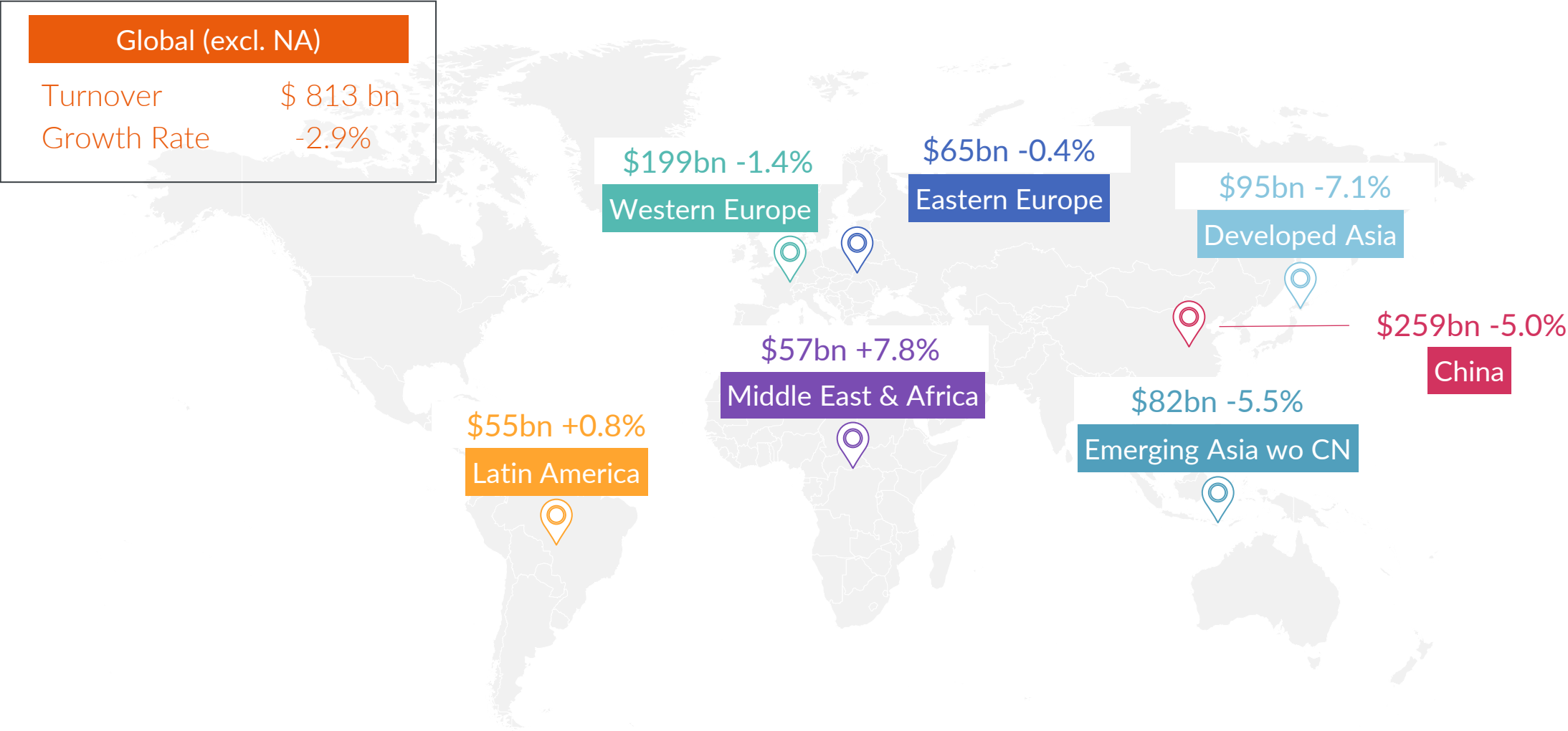


Macro and legislatively enforced

Decline across regions after saturation

Only Middle East/Africa outperforms

Technical Consumer Goods | Sales Value USD (NSP) | Jan-Dec 2023 vs 2022



Macro and legislatively enforced

Consumer confidence indexes have improved but remain historically low

The index in China is particularly low, barely improving on the index during COVID-19 lockdown measures



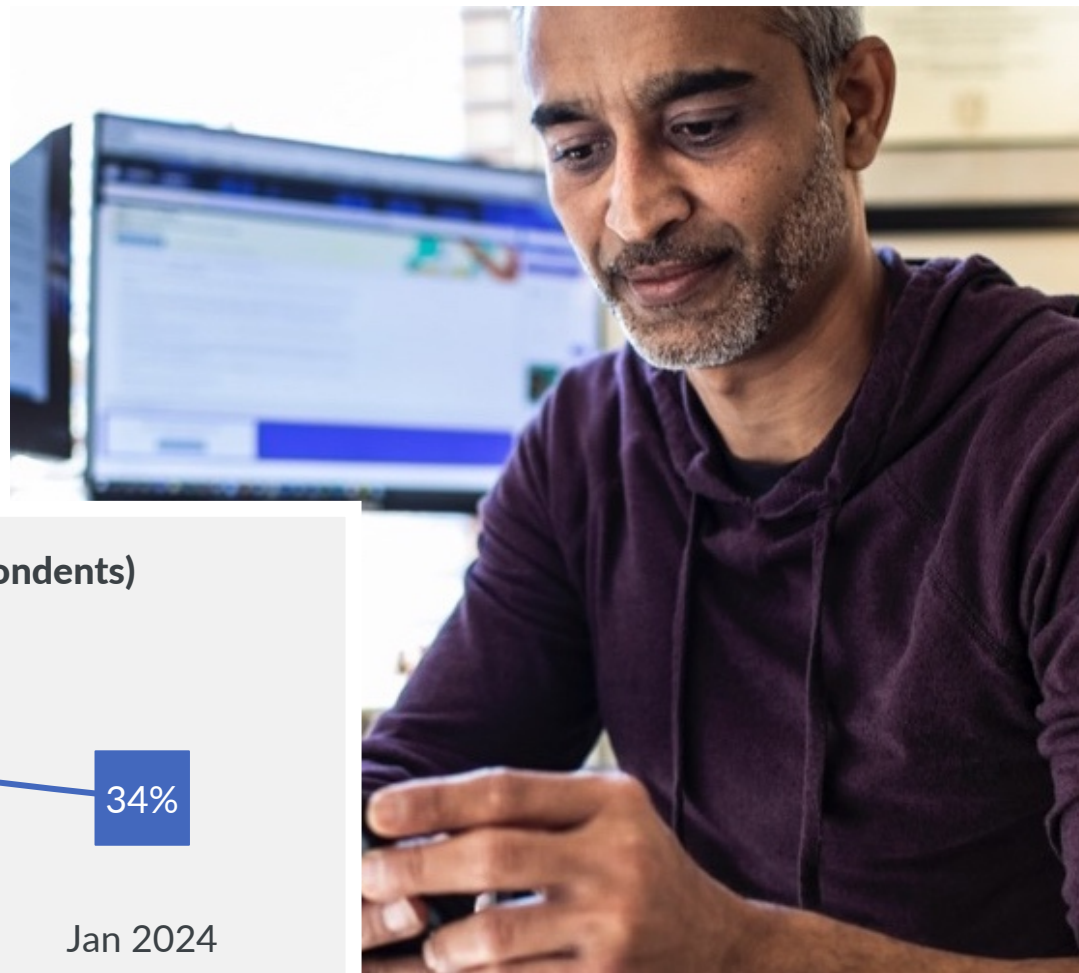
Price sensitivity peaked in 2023 while consumer sentiment is set to improve



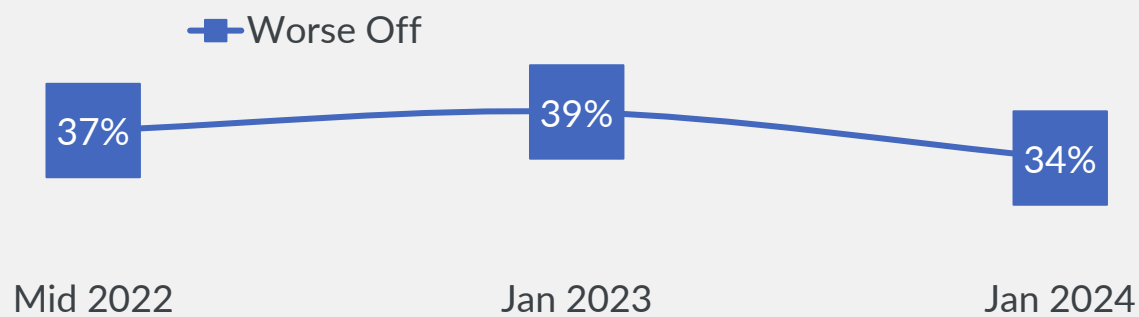
45% agree

“Price is the most important factor in my purchasing decisions”

#12 life attitude on a list of 41 consistently tracked attitudes



Consumer financial position | Sentiment year-over-year (% respondents)

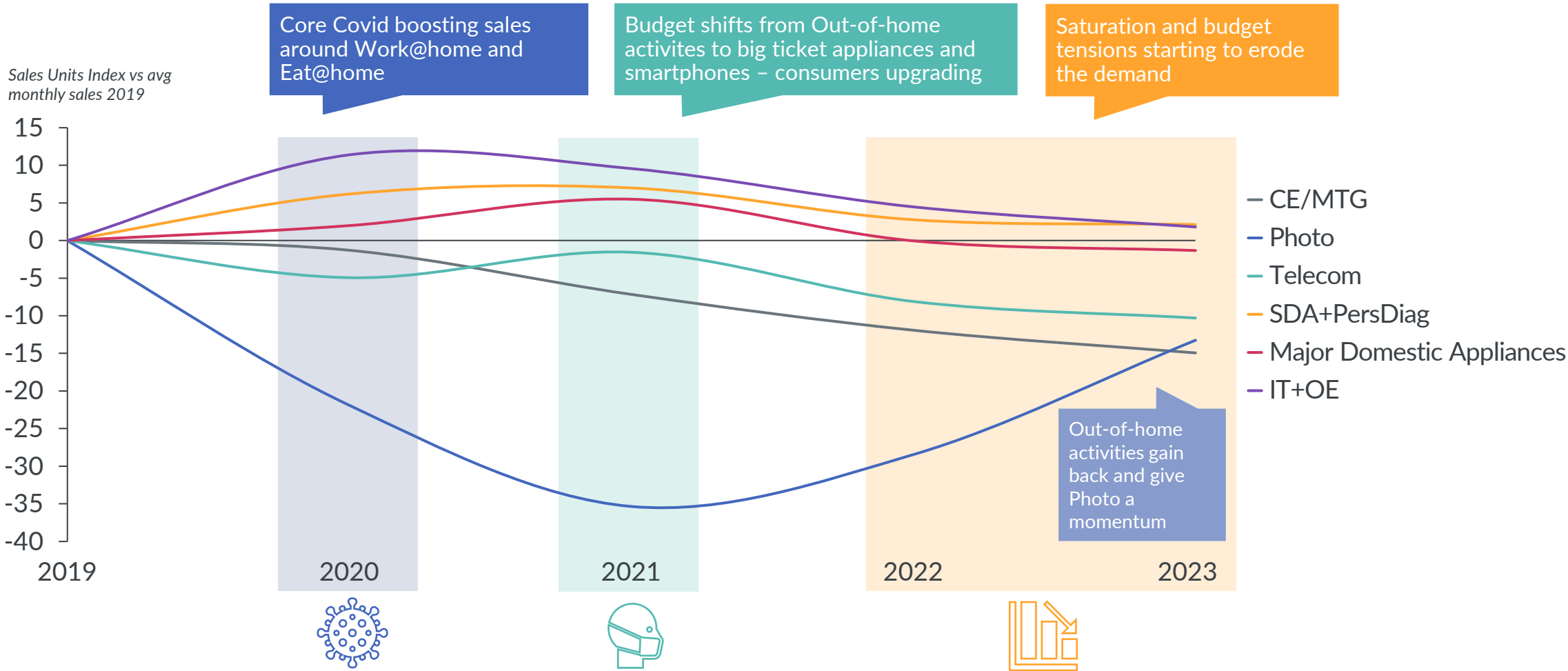


Macro and legislatively enforced

The demand is pausing – that leads to the fact that revenue gain can only come from price tier shifts



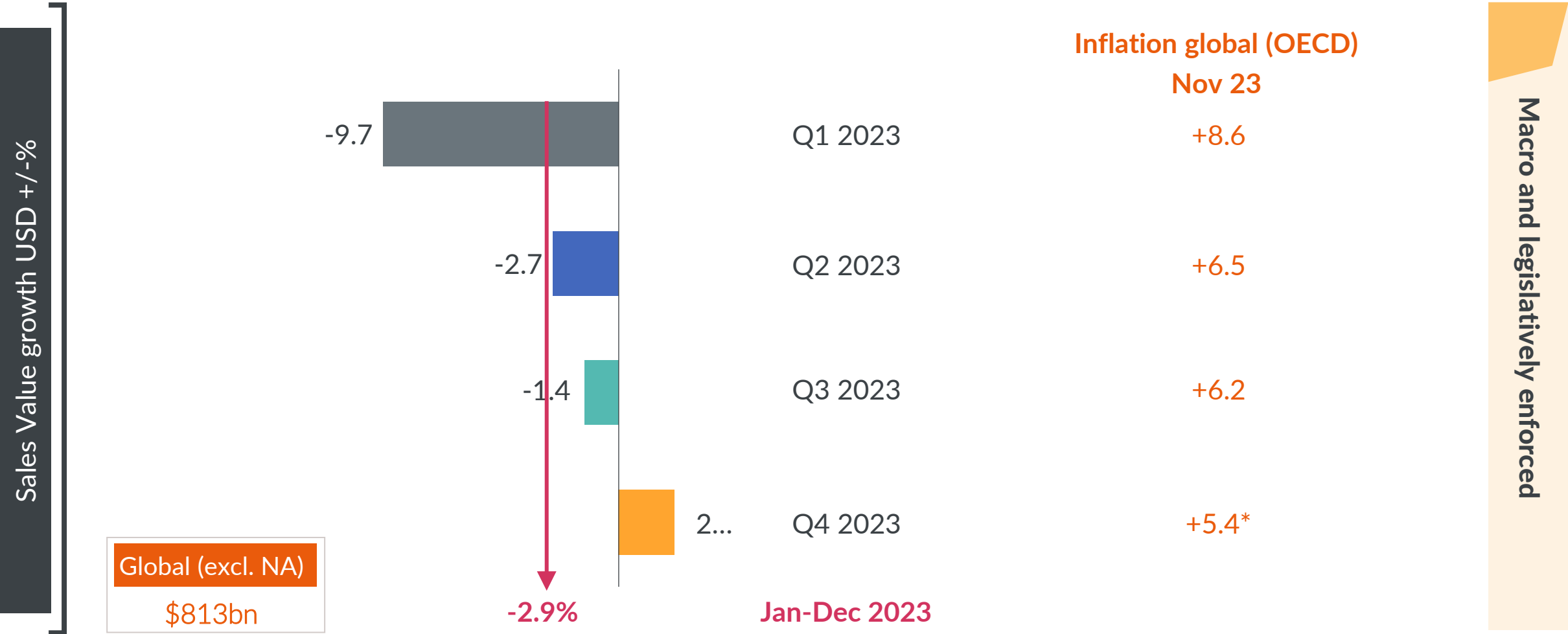
B2C Retailer Market | 2019-2023



Promising dynamic for Consumer Tech & Durables market in Q4 2023

A sign of stabilization in times of low willingness to spend and elevated market saturation

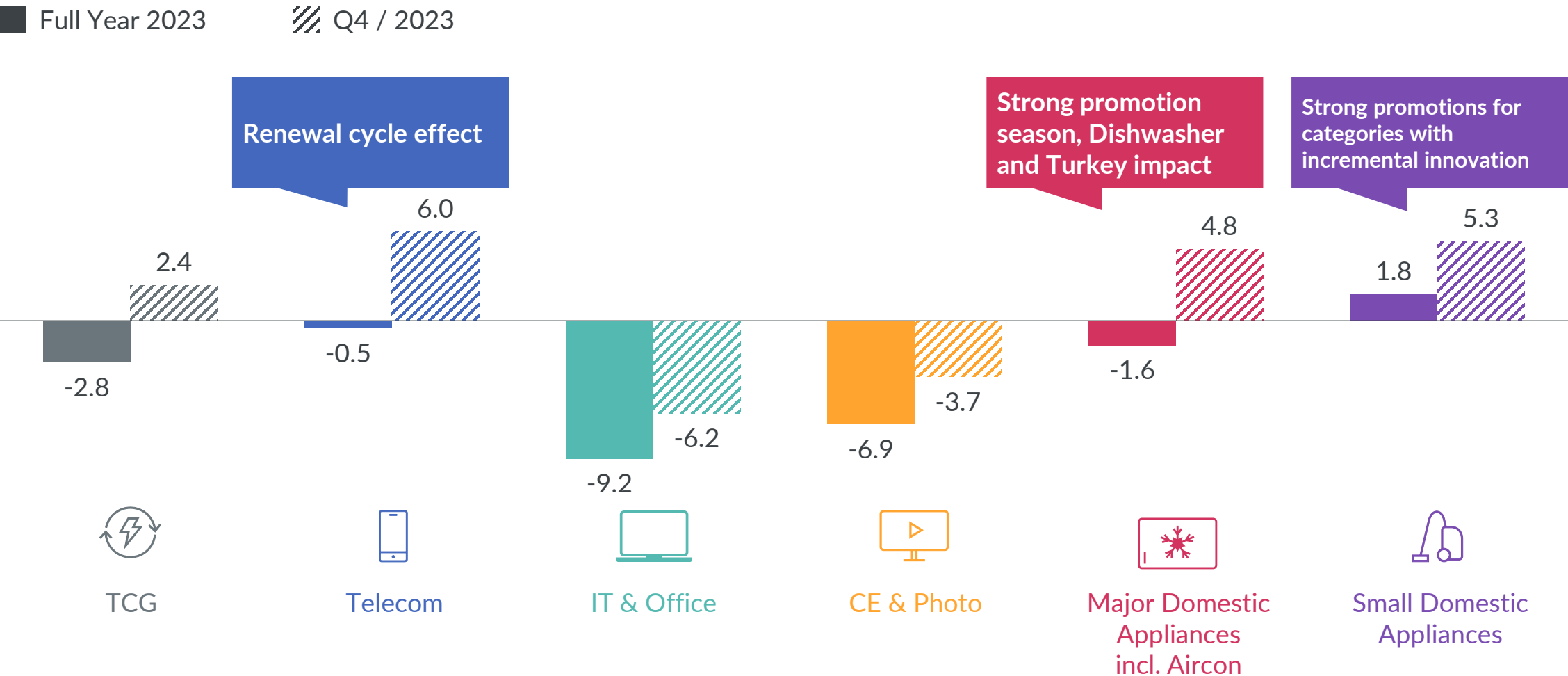
TCG total | Period: January 2023 – Dec 2023 | Value growth USD +/-%



Q4 was outpacing the FY in any sector, but changed the perspective for Telecom and Domestic Appliances significantly

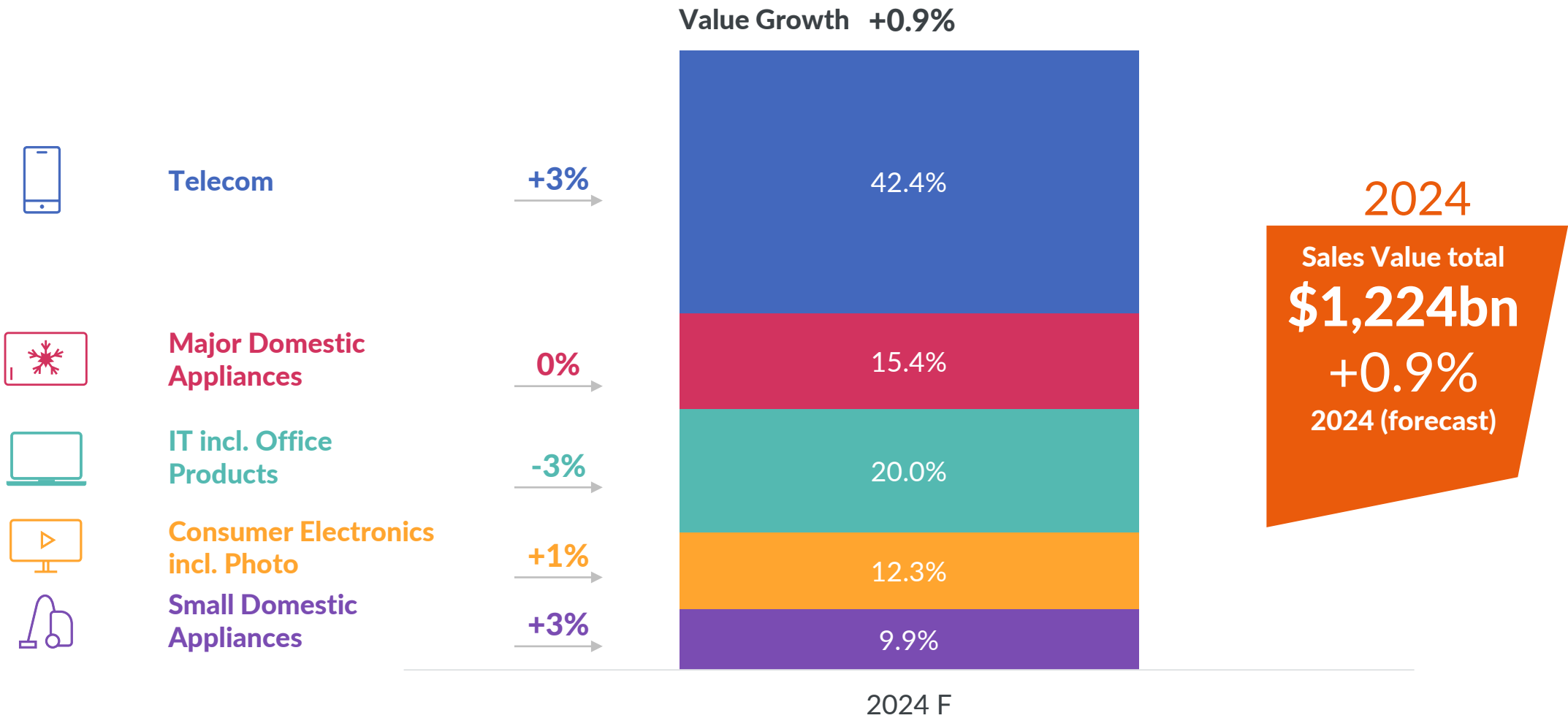


Sales value growth % | FY vs PY | Jan-Dec | Value (USD)



Global market for technical consumer goods: consumer share of wallet

Further market stabilization expected for 2024



Macro and legislatively enforced



How much pressure will consumer wallets be under in 2024?



How will consumers react to that in 2024?



How do you find pockets of growth?

Consumer pull/needs

Manufacturer push/margin drive

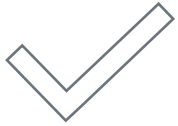
Out-of-home orientation has resulted in some TCG categories growing in 2023

We see growth in products which help you look good and entertainment on the go increasing

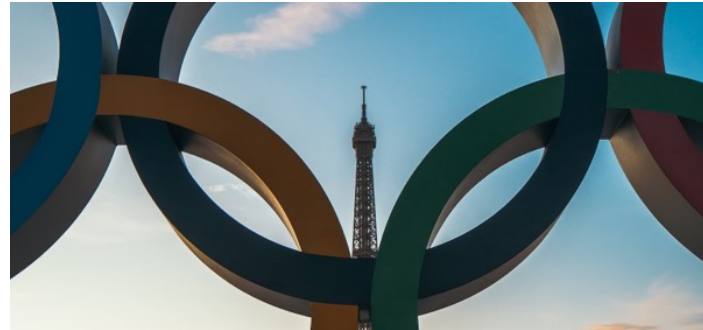


Consumer pull/needs

What societal events are top of mind for consumers in 2024?



- Starting with Taiwan in January and running through the US presidential election in November, the year will bring 40 national elections



- An extra three million people are expected in Paris for the Olympic Games in 2024 increasing tourism spending by up to EUR4 billion

Momentous moments

Growth from a year with far more societal events scheduled than before



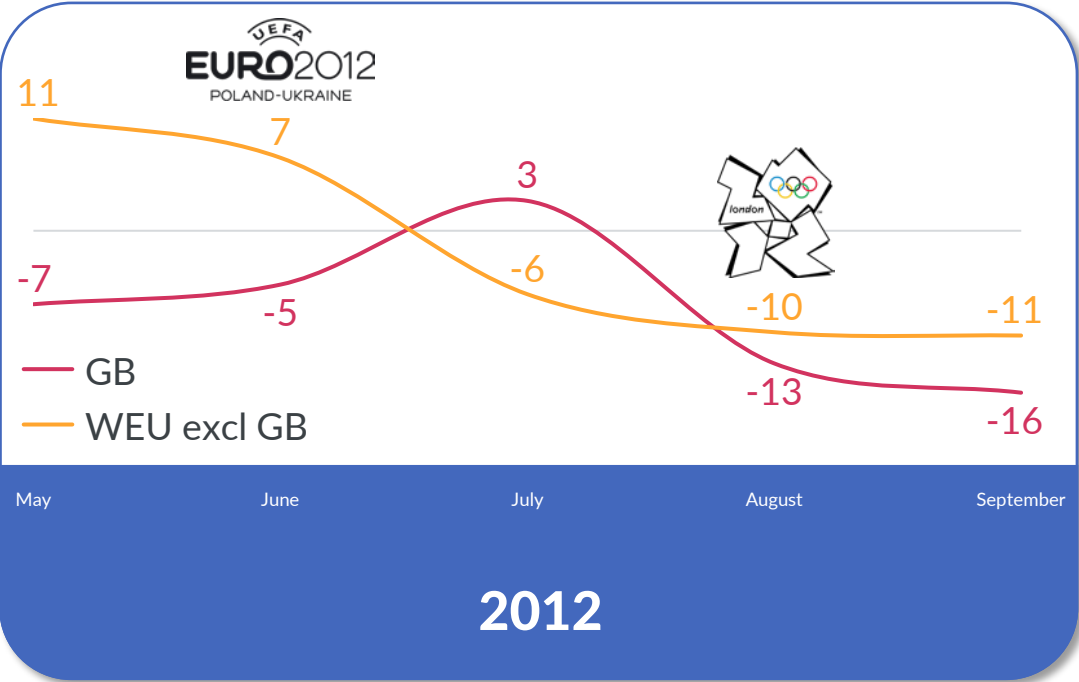
- Euro UEFA cup in June and July attracts a cumulative audience of over 5 Billion

Olympics exert a significant impact on sales solely within the host country, with minimal influence on TV sales in neighboring regions



However, leveraging local promotions presents a promising opportunity for businesses

PTV | GfK Panelmarket | Sales Units vs PY%



Consumer pull/needs

Revenue for TV usually gain prior to the event

Data shows revenue gain the week prior to the events – eventually we can expect that TV sales will peak again prior to EURO24, giving retailers and manufacturer a window of opportunity

Euro Revenue Weight of Week prior the event vs Average week in the year

+24%

Week 23



CW24-28 2016

+15%

Week 23



CW24-28 2018

-8%

Week 23



CW24-28 2021*

+67%

Week 46



CW47-51 2022

Consumer pull/needs

Promotions are more and more an opportunity to quickly gain revenues

Over a third of annual revenues are done at promotional period!



**TCG Sales:
Event % of
year in
2018**

24%

10 weeks
Top 5
Events
Total

*It is observed that the spread of promotions has
increased from 10 to 15 weeks over 3-5 years*



**TCG Sales:
Event % of
year in
2023**

34%

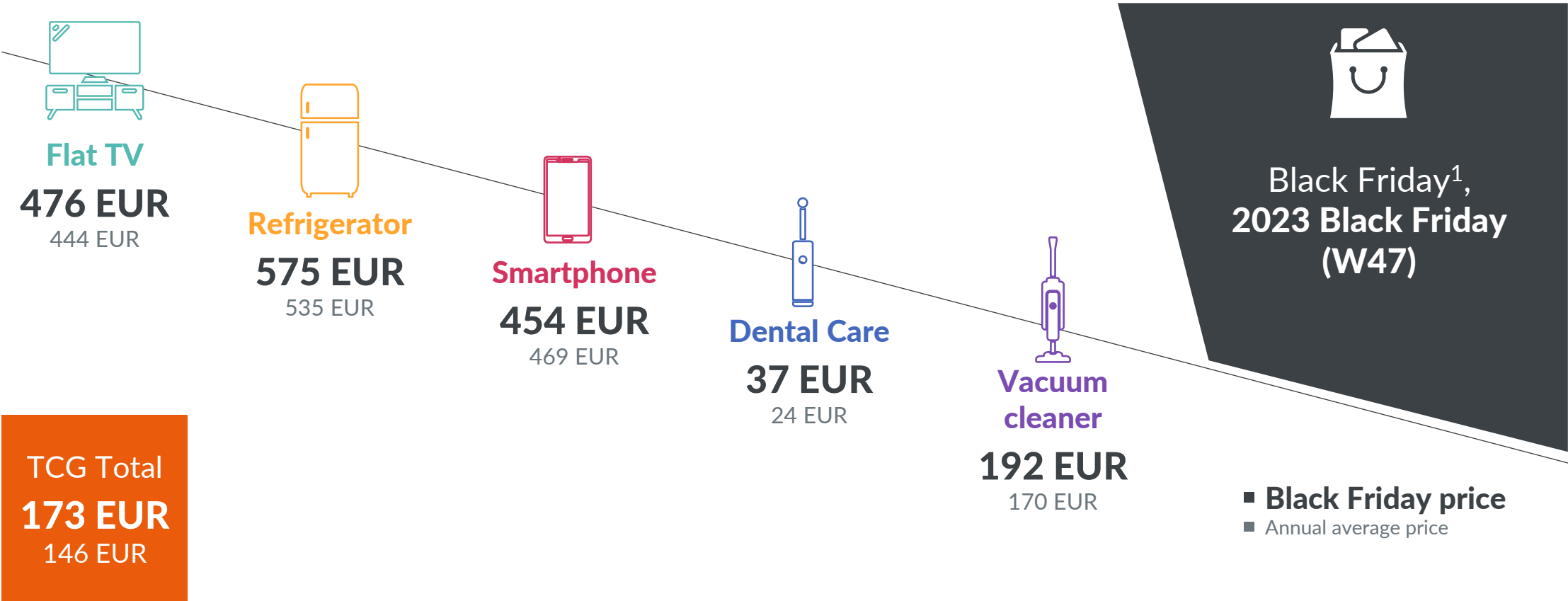
15 weeks
Top 7
Events
Total

Consumer pull/needs

Average price paid during Black Friday is clearly elevated compared to the average annual market price



More expensive products are sold during the promotion



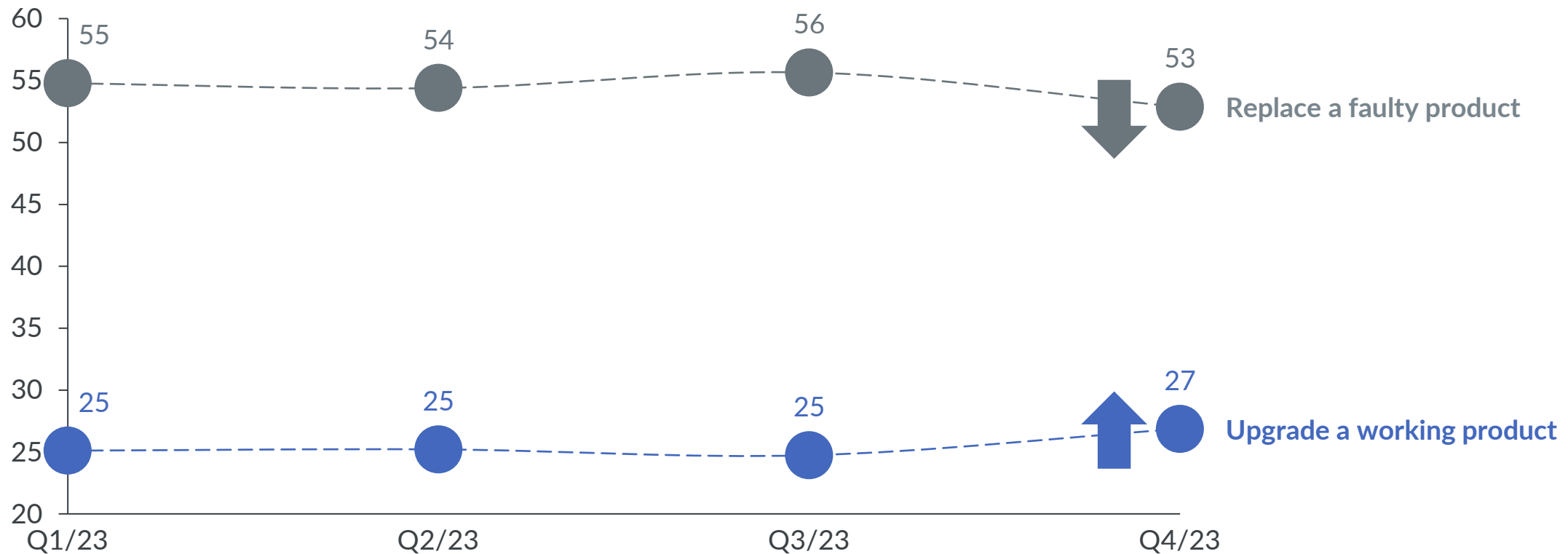
Promotions create a desire for consumers

Sales are rather triggered by consumer upgrading than replacing!



Survey Question: Did you buy it to...?

Year End promotions are driven by products consumers “want” to have instead of “need”.
Eventually innovative products could help to drive these promotions!

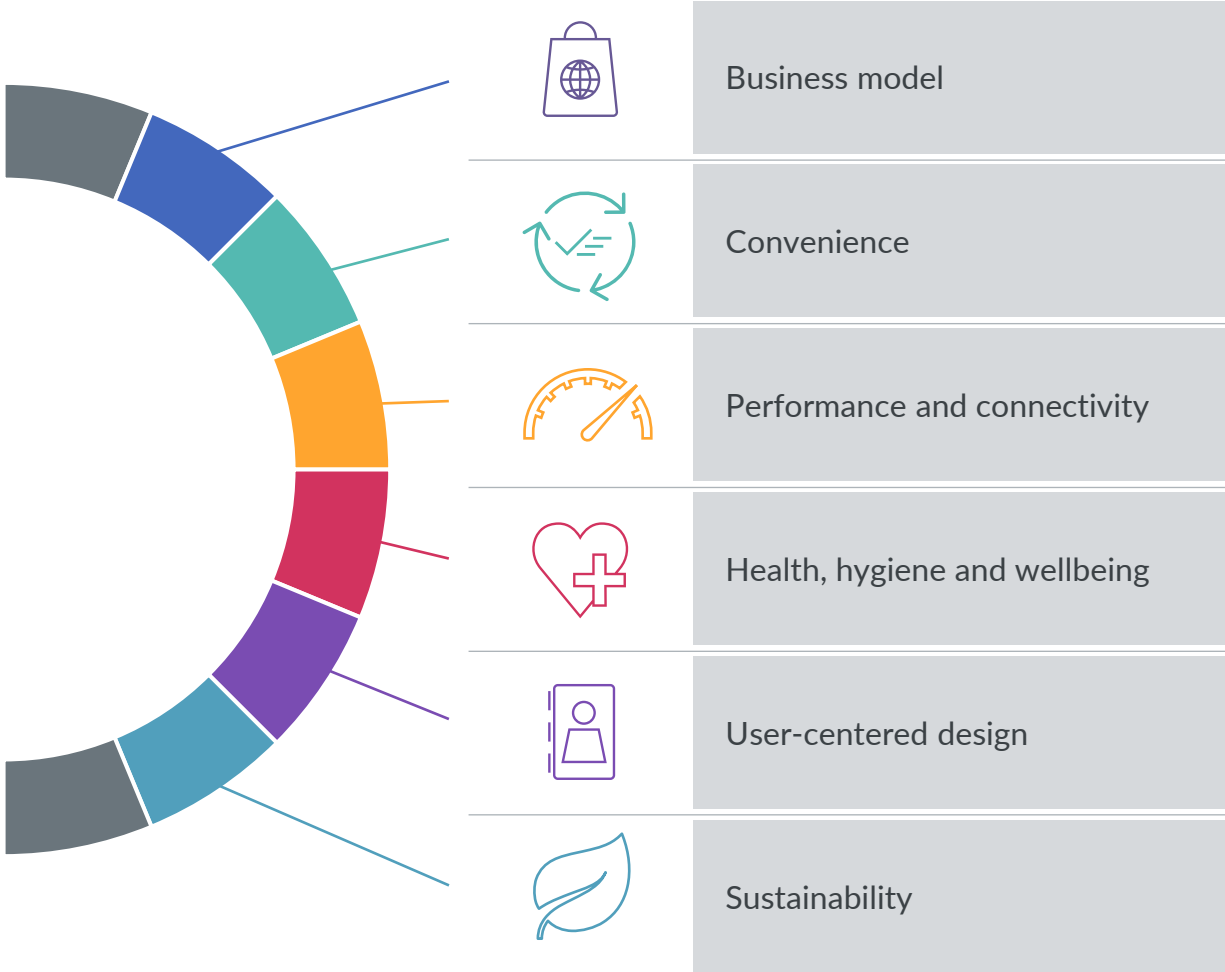


Consumer pull/needs

The focus on quality emerges in growth pockets



47% agree
“I prefer to **own fewer but higher quality items** (clothes, technology products, etc.)”
#9 life attitude, **↑2 ranks** from 2021, **↑4** from 2019
#5 in China, ↑1 rank

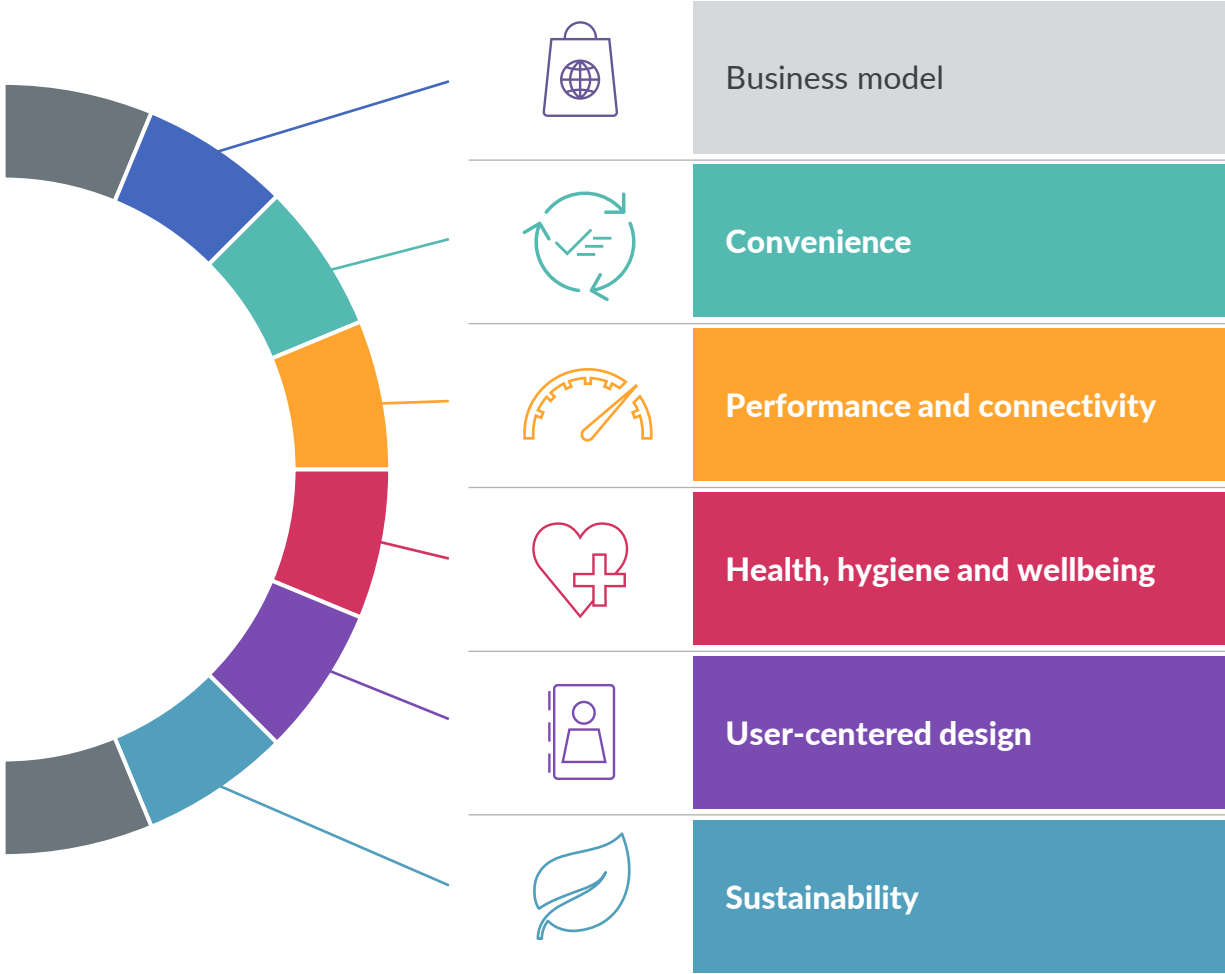


Consumer pull/needs

The focus on quality emerges in growth pockets



47% agree
“I prefer to own fewer but higher quality items (clothes, technology products, etc.)”
#9 life attitude, ↑2 ranks from 2021, ↑4 from 2019
#5 in China, ↑1 rank

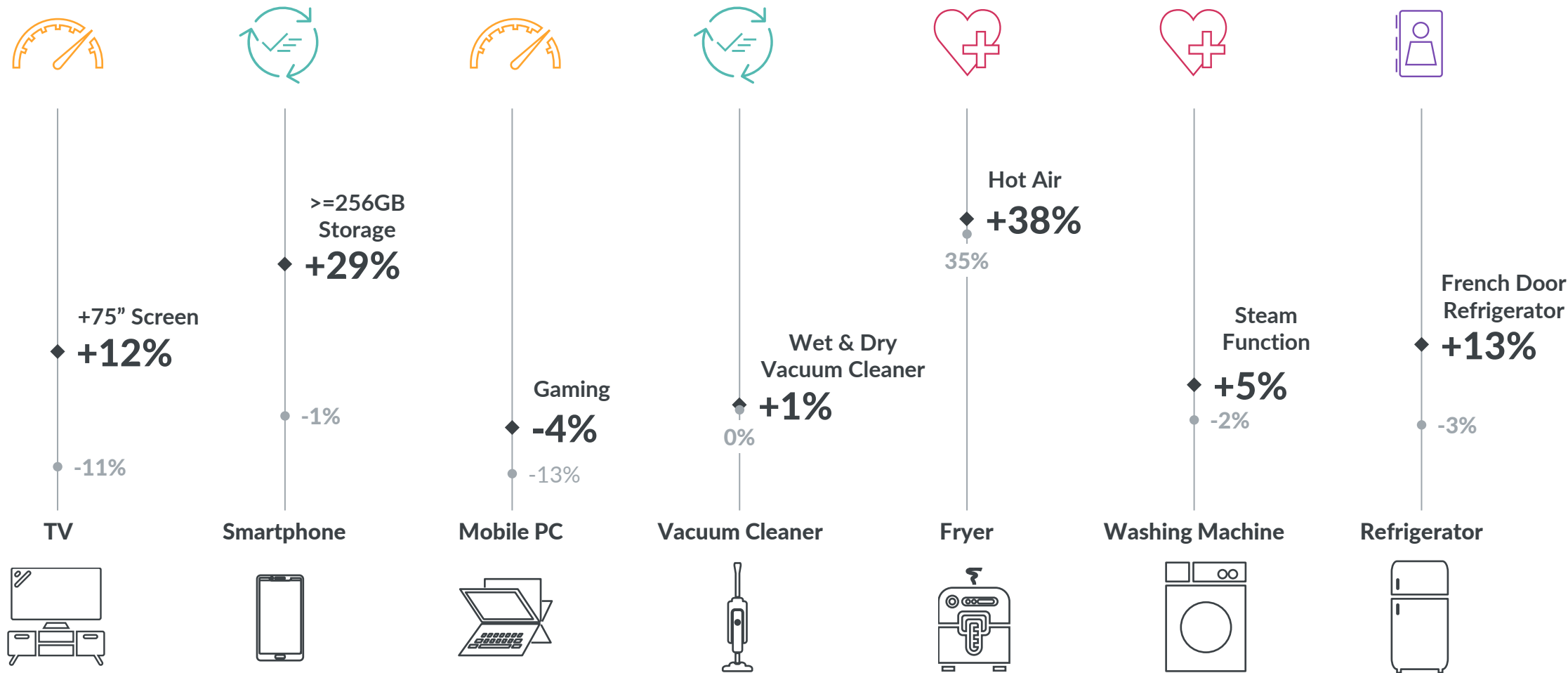


Consumer pull/needs

Select premium feature sales increased/declined slower than the category average



Global (ex. NA) | Jan-Dec 2023 | Sales Value USD Growth YoY % | Premium segment example vs category total



Consumer pull/needs

Consumer pull/needs

How much pressure will consumer wallets be under in 2024?

How will consumers react to that in 2024?

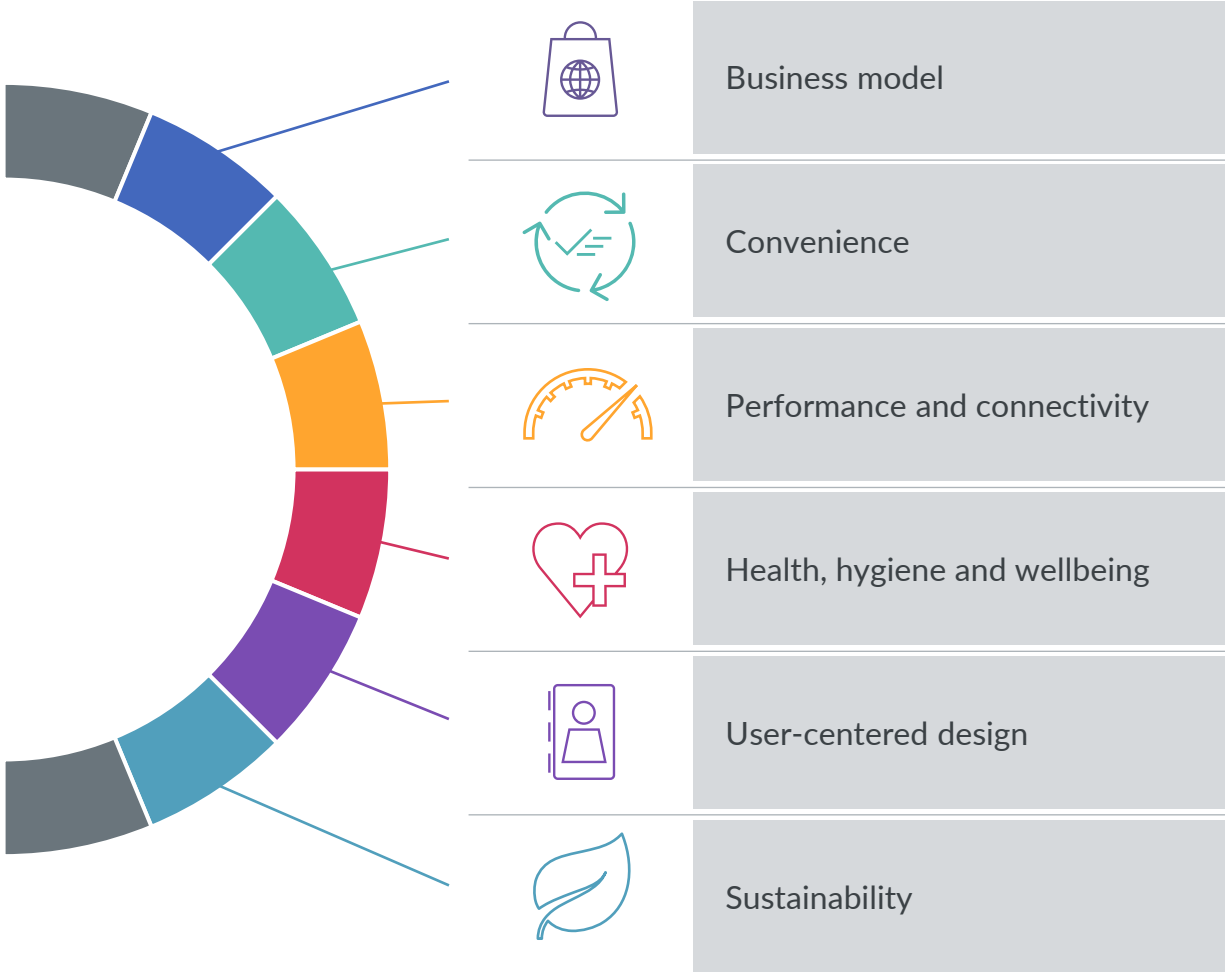
How do you find pockets of growth?

Manufacturer push/margin drive

The focus on quality emerges in growth pockets



47% agree
“I prefer to **own fewer but higher quality items** (clothes, technology products, etc.)”
#9 life attitude, **↑2 ranks** from 2021, **↑4** from 2019
#5 in China, **↑1 rank**



Manufacturer push/margin drive

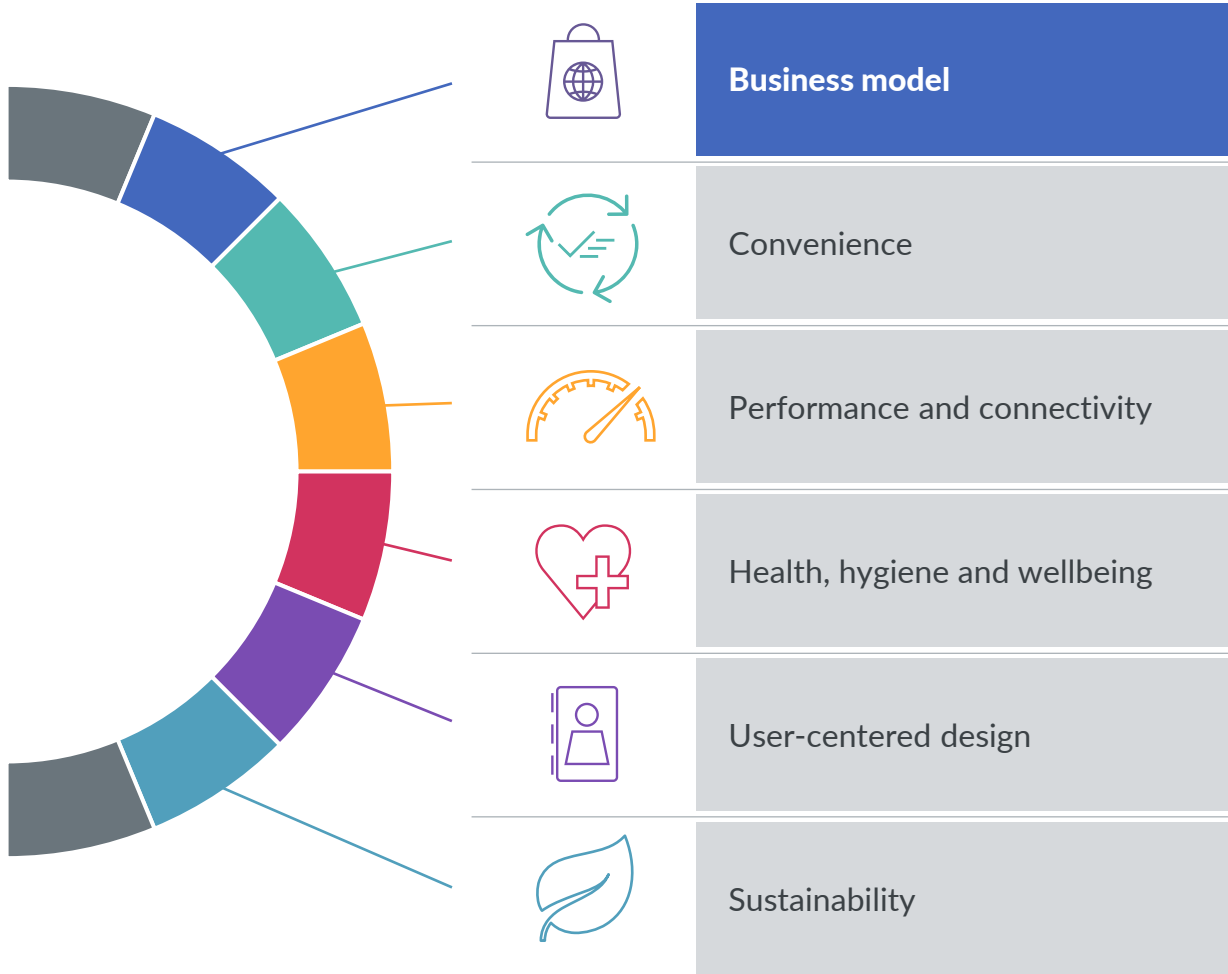
The focus on quality emerges in growth pockets

Also in Retail!



Consumer expecting new ways of how they can purchase products – and they recognize added value and convenience in their purchases.

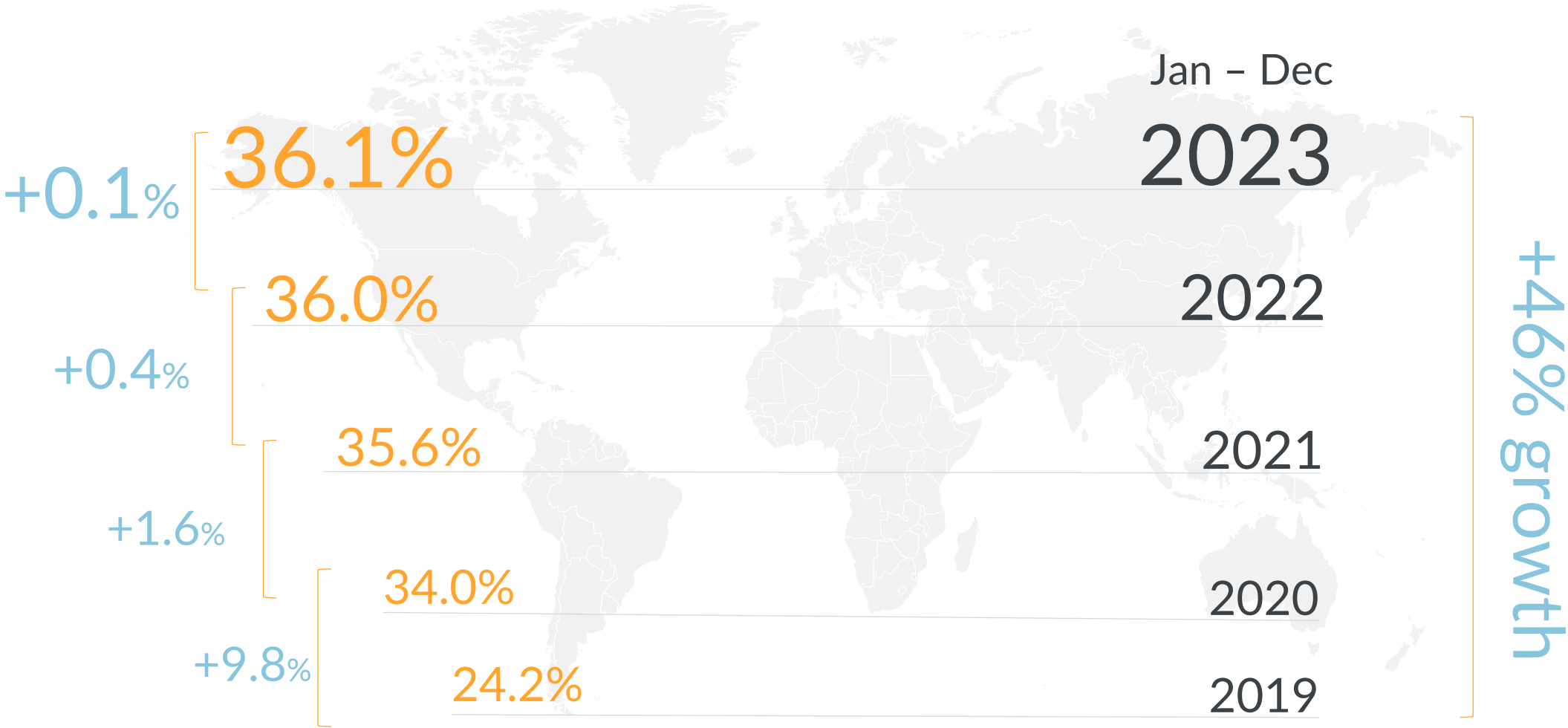
Retailers and Manufacturer can profit from this and create a shopping experience tailored to the needs of their target groups



Manufacturer push/margin drive

E-commerce vs traditional retail dynamics stable on post-COVID level

YoY growth | Sales value | % online sales



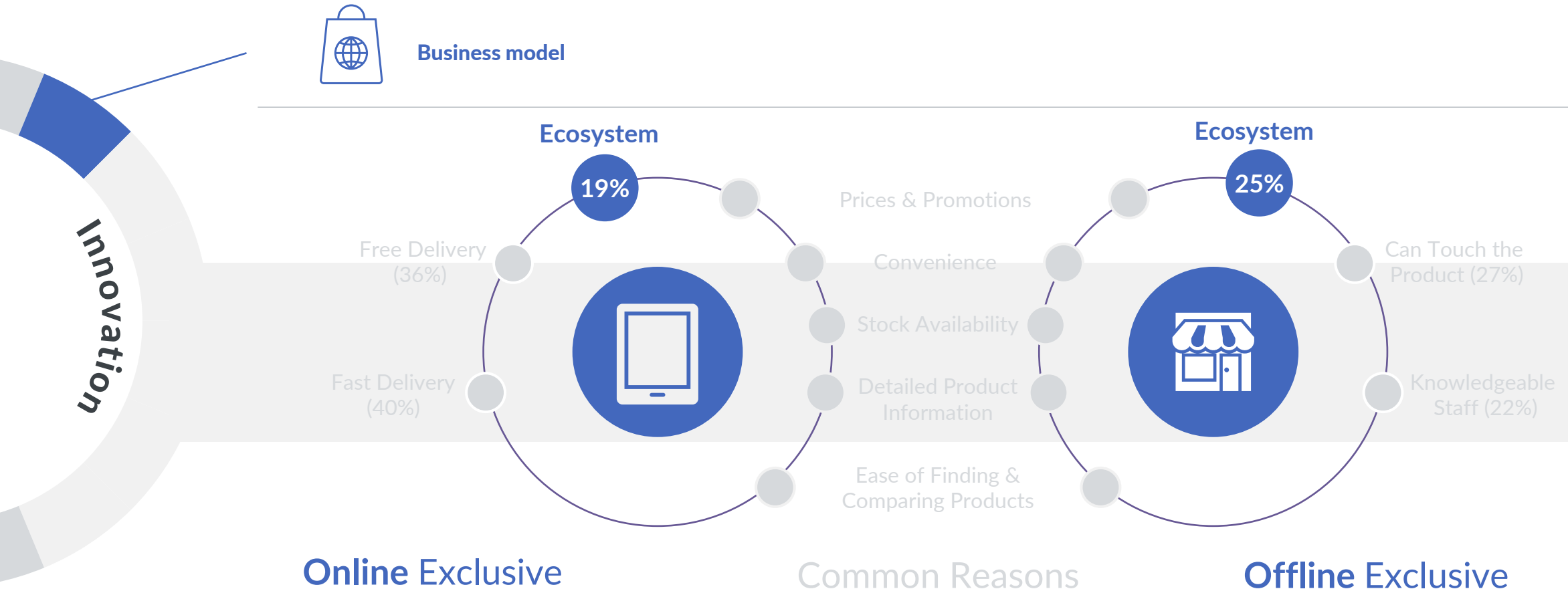
Manufacturer push/margin drive

Consumers demand a seamless shopping experience



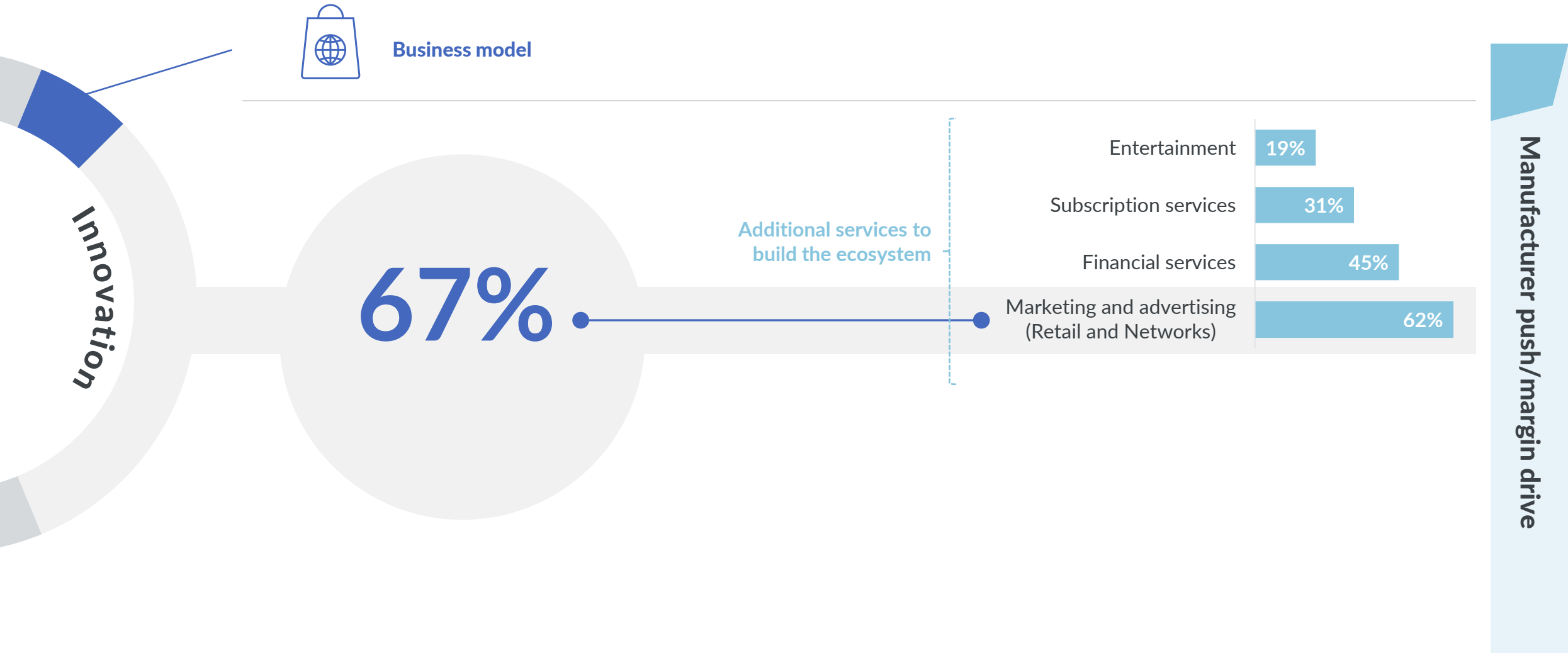
Rise of new expectations

Services that go beyond traditional retail



Innovate to deliver value via ecosystems

Create more meaningful engagement with consumers and new growth opportunities




Source : GfK Retail (R)evolution. 2023 E1: To which extent will your company focus on the following capabilities / services in the next 2-3 years? [Chart includes Top 2 Boxes]. Base: Total n = 796, Online store n = 70, Offline store n = 95, Both n = 631, scale where 1 is "No strategic focus at all" and 5 is "very high strategic focus". E2: Which additional services have you recently started or will start to build your ecosystem? [Multiple choice]. Base: E2 only if E1 "Build ecosystems that help you sell services along with products to grow consumer base" has a high strategic focus (rated 4 or 5), n = 535




How much pressure will consumer wallets be under in 2024?

- Consumer wallets are expected to **remain under significant pressure** in 2024 due to the continuation of macroeconomic uncertainties such as geoeconomic fragmentation and varying regional growth outlooks.
- Although the **prediction of high inflation has cooled**, consumer confidence indexes remain low.
- However, price sensitivity peaked in 2023, indicating a potential shift towards improved consumer sentiment. Despite **signs of stabilization and revenue gain** primarily coming from price tier shifts, the demand is pausing, suggesting a **cautious approach to spending**.



How will consumers react to that in 2024?

- We expect a **tendency towards frugality and selective spending**. The stabilization of select premium feature sales, indicates a **preference for value-driven purchases**.
- Moreover, the **rise of new expectations**, including seamless shopping experiences and additional services beyond traditional retail, suggests that **consumers may recognize added value and convenience** in their purchases.
- **Promotional** periods are expected to **remain crucial**, indicating that consumers stay inclined towards purchases during such promotional events.



How do you find pockets of growth?

- **Focus on emerging trends and consumer preferences**. **Leveraging local promotions**, especially during events like the Olympics, presents opportunities for businesses to capitalize on consumer spending.
- Additionally, **innovation aimed at delivering value** can **attract consumers** seeking comprehensive solutions. **Emerging economies**, present growth opportunities, indicating a shift in focus towards regions with untapped potential.
- Overall, **staying attuned to changing consumer behaviors and market dynamics** will be crucial in identifying and leveraging pockets of growth in 2024.

Thank you

gfk.com