

# Retail intelligence

## GfK looks at key trends in the TCG sector

Online shopping continues to grow and with consumers expecting an omnichannel shopping experience, it's the click-and-mortar retailers who particularly benefit: they now command close to half of the online sales value generated in Europe. With reason, many pure players have started to explore traditional commerce. However, the combination of digitisation and changing shopping behavior also fuels trends beyond distribution and channel: as affluence increases consumers are willing to pay for premium, high performance and full connectivity.

### TELECOM FUELS GROWTH

In the first three quarters of 2018, the Technical Consumer Goods (TCGs) market in Western Europe generated €149bn, an increase of 1.8% when compared to the same period in 2017. The main forces driving value in Europe lie within the telecom sector, which expanded by 13%; namely big size (5.6 inch+) smartphones grew massively, for example in Germany, Great Britain and Italy.

Overall, Russia is in comeback mode with total sales value increasing a significant 18%. Apart from large size smartphones, also laptops and TVs (FIFA championship) boosted this double-digit growth. Other strong performers are Ukraine, Great Britain and Spain, while France (especially the IT and office sectors), Denmark and Belgium have been growing much slower than the market in the first three quarters.

### THREE BIG MARKET DRIVERS

When analysing both consumer and retail sales insights, a number of overarching trends materialise. However, the following are omnipresent across all market sectors: premium products, high performance, full connectivity.

When it comes to growth, value exceeds volume growth in many major markets. This trend towards premium products is accelerated by rising wealth levels. Coupled with advancing product penetration, value remains the big potential in saturated markets. In Europe, value growth (+5%) clearly outpaces volume sales (+2%). This is particularly evident in the telecom market, where high penetration rates leave little room for volume growth. However, value growth is strong: 5% globally in Euro at constant FX rates and

even 7% considering FX fluctuations. This outweighs volume declines of -4%.

Tightly coupled with high-value is often high performance which manifests differently in each sector. Consumers do not purchase performance for performance's sake – it is all about enabling rich experiences. Nearly half of consumers globally value experiences more than possessions, while only 38% did in 2014. This is demonstrated very well by gaming PCs (+46% in the first half-year 2018) which are equipped with high performance CPUs, GPUs, RAM and SSDs. Also, OLED TVs, offering unique viewing experiences, have climbed from 1% value share in 2016 to 5% in 2018.

Full connectivity – GfK consumer studies show that this last of the three major trends has become a customer expectation in all markets and a main driver of innovation.

## ▶ 3 MEGA TRENDS

### PREMIUM

“ I prefer to own fewer but higher quality items



### PERFORMANCE

“ I value experiences more than possessions



### CONNECTIVITY

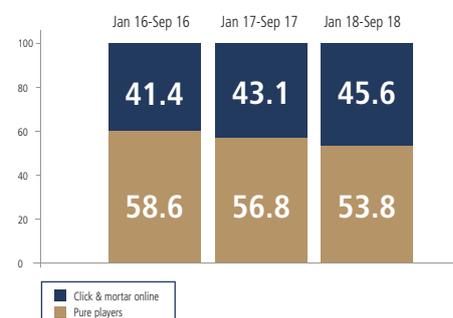
“ My mobile device is quickly becoming my most important shopping tool



Source: GfK Consumer Life 2018, GfK FutureBuy 2018

## ▶ INTERNET SALES EU 5

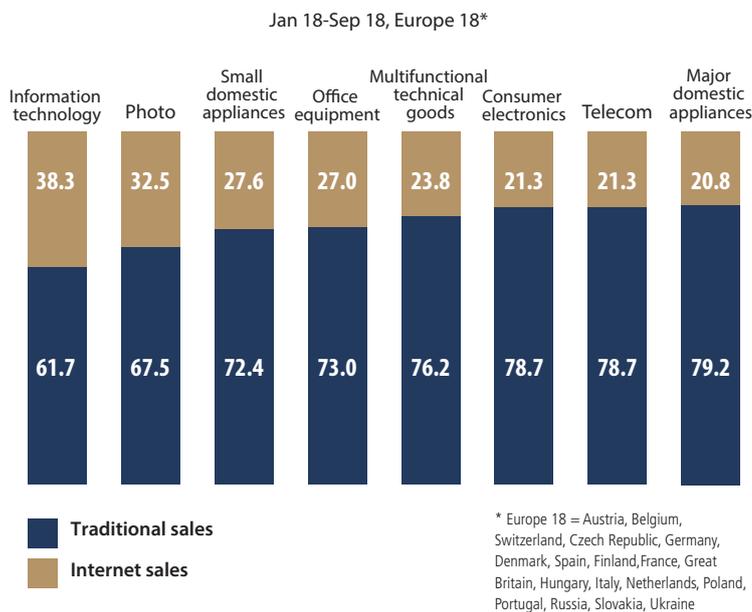
Sales value %



Source: GfK Point of Sales Tracking

## ▶ ONLINE VS. TRADITIONAL RETAIL IN EUROPE

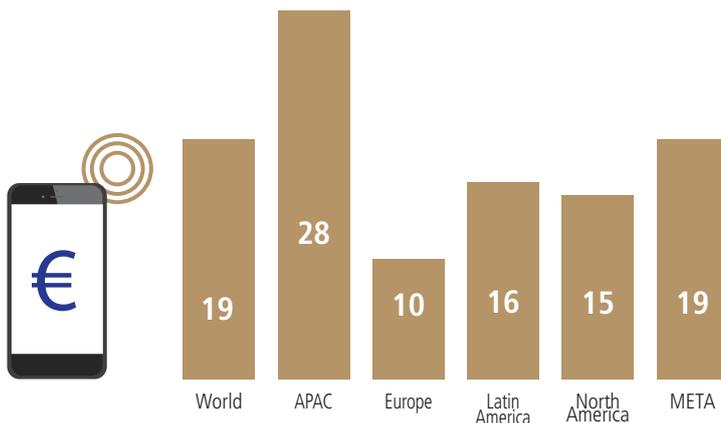
Sales value %



Source: GfK Point of Sales Tracking

## ▶ SHOPPING BEHAVIOURS USING DIGITAL DEVICES

% of respondents who used a mobile wallet on their device to purchase a product in a physical store



Source: GfK FutureBuy, 2018

Smart home enabled products are booming, e.g. the revenue of smart domestic appliances grew by 51%, strongly powered by smart washing machines, especially in APAC. Also AI-enabled assistants/speakers, smart TVs and streaming-enabled audio devices – all grow the market significantly.

### SO WHERE IS RETAIL HEADING?

Digitisation is inducing a massive transformation of the retail industry. In Europe, the value share of online sales has grown to 25.2% (Jan-Sept 18), up from 19.4% in 2014. Compared to last year, traditional sales are shrinking slightly (-0.3%) while online sales grow by 9.3%. The highest penetration is evident within the IT sector, in which internet sales account for more than 38% in value terms.

Today, customers expect a convenient omnichannel shopping experience no matter whether they shop on- or offline. This is one reason why pure players – enabled by data driven platforms – start to move offline. In EU5, when looking at a cross-sector product basket, click-and-mortar sales are gaining market share and now account for 46% of online sales value.

Mobile payment options will facilitate convenience and hence further accelerate omnichannel sales. In APAC, already 28% of shoppers paid with their mobile phone in a physical store compared to only 10% in Europe. Globally, mobile payment is growing year after year and now stands at 19% of consumers using this option in 2018 compared to 15% in 2015.

Big consumer data analytics, which in GfK's Retail Trend Monitor was named as one of the biggest future investments in retail technology, will help in exploiting those ever-increasing data streams.

### SUMMARY

Premium and high-performing products have become the driving force on the tech market with the promise of delivering rich customer experiences. Customers are ready to pay the higher price tag in return for a feeling of satisfaction with the product. Under the reign of the smartphone and the always connected consumer, retailers have the unique opportunity to leverage this multiplatform environment for a better understanding of the customer via rich data streams. And with their brick-and-mortar stores they can be physically close to their customers and focus on their preferences.

One way or the other, retailing is still about delivering the right services and products in the convenient and frictionless manner expected by the customer.