A tough year ahead

Results of GfK TEMAXÂ® Australia for quarter 1, 2012

Sydney, May 23rd, 2012 In the face of challenging conditions, the modest 2% year-on-year value decline experienced by the Technical Consumer Goods (TCG) market this quarter was something of a triumph. A tough local and global economic climate, soft consumer confidence and a strong Australian dollar also resulted in spend being lured away from the local market.

Similarly to the last few quarters, it was the Telecommunication (+19%) and Information Technology (+2) sectors that were able to all-but offset the value declines in the market; most significantly, a 20% decline for the Consumer Electronics sector. Minor levels of price erosion across the Major Domestic Appliances sector resulted in revenue decline of 1.3% for the quarter, while the unseasonably cool summer did no favours for the Small Domestic Appliances sector, also dropping just over 1% in revenue. With the predicted Reserve Bank rate cuts not materialising, spending remained low.

Telecommunication: More choice and new technologies drive smartphone growth

With smartphones now out-selling mobile phones at a rate of 3 to 1, it ap-pears that consumers have been upgrading from one smartphone to another, fuelling the continued growth of the segment. Despite strong double-digit growth, however, the segment is beginning to show signs of maturity, with the rate of growth slowing significantly since quarter 4, 2011.

With 180 smartphones available on the market, consumers of this segment now have more choice than ever. New models released during the quarter were in-line with the recent trend towards larger screens and slim form factors, and Android remained the dominant operating system, accounting for over half of the models sold.

The inclusion of new technologies - such as Near Field Communication (NFC) at the top-end of the smartphone market may help fuel future growth within the segment. Despite the current lack of infrastructure in Australia, NFC capability has increased from less than 1% of smartphone sales in quarter 1, 2011, to 6% in quarter 1, 2012.

Information Technology: Ultrabooks inject value into notebooks

While on the one hand bolstering the strong performance of the IT sector, the popularity of webooks, with an average price some 30% below that of notebooks, is also contributing to the slowing value growth of the sector. Webooks enjoyed a great run in the first quarter of 2012, out-selling note-books in monthly volume for the first time in March, on the back of the iPad 3 launch.

With the sectors growth sitting at just 2.2%, interestingly, quarter 1, 2012 saw an increase of over AUD 100 in the average selling price of notebooks when compared to quarter 1, 2011. The proliferation of the new ultrabook form factor, a slimline, fully-featured notebook, is one reason for the average price increase. Continuing supply issues for hard-drive manufacturers, resulting from last years Thailand floods, also contributed. This effect can also be seen in the external hard drive segment, with average prices in-creasing by 29% in the quarter.

Small Domestic Appliances: Mother Nature leaves small appliances out in the cold

The impact of climatic conditions on seasonal products within the SDA sector was evident in quarter 1, 2012. The combination of a much cooler summer in New South Wales this year and heatwave conditions during the summer of 2011, drove significant value declines in the electric fans segment. This, in turn, pushed an overall, year-on-year, decline for the SDA sector of 1.3% for the quarter.

In spite of the overall decline, there were some strong performances in lower value segments, namely juicers and dental care. Both of these segments experienced high, double-digit, value growth for the quarter, helping to offset the overall value decline of the sector. Also helping were the food preparation and hot beverage maker segments, experiencing value growth of 14% and 7% respectively, although, with an average price decline of 7%, the rate of value growth of hot beverage makers has eased compared to quarter 1, 2011.

Major Domestic Appliances: A slight waver for the whitegoods segment

The normally rock-steady MDA sector wavered ever so slightly in the first quarter of 2012. The natural disasters that affected parts of Queensland, Victoria and Western Australia in 2011 helped to drive sales of MDA products as Australians sought to rebuild what they had lost. As a result, the year-on-year performance of the quarter in the key segments refrigerators, washing machines and dishwashers was weak, experiencing single-digit value declines; pushing the entire sector into moderate value decline of 6.3%.

Photo: Changing lenses provides a different outlook

While the Photo sector continues to endure tough times, the outlook has improved slightly. Despite value declining almost 19% year-on-year for the quarter, this is up from the dramatic 23% decline seen in quarter 4, 2011.

Compact system cameras continued their strong volume growth with 30% more selling this quarter than in quarter 1, 2011. In spite of continued volume growth of DSLR models, compact system camera volume share of the changeable lens segment grew to 15% (up from 12% in Q1 2011). This performance was helped by the brands increased focus on this segment; with 9 brands actively selling 34 models of compact system cameras during

the quarter compared to just 6 brands selling 18 models during the same period last year.

Within the fixed lens camera segment - the hardest hit in the Photo sector in recent times - some positive movements can also be found. Fixed lens cameras with zoom capability of greater than 15x have grown by 36% in volume. With their higher average price, these high-zoom cameras now represent 23% of all value generated by the fixed lens camera market (up from just 9% in quarter 1, 2011).

Consumer Electronics: TVs experience volume decline

The value declines plaguing the TV segment in 2011 have been well docu-mented. During this period, however, volume growth had remained strong. Quarter 1, 2012, is noteworthy for being the first quarter since the TEMAX measurement began in which the TV segment experienced volume decline. Helping to ease some of the pressure, however, was an increase in average prices for the TV market; from AUD 593 in February to AUD 614 in March. Instrumental in this was the continued strength of TVs with a screen size of over 55, this segment accounting for nearly a third of total TV value in the quarter. With a continued focus by the big brands on the large screen segment, combined with an increase of Smart TV functionality in new ranges, it is expected that year-on-year average price declines will finally begin to slow in 2012.

With steep value declines afflicting most segments in the CE sector, it was refreshing to find a growth story in the form of headphones. This segment grew by 46% in value year-on-year and, uniquely for the CE sector, value growth was substantially higher than unit growth for the quarter thanks to the increased popularity of high-end, higher-priced, over-ear style models. This style of headphones accounted for 1 in 5 of all headphones bought in the quarter.

Tough times and an uncertain future

The first quarter of 2012 was not the start to the year that the Australian TCG market would have wanted, and heralds another tough year ahead. While consumer confidence will shift on the back of future Reserve Bank decisions, the Australian dollar will remain high in the foreseeable future, adding further pressure to the market. As volume growth begins to slow, and even go backwards, in key market segments, product innovation and new technologies will be important drivers of consumer interest and spend.

The survey

GfK TEMAX is an index developed by GfK Retail and Technology to track the technical consumer goods markets. The findings are based on surveys carried out on a regular basis by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 370,000 retail outlets worldwide. Since February 2009, GfK Retail and Technology has also been compiling the GfK TEMAX index at international level, in more than 30 countries. It is the first index that includes all of the markets for technical consumer goods in different countries. All reports and press releases are available at www.gfktemax.com.

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