



Press release

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Andrew Phipps
GfK Retail and Technology
Tel. +44 (0)870 603 8140
Fax +44 (0)870 603 8200
Andrew.phipps@gfk.com

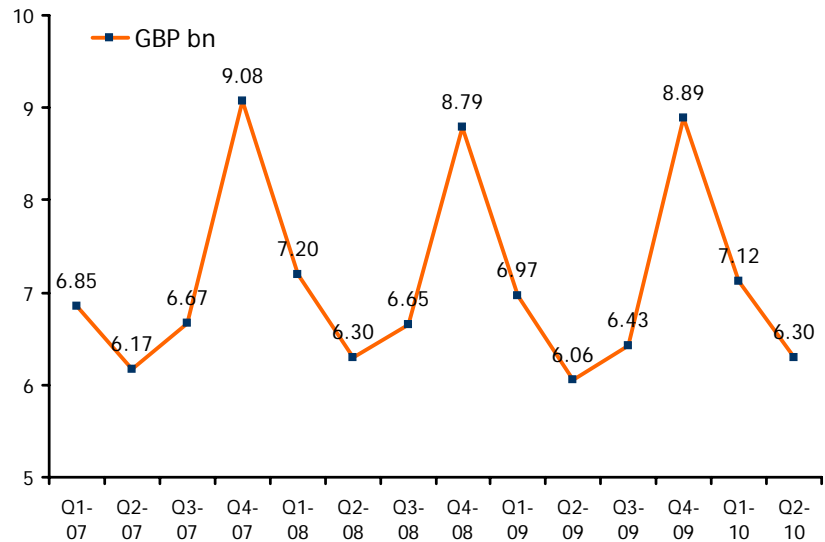
UK Enjoys Q2 Uplift

London, 15 August 2010 – The overall growth of 4% for the second quarter of 2010 over 2009 has been driven by uplift in all product areas, with the exception of Office. The positive effects of the World Cup helped many product groups and coupled with increased levels of innovation seen in key product areas has helped to generate the results we have experienced. IT and Photo are both experiencing high levels of growth in terms of value, up 9% and 8% respectively.

After the declines seen over the past few quarters it is refreshing to see CE demonstrate a positive trend; however it should be borne in mind that purchases of large screen televisions in particular have been pulled forward due to the World Cup and this will have a negative impact during the latter part of the year.

The rest of the year is difficult to predict with consumer confidence slightly declining, house prices falling for the first time in a sustained period and unemployment rates still remaining high. There is also the impact of the VAT rise to take into account; some schools of thought predict that sales will be brought forward to the pre-Christmas period with weaker sales resulting in Q1 2011.

Sales development of technical consumer goods in the UK



Source: GfK TEMAX[®] United Kingdom, GfK Retail and Technology

Telecom: Smartphones and full touch screen drive growth

The UK mobile handset marketplace grew overall by 5.1% in Q2 2010. This is partly driven by the Prepay sector, which grew by 8.6% in Q2, with May and June's growth being particularly strong (10% and 15.2% respectively). The growth in this market is largely through low end priced models and strong promotions. The under-£20 price bracket had nearly 40% volume share in the prepay market in June 2010 compared to only 30% in February 2010, with the under-£50 price bracket being the only price point to grow in Q2. However, Smartphones have also moved into the Prepay market in Q2, holding a 30% share in sales value due to their high-end price. Non-network stores remain key to the Prepay market, whilst strong promotions from the Mass Merchandisers are driving the Non-Specialist share, particularly in the low-end price points.

Contract phones experienced more moderate growth in Q2 2010 of only 0.2%, with June actually experiencing a decline in this sector of 2.3%. This contraction may continue, as longer contract lengths are bound to impact sales in the second half of 2010 as consumers are tied into their current contracts for longer than before. Knowledge of operating systems are potentially growing for consumers, with the market becoming more competitive and driving contract sales, evident from the fact that 73.5% of Contract phones now sold being Smartphones. Full touchscreen phones continue to grow and are driving contract sales, commanding 57% of the contract market, making traditional block 3x4 and shell/slider phones almost obsolete in this sector.



Photo: Customers trading up

The market is continuing to be driven by all three key areas of digital cameras; fixed lens, SLR and compact system cameras. The ASP of a DSLR has increased from £503 to £615 between Q2 2010 and Q2 2009, very much being driven by the higher specification models and the addition of full HD recording capability for a seemingly small upgrade in terms of the model purchased. Fixed lens models enjoy a price increase in excess of 10%, being driven by the additional zoom capability and higher resolution rates available on some of the higher-end models.

The compact system market is still in rapid growth, up 190% in volume and 160% in value terms. As the consumer becomes more aware of the camera's capabilities, sales will continue to increase. A number of key manufacturers have launched large scale advertising campaigns and both the trade and traditional press are starting to promote these products more aggressively.

Small Domestic Appliances: 'Must have' products drive growth

The Small Domestic Appliances Sector posted strong growth in the 2nd quarter of 2010 with volume sales increasing by 3.2% to reach 18.9 million. Value sales rose by an impressive 7.0% to reach £478.5m.

The key drivers of this growth have been the core 'must have' markets where continued demand for essential household products has also been met by consumers' willingness to trade up their purchases in a quest for ergonomic designs and value added features. The Vacuum Cleaners Market illustrates this trend well with value sales and average prices increasing by 5.8% and 6.4% respectively compared to Q2 2009.

The continued popularity of online shopping has also helped to boost many of the premium markets as consumers are drawn to this retail channel for higher ticket items due to the incremental savings that can be made compared to the High Street. Espresso Machines, for example, have seen growth of 21% in the latest quarter, with 23% of all value sales coming from online transactions.

Information Technology: The story of netbooks and notebooks

The total IT market is experiencing growth when compared to Q2 2009 in both value and volume terms. With netbooks growing at 16%+ in value and 19%+ in volume terms as we see an almost complete shift away from



open source operating systems to a recognised format. The notebook market is showing growth as well with higher specification models being purchased with an ASP of £472 compared to £442 a year ago.

Digital photo frames continue to decline with a value shift of almost 30% in value and 8% in volume, indicating that the fewer frames being sold are going through at a much lower price as retailers work to shift stock.

External hard disk drives have increased in terms of volume sales by 1.4% but declined in terms of value by over 8%. This is being driven by the increased capacity available for a lower price point; the move of the non-specialist channel into this area will continue to drive the price down.

As the year progresses it will be interesting to see how the new web-books start to perform. The view is that with the promised launch in Q3/4 of new models, we will start to see some uptake towards the key gifting season although this is likely to have a much higher level of impact for Christmas 2011.

The impact of 3D has been talked about primarily in the CE markets but there is also a great deal of opportunity for the gaming community across some of the higher specification desktop models. Recent trade fairs have focused on this area as being a key driver for this part of the category.

Consumer Electronics: The World Cup and new product features lead to growth

CE grew in Q2 2010 by more than 6% compared to Q2 2009. After five months of decline, May and June saw growth with the vision sector in June jump by more than 25% in value.

Of course, the World Cup inevitably has had a significant part to play in this and the combination of this global TV event, new models from manufacturers with "must have" features (Freeview HD in particular) and special offers from retailers have combined to produce this dramatic effect.

The fastest growing category by some considerable distance was Super Large Television (greater than 32" screen size). In the weeks immediately prior to the World Cup, the largest TV segment grew by more than 200% in volume compared to the same weeks one year ago. With the focus on these very large models, those manufacturers who were able to bring to market their 2010 models with Freeview or Freesat HD technology on board tended to benefit the most.



Other related HD product areas also grew; namely Set Top Boxes, Blu Ray Players and HDMI Cables.

Whilst, in general, Audio products did not enjoy this uplift, DAB portable radios benefitted well from the Radio Amnesty offer to grow substantially; showing that with more focus this area has great potential.

In the retail domain, those retailers able to mount and publicise their in-store offers naturally tended to perform best across the World Cup period. Mass merchants were the biggest beneficiaries and Independents lost some share.

Looking forward, post World Cup we often see a dip, as TV sales during and before the event tend to be encouraging consumers to buy earlier rather than buy more. The weekly data we have for July is already indicating that this dip is occurring, suggesting that for CE, Q3 will be very tough.

Office: Wireless delivers much needed value to the category

The wireless feature is becoming increasingly important in the Laser MFD market, with growth of 87.5%. This increase is due to entry level models becoming prominent in consumers homes where wireless is an important feature due to the growth of laptops and web-books.

The total laser market has grown 16.3% in value over the past 12 months; this has been pushed by the average prices increasing 5% from £325 to £341 over the same period.

The rising price points have also been clear in the OER channel where it increased 15.6% to stand at £194. The Mass Merchandiser channel on the other hand, even though the value of the market increased 24.3%, average prices declined from £185 to £163, highlighting how products are entering the lower end of the market within the channel and sales are picking up. The internet channel has been performing very well within the market, increasing its value by 32.3%, which has been contributed to by increasing prices from £245 to £265.

Black and white printers over the past 12 months have been stable within the market. In July08-July09 they made up 53.6% of the total market, but a year later their market share only consisted of 46.6%. Colour printers have emerged within the market, dominating with a market share of 46.4%, growing to 53.4% a year later and increasing its value in the market by 34%. The rise in value in the market has been driven by the colour Laser MFD's as they adopt a higher price point, which has contributed to an increase in average price of 5%.



Although the MFD Laser market comprises the smallest segment of laser printers, they have proved to be an emerging area, adopting both higher and lower price points for their products across all ranges.

As regards laser toners, the CSP/OER/TCR channel continues to show declines year on year as the Toner market struggles to retain value contribution. The laser toner market continues to show significant change, with volume enduring the largest year on year decline; the value contribution of this category is being helped by price increases levied by all major printer brands over the last six months.

Major Domestic Appliances: Value continues to outstrip volume growth

The improving fortunes of major appliances at the start of the year have continued into the second quarter with an overall rise in sales of 2.5% in volume and 4% in value*. Whilst anniversary growth compared to the lacklustre performance last year has much to do with this, it is still remarkable given the continuing economic uncertainty and inconsistency in consumer spending patterns over the year to date.

Home laundry enjoyed a markedly stronger three months to June with value sales for both washing machines and tumble dryers increasing by more than 6.5% to stand at £236m collectively. The refrigeration and freezer sectors also contributed with better volume and value sales gains during the same period.

Prices have continued to grow quarter on quarter but at a far slower rate, reflecting retailers returning enthusiasm for price-centric promotion. Interestingly too, the premium segment remains solid over consecutive quarters with nearly 8% of all appliances* being purchased at over £500.

**MDA total 9 (Q2 2010)*



Summary in table format

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q2 10 /Q2 09	Q1-2 2010	Q1-2 10 /Q1-2 09
	M.GBP	M.GBP	M.GBP	M.GBP	+/--%	M.GBP	+/--%
Consumer Electronics (CE)	1,809	3,054	1,991	1,780	4.4%	3,771	0.0%
Photo (PH)	318	483	308	322	8.1%	630	5.5%
Major Domestic Appliances (MDA)	849	869	902	795	4.2%	1,696	5.4%
Small Domestic Appliances (SDA)	482	724	586	479	7.0%	1,065	7.5%
Information Technology (IT)	1,910	2,537	2,153	1,944	9.5%	4,097	5.2%
Telecommunication (TC)	479	619	554	410	6.3%	964	18.0%
Office Equipment & Consumables (OE)	587	605	628	573	-16.2%	1,202	-11.1%
GfK TEMAX® United Kingdom	6,434	8,891	7,122	6,303	4.0%	13,424	3.0%

Source: GfK TEMAX® United Kingdom, GfK Retail and Technology

The survey

GfK TEMAX® United Kingdom is an index developed by GfK Retail and Technology to track the technical consumer goods markets. The GfK TEMAX® Report is published internationally. The findings are based on surveys carried out by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 190.000 retailer outlets worldwide. All reports and press releases are also available at www.gfktemax.com.

For further information, please contact:
Andrew Phipps, tel: +44 870 603 8140, andrew.phipps@gfk.com.

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