State of Consumer Technology and Durables Webinar

Unlocking growth in 2024+

GfK Global Strategic Insights
September 28th, 2023

GfK An NIQ Company

Today's presenters

Namrata Gotarne

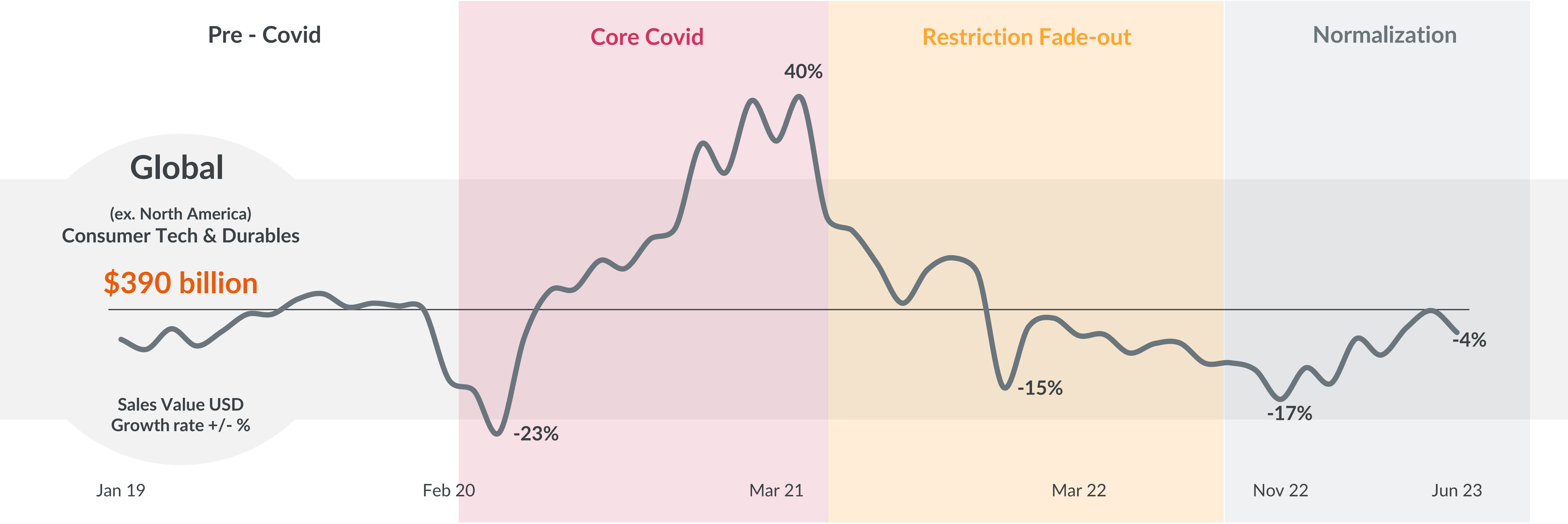
Global Strategic Insights Director

Ines Haaga

Global Strategic Insights Director

Big Picture:
Consumer Tech and Durables

Global Tech and Durables growth stabilizes in 2023 after the pandemic boom driven by @home trends



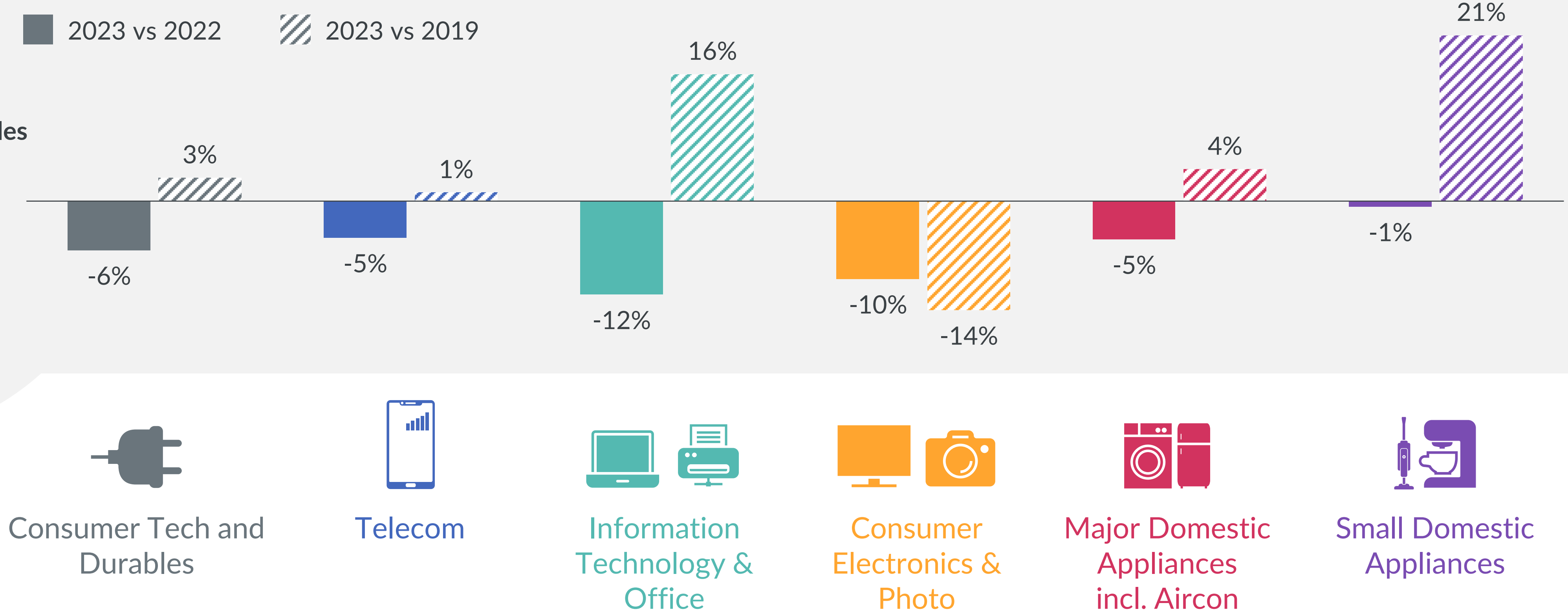
Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America)
GfK State of Consumer Technology and Durables Webinar

Total market remains slightly up compared to 2019 in revenue, thanks to IT and SDA while CE remains weak compared to others

Global
(ex. North America)
Consumer Tech and Durables

$390 billion

Jan 23 – Jun 23
Growth +/- %



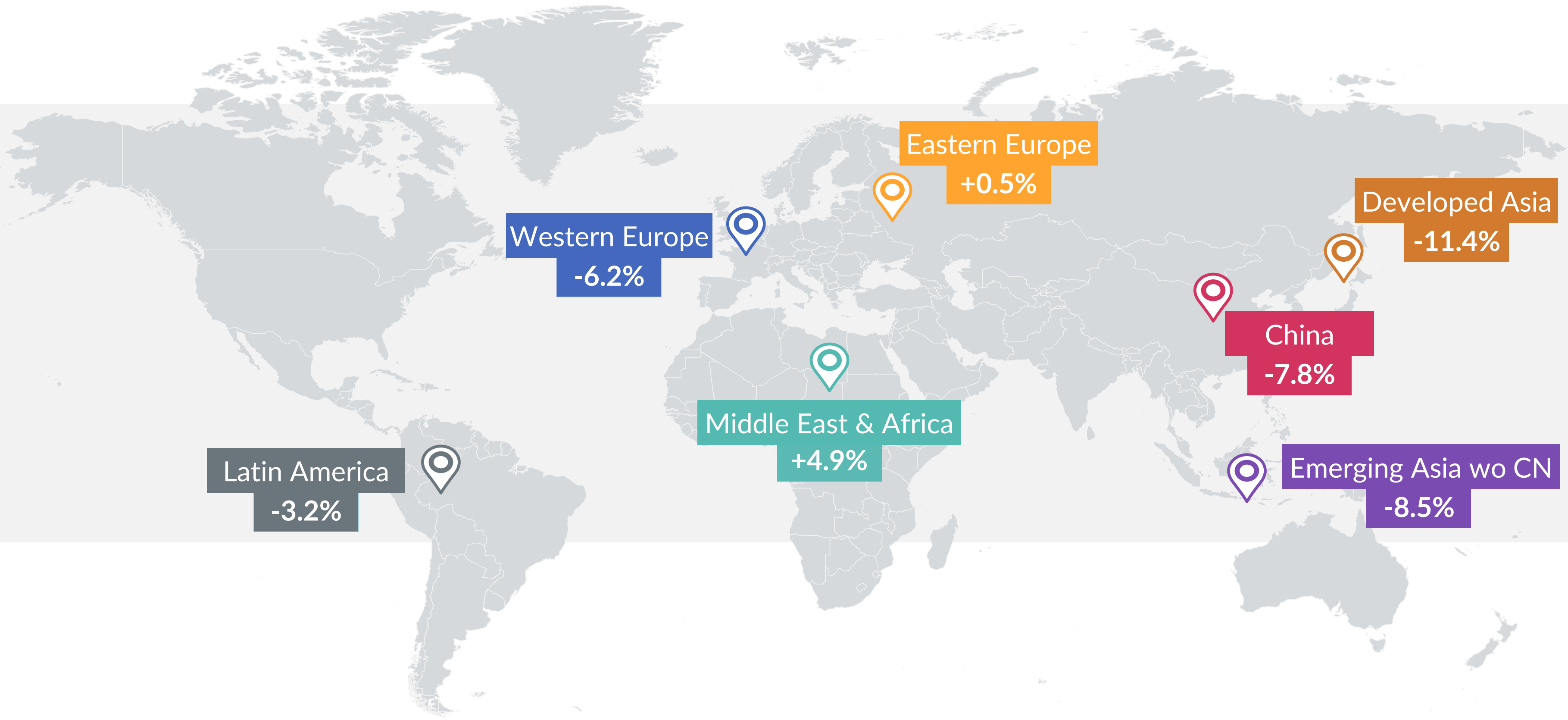
Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America)
GfK State of Consumer Technology and Durables Webinar

Asia is declining in USD due to currency volatility while Middle East is growing compared to the decline seen in other regions

Global
(ex. North America)
Consumer Tech and Durables

$390 billion
-6.3%

Jan 23 – Jun 23
Growth +/- %

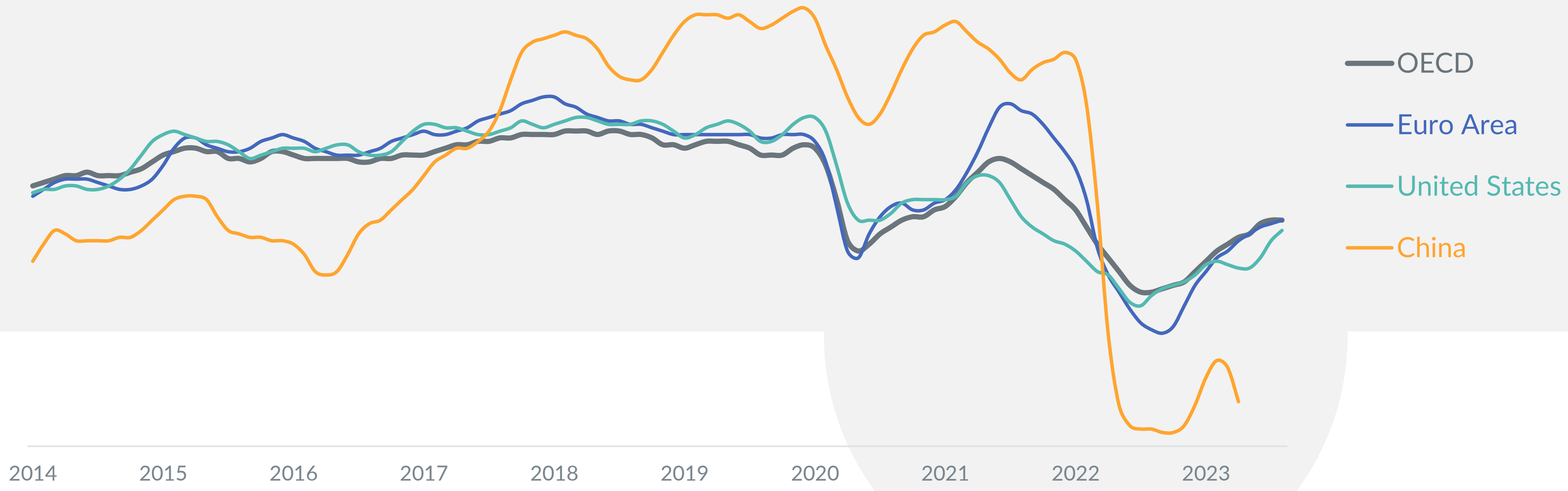


Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America)
GfK State of Consumer Technology and Durables Webinar

Severe impact of war in Ukraine on consumer confidence

Consumer Confidence Index (CCI)

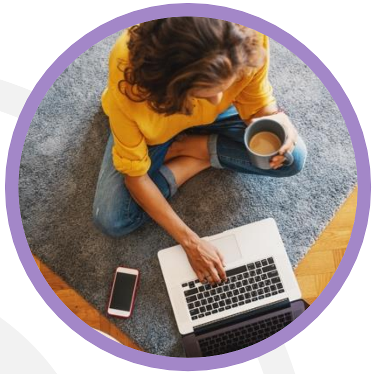
Amplitude adjusted, Long-term Average = 100,
Jan 14 – Aug 23



Source: OECD; Consumer Confidence: Amplitude adjusted, Long-term average = 100, Jan 2014 – Aug 2023 | China – available April 2023 data

What will consumers look for in 2024 and beyond?

Value for Money
Increased relevance of promotions



Experience
Tailored experience and Individualism

Growth Drivers

Convenience
Making lives easier

Sustainability
Sustainable products and services

Value for Money

Price sensitivity amongst consumers increases during the current economic climate and rising household costs

Value for money

"Price is the most important factor in my purchasing decisions"

45%

Global respondents agree
(Top2 box)

Source: GfK Consumer Life 2023, International Coverage
GfK State of Consumer Technology and Durables Webinar

How will retailers react? |
By offering financial support and competitive prices

67%

of retailers will have high or very high strategic focus on offer payment options

Payment

62%

of retailers plan to invest in ecosystems to offer additional services (Financial services ranked **#2)**

Additional services

61%

of retailers focus on AI & ML to plan better and improve pricing strategy (Online stores **81%**)

Technology

Source: GfK Retail (R)evolution 2023

Promotional events: rising relevance and duration

Top 7 promotional events that matter

33%

TCG Sales:
Event % of year in
2022-23 MAT

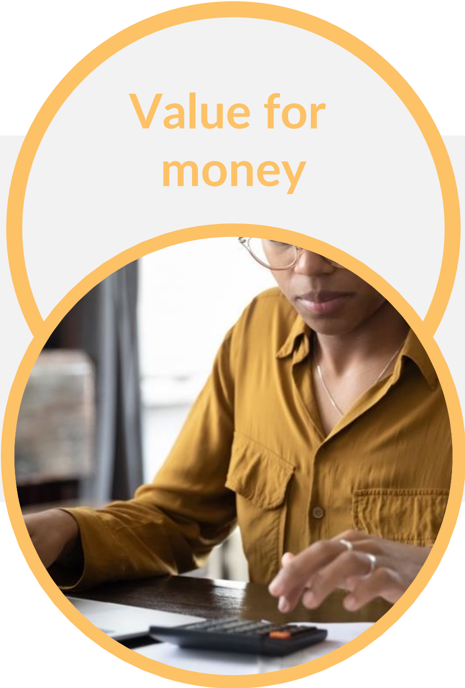
Number of weeks increase since pre pandemic for Top 7 promotional events

11 weeks
(2019)

15 weeks
(2023)

Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America) - Weekly POS panel. Sales Value (NSP) USD; All weekly tracked categories across all weekly tracked countries; MAT=Moving annual total Period week 1 2022 – week 29 2023 with average considered for week 1-29; Christmas, New year (W50-2), BF,CyberMonday (W46-48), 618 ^ 11.11 (W 24,44,55), W39,40) Apple event, W9,19) Mothers day and Womens day)

Consumers will look for high quality products that add value to their lives



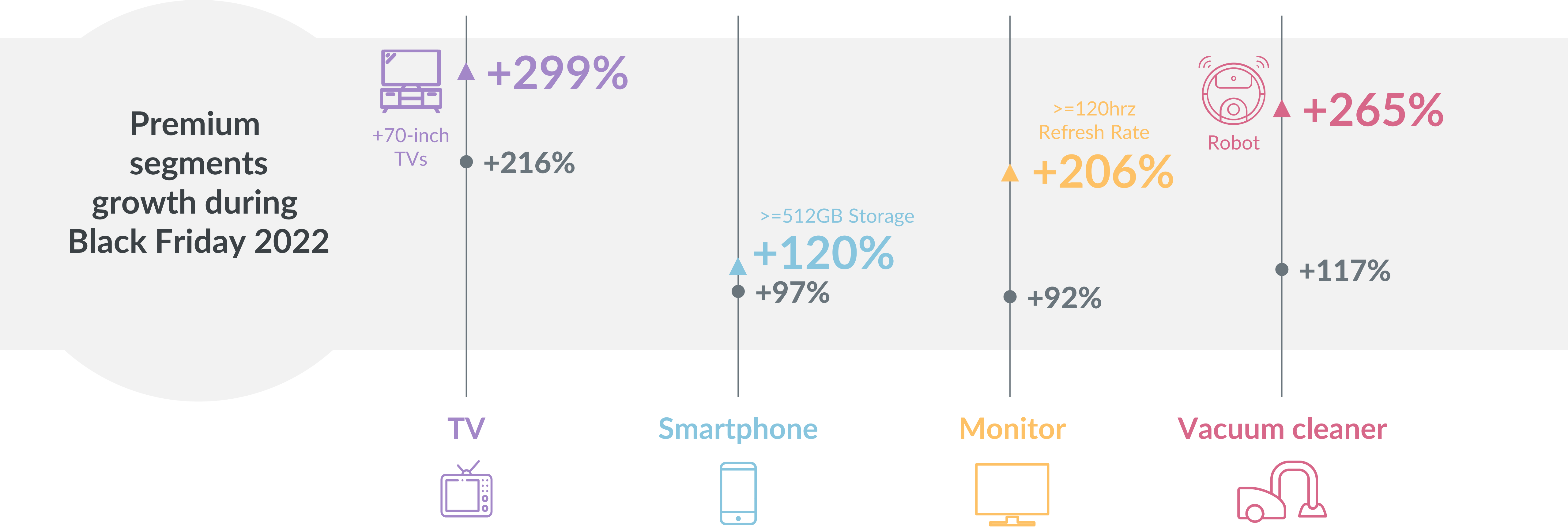
I prefer to own fewer but higher quality items (clothes, technology products, etc.)”

47%

Global respondents agree
(Top2 box)

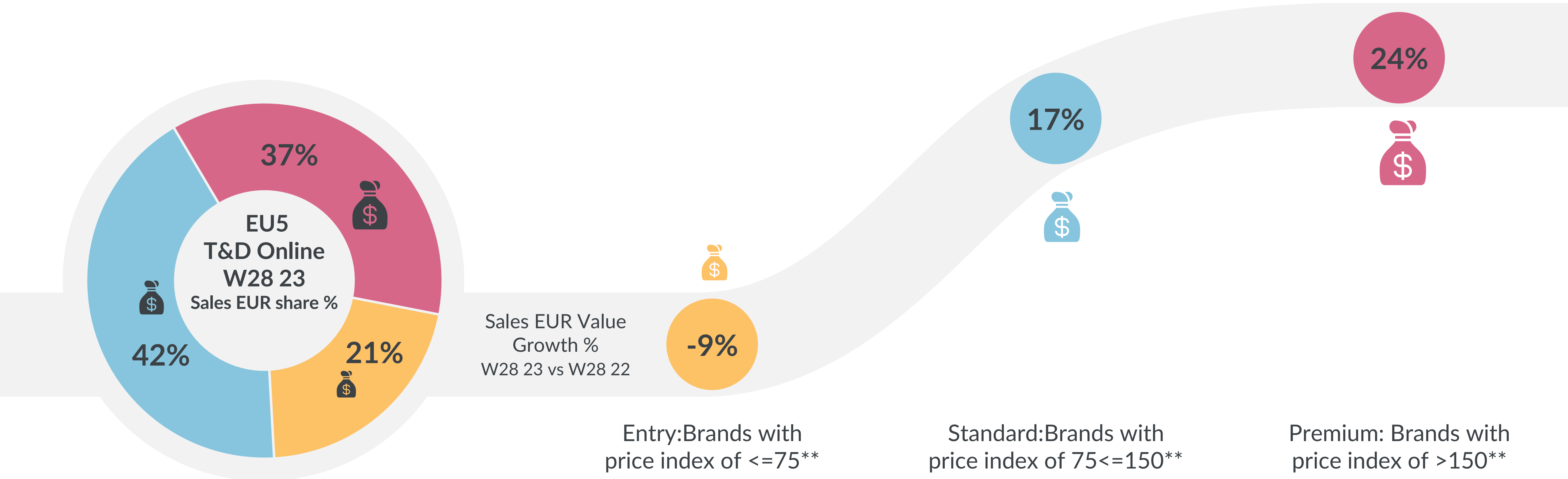
Source: GfK Consumer Life 2023
GfK State of Consumer Technology and Durables Webinar

Promotions are no longer only about price cuts | Consumers are timing their purchases to grab a better deal



Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America) ; Weekly POS panel. Sales Value (NSP) USD; All weekly tracked categories across all weekly tracked countries

Promotions also drive premiumization | Premium brands grew the most during Prime Day week

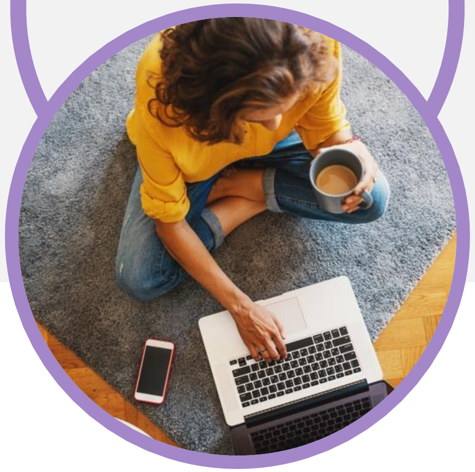


Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America) ; Weekly POS panel | Product Groups: Cooling, Washing Machines, Air Treatment, Vacuum Cleaners, Shavers, Food Preparation, Dental Care, Hot Beverage Makers, Mobile Computing, Monitors, Pointing Devices, Keying Devices, Mediatablets, Smartphones, Laser Printing Devices, Inkjet Printing Devices, PTV, Soundbar/base, Audio Home System, Desktop Computing excluding Mediabox and Mediasticks, Headphones & Headsets | ** Price Index per brand is aggregated up from a country/product group level to use comparable price index information within one country and product group. E.g., price index of Brand A in Germany/fridges is used for the analysis, not price index of Brand A across all product groups (to avoid bias)

Experience

Consumers continue to look for Individualism

Experience
& Individualism



"I like to buy products that can be tailored to my needs"

48%

Global respondents agree

Source: GfK Consumer Life 2023, global coverage
GfK State of Consumer Technology and Durables Webinar

How will retailers react? |
By integrating new technologies as for example AR & VR

32%

Of Retailers see AR & VR as high or very high investment focus

AR & VR

- To continue journey to a true omnichannel experience
- AI: For product research, personalization, recommendation

How will retailers react? | By focusing on evolving store formats

67%

of Retailers have a high or very high investment focus on setting up themselves as center of a retail ecosystem

Evolving Store Formats

- Evolvement of Omnichannel offerings to provide a true seamless shopping experience
- Focus on platforms to offer more services, more experience to consumers

How will retailers react? |
By improving their operational excellence capabilities

77%

of Retailers focus on educating and growing their workforce

73%

of Retailers plan to optimize their assortment

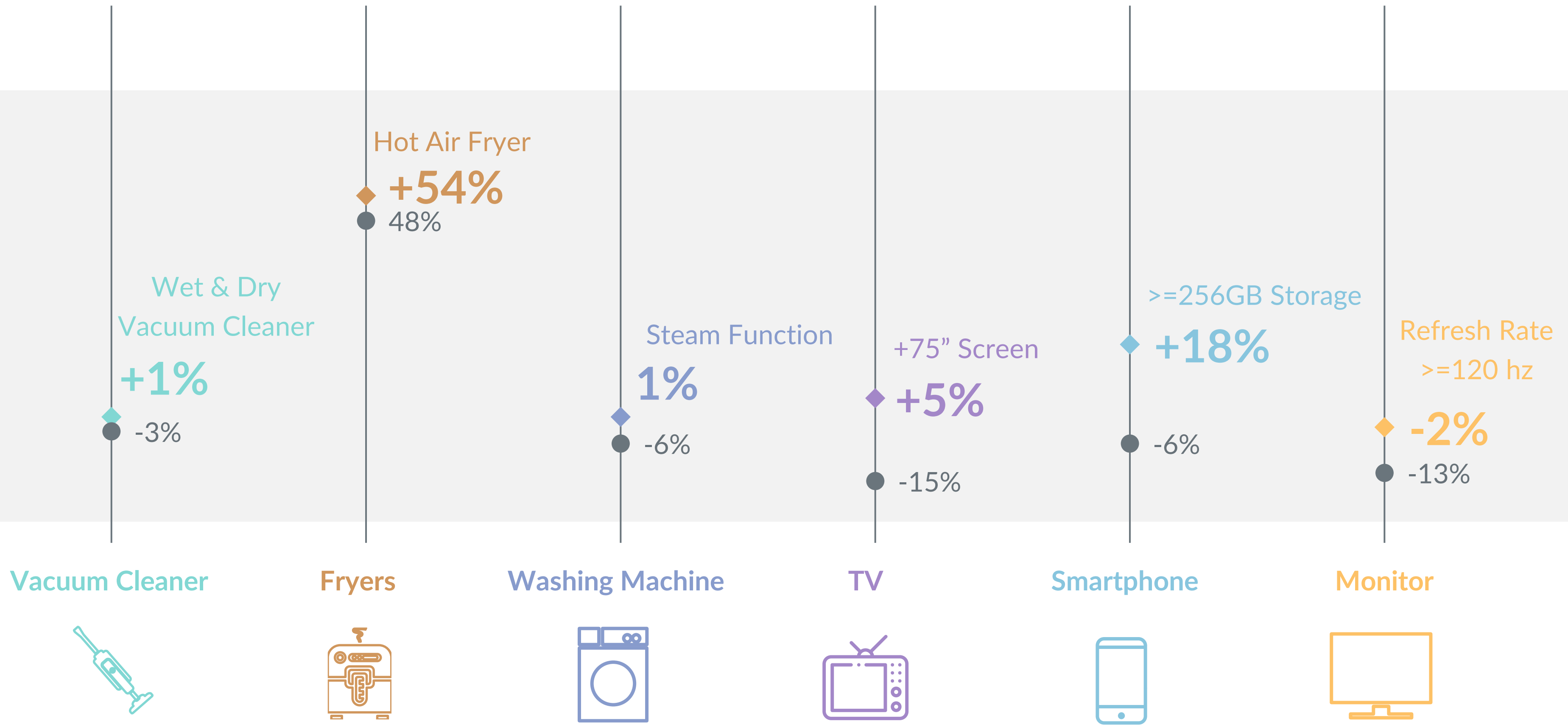
Operational Excellence to meet consumers growing expectations:

- Focus on Workforce to enhance shopping experience
- Assortment to have right product, to get more people to the stores

Which products are in high demand?

Premium segments continue to outperform category sales

Sales value growth USD | 2023 vs 2022 | Jan-Jun 23 YTD | Segment vs. Category Growth



Source: GfK Market Intelligence Tracking Retailer Market Sales Value USD growth rate YoY Period Jan-Jun 2023 Global excl North America and SDA in India | Global TCG Trends
GfK State of Consumer Technology and Durables Webinar

Consumers focus on products which enhance their favorite activities | Huge content creation markets enables growth of 'creator products'

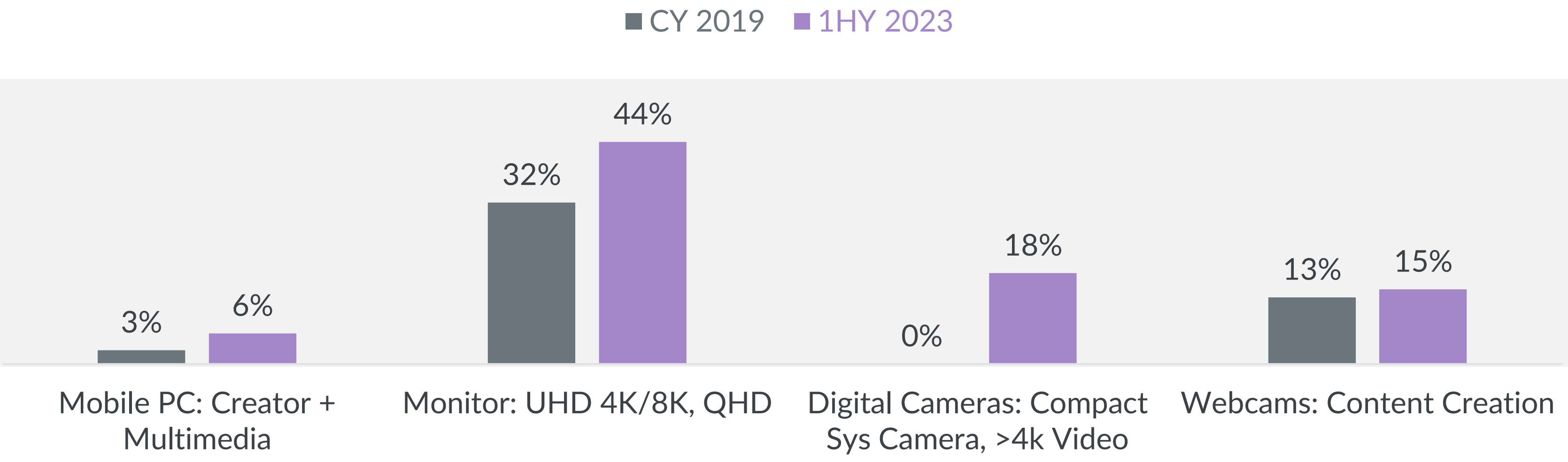
Sales value share USD | 2023 vs 2019 | Jan-Jun 23 YTD

Content Creation

24.7bn

Forecasted size of content creation market by 2027

Sales value (USD) % out of category



Source: GfK Market Intelligence: Sales Tracking Retailer Market, International Coverage, Sales revenue shares in USD | Definition of Creator & Multimedia PC: GPU (GTX, RTX, Radeon Pro) and CPU (Core i5/Ryzen 5 or higher); SoC M series Max/Pro; Not marketed as Gaming;
Digital Content Creation Market Size, Share, Growth 2023-2028 (expertmarketresearch.com)

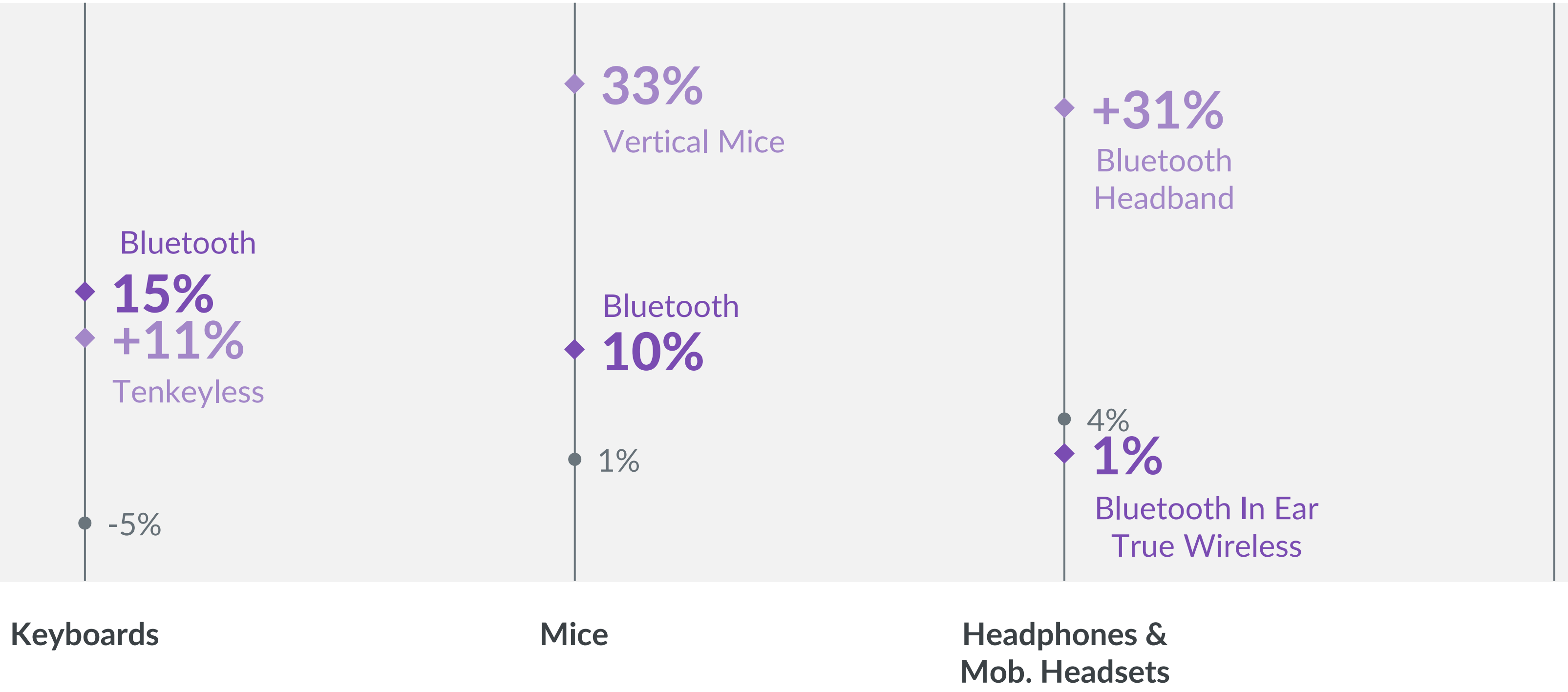
Consumers focus on products which enhance their favorite activities | Products supporting a nomadic lifestyle enjoy success

Sales value growth USD | 2023 vs 2022 | Jan-Jun 23 YTD | Segment vs. Category Growth

Nomadic Lifestyle

28%

Of Europeans intend to work from a holiday location in 2023



Source: GfK Market Intelligence: Sales Tracking Retailer Market, International Coverage, Sales revenue growth in USD Jan-Jun 2023 vs Jan-Jun 2022;
Workation intention by country 2023 | Statista

Sustainability

Why should retailers and manufacturers be sustainable? | Consumers expect it and plan to act in a sustainable way

46%

of consumers take environmental protection into account when purchasing

73%

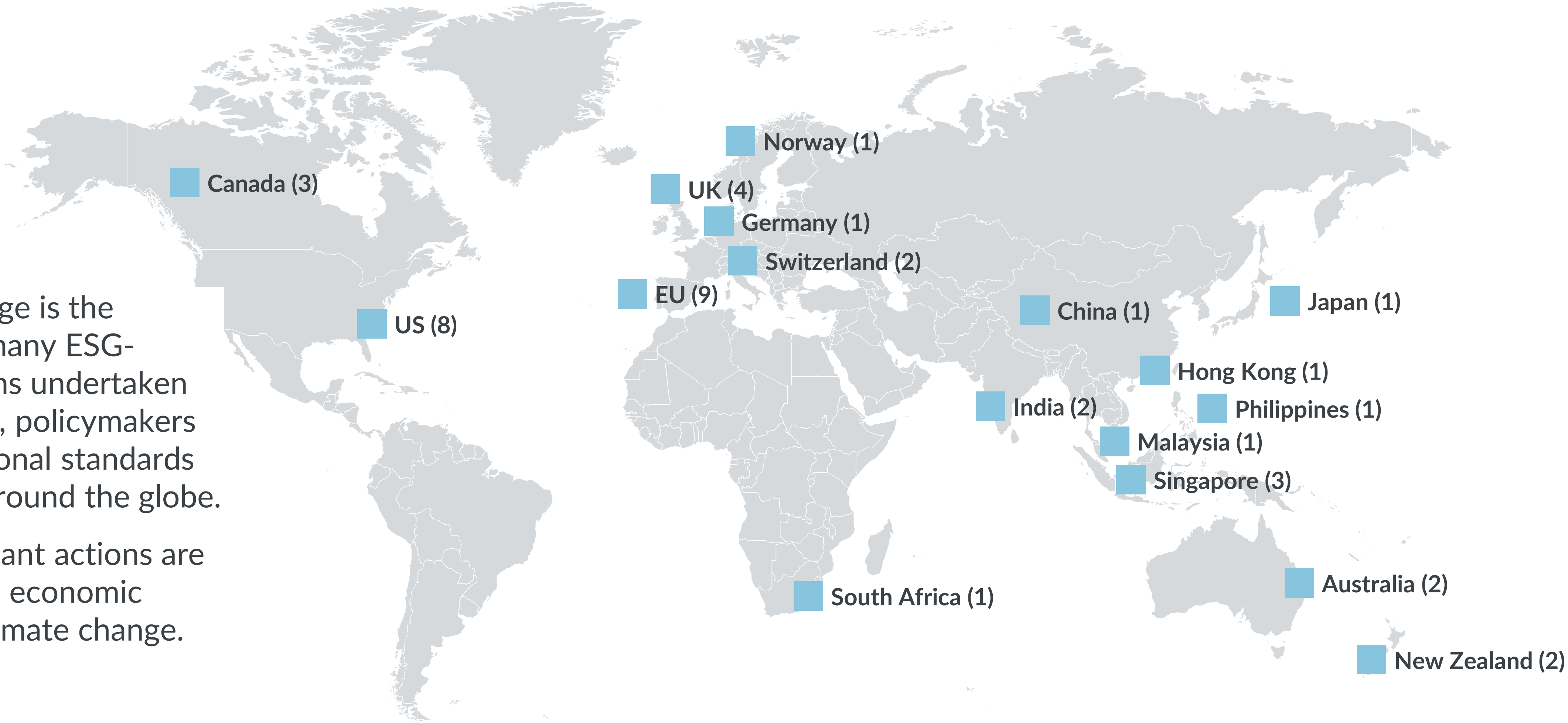
of global consumers say it is important that companies take environmentally responsible actions

#1 environmental attitude (out of eight tracked)

Source: GfK Consumer Life, Global Study; GfK Global Green Gauge® 2022 study, GG3 (global = 18 countries); GfK State of Consumer Technology and Durables Webinar

Why should retailers and manufacturers be sustainable? | Governments and Institutions push for it

Number of recent sustainability and ESG-related regulations (final, proposed, or potential), guidance and incentives.



- Climate change is the catalyst for many ESG-related actions undertaken by regulators, policymakers and international standards developers around the globe.
- These important actions are driven by the economic impacts of climate change.

https://www.bdo.com/insights/assurance/action-required-sustainability-and-esg-related-regulations-are-on-the-rise-globally

The sustainability gap |
For Manufacturers, awareness and trust remain a key challenge & opportunity

GfK

73%

Say it is important that companies take environmentally friendly actions

... but only ...

57%

of consumers perceive at least one of top brands* as being eco-friendly

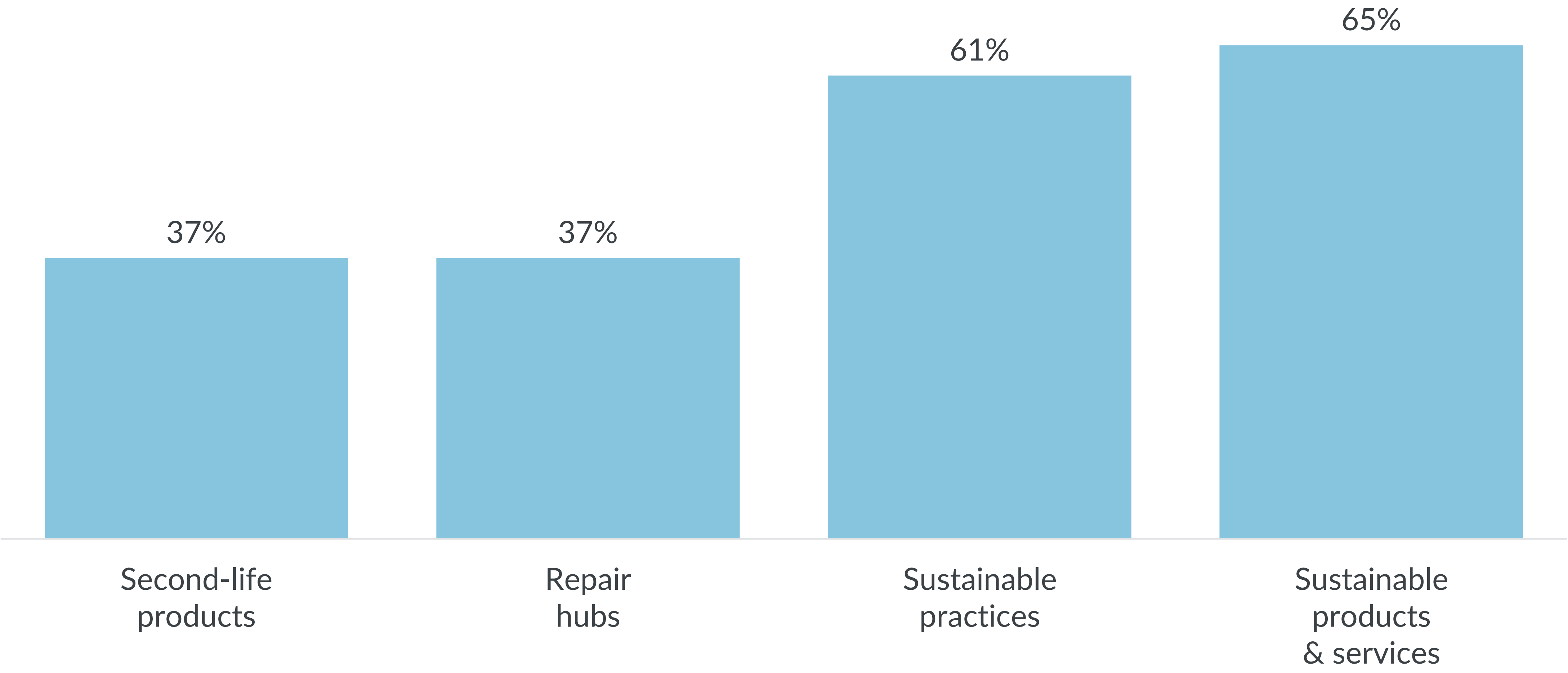
...while... **95%**

perceive at least one of top brands as high-quality products

Source: WCWD 2020 EU-10 / Consumer Life 2022, gfknewron Consumer Q4 2022 international coverage, all countries |*top 10 brands per country per product group

The sustainability gap |
Purpose is rising up the agenda – but many retailers are yet to give it a focus

% of retailers with high or very high focus on activities matching consumers' sustainability values



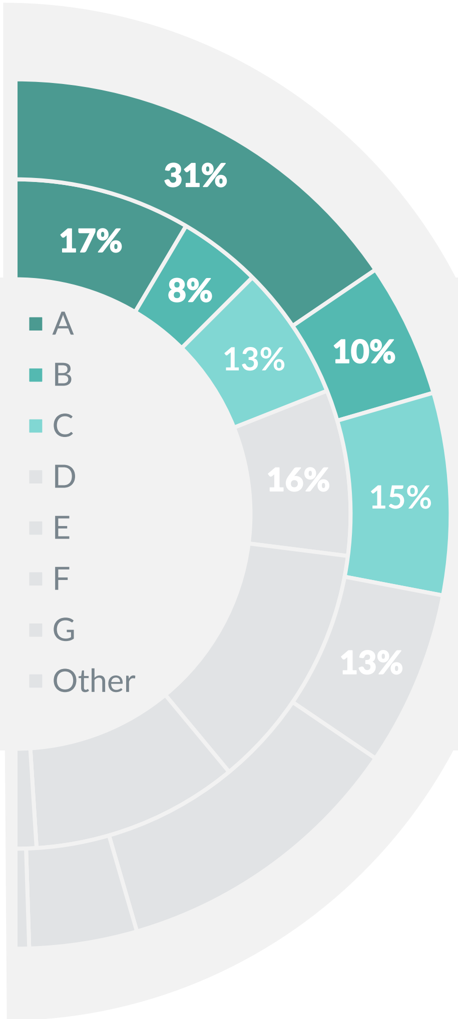
P1: To which extent will you focus on the following activities to match consumers' sustainability values in the next 2-3 years? [Chart includes Top 2 Boxes] | Base: Total n = 796, scale where 1 is "No strategic focus at all" and 5 is "very high strategic focus" | Source: GfK Retail Revolution 2023

Which topics can manufacturers and retailers focus on to drive their Sustainability efforts?

Assortment: Eco-Products sell better

Washing Machines, Refrigerators, Freezers, Dishwashers

	Panelmarket	
	Panelmarket	Newly launched YTD 2023
	Jan-Jun	Total market YTD 2023



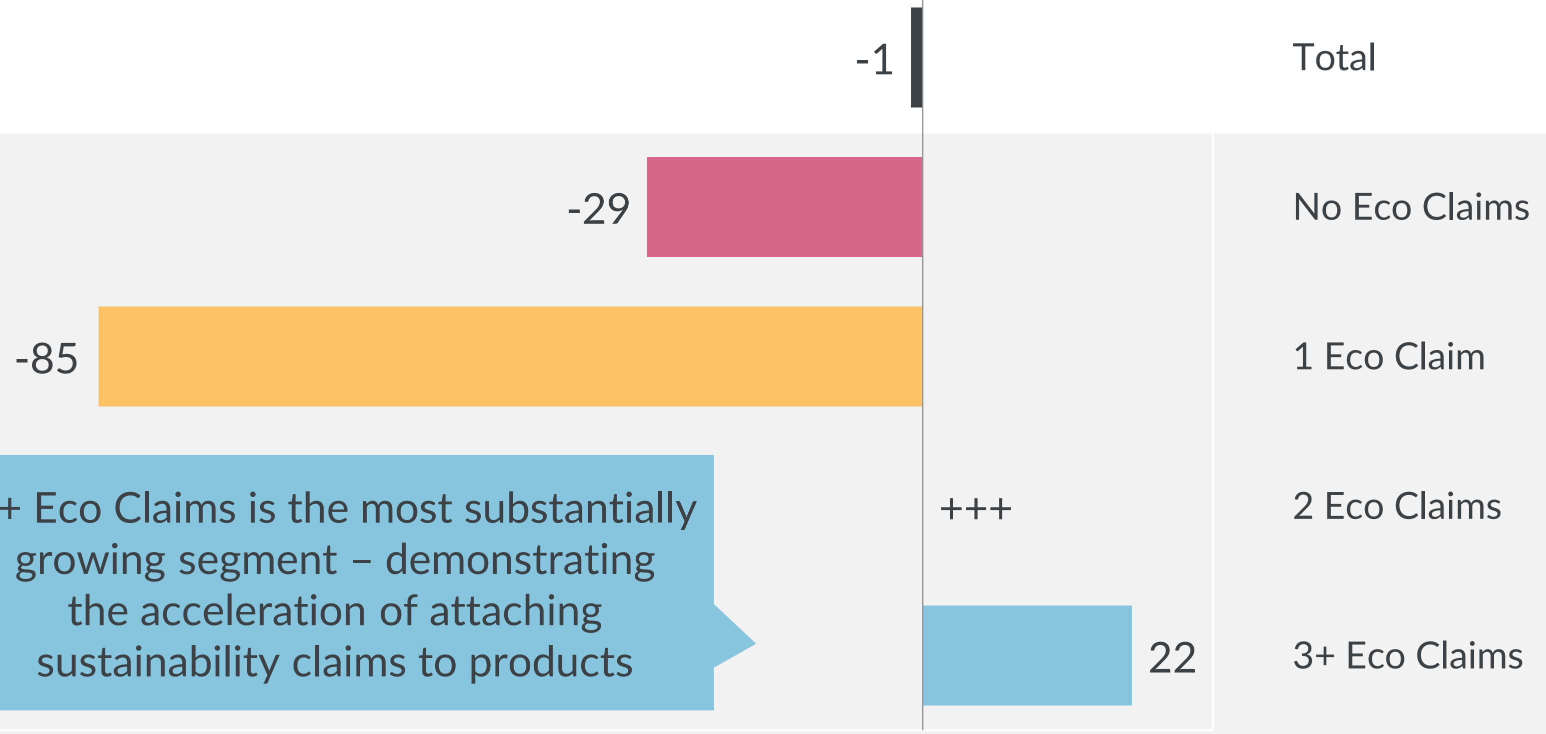
Energy efficient home appliances will further gain market share over next years, as newly launched products will become the market norm in coming years

Revenue	
Newly launched YTD 2023	€11.5bn
Total market YTD 2023	€ 0.4bn

MDA: Country: EU22 - Product group: Washing Machines, Refrigerator, Freezer, Dishwasher - Date stamp: Jan - Jun 2023 - Channels: Panelmarket – revenue share by EU En Eff Class 21. Currency EUR

Clear message to consumers | Eco Claims convince consumers to buy

Smartphones | Growth rate of “number of Eco Claims” | +/- % Sales Value



3+ Eco Claims is the most substantially growing segment – demonstrating the acceleration of attaching sustainability claims to products

Smartphones: GfK Market Intelligence: Sales Tracking, *Smart-Mobilephones-Phablets, EU5 DE, FR, GB, IT ES, YoY Growth Jan - Jun 2023
GfK State of Consumer Technology and Durables Webinar

Integrate Sustainability into wider context | Sustainability + Smart = USP

Consumption Dashboards

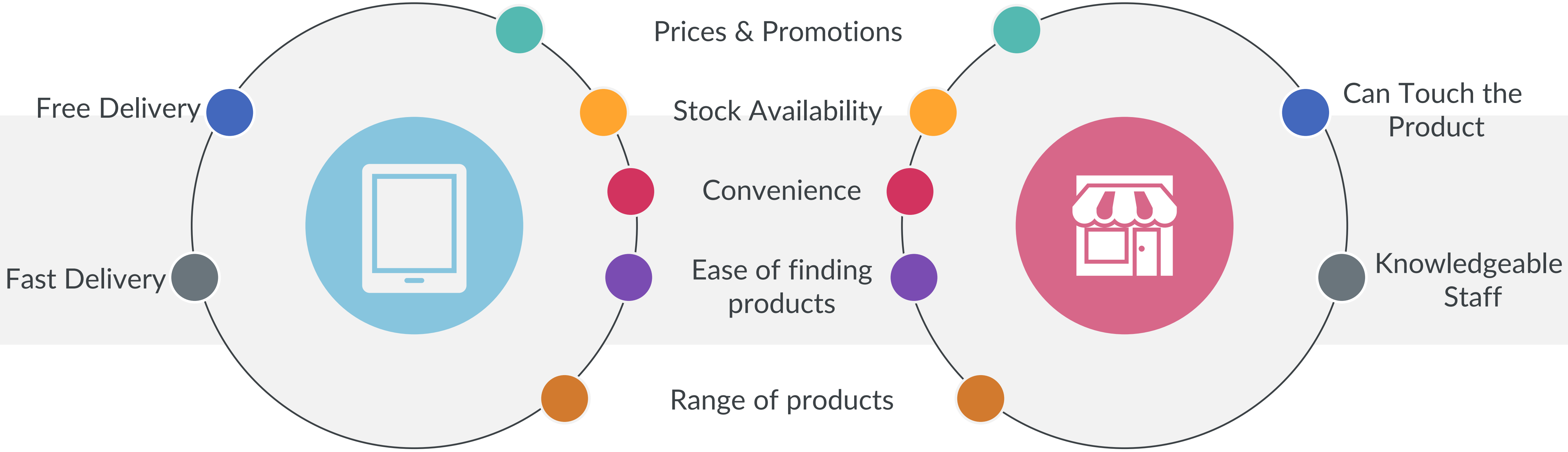
Eco feedback on program choice (Dishwasher)

Energy Monitoring: Connect Appliances into Ecosystem to save energy

A great topic for Experience Stores – show benefits, educate consumers, get people into the store

Convenience

“Main reasons to buy“ blur between on- and offline



Online Exclusive

Common Reasons

Offline Exclusive

Source: gfknewron Consumer | What are the main reasons you decided to buy from that retailer? Period: Jan 23 – Jun 23 | All product groups | International Coverage

How will retailers react? |
By developing omnichannel strategy

79%

of Retailers believe Omnichannel retail format to have high or very high success

Omnichannel

- Introduce or optimize presence across all channels to engage consumers
- Provide seamless shopping experiences across all touchpoints

Source: GfK Retail (R)evolution 2023

How will retailers react? |
By offering fast, convenient and flexible delivery options

86%

of Retailers will have high or very high investment focus on Delivery to offer better service to consumers

Delivery

- Quick or fast delivery
- Free delivery
- Option to schedule a delivery by selecting preferred slots

Source: GfK Retail (R)evolution 2023

Consumers will spend more on products that simplify their lives and offer clear benefits even if it is long term

Convenience

"I am prepared to pay more for products that make my life easier"

51%

Global respondents agree

Source: GfK Consumer Life 2023
GfK State of Consumer Technology and Durables Webinar

Assortment: smart products become mainstream and innovative products sell better

Smart Portfolio Increase (unit%) which crossed the chasm from 2019 to YTD 23

Air Treatment
+7 ppts

Dishwashers
+25 ppts

Movement Detectors
+9 ppts

Innovative feature within robotic product categories revenue growth in YTD 23 vs. YTD 22

+115% Robot Vacuum Cleaners
Dry + Wet extraction

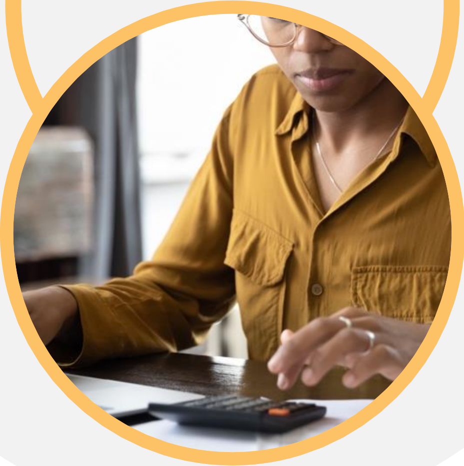
+44% Robot Lawn Mowers
Smart App

+157% Robot Vacuum Cleaners
Dry + Wet extraction
Charging Station

Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America) ; Sales Value (NSP) USD; YTD April

Summary & Outlook

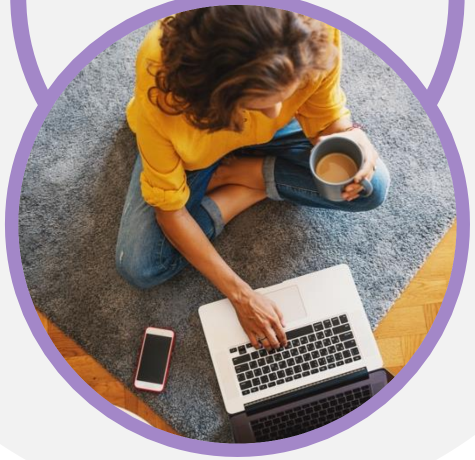
Value for money



Consumer segmentation to plan promotions with the right assortment & effective pricing is becoming increasingly important.

Choice of retailer and brand will heavily depend on offer of financial services like buy now pay later and installment options.

Experience & Individualism



Consumers look for products exactly fitting their requirements which is supporting growth of segments enhancing their personal activities.

Technology as AI or AR/VR can improve personalization of purchase journey and thus support consumers' quest for individualism.

Sustainable

"Environmental Protection" as a value more important than ever for consumers with companies expected to act accordingly as well.

Sustainable products outperform non-sustainable peers in 2023 and can contribute to growth in a challenging market environment.

Convenience

Innovation and incremental development of services are important to gain competitive advantage and offer “differentiated value” to consumers.

Innovative products that are easy to use, smart and work well within consumers home ecosystems will drive high margin growth.

Thank you

gfk.com

GfK An NIQ Company