

GfK RETAIL REPORTS

Q3 / 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



Wim Boesmans

Head of POS
Measurement

Welcome to our Retail Reports of the third quarter of 2016! Are you looking for the latest trends in the non-food market?

We noticed a significant decline in non-food sales during the third quarter of 2016: a total decline in sales value of -3.1% in the third quarter, compared to the same period last year, but we don't need to be too pessimistic: several markets grew strongly during the last quarter.

The Telecom market kept on booming, partially thanks to the annual release of the new iPhone. At the same time, we noticed a rise in smartwatch sales.

Domestic appliances also show positive numbers. Take a look at the Major Domestic Appliances sales growth, for example (+6%). Washing machines and tumble dryers keep on surprising. The Small Domestic Appliances sector keeps on growing thanks to low oil deep fryers and handsticks (+5.4%).

Markets that show less positive numbers are again the IT and Office market (-11.6%), due to a lack of demand and customers turning to higher spending on large screen smartphone products. The Consumer Electronics market also disappointed during the third quarter (-8.3%). After a successful second quarter, driven by the Euro Championships Football, July sales dropped dramatically compared to the previous year.

Other markets noticed some difficulties as well during this third quarter, but that was mainly due to bad results in September. Fashion ended the quarter with a loss (-9.2%). Stationery hoped to make up for the previous quarters but now looks back on a disappointing back-to-school period (-4.6%).



MARKETS IN DETAIL

Furthermore, the Media & Entertainment market keeps on shrinking (-6.7%). In Music, the third quarter is dominated by the Tomorrowland compilation and this year is no exception. Unfortunately, other compilations do not follow this trend. With regards to the Gaming market, consumers seem to postpone their console purchases, anticipating the release of new consoles in 2017.

On the other hand, Home Improvement managed to turn the tide. After a disappointing second quarter, we noticed excellent results in the third quarter (+5.4%). Even the badly suffering paint category succeeded to grow again last 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 Q3 analysis of following markets:

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

Belgian non-food market keeps on declining



Wim Boesmans
Head of POS
Measurement

We noticed a significant decline in non-food sales during the third quarter of 2016: an overall decline in sales value of -3.1% in the third 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.

Unfortunately, the non-food market lost during the third quarter of 2016, but we don't need to be too pessimistic: several markets grew strongly during the last quarter.

The Telecom market kept on booming, partially thanks to the annual release of the new iPhone (+20.6%). At the same time we noticed a rise in smartwatch sales. Although it is still a niche market, brands like Apple, Fitbit, Garmin and Samsung noted a double digit growth during the last quarter.

Furthermore, the Domestic appliances sector is in the black. Take a look at the Major Domestic Appliances sector's growth, for example. Washing machines and tumble dryers keep on surprising. Within the cooling category, the consumer is not afraid to spend big money on American fridges and within the cooking department, the steam cooking hype is not yet over. Small Domestic Appliances continues its growth with low oil deep fryers and handsticks (+5.4%).

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RETAIL IN GENERAL

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The exciting end of year period is now ahead of us! Let's wait and see how markets will evolve during the important last quarter of the year.



Q3/2016

CONSUMER ELECTRONICS

Struggling business



Jürgen De Mesmaecker
Director Digital World

After a successful 2nd quarter, thanks to the European Championships Football 2016 in France, the Consumer Electronics business struggles in Q3/2016: a value decrease of more than 10% compared to the 3rd quarter of 2015!

Except for car vision products, mini speakers and drones we note a downward trend for all CE product categories. The bargain sales of July 2016 were dramatic in comparison with the two previous years. August and September 2016 didn't manage to change this situation, on the contrary: they suffered the same shortcomings!

UHD is penetrating the market more and more: one third of sold television sets are 4K devices. Notwithstanding this positive evolution, the average selling price remains stable compared to the same period in 2015. The penetrating power of this new technology, therefore, has no decent value contribution to the TV market.

To end on a positive note: approximately 8,500 drones were sold in Q3/2016, which means an upward trend of more than 25% compared with the 3rd quarter of 2015. More and more high developed devices are launched, for example DJI's new Mavic product, GoPro's introduction of Karma and the new devices of Parrot. It's a growing business, offline as well as online... and the ideal Christmas gift. I'm curious about the performance during the 4th quarter of 2016!

Q3/2016

IT & OFFICE

IT & Office continues the decline



Alain Brys
Consultant IT & Office
Equipment

During the third quarter of 2016 the IT and Office Equipment market decreased in value by -12%, the biggest decline in years for a total value of close to €460m.

For the 3 quarters of 2016 the decline of the IT and Office Equipment products was close to -7%.

IT: poor results due to significant decline of computing products

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

- The computing categories, which include desktop, mobile computers and media tablets, keep losing momentum because of lack of demand and customers turning to higher spending on large screen smartphone products.
- Categories such as video-projectors and large screen monitors performed excellently.
- The peripheral categories, especially with products targeted towards the PC gaming community, continued their impressive sales results.

Office Equipment and Consumables: decrease in demand due to increased digitisation

In Q3 2016, the Office Equipment and Consumables sector recorded a decline in turnover by -13%, compared to Q3 2015.

Especially in the cartridges segment, the market demand dropped significantly.

The ever increasing trend of digitisation of documents continues as customers are also less inclined to invest in printing solutions.

Q3/2016

TELECOM

It keeps growing strongly!



Jürgen De Mesmaecker
Director Digital World

All months of the 3rd quarter of 2016 show double digit value growths, in September we even saw more than 30% growth!

The attractive subsidy models, offered by the Belgian operators, are one of the main reasons. Also, the annual recurring event of the new Apple iPhone release gives the telecom market a boost in Q3.

The mobile feature phone segment keeps declining drastically (more than -30% in volume and -25% in value) but the smartphones sector make up for the loss. It doesn't do that by volume, as less mobile handsets are sold, but by value as more expensive sets are sold. The average price increase of 12% indicates a growing trend of higher priced smartphone sales.

On a global scale the market of smartwatches almost collapses. There is a lot of negative buzz and signals of oversupply. We do not notice this trend on the Belgian market... on the contrary: sales of smartwatches more than doubled in Q3/2016 (vs Q3/2015), the realised turnover more than tripled! Brands like Apple, Fitbit, Garmin, Huawei, Motorola and Samsung are boosting the Average Selling Price towards €230 in the first 9 months of 2016. Although it is still a niche market the 'average consumer' will definitely get to know this piece of technology!

Q3/2016

MAJOR DOMESTIC APPLIANCES

White goods on fire



Karel Tyberghein
Consultant MDA

The market of major domestic appliances in Belgium continues to surprise in a positive way with growth in all product families.

The washing machine market grows more than ever before. Especially niche markets such as top loaders and washer-dryers have seen remarkable growth. Tumble dryers are the product group with the most exciting growth but will not surpass a record 2015. Conclusions for dish washers are twofold. The built-in segment continues to gain popularity rapidly with declining average prices while the freestanding machines excel in stability in terms of volume and price.

A lot of volatility was spotted in the ever-stable cooling category. Both cooling and freezing recovered pretty well in September from a blow during summer Sales. It is not a coincidence that September was the hottest on record. American fridges and its multi-door nephews are pushing up the whole cooling family.

More excitement in the cooking category, where the comeback of the cooker deserves attention. For years this segments was in freefall but now the luxurious range cookers make the market (and average prices) boom again. Driven by the steam cooking hype, oven market shows no sign of fatigue. However, the built-in microwave ovens (45cm) are enjoying even more popularity. Contrary to the 60cm oven, prices are on the rise. Finally, Q3 evolutions for both hoods and hobs were bright as well.

Q3/2016

SMALL DOMESTIC APPLIANCES

Nice growth for Small Domestic Appliances



Caroline Cauwenberghs
Consultant SDA

The 3th quarter of 2016 showed a nice growth for Small Domestic Appliances compared to the same quarter last year. Almost every product group showed positive results, only few declined.

The biggest growth in the market is for deep fryers. Here, the 'healthy' fryers with low oil continue their path of success. In the Personal Care segment, hair stylers show very positive results. This growth is clearly linked to new products that are launched on the market, which boost sales enormously. In the Home Comfort segment, sales keep being pushed by Vacuum Cleaners, a traditional category that stays very popular, mainly driven by newer products like handsticks.

Products that suffer on the market are mainly in the Personal Care segment: Hair Clippers and Hair Dryers didn't have a successful third quarter. Also, irons lose ground compared to last year.

MEDIA & ENTERTAINMENT

The Belgian Home Entertainment market in decline, again



Conrad Hayen
Business Analyst Media
& Entertainment

The 16% decrease in physical Home Entertainment is partially countered by the rush to digital, which helps mitigate the overall trend into a decline of 6,7%

After a relatively mild decline of DVD and Blu-Ray sales in the second quarter, the 15.6% decrease in the third brings us back into this year's annual average. Made-for-Video gets hit hardest (-24%), while Made-for-Cinema keeps it at -12%, with Q3's Top-5 being largely outsold (-20% in value) by last year's. Still representing only 20% of the total physical Film turnover, Blu-ray sales are proving far more stable than big brother DVD, only declining with 4,4% during the last quarter. And then there's lurking around the corner, little sister UHD Blu-Ray, whose sales numbers (in the first six months) exceed those of Blu-Ray a decade ago, growing over five times faster.

For several years now, CD sales in the third quarter are dominated by the Tomorrowland compilation. Despite this bestseller compilation showing similar sales numbers as its predecessor in Q3 2015, other compilations do not follow this trend (declining almost 19%), thus being the main catalyst in the 10% decrease of last quarter. Last month however, thanks to the ongoing vinyl revival (+30% in value) and important new releases, shows a decline of "only" 4%, creating high expectations for the ever so important End of Year sales.

On the verge of a new generation of consoles, the 10% decrease in console software can be directly attributed to the mass exit of old gen, which still accounted for a quarter of last year's Q3 sales. Due to a 63% decline, its share is reduced to only 10%. If one would only take PS4, Xbox One, WiiU and 3DS into account, the console games market would have even achieved a growth of almost 10%. In console hardware however, with a decline of 27%, consumers seem to be postponing their console purchases, anticipating Q4's PS4 Pro and/or PS VR, Xbox One S and most likely even Nintendo's Switch (March 2017) and Microsoft's Project Scorpio (Q4 2017?).

Q3/2016

STATIONERY

Shift from September to August for buying back-to-school products



Cindy Van Mulders
Consultant Books &
Stationery

Where we hoped to make up for two bad Stationery quarters with the back-to-school period, it didn't achieve its goal.

We ended Q3 with a decline of 6.6% in volume and 4.6% in value, where the back-to-school period (Q3) decreased by 8.5% in volume and 6.5% in value. September was the cause of these bad results during the most important 3 months for Stationery. July and August did better than last year within the B2C-channel.

Colouring pencils suffered the most after the extremely good year 2015, due to the colouring hype together with the colouring books. The Color Felt Pens were able to find some growth at a few important retailers and also the Crayons did a good job by releasing new products. Within the writing category especially the Graphite Pencils did manage to grow during Q3, due to the rising popularity of sets where brands are offering their pencils together with a free eraser and/or pencil sharpener.

We noticed that the 'Beginners Range' products are becoming more popular, especially during the back-to-school period, where manufacturers are offering their writing products, specifically aimed at children who are starting to write. They developed products that make it easier to learn where to place their fingers.

Stationery data will probably end up negative this year, after a positive 2014 and very positive 2015.

Q3/2016

FASHION

Decline within Fashion continues



Wim Boesmans

Head of POS
Measurement

September was a very bad month within the 3rd quarter of 2016. Not one category managed to grow, compared to last year, and this spectacular decline caused again a substantial decrease in sales revenue.

Mainly due to September, we ended Q3 with a decline of 5.7% in value. Total Outerwear keeps the biggest share of the market, with 64.4%, so that it is also responsible for this decline with -5.4%.

July should have been the most important month of Q3, due to the seasonal sales, but the month ended with a total decline of 2.4%, because we did not have the chance to enjoy a good summer shopping month due to average temperatures. We spent €7m less in total, with women spending €1.2m less on clothes but increasing their spending on shoes with €0.4m. Men spent almost €1m less on clothes and €0.53m less on shoes. Sales for children more or less stabilised.

During August we had many days with some very different weather and even extreme temperatures sometimes. Unfortunately, these days did not help the Fashion sales because August sold -4.2% less compared to last year. The main culprit of Q3 was September, when sales dropped with -20.7%: because of the unusual nice temperatures, nobody wanted to buy warmer clothes. This immense drop during September was seen within all the categories.

Q3/2016

HOME IMPROVEMENT

A wonderful 3th quarter of 2016



Dimitri Vits
Consultant Home &
Living

With a highly satisfying growth of 5% in total we finally have the results that the whole sector was aiming at. It is a total win. All three months are in the black. July was just phenomenal with a growth of 8 %, which is remarkable as July 2015 was already a very decent month in terms of turnover.

A more detailed look shows us good results in almost all segments, which is quite a relief. There is a big growth (+4%) in these three months. This segment has been under quite a bit of pressure since the start of the year. Other important segments like garden, building chemistry and power tools all helped making these good numbers.

Some sub-segments show double digit growth, with some even exceeding the 20% barrier. Stains are performing excellently in wood protection and drills are also close to this 20% growth in value. Within the garden power tools' section, we don't have to go into sub-segments as the whole category is in double digit growth.

Not all was good however. Thanks to the good weather conditions nobody was thinking about heating up the house. Especially sanitary products suffered because of this. Of course, their sales can catch up when temperatures will drop in the last quarter of this year. If that happens, 2016 will end with excellent results. Anyhow, we predict positive final results for this year. Let's hope it can give the sector some room to develop new initiatives so it can start the new year with some interesting new concepts.

COLOFON

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Concept and realisation

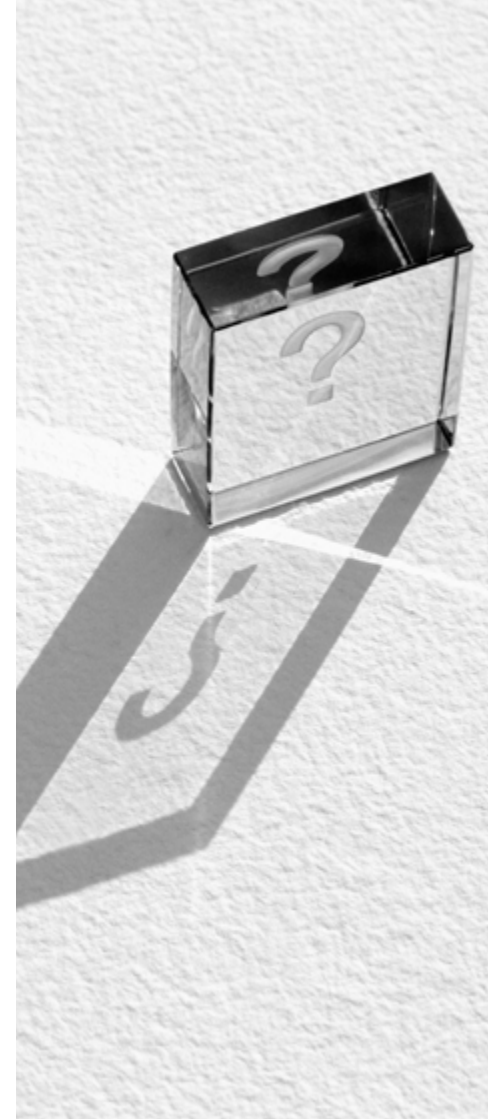
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