GfK RETAIL REPORTS

Q3 / 2015

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

MARKETS IN DETAIL

Wim Boesmans
Director Home & Lifestyle

Welcome to our Retail Reports of the third quarter of 2015! Are you looking for the latest trends in the non-food market?

After two quarters of decline, the Belgian non-food market returns to growth. We noted an index of 101.3 compared to the same period last year.

Unfortunately the video market remains under pressure. Although Action Cams performed excellent during the summer months, the Consumer Electronics market closed this quarter with a sharp decline.

Another suffering market is Media and Entertainment, which couldn't keep its stable results of last quarter. Together with Home Improvement, showing a slight decrease compared to the same period last year, these are the only three markets in decline.

This means we have a lot of positive news to share: first of all, the Telecom market keeps on growing, despite a downward trend in smartphone sales volume we noted for the first time in Belgium!

Secondly, the IT and Office equipment market experienced a revival in desktop and notebook. Thirdly, Kitchen Appliances continue to boost SDA sales and the market of Major Domestic Appliances experienced a record breaking sales period in July.
Furthermore, the Stationery market performed outstandingly during this back-to-school period. Both July sales and back to school had a positive impact on Fashion sales as well.

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 Q3 analyses of the following markets:

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- HOME IMPROVEMENT »

GfK make research matter by delivering the future. In a digitalised 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 on 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 for the Belgian non-food market

Erik Lejeune
Director Division R&T
Belgium

We noticed a growth this quarter with an index of 101.3 compared to the same period last year. This index is based on the sum of all non-food markets measured by GfK Retail and Technology.

Unfortunately Consumer Electronics keeps on struggling (-7.7%). Although the audio market and Action Cams performed well during the summer months, the video market continues to decline. In Q2 2015 we noticed that the Media and Entertainment market stabilized. Despite this promising trend, the Entertainment market lost again (4.9%) this quarter compared to Q3 2014. Furthermore, the Home Improvement market couldn't end this quarter positively (-0.3%). Especially the paint sector is suffering strongly.

Nevertheless, we also noted some positive evolutions during the third quarter. Small Domestic Appliances keeps on growing (+2.4%) and Major Domestics Appliances even experienced a record breaking sales period in July (+3.6%).

IT and Office Equipment benefits from a revival in notebook and desktop sales thanks to the demand in business channels (+0.4%). And after two years of negative growth during the Back-to-School period, we see an increase in sales again in Stationery (+4.9%) boosted by positive results for archiving, planning and presentation materials. Last but not least, the Fashion industry also benefited from a good sales period in July and successful back to school period (+2.6%).

Finally, Telecom keeps on growing (+5%), although we noticed a downward trend in smartphone sales volume! In value, the smartphone market still contributes positively and mobile enhancements keep on growing. Health & Fitness Trackers, Smartwatches and Wrist Sport Computers are becoming more and more a widespread product. Different designs in different price ranges are available for the self-conscious fashionista!

CONSUMER ELECTRONICS

Audio is on track, video stays in troubled water

Jürgen De Mesmaecker
Director Digital World

Docking/Mini Speakers, Network Music Systems and Sound bars show a positive trend, an increase in volume as well as in value compared to the same quarter last year. Especially the Docking/Mini Speakers were very popular with some strong actions during the summer months July and August. This resulted in a turnover uplift of almost 30% in Q3/2015!

Less positive is the ongoing decline of the TV market. In the second quarter of this year the market decrease was due to the World Cup Football in Brazil in 2014, we looked hopeful for a market recovery in the third quarter. Unfortunately this didn't happen; we are facing again a double digit decline in volume and a 10% regression in turnover. Although the Ultra High Definition TVs represent more than 15% of the total TV sales, the format isn't able to accelerate the TV sales in Belgium. Curved TV's remain niche with less than 10% of the sold TVs in Q3/2015.

Last but not least I would like to mention the strong performance of Action Cams during the summer period, an excellent time of the year to capture your tricks and action moments on film. We registered a 50% increase of sales volume compared to last year's third quarter. The consumer is convinced of the added value of this product. With forecast sales of almost 60,000 actions cams in 2015, this isn't a product for the happy few anymore.

IT & OFFICE

IT & Office Equipment increase in value

Alain Brys
Consultant IT & Office Equipment

During the third quarter of 2015 the IT and Office Equipment market increased in value by close to 0.4%.

IT: demand for media tablets and classic PC hardware in decline

Within the IT categories we noticed the following trends in the third quarter of 2015:
- The market of desktops showed excellent growth figures especially because of the increased demand from business users and the replacement of older machines.
- The market of notebooks is showing signs of recovery. User-friendly and mobility oriented computing tablets with competitive prices put mobile computing products into competition with the media tablets segment. This increased turnover boosted sales in other markets, such as monitors and networking products.
- Media tablets recorded again a strong drop in turnover, becoming a negative contributor to the sector's overall performance.

Office Equipment: back to growth

In Q3 2015, the Office Equipment and Consumables sector recorded a small decline in turnover – down by -0.8%, compared to Q3 2014.
Growth in sales of cartridges was the main positive driver for the entire sector.
There was bad news in the printing devices segment. Both Single-function printers and multi-functional devices – both laser and inkjet – recorded a loss during the third quarter.

TELECOM

Growth smartphones stagnates!

Jürgen De Mesmaecker
Director Digital World

For the first time ever we notice a downward trend in the sales of smartphones in the Belgian market: 3% less devices were sold in Q3/2015 compared to Q3/2014!

The decrease of sales of mobile phones isn't compensated anymore by an increase of smartphones, the replacement faltering. Some strong subsidy offers of the operators weren't able to instigate the telecom market, are we at a tipping point?

In the market of mobile phone accessories the charger segment, driven by the power packs to charge a mobile device on the go, boosts the total category. In the third quarter of 2015 the sales of chargers increase with almost 30%, compared to Q3/2014, and in value also we see a double digit increase. The mobile phone headset is the second best performing accessories part: almost 16% more devices were sold this quarter resulting in a turnover growth of 35%. These figures prove the strong demand of hands-free devices.

The market of Core Wearables is on the move: Health & Fitness Trackers, Smartwatches and Wrist Sport Computers are available in all sizes, weights and… price ranges. It's becoming more and more a fashion business with good looking devices and trendy designs. Almost 30,000 wearables were sold in the third quarter of 2015 and if this evolution continues we'll pass 100,000 sold devices by the end of this year!

MAJOR DOMESTIC APPLIANCES

Major Domestic Appliances continues to grow

Karel Tyberghein
Consultant MDA

The market of major domestic appliances continues its expansion. Q3 growth rate surpassed the current year growth rate so far thanks to another record breaking sales period. Furthermore, most categories experienced a slight increase of average prices.

After a first half year with booming sales, the washing category in general cooled down. Notwithstanding an undiminished rush for heat pump tumble dryers, nursed by plummeting prices.

The cooking category climbed at a less pronounced pace. Major cooking appliances can benefit from an inflationary condition since the beginning of this year. Only hobs are losing ground. The popularity of compact ovens within the category of microwave ovens is remarkable. At the same time, set promotions are clearly gaining importance.

Recent uptake of cooling products has reached a culminating point this summer. Traditionally, cooling is performing well during summer but the exceptional warmth caused appliances to break down, reinforcing the uplift.

SMALL DOMESTIC APPLIANCES

Everything still positive for SDA

Caroline Cauwenberghs
Consultant SDA

During the third quarter of 2015, we noted again growth for Small Domestic Appliances. Although the global sum is still (modestly) positive, we do see that several subcategories are suffering on the market.

Products that are still performing well are the Kitchen Appliances. This is mainly driven by the 'Food preparation' segment, which covers products like Kitchen Machines, Hand Blenders and Liquidisers. These last products definitely push growth here. Also Deep Fryers keep on growing on the market, mainly by sales of the 'healthy' fryers where less oil is used.

One product group that does disappoint here are the Hot Beverage Makers. We see sales dropping here for the first time since long.

Other products that are underperforming can be found in the 'personal care' segment. Here Hair Stylers and Hair Clippers show a decline.

Within the Home Comfort segment there's still growth, but mainly pushed by Vacuum Cleaners. For this group, 2015 has already been an excellent year, and this trend remains during the last quarter.

MEDIA & ENTERTAINMENT

Again a sharp decline

Erik Lejeune
Director Division R&T
Belgium

After a stable result last quarter, the Media and Entertainment market experienced a sharp decline again of 4.9% compared to the same period last year.

During Q3 we saw further growth in audio sales. Physical and digital sales together realized an increase of 2.7% compared to the same period last year. Streaming audio consumption is going well and continues to grow: +39% compared to Q3 in 2014. On the other hand, the movie sales decreased with 2.2%, but we did see a growth of 69% in digital sales versus Q3 2014.

The games and hardware turnover drop by 11% compared to last year. As we mentioned in our retail report Q2: the structural growth in hardware last year is falling down. Maybe the Christmas period could change this negative trend. As we all know, the entertainment business is highly dependent on Q4. A good end of the year will be necessary for all entertainment sellers. The substantial ytd lag of -1,5% can still be recovered. Several majors announced a splendid line up. Wish you all good business.

Cross fingers.

STATIONERY

Stationery sales show a good performance during Back-to-School

Cindy Van Mulders
Consultant Books & Stationery

The third quarter is the most important time of the year for the stationery sector. This quarter school starts again and from June onwards the sales go up. After two years of a negative growth during the Back-to-School period, the sales increase this year with 1% in units and 5% in revenue. During the same period last year the turnover dropped with 3%.

All channels performed well in revenue in Q3. The major channel Office Equipment Specialists (B2B) and the pure Stationers both increased by 6,0%. The Mass Merchandisers channel performed well and showed a growth of 3,7%.

Revenue of August 2015 was on the same level with 2014. July increased by 7.1% and September by 8.5%. Especially the Stationers channel did well in September with an increase of 14,1%.

A wide range of product groups show a positive growth. Most product categories showed a good performance. For example paper, planning and presentation materials, writing instruments and filing and archiving performed better than last year.

FASHION

Belgian Fashion market accelerates growth in Q3 2015

Wim Boesmans
Director Home & Lifestyle

After a disappointing first quarter and small growth in the second quarter, the Belgian Fashion market continues to accelerate in the third quarter: +2.6% in value. Except for men's shoes (-4.1%) and underwear (+0.1%), all segments are able to show nice growth figures. Especially sport shoes are booming (+31%).

This growth is mainly driven by excellent season sales in July (+5.8%), where men, women and kids' outerwear boosted sales. In August, sales declined heavily, but this should come as no surprise: we enjoyed great summer weather this year, contrary to the summer of 2014 where August was cold and wet and back to school sales started early. We can clearly see a shift in sales from August to September this year, thanks to the continuous good weather, all in all resulting in slightly positive back to school sales over a 2 month period.

On an annual basis, we can see retailers have recuperated the losses of Q1 and are now showing a slight growth of +0.9%. With less than two months to go, the last quarter will determine if we can end the year in the black!

HOME IMPROVEMENT

Consultant Home & Living

Dimitri Vits
Consultant Home & Living

The third quarter of 2015 is one with different evolutions. While July 2015 was really promising with a good growth, this positive trend was completely countered by a big decline in August. With September being almost flat compared to last year, this results overall in a small decline (-0.4%) this quarter.

When taking a closer look at the different categories we notice that paint sector is especially suffering. This quarter, the market declines by 4% in value. In volume the situation is even worse, -7 %. An important factor in this decline is the growing quality of paint products: these days many paint jobs can be done with just one layer.

Nevertheless we did notice some positive evolutions as well. The sanitary category is recovering after several months of bad performance. The segment driving this growth is Faucets, with a strong growth of 7.6% in value and a phenomenal growth of 17% in units. Another promising category is House Security. All electrically driven products in this category grow with 30% compared to the same period last year.

Can the Home Improvement sector keep up with the level of 2014? We will tell you in our next quarterly update!

COLOFON

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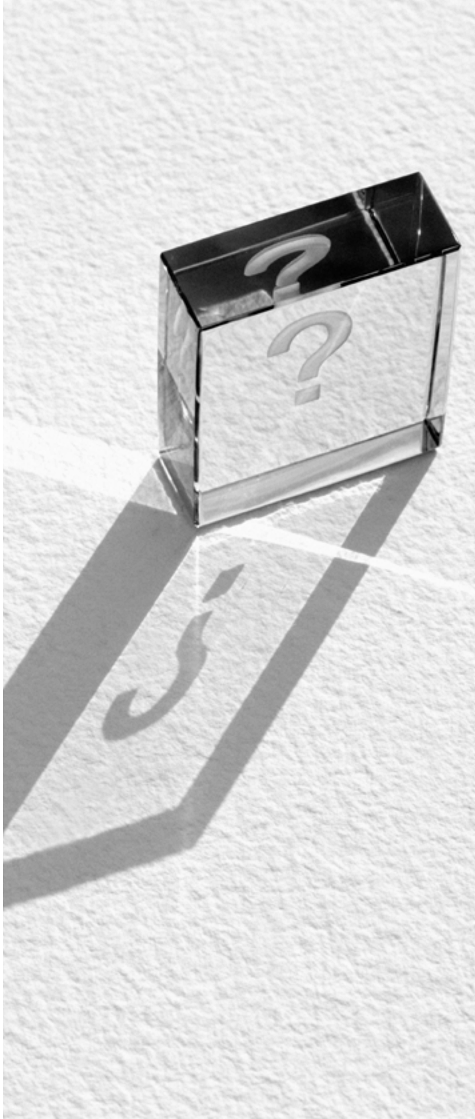

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