

GfK RETAIL REPORTS

Q1 / 2017



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

Welcome to the first Retail Report of 2017! Stay tuned if you want to know how the Belgian non-food market performed in this first quarter.

We're happy to start the year with positive news: the non-food sales increased with a total of 1.4%, compared to the same period last year. Even though 2016 ended the year in total with a decrease of 0.7%, it did show some improvement towards the end, as the last quarter grew by 2% compared to the fourth quarter of 2015. Let's hope this positive trend will continue in 2017.

The drivers of growth in this first quarter are Media & entertainment (+1.8%), Small domestic appliances (+6.9%) and Major domestic appliances (+4.2%). Home improvement and Telecom can still present positive figures, but seem to be slowing down (+3.9%; +3.5%). Books and Stationery on the other hand continue to struggle and decline further with -4.6% and -4%.

Consumer electronics kicked off the year with a decline (-1%), mainly caused by a drop in television sales. As this product group still carries this category, it affects the overall result negatively. There is however a silver lining, hot topics such as drones could have an increasing impact on this category in the future.

Telecom on the other hand, still has positive growth numbers to show (+3.5%), but we noticed that the increase in smartphone sales is slowing down. This will undoubtedly have an effect on this category's performance in the future. However, product groups such as wearables are increasing in importance.

After a difficult period for Media & entertainment (+1.8%), this category finally has some positive figures to show. One of the most remarkable trends during this first quarter is the progress we find in all products related to gaming which are the drivers of success!

In some product groups in IT, we note a similar trend: computers popular for gaming show a persistent increase and computer accessories such as mice and keyboards are also able to gain from the gaming trend.



MARKETS IN DETAIL

Major domestic appliances can also be proud of their result. We noted an overall positive outcome for all product groups of this category, resulting in a +4.2% value increase compared to the first quarter of 2016. Consumers seem to be replacing their appliances faster than ever.

For the Home improvement categories, the first quarter showed a very positive upward trend of +3.9%. Especially within the Garden segment sales sky-rocketed.

We are looking forward to finding out how the market will evolve during the next quarter.

Would you like more details? Visit our website and download the full report!
See you next quarter!



MARKETS IN DETAIL

We invite you to glance through the Q1 analysis of following markets:

- RETAIL IN GENERAL »
- CONSUMER ELECTRONICS »
- IT & OFFICE »
- TELECOM »
- MAJOR DOMESTIC APPLIANCES »
- SMALL DOMESTIC APPLIANCES »
- MEDIA & ENTERTAINMENT »
- STATIONERY »
- DIY »
- FASHION »

GfK makes research matter by delivering the future. In a digitised world, we are the trusted source of relevant market and consumer information that empowers our clients to make smarter decisions.

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

We are 13,000 passionate experts with more than 80 years of data science experience and German heritage. We deliver globally with vital insights into local markets in 100 countries. We turn research into business opportunities. Through innovative systems and partnerships, we integrate online and offline data to support Growth from Knowledge.

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



RETAIL IN GENERAL

Growth during the last quarter of 2016, but a small decline over the whole of 2016



Evelien Van Aerschot
Consultant Retail

2017 started off on a positive note, with a total increase in the non-food sales of 1.4%, compared to the same period last year. Although the year 2016 rounded up a negative growth of 0.7%, it concluded on a positive momentum in its last quarter, of +2% compared to Q4 2015. Let us hope that this positive trend is here to stay, for a great 2017! The comparison is based on the sum of all non-food markets measured by GfK POS Measurement.

Compared to the first quarter of last year, the total non-food market is trending slightly positively this Q1 2017, with a noted growth of 1.4%. This growth is mainly pushed by Media & Entertainment (+1.8%), Small Domestic Appliances (+6.9%) and Major Domestic Appliances (+4.2%). Home Improvement and Telecom noted good growth figures, but seem to be slowing down (+3.9%; +3.5%). Stationery and Books are struggling in this first quarter, respectively declining -4% and -4.6%.

In Consumer Electronics, the year starts off with a decline (-1%), mostly caused by a drop in television sales. This product group still carries the whole category, although upcoming hot topics such as drones can possibly brighten its future. In Telecom on the other hand, we still see positive growth numbers (+3.5%), although the enormous increase of smartphones sales is seemingly starting to slow down. Smaller product groups are catching our eye, for example core wearables.

One of the most remarkable trends during this first quarter is the drive we find in all products related to gaming! Not only did the new Nintendo console Switch boost sales in hardware, the trend that PSVR started, has a very positive result on Gaming Peripherals sales. In some product groups in IT, we note a similar trend: computers popular for gaming

RETAIL IN GENERAL

show a persistent increase and computer peripherals such as mice and keyboards are also able to gain from the gaming trend.

Next to the gaming segment, Major Domestic Appliances deserve a round of applause. All product groups from this category show green figures, in units as well as in value, resulting in a +4.2% value increase in comparison to Q1 2016. It seems that consumers are replacing their appliances faster than ever. Furthermore, a few stubborn trends continue to push the market: American fridges and range cookers are still increasing in popularity.

For the Home Improvement categories, Q1 resulted in a very positive upward trend of +3.9%. Sales particularly sky-rocketed within the Garden segment. A great start of the season for all outdoor products such as lawn mowers and barbecues. Let us hope spring is here to stay and warms us up for a perfect summer!

Let's wait and see what the rest of the year will surprise us with! I wish you all the best.



Q1/2017

CONSUMER ELECTRONICS

Under pressure



Jürgen De Mesmaecker

Industry Manager
Technology

For the 6th year in a row we are facing a decline in the first quarter of the year within the Consumer Electronics business. Whereas in Q1/2011 the CE category reached a turnover of more than 400 Mio € it wasn't able to attain the mark of €230mio in Q1/2017?!

The TV business started very hopefully with an outstanding first month, a typical sales period in Belgium. We noticed an excellent volume growth compared to January 2016 (+2.3%) and an almost stable market based on turnover. Nevertheless, in the last two months of Q1/2017 the TV business came under pressure: the market took a deeper dive and finished with a loss of -2.7% in value. 'Searching for value' is a hot topic, manufacturers are aiming the top level segment. From Q3/2016 onwards Panasonic, Philips and Loewe joined LG in the OLED market, next quarter we expect Sony to be active in this segment as well. Samsung joined the competition at the beginning of 2017 by launching their new QLED series. Let the battle begin!

The Digital Camera segment stays in the eye of the storm: a volume fall of almost a quarter, luckily resulted in a turnover growth of 4%. These numbers are proving that the consumer is willing to pay more for a decent camera, as long as it can be differentiated from the smartphone camera application. Let the consumer look through another lens.

One of the most intriguing product groups within Consumer electronics is Drones with a sky high, almost tripled growth rate. The least we can say is they got off with a flying start!

Q1/2017

IT & OFFICE

IT & Office show upward trends



Alain Brys

Consultant IT & Office
Equipment

During the first quarter of 2017 the IT and Office Equipment market increased in value by almost 2%, for a total value of close to 500 Mio €.

IT: good results thanks to the gaming and networking products

Within the IT categories we noted the following trends during the first quarter of 2017:

- Gaming computer models show a strong and persistent growth increase
- High value computing models (above €1,000) achieved significant growth during the first quarter of 2017.
- Mediatablets generated double-digit level drops due to ongoing customer saturation.
- Almost all segments in the peripheral categories increased in value especially the networking, mice and keyboard segments.

Office Equipment and Consumables: small photo printers continue to grow

In Q1 2017, the Office Equipment and Consumables sector recorded a growth increase of just over 1% compared to Q1 2016 for a value of close to 119 Mio €.

Both the hardware segment and the consumables market increased in value.

In the printer segment the increase was most noticeable in the small photo printer area. In the MFD segment the market was pushed upwards by the laser MFD category.

Q1/2017

TELECOM

Positive vibe in Q1



Jürgen De Mesmaecker

Industry Manager
Technology

The telecom market had a positive start in Q1 of 2017 with a turnover growth of 3.5%. However, market growth is slowing down if compared with the growth rates of the first quarters of the last 3 years. We are a step closer to saturation.

One of the biggest reasons why the telecom hardware market is slowing down is due to the fact that its most important product, the smartphone, is doing alike. Last year we had a 12% growth in Q1, this year it slowed down to 4.2%. This can partly be explained by the later launch of the flagship device of one of the key manufacturers in this segment.

The most remarkable grower within the telecom category, with almost a triple digit numbers, is the wearables segment! We see that 6 out of ten wearables sold in Q1/2017 are Health & Fitness Trackers. The actual and future volume and value increase of this segment is based on the consumer's choice of style and compactness. Let's hope this positive vibe is not only driven by New Year resolutions.

Q1/2017

MAJOR DOMESTIC APPLIANCES

A jump- start for Major Domestic Appliances



Karel Tyberghein
Consultant MDA

Once again we saw green figures in white goods in Q1 2017: every product group advanced in units and value. The washing category, last year's fastest growing, again accounts for the biggest gain. Cooling holds off cooking as second best performing category.

All three washing product groups expanded equally strongly. This is especially remarkable for washing machines, where penetration gains are virtually non-existent. Consumers clearly write off their appliances much faster than ever before.

A strong performing freestanding refrigerator segment supported the cooling category growth. The near-death segment of top mount fridges is experiencing a striking comeback. At the same time, Belgians can't seem to get enough of American fridges. Freezers are enjoying a rise as well due to spiking niches like built-in and chest freezers.

Development in the cooking category is more modest and divers. An unexpected decline was noted in the steam segment of the oven product group. On the contrary, the rise in popularity of range cookers remains solid. More hobs were also sold, but the product group is suffering from a sharp drop in average price which tops value growth. The Microwave Ovens product group still has the highest growth rate due to an unrelenting demand in the built-in segment.

Q1/2017

SMALL DOMESTIC APPLIANCES

Thumbs up for Small Domestic Appliances



Caroline Cauwenberghs
Consultant SDA

In the first quarter of 2017 a lot of product categories within Small Domestic Appliances showed positive results, only a few declined.

Within the Kitchen Appliances segment the biggest growth is yet again for deep fryers. Here the 'low oil' hot air fryers really boosted sales. However, some product categories showed a small decline such as kettles and toasters.

We also see good results in the Home Comfort segment, where sales are mainly pushed by vacuum cleaners. Here we still see strong growth numbers, but mainly driven by cylinder vacuum cleaners.

Within Personal Care the hair dryers became a hot item, along with hair styling and shavers. Products suffering in the Personal Care segment include dental care and hair clippers.

Q1/2017

MEDIA & ENTERTAINMENT

Gaming uplifts whole sector and prevents massive losses



Conrad Hayen
Business Analyst Media
& Entertainment

A first quarter growth boost in Console gaming nearly evens out the ongoing decline in Cd and Dvd. The total entertainment market increased with 1.8%.

Amid continuing disruption and transformation (from offline to online; from physical to digital; from downloads to streaming; from ownership to access), the loss is limited to a decline of "only" 1.1%.

After a relatively disappointing 2016, Gaming is currently the main driver of a successful first quarter, not only outgrowing the first quarter of last year by 7.8%, but also growing 11.7% compared to Q1 2015.

While console software decreases with 2%, console hardware grows by a quarter, of course mainly thanks to the March release of the Nintendo Switch.

But let's not underestimate the effect PSVR had in Gaming peripherals, which almost doubled when compared to Q1 2016.

As music streaming is driving the 2% growth of the music industry as a whole, downloads are declining faster than physical sales, by 17% and 15% respectively.

A ray of hope is provided by the 25% growth of Vinyl, now accounting for almost 15% of total music album revenues, suggesting the revival might be more than just a temporary hype.

Dvd and Blu-ray sales combined plunge 13.8% in the first quarter.

Despite missing multiple bestsellers (compared to the first quarter of 2016, only Trolls

MEDIA & ENTERTAINMENT

came close to Game of Thrones 5, James Bond/Spectre and F.C. De Kampioenen/Jubilée Générale), the 14.7% decline in Dvd revenues is considerably less than in most European countries. It has also been a while since the loss in Blu-ray was not going up to double digits.

This market will remain very release driven, but this trend heralds the beginning of what may look like a stabilization of the market, especially since the decline in back catalog (> 3 months) was less than 5%.



Q1/2017

STATIONERY

Small growth in last quarter of 2016 for Books



Thalia De Mesmaeker
Business Analyst
Stationery

With a decrease in value of -4%, the total Stationery market continues its downwards spiral from 2016. This decline in value is seen at all channels, where even the Stationers couldn't find any growth in the first quarter of 2017. The biggest decline was seen at the Office Equipment Specialists. In pieces the market did a little bit better with -2.8%.

Cartridges, representing 28% of the total Stationery market, is co-responsible for the total value decline in Q1 by decreasing with -6.8%. The category of Writing Instruments which represents 17% of the market, is also declining in value by -4.1%. Where we hoped that Coloring products would recover after a bad 2016, mainly due to the coloring hype in 2015, they still cannot find growth this year within Writing Instruments. Markers and Highlighters are two product groups that are showing strong growth figures. The arrival of some new products at the Highlighters in 2016, are co-responsible for the high growth figures at this type of product.

Although the Cartridges and Writing Instruments show negative figures, the category of Paper & Labels is showing a growth of +3.1% in value. Because of this growth, they are gaining share within each channel. Also Planning & Presentation is growing with +2% in value, together with the Books/Pads/Accounting (+12%) and Occasional Goods (+3%). This last category, which contains Gift Wrap and their accessories, can only be found at the B2C-channels.

We all hope that the Stationery market can find a way out of this more negative flow and again find growth during the next quarters of 2017.

HOME IMPROVEMENT

Belgian Home Improvement market has got 2017 off to a flying start



Kristof Scheyes
Consultant Home &
Living

In the first quarter of 2017, the Belgian Home Improvement retail market achieved an increase in sales of 3.9% based on value. Amid signs of a moderately positive economic situation in Belgium and supported by excellent weather conditions, retailers experienced high demand for gardening products. In particular March 2017 turnover showed a stellar growth figure of more than 10%.

Turnover generated in the gardening categories was up 30% compared to the prior-year quarter, primarily due to increased sales of outdoor barbecues, lawn mowers and garden chemicals. However, the evolving legislative proceedings concerning the use of glyphosate may have a significant effect on sales figures for the plant protection category over the coming months. Analyzing the data for the outdoor barbecue category, it's clear that the vast majority of products sold are still charcoal barbecues. Nonetheless, the popularity of gas barbecues seems to be increasing, with sales representing close to 40% of the category based on value. The sales of lawn mowers were driven by cordless and robot mowers.

While there is always some uncertainty surrounding any prediction, the increased adoption of cordless battery technology to drive a broad range of gardening products, supports the view that innovation will play a key role in shaping the future Home Improvement market. Adapting to a changing market and consumer expectations in a timely manner will present challenges, but more importantly, an opportunity to create sustainable growth for both retailers and manufacturers.

After a bad sales month, recovery is in sight



Wim Boesmans

Head of POS
Measurement

This year again, the sales during January caused a minor start of the year 2017. During the first month of 2017 we experienced non-typical winter weather, by which Belgium keeps on struggling with unusual weather conditions during important fashion months. Luckily, February and especially March provided the necessary growth, allowing us to end the first quarter of 2017 with a more or less stable -0.6% in value.

During the sales month, not one category was able to grow, ending January with a big loss compared to January 2016 of 14mio EUR. This dip was quickly converted by the Belgian consumer to growth during the next two months, with even an increase of +4.2% in March. Within this last month of Q1, a lot was spent on clothing reaching a total growth of +4.7% for this category.

The sport shoes provided, thanks to growth in February and March, a total positive growth within this category in Q1 of +2.7%. Also personal accessories including jewelry, handbags, scarves and gloves, sunglasses, ... continue to show a very stable growth in 2017 with +4.1% at the end of Q1. Both categories, together with the women's (+1%) and men's clothing (+1.9%), are responsible for the fact that we were able to end the first 3 months of 2017 more or less stable.

During April we experienced unusual little rain, which might be positive to continue the growth of March for the next months.

COLOFON

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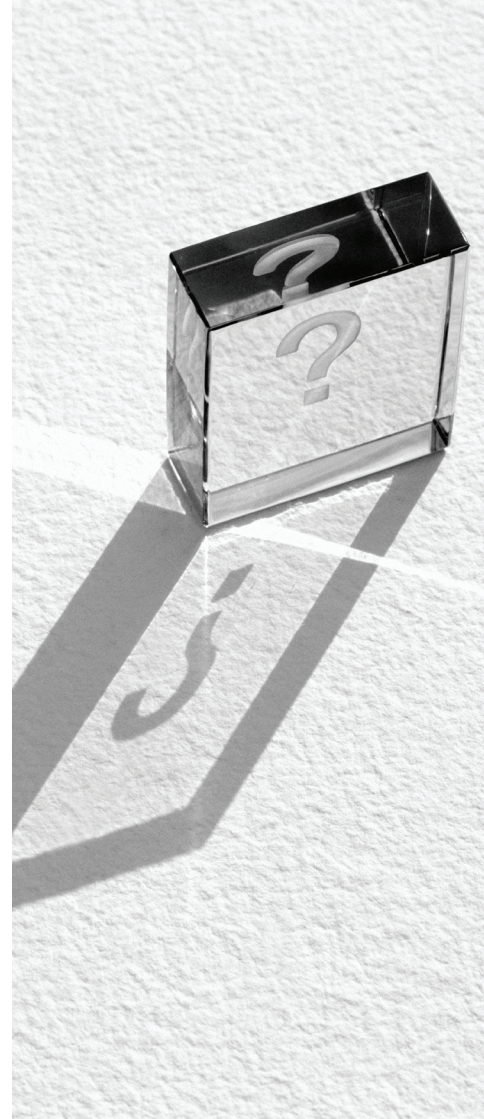
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