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Navigating from turbulence to opportunity in the global Tech and Durables market

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Identifying consumer preferences is more important than ever to secure long-term demand in the current market downturn

Nuremberg, August 29, 2023 – In the run-up to IFA Berlin, one of the most important events for Consumer Tech and Durables (T&D), GfK expert, Nevin Francis, looks at the status quo and future opportunities in the global market. For the first half of 2023, the global market value declined by minus 6.3 percent to 390 billion US dollars compared to the same period last year. Looking ahead to the full year results, GfK forecasts value change of minus 3.4 percent overall, due to ongoing market saturation and slowing demand. However, the market value is still above pre-pandemic levels in 2019 and offers interesting growth opportunities in specific areas.

Globally, demand for T&D goods has continued to decelerate as markets adjust to the macro environment of cost-of-living crises, manufacturers' overstocked inventories and saturated consumer demand from previous years of peak sales. As a result, all T&D subsegments experienced lower revenue in the first half of 2023 compared to the same period last year. However, on a positive note, the IT and Small Domestic Appliance industries remain above pre-pandemic levels.

- Consumer Electronics (TVs, soundbars, etc.): minus 12 percent
- Telecom (Smartphones, etc.): minus 5 percent
- IT (Mobile PCs, hardware, etc.): minus 12 percent
- Small Domestic Appliances (Fryers, mixer, etc.): minus 1 percent
- Major Domestic Appliances (ACs, oven, etc.): minus 5 percent

Nevin Francis, GfK expert for the T&D industry, adds: "Within the overall sales, traditional retail regained market share, while online rebalanced after a surge in share during peak sales months. 35 percent of global T&D sales were made online in the first half of 2023, down 5 percent from last year. While this slight drop does not disrupt the long-standing trend toward omnichannel retail, it does make the need for an omnichannel strategy more important than ever."

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Prices up, demand down – but not everywhere at the same level

The increase in average prices in all areas of life is eating into consumers limited disposable income and is one of the main reasons for the decline in T&D demand. Average prices in the T&D sector have shot up since pre-pandemic levels, standing at plus 29 percent in June 2023 vs. January 2020, when measured in US dollars. Compared with last year, however, that price growth has moderated standing already at minus 1 percent in May 2023 vs. May 2022. In local currencies, that year-on-year price change stands at plus 6 percent on average, due to exchange rate fluctuations.

Inflation and high prices are among the top concerns of 35 percent of today's consumers worldwide, according to the global GfK Consumer Life study. However, the degree of consumer reticence for T&D purchases varies from region to region, driven by factors such as differences in purchasing power or price levels. So, while Western Europe and Developed Asia saw a year-on-year decline in revenue from January to June 2023 (minus 6 percent and minus 11 percent respectively), Eastern Europe and the Middle East continued to grow.

Consumer preference for sustainability and simplification drives long-term demand

Last year was characterized by volatility in supply, while this year is characterized by volatility in demand. From a supply chain perspective, shipping costs have already been reduced by almost 80 percent compared to last year. Although supply is now adequate again, falling demand has led to a decline in revenues. As a result, retailers and manufacturers will need to focus on new long-term aspects across the market to attract consumers. The products that grew year-over-year, despite the challenges, were those that offer attributes of energy efficiency and sustainability, heightened convenience and flexibility, or affordable premiumization.

Smart and sustainable appliances that are energy efficient not only offer lower lifetime costs to the consumer, but also have high quality and convenient in the eyes of the consumer. Especially in Europe, where energy prices are soaring, energy efficiency is one of the most important criteria for consumers when purchasing large appliances. The value of A-, B- and C-labelled combi-refrigerators, for example, increased by 77 percent in the first half of 2023 and freestanding dishwashers with these same labels grew by 37 percent. Additionally, air fryers, which offer both healthier eating and use less energy while cooking, grew plus 54 percent. Similarly, convenience products that make consumers' lives easier, such as robot vacuum cleaners with docking stations (plus 23 percent), also continued their positive momentum.

Another long-term factor positively influencing the global market in 2023, especially in the IT sector, is the consumer's desire for **flexibility**. Due to smaller workstations or "workation", small keyboards like ten-keyless devices grew by 11 percent while standard formats declined by 10 percent, in the first half of the year compared to last year. Bluetooth keyboards and mice have also emerged as a popular choice, with growth rates of 15 percent and 10 percent in the first half of 2023, respectively.



While **premiumization** demand is not as strong as in 2022, high-end models continue to outperform the market average, especially in Consumer Electronics. For example, premium TVs over 75 inches are still up 5 percent globally in the first half of 2023 compared to the same period last year, while the overall TV market is down 15 percent.

Not just a matter of “what”, but “when”

In the midst of the cost-of-living crisis, consumers are carefully evaluating their purchases, often considering price as the deciding factor even when there's a strong needs-based rationale for the purchase. As a result, the timing of purchases has become more strategic, with promotions gaining importance to drive sales volumes. **Nevin Francis advises:** “Promotional weeks such as Prime Day in Europe and 6.18 in China have already proven to have a positive impact on value growth in the first half of 2023. Although volume growth has not reached the same intensity as previous years, they are still outperforming an average week in the current challenging market conditions. As the end of the year approaches, brands and retailers should therefore pay close attention to sales dynamics in order to optimize their stock levels and identify the most promising segments and items for promotions. A cautious yet optimistic approach to promotions can open up potential opportunities for increased sales in the current challenging environment.”

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 panel market, with global data excluding North America and presented in US dollars, except stated otherwise.

gfknewron is an always-on platform that combines market, consumer and brand data supercharged with AI-powered recommendations. It enables companies to gain actionable and connected insights and act at speed to ignite sustainable growth. The platform offers three specific modules: “gfknewron Market” for market and competitor insights, “gfknewron Consumer” for an in-depth consumer understanding and “gfknewron Predict” that delivers recommendations for companies based on market data and AI-powered intelligence.

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