

# GfK RETAIL REPORTS

Q2 / 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

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Hi everyone, welcome to the retail reports for the second quarter of 2017! Would you like to know the latest evolutions in the non-food market?

Well, looking at the second quarter of the year we see a small decline of 1,3% compared to the same period in the previous year. Nevertheless when we take the whole year 2017 into account, the market still grows with 1,5%.

Now, what are the trends in non-food?

I can tell you that most markets did not make crazy growth jumps during this second quarter. Media & Entertainment, Books, Fashion and even more surprisingly Major Domestic Appliances sales remained status quo.

Markets that keep on struggling are IT & Office. Nevertheless, we do see strong sales results for all products related to gaming. Even computing monitors benefit from the gaming hype!

Further, after a nice sales uplift in televisions during the Eurocup last year, the television market, and the therefore Consumer Electronics in total, declined at the speed of light during this second quarter.

Finally, even Small Domestic Appliances disappointed due to heavy sales drops in Kitchen Appliances and Personal Care.

On the other hand, two sectors did manage to increase sales value. Thanks to the sunny spring period, the Home Improvement sector could benefit from double digit growth numbers for garden related product groups and also the Telecom market, despite a slowdown in smartphone sales, continues to flourish.

Ok, this quarter was not the best, but let's wait and see what the second half of the year will bring! We still have some exciting months ahead of us. Good luck and see you next quarter!



# MARKETS IN DETAIL

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

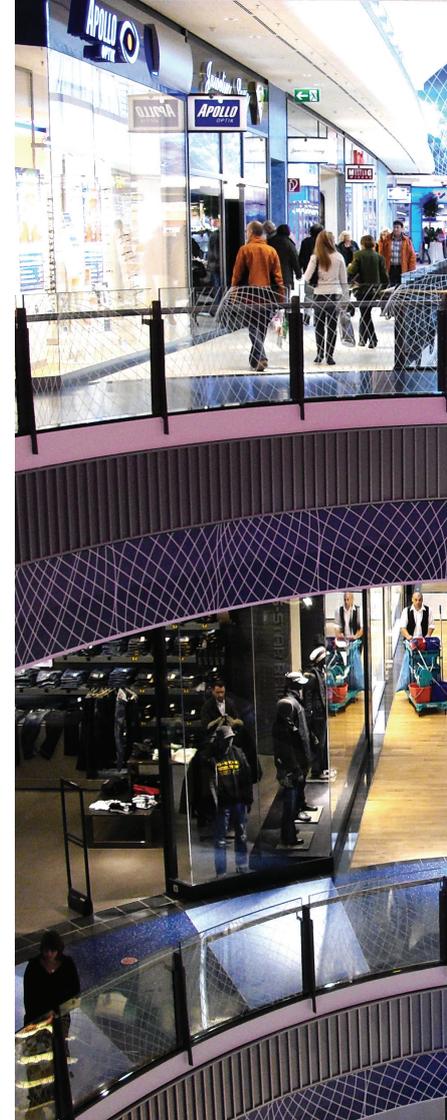
- RETAIL IN GENERAL »
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- IT & OFFICE »
- TELECOM »
- MAJOR DOMESTIC APPLIANCES »
- SMALL DOMESTIC APPLIANCES »
- MEDIA & ENTERTAINMENT »
- BOOKS »
- FASHION »

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

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**Evelien Van Aerschot**  
Consultant Retail

**The second quarter of 2017 ended with a small decline of 1.3% in non-food sales, compared to the same period last year. Nevertheless, looking at the period from January until June, we still end on a positive note with a growth of 1.5% in the non-food market.**

Most markets did not make crazy growth jumps during the second quarter of 2017. The Media & Entertainment, Books and Fashion markets remained status quo (+0.0%). Surprisingly, the good news show in Major Domestic Appliances seems to have come to an end. The MDA market suffers from bad sales drops in the Washing segment, counterbalanced by growth in Cooling.

The IT & Office market continues its decline (-4.5%). Nevertheless, we do see again strong sales results for all products related to gaming: both in mobile computing and peripherals. Even computer monitors benefit from the gaming hype with significant growth for gaming models.

After a nice sales increase in televisions during UEFA EURO 2016, the television market, and therefore the Consumer Electronics market in total, declines at the speed of light during this second quarter (-15.3%). Also after years of growth, the Small Domestic Appliances market disappointed due to heavy sales declines in the Kitchen Appliances and Personal Care (-2.1%).

Nevertheless, two sectors did manage to grow during this second quarter. Thanks to the sunny spring, the Home Improvement sector benefited from double digit growth for garden related product groups and, as a result, ended on a positive note (+1.4%).

Finally, the Telecom market also grew with 3.4%. Yes, we do still see double digit growth for Headsets and Core Wearables (Smart Watches, Health Trackers), but we cannot deny

## RETAIL IN GENERAL

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a slowdown in the Smartphone sales compared to the previous years. The smartphone business lacks a mind-blowing innovation that can convince the majority of customers to replace their current old(er) devices.

So, to summarise, this second quarter was not the best, but let's wait and see what the second half of the year will bring! Good luck everyone.



## CONSUMER ELECTRONICS

### Consumer Electronics – Still under pressure

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**Chris Renders**  
Consultant Consumer  
Electronics & Telecom

**With a value of €185m and 870,000 units sold, the CE market did not manage to exceed last year's performance.**

The positive result of the television market in 2016, thanks to UEFA EURO 2016 in France, could not be continued, ending this quarter with a 30% drop in value.

Even though the PTV market is decreasing at the speed of light, the average price is steady thanks to growing sales of bigger screens. The further development of the Oled market, which has managed to pass the introduction phase and almost doubled in value, also contributes to these stabilised prices.

One of the few categories that grew, is the Audio Home System category, which has managed to end this quarter by +4% increase in value. The Smart Audio products, which are very popular with the Belgian consumers, drive this positive evolution (+13% in value). For the future, we are having even bigger expectations for this product group with the upcoming Smart Audio Systems such as Amazon Echo, Google Home and Apple Homepod. Those are Smart Audio Systems with an integrated assistant who will not only play your favorite music by voice command, but will also control your lights, get weather information, assist you in the kitchen... Unfortunately, they are (still) not able to predict the future...

The loose elements are keeping it together and manage to keep their market share, thanks to the excellent performance of the tuners (+30% in value). The approaching FM switch off is playing a big role here, boosting the sales of DAB+ tuners. Let's get digital!

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## IT & OFFICE

### A decrease in the second quarter for IT & Office

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**Alain Brys**  
Consultant IT & Office  
Equipment

During the second quarter of 2017 the IT and Office Equipment market decreased in value by almost 5%, for a total value close to €440m. For the first half of 2017, the decline was -1.1% for a total value of €940m.

#### **IT: Gaming products continue to offer growth potential**

Within the IT categories, we noticed the following trends during the first half of 2017:

- Gaming products both in the categories of mobile computing and peripherals continue to show a strong growth increase.
- Computer monitors achieved significant growth during the first half of 2017 with manufacturers focussing on larger formats and gaming models.
- Media tablets continue to decline even further due to on-going customer saturation and a shift towards increased smartphone usage.

#### **Office Equipment and Consumables: focus on laser printing devices and laser toners**

In Q2 2017, the Office Equipment and Consumables sector recorded a decline of close to 2% compared to Q2 2016 for a value of €111m.

In the MFD segment, the market was pushed upwards by growth in the laser MFD category. During the first half of 2017, we recorded important price offers in the Laser printing segment.

For the first half of 2017, the market for consumables still remained negative in units but thanks to the growth in laser cartridges, the overall number showed a slight increase in value.

## Smartphone market slowing down

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**Chris Renders**

Consultant Consumer  
Electronics & Telecom

With a turnover of €300m, the telecom business passed the test and increased by +3.4%. The one factor to blame for this slowdown is the most important product within the Telecom Market, the smartphone, which only gained a tiny 1%.

### **Why is the smartphone market slowing down that much?**

Since the launch of the first touchscreen smartphone in 2007, it has not really changed that much. Yes, we had some upgrades and improvements like a bigger screen and a fingerprint scanner. It also became faster and thinner with a better camera and OS upgrades and here and there we had an interesting upgrade and some good improvements but nothing really mind-blowing and above all, it is still looking the same: a rectangle with a touchscreen. The added value is not high enough to convince the Belgian consumers to replace their (old) device.

Another explanation for the Smartphone Market slowing down is the strong growth of the headsets (+38% in value) and the wearables (+88% in value) markets. Especially the latter has the biggest impact on the smartphone market. The Belgian consumers are upgrading their smartphones by adding a new feature, the smartwatch.

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## MAJOR DOMESTIC APPLIANCES

### Home appliance in cooling-down mode

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**Karel Tyberghein**  
Consultant MDA

After many quarters of continuous growth, the MDA market has come to a standstill in Q2. A modest year-to-date growth is nevertheless retained. However, a wide dissimilarity between the categories is noticed this quarter. While the washing category fell dramatically, cooling companies showed great expansion.

After several quarters of growth, red ink dominates the latest reports on the washing category. The tumble dryers market reached record highs in the past year but has to concede a year-to-date decline. Even the energy-efficient heat pumps slipped. Unlike the abovementioned laundry product groups, dishwashers neither grow nor declined.

Belgian distributors of cooling products will be delighted after a wonderful and hot spring. On the one hand, consumers bought additional appliances to improve their capacity. On the other, appliances broke down more often due to differences in temperature.

The cooking category, which is dominated by the slow-moving kitchen retail trade, is traditionally less volatile. For the first time, the hoods market came to a standstill, mainly due to a weak entry-level segment. Both ovens and hobs are suffering from declining average prices. Ovens with steam function, compact ovens and high-end range cookers are providing green numbers in the cooking family.

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## SMALL DOMESTIC APPLIANCES

### Negative second quarter for SDA

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**Caroline Cauwenberghs**  
Consultant SDA

The Belgian market for Small Domestic Appliances shows a small decrease (-2%) for the period from April to June 2017. Most product groups show a decline, only a few showed positive results.

Within Kitchen Appliances, several product groups like Deep Fryers and Kettles declined enormously compared to the same period last year. Only the Hot Beverage industry remains quite stable.

When we take a look at Personal Care, one of the biggest growth drivers during the last quarter are Shavers and more specifically Female Depilation. Furthermore, the product category Hairdryers also managed to increase in value. The product group that showed a strong decline was Dental Care, followed by Hair Clippers and Hair Stylers.

Within Home Comfort, only the Vacuum Cleaners show good results. Irons show a small decline, especially within the segment of Ironing Systems.

## MEDIA & ENTERTAINMENT

**With a 0.3% growth, entertainment Q2 sales recover slightly for the second quarter in a row.**

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**Conrad Hayen**

Senior Market Analyst  
Entertainment

**Decline of physical entertainment market slows down - but music downloads, DVDs, hybrid toys, portable console gaming and boxed PC games continue to decline unabated.**

While total revenues from digital video content are surging, the physical market lost 18.7% year-on-year. It's however too soon to ring the death knell for DVD, demonstrated by a 15% growth in animated films - helped by Q2's bestseller title *Vaiana* - and now replacing 'action/adventure' as the second bestselling genre behind a more generic 'drama/romance'.

Although the transition from DVD to Blu-Ray got caught short by streaming, Blu-Ray sales, in particular, are limiting their loss to 7.6%. Despite still only representing 23% of total physical video revenues, certain bestseller titles have shifted towards Blu-Ray. *Star Wars/Rogue One* on Blu-Ray for example, outsold the DVD version in the past quarter.

The digital growth is also continuing in the music market, with subscription revenues increasing by 40%. Combined with the resurgence of vinyl - up with 28% - and a CD format that is again holding off a double-digit decline, the 10% growth promises a slightly rosier future for the music industry.

The 6% decline of 'tangible' music in the second quarter was particularly felt at the grocers, declining by 22% (compared to a 25% increase with the online sellers), which may be somewhat surprising since the CD is relying heavier on the big hits to boost sales.

## MEDIA & ENTERTAINMENT

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In the 2.4% growth of the gaming market, Nintendo's momentum with the Switch (accounting for a quarter of hardware sales), along with the continuing rise in popularity of point cards (+15%) and the surging peripherals market (no PSVR in Q2 2016!) compensate for the 25% decline in portable gaming and the halving of last year's hybrid toys sales.

As expected, PC game sales are dropping ever more (-48% in the past quarter), while digital PC sales are taking precedence. With a 6.1% decline, boxed console games are struggling significantly less, as past quarter's decline is mainly attributable to the lack of bestsellers matching up to last year's Uncharted 4/ A Thief's End. This is largely demonstrated by GTA V being the second best sold boxed console game of the past quarter, over three and a half years since it was released on PS3 and 360 (September 2013), and more than 2 years since it arrived on PS4 and Xbox One (November 2014).



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## BOOKS

### Belgian print book sales stable in the second quarter

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**Conrad Hayen**  
Senior Market Analyst  
Entertainment

#### Print book sales in Flanders grow by 1.5% while in Wallonia revenues were down 2%

After a decline in the first quarter, the 1.5% growth in the second has helped stabilising Flemish books' sales in the first half of 2017. This Q2 growth was largely fuelled by surging non-fiction sales, in which the informative segments were the main catalyst, increasing by 15.3% year-on-year. Several subcategories posted substantial increases, among them 'food and drinks' (+15%), 'lifestyle' (+22.5%), 'people and society' (+37.6%) and 'health' (+51!).

Adult fiction sales fell by 4.5%, which meant the category has now dropped 20% since its latest peak in 2013, pointing at a continued shift in consumer spending. A bestseller of the calibre of *Het Smelt* was clearly missing from the second quarter, as Santa Montefiore's latest novel and top-selling title fell over 10,000 copies behind. Comic books also suffered during this quarter, losing 2.3% despite the successful launch of *Fanny K*, the first issue of the *Kiekeboe* spinoff and highest grossing comic in the second quarter.

In addition, the end of the second quarter heralds the end of a liberal book price in Flanders. After a long history of debating over the subject, a regulated book price is in effect since the 1st of July, which leaves a book seller to deviate no more than 10% of the retail price imposed by the publisher, and this for a period of six months. By extension, the Wallonia government is also working on a fixed book price, even tighter regulated than in Flanders, and which will probably be agreed upon in 2018.

For the time being, with a 2% decline, the erosion of Walloon book sales continued as only children's books had an outstanding quarter, growing by 12%. In all other segments sales decreased, particularly and in stark contradiction to Flanders, in non-fiction, that lost 5% year-on-year.

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## FASHION

### Fashion Market stays stable

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**Wim Boesmans**

Head of POS  
Measurement

**Good news coming from the Fashion market, where we ended Q2 2017 without growth or loss compared to the same quarter in 2016.**

The only two categories who are losing in this quarter are Shoes and Personal Accessories with -9.4% and -2.3%, respectively. Within Shoes, Women's, Men's and Sports categories are declining very strongly. During Q2 2017, the months of May and June performed very well, while April showed a negative growth figure, especially within total Shoes, total Outerwear and the Personal Accessories categories.

When we take a look at 2017 overall, we get the same stable view in value. Here, only the total Shoes category shows a negative figure of -6% over the past 6 months of 2017, compared to the same period in 2016. Today the total Fashion market is worth €1.35bn.

Let us hope the summer sales will go as well 2017 has done until now, or even better!

# COLOFON

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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](http://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.

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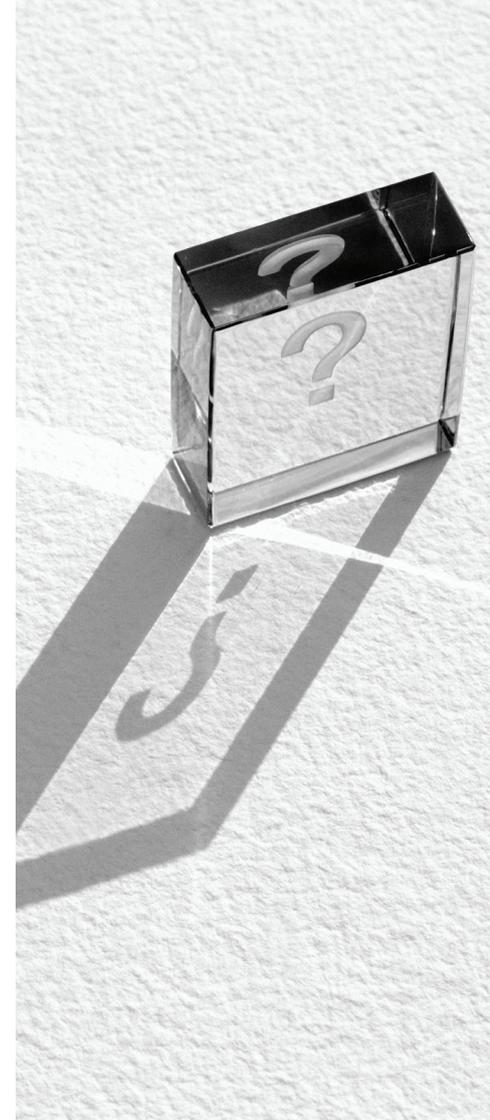
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