



Press Release

Date
August 28, 2009

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Technical Consumer Goods sales show continued slowdown across Europe

GfK TEMAX Western Europe reflects slower market trend in the second quarter of 2009

Nuremberg, August 28, 2009 – In the second quarter of 2009, consumers in Western Europe spent EUR 41 billion on technical consumer goods. After a decrease of 8.0% in the first quarter, the market recorded similar losses amounting to 9.2% in the second quarter, compared with the same periods in the previous year. Next to the general economic environment the principal reason for the reduction in revenue is the same as in the first quarter. Continuing price erosion combined with an additional loss attributed to currency effects, in particular the decline of the pound sterling against the euro are decisive, rather than lack of consumer demand. Excluding currency effects, the market performance is 1.7 percentage points up at -7.5% in the second quarter. These findings are based on GfK TEMAX[®] Western Europe, an index for technical consumer goods comprising 15 countries. GfK TEMAX[®] is a market information service developed by GfK Retail and Technology, a business sector of GfK SE.

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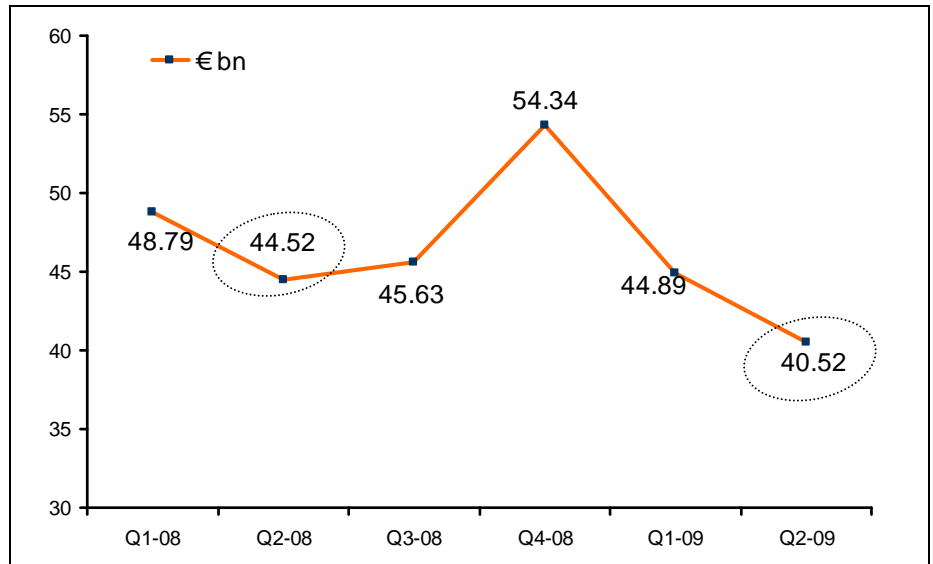
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With -0.7%, the market for small domestic appliances showed a stable performance in the second quarter 2009 in Western Europe. All other sectors in the technical consumer goods market – telecommunications, major domestic appliances, consumer electronics, photo and office equipment and consumables – recorded revenue reductions ranging from -5.5% to -13.7%. Despite tighter budgets and a similar downturn across all segments, some product groups were not affected by consumers cutting down on their overall spending and compensated the general restraint resulting from today's economic environment. These were in particular products attributing to prevalent modern lifestyle in terms of mobility, luxurious living and environmentally friendly energy efficient appliances.

Sales trend for Technical Consumer Goods in Western Europe



Source: GfK TEMAX® Western Europe, GfK Retail and Technology

SDA – Luxurious Living and Cocooning Trend keep Sales up

In total, consumers spent EUR 3.1 billion on **small domestic appliances** in the second quarter of 2009, which represents a slight decline of 0.7% compared to the same period in 2008. This is fairly good development considering the fact that without the exchange rate effects in the UK, the overall development in Western Europe would have been positive. In particular the product groups of hot beverage makers continued to support the small domestic appliances market. Not only fully automatic espresso machines but also systems using capsules and pads for coffee brewing were growing steadily. One of the reasons is that there is a clear trend to more professional use at home and high value product features which in general stand for luxurious living. Also the products of food preparation, namely handheld blenders, kitchen machines, handheld mixers and food processors enjoyed a healthy growth and endorse the current cocooning trend.

MDA - Energy Efficiency and High Value Features

Ranked next in terms of the growth rate is the **major domestic appliances** market. Overall, the sales volume amounted to EUR 7.5 billion and decreased by 5.5% in the second quarter. Most Western European markets showed negative trends after the first two quarters of 2009. The only two markets to maintain a positive development are Germany and Austria.

Must-have products like washing machines, but also more up-market products such as Dishwashers exhibited only a moderate negative trend. Although the overall demand for tumble dryers experienced a double-digit decrease, sales of expensive A-class heat-pump dryers tripled to close to six digit units sold. In addition, there has been a continuously strong trend towards A++ cold appliances with a sales uplift of approximately 50% compared to the previous year. These are only two examples underlining the increasing relevance of energy efficiency to consumers even in difficult times.

IT - Saturation and Price Competition vs. Mobility and Innovation

The **information technology** market, worth EUR 9.6 billion, declined by 7.7% across Western Europe in April to June. However, this decline was not equally shared across countries and product categories. On one side there are countries like UK, Spain and Portugal which are showing some kind of slowing down effects caused by the current economic development of course. But on the other side - and this is much stronger in terms of effect - all countries are suffering from two additional conditions: saturation effects and tough price competition:

Saturation effects, which make markets in general more stable, but as a consequence only innovative and mostly mobility supporting segments are growing like e.g. Mobile Mice, Portable Hard Disk Drives, Netbooks, Large-Screen-Size-Monitors. The year 2009 and probably also 2010 will be characterized by "growth of innovative segments" and no longer by a general overall IT market growth like in 2008 and 2007. The starting replacement of Notebooks with Netbooks is just one example.

Tough price competition, which results in negative value development, even if consumer demand is still positive. This trend is quite challenging to all IT Vendors, Retailers as well as Resellers, but it's clearly a homemade trend resulting from strong competition within slowing down markets.

Telecommunication – Smartphone and Touchscreen popularity

The sales trend in the **telecommunications** market showed a sales volume of EUR 4.2 billion in the second quarter of 2009, which represents a 10.6% decrease. Most of the Western European countries are showing decreasing figures, exceptions are Belgium, Netherlands and France with moderate increases. The sales of smartphones are showing an increase of more than 150% worldwide and touchscreens with or without expansion keyboards are also gaining popularity reaching 15% share by June. Entry products are already available for less than EUR 150. Another key trend is the development towards more megapixels for mobile phone camera products. Devices with more than 5 megapixels have already reached a level of one out of ten cameras, however this is still significantly lower than in Japan where this segment accounts for more than one third of the market today. A similar trend can be found for the GPS functionality which



is heavily growing in Europe and currently with a 15% share. However there is still a gap to Japan where sales have already reached 70%. In particular all childrens phones are equipped so that parents can track their children.

Photo – Prices are stabilizing

In the **photographic** market sales value amounted to EUR 2.1 billion and faced a decline of 10.7%. It has to be noted that this development is reflecting especially digital cameras and related accessories. An alternative and extended cross-sector view on the photo market would also cover storage media and printing for example. In recent times printing has taken a larger share in the overall market. Printing means: home printing, kiosk printing and minilab printing. Particularly onsite printing is growing, including the new product category of photo box. Therefore the extended market keeps on growing, not only in the amateur part but also in the additional professional part. Even though price erosion in comparison to the same period last year is evident for digital cameras, a recovery in the average prices can be observed over the last months, even showing some increase. This reflects the need of retailers and industry for better margins and avoiding the dangerous price battle.

Office and Consumables – Laser Multifunction rising

Total sales of **office equipment and consumables** amounted to EUR 4.2 billion in the second quarter of the year, which means a decline of 11.0%. Where consumables decreased very little, it is especially the hardware, and more specifically the Small Photo Printers and the Stand Alone Inkjet printers, that is responsible for the negative trend. The more than two digit increase for Laser MFD cannot compensate these losses.

Consumer Electronics – Price Erosion eating up positive sales trends

With sales of EUR 9.8 billion, **consumer electronics** remains the largest market. The segment recorded a reduction of 13.7% in the second quarter of 2009. Sales were partly affected by the European Football Championship in June 2008, where especially Flat-screen TVs enjoyed huge demand. Despite continued positive sales trends for large LCD and plasma TVs with mostly advanced display technology (Full HD) and built-in digital TV-Tuners, the market decreased in terms of sales value across Western Europe as a result of significant price erosions in all relevant feature segments. Price erosion also affects other product groups such as Blue Ray DVD players and others. Within HIFI a clear trend that consumers invest in new products and features can be observed. Soundbars within the speaker sector, new home theatre systems and new digital receivers lead to an increase in the average price in these HIFI categories.



Differentiated Sector and Country Developments in Western Europe

Developments in the second quarter of the year are negative throughout all Western European countries. Still, individual Western European countries showed marked differences in terms of sector development, highlighting local market structures and differing consumer preferences. This observation had been somewhat disregarded in recent years, when market trends were predominantly positive.

So far, 2009 has been a tough year. Markets continued to suffer from the underlying financial difficulties. Nevertheless products with a high usage value continued and will continue to sell, provided that the benefits relevant to consumers are actually demonstrated.

Small domestic appliances have proven rather resistant to the economic crisis. Hence it is expected, that especially product groups covering the spheres Home Comfort, Lifestyle and Beauty will be responsible for a further increase in the small domestic appliances market in Western Europe.

Promising signs that the negative trends for **Major Domestic Appliances** in most countries flatten out towards the end of the year, can be observed. Great Britain was already back on the growth path (local currency value based) for two consecutive months June and July.

For **IT** the first half of 2009 is indicating the development for the second half of the year: consumer demand will be positive for innovations, but especially B2B Enterprise demand will continue to slow. Small and Medium Sized Businesses are showing a trend somewhere in between. Therefore it is expected that the IT indicator remains within a similar range as during the first half of the year.

The **telecommunications** market is expected to further decline in units in 2009. Continuing support of the market is most likely to be seen with smartphones and touchscreens and is also spurred by new offers of operators. Anyhow, a recovery of the Western European market before mid of 2010 is not expected.

For the **imaging market** the recession varies by country and product group. Retailers and industry have to look for the challenge and choose creative flexible solutions avoiding hasty marketing. The reason being, images are long-lasting and have emotional value and consumers need this kind of comfort during these difficult times.

With regard to **office equipment and consumables**, the total market trend does not look very positive for the year 2009. Only Laser MFD will achieve comparable sales to last year. The improving Western European Consumer and Business Confidence indicators provide initial signs for higher



spending. Together with better distribution for laser, the lower average prices will create new demand for these products.

The **consumer electronics** markets are not likely to recover by the end of 2009. The impact in the second quarter due to last years Football Championship will remain influential for the rest of the year.

Summary in table format

In EUR million	Q3-2008	Q4-2008	Q1-2009	Q2-2009	Q2-2009/ Q2-2008 in %	Q1-2-2009	Q1-2-2009/ Q1-2-2008 in %
Consumer Electronics	11,349	15,757	11,916	9,820	-13.7	21,741	-10.4
Photo	2,255	2,890	1,941	2,118	-10.7	4,059	-9.8
Major Domestic Appliances	8,336	8,133	7,464	7,455	-5.5	14,919	-6.6
Small Domestic Appliances	3,227	4,116	3,174	3,080	-0.7	6,254	-1.6
Information Technology	10,816	12,648	11,259	9,623	-7.7	20,882	-8.4
Telecommunications	5,236	5,931	4,527	4,191	-10.6	8,718	-8.5
Office Equipment & Consumables	4,415	4,863	4,608	4,228	-11.0	8,847	-11.0
GfK TEMAX® Western Europe	45,631	54,337	44,890	40,517	-9.2	85,422	-8.5

Source: GfK TEMAX® Western Europe, GfK Retail and Technology

The survey

GfK TEMAX® is an index developed by GfK Retail and Technology to track the consumer durables markets. GfK TEMAX® is published internationally. The findings are based on surveys carried out by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 200,000 retail outlets worldwide. All reports and press releases are available at www.gfktemax.com.

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