

GfK RETAIL REPORTS

Q2 / 2016



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



Jürgen De Mesmaecker
Director Digital World

Welcome again to the second Retail Report of 2016. Do you want to know how the Belgian non-food market performed during the second quarter of 2016? Then you have come to the right place.

Unfortunately, the Belgian retail continues to decline during this quarter. The non-food market sees a drop of -1.3% in sales value, compared to the same period last year.

Notwithstanding this decline, we also see a lot of positive developments during the quarter in question. There were the European Championships Football, which fulfilled the high expectations regarding television sales with a sales increase close to 25%. It was mainly the big 50 inch+ television screens that pushed the Consumer Electronics market (+3.3%). Within the IT segment we also noticed that the Euro Cup mania pushed the video-projectors and large monitor sales. Unfortunately, the loss within Office Equipment wiped out the positive numbers resulting in a small decline for IT & Office (-0.5%).

The Major Domestic Appliances Market keeps on flourishing. Within the cooling segment, it is especially American fridges that find their way to the Belgian kitchens (+6.6%). Furthermore, Small Domestic Appliances continues its growth with Low Oil Fryers, Hair Stylers and Handsticks leading the way (+8.4%).

On the contrary, rainy days in a particularly wet June caused disappointing numbers in the second quarter for Fashion (-4.8%) and Home Improvement (-4.0%).



MARKETS IN DETAIL

After two quarters of growth, Media & Entertainment couldn't manage to continue this positive trend (-1.1%). Within the Gaming Industry the success of Uncharted 4/A Thief's End couldn't counterbalance the heavy decline within Catalogue (titles older than 13 weeks). We see a declining Book sector: - 4.3%.

Last but not least, the Telecom sector grows rapidly thanks to attractive subsidy models that Belgian operators offer (+12%). The customer is clearly choosing for high end models!

Despite the decline in the overall non-food market, it's not all bad news! We wonder how these trends will evolve over the next quarter.

Are you looking for more details? Go to our website and download the full report!

See you next quarter!



MARKETS IN DETAIL

We invite you to glance through the Q2 analysis of following markets:

- RETAIL IN GENERAL »
- CONSUMER ELECTRONICS »
- IT & OFFICE »
- TELECOM »
- MAJOR DOMESTIC APPLIANCES »
- SMALL DOMESTIC APPLIANCES »
- MEDIA & ENTERTAINMENT »
- BOOKS »
- FASHION »
- HOME IMPROVEMENT »

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

For the second quarter in row a decline in non-food sales



Wim Boesmans

Head of POS
Measurement

Again we noticed a decline in non-food sales during the second quarter of 2016. The reasons behind this decline are difficult to determine. Although on macro-level, unemployment rate declined and disposable income increased, consumer spending didn't grow within the non-food market. Geopolitical tensions, growing uncertainty since the Brussels airport terror attack and the unexpected Brexit referendum result are impacting on the economic climate. Furthermore, the Home Improvement and Fashion sector experienced a more direct negative impact because of bad weather conditions. This all led to a decline in sales value of -1.3% in the second quarter, compared to the same period last year. The comparison is based on the sum of all non-food markets measured by GfK POS Measurement.

Although the non-food market lost during the second quarter of 2016, several markets grew strongly during the last quarter.

There were the European Championships Football, which fulfilled the high expectations regarding television sales with a sales increase close to 25%. It was mainly the big 50 inch+ television screens that pushed the Consumer Electronics market (+3.3%). Within the IT segment we also noticed that the Euro Cup mania pushed the video-projectors and large monitor sales. Unfortunately, the loss within Office Equipment wiped out the positive numbers resulting in a small decline for IT & Office (-0,5%).

The Major Domestic Appliances Market keeps on flourishing. Within the cooling segment, it is especially American fridges that find their way to the Belgian kitchens (+6.6%). Furthermore, Small Domestic Appliances continues its growth with Low Oil Fryers, Hair Stylers and Handsticks leading the way (+8.4%).

RETAIL IN GENERAL

On the contrary, rainy days in a particularly wet June caused disappointing numbers in the second quarter for Fashion (-4.8%) and Home Improvement (-4.0%). Garden centers suffered badly and consumers, mainly women, spent less on their summer outfits.

After two quarters of growth, Media & Entertainment couldn't manage to continue this positive trend (-1.1%). Within the Gaming Industry the success of Uncharted 4/A Thief's End couldn't counterbalance the heavy decline within Catalogue (titles older than 13 weeks). the Book sector keeps on shrinking, too (- 4.3%).

Last but not least, the Telecom sector grows rapidly thanks to attractive subsidy models that Belgian operators offer (+12%). The customer is clearly choosing for high end model!

Despite the decline in the overall non-food market, it's not all bad news! We wonder how these trends will evolve over the next quarter.



Q2/2016

CONSUMER ELECTRONICS

King Football rules the business



Jürgen De Mesmaecker
Director Digital World

The EC Football 2016 in France turned out to be a catalyst for CE business in the 2nd quarter of 2016: an increase in value of almost 4% compared to Q2/2015!

The above mentioned increase is mainly attributed to the TV market, a category that shows an increase of almost 25% (Q2/2016 vs. Q2/2015). Many Belgian consumers decided to purchase a new TV screen, mainly in the high end segment at that. Screen sizes of 50" and more, 4K resolution, HDR technology... it stimulated an increased turnover in the TV market. The sales increase of TV devices also pushes the sales of mounting accessories, whereby TV brackets show a double digit increase!

Unfortunately King Football doesn't give the same impulse to other CE categories. Whereas we saw a decent evolution in the loudspeaker market in the first quarter of the year, Q2/2016 is less promising. The sales increase of in-wall/ceiling speakers, which took place at the start of the year, came to a grinding halt. Sales of sound bars aren't able to compensate this turnover.

In the course of 2015 we saw a new product segment popping up: drones! These 'toys for big boys' are becoming more and more common. We can find them on the shelves of all 'big surfaces' shops. Starting from €49 everybody can show off their flying skills. More advanced 'Tech Lovers' can indulge with an octocopter (8 propellers) equipped with a 4K double camera and 'Follow Me' function. This IFO (Identified Flying Object) will set you back more than €1,500.00 but fun is guaranteed!

IT & Office: Heavy decline from first quarter slows down in second quarter



Alain Brys
Consultant IT & Office
Equipment

During the second quarter of 2016 the IT and Office Equipment market decreased in value by only -0.5%, to reach a closing value of €460m.

IT: Recovery supported by peripheral and mobile computing segment

Within the IT categories, we noticed following trends during the second quarter of 2016:

- The value of mobile computing increased significantly thanks to the computing tablet products' success and the growing interest for gaming notebooks amongst an increasing number of private customers.
- Helped by the different sport events, categories such as video-projectors and large screen monitors performed outstandingly.
- Unfortunately the media tablet category keeps on losing momentum because of lack of demand and new technologies and designs.
- Strong growth figures keep on coming from the peripheral categories especially products for gaming purposes, network and smart home connectivity and solid state storage products. On average the peripheral categories grew by over 10% in value during the second quarter of 2016.

Office Equipment and Consumables: poor results due to increased digitisation

In Q2 2016, the Office Equipment and Consumables sector recorded a decline in turnover by -11%, compared to Q2 2015.

Both in the hardware devices category and in the cartridges segment, the market demand dropped significantly. Because of an ever increasing digitisation of documents and information, customers are less inclined to invest in printing solutions.

Q2/2016

TELECOM

Business that keeps on growing



Jürgen De Mesmaecker
Director Digital World

During the first 6 months of 2016 a clear trend becomes visible: less mobile handsets are sold but consumers choose more expensive and better equipped devices. The fact that the Belgian operators offer attractive subsidy models is definitely one of the main reasons for this trend.

If you are willing to commit to a long-term subscription (12 or 24 months), operators offer a fancy handset at a catchy price and consumers seem to like this. Whereas in the first half of 2015, about 17% of the mobile handsets sold, cost more than €400, more than 25% all handsets sold were in that price bracket during the Jan-Jun 2016 period. Apple and Samsung are dominating this part of the market, but challengers like Huawei, LG, Microsoft and Sony also offer decent solutions.

On a global scale, the market of smartwatches almost collapsed. There is a lot of negative buzz and signals of over-supply. We do not notice this trend on the Belgian market. On the contrary: sales of smartwatches more than doubled in Q2/2016 (vs Q2/2015), the realised turnover even tripled! Brands like Apple, Fitbit, Garmin, Huawei, Motorola and Samsung are boosting the ASP (Average Selling Price) towards €240 in the first 6 months of 2016. Although it is still a niche market, the 'average consumer' will definitely get to know this piece of technology!

Q2/2016

MAJOR DOMESTIC APPLIANCES

White goods market not exhausted



Karel Tyberghein
Consultant MDA

There is still no trace of a weakening Belgian white goods market. On the contrary, volumes in Q2 rose even stronger than during past quarters. Hence, Belgium is in line with the general European upward trend.

The washing category is still in excellent shape. Although individual product groups (washing machines, tumble dryers and dishwashers) will not realise the same growth as last year, they are still comfortable in the black. The category does suffer from falling average prices.

It looks like this year's star category is cooling. For the first time in a decade's time, growth of free-standing refrigerators surpasses growth of built-in. After a poor 2015, American fridges and little brother segment French doors are having a splendid comeback with double digit growth. The renewed interest in the chest model segment helped freezers persisting growth.

The cooking product groups display the same growth numbers as last year. Only the coo-
kers market is unable to turn around its negative trend. Hoods prices continue to spike in contrast to the sinking average prices of built-in hobs. To end on a positive note: the free-standing microwave market erases a weak first Q1 with a strong second quarter.

Q2/2016

SMALL DOMESTIC APPLIANCES

Strong growth for Small Domestic Appliances



Caroline Cauwenberghs
Consultant SDA

The second quarter of 2016 is more positive compared to the start of 2016. We saw a nice growth of 8% compared to the same period last year.

Overall, practically all groups tend to grow, but there are still some growth drivers that have a big impact on sales. When we look at deep fryers, we see that the market of this category keeps thriving, especially the 'healthy' or low oil fryers.

Also hair stylers, within the 'personal care' segment, are growing fast these last 3 months, driven by new products on the market.

And last but not least, we see that Vacuum Cleaners continue their growth. Here we see that handsticks are still the motor behind this growth.

MEDIA & ENTERTAINMENT

Decline within the Belgian Home Entertainment market



Conrad Hayen

Business Analyst Media
& Entertainment

In Q2 the Home Entertainment market in Belgium declines by 1.1%, as Video on Demand and Streaming fail to compensate for the loss made in Gaming.

In the second quarter of 2016, the Belgian DVD and Blu-ray market decreases by 'only' 11.6%, which is decent, if not encouraging. Although Star Wars/The Force Awakens and Game of Thrones 5 outsold last year's second quarter bestsellers, both 'Made for Cinema' and 'TV' segments shrink by over 14%. Despite representing only 17% of total turnover, the decline was -rather surprisingly- softened by a boost in the 'Made for Video' segment, with a growth of almost 6%. In combination with the digital revenues however, the Belgian Home Video industry grows an estimated 7.4%.

With both last year's bestselling albums 10.000 Luchtballonnen (K3) and 25 (Adele) still in this quarter's Top-3, it comes as no surprise that the value in Catalogue titles (older than 13 weeks) only decreases with 10%, whereas the New Release segment dropped by 22%, leading to a total decline of almost 16%. This loss is mainly offset by Streaming, which grows from strength to strength each quarter and reverses the overall trend into a growth of 2.2%.

After an unexpectedly poor first quarter, the second wasn't any better for the Belgian Gaming industry. On the contrary, while the turnover in New Releases almost breaks even, mainly driven by the highly anticipated Uncharted 4/A Thief's End, a drop of 19% in revenue in Catalogue causes a decline of 12% compared with 2015. Console hardware in particular (with a loss of 15.6%) suffers from this mass exit of Old Gen, while consumers remain cautious by uncertainty over upcoming new releases and upgrades (like Xbox One S, PlayStation Neo and Nintendo NX).

Q2/2016

BOOKS

The Belgian printed book consumption declines by 4.3% in Q2, but it isn't all doom and gloom



Cindy Van Mulders
Consultant Books &
Stationery

With CD and DVD sales in spectacular decline, caused by the digital revolution, printed books are emerging as the mainstay of all physical media.

Despite an ongoing annual growth of eBook sales in Belgium, they currently account for less than 1% only of the total book turnover, while in other leading countries (the US, for instance) the first signs of its decay are already showing.

Despite a decline of 4.7%, book sales in Flanders are slowly bouncing back after a bad first quarter, with particularly Non-Books (calendars, maps, diaries, etc) and Educational Books on the rise. Children's books' sales remain stable, while Non-Fiction (-7.2%), Comic Books (-10.6%) and Literature (-5%) are responsible for the decline. The decrease in Non-Fiction was hype-related (as both Cooking Books and Colouring for Adults peaked in 2015), whereas the decline in Fiction was rather organic, as evidenced by a sales drop in all the annual Usual Suspects (Nicci French, Santa Montefiore and Pieter Aspe).

In Wallonia, book sales decreased by 3.8% in the second quarter and in stark contrast with Flanders, this was mainly due to a decline of over 10% in Children's Books and Non-Books.

'Het smelt', Lize Spit's debut novel was still bestselling in Flanders, while Guillaume Musso remains the most read – or at least the most bought – author in Wallonia.

Q2/2016

FASHION

The high number of rainy days caused sales revenue to drop strongly



Wim Boesmans

Head of POS
Measurement

While we were still hoping that the Belgian Fashion market would recover in the second quarter of 2016, as it equally did during the same period last year, we now see that 2016 only brought negative growth numbers.

We ended Q2 with a decline of 4.9% in value, mainly caused by the extremely high number of rainy days in Belgium. Sports shoes are still our growing segment with +22% compared to last year, where total outerwear takes the biggest hit with a decline of -5,8%.

June was the second wettest month since measurements began. Add in much colder temperatures than normal and we know the reasons for the decline of -4.4%. April was also much wetter and colder than last year, which resulted in the biggest drop of Q2 with -8.7%. These wet days have encouraged people to stay home instead of looking for their newest summer outfits. May was a month of slight recovery for the Fashion market, but the month's results were not better than last year's.

The effect of this extremely high number of rainy days is mostly at the expense of women's fashion sales. Women spent over €16.3m less on clothes and over €3m less on shoes in Q2 of 2016 compared to Q2 of 2015. Children's clothing sales also dropped in revenue by €7.5m, and shoe sales dropped by €2m. Men spent €4.7m less on clothing and €1.7m less on shoes. The two categories that were able to grow during this quarter were sports shoes with +22% and personal accessories with +1%.

We all hope that the season sales in Q3 will make up for the loss in the first half of 2016.

Q2/2016

HOME IMPROVEMENT

Difficult month of June



Dimitri Vits
Consultant Home &
Living

Half a year has gone again, so let's take a look at the DIY superstores' performances. All 6 months considered jointly, we couldn't have had a more stable turnover. No growth, no decline, but that is where the good news ends.

In fact, we only had two good months. February showed a very nice +5.8% growth in turnover while the very important month of May also showed + 5% but we finished with a depressive June, - 4.9%.

The units involved tell a whole different story. A sharp -4.5% decline in total number of units sold shows an underlying issue within the physical shops. One of the reasons is, of course, the weather, which is not helping to build stable sales. Belgium DIY shops are very much garden-focused. It makes it very hard to compensate for bad weather conditions. Some very strong promotional actions saved the season.

As far as product groups are concerned, we see again a decline in the paint sector. We remember the drop back in 2015, which means that this result is quite dramatic. The second group strongly declining is the building materials group with a sharp decline of -7%. The decline in this segment was noticeable in all 6 months. It will be once again a challenging race towards December to keep turnover in the black.

COLOFON

Retail Reports Belgium is a quarterly publication of GfK, distributed in hard copy to all active Belgian clients and interested parties through our website www.gfk.be.

This publication provides insight in the current evolutions within the major non-food markets in Belgian retail. GfK does not assume responsibility for any misprints or the contents of the advertisements contained herein.

Copyright reserved to GfK

No part of this publication may be published or reproduced without prior written consent by the publisher.

Concept and realisation

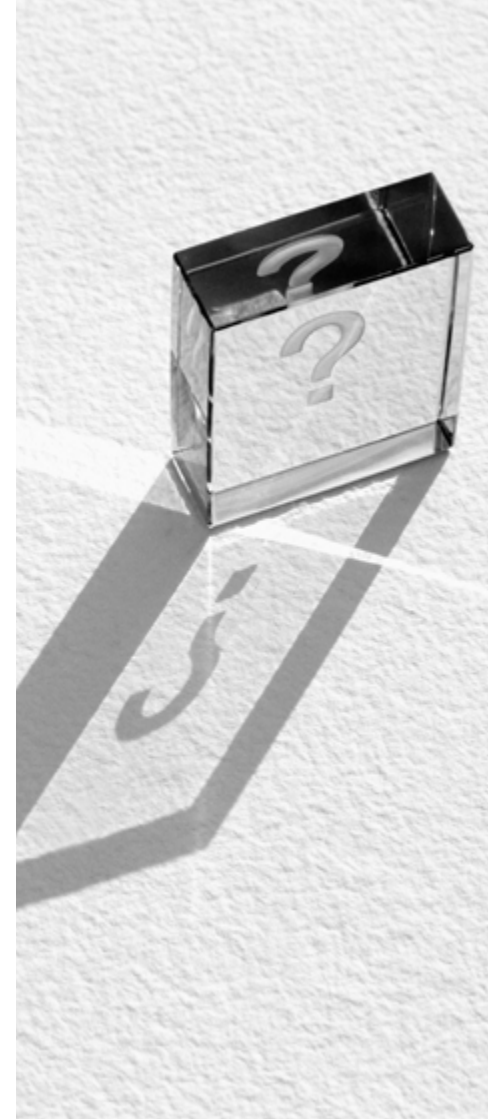
Marijn van Zomeren
Corporate GfK Marketing Team

Editorial team

Wim Boesmans, Jürgen De Mesmaecker, Alain Brys, Caroline Cauwenberghs, Cindy Van Mulders, Dimitri Vits, Karel Tyberghein, Conrad Hayen, Evelien Van Aerschot and An Palmans

Editorial coordination

Evelien Van Aerschot and An Palmans



EDITORIAL OFFICE

The editorial office of Retail Reports can be reached by email:

be@gfk.com

By post:

GfK
Division Belgium
T.a.v. Redactie Retail Reports België
Arnoud Nobelstraat 42
B-3000 Leuven

Want to stay up to date about the trends in the Dutch and Belgian Retail landscape?

Send an email to be@gfk.com to sign up for the Retail Reports or to receive a previous version.

