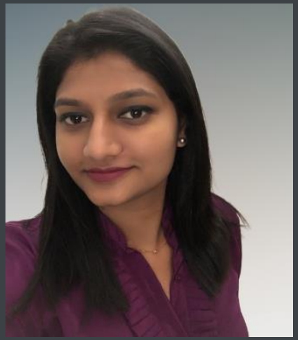
State of Consumer Technology and Durables Webinar

Gearing up for Q4 and beyond

Namrata Gotarne, Diane Gahl
September 28, 2022

Growth from Knowledge

Today's presenters



Namrata Gotarne

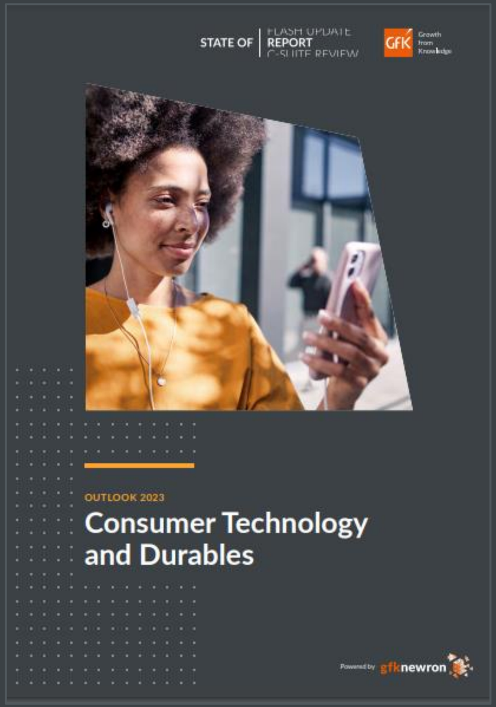
Global Strategic Insights Director

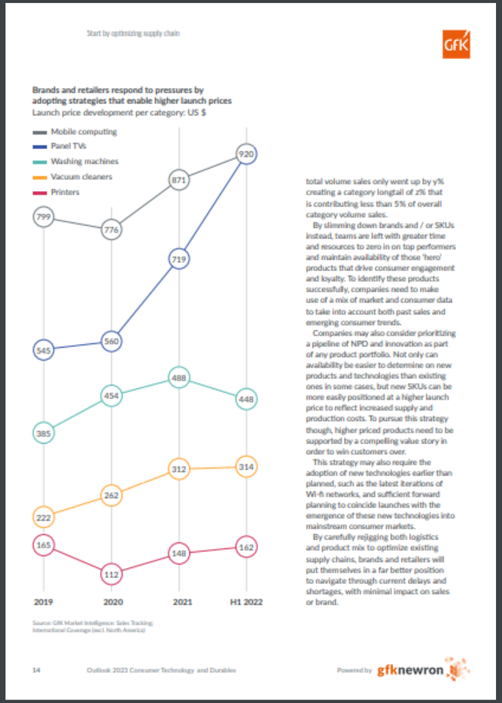
Tech and Durables

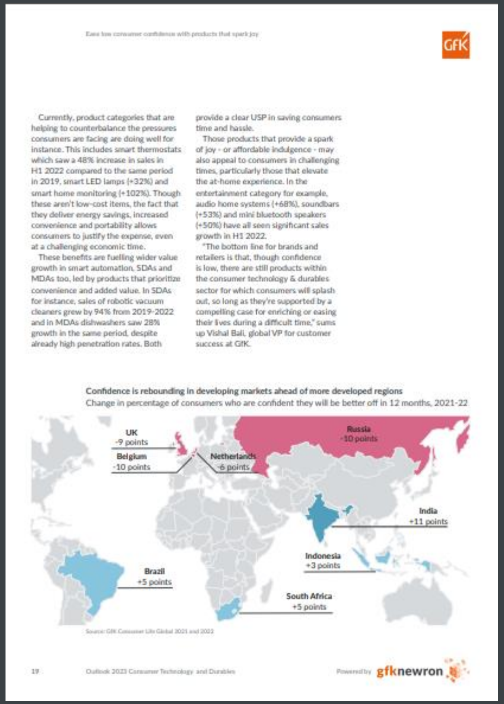
Diane Gahl

Global Director Marketing & Consumer Intelligence

New edition just released:
The State of Consumer Technology and Durables Report







Agenda

1 Tech and Durables sales performance

2 Consumer behavior in the new normal

3 Key strategies for the months ahead

H1 2022 decelerates across all sectors compared to higher baseline of 2021

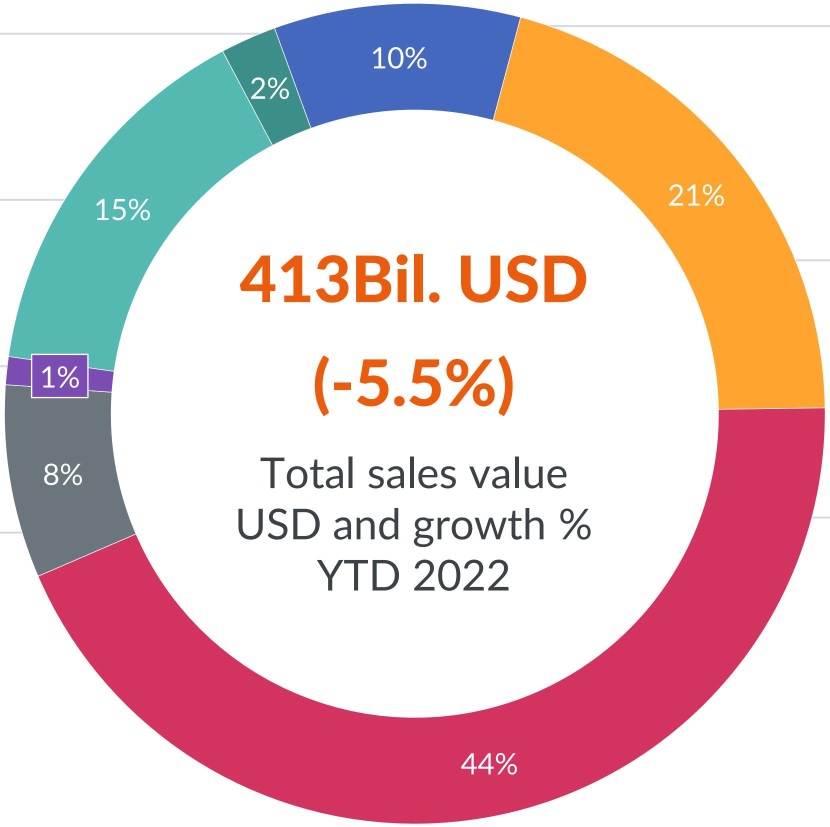
Sales value USD (NSP) | Growth rate YoY | B2C Retailer Market | YTD: Jan – Jun 2022

Office
-8.5%

Information technologies
-5.2%

Photo
-12.0%

Small domestic appliances
-6.4%



Consumer electronics
-6.7%

Major domestic appliances incl. aircon
-2.6%

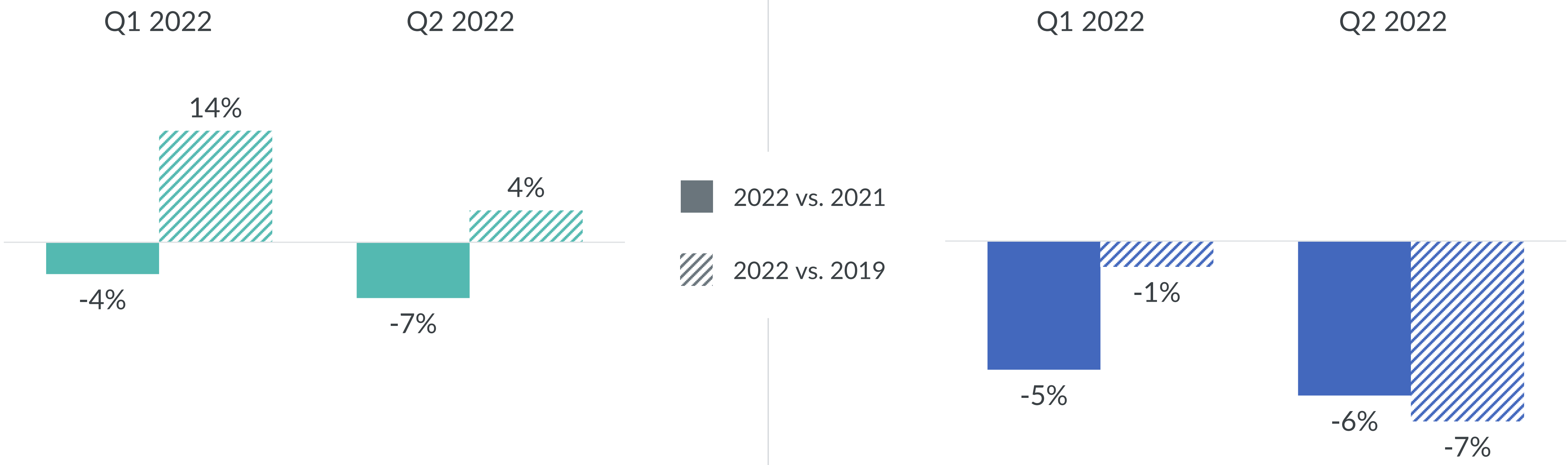
Telecom
-6.3%

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

Value trend remains higher than pre pandemic whereas volume decelerates strongly

Sales value T&D | Growth %

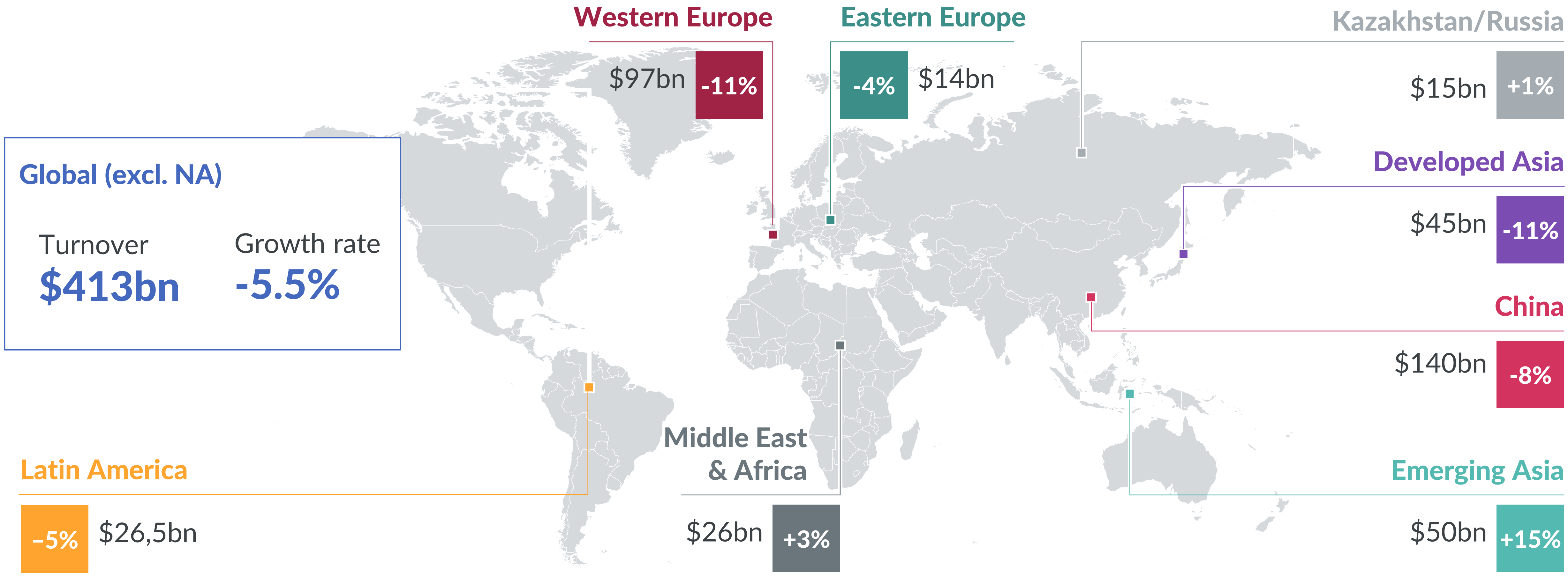
Sales volume T&D | Growth %



Deceleration continues especially in Europe and China, while market still operates on high sales levels

GfK

Sales value USD (NSP) | YTD June 2022 vs 2021



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

Worst price hikes are over and commodity costs start to moderate on high levels

Price increase July 22 vs July 21

Palladium
-19%

Crude oil
+34%

Lithium
+434%

Copper
-21%

Aluminum
-3%

Shipping delays

European factories do not produce the total product line of brands

Lead time
China → US
Jul ’22

+63 days
vs. 80 days
in Dec’ 21

Shipping costs
(Jul’ 22 vs. Jul’ 21
All routes **+3%**

-22%
Asia →
North Europe

+40%
North Europe →
US East Coast

Source: Trading Economies and Freights
GfK State of Consumer Tech and Durables Webinar

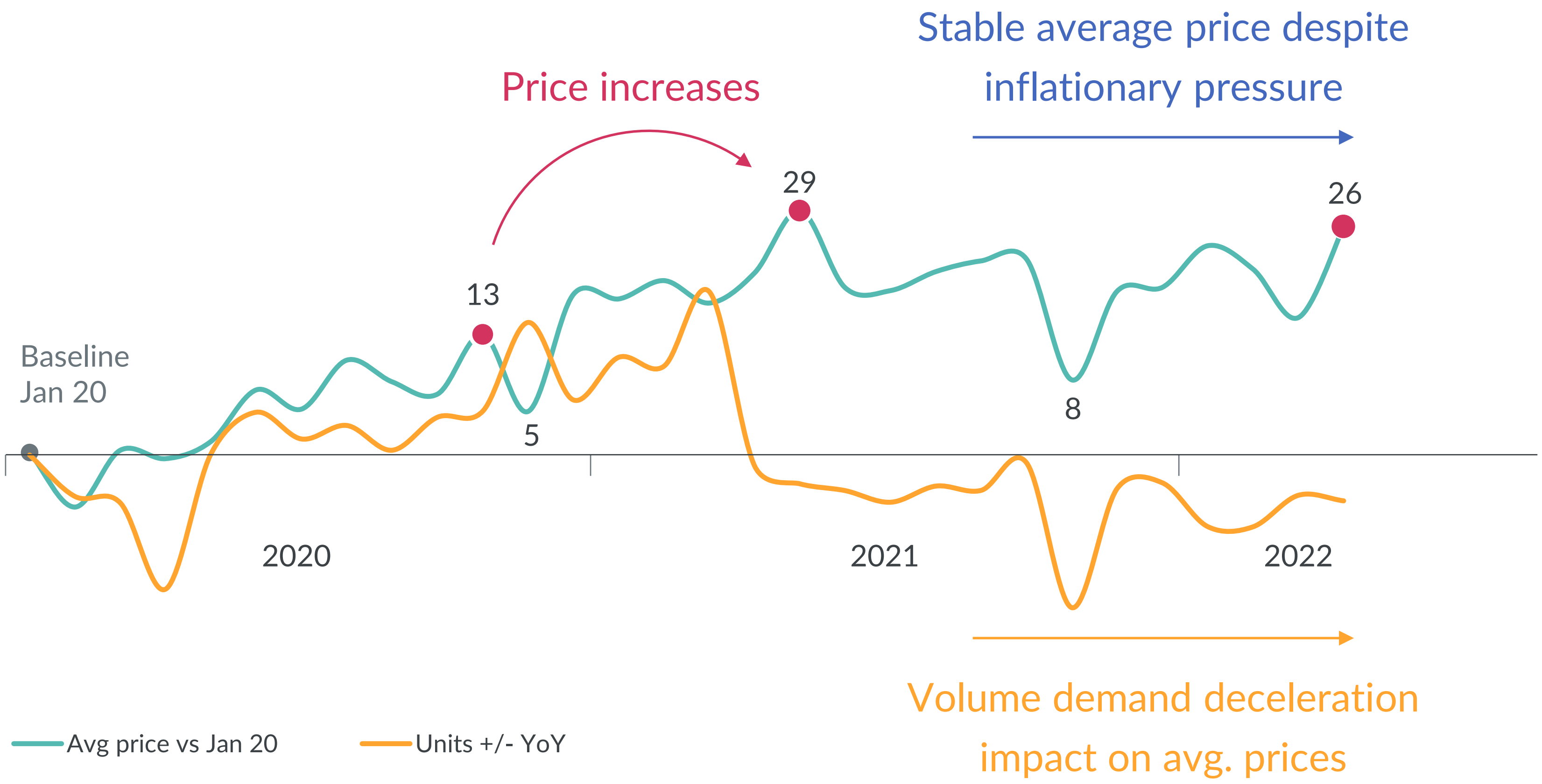
Decelerating demand stabilizes average prices even with high inflation

Global price development | TCG average price/unit growth +/-% vs Jan 20

Rising inflation

+8.3%

expectation IMF 2022 globally



Source: IMF; GfK Market Intelligence: Sales Tracking, International Coverage (ex. North America)
GfK State of Consumer Tech and Durables Webinar

2

How are consumers behaving in the "new normal"?

Consumer attitudes and purchase drivers

Consumer confidence is in decline across the globe

	USA	Euro area		China	OECD
July 21	99.9	102.1		102.9	100.3
			vs.		
July 22	↓ 95.9	↓ 95.4		↓ 91.6	↓ 96.5

Source: OECD; Consumer Confidence: Amplitude adjusted, Long-term average = 100, Jan 2008 – June 2022; China: only May 2022 data available

43%

of consumers think it is a good time to wait with purchases

+ 3.4 ppts vs. 2020

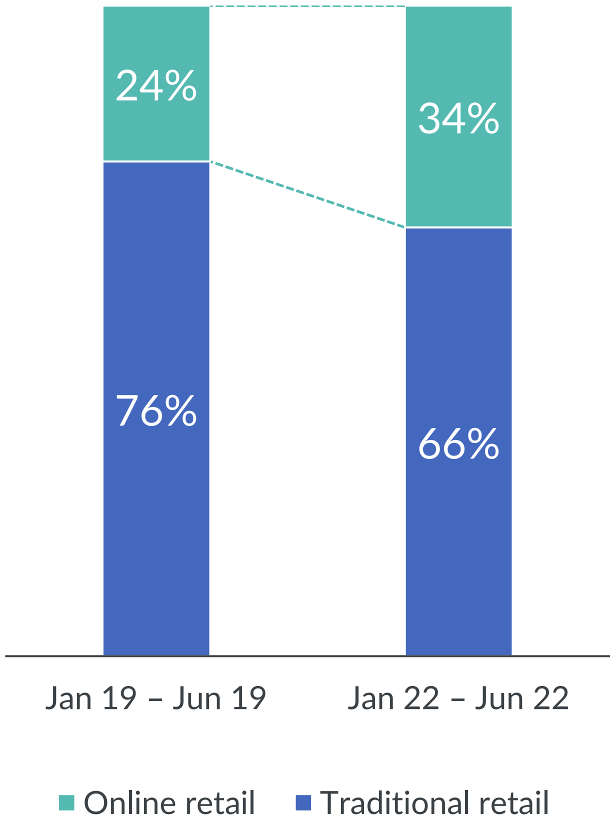
Source: GfK Consumer Life

Consumer behavior transformed tech and durables markets during the pandemic

50%

Of consumers will increase online shopping

Technical Consumer Goods | Sales value USD (NSP)



Source : GfK Consumer Life 2022, GfK Market Intelligence : Sales Tracking, International Coverage (ex. North America)

3

Key strategies for the months ahead and 2023

Innovation is crucial to endure and grow in these uncertain times

Growth of premium after financial crisis of 2008 & during the pandemic

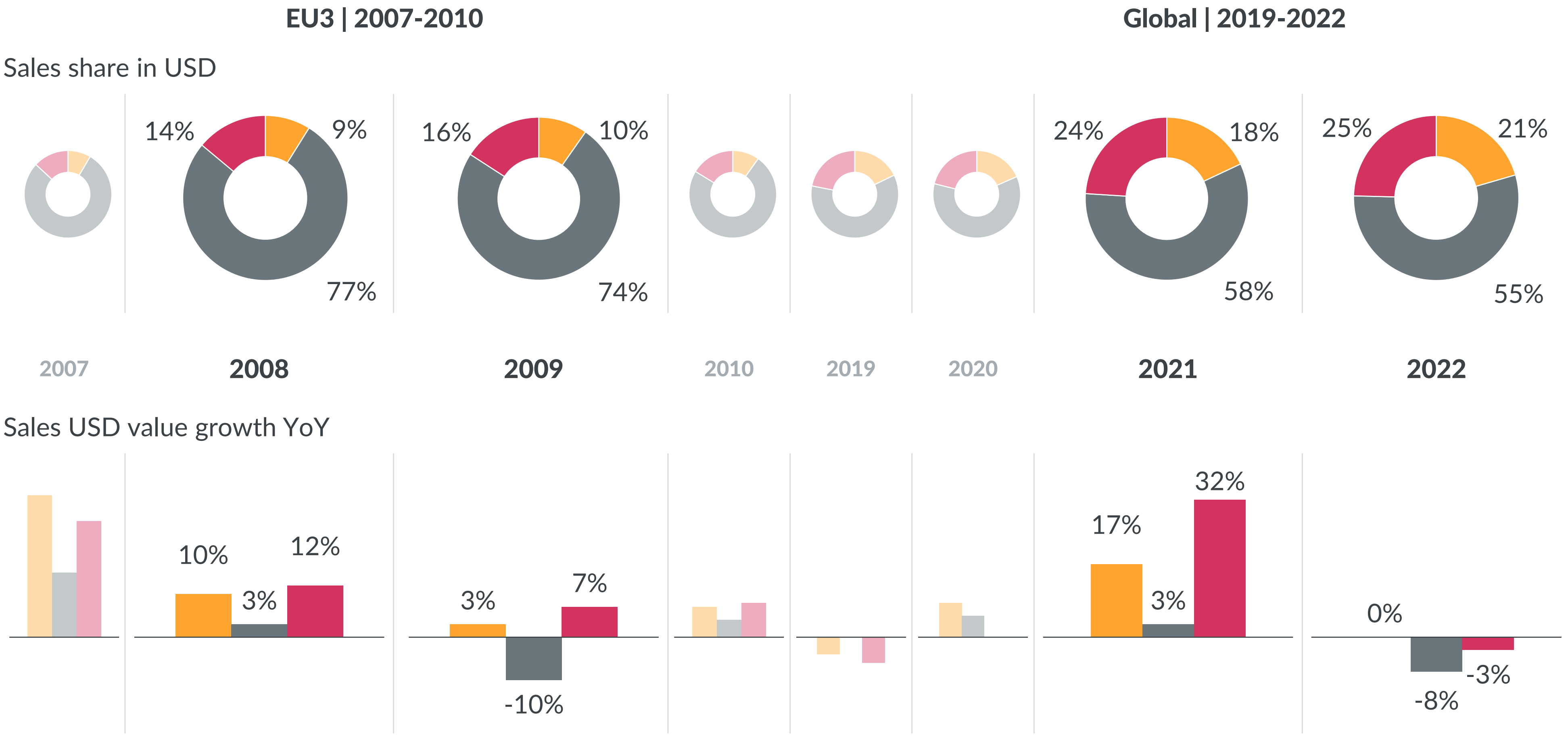
Continued polarization between entry and premium brands

Key Technical Consumer Goods product groups

Premium: Brands with price index of >150[1]

Standard: Brands with price index of 75<=150[1]

Entry: Brands with price index of <=75[1]

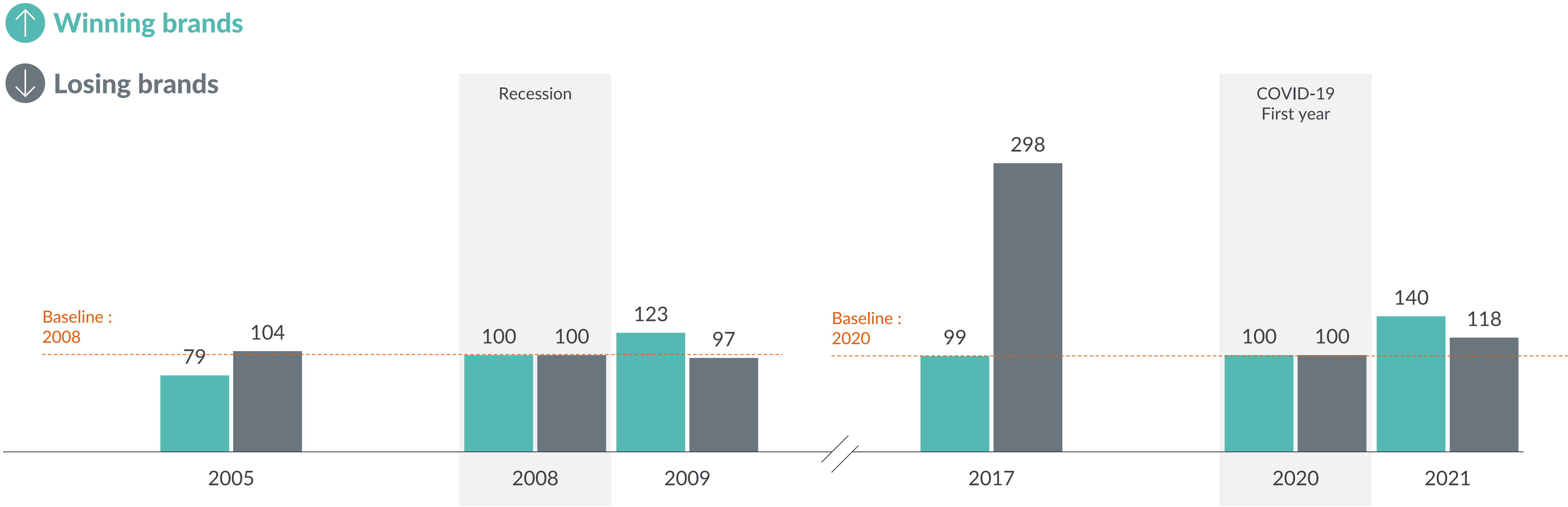


Source: GfK Market Intelligence: Sales Tracking, EU3, USD (NSP) Value & growth 2007 vs 2010, Key Product Groups in tech and durables.

[1] 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.

2008/2020 crisis: Innovation and investment in the right segments continue to catalyze growth for winning brands

Indexed value share of new products



Source: GfK Market Intelligence; Sales Tracking, EU5, RU, PL, CN, Cross Category View: PTV, Mobile PC, Cooling, Washing, Vacuum cleaner, Hot beverage machines; We exclude smartphones due to the shorter lifecycles and high churn rates | Innovation Index: Revenue share for newly launched products compared to overall revenue. It is calculated using sales value share of first activity models. Both for market shares and innovation index 2008 is used as an index year. | GfK State of Consumer Technology and Durables Webinar Q3 2022

Innovation:
Key to grow and succeed

01
Premiumization

02
Sustainability

03
Omnichannel

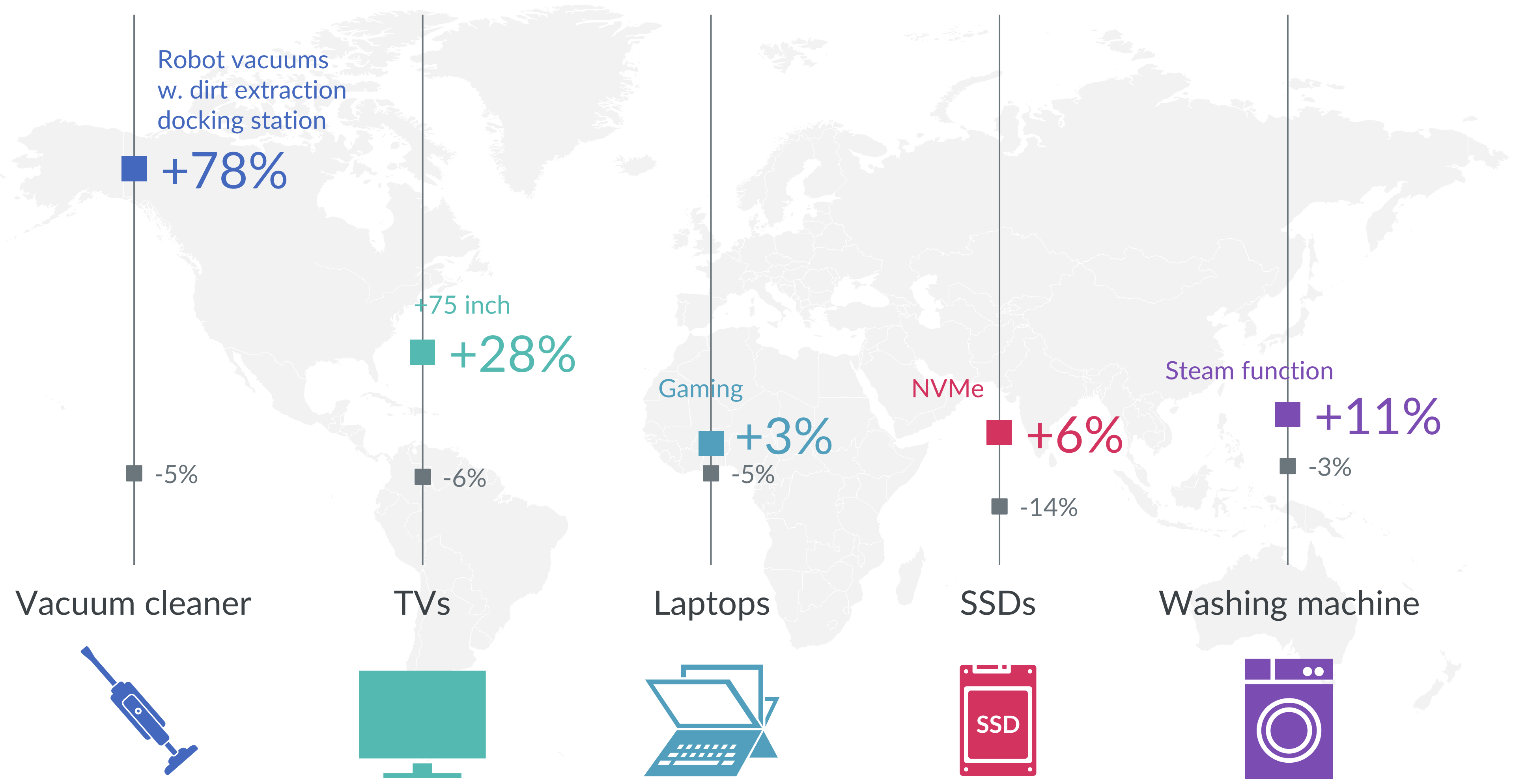
04
Price and promotions

Focus on the innovative products that add value to consumer's lives

Premium segments continue growing where overall categories decelerate

Premium segment example vs. category total

Global (ex. NA) | Sales value growth USD YoY | Jan– June 2022

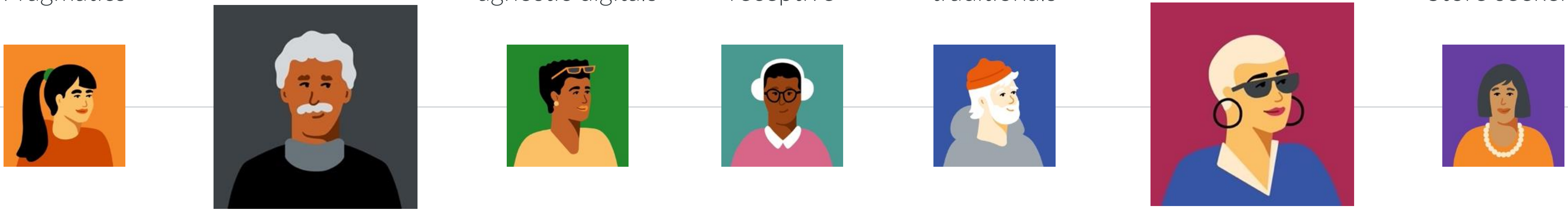


Source: GfK Market Intelligence: Sales Tracking, International Coverage (excluding North America)
GfK State of Consumer Tech and Durables Webinar

Focus on relevant tech and durables buyer groups

High spec premium and brand enthusiasts share in purchases remains constant

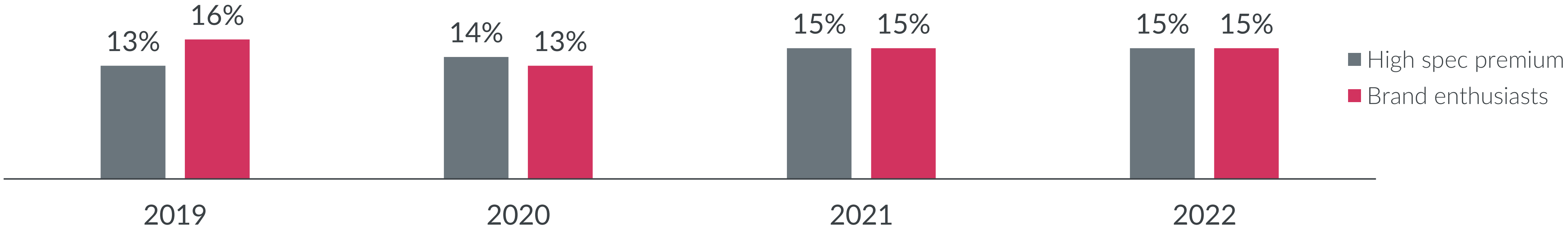
Pragmatics | **High spec premium** | Brand agnostic digitals | Digitally receptive | Low value traditionals | **Brand enthusiasts** | Store seekers



> I want a feature-rich device from a brand I know well. If that means paying more, then so be it!

> I'm not interested in reading up on the latest tech specs. I rely on brands I know to reassure me that my purchase is the right one!

Share of T&D buyers

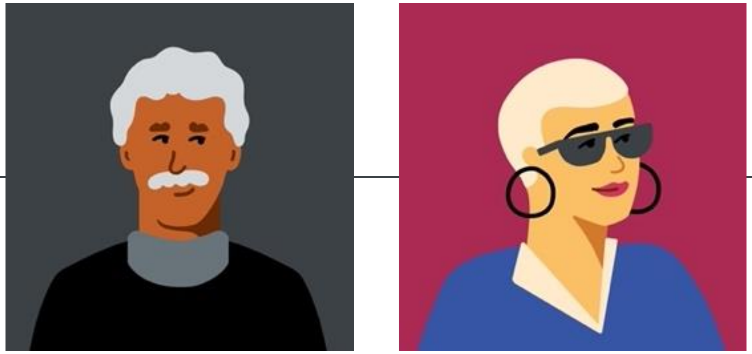


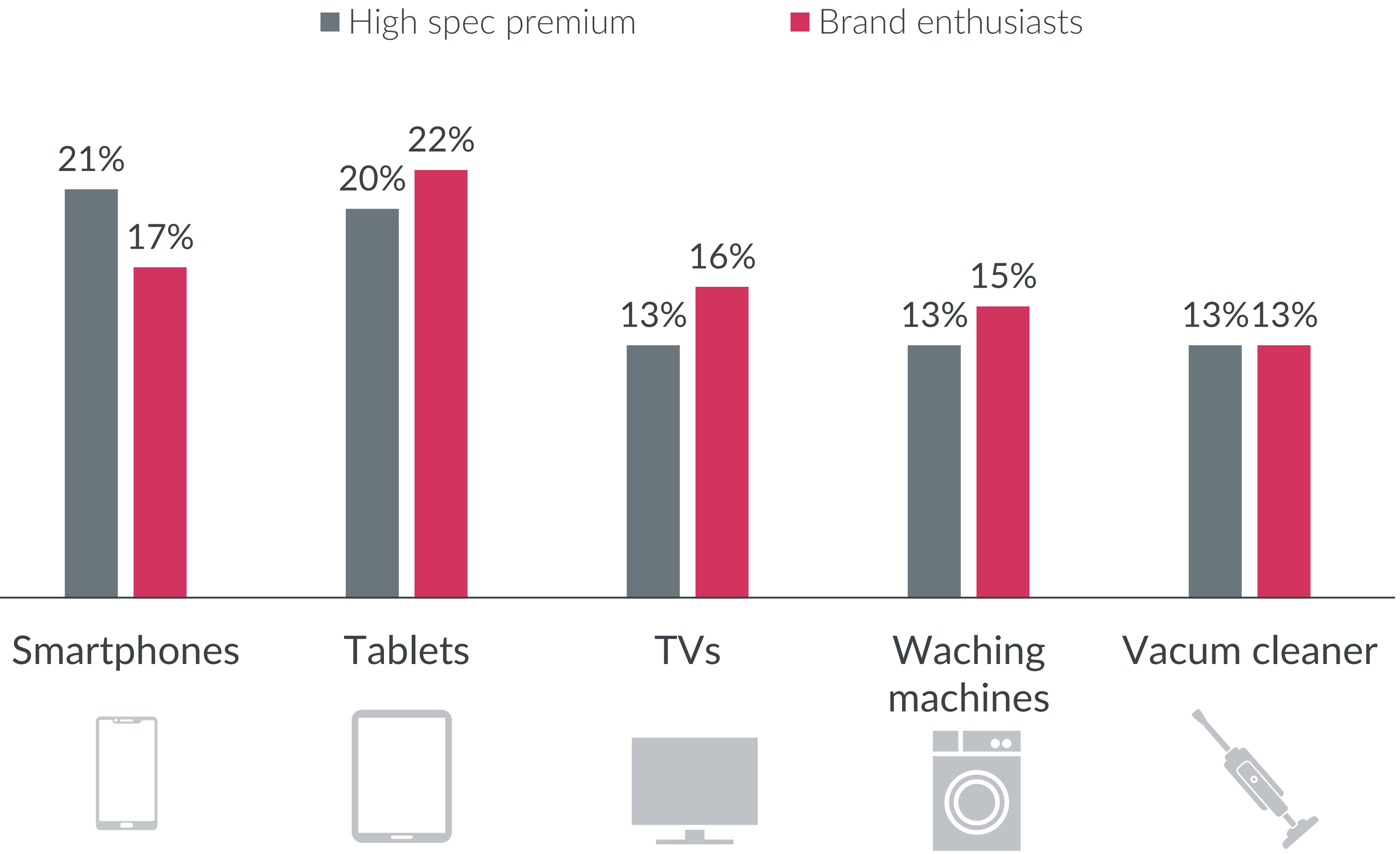
Source: gfknewron Consumer Intelligence
GfK State of Consumer Tech and Durables Webinar

Consider category dynamics

**Target group sizes
of per product category**

High spec premium | **Brand enthusiasts**





Source: gfknewron Consumer Intelligence
GfK State of Consumer Tech and Durables Webinar

Focus on offering the right product mix

Products that deliver value and ease consumers financial pressures

41%

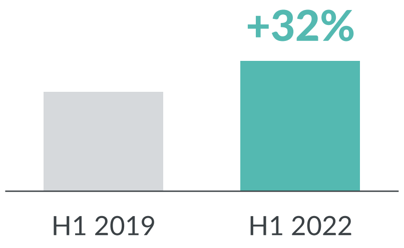
Of consumers will study and work from home more compared to pre-pandemic times

Energy savings vs. 2019

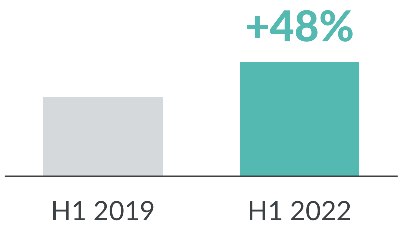
39%

Of consumers buy smart devices to save energy costs

Smart LED lamps



Smart thermostats

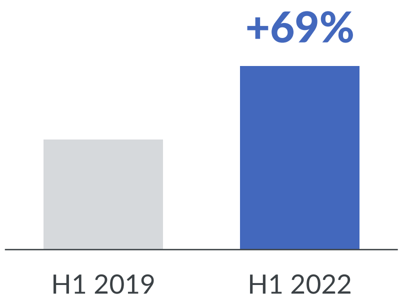


Increased convenience vs. 2019

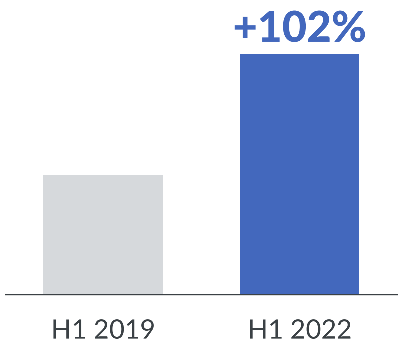
43%

Of consumers buy smart devices that offer ease of use, save time & efforts

Smart major domestic appliances



Smart home monitoring



Source : GfK Social Media Polling 2022, GfK Consumer Life 2020, GfK Market Intelligence : Sales Tracking, International Coverage (ex. North America)
GfK State of Consumer Tech and Durables Webinar

Sustainability continues to be an important value for consumers

73%

It is important that companies take environmentally responsible actions

27%

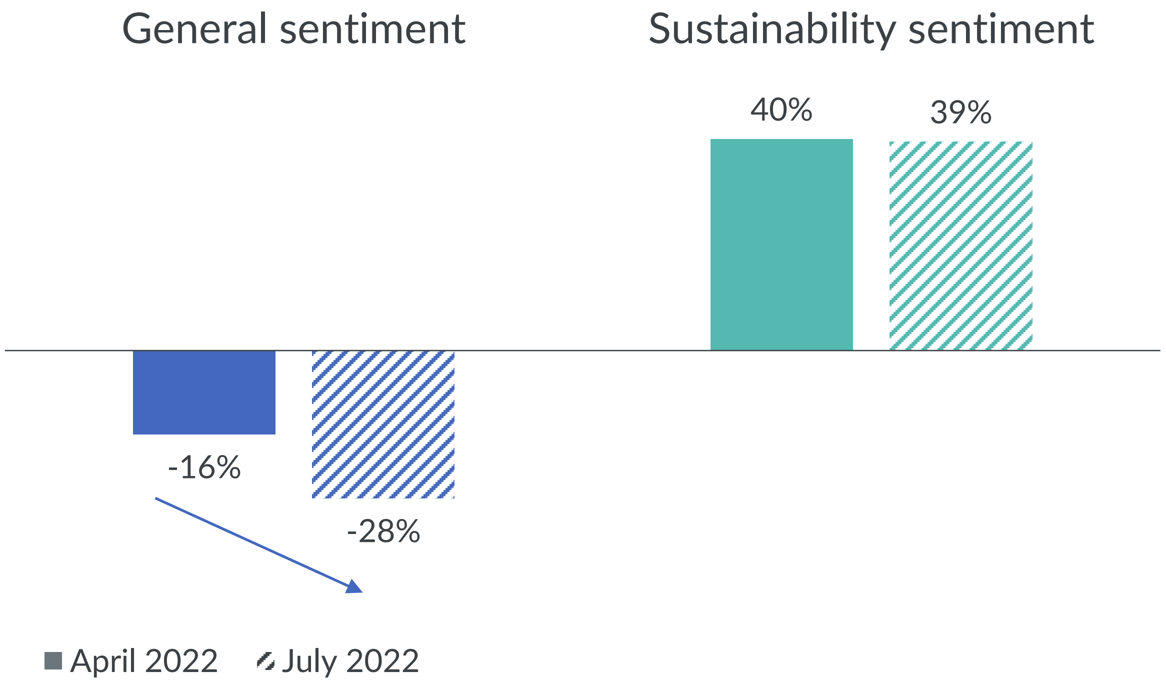
Purchased refurbished products rather than new to both save money and reduce environmental impact

Source: GfK Consumer Life 2022
GfK State of Consumer Tech and Durables Webinar

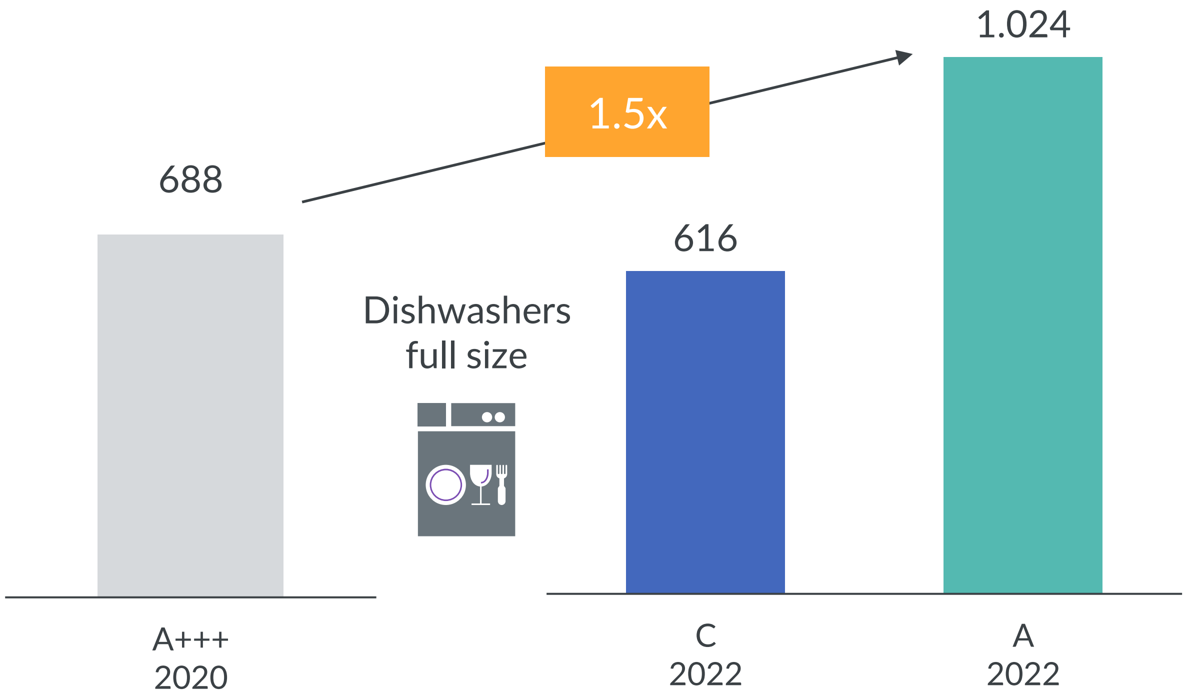
Despite inflation: Consumers in Germany buy sustainably

GfK Sustainability Index: Only minor fluctuations despite inflation

Consumer sentiment Germany | General vs sustainability index | April 22 vs. July 22



Western Europe and Eastern Europe | Old vs. new energy label avg prices in EUR



Source: GfK Sustainability Index April 2022 and July 2022, GfK Market Intelligence : Sales Tracking
GfK State of Consumer Tech and Durables Webinar

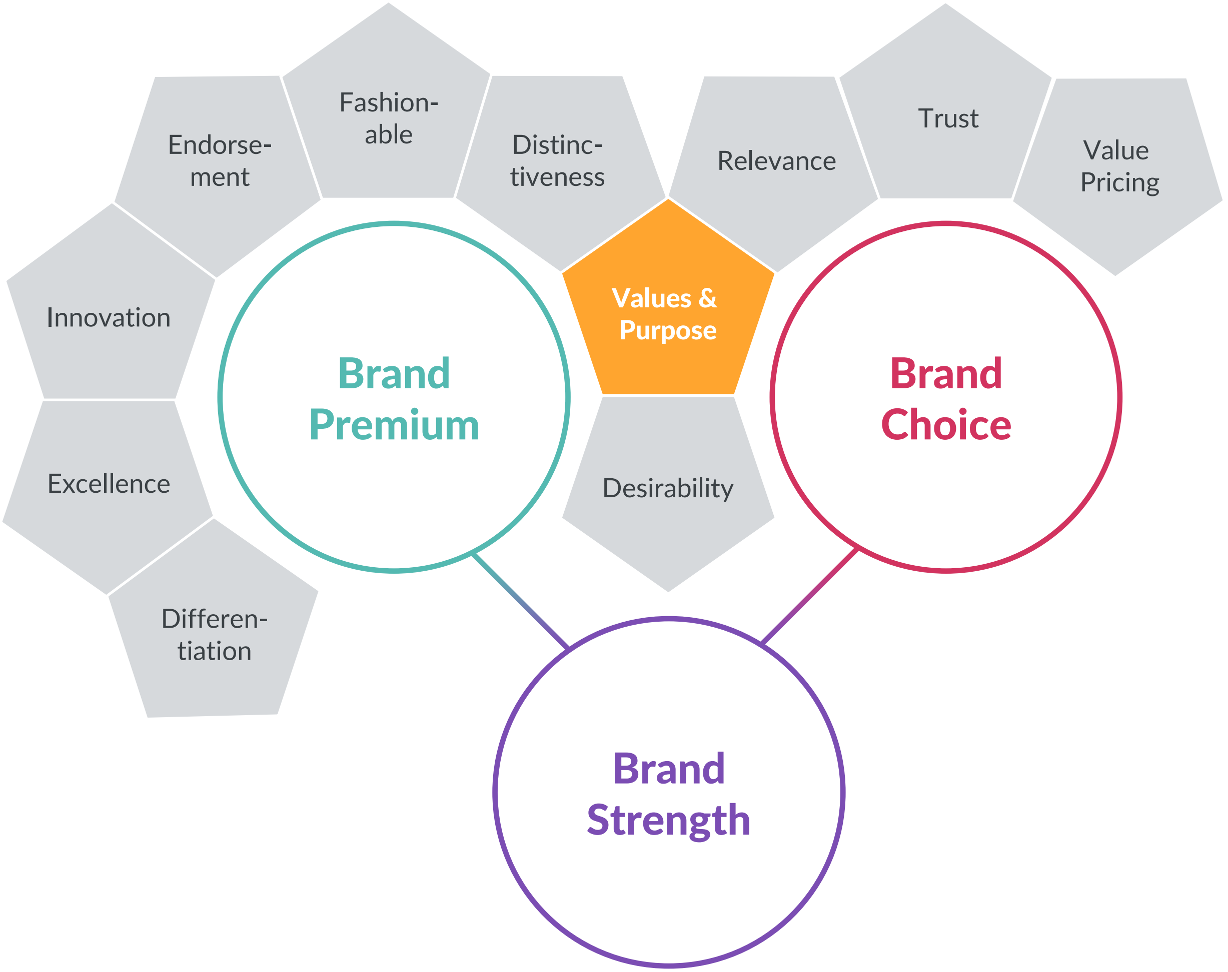
“Instead of ‘going public’, you could say we’re ‘going purpose’. Earth is now our only shareholder.”

Patagonia founder
Yves Chouinard

Purpose as an essential driver for premium and volume

What drives Brand Choice is notably different to what drives Brand Premium

Values & Purpose is the common denominator



Source: GfK Brand Architect research, covering multiple countries & categories

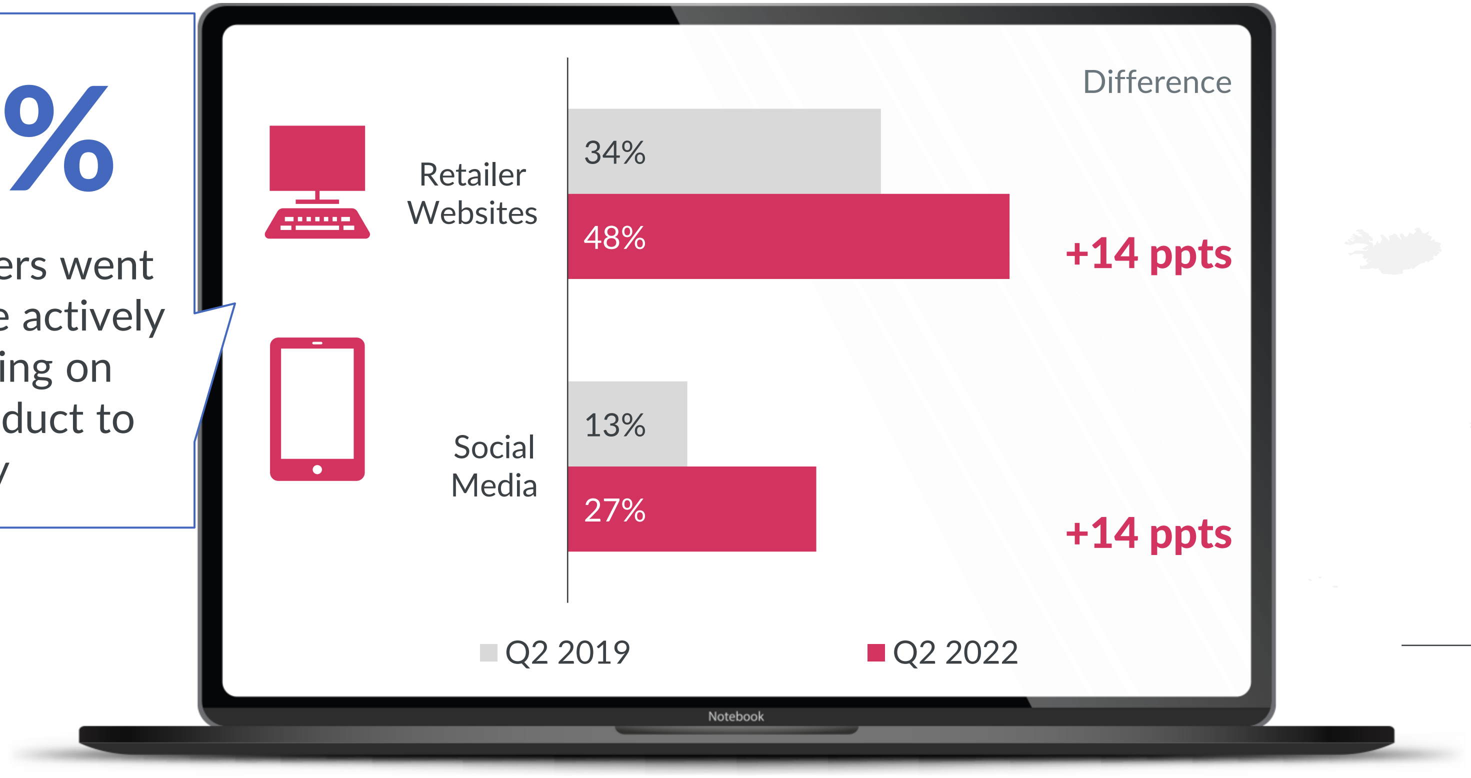
Leverage next-gen digital innovation, in store and online

Enhance the right touch points to engage your multichannel audience

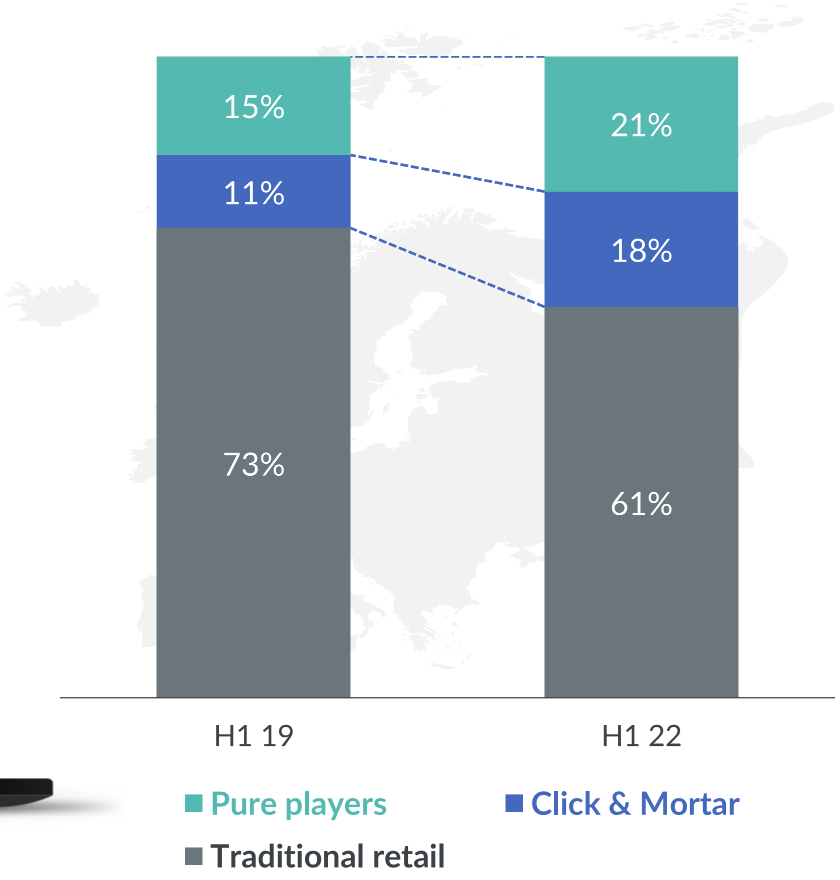
61%

of consumers went online while actively researching on which product to buy

Global online research channels



Europe | Sales EUR



Source: GfK Consumer Life 2022, gfknewron Consumer Intelligence, GfK Market Intelligence: Sales Tracking
GfK State of Consumer Tech and Durables Webinar

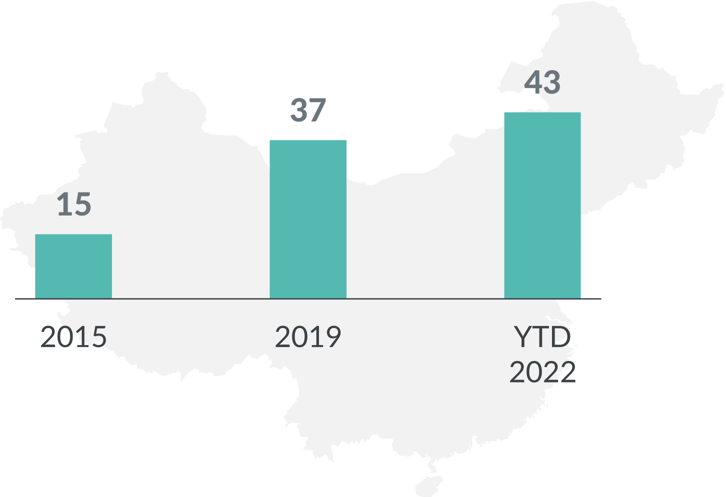
Leverage next-gen digital innovation, in store and online

Enhance the right touch points to engage your multichannel audience

18%

of consumers globally are inspired by social media advertisements to purchase a tech and durable product

China | Evolution of 'online'



15%

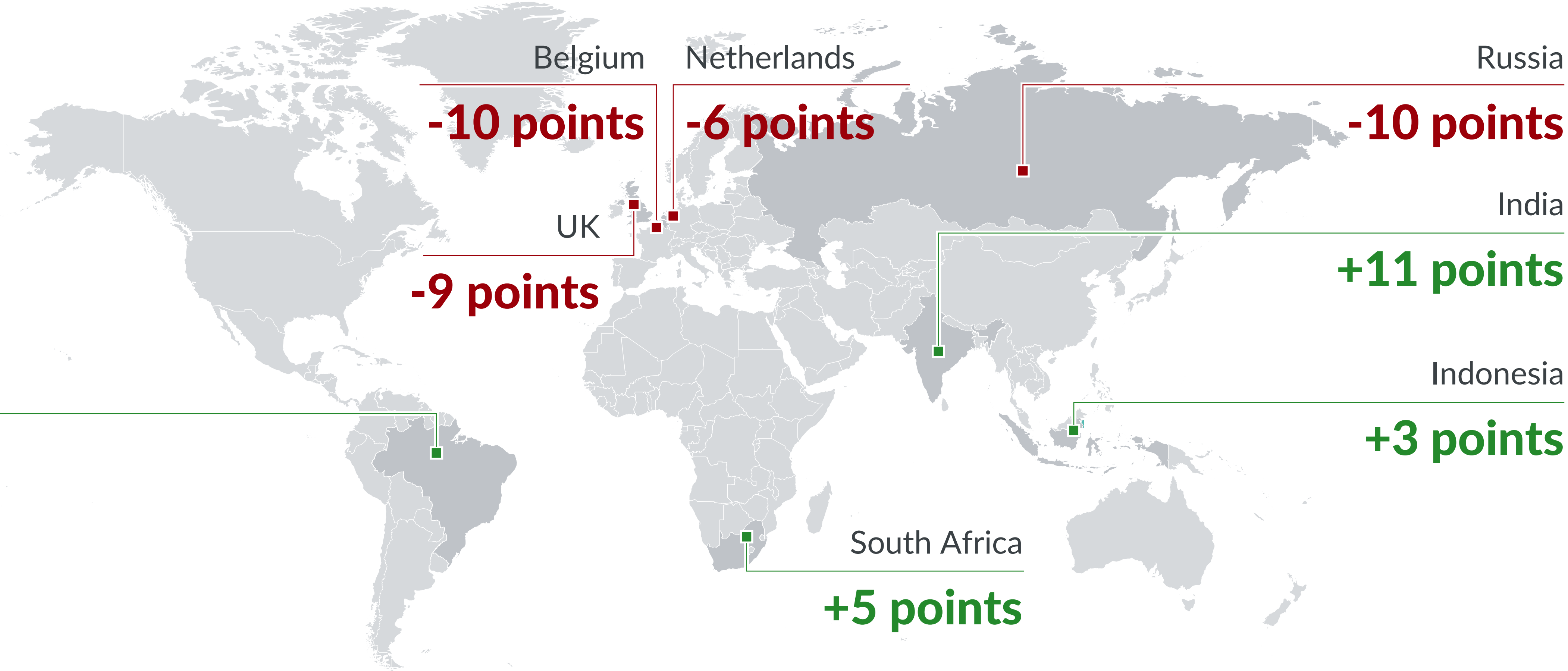
Example: Social commerce share of online for shavers in China

Source: gfknewron Consumer Intelligence, GfK Market Intelligence: Sales Tracking
GfK State of Consumer Tech and Durables Webinar

Innovate and invest to tap into the emerging markets potential

Lower penetration rates and rebounding consumer confidence offers new growth opportunities

Change in percentage of consumers who are confident they will be better off in 12 months | 2021 – 2022

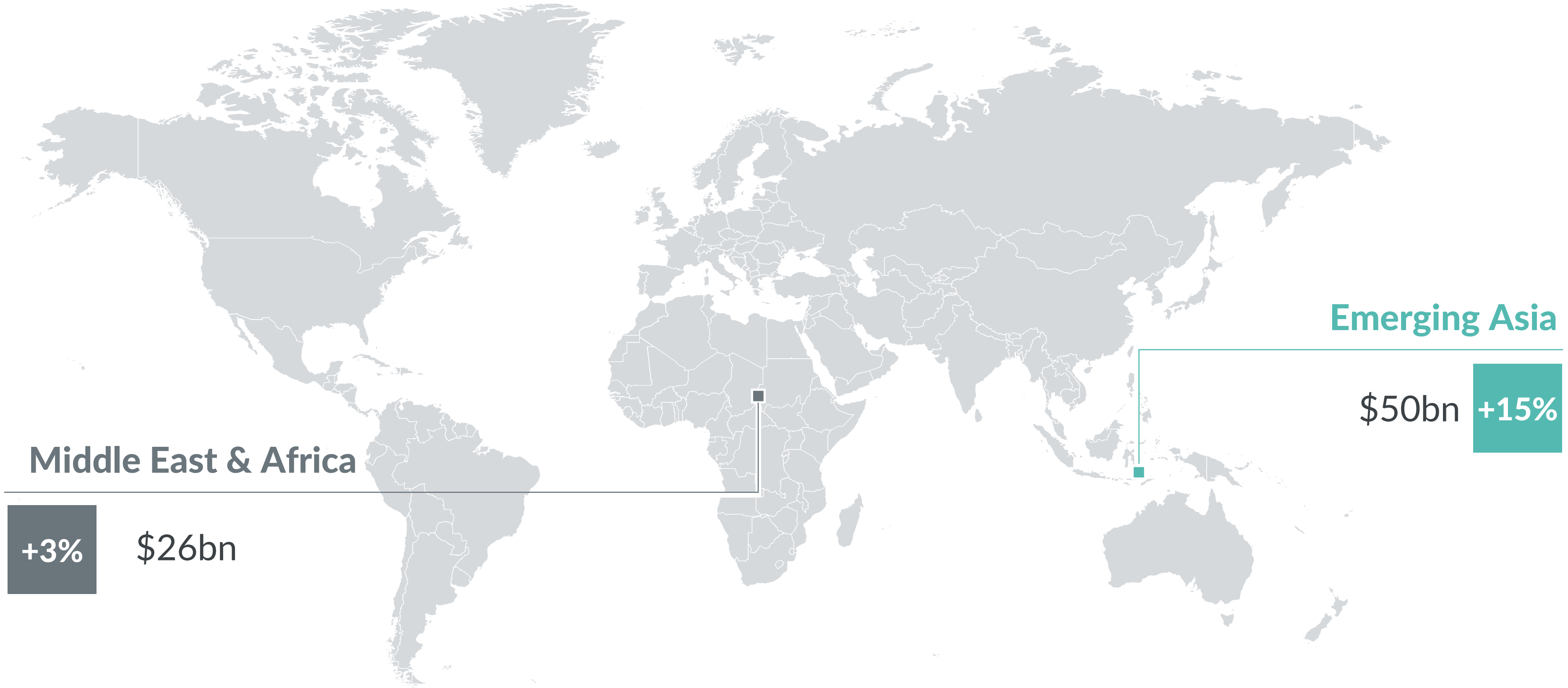


Source: GfK Consumer Life Global 2021 and 2022; GfK Market Intelligence: Sales Tracking, International Coverage (excluding North America)

Innovate and invest to tap into the emerging markets potential

Lower penetration rates and rebounding consumer confidence offers new growth opportunities

Sales value H1 2022 and growth %



Source: GfK Consumer Life Global 2021 and 2022; GfK Market Intelligence: Sales Tracking, International Coverage (excluding North America)

Rethink pricing and promotion to reflect new market dynamics

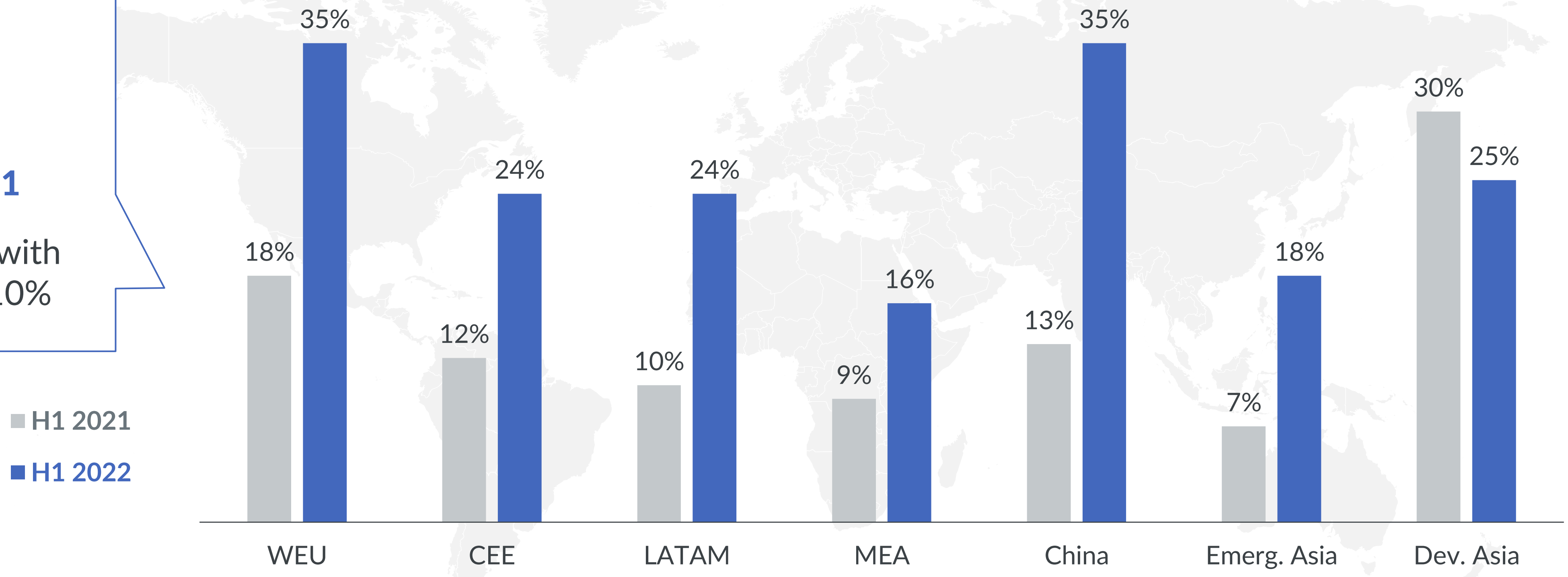
Inventory clearance and decelerating demand led to increased price cuts

TV unit share with price cut of more than 10%

27%

+14 ppts vs. 2021

Panel TVs Unit share with price cut more than 10%

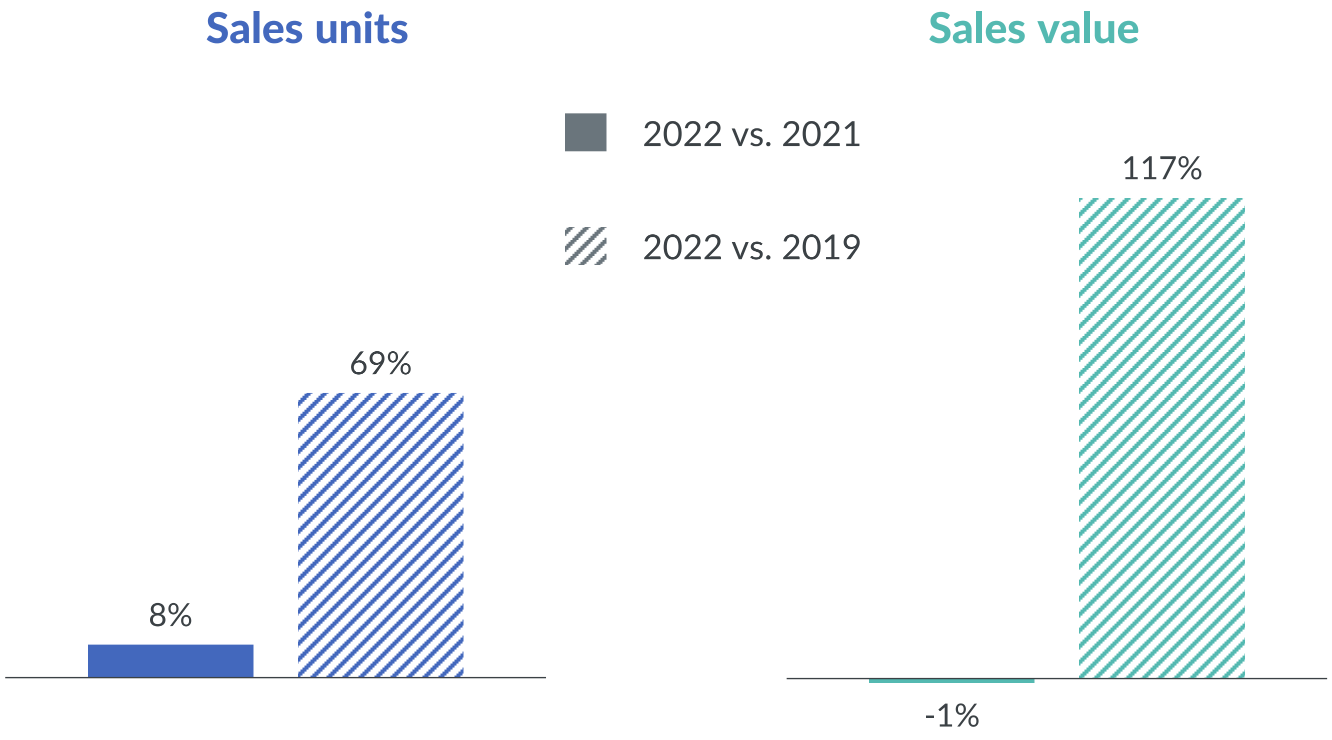


Source: GfK Market Intelligence: Sales Tracking, International Coverage (excluding North America)
GfK State of Consumer Tech and Durables Webinar

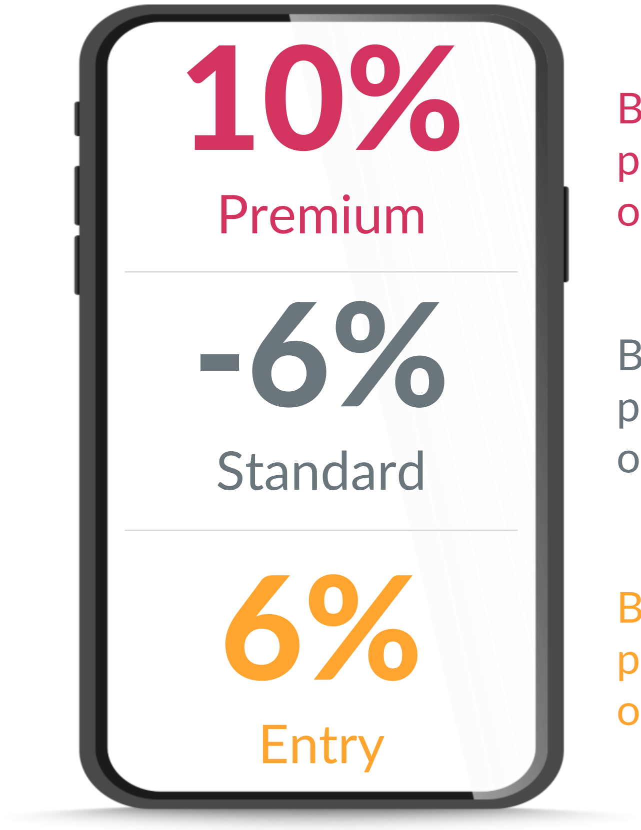
Rethink pricing and promotion to reflect new market dynamics

Key promotional events even more critical to drive demand in upcoming months

APAC online channel (week of 18th June sales performance)



APAC online channel H1 2022



Brands with price index of >150[1]

Brands with price index of 75<=150[1]

Brands with price index of <=75[1]

Source: GfK Market Intelligence: Sales Tracking, | [1] 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.

Key takeaways

01

Invest in innovation

The evidence shows that continued investment during a crisis helps brands sustain retail market share and recover faster.

02

Tap into premium opportunities

There are pockets of of growth which brands and retailers can target, such as a willingness to splash out for products which create longer-term savings.

03

Balance sustainability and performance

Consumers want sustainable and high-performing products. The ability to join both aspects innovatively is a key success factor in the future.

04

Fine-tune pricing and channel strategy

The right promotion, pricing, and omni-channel strategy is crucial to answer consumers' needs. Non-premium buyers will be on the lookout for a bargain.

05

Drill down into data

With the landscape changing so rapidly, access to the right data is essential to stay on top of trends and craft relevant brand positioning for now, and for many years to come.

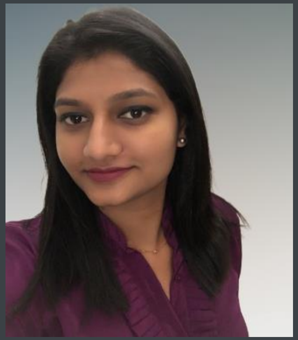
Want a deeper view on what was presented in the webinar?

Our latest State of Consumer Technology and Durables Report draws on extensive research and expert insights to help you fine-tune your strategies and tactics for the months ahead.

Make the most of Q4.
Plan with precision in 2023.
Download the report now.

GfK Growth from Knowledge

Thank you.
Questions?



Namrata Gotarne

Global Strategic
Insights Director
Tech and Durables

Diane Gahl

Global Director
Marketing & Consumer
Intelligence