

GfK RETAIL REPORTS

Q4 / 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

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 »
- HOME IMPROVEMENT »
- 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

Q4 brings down annual results



Evelien Van Aerschot
Consultant Retail

During the final quarter of the year, full year results did not manage to go in the black. On the contrary, the non-food sales saw a decline of -2.8% in Q4, compared to the same period last year. This affects the results for the whole of the year, shrinking the value ever so slightly by 0.4%, compared to 2016.

While most segments managed to grow, the overall increase was quite limited. Telecom (+4.3%) and Media & Entertainment (+2.7%) are the biggest winners for this period. Some segments did not manage any growth during this most festive of seasons, and therefore bring down the value of the Belgian non-food sales. Fashion (-6.8%), Stationery (-6.8%) and DIY (-3.7%) are having the hardest time maintaining their value.

Biggest losers during this quarter are the fashion and stationery segments. With a steep decline of 6.8% in both their final quarters, these segments close the year in the red. In Fashion, the total loss is limited to one percent, but Stationery shrinks by 6.2% for the whole of 2017.

With a decline rate of 0.1%, we can safely say that the Consumer Electronics market has shown a very stable final quarter. Especially the television sales are the cause of this. Generating an increase of 6% in an otherwise plummeting product group, Black Friday promotions have delivered big time! Unfortunately, the status quo in Q4 could not prevent a bigger decline in full year results. CE closes 2017 with a decrease of almost 4%.

Surprisingly, Q4 accounts for some losses in Small Domestic Appliances too. Whilst the SDA market usually shows good growth figures, the last quarter of the year cannot reach the same value level of last year. Yet, with the decline being limited to 1.7%, the SDA seg-

RETAIL IN GENERAL

ment had enough margin to be able to close 2017 on a positive note, growing by 2.7% on a year-by-year base. On the other hand, the DIY segment was not strong enough to uphold its growth after a decrease of 3.7% in its last trimester. It closes 2017 with a minor loss of 0.7%.

The biggest gains during this period are found in Telecom. Due to the release of a few signature smartphone devices, the telecom sector kept its promise of delayed value growth and turned its Q3 decline around to a decent increase of +4.3% in Q4. Furthermore, the Core Wearables category push the value up, thanks to an on-going trend in Health & Fitness trackers.

Last but not least, the biggest winner of the year must be the Media & Entertainment segment. With an increase of 3.8% year on year, this segment is driven by its gaming categories and it found new ways of growth in the surging online demand for music and films.

Now that one year ends, another one starts. Let's keep up the good work and see what 2018 will bring.



CONSUMER ELECTRONICS

Black Friday, the driver of Q4!



Chris Renders
Consultant Consumer
Electronics & Telecom

Results in the red for the CE sector. Over the whole of 2017, value declines by -4%, driven by an even bigger loss in volume.

The Television market is ending the year with a 6.6% drop in value. Not only is this product group under strong pressure, there also has not been a big football event this year! However, when analysing the Q4 performance, the results are quite impressive, gaining almost 6% in value.

This positive outcome is mostly thanks to the Black Friday sales event, an event that has its origin in the United States. It is the first day after Thanksgiving and opens the season of Christmas shopping. In Belgium also, Black Friday is gaining serious popularity and is closing in on the first week of "solden" (sales) in terms of value.

Another high-flyer within the CE market is the drones' category. That section has seen a growth of 50% in value. The total year result also speaks volumes, gaining triple digits (+110%) in value! In terms of volume, the story is a bit different. There is a +2.5% growth, so we can safely say that this market is slowing down. The consumers' choice is going to the more expensive drones, the majority of which is equipped with a camera.

And last but not least, there are the Docking/Mini-Speakers. They are closing 2017 with some positive numbers. In value, the market gained almost 20% and in volume 18.8%, mostly driven by the Bluetooth-equipped devices.

Positive year for IT & Office



Alain Brys
Consultant IT & Office
Equipment

During the fourth quarter of 2017, the IT and Office Equipment market increased in value by almost +2%, for a total value of close to €558m. For the entire year of 2017, the increase was also +2%, for a total value of just over €1,995,000m.

IT: positive results thanks to growth in both hardware & peripheral categories

Almost all IT product groups performed excellently during 2017 with key trends in:

- gaming products continue to increase their share, especially in the categories of mobile and desk computing, gaming monitors and gaming peripherals. In some IT categories, already more than 25% of all products sold are targeting specific gaming customers. An enormous potential for retailers and brands to invest in.
- the peripheral categories with products such as networking devices and storage categories clearly were the key drivers for these strong results. The demand for higher speeds and higher capacities are important features for future growth.

Office Equipment and Consumables: focus on small photo printers and CISS systems.

In Q4 2017, the Office Equipment and Consumables sector recorded a decrease of close to -6% compared to Q4 2016 for a value of €122m. For the entire year of 2017, we recorded an increase of +0.1% for a total value of just over €453m.

The market for printer products benefited from the success of the small instant photo printers and further development of technologies such as continuous ink supply systems (CISS). In the MFD segment, the upward market trend came from growth in the laser MFD category.

Q4/2017

TELECOM

Clear stagnation in the Telecom business



Chris Renders

Consultant Consumer
Electronics & Telecom

The Telecom Business ends the year on a barely positive note with a value growth of 1.66% and in volume nearly a break-even (-0.41%).

As predicted, part of the iPhone sales was delayed from September to November due to the later release of the flagship device. Yet we remain dissatisfied, as the postponed sales cannot cover the losses the market has suffered during the previous period, ending this quarter with a weak growth of 1.5%.

Next, I want to talk about the biggest success story of the Telecom Business this year, the Core Wearables! For the fourth quarter in a row, this relatively new segment is ending with a strong growth of 64% in value and 54% in volume. The weight of the month December suggests that many of these innovative devices landed under the Christmas tree. This relatively new Product Group continues to perform at high level ending the year almost as big as the headset segment. At this speed, the core wearables will be listed as the second biggest Product group of Telecom at the end of next year!

Q4/2017

MAJOR DOMESTIC APPLIANCES

White goods industry in healthy shape



Karel Tyberghein
Consultant MDA

With the full year analysis, come the Q4 results. Let's look back. During the last quarter, sales volumes traditionally shrink month by month. This has everything to do with the typical end-of-year shopping for gifts. After all, who wants a cooker hood for Christmas? Moreover, anticipation grows when approaching the biggest sales period of the year: January Sales. However, at the end of November, we saw a peak in sales. The Black Friday phenomenon is starting to make inroads in the white goods market.

The washing category looks back at a moderate organic growth in all product categories. As expected, energy-efficiency and penetration gains were the drivers for the 2017 growth.

The fridge and freezer family of products is strongly linked with seasons and weather quirks. A major creator of value are the dozens of variations in the multi-door segment. It seems all manufacturers want a piece of the cake.

The category of cooking products has seen a considerable drop in average selling price lately. This is especially the case for induction hobs and ovens. In contrast, manufacturers of range cookers and built-in microwave ovens had to keep up with a steep demand.

SMALL DOMESTIC APPLIANCES

Negative end of year for SDA



Caroline Cauwenberghs
Consultant SDA

Small Domestic Appliances posted a volume decline of -2% in the 4th quarter of 2017. With a current value growth of +4% to about €14m at the end of 2017, Shavers was the best performing category in Small Domestic Appliances.

Small Kitchen Appliances

The Kitchen Appliances section was highly impacted by the loss within Fryers (-18%). The drop in the category was not only due to Deep Fryers, but also to the once so very popular Hot Air Fryers. The last few months of the year did not contribute to any growth within Fryers and Kettles and Draught Systems also suffered from a significant slow-down in growth. Hot Beverage Makers remain one of the most popular choices within Small Kitchen Appliances. The category grew in sales by 1%, mainly pushed by the Espresso Machines. Also, Toasters (+2%) and Food Preparation (+2%) achieved nice growth figures at the end of 2017. It is mainly Liquidisers and Food Processors, which drive the Food Preparation category, while Kitchen Machines continue their downwards trend.

Personal Care

Within Personal Care, the category of Shavers is the only group with a positive end-result for 2017. Shavers increased by +4% in sales growth, mainly driven by the Groomers/Trimmers. Hair Stylers (-11%), Hair Clippers (-12%) and Hair Dryers (-9%) suffered badly at the end of 2017.

Home Comfort

The segment of Irons loses sales (-3%) during the Festive Season. Vacuum Cleaners remain the biggest growth driver within SDA, with a nice growth figure of +2%. Both Cylinder Bagged and Cylinder Bag Less might not have reached enormous results at the end of 2017, but the Vacuum Cleaners category keeps on growing within Handsticks. The popularity of the Handstick as a 2nd or Handheld device is not only remarkable in Belgium, but also in other countries.

MEDIA & ENTERTAINMENT

IN Q4, THE BELGIAN HOME ENTERTAINMENT SPENDING IS UP AGAIN



Conrad Hayen
Senior Market Analyst
Entertainment

Driven by surging gaming revenues, home entertainment spending (including music streaming and downloading), rose 2.7% in the last quarter of 2017. Compared to 2016, fourth quarter gaming sales grew by more than 7%, resulting in a year-on-year growth of 8.4% in value. 2016 was disappointing towards the end, in part due to an underperforming Call of Duty: Infinite Warfare. That was not the case in 2017, with Call of Duty: WWII already heading towards tripling Infinite Warfare's lifetime sales.

The year-on-year decline in DVD sales ultimately amounts to -17%. In the last quarter of 2017, Belgian DVD sales were even down by 18.1%. The fourth quarter top-selling DVD, Pirates of the Caribbean/5, was no match for the success of Finding Dory one year earlier and was even outsold by runners up Game of Thrones/6 and Secret Life of Pets. Game of Thrones/7 was only released just before Christmas (4 weeks later than its predecessor) and could not prevent the 22.7% decline in new releases, as well as being the main catalyst for the 22.9% decline of the made-for-TV segment. Belgian consumers bought 870,000 Blu-Ray discs, 6.9% less than in 2016. After a rather mild 2.7% decline in Q3, Blu-Ray sales plummet almost 10% in the fourth quarter. Game of Thrones is the most popular franchise on Blu-Ray, accounting for 9.9% of the total market value in Q4.

After a 9.1% growth in Q3, physical music sales in the fourth quarter are 8.5% lower than in 2016.

The steep growth of vinyl sales is slowing down only lightly, but at a growth of 35% they remain the driving force behind the stabilisation this market still seems to be heading for.

MEDIA & ENTERTAINMENT

The absolute bestseller of the fourth quarter is the annual obligatory K3 album, although sales are currently 40% lower than last year.

Belgian download sales declined by 14% in the fourth quarter. Perfect by Ed Sheeran was the most downloaded track in the last three months of 2017.

This past quarter, the continuing rise in popularity of music streaming has prompted a 3.8% growth in the overall Belgian music consumption.



Q4/2017

BOOKS

2017: The year of the modest bestseller



Conrad Hayen
Senior Market Analyst
Entertainment

After an increase of 0.3% in the first semester, revenues in the second – in which for the first time the price of every new book released in Flanders was subject to a regulated book price – declined by 2.7%

It is still too early to draw definite conclusions about the effects of this measure, but the 25% decline in the second semester sales of cook books (an immensely popular genre in Flanders, accounting for roughly 10% of total sales), does not look reassuring.

However, it is not all doom and gloom in Non-fiction as informative books are gaining popularity under the impulse of genres such as "Man & Society" (+42%) and Psychology (+28%), driven by Meester, ik heb geen tranen meer by Jef Vermassen, Leven zonder filter by Fleur van Groningen en Mazzel Tov by debutant Margot Vanderstraeten.

In the last two months, children's books dive 9% in value as a result of the release of the Dutch translation of the latest Harry Potter, published in November 2016, resulting in a decrease of 3.4% on an annual basis.

Until September, the sales of literature stayed considerably below the level of 2016. The success of Origin by Dan Brown and The Labyrinth of Spirits by Carlos Ruiz Zafon could partially compensate for this in the last quarter, but the segment still loses 3.4% in value year-on-year.

De Roze Olifant, the first edition of a new comic book series De Buurtpolitie is the main catalyst for the 9.4% growth in December. As a result, comic book sales show growth for the fourth consecutive month, resulting in a 2.2% decrease on an annual basis, a long way from -7% at the half-year mark.

In Wallonia, where a regulated book price will gradually be introduced over the course of the next two years, the book market is currently in an even worse shape, with a year-on-year decline of 3.1%.

HOME IMPROVEMENT

Belgian Home Improvement sector suffers big half-yearly decline



Kristof Scheyns
Consultant Home &
Living

As the year progressed, it became clear that 2017 was going to be a challenging year for the Belgian Home Improvement market. Figures show that the sector's half-yearly performance was amongst the worst of the last four years.

Monthly sales in July, August and October plummeted by more than 5 percent, quickly nullifying the positive results that were registered during the first quarter of the year. Consequently, annual results for the sector are down 0.7%, compared to the previous year.

The troubled product categories included power tools, tool storage and building chemistry. In spite of various promotional activities, multifunctional tool sales continue to freefall as the market becomes saturated. Sales of those products plunged by over 40 percent over the last two years. Within the building chemistry category, waterproofing products have shown to be the main culprit for the declining turnover.

With traditional retailer expansion slowing down and average turnover per shop declining for three (!) consecutive years, the outlook for the coming year remains uncertain.

Negative October brings the Fashion figures of 2017 to -1%



Wim Boesmans
Head of POS
Measurement

Compared to a very positive October last year, the Fashion market was not able to equal these figures this year. Therefore, October is, unfortunately, responsible for a decline in value of -1% for 2017. Compared to last year, the weather in October 2017 was much better, which may have had an impact when shopping for autumn and winter collection.

It's mainly the category of Shoes that is responsible for the total decline in 2017, with a -6.7% decline. Total Outerwear is stable compared to 2016, with a growth for Men Outerwear of +1.5% and a decline for Kids Outerwear of -1.5%. Women Outerwear noted a stable growth of +0.1%. Underwear & Legwear showed a stable growth too of +0.5%.

As I already mentioned, it was October, with a decline of -17.3% compared to the same period last year, that caused the positive figures from September (+20.7%) to drop. December was stable with +0.1% in 2017. It is also becoming more and more important for the Fashion Industry, where this month has reached the biggest weight in value over the last 12 months. That means that December is even more important than the sales months January or July.

Besides reporting on these figures, I'm happy to announce that we will expand our Belgian Fashion Panel within the next months with some important new retailers, which will lead to more detailed reporting. In the decline of -1% from 2017 we are reporting on now, we do not yet take some important online retailers into account, whom we will add during the upcoming expansion. This could lead to a different view on the total Fashion market than we are reporting now.

Follow our next Retail Reports to know what the impact will be!

COLOFON

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Concept and realisation

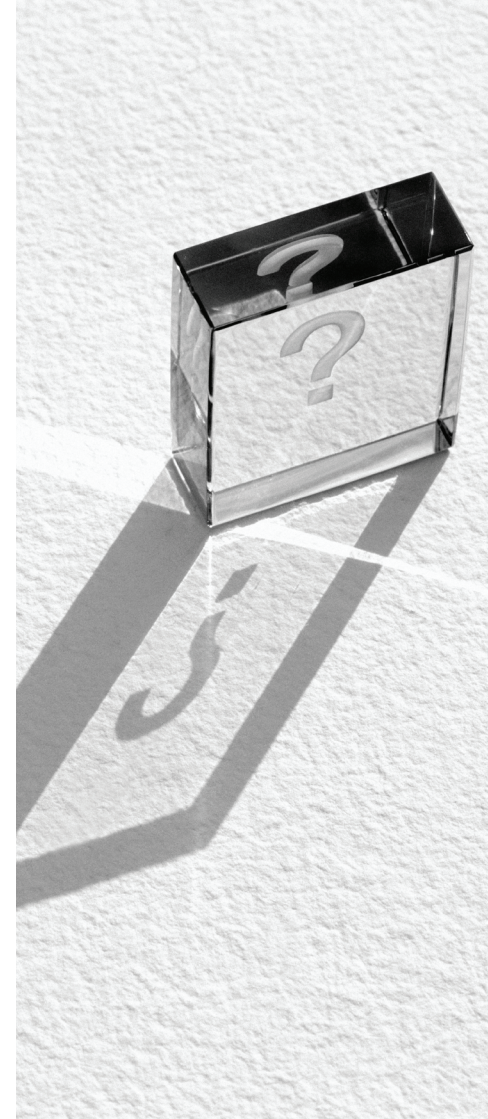
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