



WHITE PAPER

Obstacles, opportunities and insights: A guide for growth in consumer tech

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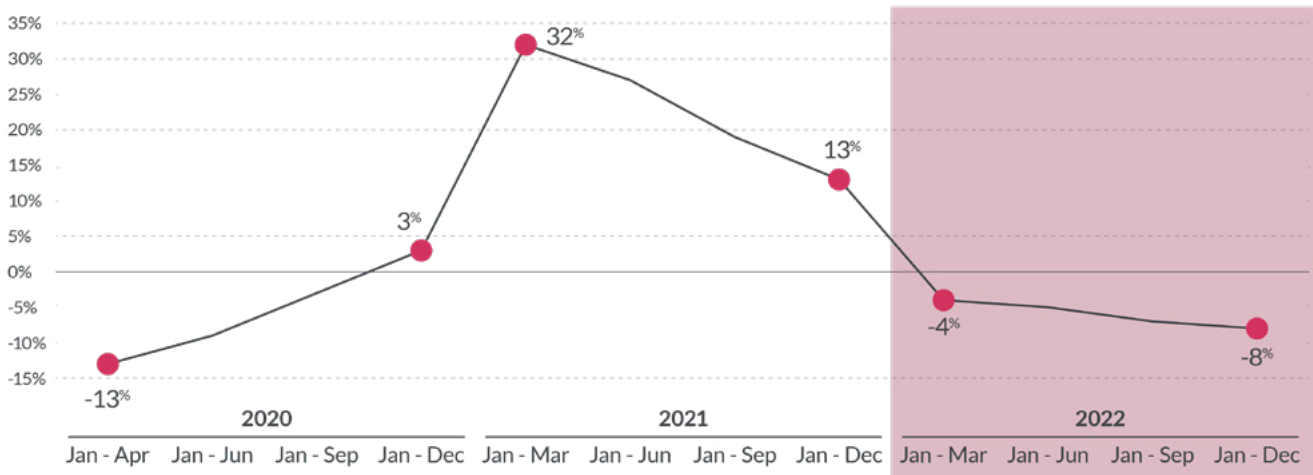
From slowdown to stabilization: setting the stage for Consumer Technology and Durables in 2023

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



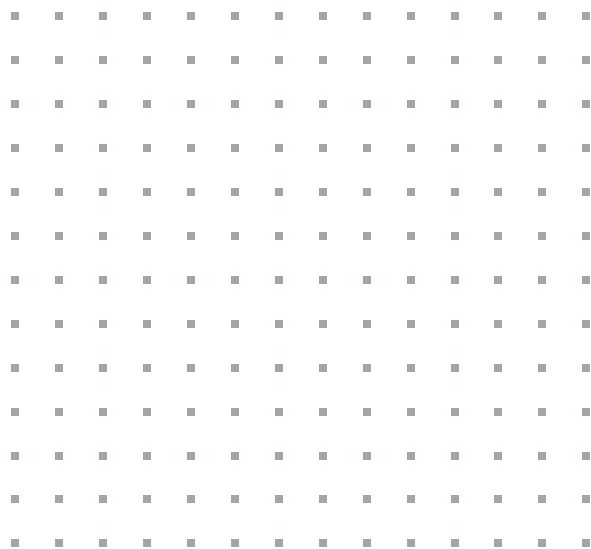
Source: GfK Market Intelligence: Sales Tracking; international coverage (excl. North America); sales value growth percentage in USD; initial 2020 cumulated period spans Jan-Apr to include the outbreak and first lockdown of COVID

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.¹

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

¹ World Economic Forum Chief Economist Survey 2023

How to thrive in a challenging economic climate

Mastering market deceleration

Facing the quiet after a pandemic storm

Following a record performance during Covid-19, tech sales have been in deceleration for the last 12 months.

This has been triggered by inflationary pressures, rising supply chain costs and impacted consumer confidence, as well as advance purchases made during the pandemic leading to saturation.

This hasn't affected all markets equally. Even by region, performance and market conditions vary considerably.

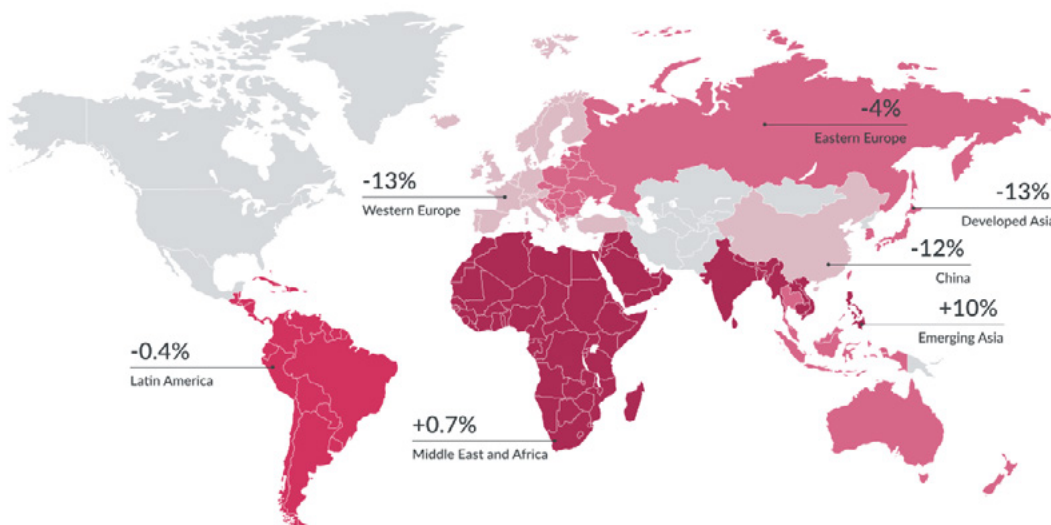
In China, for instance, headphones and headsets sales declined in 2022 following ten years of double-digit growth in USD each year.² Whereas in Japan, performance has been less straightforward.

-8.4% ↓

Year-on-year growth rate of information technologies down 8.4% and consumer electronics down 10.6% in January to December 2022

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

Sales value USD, January to December 2022 compared with 2021



Source: GfK Market Intelligence: Sales Tracking

² Source: GfK Market Intelligence: Sales Tracking and GfK Panelmarket; Headphones and stereo headsets; USD

Increased VAT rates prior to the pandemic saw growth in the Consumer Technology and Durables market slow in 2022 compared with 2021, but stay relatively flat compared with 2019.³

Amid this challenging economic climate, a “wait and see” tendency has emerged. Consumers who are struggling have chosen to postpone all but essential purchases, leaving higher income households to make up a larger

proportion of total sales. Many tech industry trends and consumer behaviors that emerged during Covid-19 remain the same, such as consumers prioritizing more urgent devices like laptops.

In 2023, manufacturers can expect some level of stabilization, with inflation and cost rises easing into the second half of the year. This should feed into strategies for the year ahead.

Carving out opportunities in the accessories ecosystem

There are a number of ways in which manufacturers can harness the opportunities of this slow shift towards stabilization.

Investment in accessories is one option to explore. Though the cost of living crisis has seen consumers postpone large purchases, there may still be willingness to spend on smaller items that can elevate

performance or experience. This may include headsets, mice, keyboards or PC components, such as graphics cards and solid state drives (SSDs).

This trend may be stronger in consumers more exposed to financial pressures and for whom accessories provide a way to upgrade existing devices while cutting back on spending. This

buying pattern can also create a longer pipeline of purchases over time, starting with a main PC, followed by a monitor and then an SSD, for example.

To harness opportunities here, manufacturers should position their brand as part of an entire accessories ecosystem, with supplementary hardware part of a wider package.

Making the most of peak promotional opportunities

Elevation of price and promotions for cash-strapped consumers

Inventory backlog that stockpiled when demand was surging during the pandemic, coupled with a challenging economic climate, fueled deceleration and pushed promotions up the priority list for consumers and retailers. The result has been an intensification of promotional activity across the consumer tech industry in 2022, a trend expected to continue in 2023.

Manufacturers should build this into strategies for the year ahead, leveraging appetite for major promotional events to offer strategic deals and discounts.



Consumer Technology and Durables sales value up 2% over Black Friday season in 2022 compared with the same period the previous year

Source: GfK Market Intelligence: Sales Tracking; weeks 45-47

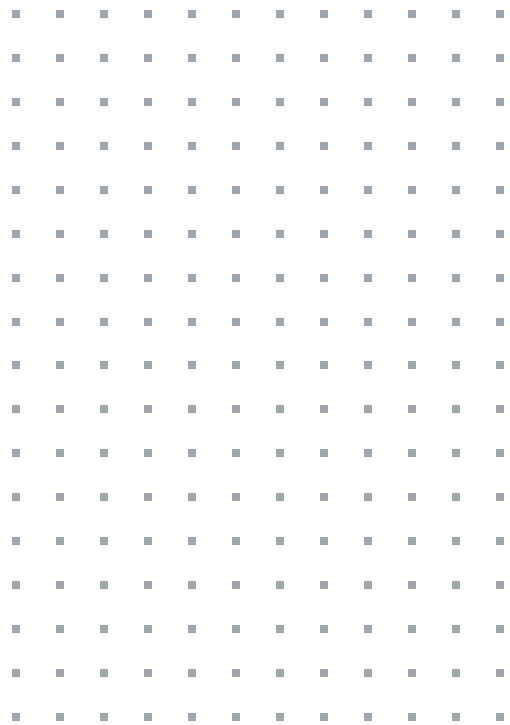
³ Source: GfK Market Intelligence Japan: Sales Tracking and <https://tinyurl.com/37euj4vu>

Tapping into rising promotional activity

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

Promotional events present an opportunity for consumers to upgrade to products with higher specifications, without increasing budgets. Manufacturers should therefore spotlight affordable upgrades during key promotional events.

Be careful to protect brand image, however. Although focusing promotions on mid- and entry-tier products can stimulate volume sales, it also creates brand associations with a lower-spec tier and can erode premium-brand positioning. For this reason, avoid continuous promotions or dramatic discounts on top-tier products.



Leveraging ‘affordable premium’ as a key driver for growth

Expect a pushback on top-tier premium

It’s clear that core markets are grappling with a cost of living crisis. But premiumization is set to remain a key driver for growth in Consumer Technology and Durables.

Manufacturers should expect the strongest demand here to arise

from the “affordable premium” tier as consumers seek out value proposition of those products that offer premium features while sitting at the lower end of the price spectrum. This trend will be particularly apparent during key promotional periods for the technology industry.

Manufacturers should note the parameters of “affordable premium” will change depending on the income level of different regions, however. In Germany, a \$800USD TV may fit this definition, whereas in Egypt an acceptable price may fall to \$250USD.

Creating a value-led proposition

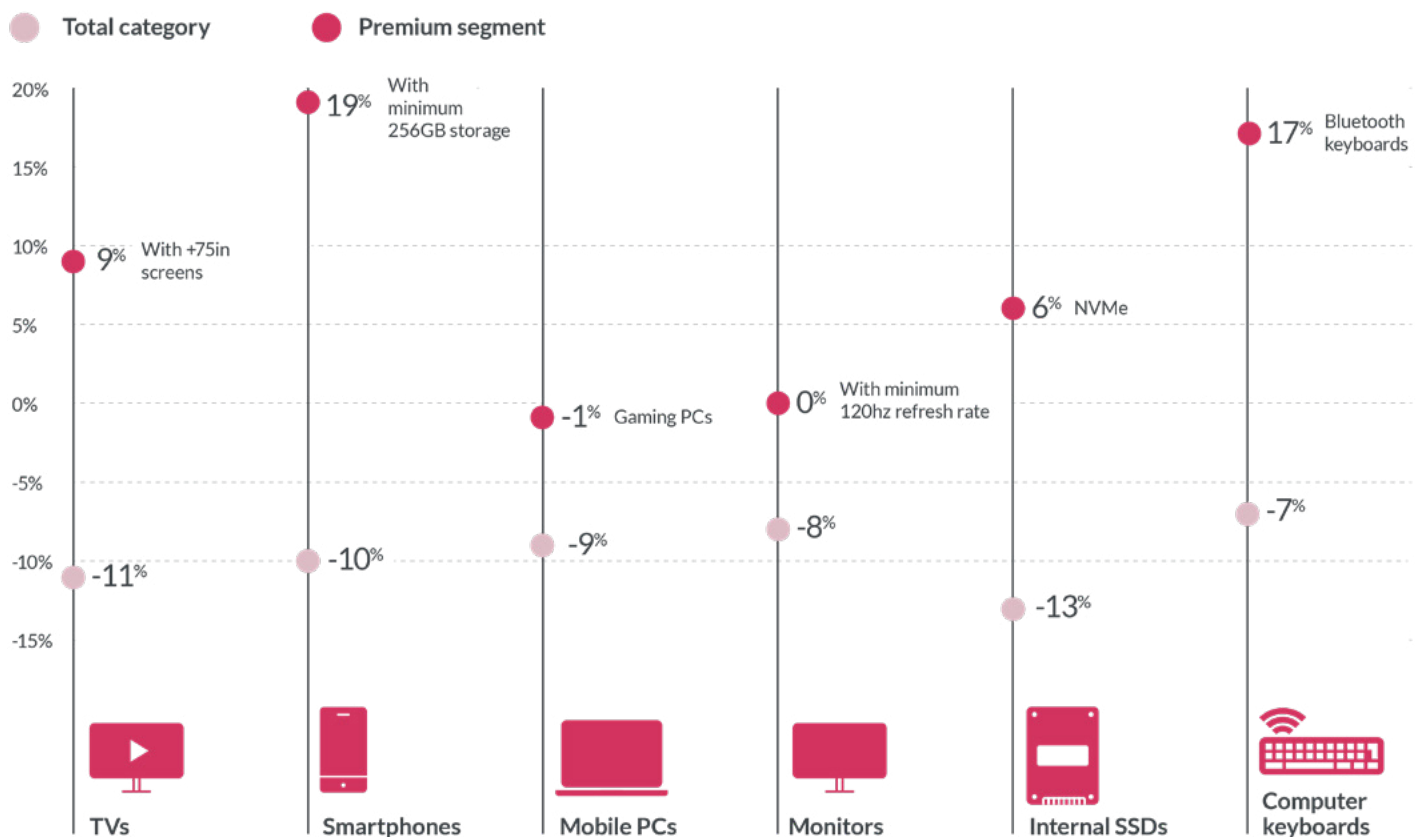
Manufacturers should lean into this buying behavior, particularly for big-ticket items such as TVs where consumers are likely to seek out the highest value replacements, those that offer the most additional functions and features within their budget.

Consumers may also seek a more premium or upgraded experience by purchasing accessories, such as soundbars, to pair with a TV. There is less scope to tap into an “affordable premium” tier for these smaller price point items, however.

This creates an opportunity for “B brands” that offer high-quality product ranges, but are often overlooked as a result of their less compelling brand image.

Digital products 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

Bold innovation that meets customer needs

Innovation for innovation's sake won't cut it

Innovation can also create opportunities for growth by convincing consumers to replace or upgrade items. But with many tech purchases made in advance during the pandemic, incremental improvements, such as enhanced screen resolution, are unlikely to cut it.

Instead, communicate bold innovation that caters to clear use-cases, rather than standalone features. Think carefully about the real needs of consumers and create brand positioning that meets these.

This may require a change of thinking. Often tech manufacturers fall into the trap of expecting technology to drive demand, rather than the other way around. When companies were excited to announce 8K TVs, consumers were confused

about how the innovation would elevate the experience, particularly given limited options for viewing 8K content. It created a solution to a problem yet to be found.

A similar gap in communications is apparent in recent innovations within PCs, such as foldable and flexible displays.

Products that meet consumer needs will break through

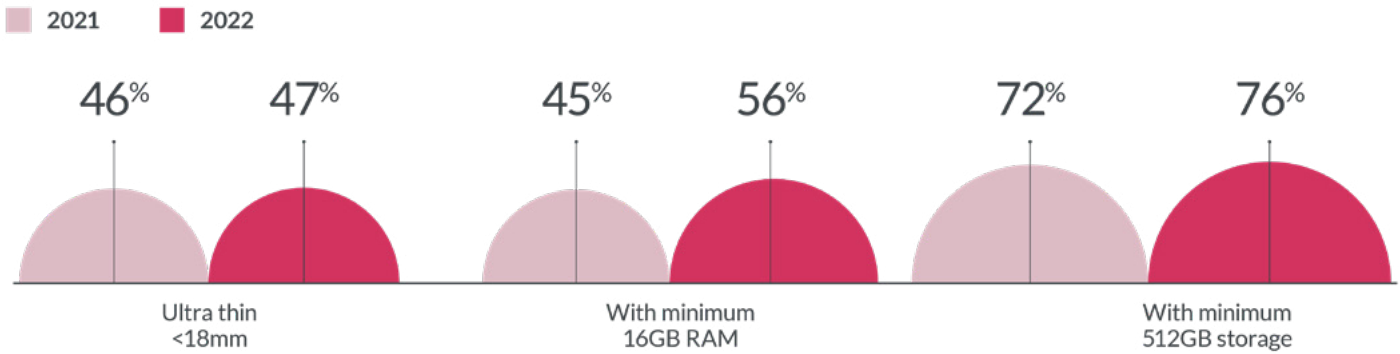
To pique interest, manufacturers should focus on innovation that responds to clear consumer demands and ensure these benefits are integrated into wider brand messaging.

Currently, consumers are looking for faster performance-enhancing specs in categories like PCs, so manufacturers should therefore focus on innovation that elevates processing or provides better graphics.

Accessories are another avenue to explore. This can be particularly lucrative in specialist use-cases, such as PCs used for gaming or work, for which consumers will be willing to match high-spec PCs with premium accessories.

High performance features are selling better than market average

Notebook personal computers value share in 2022 vs 2021



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

Remember that innovation needn't be technology-led either. Sleek form factors can also be highly appealing, such as TVs with easel stands that allow for a more seamless integration into the room. A number of categories in tech don't prioritize visual design within innovation at all, which represents an untapped opportunity.

Turbocharging sustainability claims with value

Sustainability alone isn't enough

Despite the economic climate, sustainability is of increasing concern to global consumers.

But given the financial struggles many face, this concern is coupled with a need to feel that sustainable products offer clear value.

45%

of global consumers take environmental protection into account in purchase decisions all or most of the time

Source: GfK Consumer Life Global 2022

Without this, eco-claims can miss the mark. Those products that have emphasized sustainable materials used in manufacturing for instance, such as ocean plastics, have left many unconvinced.

That's why manufacturers need to pair eco-credentials with practical benefits for end-consumers or lose them to cheaper, less sustainable alternatives.

13%

of consumers are skeptical and cynical about issues like sustainability and climate change, down by 9 points from 22% in 2011.

Source: GfK Consumer Life Global 2022 and 2011

Baking sustainability into product DNA

To win over eco-conscious consumers, sustainability can't be an afterthought. It needs to be integrated into each aspect of a product.

"There is a gap in the market for a tech manufacturer that is committed to a truly 100% sustainable product," says Madalina Carstea, Head of Global Sales, Brand and Marketing Intelligence at GfK. "This could mean an innovation that isn't even feasible with traditional materials or production methods."

Manufacturers can use this opportunity to build a sustainable product from the ground up, integrating features that benefit both customers and the planet.

Improvements to energy consumption and efficiency are obvious ways in which they can create a compelling, unique selling point that encompasses both sustainability and value.

Tapping into the growing trend within the technology industry of refurbishing and recycling is another. These products can both meet expectations around a greener corporate agenda and create a separate revenue stream for manufacturers.

38% ↑

In France the refurbished mobile phone market grew in sales value by 38% in 2022 compared with just 3% across new mobile phones

Source: GfK Panelmarket; Sales Value% EUR

Simplified repairs should also be taken into account during product development stages to meet demands for more durable, and therefore more sustainable, products. This may require only small changes, such as allowing consumers to replace individual batteries rather than a whole product.

Finally, communicate relevant sustainability credentials at a product level in addition to corporate level. Many manufacturers focus on broader company-wide

ambitions to go green but fail to clarify how individual products meet these ambitions, and benefit the end consumer.

Refocus this communication to prioritize the latter, and make it easy and quick for consumers to understand the direct, practical benefits of a product.

Targeting first-time buyers in emerging markets

Seeking ways round saturation in developed markets

In developed markets, penetration for tech products is typically higher than in emerging markets. Even more so following the advance purchases made during the pandemic. For manufacturers this can stymie growth.

But saturation doesn't apply equally in emerging markets, where there can be untapped potential to explore. In Brazil, for example, 22% of laptop sales in 2022 were made by consumers purchasing their first product, compared with just 11% in the Netherlands.⁴

India is another example. While Western Europe saw value sales of smartphones decline by 2% last year, India showed an outstanding market performance of 27% growth in USD non-subsidized prices, driven by its fast-growing middle class.⁵



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

Source: IMF February 2023 World Economic Outlook

⁴ gfknewron Consumer

⁵ GfK Market Intelligence: Sales Tracking and GfK Panelmarket; USD non-subsidized prices

Building brand loyalty with first purchases and upgrades

“This customer segment is open to trying new brands, which creates an opportunity for manufacturers to secure an all-important first purchase and the brand loyalty that follows. To achieve this, brands need to be visible, connect with the relevant customer segments, and meet their functional and emotional needs”.

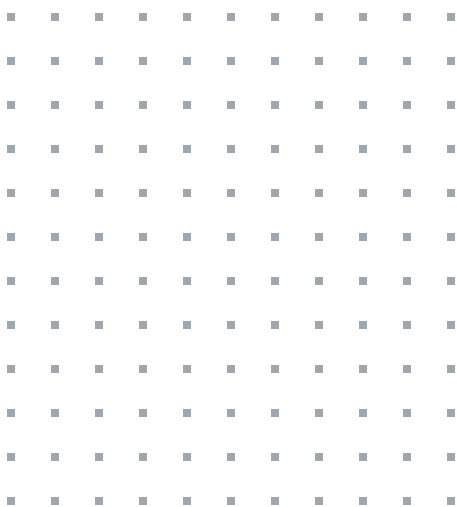
Jutta Langer,
Vice President of gfkconsult

First-time buyers in emerging markets can hold long-term potential for tech brands.

Upgrades can be another avenue for manufacturers to pursue.

Growing wealth among middle classes in these regions can increase the installed base or in some cases shorten the replacement cycles compared with developed markets. Thus, creating a clear opportunity to offer customers the next level in a particular product.

More established devices, such as TVs, have potential here. Penetration is already relatively high, even in emerging markets, creating a greater need for replacements.



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



Jan Lorbach
Senior Director Strategic
Insights at GfK

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Director Global Strategic
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Christian Langenberg
*Manager Business Management,
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