



Press Release

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Consumer electronics booming in Eastern Europe GfK Marketing Services: results for H1 2008

Nuremberg, August 27, 2008 - Sales of consumer electronics continued to boom in Eastern Europe and Russia during the first half of 2008. The two main products responsible for the upsurge were flatscreen TVs and portable navigation systems, according to the latest figures published by GfK Marketing Services at the Internationale Funkausstellung in Berlin.

While the region's economic growth is expected to tail off slightly, GDP is still rising by 4.6% a year, much faster than in Western Europe. This is mainly fueled by strong domestic demand and rising exports as a result of the recent EU enlargement. The strong growth of recent years is mainly due to large rises in household incomes which, according to the GfK Panelmarket survey, boosted value sales of consumer electronics products by 28% in the first half of 2008.

TVs still getting bigger and flatter

Around two thirds of consumer electronics spending is on televisions, which are the main driver of sales growth in Eastern Europe. During the first six months of this year, a sharp rise in demand for LCD and plasma TVs more than offset the continued fall in sales of traditional cathode ray tube (CRT) sets.

First half of 2008 compared to first half of 2007 (GfK retail panel)

- Total TV sales: up 14% by volume and 37% by value
- LCD TVs: up 99% by volume and 79% by value
- Plasma TVs: up 80% by volume and 48% by value
- CRT TVs: down 31% by volume and 49% by value

Around 89% of sales consisted of LCD and plasma sets, while CRT sales slumped from 29% to 11% of the total. The main growth countries are the most prosperous ones, Poland, Slovenia and the Czech Republic, whereas in Hungary, traditional CRT still makes up 17% of volume sales, and in Romania it accounts for 23%.

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Flatscreen TVs have also sparked a significant trend towards larger screen sizes. Slightly more than 73% had screens of 32 inches (80 centimeters) and over, and more than 30% were over 37 inches (90 centimeters).

Future-proofing was also an issue for Eastern European TV buyers. Some 10% of LCD and plasma sets sold were fully HD-ready, and the comparable figure for sets of 37 inches and over rose from 7% to 28%.

Consumers are clearly spending more money on televisions. Despite significant price reductions in all product categories, the boom in flatscreen sales led to an increase in the average retail spend from 412 euros to 498 euros during the first half year, and this figure is likely to increase as people transfer their allegiances towards flatscreen TVs and larger sizes.

Around 3.5 million LCD televisions and 430,000 plasma sets will be sold in Eastern Europe this year, and this growth looks set to continue given that only one in ten households has a flatscreen TV.

DVDs: quality and user-friendliness are increasingly important

Both in terms of volume and value, demand for DVDs in Central and Eastern Europe dropped by 5% during the first six months of 2008. The market for entry-level DVD players is largely saturated, and therefore fell by 6% in volume terms and 7% in value. Nine out of ten DVDs in the region only have a playback function, but the product structure varies from one country to another. Demand for DVD recorders is still relatively low in most countries, though sales in Slovakia, the Czech Republic and Croatia rose from 38% to 48%, which is similar to Western European levels.

With the market for entry-level DVD recorders in sharp decline, Eastern European consumers are increasingly interested in high-end hard-disk recorders, sales of which increased by 23% in volume and 13% in value. Portable DVD players are also enjoying increasingly popularity, with volume sales up 41% and value sales up 26%. Demand for Blu-ray machines is still low: fewer than 8,000 were sold in the first half year.

Camcorders: hard-disk machines dominate the market

Total demand for camcorders has risen since last year, with the fastest growth rates occurring in the countries with the most catching up to do, such as Romania, Bulgaria and Croatia. However, sales in Poland, the Czech Republic, Slovakia and Hungary were down on last year. The market for hard-disk camcorders has more than doubled in size to nearly half of the total, offsetting the fall in sales of mini-DV units. As high-definition camcorders became more widely available, sales of these jumped from 3% to 16% of the total.

Hi-fi: trend is towards higher-end products

Sales of hi-fi equipment flattened out during the first half of the year, though in the most important segment, home theater systems, there was increased demand for high-end products costing more than 400 euros. The hi-fi component market, while relatively small and consisting largely of AV receivers, experienced exceptional growth of 20% by volume and 42% by value. The market is therefore much stronger than in previous years, as the move towards bigger TV screens and HDTV is leading consumers to expect higher sound quality and a perfect home cinema experience.

Portable audio and video players on the crest of a wave

The market for MP3 players shrank by 13% in volume terms and 12% in value, but sales of video players are expanding, accounting for 52% of total sales compared to 29% in the same period last year. The market is dominated by flash memory players with increasingly large storage capacities, which now account for 95% of the market both in volume and value. There are now a large number of low-priced unbranded products on the market, and these are selling like hot cakes.

In-car electronics: portable navigation devices are the top sellers

Sales of portable navigation devices are rising fast, more than doubling in the first six months of 2008. However, car radio sales are falling slightly in most countries.

Storage media market is driven by USB sticks and memory cards

While first-half volume sales of storage media were down 6% on the same period last year, value sales actually jumped by 11% thanks to the popularity of USB sticks and memory cards. Falling prices are stimulating demand for increasingly large storage capacities.

Prospects for 2009

The growth in demand for consumer electronics during the first six months of 2008 shows that consumers are willing to invest in innovative technology and products. GfK expects the Eastern European market to expand by 4% in value next year.

Focus on Russia**Consumer electronics booming**

The OECD expects Russian consumer spending and investment to continue to rise in 2008, with GDP forecast to grow by 7.5% before tailing off slightly to 6.5% next year. Thanks to this favorable economic environment and the continued availability of innovative technology, the consumer electronics market grew by 30% during the first half of this year.

Flatscreen TVs enjoy growing popularity

Sales of plasma and LCD televisions are more than offsetting the rapid decline in sales of CRT sets.

First half of 2008 compared to first half of 2007 (GfK retail panel)

- Total TV sales: up 21% by volume and 51% by value
- LCD TVs: up 108% by volume and 102% by value
- Plasma TVs: up 52% by volume and 25% by value
- CRT TVs: down 17% by volume and 32% by value

Volume sales of flatscreen TVs rose from 33% to 55% of total TV sales, while in value terms these products now account for 87% of the total.

Russian consumers are also displaying an increasing penchant for larger sets. The proportion of flatscreen TVs of 32 inches (80 centimeters) and over jumped from 43% to 56%, while in the largest category, 37 inches and over, around a quarter of sales were of full-HD units. This trend is continuing to gather pace.

4.8 million LCD televisions are expected to be sold in 2008, compared to some 450,000 plasma sets.

DVDs: karaoke is a must-have for Russians

Sales of DVD players and recorders remained largely flat, growing by 3% in volume and 0% in value, and are forecast to reach around 5.4 million units by the year end. Ninety-six percent of these will be DVD players.

Unlike their counterparts in Western and Eastern Europe, many Russians will not buy a DVD player unless it includes karaoke, and 60% of first-half unit sales included this function.

In contrast to tabletop DVDs, sales of portable DVD players are still rising extremely fast, with volume sales up by 74% during the period.

DVD recorders have a smaller share of the market than in Western Europe, with most Russian consumers seemingly unwilling to pay a much higher price for machines with a record function. Another reason for the poor sales of these products is the widespread availability of low-cost pirated DVDs.

However, a significant amount of trading up is taking place in the DVD recorder market. While sales of players are shrinking fast, volume demand for high-end hard-disk recorders in the six months to June was 39% up on the previous year.

Hard-disk, high-definition camcorders becoming increasingly popular

After several years of growth, volume sales of camcorders fell by 4% in the first half of this year. However, value sales rose by 4%, thanks mainly to

increased sales of hard-disk camcorders, which now account for the largest proportion of the market at 37%. Demand for low-cost mini-DV camcorders was well down on last year, and high-definition camcorders are also enjoying increased popularity in Russia, up from 2% of the total last year to 10% this year. Full-year sales are expected to be around 800,000.

Hi-fi: home theater owners trading up

The home audio market in Russia is still in decline, shrinking by 15% in volume and 4% in value during the period. However, the higher-priced segment, and particularly home theater, is still expanding. Here again, karaoke is an important requirement for home theater audio systems, accounting for 73% of sales. Sales of audio systems are expected to be around 1.4 million in 2008.

Portable audio/video players becoming increasingly important

Russia's portable audio market is continuing to benefit from the growth in demand for MP3 players, volume sales of which rose by 64% during the first half of the year, sparking sharp falls in prices. In value terms, sales are growing by 22% annually, and half of all players now have a video playback function. 3.2 million MP3 players are expected to be sold in 2008.

In-car electronics: sales continue to rise

Car radios are flying off the shelves, with sales up by 15% in volume terms and 11% in value. Growth rates for portable navigation devices are also well into double digits, with retailers expected to sell some 150,000 this year.

Prospects for 2009

Russia's consumer electronics market is expected to show continued strong growth in 2009, rising by around 10%. This is mainly the result of new technology and a relatively low degree of market saturation in the less developed regions of the country.

For more information, please contact Thomas Oswald on +49 911 395 3152, thomas.oschwald@gfk.com, or visit our stand at the International Broadcasting Exhibition in Berlin from August 29 to September 3, 2008 (VIP room 2, Grosser Stern).



The GfK Group

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