

Press release

Stabilization of the Australian Technical Consumer Goods market

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Results of GfK TEMAX® Australia for quarter 4, 2014

Sydney, February 23rd, 2015 – The Australian Technical Consumer Goods (TCG) market experienced a modest decline in quarter 4, at -1.5% compared to quarter 4, 2013. Looking at the full-year results, the 17.5 billion dollar market recorded a decline of 0.8% on the previous year, reflecting a stabilisation, following steeper declines of 2.3% in 2013, and 6.2% in 2012.

It was another quarter of mixed results for the Australian economy. The Australian dollar experienced further decline against the US dollar, while total retail spend was reported to grow moderately, and the housing market continued its solid 1.9% growth on a previous quarter. At the same time, consumer sentiment index in December fell to its lowest level since August 2011, while unemployment rate remained largely unchanged.

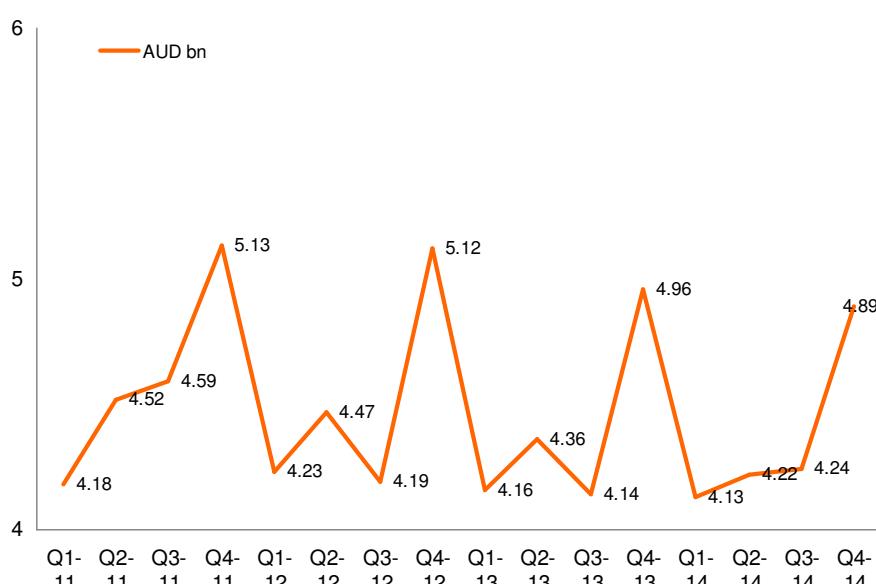
2014's strongest-performing sectors, Telecommunications and Small Domestic Appliances (SDA), continued to perform well in quarter 4, with growth rates of 7.9% and 1.9% respectively. Major Domestic Appliances (MDA) also grew by 2%, on the back of a relatively weak final quarter in 2013, while the value of the Information Technology (IT) sector dipped (-4.9%), due to a slow-down in sales of media tablets.

Sales development of Technical Consumer Goods in Australia

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Source: GfK TEMAX® Australia, GfK

Telecommunications: Prepaid Christmas and large-screen phones

Telecommunications continued to be the largest sector of the TCG market. This 4.8 billion dollar market accounted for 27.4% of all revenue generated in 2014. After a period of relatively flat sales, from quarter 3, 2013, to quarter 2, 2014, the Telecoms sector closed the year strongly, with two straight quarters of significant value growth. In the final quarter alone, the sector achieved 7.9% year-on-year value growth

A key trend during quarter 4, 2014, was the performance of prepaid smartphones, generating 2% value growth. This marks a considerable reversal from previous quarters, which had shown value declines of more than 20%. Half of all the sales for prepaid smartphones in quarter 4 were from newly released phones, resulting in an average price increase of 18%.

Another area of interest was big-screen phones; phones with a screen size of 5" or larger. Sales of these phones nearly doubled in quarter 4, accounting for 34% of total smartphone sales, up from 19% during the same quarter of the previous year.

Major Domestic Appliances: Popularity of high-end products

MDA achieved a 2% year-on-year value growth in quarter 4; the highest quarterly year-on-year growth rate for the sector throughout 2014. The underlying cause of the growth was the relatively weak performance of quarter 4 in the previous year (2013). Promotional activity earlier in the year had encouraged consumers to bring their purchase of MDA products forward, resulting in a corresponding softening of sales in the post-promotional period. In 2013, quarter 4 represented 26% of total annual revenue, whilst quarter 4 in 2014 represented 27%.

One of the key trends for MDA in 2014 was the growth in popularity of higher-end products. Commanding a higher average price, the growth of these products resulted in an annual 0.5% value growth of the sector, disguising an actual decline in volume sales. In particular, segments such as bottom mount, French door, pyrolytic ovens, electric induction hobs, canopy/cartridge hoods and condenser dryers showed double-digit value growth, compared to 2013.

Small Domestic Appliances: Healthy summer lifestyle choices

SDA continued to outperform the market in quarter 4, with products positioned as 'healthier' options continuing to be a driving interest in the sector. On-the-go personal blenders and low fat air fryers were examples of two products which performed well in the early summer months.

Vacuum cleaners also supported the growth of the sector, with hand-stick vacuums recording their highest quarter-on-quarter growth rate of the year, and their eleventh continual quarter of double-digit growth.

Another segment continuing to grow, albeit from a smaller base, was well-being, with foot and hand massage products proving to be popular gift choices during the festive season.

Information Technology: Mixed results for tablets and notebooks

Following a slump in sales in quarter 3, a rate of year-on-year decline for media tablet sales accelerated further in the final quarter. Softened sales of media tablet in the latter half of 2014 resulted in the first ever year-on-year value decline for the whole year. The decline in sales of media tablets during this key seasonal period affected the overall IT sector, which declined by 4.9% in quarter 4.

On the other hand, the rate of growth for mobile computing accelerated even further during the final quarter, with its rate of value growth nearly reaching double-digits. Increased availability of more affordable notebooks was one of key reasons behind recovered growth of this category. The strong demand for mobile computing helped to stimulate demand for peripherals such as mice and monitors.

Overall, the IT sector recorded a modest full-year decline of 0.3%, with many of key segments returning to growth after consecutive years of decline.

Consumer Electronics: Bigger screens for Christmas

Whilst recording an overall value sales decline of 8.3%, there were some strong performing segments within the 2.9 billion dollar consumer electronics sector.

Quarter 4 normally experiences a drop in the share held by larger-screen and higher-specification products, as Christmas gifting drives demand for smaller, lower-priced models. However, this was not the case in 2014. TVs with a screen size of 47" and above accounted for more than three-quarters of TV revenue, driven by strong demand for increasingly attractively priced super-large screens and the increasing popularity of UHD/4K technology.

Several Audio segments also performed strongly in quarter 4, with wireless mini speakers and network music (or 'multi-room') systems, which benefited from several high-profile promotions over the festive period, seeing particularly dramatic growth. These audio segments accounted for increasingly large shares of the consumer electronics sector in 2014. However, the sector overall remains impacted by the knock-on effect of the rapid growth seen in TV sales from 2007 to 2011, when many Australian consumers switched from CRT TVs to Panel TVs.

Market recovery expected to continue into the quarter 1, 2015

With further stabilization of traditional categories, as well as growth from the telecommunication and small domestic appliances sectors in 2014, the

outlook for 2015 looks more promising than the last two years.

However, tough macro-economic conditions remain a challenge, as suggested by February's cash rate cut to a new record low of 60 years.

Summary in table format

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q4 14 /Q4 13	Q1-4 2014	Q1-4 14 /Q1-4 13
	M.AUD	M.AUD	M.AUD	M.AUD	+/-%	M.AUD	+/-%
Consumer Electronics (CE)	689	681	697	825	-12.1%	2,892	-8.3%
Photography (PH)	80	83	79	99	-30.0%	342	-23.5%
Major Domestic Appliances (MDA)	764	806	817	834	2.0%	3,221	-0.2%
Small Domestic Appliances (SDA)	392	486	468	555	1.9%	1,902	3.3%
Information Technology (IT)	904	901	866	971	-4.9%	3,642	-0.3%
Telecommunication (TC)	1,119	1,087	1,135	1,446	7.9%	4,787	4.1%
Office Equipment & Consumables (OE)	183	176	175	160	0.5%	693	-1.2%
GfK TEMAX® Australia	4,132	4,219	4,236	4,890	-1.5%	17,478	-0.8%

Source: GfK TEMAX® Australia, GfK

The Survey

GfK TEMAX® is an index developed by GfK 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. The retail panel comprises data from over 425,000 retail outlets worldwide. Since February 2009, GfK 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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