

GfK RETAIL REPORTS

Q4 / 2018



GfK. Growth from Knowledge

Every quarter, the GfK Retail Reports summarize the current developments in the biggest non-food markets in Belgian retail. It gives a clear resume of hard facts and sharp analyses of trends, in words and images.

MARKETS IN DETAIL

We invite you to glance through the Q4 analysis of following markets:

- Retail in General
- Consumer Electronics & Photo
- Telecom
- IT & Office
- Small Domestic Appliances (SDA)
- Major Domestic Appliances (MDA)
- Entertainment
- Books
- Home Improvement
- Stationery

GfK makes research matter by delivering the future. In a digitalized world, we are the trusted source of relevant market and consumer intelligence that answers your key business questions and empowers smarter decisions.

As thought leaders in our industry, we have a deep understanding of consumer experiences and choices.

We turn research into business opportunities. Through innovative systems and partnerships, we integrate on and offline data to support Growth from Knowledge.

Our goal is simple: enable our clients to create winning strategies to enrich consumers' experiences and choices.



MARKET INSIGHTS INTRODUCTION



Wim Boesmans

Commercial Director

The Belgian non-food market overall showed positive results in Q4 last year, breaking with the negative growth of Q3. However, about half of the product categories covered by our panels are struggling, while the other half are in better shape. This continues the trends seen in Q3. On a year-to-date scale, total value growth stands at +2%.

At GfK, we bring you relevant data-based insights that provide a better understanding of the Belgian consumers, retailers and producers, and the market in which we operate.

In this Market Insights report, our consultants share their conclusions drawn from the final quarter results last year.

I wish you all the best this year.

Q4/2018

RETAIL IN GENERAL

Q4 result is positive overall



Rachel De Greef
Consultant Retail

Another year has passed and that means we can assess the results of the last semester. Looking at the Belgian results for the measured Non-food panels: While roughly half of the panels decreased, the other half upheld their values during the last semester of 2018. As a result of this, the Q4 result is positive overall, with a growth of +2% in comparison to the same period last year.

Trends and growth in specific panels are strong enough to keep the total value of non-food in the green. The YTD value for retail in general shows a positive, though smaller, growth of +1,6%. The categories that experienced the strongest growth in Q4 are IT & Office (+5,3%) and MDA (+3,9%), while SDA (+3,3%), DIY (+3,1%) and Telecom (+0,3%) were also able to lift up the total value. It seems like many consumers may have postponed DIY chores to the end of the year, due to the exceptionally hot summer of 2018.

In contrast to these, Books (-2,2%) and Stationery (-1,6%) were the panels which suffered the most during the last semester. Consumer Electronics (-1,9%) and Media & Entertainment (-0,3%) also ended the year on a decline. The strong growth contribution of PTV's, mainly driven by new technology, is tempered by the persisting downturn of the camera industry.

RETAIL IN GENERAL

A prominent trend at the end of 2018 is the popularity of high end and quality products. Especially in panels like Telecom, IT and SDA, we are seeing an increase in average price, which is limiting the value losses from the decline in volume. It is clear that consumers continue to demand more and more high-end featured devices. In Telecom for example, smart and mobile phones are losing ground to the more expensive phablets (+204% in Q4).

Despite being only just stable in Q4 (+0,3%), Telecom is performing well on a YTD base – standing at +7,4%. However, IT & Office takes the prize of absolute winner during Q4, mainly thanks to the increasing Gaming specific categories (+24,4% in Q4). Despite this, Gaming products that sit within the Media & Entertainment panel, were not able to stop the overall category decline for a fourth quarter in a row (-0,3%). Still, a strong final sprint limited the decline of the physical entertainment market to -2,6% in 2018.

An event that is worth mentioning at the end of a year is Black Friday. This brought in a turnover almost at the same level as Christmas sales, showing that Black Friday has made a real breakthrough in Belgium and boosted the end of the year market performance. Belgian shoppers spent 25% more during Black Friday week, than during an average week, with loudspeakers, phablets and PTV giving the highest turnover uplift. This period is also becoming increasingly important for SDA groups.

A few Retail Reports ago we concluded that the best was yet to come for 2018. And indeed, with the closing of yet another year, we can say that 2018 was a good one for Non-food. We are looking forward to what this year will bring.



Q4/2018

CONSUMER ELECTRONICS & PHOTO

The market of consumer electronics could not reverse its downwards trend in Q4 2018



Vanessa Theunissen
Consultant MDA

End-of-year sales (Black Friday + Christmas) could not change the downward trend this year. The traditional appliances, such as PTVs, still presented growth, but the smaller segments in particular, such as ex. tuner, radio devices), are in a continuous downwards spiral. Drones are still a small segment, despite the hype, and lost ground in the market during the last quarter of 2018.

The biggest growth driver in this market is definitely PTV/flat which increased in value by +9% in 2018. UHD/4K is the standard norm on 55-inch television screens, so consumers can enjoy watching television with a high number of pixels. We expect to see an increase in sales of large television screens in the upcoming years, especially with the European Championship being held in 2020.

Moving on to digital cameras, this segment is yet again in decline (-15%), due to cannibalization by smartphones, phablets and tablets. Ever-better smartphone cameras continue to affect the traditional digital camera industry.

Q4/2018

TELECOM

Difficult last quarter of 2018 with mixed results



Alain Brys

Consultant IT &
Office Equipment

With a turnover of close to 426 Mio € and just over 3 Mio units sold, the telecom business ended the last quarter of 2018 on a small but positive note, showing an increase of +0,3% in value compared to the Q4 2017 period.

The average price of products purchased in the overall Telecom sector during 2018 increased by +3,5 % to a level of 146€ - and, for Mobile-Smartphones, the average price spent by end-users on their devices increased by +9%.

The market for hardware devices - especially the larger smartphone-phablet products - delivered excellent results. It is clear that consumers continue to demand more and more high-end featured devices.

If we look at the accessory market, we also notice very positive results, especially in categories such as mobile headsets, screen protectors, chargers and smart watches. Mobile phone accessories are becoming as important as our mobile phone in our day-to-day life. Most of us would find it almost impossible to survive without a minimum set of accessories.

Q4/2018

IT & OFFICE

Positive results



Alain Brys

Consultant IT &
Office Equipment

During the last quarter of 2018 the IT and Office Equipment market increased in value by almost +5%, for a total value of close to 600 Mio €.

The average price of products purchased in this sector increased by almost +4% compared to the same quarter in 2017.

For the entire year of 2018, we registered an increase of +2,6% in value, or close to 2.100 Mio €, with average prices increasing by almost +6%.

IT: positive results thanks to the continued growth in computing and peripheral categories.

Several IT product groups continued to perform excellently during the last quarter of 2018, accounting for an increase in the IT sector of +7% to 483 Mio €.

The categories with gaming-oriented computing products, gaming monitors and gaming peripherals and accessories (mice-keyboards-gaming devices) continue to deliver excellent sales results, with increases in certain categories of up to +15% in value.

IT & OFFICE

Office Equipment & Consumables: growth of printing hardware.

In Q4 2018, the Office Equipment and Consumables sector maintained its sales level compared to Q4 2017, giving a value of close to 115 Mio €.

The average price of products purchased in the Office Equipment sector increased by almost +2% compared to the same period in 2017.

The market of Multi-Functional Printing Devices was able to maintain its level of sales thanks to the success of continuous ink supply systems (CISS) and business inkjet orientated printing hardware products. Sales in both inkjet and laser cartridges declined further.



Q4/2018

SMALL DOMESTIC APPLIANCES (SDA)

SDA thankful for growth Handsticks and Espresso Machines



Thalia De Mesmaeker

Consultant SDA

The SDA market ended Q4 with a nice growth of +1,7% in volume and +3,3% in value. Black Friday certainly helped drive this quarterly growth, with this period is becoming more and more important for SDA groups.

Vacuum Cleaners once again contributed the biggest and most impactful growth, with a very nice +17,8% increase in value for Q4. Next to the Vacuum Cleaners, the main value growth drivers for Q4 are (Versatile) Handsticks, Dental Care (+4%) and Hot Beverage Makers (+3,6%).

Unfortunately other important SDA product groups were still not finding any growth in Q4. These include Food Preparation (-5,1%), Irons (-4,5%), Hair Dryers (-7,7%) and Shavers (-3,7%).

Looking at the full 2018 view of the SDA market, unit growth showed a very slight downturn at -0,7%, while value growth came in at +0,8%. Sales in 2018 depended again on only 3 growing product groups, with Dental Care (+11,1%) showing the biggest growth in value, while Vacuum Cleaners (+9,2%) and Hot Beverage Makers (+1,28%) delivered the most impact. Within this last category, it is Espresso machines, Single Serve and Full Automatic, that are driving this growth.

Yet again Food Preparation (-4,4%), Irons (-5,2%) and beauty products like Hair Dryers (-8,2%), Hair Stylers (-12,1%) and Shavers (-2,7%) failed to follow the positive trend of the other important product groups.

I hope that we'll see a turnaround this year!

MAJOR DOMESTIC APPLIANCES (MDA)

Point-of-use appliances are breaking through in 2018



Vanessa Theunissen
Consultant MDA

Looking at the full year 2018, MDA Total 9 shows an increase in units sold of +2,47%, but a decline in value of -0,64%. This means that the average price of major domestic appliances decreased.

Let's look at which product groups were successful in 2018:

Laundry most definitely came in first place. Washing machines (front loaders with a large capacity in volume) really boosted sales this year with an increase of +3,2% in value. Belgian households seem to be spending less time on laundry, with many brands focusing on offering wash-dryer solutions that help customers save time and energy. Looking at the positive growth figures of washer dryers, the success of this category most definitely cannibalized sales of tumble dryers (-3,3%). Added to this, the hot summer months (offering easy air drying) also fed into the decline for tumble dryers.

During summer last year, the average maximum temperature in Belgium reached a new higher peak, causing a positive demand for refrigerators (+2,2%) and freezers (+0,3%) – with large energy-efficient appliances (side by side and 3+ doors) particularly benefiting.

In the cooking segment, one trend of note is that many manufacturers are trying to make their products more appealing by using open smart technologies. This way, consumers can interact with their home equipment using a single platform (ex. smartphone or tablet). However, at present, this segment of smart appliances still remains small in Belgium.

ENTERTAINMENT

A strong final sprint limits the decline of the physical entertainment market to -2,6%



Conrad Hayen

Senior Market Analyst
Entertainment

Red Dead Redemption, *Spiderman*, *Pokémon*, *Super Smash Bros.* and the usual contenders *Fifa* and *Call of Duty*: this year's Q4 video game line-up was arguably the most promising this decade. This, combined with continued strong momentum for both Nintendo Switch hardware and game card sales, has delivered a +6% overall market growth in Q4 and has led the €278 million market to an increase of +2,2% compared to 2017.

The small decline *Fifa* encountered in 2017 (which, it was generally assumed, heralded a downward spiral for boxed games), has been reversed by the latest installment, *Fifa 19*. This shows that 'physical' is still very much the driving force behind sales. Despite the growth of digital ownership, players still seem to enjoy this sense of physical ownership over their content.

Contrary to foreign reports indicating that Switch would overtake Playstation 4 in terms of sold units, the latter remains by far the best-selling console in Belgium, despite the traditional 'fifth year' relapse. The +40% boost Nintendo Switch has experienced throughout 2018 is what's preventing the market from shrinking.

ENTERTAINMENT

Meanwhile, gaming vouchers accounted for 17,5% of the overall market, growing almost +37% year-on-year.

The video games sector has generated just shy of three-fourths of the entire home entertainment revenues, with the remainder being split between CD (and vinyl) and DVD (and Blu-Ray).

The -9,2% decline in physical music revenues was offset by the +17% growth in subscription-based music streaming, ensuring the Belgian total music market grew +0,6% compared to 2017.

Although vinyl is still a niche category, compared to its pre-digital heydays, its impressive revival is continuing, as vinyl sales grew +6,7% year-on-year.

While rumors that Samsung will no longer bring new (4K) Blu-ray players onto the market are being confirmed, Blu-ray continues to outperform DVD, although it only accounts for 23% of the total market.



BOOKS

The French-language book market continues to decline, while sales in Flanders are gradually stabilizing



Conrad Hayen

Senior Market Analyst
Entertainment

Last year 2,9% fewer books were bought in Flanders, however, the decline in value was limited to -0,2%. Given that, since 2011, the market has shrunk between -1,5% and -3% in turnover annually, this reduced decline in 2018 could well be an indication that the previous trend is breaking. The first 6 weeks of 2019 seem to confirm this, with a +3,3% value growth over 2018.

The trend difference between sold units and revenues means that the purchase price of a book rose significantly - on average +3% or 40 cents. There are two factors behind this. Firstly, the -6,8% decline in comic book sales was far stronger than the market average, which consequently made the weight of relatively cheap comic books decline. Secondly, the 'Regulated Book Price' has played a significant role. If we compare 2018 with 2017, we are comparing a period of 12 months subject to regulation with a period of only 6 (the law was introduced mid-2017). As retailers are now bound to the price set by the publisher for the first 6 months after publication, the price of a new book has risen sharply, from an average of €14,6 to €15,8. Revenues from new books increased by almost +7% last year, compared to 2017, while back catalogue sales declined by almost -2%.

BOOKS

Although we should not ignore that online sales are driving the market with a growth of +15,8%, independent bookstores are flourishing as well – which is one of the intended effects of the Regulated Book Price. In contrast, non-traditional booksellers (toy stores and supermarkets) lost heavily, with a decrease of over -10% compared to 2017.

'Informative non-fiction' was up +7,6% on 2017, with history and psychology as the main drivers.

In addition to comic books, children's books (-4,8%) and 'non-fiction leisure' (-3,8%) fell again, as they already had done in 2017 compared to 2016.

Sales of fiction were on the rise in 2018 as a result of the classic 'NUR genre classification', which includes literary non-fiction and bestselling titles such as *Becoming* by Michelle Obama and *Sapiens* and *Homo deus* by Yuval Noah Harari.

Still, the main catalyst of the negative trend of -2,6% that the market has experienced over the past 12 months are the new books, where turnover is down -5,7%. In contrast, the -2% decline in books older than 6 months remains somewhat more limited.



Q4/2018

HOME IMPROVEMENT

Belgian Home Improvement sector closed fourth quarter with solid growth



Kristof Scheys
Consultant DIY

Retail turnover for the Belgian Home Improvement sector has grown by +3,1% during the fourth quarter of 2018, resulting in an annual growth rate of +1,5% compared to the previous year. Strong sales of gardening product groups continued throughout the last quarter of the year, which increased the share of the category even further to almost 20% of total annual sales.

We have registered similar growth rates in the previous months for a variety of product groups: building chemistry (adhesives, sealants, etc) and building materials (insulation, cement, etc) are now returning to growth after sales had slowed down in the third quarter. We believe many consumers may have postponed larger DIY jobs to the final quarter of the year, due to the exceptionally hot summer that characterized 2018. It shows us once again how big the impact of the weather can be.

In conclusion, the good results that were achieved in 2018 support future growth, and the complete overhaul of biological assortments in gardening categories, lay the foundation for sustainable success.

STATIONERY

Stationery hits its largest volume decline in Q4



Thalia De Mesmaeker
Consultant Stationery

Still no positive news when looking at the total Stationery market, where we see a decline in Q4 of -3,8% in volume and -1,6% in value. Due to four declining quarters in a row, we ended 2018 with a full year decline of -2,9% in volume and -2,7% in value.

The main product category responsible for this continued negative trend is still Cartridges, which showed a drop of -9,3% in volume and -7,7% in value on a total 2018 level. Writing Materials also failed to grow in 2018 (-2,8% in volume and -2% in value), despite a positive Back-To-School sector in Q3.

The only category that showed growth in 2018 is Office Machines & Accessories. This category managed to turn around a negative first quarter, ending 2018 with an increase of +4,8% in volume and +4,9% in value. Maybe GDPR has something to do with this positive trend by pushing the sales of the Shredders?!

COLOFON

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Concept and realisation

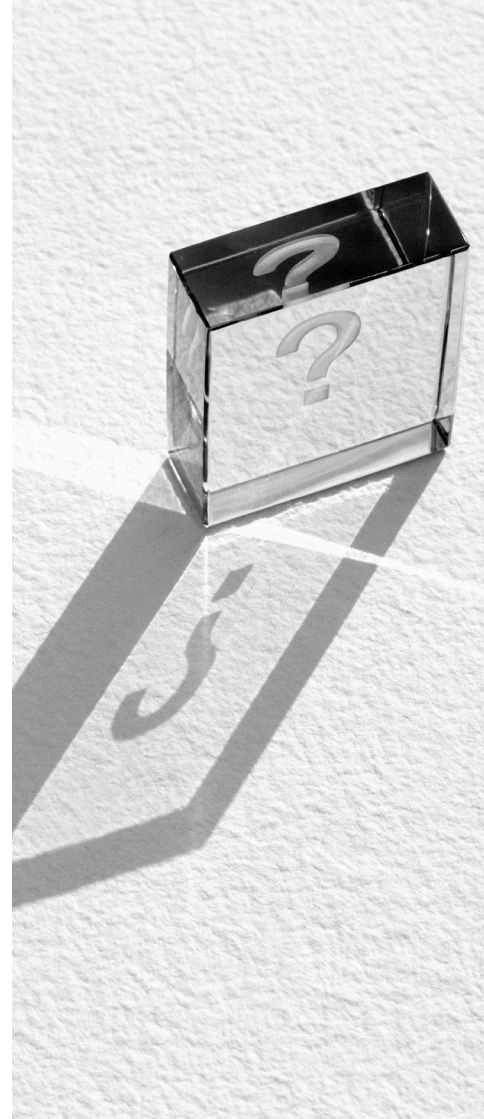
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