

GfK RETAIL REPORTS

Q4 / 2015



GfK. Growth from Knowledge

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



Jürgen De Mesmaecker
Director Digital World

Welcome again to our Retail Reports of the fourth quarter of 2015! Are you eager to find out how the Belgian non-food market closed the year?

It closes the year with a decrease in the last quarter of 2015. We noted an index of 98.7 compared to the same period last year.

This loss is mostly due to a weaker performance of IT and Office Equipment. The Fashion Industry also suffered badly, because of the warm weather conditions. Furthermore, we noted quite a dip in the turnover of Book Sales although the sector remains stable when we take the whole year into consideration. And even though we see some positive trends in the Home Improvement product groups, such as insulation and LED lamps, the sector is in decline.

But we also have some good news to share. The strong decline that Consumer Electronics experienced during the first three quarters of 2015 slowed down in the fourth quarter thanks to strong promotions of Belgian operators on Flat TV. And to our surprise, Media & Entertainment even managed to grow again. Especially Hardware consoles sales increased strongly during the last Christmas period.

And although we noticed a downward trend in smartphone sales volume again compared to the same period last year, Telecom is still growing. Health & Fitness Trackers, Smartwatches and Wrist Sport Computers are partly responsible for this growth as they were a popular Christmas gift in 2015.

Furthermore Small Domestic Appliances keep on growing. Growth is slowing down but we still see strong results in product groups such as Irons and Vacuum Cleaners.



MARKETS IN DETAIL

And last but not least, Major Domestic Appliances realised an impressive growth. Taking into account that 6 out of 9 product categories recorded the highest sales value ever in 2015, there is no doubt that MDA had a record breaking year in 2015!

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 Q4 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 make 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

The non-food market declined in 2015



Erik Lejeune
Director Division R&T
Belgium

We noticed a decline this quarter with an index of 98.7 compared to the same period last year (-1.3%). This index is based on the sum of all non-food markets measured by GfK Retail and Technology.

Unfortunately, the market shrunk during the last quarter of 2015. We measured a significant decline in IT and Office Equipment (-2.4%). Furthermore, the Fashion industry suffered badly due to the warm weather during this last quarter (-3.1%). The Books sector also declined strongly during Q4 (-5.3%), but remains stable when looking at the full year 2015. Again a cookbook, this time Pascale Naessens with *Puur eten 2*, was the best-selling book of 2015. In Home Improvement, product groups such as insulation and LED lamps are booming! Despite this positive trend, Home Improvement closed the last quarter with a decline of 1.1%.

Nevertheless, we also have positive news to share. The strong decline Consumer Electronics experienced during the first 3 quarters of 2015 slowed down in Q4 thanks to strong promotions of Belgian operators in terms of Flat TV (-1.7%). Surprisingly, Media & Entertainment even managed to grow again during Q4 2015 (+1.1%). Especially Hardware consoles sales increased strongly during the last Christmas period.

Although we noticed again a downward trend in smartphone sales volume compared to the same period last year, Telecom is still growing (+2.5%). Health & Fitness Trackers, Smart-watches and Wrist Sport Computers were a popular Christmas gift.

Furthermore, Small Domestic Appliances sales keep on growing in the last quarter of 2015 (+1.4%). Although growth was slowing down during this last quarter, we still see strong results in product groups such as Irons and Vacuum Cleaners.

RETAIL IN GENERAL

Finally, Major Domestic Appliances sales realised growth of 3.1%. Taking into account that 6 out of 9 product categories recorded the highest sales value ever in 2015, there is no doubt that MDA had a record breaking year in 2015!



Q4/2015

CONSUMER ELECTRONICS

Last quarter driven by promotions



Jürgen De Mesmaecker
Director Digital World

During the first 3 quarters of 2015 we noted a double digit decline in volume and turnover for the most important product group of the Consumer Electronics business: Flat Panel TV. Due to some strong promotions by Belgian operators there is a turnaround in the last quarter of the year.

Almost 195,000 TVs entered the Belgian market in Q4/2015, 28% of the total annual volume. We are also glad to see that more than 30% of these TVs feature UHD. This indicates that Ultra High Definition screens are well established and are becoming the standard format in the TV landscape.

The best performing products of 2015 are Docking/Mini Speakers, Network Music Systems and Action Cams and if we only look at the last quarter, then Soundbars are also performing well. Although this device is an excellent solution to cope with poor sound quality of some TVs, we don't see a decent attach rate. In 2015, around 700,000 TVs were sold in Belgium and not even 10% of them come with an elongated bar with speakers. Compared to other Western European countries, Belgium shows a poor result.

In the Docking/Mini Speakers segment we note that almost all speakers sold in 2015 are wirelessly docked with the sound source whereas in 2014 more than 10% were physical dockings (cradle or wired). Bluetooth is the most used connection format.

In 2016 we expect further growth of the audio segment and look forward to a revival of the TV business.

Q4/2015

IT & OFFICE

IT & Office: market in decline



Alain Brys

Consultant IT & Office
Equipment

During the last quarter of 2015 the IT and Office Equipment market decreased in value by nearly -2.4%. For the whole of 2015, we noticed a decline of -3%.

IT: 2-in-1 devices benefitting

Within the IT categories we noticed the following trends in 2015:

- The market for traditional computing devices such as desktops & notebooks was able to remain at about the same level as in 2014.
- The tablet bubble seems to have burst completely, benefitting notebooks which keep on being reinvented as hybrid (or 2-in-1) computing devices.
- Input peripherals benefitted from developments in the PC gaming world and monitors, IP cameras and network related products showed growth.

Office Equipment: long-term trend: cartridges

In Q4 2015, the Office Equipment and Consumables sector recorded a decline in turnover by -2.5%, compared to Q4 2014.

Growth in sales of cartridges was the main positive driver for the entire sector due to sales of high-yield and multipack cartridges.

Q4/2015

TELECOM

Saturation of smartphones in Q4 2015



Jürgen De Mesmaecker
Director Digital World

In line with the evolutions of Q3/2015, we also notice a downward trend in sales of smartphones in the Belgian market in the last quarter of 2015: 1% less devices were sold in Q4/2015 compared to Q4/2014!

At the end of 2015 more than 50% of the Belgian population has and uses a smartphone. If we look at the population between 10 and 70 years of age, almost 70% has a smartphone. Smartphone saturation starts to occur and growth figures start to disappear.

An emerging segment in the telecom business is the Core Wearables market: Health & Fitness Trackers, Smartwatches and Wrist Sport Computers are becoming more popular. More than 130,000 wearables were sold in 2015, more than 40% in the last quarter of the year. In 2015 it was an excellent Christmas gift!

In October 2015 the launch of the Apple iWatch stimulated the Smartwatches category and boosted the average selling price. Challengers like Fitbit, Garmin, Huawei, LG, Motorola, Mykrnoz, Samsung and Sony will battle for their share of the market.

MAJOR DOMESTIC APPLIANCES

Impressive results for Major Domestic Appliances



Karel Tyberghein
Consultant MDA

MDA had a record breaking year. In 6 out of 9 product categories the total sales value was higher than ever before. As opposed to the final quarter of 2014, last year's Q4 did beat average year growth. All retailers and manufacturers concerned are especially relieved that dropping prices are a thing of the past.

The most impressive growth came from the category of washing machines. The rush on heat pump tumble dryers proved relentless throughout the whole year. Nearly as remarkable as the growth in heat pump tumble dryers, was the growth in the built-in segment of dish washers. In contrast to the above mentioned categories, the evolution of washing machines was rather normal.

Cooking category products also end the year higher, despite declining average selling prices. The weight of promotions for whole kitchen appliance sets is gaining importance and pushing prices down. A notable exception is hoods, a value creating product group.

Cooling category products benefitted from a hot Belgian summer to see both value and unit increase versus 2014. A long-standing decline in freezing products was turned into black numbers.

Q4/2015

SMALL DOMESTIC APPLIANCES

Another excellent year for Small Domestic Appliances, although sales in Q4 did slow down



Caroline Cauwenberghs
Consultant SDA

2015 has been another excellent year for Small Domestic Appliances, with a strong overall performance.

However, if we analyse the performance of the last quarter of 2015, we see that growth is slowing down compared to the total year performance. We did not see any loss yet, but some categories were struggling during the last 3 months of 2015.

Within the Kitchen Appliances segment, we see that Foodpreparation did not achieve the same sales results as last year. Also Hot Beverage Makers – always a popular item during Christmas period – showed a decline.

Also for Personal Care sales are slowing down. Hairstyler did manage to stay stable, but for other Haircare groups and Shaving, results are less positive.

The only groups that are – strongly – winning can be found in the Home Comfort segment. Irons and Vacuum Cleaners show strong results. Maybe these products were the most popular underneath the Christmas tree?

Q4/2015

MEDIA & ENTERTAINMENT

Entertainment business is doing better



Erik Lejeune
Director Division R&T
Belgium

While the movie business is slightly declining and the gaming business is remaining stable, we see a positive trend in the music business.

The music industry in Belgium is getting better. During Q4 we saw a growth of 1% in physical audio sales compared to the same period last year. If we add digital sales, the growth in Q4 even climbs to 8%. After years of decline we finally see a positive trend again.

The movie business on the other hand drops strongly in physical sales. The market shrinks during Q4 2015 by 15% compared to Q4 2014. Video On Demand is doing better. If we add the digital sales, we measure a slight decline of 0.7% in Q4 2015 for movies.

Games and hardware remains stable during Q4 2015 compared to Q4 2014. This is due to the strong performance of the games hardware. Games consoles have been a very popular Christmas gift, resulting in 8% rise in sales revenue.

The entertainment business can close with a positive result of 1.1% growth during the last and most important quarter of the year.

BOOKS

Comic books keep on dominating the top 10



Cindy Van Mulders
Consultant Books &
Stationery

The sales of paper books in Flanders grew slightly by 0.2% during the year 2015. The most significant growth was in comic books and non-books.

Despite the over-all decline of the sales of cookbooks, a cookbook was again the best-selling book of 2015 (Pascale Naessens with 'Puur eten 2'). Since GfK started measuring the book sales in Flanders (in 2008), each year a cookbook has been the best-selling book of the year. The only exception was in 2013 when Dan Brown's *Inferno* was the number one. The bestselling novel this year was 'Meisje op de trein' by Paula Hawkins.

Comic books and non-books

Comic books remain very popular and show a growth of nearly 14%. 5 comic books even dominate the top 10 of 2015! The Flemish consumer remains loyal to his favourite comic book series. For example the series *Jommeke*, *FC De kampioenen*, *De Kiekeboes* or *Suske en Wiske* keep selling in high numbers. Publishers anticipate by releasing several new editions each year.

Other products that performed well are the calendars and sticker books, the so called non-books. We measure a growth of 18% for this segment. In this digital age, block calendars sell well with 'De Druivelaar' as best-selling calendar. It is the second best-selling 'book' in 2015.

Belgian Fashion market in decline after very bad Q4



Wim Boesmans
Director Home &
Lifestyle

As predicted in the previous Retail Reports, the last quarter turned out to be decisive for a positive year ending, or not. Unfortunately for the Fashion business, the weather was such that sales received a beating: -3.1% in value. The exception were sport's shoes (+22%), a segment showing strong growth all year long, whereas all other segments are declining.

November was the second warmest month since measurements began and December broke all records: on average 6 degrees hotter than normal! The impact on Fashion sales was enormous: jackets and coats, warm jerseys and sweaters, winter boots, ... they all remained unsold on the shelves since shoppers were not looking to get any warmer.

Women spent over €6m less on clothing (outerwear) and over €4m less on shoes. Children's clothing sales also dropped by more than €4.2m and men's clothing sales by more than €2.2m.

The decline in Q4 was so big that the positive result on annual basis (thanks to good season sales in July) was swept off the table and we ended the year in red: -0.1% in value. Men shoes sales are taking the biggest hit, relatively speaking (-3%), whereas in absolute numbers it's women's outerwear sales that lost most of the revenue (-€4.7m). Drivers for growth were sport shoes (+19%, contributing more than €6m in extra revenue) and kid's outerwear (+1%, more than €4m extra revenue).

HOME IMPROVEMENT

Home Improvement remains stable in 2015



Dimitri Vits
Consultant Home &
Living

With a bad start in the first quarter of 2015, everybody knew that the Home Improvement market would have to fight the whole year to keep on track. An excellent second quarter in 2015 was the air needed to go full power in the second half of 2015. In Q3 we could perpetuate the results. In the last quarter we seemed to go for a straight win, till the results from November came in. With sales dropping -3.3 % in this month, all the pressure was on a good performance in December.

The Home Improvement sector could close the year with a slight increase of +0.8% for the whole of 2015. We do have to point out that growth is particularly coming from expansion and is not related to organic growth. In units the Home Improvement sector is declining slightly which results in slower rotation in the shops.

So what about 2016? At a certain point the white spots for opening extra shops will become scarce. The big challenge will be to find ways to fire up the organic growth again. Let us take a closer look at the product groups declining in 2015. The first important negative evolution we noticed was all related to paint categories. We all know that paint is one of the driving factors in terms of rotation and turnover in the shops. If the stores and industry cannot turn this back into positive numbers, this will increase the pressure on the whole industry. Within the DIY superstores we notice a decline of 4% in value. It is not a shift within the shops to wallpaper. Wallpaper declines with 1.9 % as well.

Within the power tools we noticed some new trends. The multi-tools turnover, traditionally a segment with strong growth, is totally collapsing in 2015, a decline of almost 15% in value. Is this market saturated? Another strong group, high pressure cleaners, is falling back after a strong 2014. Likewise we noticed a 15% decline in turnover.

HOME IMPROVEMENT

On the other hand, we notice a lot of insulation going over the counter, resulting in a growth of +8% in value. When renovating the attic, you also need treated wood. The growth in this category is phenomenal.

LED lamps is again the best performing segment on a m2 shop space. Booming once more in 2015 with more than 40 % growth in value and in units!



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.

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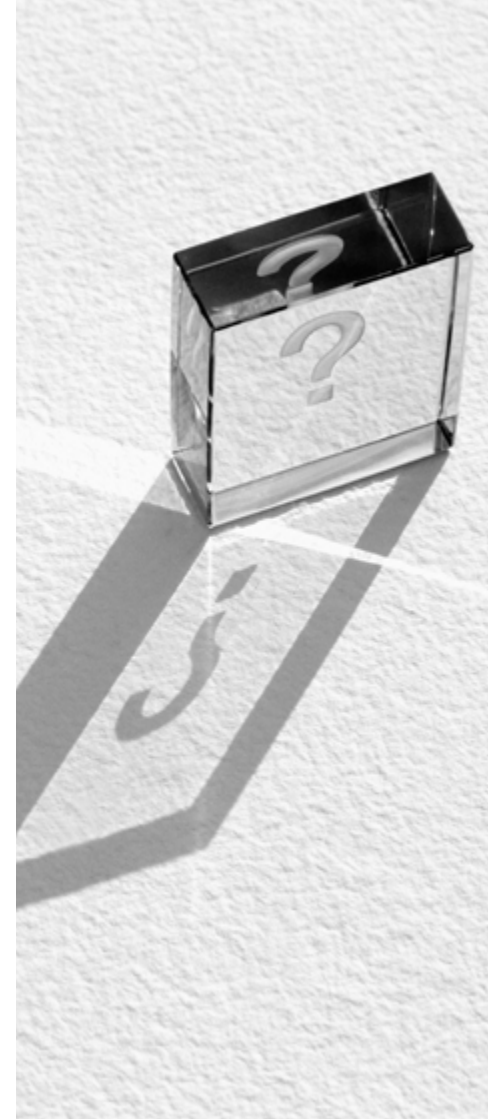
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