



Spending on technical consumer goods in Australia drops to a two year low

Results of GfK TEMAX® Australia for quarter 2, 2010

Sydney, August 11th, 2010 Despite two consecutive months of interest rate holds, spending in quarter 2, 2010, declined by 5.2%; the second decline recorded since the launch of the GfK TEMAX Australia report, in Q3 2008. A fall in consumer confidence, the absence of government stimuli and an uninspiring federal budget all contributed to this quarters decline in technical consumer goods spending. Domestic appliances took the worst hit this quarter, but consumer electronics and IT also failed to deliver growth. Telecoms, however, enjoyed modest growth, thanks to the continuing popularity of smartphones. Smartphones remain strong Thanks to the buoyant smartphones category, the telecommunications sector was the only area to show growth compared to the same quarter last year. While the value of traditional mobile phones fell 52% from Q2 2009, sales of smartphones more than compensated for the loss, with an increase of 92%. The revenue generated by smartphones in this quarter was almost three times greater than that of standard mobile phones.

Decline for the IT sector For the first time in at least five years, the IT sector failed to achieve value growth, experiencing a decline of 1% in quarter 2, 2010, compared to the same period last year. Quarter 2 of 2009 was, of course, characterised by significant value growth, thanks in part to the governments stimulus packages to Australian consumers; the effect of which could not have been replicated in 2010. This years decline in value, however, has been exacerbated by strong price erosion in the dominant notebook PC market, which experienced its first-ever value decline (-3%) in the history of the category. Despite the performance of the IT sector as a whole, certain categories performed strongly in both units and value. With an average price decline of 25%, and the introduction of new technologies, the demand for storage devices continued to increase. This category grew by 23% in value and 62% in units. World Cup offers extra stimulus Consumer electronics posted a year on year value decline of 8.3% this quarter; despite a relatively strong performance from the large flat panel TV market. Audio systems, camcorders, car navigation, MP3s and set-top boxes all experienced double-digit decline. Replicating the trends of the IT sector, consumer electronics suffered from the combination of a lack of government stimulus, and continuing average price declines. Due largely to the additional demand created by the World Cup, the value of the flat panel TV market remained steady, although the unit growth of 40% illustrates the extent of the price erosion that took place during this period. The World Cup sparked another round of high-value give-aways by major manufacturers. Some of these were linked to a purchase of a 3D TV, although the availability of 3D was some what limited in the run-up to the World Cup. Too hot for heating products Small domestic appliances experienced the largest decline of all the technical consumer goods; at 8.9%. As Australia moved into its winter months, a mild start to quarter 2, 2010, led to a value decline in electric heaters and blankets, of 16% and 20% respectively. The popularity of cooking shows, however, contributed to an increase of 8.3% in value sales for the food preparation category, one of the only significant categories within this sector to have experienced growth. All major domestic appliance categories experienced decline. While some discounting has taken place in these markets, the decline is more a reflection of the economic mood, rather than competitive retailer activity. Dryers experienced a sharp decrease of 22%; partly a result of a drier than normal June across almost all of Australia, making it the continents fourth-driest June on record. Quarter 3 unlikely to deliver growth With interest rates back at a more normal level, and a federal election due to dominate the third quarter, the negative sales trends of quarters 1 and 2 of 2010 are likely to continue into quarter 3. The continued introduction of new technologies, however, may help keep the decline to a minimum. ends 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 340,000 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. If information from this press release or www.gfktemax.com is cited, GfK TEMAX should be explicitly indicated as the source.

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