

## Press release

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### **Promotion season 2022 – Decreasing demand drives increasing promotion activities**

#### **Global market for Consumer Technology and Durables to close the year battling deceleration**

**Nuremberg, Germany, November 17, 2022 – The global market for Consumer Technology and Durables (T&D) is again facing a challenging promotion season this year. Despite this, the Consumer Electronics and IT categories are expected to continue being very popular with consumers on Black Friday, especially due to high discounts in entry-level segments. For the full year 2022, however, GfK forecasts a deceleration for the global T&D market, with a year-on-year decline in the mid-single digits.**

Black Friday has already faced difficult conditions in previous years, due to the impact of the pandemic, supply shortages and rising prices. Now, the global T&D market again needs to deal with major challenges in 2022. Retailers and manufacturers are having to contend not only with the macroeconomic crisis of runaway inflation, high uncertainty and shrinking budgets among consumers, but also with falling demand due to saturation effects and high benchmarks from 2021.

Due to these obstacles, GfK forecasts a deceleration for the full year 2022 for global T&D market overall, with an estimated decline of 6-7 percent compared to the previous year. Despite this overall drop in demand in 2022, the market has been somewhat stabilized by consumers with larger budgets, who are continuing to purchase despite the rising inflation – especially premium products. For example, robotic vacuum cleaners with a docking station (a premium small domestic appliance), recorded growth of more than 100 percent from January to September 2022 compared to the previous year, while handstick rechargeable vacuum cleaners declined by 4 percent due to weak demand.

“For this year’s promotion season, product groups with particularly weak demand in the past months are most likely to be more heavily discounted. This will especially be true for mass market products, given that premium

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items are still enjoying stable demand and therefore require less in the way of discounting”, **says Norbert Herzog, GfK expert for Consumer Technology and Durables**. “The two most important categories that we expect to see the highest uplift in sales for Black Friday promotion week compared to an average week will, again, be TVs and Laptops.”

### **Demand fluctuations with strong influence on promotion activities**

After the continuous rise in average prices for T&D in recent years, price increases in US dollar terms have flattened out this year. Although the IMF (International Monetary Fund) expects a global inflation rate of plus 8.8 percent for 2022, like for like prices are stable or even negative in some cases. This is mainly driven by the drop in volume demand in the first three quarters of 2022.

This effect is particularly visible with **TVs**, which are historically among the most popular Consumer Electronic (CE) products during Black Friday. With volume sales decreasing 5 percent from January to September 2022 compared to the previous year, TVs are losing relevance after the pandemic and retailers need to offload their high stock levels. For this reason, and due to the upcoming Football World Cup, increased price promotion activities are expected. For the full year 2022, GfK expects the global market for Consumer Electronics to contract by 7 percent in value compared to the previous year.

This also applies to **IT** products, which have seen record growth during the pandemic. Compared to the very high base levels of 2021, and due to saturation effects, the demand significantly dropped in the first nine months, with a 5 percent decrease in the volume of sales compared to last year. This has already led to a doubling of price promotion activities for IT products from January to September 2022, although these have been limited almost exclusively in the entry-level range below 1000 US dollars. Demand for premium IT products remained stable and so these have been largely left out of discount campaigns. This trend will also continue for Black Friday, with GfK forecasting the global market for IT and Office products to close the year with a decline in value of 5 percent compared to 2021.

For **Major Domestic Appliances** (MDA), GfK expects a lower growth of promotion activities on Black Friday compared to Consumer Electronics and IT, as the MDA market is comparatively more stable than the total T&D market. MDA recorded a 4 percent decline in volume sales between January to September 2022 compared to the previous year. Nevertheless, MDA categories have enjoyed increasing sales during peak season in the past years. Accordingly, GfK expects MDA to continue to gain ground on Black Friday this year too.

“The divide between premium and standard product customers is widening this year, driven by inflation and shrinking household budgets. Between declining overall demand, high stock levels and price pressure, it is more important – and more difficult - than ever before for retailers to find the right balance between promotion and margin-saving pricing. Capitalizing on new innovations to



differentiate key products is more relevant than in the past years. But there is also a promising narrative around minimizing total lifecycle cost, e.g. persuading consumers to invest in a more expensive model that has greater durability, reparability or upgradability and will therefore last them longer than buying a cheaper model”, **says Norbert Herzog, GfK expert for Consumer Technology and Durables.**

To unlock their full potential in a dynamic and challenging environment, it is important for retailers and manufacturers to monitor the market closely to be able to react immediately, especially during the promotion season. This is made possible quickly and easily with GfK’s Weekly Promotion Sales Tracking.

#### **About the method**

Through its retail panels, GfK regularly collects POS data in more than 70 countries worldwide for the consumer electronics, photography, telecommunications, information technology, office equipment, and small and large household appliances sectors. All figures are according to GfK retail market, with Global data excluding North America and presented in US dollars. All information related to product groups and price discounts are based on 10 relevant countries in terms of Black Friday promotions (Germany, Italy, France, Spain, United Kingdom, Hungary, Czech Republic, Turkey, Russia, Brazil).

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