



Press Release

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IT Sector Proves Resilient for the First Half of 2009 Back to School Sales to Provide Market Indicator

Nuremberg, September 2 – Let the back-to-school 2009 season begin! After a tough first half of the year, this is an anxiously awaited month to test the resilience of the demand for IT products. With revenue decrease for EMEA of around 7% for consumer products, but with some sales exceeding expectations in unit terms, the beginning of 2009 has thus far drawn heavily on the reserves of the channels and manufacturers. So far, forecasting where the markets would actually go this year has proven an impossible task.

The fundamental demand is apparent in the corporate and consumer segments, but the trigger to purchase has been unbelievably brittle. These have been demand-driven months, an event in itself for the industry.

So far however, despite the announced market collapse, the demand can be described overall as steadfast. Tactical signs are also very encouraging. As of week 33, the PC markets are still exhibiting positive growth in unit terms, with 14% more notebooks sold compared to 2008 in Western Europe.

Shifting more units however is only one indicator on the health of a sector that relies on upgrades and a long tail of after market, so understanding the underlying demand vectors and anticipating the potential outcomes remains essential. For this, Back to School 2009 will be particularly interesting.

The March turning point

Emerging from the dark days that summarised the second half of 2008 and its raft of bad news, the first half of 2009 is a tale of two separate periods. The first quarter saw a slow decline in consumer demand until the middle of March on the whole, followed by a slow recovery until the end of June, continuing into the summer.

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Taking computers as a benchmark category for the sector, the trends in value for the period are clearly demonstrated:

Q1	Jan 09 vs Jan 08	Feb 09 vs Feb 08	Mar 09 vs Mar 08
EMEA Consumer channels, value	-4%	-7%	-11%
Western Europe	2%	0%	-2%
Mediterranean	-19%	-21%	-21%
Eastern Europe	-29%	-27%	-40%
EMEA Corporate channels, value	-11%	-14%	-11%
Q2	Apr 09 vs Apr 08	May 09 vs May 08	June 09 vs June 08
EMEA Consumer channels, value	-10%	-3%	-5%
Western Europe	-2%	7%	5%
Mediterranean	-4%	-10%	-9%
Eastern Europe	-41%	-35%	-36%
EMEA Corporate channels, value	-15%	-14%	-16%

Source: GfK Retail and Technology 2009, computers, value in Euros incl. VAT
Mediterranean = Greece, Turkey

Corporate demand however remained tame throughout the period, with companies initially waiting for an improved visibility on the declining market before proceeding, continued to exercise cautiousness in their investments upon signs of recovery from many sectors and indicators, which explains why this area remains a more difficult proposition.

Looking at the first results of August, these trends are confirmed, showing that the basic demand for products is indeed recovering.

A shift in the regional potential

What is however obvious when looking at regions is the dramatic shift in regional potentials and outlook compared to one year ago. Undeniably, the Middle East and Africa region, with revenue growth of 35%, took centre stage compared to the Eastern European markets, which suffered from a combination of currency issues, domestic economic difficulties and supply problems linked to the financing of the channel.

This shift should actually have experienced its worst run by now, and at least in unit terms, most of the Eastern European markets should bottom out in Q4 2009.

Apart from PCs, installed products find favour with consumers

Apart from the individual products, a large part of the IT product sales was revolving around infrastructure products destined for a group usage, such as networking equipment, or printing. As in the corporate space, the investment decisions for these products have been withheld at the beginning of the year.

While it is clear that both MFD and mono printers have suffered in this first half, (with the exception of laser MFDs with 7% growth), the good news for the entire industry is that revenue on consumables, cartridges and toners, have remained stable, losing only 3% of revenue, and exhibiting marginal change in volume (-1% for inkjet cartridges, EMEA all channels). Throughout the credit crunch, printing has proved a resilient sales domain.

Mixed trends for other IT products

Despite consumer budgets tightening, the accessories market proved durable, and if growth did slow down on accessories for example, a loss of around 3% in revenue terms represents a 'market holdback' as opposed to a collapse in revenue.

In contrast, perhaps the most critical market has been monitors, which suffered from a combination of factors. These included emphasis on notebooks sales (particularly those with larger screens), which cancels the need for a secondary screen as with the previous generation of notebooks, the advent of all-in-one desktops and potentially the additional issue of the lack of LCD panels common to the whole industry. All this contributed to a loss in revenue of 30% in H1 2009 across EMEA.

Back-To-School 2009, taking stock of the durability of the IT products for the future

While consumers and companies alike could have been expected to be wary and cautious about the future in the first half of the year, with many people coming back from holidays the credit crunch is now old news. As a result, the products, segments and channel trends of September 2009 will be important to understand what to expect from the markets in the years to come.

While it is certain that the IT categories have lost much of their channel and demand specificity, becoming a mass technology, it is as yet uncertain how deep this change run. With a diminished overall budget to spend, or at least fewer financial facilities to pay for it, both consumers and companies will have to make alterations to their expenditure. This will lead to market trends and results which will give hints not only on potential revenues for



the next months, but more insight on the new market characteristics to expect for years to come.

These will cover consumer and companies product priorities, the upgrade cycles, structurally critical to the industry and, with new products and formats launched, how new technologies will be received.

For more information, contact Pascal Bollon, +44 (0) 870 603 8274 or at pascal.bollon@gfk.com, or visit our stand at the IFA in Berlin from September 5 to September 9, 2009 (VIP room 2, Grosser Stern).

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