

GfK RETAIL REPORTS

Q3 / 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

Hello and welcome to this quarter's Retail Report. Are you eager to know more about the evolutions of the non-food market in this third quarter of 2017? Then you've come to the right place.

The third quarter of 2017 shows positive figures and we note a 1.2% growth in non-food sales compared to the same period last year. On a year to date basis, this comes down to an almost flat result of +0.5% compared to the first three quarters of 2016.

While some sectors were able to present great growth figures in this third quarter, others had difficulties maintaining their sales value. IT & Office, Media & Entertainment and Small Domestic Appliances are clearly the winners in this period, whereas Home Improvement, Telecom and Stationery are decreasing in value.

The Telecom sector surprisingly suffered a bigger loss than expected, with a total decline of -5.5%. This decrease can be entirely attributed to diminishing smartphone sales, which noted losses of up to 9%! Fortunately, Core Wearables and Headsets keep adding value to the sector.

A similar declining trend can be found in Stationery, where the back-to-school action did not deliver value to the same extent as the previous year. And unfavorable weather conditions caused the Home Improvement market to decline too.

After disappointing results for Consumer Electronics in Q2, the CE market is stabilizing at +0.5% in Q3. New smaller heroes such as Drones and Audio products helped achieve this positive result. Major Domestic Appliances also shows a status quo: a drop in average prices causes the whole market to stagnate.

Media and Entertainment presents the largest relative growth. On the one hand, the gaming industry pushes this figure upwards, thanks to the launch of some new consoles. On the other hand, physical music sales are dropping at the slowest rate in a decade.



Furthermore, the IT & Office market turned its year around in this third quarter. With an amazing growth rate of +7.6% during this third quarter, they manage to save their year to date figures. And also in this market, we note strong sales results for all gaming related products.

Small Domestic Appliances had a very productive third quarter as well: with a growth of +8.6%, we can conclude that the summer sales were a great success!

We are already curious to find out how the non-food market will finish the year 2017. We hope you are too! We'll see you next quarter!



MARKETS IN DETAIL

We invite you to glance through the Q3 analysis of following markets:

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

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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.



Q3/2017

RETAIL IN GENERAL

Q3 shows good growth rates in most panels!



Evelien Van Aerschot
Consultant Retail

The third quarter of 2017 shows green figures by noting a 1.2% growth in non-food sales compared to the same period last year. On a year-to-date basis, this results in an almost flat result of +0.5% compared to the first three quarters in 2016.

While some panels were able to note great growth figures in this third quarter, others had a rougher time upholding their value. IT (+7.6%), Media & Entertainment (+11.5%) and Small Domestic Appliances (+8.6%) are the clear winners this period, while DIY (-3.9%), Telecom (-5.5%) and Stationery (-3.8%) are shrinking.

The Telecom sector surprisingly suffered a bigger loss than expected, with a total decline of 5.5%. The decrease can be entirely attributed to diminishing smartphone sales, which noted losses up to 9%! Fortunately, Core Wearables and Headphones keep adding value to the sector. Fear not, Telecom is still able to grow year to date (+0.6%) and we are confident that sales in Q4 will increase this figure, thanks to some eagerly expected launches still to come.

A similar declining trend is found in Stationery (-3.8%), for which the back-to-school sales did not deliver value to the same extent as the previous year. Unfavorable weather conditions caused DIY values to drop (-3.9%).

After a steep decline in Consumer Electronics due to plummeting television sales in Q2, the CE market seems to have found some balance. Stabilizing at 0.5% in Q3, the CE sector has found new small heroes in product groups such as Drones and Audio products. Another panel that shows a status quo growth of half a percent is Major Domestic Appliances. A drop in average prices causes the whole market to stagnate.

RETAIL IN GENERAL

The largest relative growth this period is in Media and Entertainment (+11.5%). On the one hand, the gaming industry is pushing this figure upwards, thanks to the launch of some new consoles, also pushing the boxed console games sales. On the other hand, physical music sales dropped to the slowest rate in a decade. We expect to see more green figures in Q4, with the launch of Xbox X in November!

Furthermore, the IT & Office market saved its year in this third quarter. With an amazing growth rate of 7.6% even the year-to-date figures turn green (1.7%). Again, we note strong sales results for all products related to gaming: both in mobile computing and peripherals. Another panel that benefits from popular product groups, is Small Domestic Appliances. With a growth in Q3 of 8.6%, the summer sales were a great success! On the contrary, summer sales could not make up for previous losses in the Fashion panel. Luckily, an exceptionally good September turned the decline around and Fashion now notes a growth of 1.2%!

Let's hope we can reap the benefits of this upward trend in the last quarter of 2017! Good luck everyone.



CONSUMER ELECTRONICS

Consumer Electronics – Still under pressure



Chris Renders

Consultant Consumer
Electronics & Telecom

After a heavy second quarter, the CE market is stabilizing and grows 0.5% in value, the volume on the contrary decreases with 2%.

If we compare to the same quarter last year, we see a positive trend within loudspeakers and drones which achieved a growth in Value and volume as well. Predominantly drones, realized a triple digit value growth of 162%.

Two key reasons why consumers are buying drones, as a toy and for imaging purposes. A perfect product for taking pictures and filming during holidays out of the blue sunny sky with or without the "follow me feature".

From a sunny sky and growing product groups we move to a different story, the television business. The market is declining -6% in volume, however it is only declining -1% in value thanks to the further development of the Oled segment which is driving the average sales price up.

Oled is gaining more ground within the television market whereas five major players entered the market.

Let us end this story on a positive note with docking/minispeakers which are showing smooth moves with a double-digit growth in both value (21%) and volume (37.5%). A very popular device in the summer for playing your favorite playlists on the beach or at a garden party.

Q3/2017

IT & OFFICE

Best quarter of the year



Alain Brys

Consultant IT & Office
Equipment

During the third quarter of 2017 the IT and Office Equipment market increased in value by almost 8%, for a total value of close to 497 Mio €. The best quarter of this year. For the first 9 months of 2017 the increase was +2% for a total value of just over 1.435 Mio€.

IT: growth in both hardware & peripheral products

Almost all IT categories performed excellently during the third quarter of 2017 with some key trends in:

- gaming products continue to increase their share especially in the categories of mobile computing, gaming monitors and gaming peripherals. This offers excellent opportunities for the Q4 period ahead, for retailers to capitalize even further on this potential.
- peripheral products such as networking devices and storage categories, the demand for higher speeds and higher capacities are clearly the key drivers for growth.

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

In Q3 2017, the Office Equipment and Consumables sector recorded an increase of close to 6% compared to Q3 2016 for a value of 95 Mio €.

The market for consumables remained negative in units but in value and thanks to the strong growth in laser cartridges, the overall cartridge business was able to show a promising increase in value.

In the MFD segment the market was pushed upwards by growth in the laser MFD category.

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TELECOM

Delay in smartphone sales



Chris Renders

Consultant Consumer
Electronics & Telecom

A while ago we predicted the saturation of the Smartphone market, however for Q3 the numbers are much worse than expected, we are talking about a decline of -9% in value and -13% in units. Is this really happening? Is the smartphone market really declining so fast?

No, I do not believe in such a strong decline in this stage of the market, I rather see it as a delay. Every year around the month of September, a major player within the smartphone market announces and launches a new model. This Quarter they did the same, except for one thing, they announced two phones and delayed the launch of the second one, the long-awaited Flagship model. Therefore, consumers are waiting to compare both models before taking action.

The only segments that are managing growth within the Telecom business are headsets and core wearables. Core wearables are growing 42% in value and 15% in volume.

Headsets are increasing in value with 39% and in volume with 35%. The Bluetooth in ear and the Bluetooth headband segments are mainly driving the growth within this product group.

MAJOR DOMESTIC APPLIANCES

Solden dominance surges



Karel Tyberghein
Consultant MDA

The July sales were again very prolific for the domestic appliance industry. The Sales months continue to gain in importance since online retail is also lurking. In general, a modest growth in units was completely offset by declining average prices in almost all product groups.

The laundry family barely moved but important differences in underlying product groups was observed. Tumble dryer sales went through the roof after a stagnation in the first half of the year. Dishwasher sales grew but a declining average price results in value loss. Consumers are less attracted to the premium priced appliance in this family.

Cooling market withdraws after a beautiful second quarter. Especially the refrigerator market is responsible for the decline because freezer sales are up. The widest types within the combi segment of refrigerators are enjoying a boom. The steady growth of the freezer market is predominantly due to a strong demand in taller appliances.

Most built-in categories suffer from a dropping average price causing the whole market to stagnate. Range cooker growth is strongly driven by kitchen retail. Surprisingly, the steam segment with the oven product groups is declining. Consumers are increasingly choosing a 45cm high combi-oven in new kitchens. Due to increased focus on ceiling units, the hoods market was also able to grow.

SMALL DOMESTIC APPLIANCES

Let's call summer sales a success story for SDA



Caroline Cauwenberghs
Consultant SDA

The market of small domestic appliances increased 9% in value with significant growth numbers in all segments. We noticed the following trends during the 3rd quarter of the year:

Kitchen Appliances

Food preparation, kettles and hot beverage makers stimulated the market with excellent results. Espresso machines drive the positive evolution within hot beverage makers the last few years, but filter coffee machines managed to grow in the 3rd quarter of the year. The deep fryer market shows a small decline (-1%), where only hot air fryers continue to grow during summer sales.

Personal Care

Strong growth for Personal Care, especially during the July sales. The positive market evolution is mainly pushed by growth within hair dryers, hair stylers and shavers. The decline in Personal Care is caused by dropping sales in dental care (-13%) and hair clippers (-15%). We notice a shift in sales from hair clippers to multi grooming kits. The latter category delivers excellent results in the 3rd quarter of 2017.

Home Comfort

Vacuum cleaners are still booming this quarter with 17%. Cylinder bagless and handsticks show impressive results during July sales. The market for irons achieves significant growth numbers this summer with the focus on ironing system generators and traditional steam irons.

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MEDIA & ENTERTAINMENT

Home entertainment spending continues to revive in Q3



Conrad Hayen

Senior Market Analyst
Entertainment

While DVD and Blu-ray sales are persistently impacted by the accelerating rise of streaming services, surging CD and Console Gaming sales lead the physical home entertainment market to a growth of 9.9%.

While total revenues from digital video content keep surging, the DVD and BRD market (combined) lost 9.9% year-on-year, making the third quarter of 2017 the first in years in which the decline isn't reaching double digits. The decline in Blu-ray is even limited to -2.7%, demonstrating Blu-ray is being less affected in this colossal shift in how we consume media.

In recent years, physical music sales have of course decreased substantially, but sales are falling at the slowest rate in a decade. With a year-on-year decline of 5.3%, the market may still be lagging behind on 2016. However, the third quarter is showing a 9.1% growth, driven by resurging Vinyl sales, which again rose by 53%. If we include digital revenues (from downloads and streaming services), the total music market is even showing a staggering 15.2% growth.

The total (physical) Gaming market in the third quarter of 2017 is outperforming last year's with a growth of 17%. Nintendo's momentum with their latest Switch and the Super Nintendo Classic Mini, as well as good old PlayStation 4 are even driving the Console Hardware market to a 24.9% growth. Xbox One sales are shrinking by half as Xbox buyers seem to be postponing purchases, anticipating the new X, which will be released this November.

MEDIA & ENTERTAINMENT

Offset by a strong rise in digital sales and mobile gaming, the physical PC gaming market is continuing its steep decline by currently losing 42% year-on-year. Sales in the third quarter were in an even worse shape, partly attributable to Fifa 18 not being released as a boxed game, but only on a point card/gaming voucher. The third quarter has always been dominated by the release of Fifa's latest installment. Over the past few years, day one sales have been ever increasing until Fifa 18 abruptly ended this. Despite a decline of 26% in Portable Console Software, boxed console games are still going strong at an 11.3% growth in Q3. However, the move towards the digital tipping point may well be happening faster than expected.



STATIONERY

Back-to-school was unable to recover the losses from Q1 & Q2



Thalia De Mesmaeker

Market Analyst
Stationery

Unfortunately, the total Stationery market has not yet recovered its growth. In volume, we are ending Q3 with a -0.8%, but the decline is mainly seen in revenue with -3.8%.

The decrease in revenue was seen at all channels, where the Office channel and the Mass Merchandisers are taking share from the Stationers. This last channel notified the biggest loss in the third quarter of 2017, compared to the same period last year.

Not one month was able to grow in volume and value, except from September in volume. August was the most important month for all channels, but also caused the total decline of Q3. August was only able to grow in volume in the Office channel.

The Writing Instruments category, which is the most important category during back-to-school and represents 26% in value in Q3 2017, declined with -2.1% compared to the same period last year. Within this category Color Felt Pens did a very good job, together with some more small product groups such as Highlighters, Roller Balls, Markers and Graphite Pencils, for example.

Looking at a Year-To-Date level, which means from January until September 2017, we reached a total decline in units of -2.8% and -6% in value. This decline was again seen in all channels.

We still have a last quarter to make up for the losses in 2017, let's hope they can catch up.

HOME IMPROVEMENT

Home improvement retail sales slump in meager third quarter



Kristof Scheyls
Consultant Home &
Living

Turnover generated in the Belgian Home Improvement market fell by approximately 30 million EUR in the third quarter of 2017, down 3.9 percent from the same quarter last year. In particular, retail spending on gardening categories has been in steep decline, resulting in a loss of almost 20 percent compared to the quarter in the previous year.

The sharp drop in sales was measured across the complete gardening assortment. However, the decline can primarily be attributed to the powered gardening equipment, garden furniture and plant protection category sales. In our first quarterly report, we spoke of a strong increase in sales for the garden chemicals category. This partially explains the current drop in plant protection sales because we suspect that consumers have stocked up on these products during the first quarter. Additionally, weather conditions in the third quarter have been unfavorable for these type of products, which had a significant negative effect on the results.

Meanwhile, turnover in the sanitary category rose by 8 percent. Figures show that the taps and heating/hot water category pushed this increase in turnover. Comparable results can be reported for the lighting category. Turnover generated by LED lamps, a trend that has been ongoing for some time and is expected to continue well into the winter, registered an increase of nearly 25 percent in the third quarter.

Let's hope that the Home Improvement sector can find and maintain the necessary momentum to bring the year to a positive close in the next quarter!

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FASHION

Fashion market back on track!



Thalia De Mesmaeker
Market Analyst fashion

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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Concept and realisation

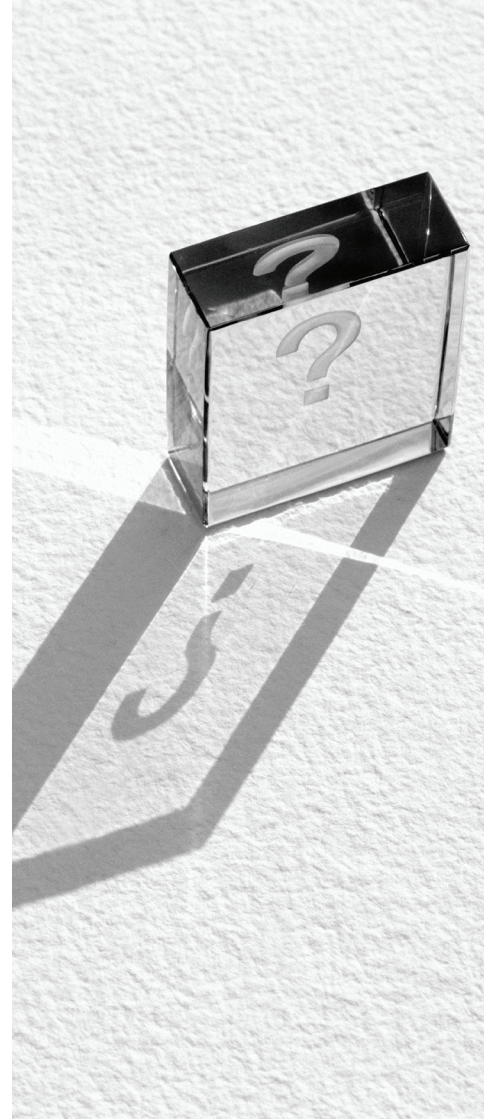
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