



## Press Release

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### **2008, test passed so far for the IT demand**

#### **GfK Marketing Services on trends in the IT-market**

**Nuremberg, August 27, 2008 – 2007 has been after all the turning point expected. The underlying dynamics revealed at the time have carried forward the demand surge in 2008, at a time when the traditional IT vectors seemed to have disappeared: in one word, usage value is central to the current trends, much more than technology per se, as a selling proposition.**

This personal computing is the appropriation by the individual of the latest technologies for his/her own usage profile within a digital network, professional or private, integrating the products and technologies within real scenarios lifestyles. This fact alone explains how the sector surfed the first slowdowns observed in other electronics in H1 2008.

It can be sad that the fantastic novelties rolled out lately are not valued primarily for their tech factor, but this creates massive new opportunities as IT and Office hardware is well past its marketing origins as "the next big thing". It is finally becoming the nerve and intelligence centre of the digital revolution foreseen some years back.

The fascinating transformation impacts products, brands, channels, as much as end-users and companies' It purchasers, but as H1 2008 proved, this relatively new sector on the electronics' shelves is a force to be reckoned with.

If you add into the mix the lightning fast rise of the BRIC markets on the global IT scene, providing volumes, and the fast changing face of the distribution channels, which provides new business models, 2008 promises to live up to the hype.

#### **Consumer leading once again this year**

It is not the low-end low-price Notebooks that led the massive increase observed in the first half of 2008. While the overall unit trend for consumer notebooks has ranged from 33% (Western Europe) to 53% (Latin America), the most momentous shift is the development within the sector of the largest "desktop replacements", i.e. the large screen notebooks, the trend



towards micro notebooks below 11', while impressive (over +90%), still marginal within the product mix.

**Consumer Channels sales World excluding USA, units, GfK panelmarket**

Notebook screen Size	H1 2007, in %	H1 2008, in %
< 11 inches	0	3
11-12.9 inches	4	4
13-14.9 inches	30	29
15-15.9 inches	58	53
16-17 inches	7	9
> 17 inches	1	1

Source: GfK Marketing Services

This proves that market demand has become more sophisticated than anticipated, and will continue to astonish, as in the clear trend towards larger monitors on the "desktop" segment. Not only did this help sustain the market, but it highlights the potential that will open to AiOs and home servers, once a proper positioning has been found.

**Unequal trends**

This enthusiasm however was not equally shared, the biggest gripe being of course the massive price slide that accompanied, perhaps unnecessarily, these trends. On a weekly basis, in western Europe, the price of notebook lost 200 euros vs last year (example: ASP Western Europe Notebooks consumer channels 2008 in week 31: 611 euros incl. VAT, 621 euros even when excluding any notebooks below 11', against 819 Euros in 2007 or even 915 in 2006, a drop of 25%).

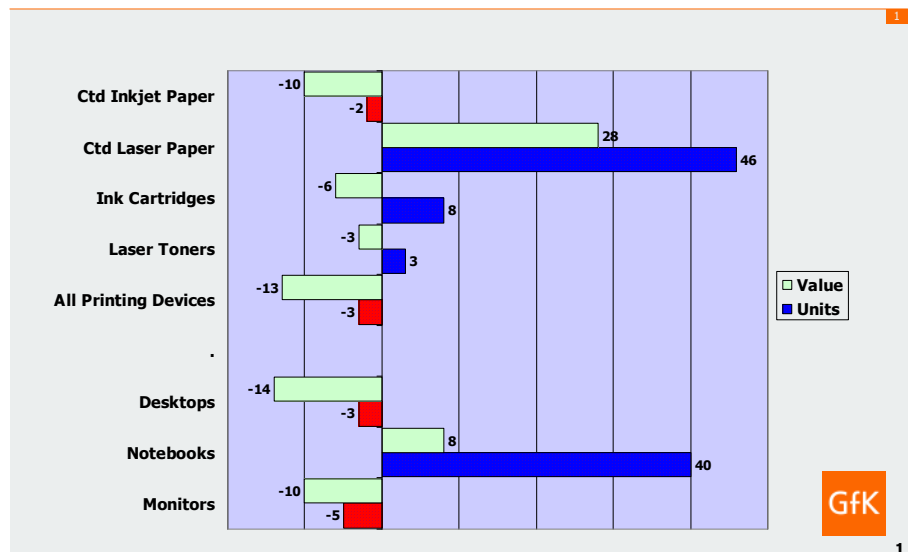
## Panelmarket Western Europe: Development of Key Products (all Sales Channels)

GfK Retail and Technology

Information Technology

Aug. 27, 2008

### 1. Halfyear 2008 versus 1. Halfyear 2007: IT Market Development Rates in % - Western Europe



In product lines, while image printing had sustained the trends over the last years, a slowdown is perceptible, the installed base more convinced with using the printers bought than purchasing new update hardware, hence a positive trend in cartridges vs a slower one in hardware.

### Corporate channels

Directly impacted by the shift in equipment rates between the professional/public location and personal computing, the corporate channel is adjusting to this new environment, swiftly re-evaluating its role in the added value/maintenance sector.

This however has been accompanied in H1 2008 by the start of the upgrade cycle, a cycle that will reach full speed once the latest visualisation and office ergonomics technique make their mark in the valuations benchmarks of the IT purchasers: with more powerful processors, larger monitors and ever better printers, the office space is still lagging behind in catching the latest wave, for very mechanical reasons of decision processes.

The direct valuation of the merit of these new technologies is still key for the sector to join in the "consumer boom".

### Channels concentration and re-focus

Channels have changed not so much in terms of volume shares this year, as in terms of business focus. Be it resellers, as well as computer stores,

Massmerchants, both off and online, all re-evaluate their role and USP with these new game rules.

However, this is not a zero-sum game: multi-channel strategies have ensured that all channels have now a finger in different selling formats, on and offline, consumer as well as corporate, and no "historical" channel has been spared a measure of adaptation.

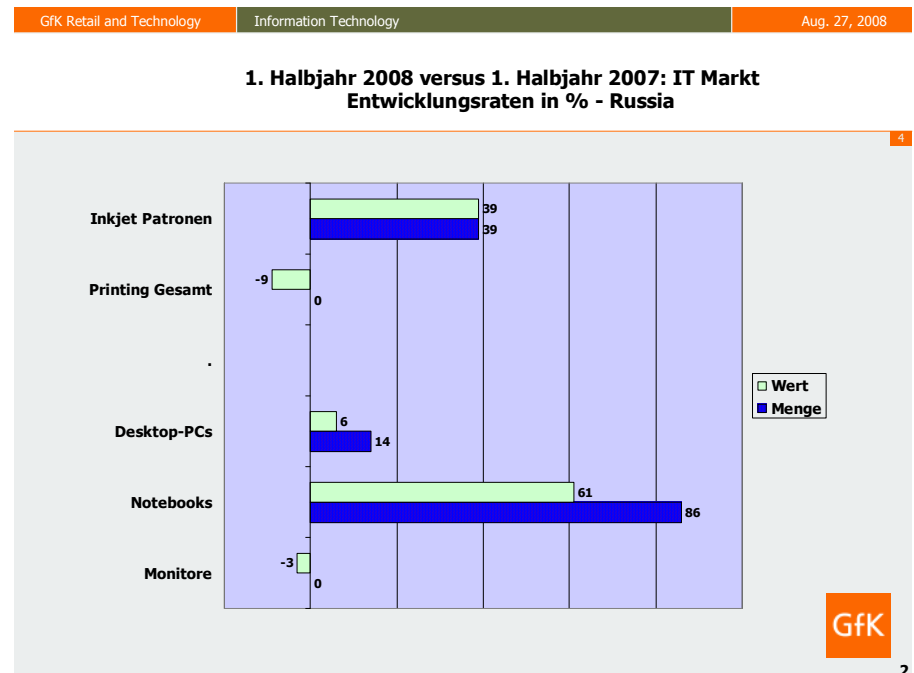
Further, new entrants are eager to try and catch the wave, and the reach of IT and Office products, from origins in a "specialists" distribution, is now widely spread across all possible channels, from resellers down to 7/11's.

**The new markets, opportunity or more of the same?**

New markets and areas, where the IT penetration is still low provide the "big trends".

However, more worryingly, the volume rush has meant that more often than not, these have been reached through low pricing strategies to capture as fast as possible this new installed. A geological cut through a market such as Russia illustrates perfectly this:

**Panelmarket Russia: Development of Key Products (all Sales Channels)**



**So, back to School 2008, crunch time for personal computing**

After a surprisingly high start for the year, we are still in week 32 at +34% for PCs in Western Europe. Apart from the USA, markets seem very

consistent. Driven massively by the consumer IT segment, all actors are hanging on to the first signs of the long heralded "credit crunch".

Coupled with some operations new to the domain, such as free hardware freebies thrown in 3G deals, September will be crucial to reach a verdict on the last 2 years trends: either the volumes reached indicated a real "breakthrough" in the penetration of personal computing, or it was just merely hype.

As the trends in H1 2008 proved, It and Office has entered a new phase, a phase in which the penetration is not anymore only calculated in number of "seats" or family data centers, but from the actual number of individuals who will need to log on and connect to the digital world.

For further information, please contact: the trade fair office at the Internationale Funkausstellung (IFA) in Berlin from August 29 to September 3, 2008 (VIP room 2, Großer Stern), or Pascal Bollon, tel. 0044-(0)7810-633-139, Pascal.Bollon@gfk.com.

### **The GfK Group**

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