



WHITE PAPER

# Secrets to success amid a global slowdown: A toolkit for appliance manufacturers in 2023

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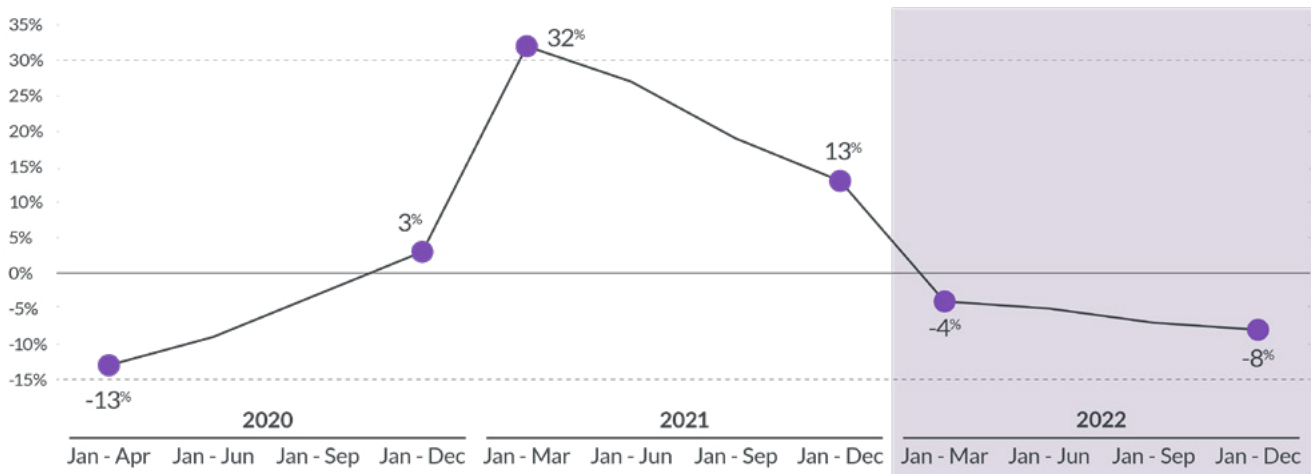
# From slowdown to stabilization: setting the stage for Consumer Technology and Durables in 2023

This year marks a turning point for Consumer Technology and Durables.

Following the pandemic boom of 2020 and 2021, in which the sector saw record sales as consumers worked, cooked and sought entertainment at home, the tech industry has faced a raft of challenges.

## Global deceleration continued throughout 2022

Cumulated global Consumer Technology and Durables market value growth, year on year



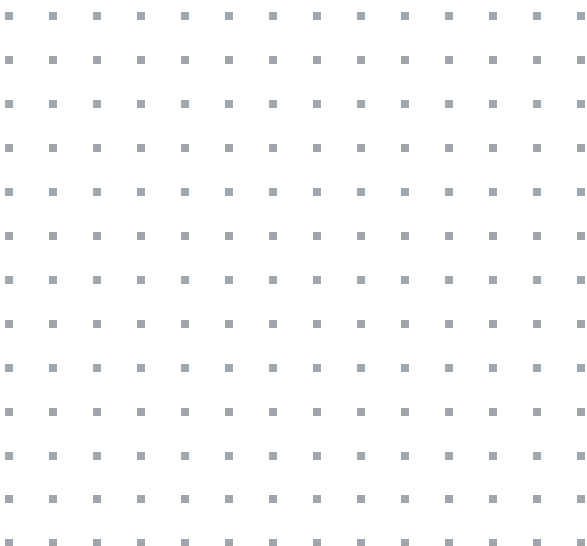
Source: GfK Market Intelligence: Sales Tracking; international coverage (excl. North America); sales value growth percentage in USD; initial 2020 cumulated period spans Jan-Apr to include the outbreak and first lockdown of COVID

There are various factors that have influenced consumer confidence and willingness to spend, including:

- Rising cost of food, energy and fuel - sparking a cost of living crisis
- The ongoing war in Ukraine
- Real income stagnation

Coupled with saturation in parts of the Consumer Technology and Durables sector, with many consumers having moved purchases forward during the pandemic, prospects for growth in the coming 12 months are proving an uphill climb for manufacturers and retailers.

However, there are early indicators of a positive change on the horizon, with some regions benefiting from a gradual stabilization in consumer prices and a minor easing of inflationary pressures in December 2022.



**-8.4% ↓**

**Global Consumer Technology and Durables sales value growth rate in 2022 compared with 2021**

Source: GfK Market Intelligence: Sales Tracking; international coverage (excluding North America); USD non-subsidized prices

**-0.4% →**

**Forecast global Consumer Technology and Durables sales value growth rate in 2023 compared with 2022**

Source: GfK Market Intelligence; international coverage (including North America); USD non-subsidized prices; forecast at February 22, 2023 assuming stable USD exchange rate

This has led to differing economic forecasts for 2023, depending on the region. For Europe, 100% of chief economists still predict weak economic growth, while 91% do so for the United States. That contrasts sharply with South Asia, where only 15% of economists predict weak growth, and Middle East and North Africa, where 30% do so.<sup>1</sup>

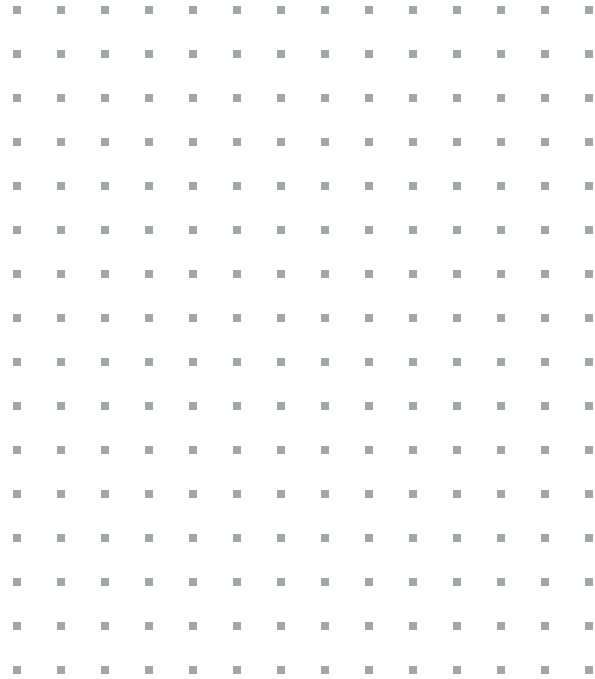
There is also a knock-on impact on consumer confidence in those regions seeing greater stabilization, such as India.

Though challenges remain, the technology industry could see the market shift slowly from deceleration to stabilization in the coming months.

For both manufacturers and retailers that sets up brand new opportunities to seize in 2023. Carving out creative ways to leverage promotions and communications, address inventory backlogs and market products can put them on the right trajectory.

This white paper will explore how to leverage each one of these opportunities, looking at

- Making the most of a shift from **deceleration** to stabilization
- Proactive planning for rising relevance of **promotions**
- Rethinking **premiumization**
- Creating needs-based **innovation**
- Pairing **sustainability** with value-led propositions for consumers
- Targeting **emerging markets** with high growth potential



Consumer confidence in India increased to

83.5 points ↑

in November 2022  
from

80.6 points

in September 2022

Source: Reserve Bank of India Consumer Confidence Survey

<sup>1</sup> World Economic Forum Chief Economist Survey 2023

# How to thrive in a challenging economic climate

To achieve growth in 2023, appliances manufacturers need to re-evaluate portfolios, promotions, innovation, sustainability strategies and even geographical presence to carve out opportunities.

## Managing a shift from market deceleration to stabilization

### Shifting gear to stabilization within appliances

Overarching strategies need to reflect a slow emergence from the challenges of 2022.

Though the pandemic triggered strong sales within appliances, the Covid-19-fueled peak passed last year, moving manufacturers into a period of deceleration.

Not only did advance purchases trigger a saturation point for certain categories, but this was amplified by strong inflationary pressures and the resulting supply demand volatilities.

For manufacturers of major domestic appliances (MDAs) this slowdown may persist until Q3/Q4 2023.

Brands with a strong focus on built-in appliances are likely to see additional challenges by the end of 2023. As property and mortgage prices have steadily risen, so too has activity within the global construction market slowed. This is expected to have a knock-on impact for built-in appliances for a further 12 months.

Elsewhere, manufacturers can expect some level of stabilization, with inflation and cost rises easing into the second half of the year.

**-6.7%** ↓

**Year-on-year growth rate of MDAs was down 6.7% and**

**-7.3%** ↓

**SDAs was down 7.3% January to December 2022**

Source: GfK Market Intelligence: Sales Tracking; international coverage (excluding North America); USD non-subsidized prices

## Diversifying opportunities in major domestic appliances

Diversification creates the ideal opportunity for appliances manufacturers to seek new avenues for growth, while taking into account the ongoing impact on consumer confidence of a challenging economic climate.

They may look at balancing portfolios between high-specification, performance-led products that can bolster margins, while sustaining volume sales via more affordable appliances.

A reconsideration of the balance of channels through which they're selling could also be beneficial. Historically, built-in appliance manufacturers have placed great emphasis on sales via kitchen and furniture retailers, which typically offer greater profit margins compared to electrical or homeware retailers.

But amid ongoing pressures within the construction market, this focus may need to shift to reflect lower volumes, with a stronger consideration given to alternative channels. For manufacturers of MDAs, early indicators already show a more positive outlook for the online channel in 2023 fueled by the digitization impacting consumers. This follows a weak 2022 where consumers returned to physical stores after Covid restrictions eased.

### Share of built-in appliances

**38% / 51%**

**Value share percentage in Europe was 38% in electrical retailers during 2022, compared with 51% in furniture/kitchen specialists**

Source: GfK Panelmarket; Europe; January to November 2022 compared with 2021

There are also opportunities to capitalize on rising demand for premium features within major appliances. Despite a cost of living crisis, 42% of global shoppers agree that it remains important to indulge or pamper themselves on a regular basis.<sup>2</sup>

As will later be explored, by adding standalone premium features to MDAs, manufacturers can improve margins without pushing devices into a price tier too high for current shopper sentiment and tap into this rising area of demand.



## Focusing on fast-growing sub-categories within small appliances

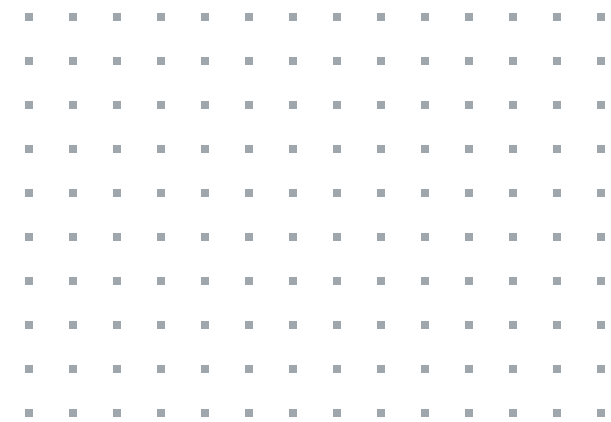
To unlock growth within small domestic appliances (SDAs) meanwhile, manufacturers should carefully distinguish those products that have reached saturation from those for which opportunities to deliver growth remain.

While consumers purchased some appliances in advance during the pandemic, there are categories for which penetration remains low and rapidly growing. For example, from January to December 2022, sales of air fryers grew 57% year on year,<sup>3</sup> for the second consecutive year of growth.

There's also a need here to prioritize a balanced portfolio, leveraging premium products and features to sustain margins while securing volume through more affordable ranges.

This is even more critical in those markets where a cost of living crisis continues to impact consumer confidence and spending.

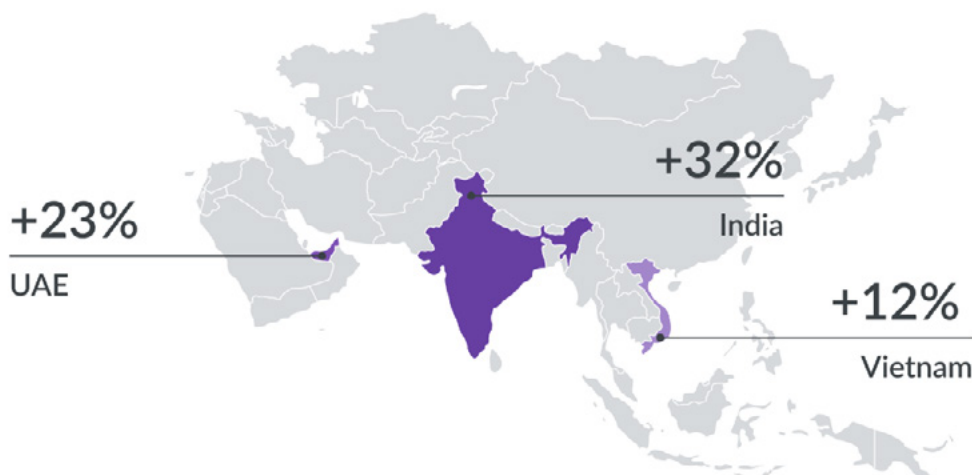
For this reason, manufacturers should consider a more diversified global consumer base, building a presence in those markets where consumer confidence has been less impacted.



To optimize impact, use data-led insights to identify the evolving needs of consumers, be that a desire to save energy, see enhanced product performance or greater convenience.

This varies by region, so leverage regional knowledge to create targeted portfolios. In India, a record spate of heatwaves in 2022 triggered increased demand for air coolers. While in Brazil, the desire to create healthier versions of fried food, coupled with a rise in home-cooking, has spurred strong interest in air fryers.

### Sales Value Growth Rate vs PY



Source: GfK Market Intelligence: Sales Tracking: January to December 2022, year on year

<sup>3</sup> GfK Market Intelligence: Sales tracking; Tracking period: Jan-Dec 2023: Countries : Global excl North America



# Harnessing promotional spikes to clear inventory

## From pandemic pause to peak promotions

A re-evaluation of promotional activity is another area that appliances manufacturers should integrate into current and future strategies.

Following a temporary pause during 2020 and 2021 driven by unprecedented demand, promotions had a notable comeback in 2022.

This was fueled by both the elevation of affordability as a top priority for consumers and a desire to clear inventory backlog.

This elevated level of promotional activity will continue throughout 2023.

Due to ongoing inflationary pressures and real income decline in many global markets, it's likely that even more consumers will seek to time purchases alongside key promotional events, to benefit from lower prices.

The impact of this may be amplified in SDAs where certain categories have a track record of being promotions' favorites, compounded by some major retailers' decision to intensify promotional events, such as Amazon offering two Prime Days instead of one last year.

# 25%

**of global Consumer Technology and Durables sales value was concentrated in five promotional events during ten weeks of 2022**

Source: GfK weekly POS panel; Belgium, Brazil, China, Germany, Britain, Japan, Netherlands, Russia, South Africa, Spain, Turkey and United Arab Emirates



## Seeking pockets of promotional influence

Though some aspects of promotions, such as discounting levels, may lie outside the control of appliance manufacturers, there are a number of ways in which they can optimize activity.

Appliance manufacturers can consider influencing the trajectory of retailer promotions by supporting some formats more than others or developing exclusive or limited-edition models.

Promotional demand can be factored in by mapping out key events and product categories likely to be impacted. Categories which are often gifted during promotional periods, such as hair dryers, stylers, grooming and cooking, are heavily promoted during Mother's Day, Valentine's Day and Black Friday. These could be crucial periods for manufacturers of those categories.

Within these periods, appliances manufacturers should also explore more interactive promotional strategies to amplify demand. Though cost is a key component, promotions are no longer solely about price. Elements such as payment options, delivery and execution are becoming increasingly important too, often shaped by omnichannel trends. Live streaming is one example, where hosts provide an interactive and informative way for consumers to test out and develop a better understanding of the concrete value of promoted products prior to purchase. This approach triggers interest and demand.

Manufacturers may also consider adapting portfolios to meet changing consumer demands. Low-to-medium earners are among those most impacted by the cost of living crisis and therefore those most likely to adopt a "wait and see" tendency regarding purchases. This makes them a critical demographic within promotional periods, so appliances manufacturers should ensure the needs of this group are met.

# 10%

**Live stream commerce is expected to reach 10% of total retail sales in China for consumer goods**

Source: GfK Market Intelligence China: Sales Tracking and [www.syntun.com](http://www.syntun.com)

# Re-evaluating the premium category amid changing consumer demands

## Premium needs a rethink

While this intense promotional activity reflects dampened consumer spending, premiumization is still set to remain a key driver of growth for manufacturers.

However, approaches to a premium tier need to be reconsidered in light of consumers' parallel demand for cost savings or clear value for money.

**“Premium products are definitely a good way to boost growth and margin. If you can differentiate yourself by offering additional benefits – services, warranty, materials, purpose – you can clearly stand out from the competition,”**

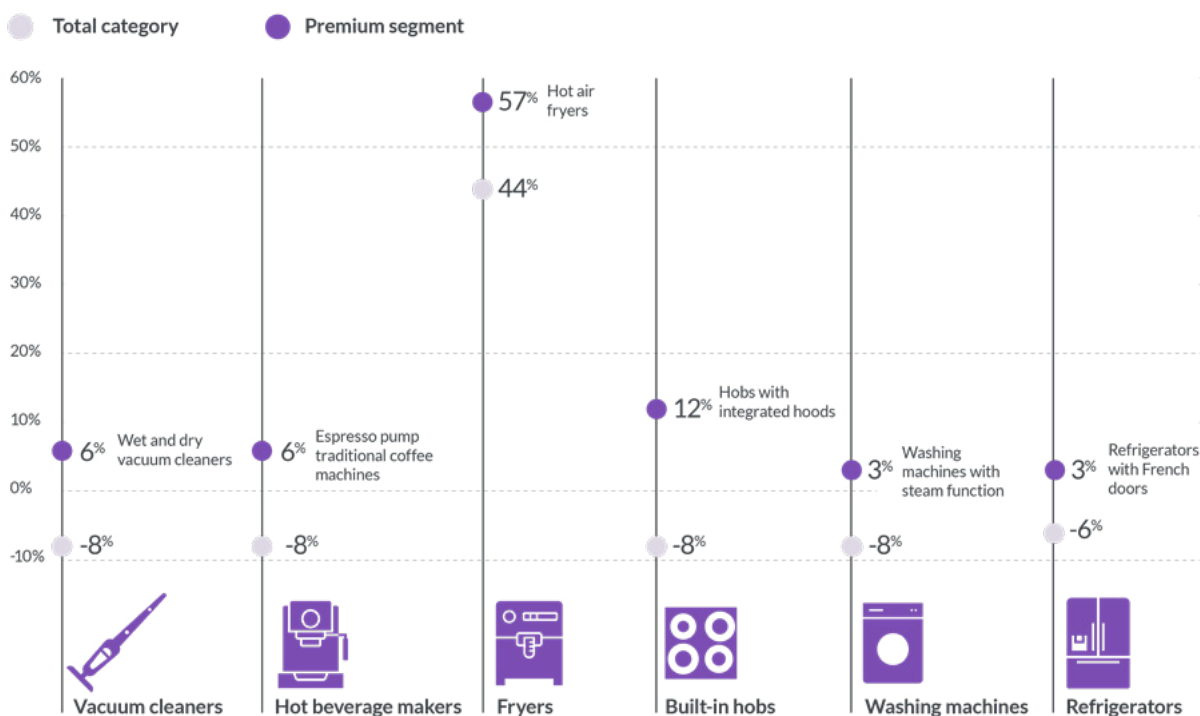
**Massimo De Zordo,**  
Marketing Director of Domestic Appliances at Versuni  
(formerly Philips Domestic Appliances)

## Investing in the 'affordable premium' tier

To reflect this, appliances manufacturers may balance their product portfolios to better focus on an “affordable premium” tier of those products at the lower end of premium.

### Appliances with premium features outsell the category average

Global sales value growth rate in 2022 vs. 2021

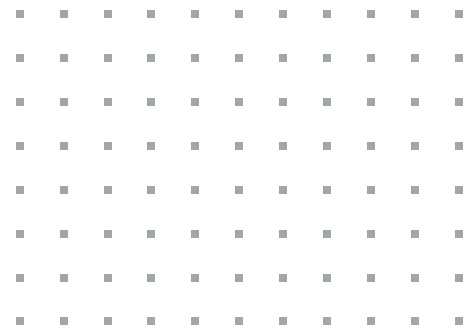


Source: GfK Market Intelligence: Sales Tracking; international coverage (excl. North America); USD non-subsidized prices

One option is the strategic curation of premium features that maintain appeal via inspirational form factors while reducing cost, for instance a four-door fridge without a temperature-controlled chiller box.

This opportunity may be further amplified in certain regions where status is a key purchase driver, such as the Middle East or developing Asia.

Manufacturers should consider this approach while protecting brand image. “Even in crisis moments, a brand has to be as consistent as possible with its positioning,” says De Zordo.



## Creating needs-based innovation

### The pandemic has upped the stakes for innovation

In rethinking both the premium tier and the rest of their portfolio, appliances manufacturers should also reflect on a higher threshold for innovation in appliances in 2023.

Only truly innovative features that add real value, convenience or elevated performance for consumers, and standout ranges for retailers, will therefore cut through.

Many consumers upgraded appliances in advance during the pandemic. That means there is now a higher bar for new products to sufficiently impress consumers and drive replacements or upgrades in times of constrained budgets. This is amplified across products with shorter lifecycles, such as robot vacuum cleaners or personal blenders.

It will also be crucial for manufacturers to tailor product messaging to reflect how products meet these consumer needs.

**“Though sometimes this information is available in the background, it doesn’t always transpire through into what is communicated to consumers. As a consumer, I am left to identify that a product is one I need because it, for example, takes up less space or is more affordable. The product itself doesn’t always communicate this in consumer language.”**

**Madalina Carstea,**  
*Head of Global Sales, Brand and Marketing Intelligence*

## Shaping innovation pipelines that meet genuine consumer needs

There are a number of high-growth areas that appliances manufacturers can tap into to achieve this.

**Performance-enhancing features that increase capacity, not size:** This trend is particularly pertinent for markets like China with high population density in certain cities, where living spaces are typically smaller. Examples may include high-specification, but compact, washing machines.

**Steam functions:** The appeal spans across ovens, washing machines and vacuum cleaners.

**Multifunctionality:** Providing greater convenience, demand for multipurpose products is particularly strong within SDAs. Examples include stylers with hair-drying attachments and electrical cooking pots with air fryer or baking functions.

**Health and hygiene:** A legacy of the pandemic, health remains a top priority for many consumers. Areas for innovation may include fridge chiller boxes to prolong produce shelf life or air purification appliances.

**Climate:** Products that tackle the impact of climate change are increasingly in demand. Use data to tap into regional trends here though, with challenges varying by geography. In Asia-Pacific, water filtration and air treatment products are gaining in popularity, while hot and arid summers in Europe have boosted sales of air conditioners and electric fans.

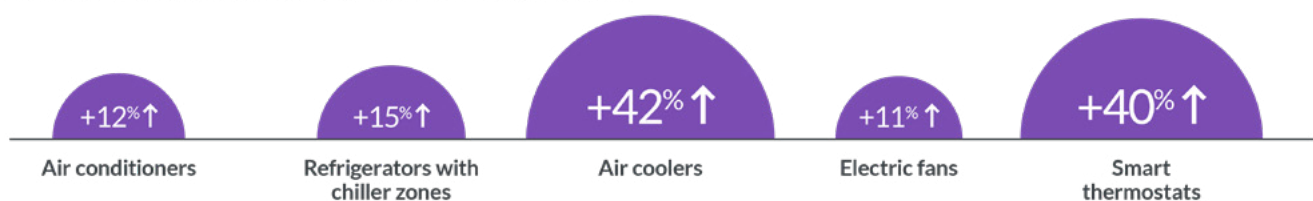
# 29% ↑

### Air cooler sales grew 29% in January to December 2022

Source: GfK Market Intelligence: Sales Tracking; international coverage (excluding North America)

### Need-based products are growing year-on-year

Global sales value growth rate during peak season in 2022 vs. 2021



Source: GfK Market Intelligence: Sales Tracking; international coverage (excl. China for air conditioners); peak season for air conditioners, refrigerators with chiller zones and air coolers is March-June; peak season for electric fans and smart thermostats is March-August

# Carving out a competitive edge on sustainability

## Sustainability won't fall by the wayside

So a challenging economic climate will continue to shape much of the landscape for Consumer Technology and Durables in 2023. But manufacturers shouldn't expect macro trends like sustainability to lose impact and products that reduce environmental impact should remain a key consideration.

There are three main contributing factors for this.

**Energy efficiency and consumption:** Energy-efficient appliances, particularly in MDA products, can noticeably reduce household bills. This is particularly pertinent in markets where a cost of living crisis is ongoing, such as Western Europe and North America. The share of best energy class A labels in Europe across appliances increased from 6% in 2021 to 15% by December 2022.<sup>4</sup>

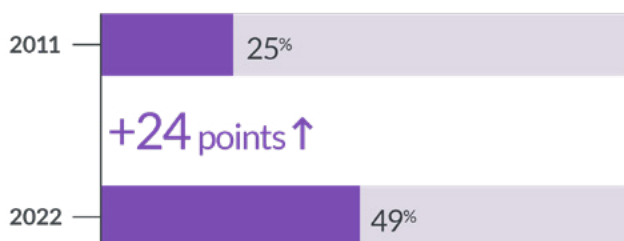
**Rising regulations:** There is a growing regulatory incentive for manufacturers to focus on sustainable appliances. In the EU and UK, simplified energy consumption labels have been required on devices from March 2021, while France has become the first country to implement a reparability index on electronics. This creates an incentive for manufacturers to innovate to ensure they meet authorities' thresholds, as well as engage consumers.

**Sustainability as status symbol:** Sustainable appliances have emerged as a badge of honor for some consumers, driving a willingness to spend more for those products that meet the required criteria.

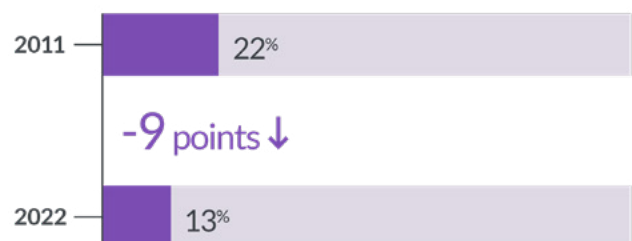
### Sustainability has become a badge of honor for consumers

Percentage of global consumers in 2011 vs. 2022

Consumers who see sustainability as a status symbol



Consumers who are skeptical and cynical about issues like sustainability and climate change



Source: GfK Consumer Life Global 2022 and 2011

## Using consumer demand to gain a competitive edge with eco-credentials

To respond to incentives for sustainable products, manufacturers should focus on proactively communicating credentials at a product level in addition to corporate level.

To do this, focus on simple and transparent messaging that makes it easy for conscious consumers to identify the direct benefits of an eco-friendly device, both for them and the planet.

Energy labels should form a key part of this approach on communications within MDAs. The highest-grade energy efficiency labels doubled or even tripled their market share in Europe. Such a clear impact is true even in regions where purchases aren't traditionally driven by sustainability considerations, such as India, thanks to the dual benefit of reducing cost for end-consumers.

Ensure communications go beyond solely energy consumption though, to create holistic eco brand perceptions. Be it use of green steel or recycled plastics made from ghost nets, any and all additional efforts need to be core to customer communications on a product.

There is also scope to boost customer engagement by creating complementary apps or monitoring tools that integrate with smart ecosystems and provide feedback on energy savings, as well as educate consumers on the most efficient appliance settings.

For SDAs, manufacturers may lean into a growing trend for products made using sustainable packaging alternatives. This is a strong area of innovation within hot drinks, where brands have invested in compostable, biodegradable or recyclable coffee pods. Already there is increased use of recycled plastic to make the body of appliances.

All this feeds into strong consumer conceptions around the eco-friendliness of a product.

## Exploring the potential in untapped emerging markets

### Considering regions with lower tech and durables' penetration rates

Promotions, premiumization and innovation all provide appliances manufacturers with scope to achieve growth across core markets. But there is also potential to build on this by exploring high-growth emerging regions.

While developed markets tend to have high penetration rates within appliances, these emerging markets are less saturated, creating new opportunities.



This can be particularly pertinent across second-priority, convenience appliances, such as electric toothbrushes, food processors or dishwashers, where penetration is currently low, but a swathe of potential first-time buyers are emerging from these regions' growing middle classes.

Manufacturers should note that the scale of this opportunity can vary significantly from one market to another. In Saudi Arabia, for example, the resurgence of its oil industry and a more positive economic outlook across various strata of consumers has driven strong sales despite inflation. Whereas in Chile, the impact of inflation coupled with political tensions has stymied growth.

# 50% ↑

**India and China will together account for 50% of global GDP growth in 2023**

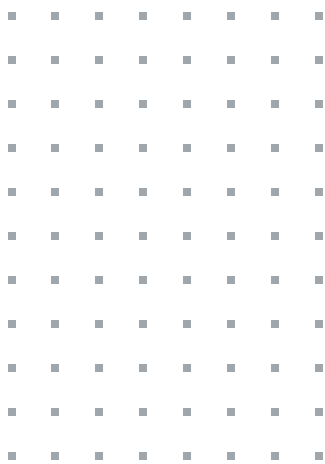
Source: IMF February 2023 World Economic Outlook

## Factoring in complexity in new markets

Boosting sales in emerging markets can be complex for appliances manufacturers though. Many of these regions have a more fragmented retail base, which precludes companies from selling through a few large retail chains to achieve high volume distribution.

Forging numerous partnerships or joint ventures with smaller retailers is likely to be necessary to achieve meaningful volumes. This may require teams to navigate local regulations and laws.

Any investment in emerging markets is therefore a longer-term strategy for any manufacturer, requiring money, effort and sometimes considerable resources.



## Seizing solutions in a challenging climate

There is no doubt that tech manufacturers are facing a period of significant challenges. Nevertheless, there are numerous opportunities to seize growth where manufacturers are willing to leverage data-driven decisions and create insight-led strategies.

With its wide range of product solutions, GfK is uniquely positioned to support manufacturers and retailers on this journey.

# Authors



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