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OUTLOOK 2023

# THE STATE OF CONSUMER TECHNOLOGY AND DURABLES

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The most important sector trends and strategies at a glance.

Drastically rethink where, when and how you engage with consumers, or risk being left behind.

Take a closer look at the current economic, social and political climates and what they mean for the future of the sector.

The strategies and solutions business leaders need to sustain growth.

Supply chain disruptions persist. Here's how business leaders need to respond.

Why the old way of thinking about premiumization is no longer fit for purpose.

Find out which products and features are booming, despite falling consumer confidence.

Five key recommendations from GfK for business leaders in the Consumer Technology and Durables sector.

## EXECUTIVE SUMMARY

# A summary of key global insights in 2022

As business decision makers in the Consumer Technology and Durables sector look ahead to Q4 2022 and into 2023, it's clear they must navigate a period of further uncertainty. Is it time for caution or bold action?

On the one hand, ongoing supply chain disruption looks set to add cost and complexity and hamper product availability. On the other, an economic downturn fueled by inflationary pressures and geopolitical events – including the Russia-Ukraine conflict – will contribute to a growing cost of living crisis across many global regions, dampening consumer confidence. In the Consumer Technology and Durables sector, this means a deceleration in demand and a slowdown in value growth, compounded by a level of saturation following advance purchases made during 2021.

For C-suite leadership teams in both manufacturers and retailers, this creates an urgent need to identify strategies that will help mitigate these challenges in both the short and longer term and sustain market share.

Investment in supply chain models, product innovation and brand positioning is often paused amid financial turbulence. However, evidence from previous times of crisis shows that those brands that continued to innovate in these areas are more likely to sustain market share and recover faster. In the 2008 economic crash, for instance, brands that invested in innovation on average saw a 46 point increase in indexed market share between 2008 and 2012 (with 2008 performance as a baseline), while those that didn't saw an average decrease of 20 points over the same period.<sup>1</sup> The same trend is visible as the world emerges from the pandemic, with innovative brands gaining market share over their less innovative competitors.

**-5.5%** ↓

**In H1 2022, total sales value declined by 5.5% compared with the same period in 2021**

Source: GfK Market Intelligence: Sales Tracking; YTD = Jan-June; International Coverage (excl. North America)

**+9 points** ↑

**Brands that invested more in innovation during 2020 saw a 9 point growth in indexed market share in 2021**

GfK Market Intelligence: Sales Tracking

<sup>1</sup> GfK Market Intelligence: Sales Tracking

Key strategies brands and retailers can adopt to navigate uncertainty and win:

## 1. Adapt supply chain models to reflect ongoing turbulence

Amid multifaceted pressures on supply chains, business decision makers may consider refining supply chain models to mitigate volatility.

This could include narrowing their focus to core 'hero' stock-keeping units (SKUs) to maintain availability, combined with a strategic focus on products that facilitate higher launch prices and offset higher supply costs. Though product innovation pipelines require longer-term planning, brands and retailers should lay the foundations now to gain an advantage as early as possible.

Diversification of both production and distribution channels is another long-term strategy that business decision makers should begin to consider in the coming quarters. Alternate production sites provide a way to mitigate volatility. Inflation and penetration rates in developing economies could make these the ideal destination for growth.

## 2. Focus on products that drive convenience and counterbalance financial pressures

Pressure on household budgets has left many consumers reticent to spend on big ticket items.

However, brands and retailers can use data and insights to appreciate the nuances within this overall consumer sentiment to identify opportunities. Some demographics and income brackets are far less exposed to rises in household bills.

In addition, there remain pockets of potential value growth in areas where stretched consumers are still willing to make purchases. These include products that counterbalance financial pressures, such as energy-efficient thermostats, or those that add greater convenience to household tasks, such as robotic vacuum cleaners, washing machines and refrigerators.

## 3. Adjust product, price and brand positioning to the 'new normal'

Covid-19 restrictions have ended in many regions, with shoppers returning to socializing, travel and outdoor activities. But far from expecting a straightforward return to pre-pandemic behaviors, brands and retailers need to reflect a 'new normal' in patterns of behavior.

This includes developing product pipelines that adapt to legacies of the pandemic. For example, with hybrid work proving a long-term trend, the demand for IT and office equipment is still high.

Today's more digitized consumer journeys also require the Consumer Technology and Durables sector to optimize omnichannel touchpoints. Bricks and mortar stores are still a relevant channel but could be reimaged where possible, leveraging next-gen digital technologies. Online spaces should be tailored to reflect the ways consumers now use them. Social channels, for example, could be optimized to fuel sales via ecommerce, as well as drive brand awareness with engaging content.

## 4. Leverage data and insights to stay on top of volatile market trends

Against a backdrop of volatility, business decision makers should ensure that actionable and connected insights are made available to their teams.

This data can be used to carefully rethink shopper segmentation, given that the cost of living crisis is set to create further polarization, on top of the new 'customer categories' created by Covid-19.

Data should also inform adaptations to price and promotional strategies that reflect new market dynamics. Key promotional events, for example, look set to become even more critical in the coming months.

# A need to recalibrate for the rocky road ahead

## A sector slowdown after the pandemic boom

Throughout most of 2021, Covid-19 restrictions continued to curtail travel, socializing and work outside the home. As a result, consumers invested heavily in elevating their at-home experience via devices for eating, entertaining or remote work. Budgets that had been set aside for vacations or travel were diverted toward this push for greater home comforts, freeing up cash to spend on more premium products.

Against this backdrop, revenues across the global Consumer Technology and Durables market soared to an all-time high, with overall sales value growth of 12.2%.<sup>2</sup>

Following this exceptional two-year period, the sector now faces a shift to post-pandemic behaviors and a period of turmoil driven by growing inflationary pressures. C-suite leaders should craft new forward-facing strategies that reflect both these changing priorities, as well as future uncertainties.

Some level of deceleration had already begun in H2 2021. However, the pace of this decline in growth has ramped up significantly, as the impact of Covid-19 has hugely decreased and the pressure on

household budgets has further lessened shoppers' willingness to spend. At the start of 2022, the Consumer Technology and Durables market looked set for value growth and volume decline, but ongoing challenges of both supply and demand have considerably dampened performance.

In fact, in H1 2022, total sales values in Consumer Technology and Durables declined by 5.5% compared with the same period of 2021.<sup>3</sup>

This trajectory spans all major categories. In part, this reflects an exceptionally high baseline created by the performance in

2021.<sup>4</sup> Indeed, the sector still significantly outperformed pre-pandemic sales value growth seen in 2019.

A weaker EUR also skews 2021-2022 performance, with sales value growth in euros being much stronger than in USD.

It's important to take a more nuanced look at how this plays out at a category level. In particular, strong value growth in small domestic appliances (SDAs) (+20%) and IT & office equipment (+32%) in 2019-2022 helped offset a weaker performance within telecoms (+4%) and consumer electronics and photo (-5%) during this period.



<sup>2</sup> GfK Market Intelligence: Sales Tracking and total market estimation incl. North America, based on USD  
<sup>3</sup> GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) Value & growth 2022 vs 2021, CE includes Multifunctional Technical Devices and SDA includes Personal Diagnostics  
<sup>4</sup> GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), Sales revenue growth 2022 vs 2021.

For business decision makers, this should act as further evidence that 2020-2021 were largely anomalous and that deceleration in 2022 reflects, in part, a normalization of the market, rather than a major shift in shopper attitudes. It's likely this trajectory will continue into 2023.

Some global markets are also faring better than others as inflationary pressures and other geopolitical events impact regions unequally. There is a marked difference between emerging and developed economies. This presents opportunities for senior business leaders to pivot their focus to emerging economies, which have been less impacted and where penetration also remains low.

The impact of the Russia-Ukraine conflict varies by region. In Western Europe, for example, the value of sales within Consumer Technology and Durables has fallen 11%.<sup>5</sup> There are several other factors contributing to this deceleration, including a market saturated during Covid-19. However, strong supply dependencies between some European countries and Russia, as well as a more extensive political reaction than in other parts of the world, have played a key role.

Broadly speaking, however, this slowdown has left no category in Consumer Technology and Durables untouched. Looking ahead, although GfK expects some stabilization on negative growth rates in the remainder of 2022, performance heading into 2023 will strongly rely on inflationary pressures and consumer sentiment. For example, at a stable USD exchange rate, major domestic appliances (MDA) markets in 2023 are currently expected to outperform their growth rate in 2022, but may not exceed absolute sales levels.

**+35% ↑**

### Energy price growth in Jul 2022 vs. Jul 2021

Source: OECD

**+8.3% ↑**

### Global inflation rate

Source: IMF, as of Jul 2022

**-5.5% ↓**

### Global Consumer Technology and Durables sales value USD YTD 2022 vs. 2021

Source: GfK Market Intelligence: Sales Tracking; YTD = Jan-June; International Coverage (excl. North America)

<sup>5</sup> GfK Market Intelligence: Sales Tracking, International coverage excl. North America

Far from taking a one-size-fits-all approach, business decision makers need to leverage data and insights on an ongoing basis to understand how these uncertainties in the market are impacting different regions and demographics in subtly different ways. This will put them in a far better position to craft nuanced strategies that reflect the experiences and needs of different shoppers in different parts of the world.

**Multi-pronged supply volatility**

The market challenges driving this slowdown are both multifaceted and interconnected.

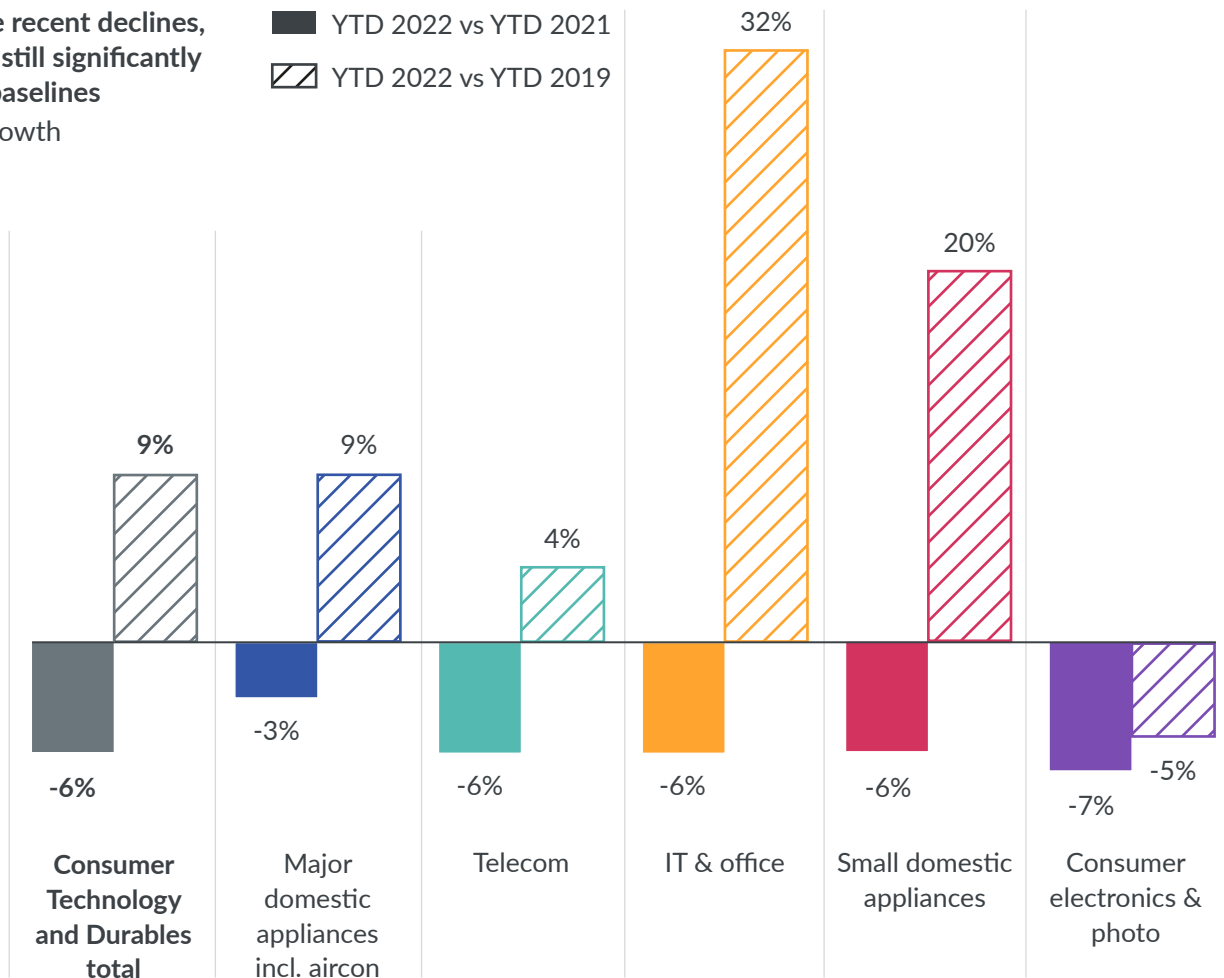
To begin with, the Consumer Technology and Durables market faces multiple obstacles to supply. Pandemic backlogs continue to impede production globally, a problem that is heightened in countries such as China, where sporadic lockdowns continue. These have devastated regional manufacturing, with frequent factory stoppages and logistics

bottlenecks. As a result, many manufacturers have been forced to adjust planned go-to-market strategies and product launches to reflect ongoing restrictions on availability.

The Russia-Ukraine conflict has further impeded the flow of goods globally, particularly those traveling as rail freight via key links in the region. More broadly, the conflict has driven up energy prices, with a knock-on impact on the costs of raw materials, transportation and household expenditures.

**Despite these recent declines, the market is still significantly above 2019 baselines**

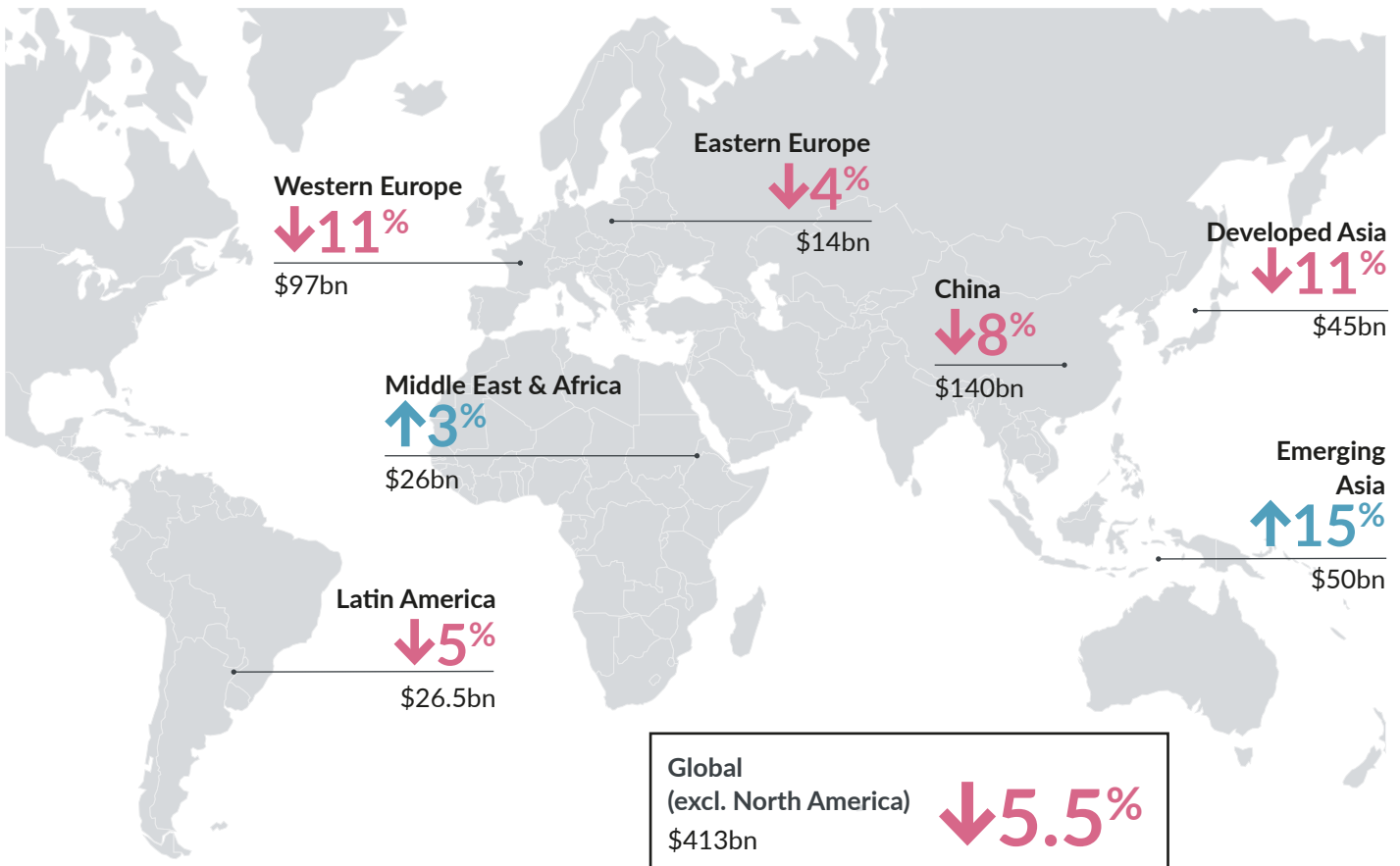
Sales value growth



Source: GfK Market Intelligence: Sales Tracking; YTD = Jan-June; International Coverage (excl. North America)

## Deceleration observed on a global scale, yet growth continues in some regions

Sales values USD (NSP), YTD 2022 vs 2021



Source: GfK Market Intelligence: Sales Tracking;  
YTD = Jan-June; International Coverage (excl. North America)

Inflation globally reached highs of 8.3% in July 2022, with the IMF forecasting this to balance out at 6.6% in advanced economies and 9.5% in developing economies by the end of the year.<sup>6</sup>

A significant dampening of demand is compounding these supply challenges.

Covid-19 restrictions have largely

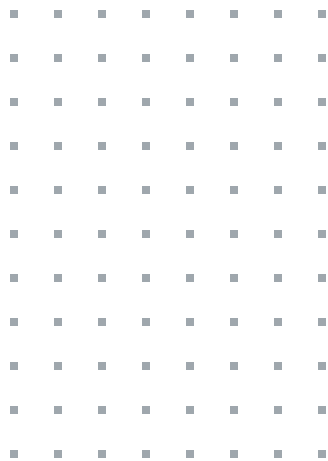
been lifted, leading to a shift in consumer spending priorities, with greater allocation of household budgets to travel and socializing. This has seen less spend on those products that elevate the at-home experience.

There's a growing caution around spending as inflation levels across fuel and food contribute to a cost of living crisis, though this is centered in

Europe and the US. Demand has been impacted across all sectors, with 43% of consumers saying they now feel it's a good time to wait to make any purchases, more than double the percentage who feel it's a good time to buy.<sup>7</sup> As a result of rising costs, 57% say they've already cut back their spending on everyday essentials.<sup>8</sup>

6 IMF (<https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>)  
7 GfK Consumer Life Global 2022  
8 GfK Consumer Life Global 2022





These concerns mean that when consumers do invest in Technology and Durables products they will prioritize value for money, seeking out the best extra features or functionality available for their budgets. This will amplify the role of promotional strategies and the significance of key annual shopping events. Business decision makers in Consumer Technology and Durables need to craft winning strategies for these periods if they are to offset the impact of other market challenges.

## Tapping into emerging markets

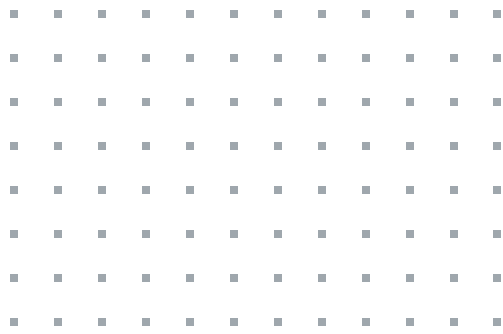
The Consumer Technology and Durables sector faces a sharp slowdown across the globe, but this isn't impacting all regions equally.<sup>9</sup> There is a notable split between the performance of emerging and developed economies.

In part this is because inflationary pressures and disruptions to the flow of goods vary by geography. But it's also down to vastly different penetration rates.

- In China, ongoing lockdowns and movement restrictions due to the zero-Covid policy have fueled an 8% deceleration in value growth rates in H1 2022 compared with the same period of 2021.
- In Western Europe, rising inflation and regional supply challenges stemming from the Russia-Ukraine conflict contributed to an 11% deceleration in value growth in the same period. Post-Covid saturation coupled with high existing penetration rates also played a role.
- But in emerging Asian markets, comparably lower inflationary pressures coupled with low penetration saw sales soar by 15% in H1 2022.

These geographical variations represent a clear opportunity for brands and retailers to pivot their attention to previously untapped markets. "With in-depth and up-to-date data and insights, and supported with the right expertise, we enable brands to develop successful regional expansion programs that provide them a foothold in potentially lucrative new markets," says Jutta Langer, Vice President Consulting at GfK.

<sup>9</sup> GfK Market Intelligence: Sales Tracking, International coverage excl. North America



"By slimming down SKUs, teams can focus on maintaining availability of those 'hero' products that drive consumer engagement and loyalty."

Jutta Langer,  
Vice President Consulting at GfK

**Innovation to help brands retain market share and recover faster**

Despite these challenges, there are plenty of opportunities for brands and retailers to navigate this tough climate and sustain market share. However, they may need to put down some past strategies and rethink business models to align with current consumer values and market dynamics.

In short, they'll need to innovate across supply, product, price and brand positioning.

It's a lesson learned from previous crises. Those brands that continued to innovate during the 2008 recession had gained an average of +13 points indexed market share by the following year, while those companies that pressed pause on their activities lost 5 points in the same period (with 2008 performance as a baseline).<sup>10</sup> Much the same trend is playing out with the pandemic, where brands that invested more in innovation during 2020 saw a 9 point growth in indexed market share in 2021, and those that didn't saw a 10 decrease from the 2020 baseline.<sup>11</sup>

That's why now is the time for the Consumer Technology and Durables sector to recalibrate and react to current challenges.

**This report will look at how retailers and manufacturers can:**

- **Optimize supply chain** models
- Tailor product mix to **reflect current consumer sentiment and behaviors**
- **Leverage insights** to refine price, promotions and brand positioning



10 GfK Market Intelligence: Sales Tracking  
11 GfK Market Intelligence: Sales Tracking

# Start by optimizing your supply chain

**Brands and retailers are no longer just operating within a consumer-driven economy.**

Whereas consumer behaviors have often dictated the shape of the Consumer Technology and Durables market, today the disequilibrium and redesign across the global supply chain is the primary determinant of the health of the sector.

That's why, in crafting strategies for the short, medium and longer term, business decision makers need to prioritize the optimization of their supply chains.

**Prepare for some disruption to persist**

The difficulties that dogged global supply chains at the start of 2022 are showing some signs of improvement. The average lead time on shipping from China to the US was 63 days in July 2022, for instance, down from 80 in December 2021.<sup>12</sup>

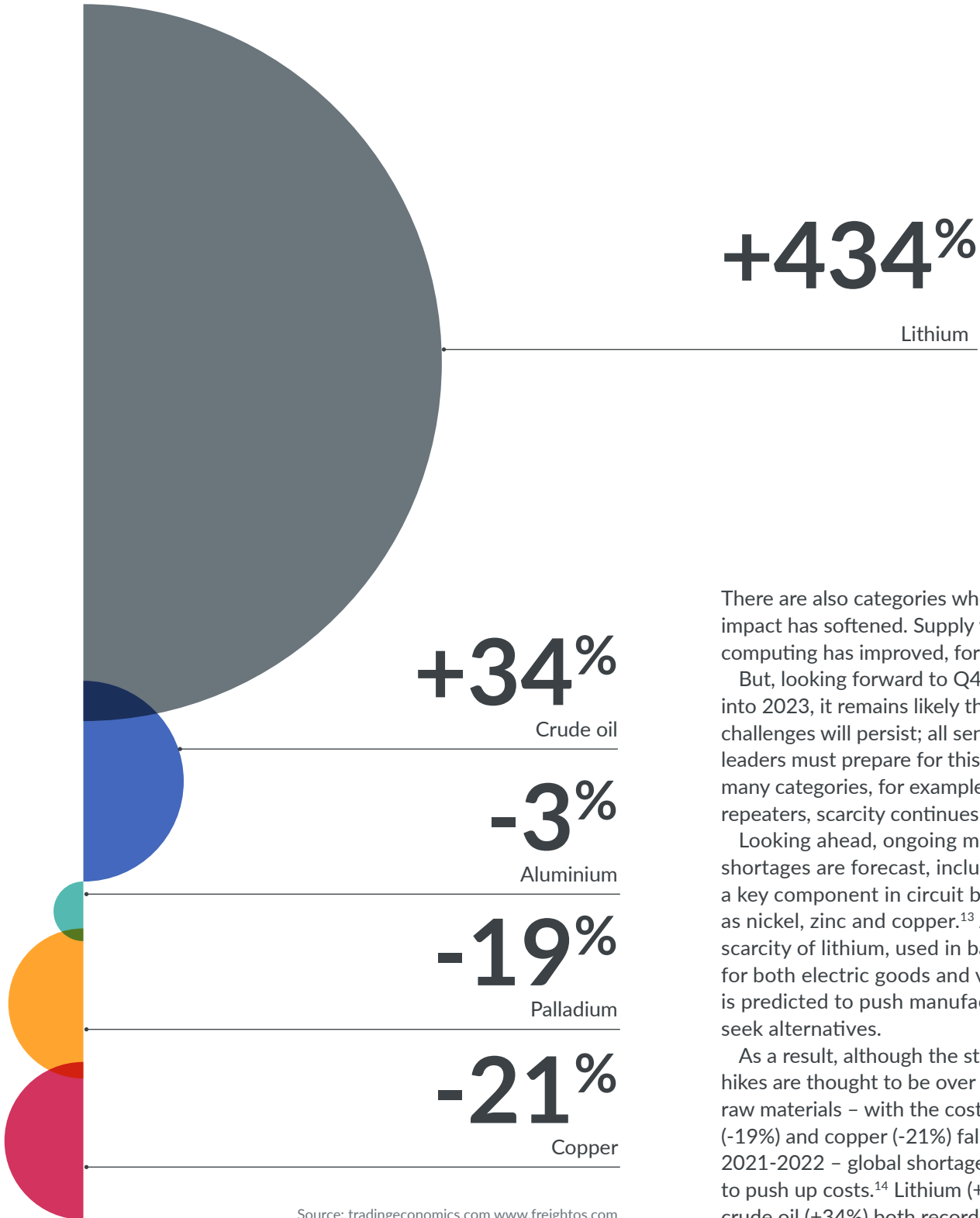
**63 days**

lead time on shipping from China to the US (down from 80 days in Dec 2021)

Source: [tradingeconomics.com](https://tradingeconomics.com) [www.freightos.com](https://www.freightos.com)

12 [tradingeconomics.com](https://tradingeconomics.com) [www.freightos.com](https://www.freightos.com)

**While some commodity costs stabilize, others continue to soar**  
 Price increase Jul 2022 vs Jul 2021



There are also categories where the impact has softened. Supply within computing has improved, for example. But, looking forward to Q4 and into 2023, it remains likely that some challenges will persist; all senior business leaders must prepare for this reality. In many categories, for example routers and repeaters, scarcity continues.

Looking ahead, ongoing material shortages are forecast, including for tin, a key component in circuit boards, as well as nickel, zinc and copper.<sup>13</sup> A continuing scarcity of lithium, used in batteries for both electric goods and vehicles, is predicted to push manufacturers to seek alternatives.

As a result, although the steepest price hikes are thought to be over for some raw materials – with the cost of palladium (-19%) and copper (-21%) falling from July 2021-2022 – global shortages continue to push up costs.<sup>14</sup> Lithium (+434%) and crude oil (+34%) both recorded big price increases in this period.

13 <https://www.businessleader.co.uk/raw-material-shortages-set-to-cause-havoc-on-supply-chains-for-years-to-come/>

Brands and retailers have responded with pricing strategies that enable them to opt for higher launch prices. This trend is particularly apparent in SDAs, with a 41% rise in the launch price of vacuum cleaners in H1 2022 compared with 2019, for example.<sup>15</sup>

In addition, manufacturers and retailers need to accommodate new demands on supply chains. This includes new legal requirements, such as the UK's 'right to repair' law, which came into force from July 2021 and requires manufacturers to make replacement parts available to consumers. There are also a series of new environmental, social and governance (ESG)-related financial disclosures set to impact many larger brands and retailers. The EU's Sustainability Finance Disclosure Regulation (SFDR), for example, came into force from March 2021 and requires organizations to publicly disclose additional information on their sustainability policies. Both developments could require significant adjustments to how supply chains are managed, creating new capacity demands on production lines, as well as requiring operations teams to collect, store and share supply chain data.

**Strategic, stripped-back SKUs help mitigate availability woes**

With these supply chain challenges set to persist into 2023 and beyond, both brands and retailers need to plan ahead carefully, forging strong supply chain partnerships and rethinking strategies to focus on existing 'hero' products and innovation.

To navigate poor availability, C-suite leaders may also want to consider an optimized product portfolio, with high SKU counts adding greater complexity to supply chains without necessarily contributing proportionate value.

**Shipping costs are also improving at varying rates**

Jul 2022 vs Jul 2021

**+40% ↑**

**North Europe to US East Coast**

**-22% ↓**

**Asia to North Europe**

**+3% ↑**

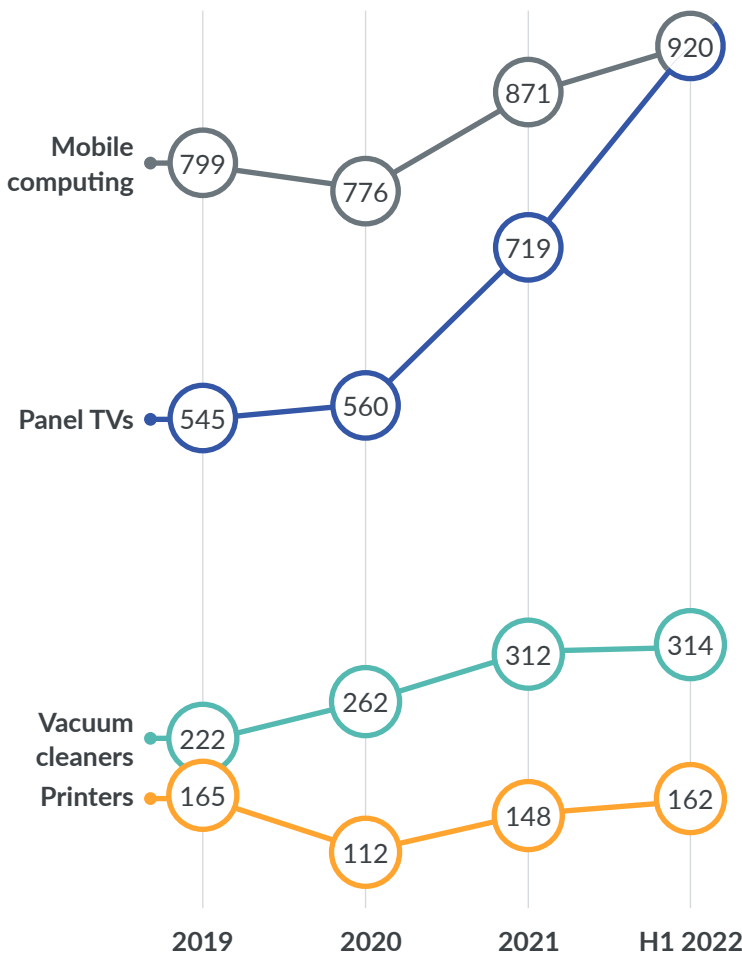
**All Routes**

Source: [tradingeconomics.com](https://tradingeconomics.com) [www.freightos.com](https://www.freightos.com)

14 [tradingeconomics.com](https://tradingeconomics.com) [www.freightos.com](https://www.freightos.com)  
 15 GfK Market Intelligence: Sales Tracking, Period: 2019-2022 YTD Jan-Jun 2022

**Brands and retailers respond to pressures by adopting strategies that enable higher launch prices**

Launch price development per category: USD



Source: GfK Market Intelligence: Sales Tracking; International Coverage (excl. North America)

“By slimming down SKUs, teams can focus on maintaining availability of those ‘hero’ products that drive consumer engagement and loyalty,” suggests Langer. “To identify these products successfully, though, companies need to make use of a mix of market and consumer data, to take into account both past sales and emerging consumer trends. Equally, to understand and navigate the complexity of the supply chain, decision makers need to monitor the competitive landscape to make sense of channel dynamics, inventories and margins.”

Companies may also consider prioritizing a pipeline of new product development (NPD) and innovation as part of any product portfolio. Not only can availability be easier to determine on new products and technologies than existing ones (in some cases), but new SKUs can be more easily positioned at a higher launch price to reflect increased supply and production costs. However, to pursue this strategy, higher-priced products need to be supported by a compelling value story to win customers over.

This strategy may also require the adoption of new technologies earlier than planned, such as the latest iterations of Wi-Fi networks, and sufficient forward planning to coincide launches with the emergence of these new technologies into mainstream consumer markets.

By carefully rejigging both channel strategies and product mix to optimize existing supply chains, brands and retailers will put themselves in a far better position to navigate delays and shortages, while minimizing impacts on sales or brands.

## Innovation in action: Diversified supply chains may offset volatility

**Many of the current supply chain challenges facing the Consumer Technology and Durables market are amplified by globalization and the fragmentation of global trade.**

One option for brands and manufacturers to explore is developing a more diversified supply chain, leveraging alternative production sites to spread risk.

This is by no means a one-size-fits-all solution. After all, new sites can create new sources of disruption. Diversification is also a long-term strategy, with significant capital investment required to construct new warehouses or logistics frameworks.

But for some companies in the Consumer Technology and Durables sector, a plan that incorporates more alternatives may be one way to offset potential volatility and gain greater proximity to their supply base.

There is some precedent here. Following the supply chain chaos that businesses faced during China's successive lockdowns, for example, some companies redesigned manufacturing and distribution

networks to offset the impact, either by shortening supply chains or diversifying manufacturing across several geographies to spread the risk.

Likewise, in response to the UK's exit from the EU, some UK companies opted to 'nearshore' operations to mitigate the complexities and uncertainties that plagued custom borders.

And in the US, in response to the Russia-Ukraine conflict, a number of firms have moved or are said to be considering a move to domestic production.

There are some significant risks for any business decision maker to consider, of course. These include the potential for higher manufacturing costs when alternate sites are in developed economies. They could also risk losing priority relationships with established suppliers or face labor shortages in developed economies, with 2.1 million manufacturing jobs already vacant in the US.<sup>16</sup>

Nevertheless, by creating more diversified supply chains, there is potential to mitigate some of the disruption outlined earlier in this report.

16 <https://finance.yahoo.com/news/nearshoring-could-be-the-answer-to-americas-logistics-problems-175720272.html>

# Focus on innovation that counterbalances consumer pressures



**+13.1% ↑**

**rise in global food prices  
in Jul 2022 vs. Jul 2021**

Source: FAO Food Price Index

**The same inflationary pressures hitting businesses hard are putting significant strain on household budgets, with a direct impact on demand in the Consumer Technology and Durables sector.**

Brands and retailers must ensure they fully understand these pain points to retain their appeal and navigate the economic turmoil that is set to persist into 2023 and beyond.

## **Consumer confidence is falling**

In many markets, consumer confidence has nosedived amid concerns of a pending recession.

As of July, the baseline forecast for global GDP growth is a slowdown from 6.1% last year to 3.2% in 2022 – 0.4% lower than forecast in April.<sup>17</sup> As above, there is a plethora of factors fueling this economic downturn and driving escalating levels of inflation, particularly in Europe

and the US, with significant hikes in the costs of food and fuel in H1 2022. In July 2022, global food prices rose 13.1% compared with the same month of the previous year.<sup>18</sup>

<sup>17</sup> <https://news.un.org/en/story/2022/07/1123342>

<sup>18</sup> <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>



As a result, consumer confidence in the current situation has fallen steeply, with a strong reluctance to buy non-essential items across all sectors. Only one-fifth (20%) of consumers consider it a good time to make a purchase, for example, while nearly half (43%) believe current buying conditions mean it's better to wait.<sup>19</sup>

But for business decision makers in the Consumer Technology and Durables sector, it's important to remember that this fluctuation in consumer confidence varies by age, income and region, with certain groups more optimistic about their future than others.

This highlights the need for brands and retailers to tailor communications when targeting different demographics. While boomers might be the most responsive to a value-led approach, for instance, millennials may be more open to a value-add strategy that nudges them into more premium categories.

Equally, brands could reconsider unexplored global markets where consumer confidence appears less vulnerable to ongoing instability and where penetration rates are also likely to be far lower.

# 80%

**of high income individuals are confident they will be personally better off in 12 months**

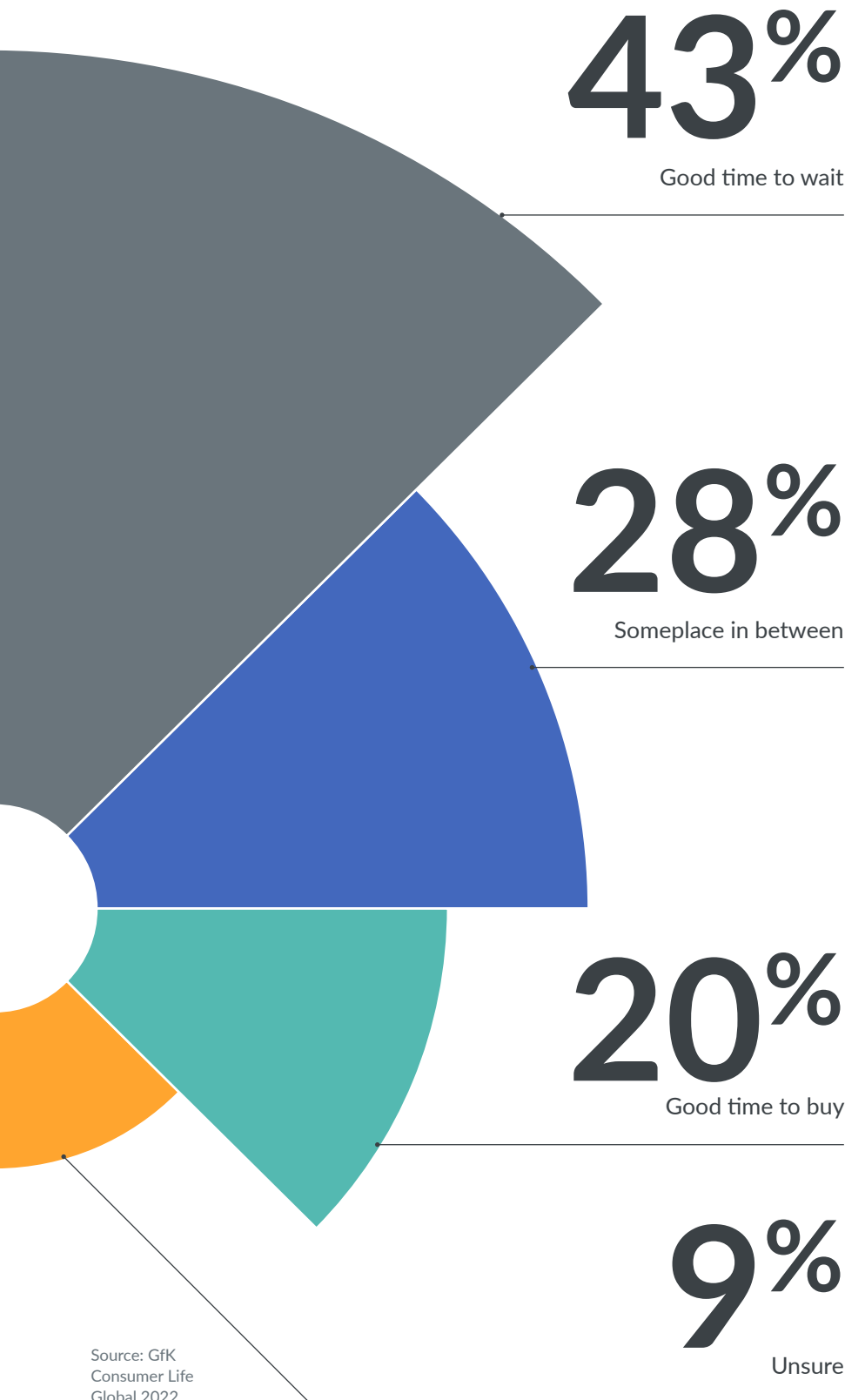
compared with

# 67%

**of low income consumers**

Source: GfK Consumer Life Global 2022

**Consumers are increasingly likely to hold back on spending**  
Global consumers' feelings towards current buying conditions



**Value growth opportunities amid dampened demand**

The attributes that consumers value often change in a time of crisis. In periods of economic prosperity, factors like a compelling brand, high product quality and premium look and feel sit at the top of the priority list. But during economic uncertainty, this switches to value, functionality and affordable indulgence.

Brands and retailers within the Consumer Technology and Durables sector need to take this into account when planning their product assortment, pricing and wider brand positioning in the coming quarters.

**Products that help counterbalance consumer pressures**

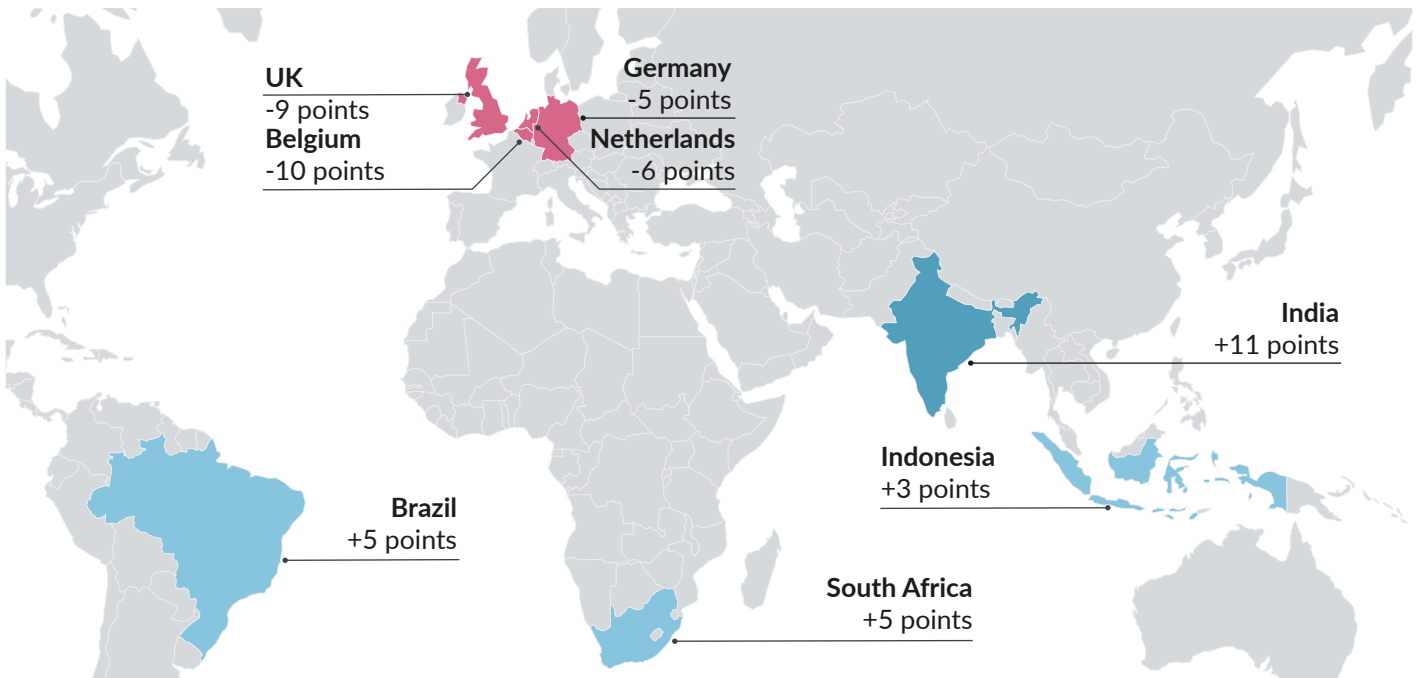
- **Energy-saving devices:** This includes smart thermostats, which saw a 48% increase in sales in H1 2022 compared with the same period in 2019, as well as smart LED lamps (+32%).<sup>20</sup> Though these aren't low-cost items, the fact that they deliver energy savings, increased convenience and portability allows consumers to justify the expense, even at a challenging economic time.
- **Products that offer convenience and added value:** In SDAs, for instance, sales of robotic vacuum cleaners grew by 101% from H1 2019 to H1 2022. Smart major domestic appliances saw 69% growth in the same period, despite already high penetration rates, and sales of smart home monitoring devices also increased by 102%.<sup>21</sup> All three provide a clear USP in saving consumers time and hassle.

Source: GfK Consumer Life Global 2022

20 GfK Market Intelligence: Sales Tracking, Jan-Jun 2022 vs PY YTD  
21 GfK Market Intelligence: Sales Tracking, Jan-Jun 2022 vs PY YTD

### Confidence is rebounding in developing markets ahead of more developed regions

Change in percentage of consumers who are confident they will be better off in 12 months, 2022 vs 2021



Source: GfK Consumer Life Global 2021 and 2022

**"The bottom line for brands and retailers is that though confidence is low, there are still products within the Consumer Technology and Durables sector for which consumers are willing to invest, so long as they're supported by a compelling case for either enriching their lives or easing pressures they face during a difficult time"**

Vishal Bali,  
Global VP Customer Success at GfK

## Innovation in action: Maintain efforts toward sustainability to create added value

It may be tempting to press pause on efforts toward improving sustainability during a period of economic uncertainty, but brands and retailers should think carefully before doing so.

For consumers, purchasing eco-friendly products remains an important consideration.

For example, between April and July 2022, though general consumer sentiment fell 12 percentage points across Germany, concerns about sustainability stayed resilient, dropping only a single percentage point.<sup>22</sup>

For the Consumer Technology and Durables sector in particular, there is already a significant gap between consumer expectations on sustainability and the efforts that they believe many brands are making.

- 73% of shoppers say it is important companies take eco-friendly actions
- But just 1.6 out of 10 brands are currently considered eco-friendly.<sup>23</sup>

In addition, a growing roster of ESG requirements, such as the EU's SFDR regulations, create a new imperative to sustain efforts or fall foul of compliance law.

To put sustainability on the backseat now could therefore prove damaging.

There are challenges that businesses face in pursuing sustainability as a focus. This includes a lack of universal standards on what constitutes a sustainable product, be it energy use, manufacturing, delivery or disposal. This gap can leave companies exposed to allegations of greenwashing and requires strong brand equity to overcome.

But supported by the right communications strategy, sustainability is a macro-trend that holds plenty of opportunities for the Consumer Technology and Durables sector, many of which can also be linked directly to easing household financial worries.

For example, shoppers are showing far greater interest in purchasing refurbished products, both to save money and to reduce the environmental impact of manufacturing.

Across all sectors, 27% of global consumers have bought something secondhand rather than new in the last year.<sup>24</sup>

This creates new potential revenue streams for businesses, whether by partnering with specialist third parties to carry out repairs before putting items up for resale, or selling repair kits or replacement parts direct to consumers.

22  
23  
24

GfK Sustainability Index 2022

GfK Consumer Life Global 2022, gfknewron Consumer Q3 2021 EU5

GfK Consumer Life Global 2022

# Adapt business models to reflect the 'new normal'

**It isn't only declining consumer confidence that has dampened demand within the Consumer Technology and Durables sector.**

There's also a need for brands and retailers to quickly adapt to the 'new normal' in the coming months, responding to shoppers' reintegration of socializing, travel and outdoor activities into their lives and budgets. This includes rethinking where, when and how they engage with consumers.

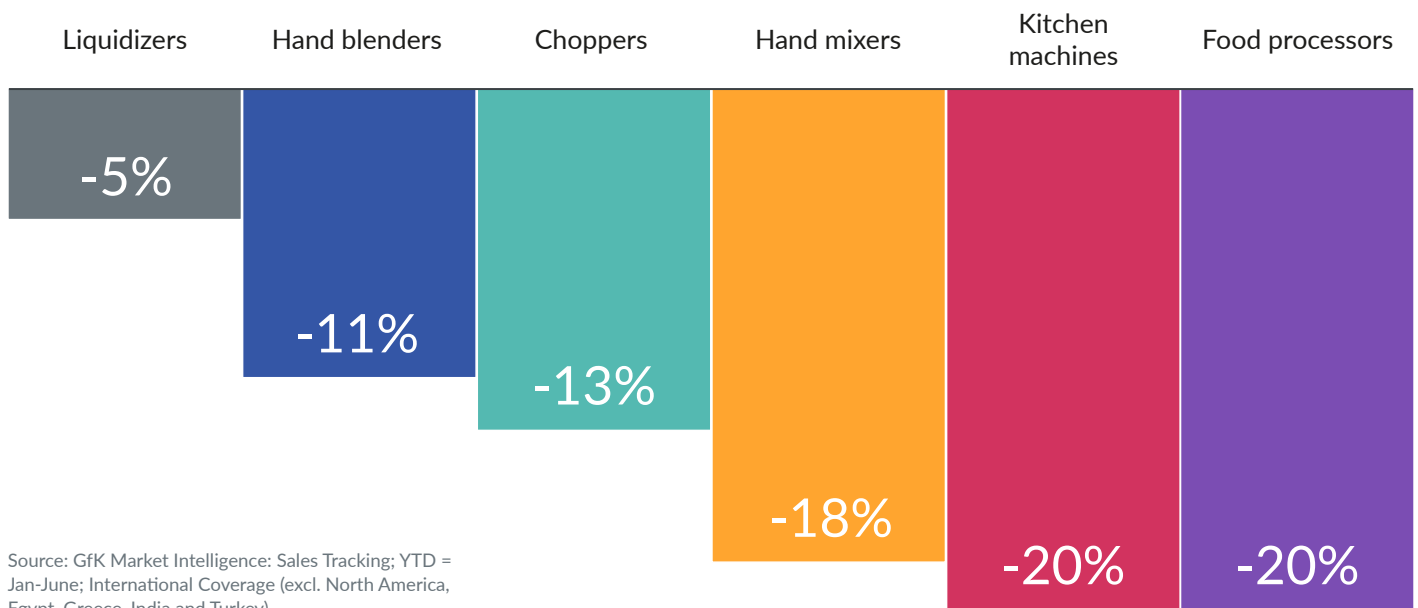
"There are so many different forces now that are shaping consumer behaviors,"

says Eric Wagatha, Head of Consumer Life, N.A. at GfK. "There's a return to life outdoors and at the same time an ongoing rise in hybrid or remote work, as well as shifts in how consumers engage with different channels thanks to their evolving relationship with digital devices.

Now more than ever, what organizations need is real-time insight into this behavior, with the last two years amplifying the speed with which consumer behavior and priorities can change."

## As consumers get back to restaurants, the eat-at-home trend decelerates

Food preparation segments sales value USD, growth rate, YTD 2022 vs YTD 2021



Source: GfK Market Intelligence: Sales Tracking; YTD = Jan-June; International Coverage (excl. North America, Egypt, Greece, India and Turkey)

### Covid-19 will impact consumer behavior for years to come

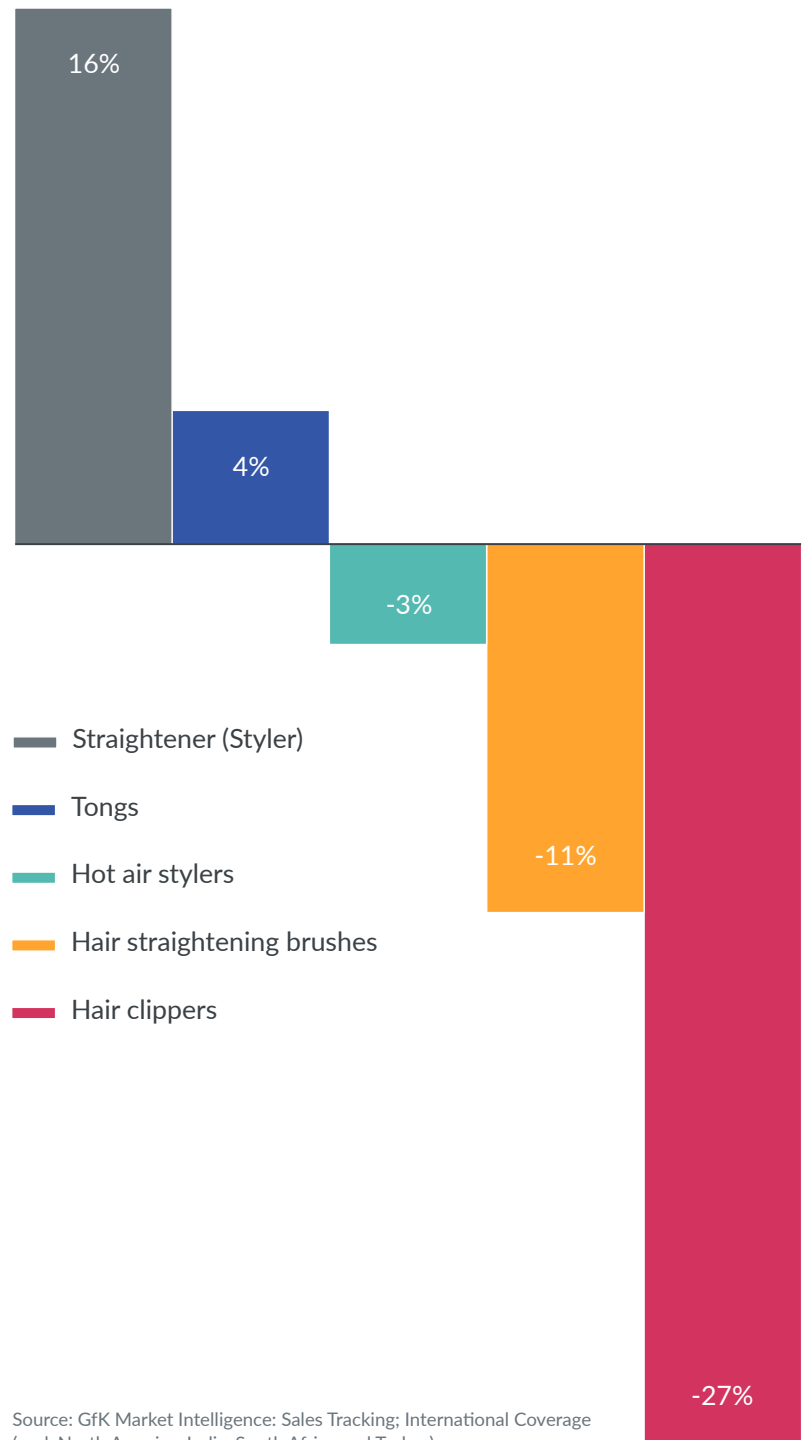
As restrictions have ended, demand has declined for products that enhance life at home.

- Sales of food preparation devices, including processors, kitchen machines and hand mixers waned in H1 2022. In part this was driven by saturation from previous years when locked-down shoppers splurged, but it can also be explained by the full reopening of hospitality sectors in many markets.
- A return to in-person socializing has also fueled growth in hair styling devices, such as straighteners. On the other hand, there's no longer a need for people to act as their own hairdresser, with a corresponding dip in sales of hair clippers.
- Work from home categories that flourished during lockdown have also seen small dips. This can be seen in sales of coffee machines, for example, with declines in Espresso Fully Automatic coffee machines (-4%) and Single Serve Espresso (-13%).

However, it's important for brands and retailers to note the continuing legacy of Covid-19 for consumer behavior. While many 'normal' activities have largely resumed, there remains a structural shift in how consumers work, connect and spend time at home, which will impact the appeal of Technology and Durables products for the longer term.

### Consumers invest in styling their hair, but no longer need to be their own barbers

Hair care segments value change Jan-Dec 2021



Source: GfK Market Intelligence: Sales Tracking; International Coverage (excl. North America, India, South Africa and Turkey)

While the number of people working remotely has reduced, the adoption of flexible and hybrid work schedules that began during the pandemic looks likely to continue for some time. Interest in home office equipment therefore remains high compared with pre-pandemic levels, with sales of IT and office devices up 32% in H1 2022 versus the same period in 2019,<sup>25</sup> despite a small dip compared with the highs of 2021.<sup>26</sup>

Not only will many consumers continue to work at home, but having been exposed to the potential of a multifunctional, tech-enabled home, they'll be unlikely to set aside their interest in at-home categories for good. C-suite leaders should therefore ensure they don't simply revert to pre-pandemic product mixes when mapping out their focus for 2022 and 2023.

#### **Design enhanced touchpoints for multichannel consumers**

The changes are seen not just in the things that consumers buy, but in the mix of channels which they use to find inspiration, carry out research or make purchases.

**50%**  
of respondents say they will increase their online shopping

Source: GfK Consumer Life Global 2022

<sup>25</sup> GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), Sales revenue growth 2022 vs 2019  
<sup>26</sup> GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), Sales revenue growth 2022 vs 2021

# 61%

**of sales in Europe occurred in traditional stores in Jan–Jun 2022, up from**

Source: GfK Market Intelligence: Sales Tracking, USD (NSP) Value %; Region: Europe

For instance, although ecommerce levels have eased somewhat since the highs of 2020 and 2021, this 'new normal' baseline remains far higher than before the pandemic. In Western Europe, for example, the value share of ecommerce sales in Consumer Technology and Durables has dropped to 39% in 2022, versus 45% in 2021, but remains considerably higher than in 2019, when it represented just 27% of value share.<sup>27</sup>

This trend is echoed across all global regions, albeit at variable rates. In the Middle East and Africa, for instance, while the value share of ecommerce sales has tripled between 2019 and 2022 to 15%, it remains proportionately a far smaller part of the overall Consumer Technology and Durables market.

This trajectory points to a longer-term digitization of shopping behaviors, and brands and retailers need to be prepared.

However, the solution doesn't lie in neglecting physical stores. Indeed, 61% of sales still occurred in traditional bricks and mortar outlets in H1 2022, up from 57% in the same period last year. Retail stores are becoming increasingly experiential, destination-led spaces, ripe for innovation.

Brands and retailers need to optimize touchpoints across multichannel customer journeys, using data and insights to better understand how shoppers utilize each channel in different ways.

# 57%

**over the same period the previous year**

Source: GfK Market Intelligence: Sales Tracking, USD (NSP) Value %; Region: Europe

That could mean greater focus on creating engaging content on social channels, in-depth product information on brand and retailer websites, and standout merchandising in stores to reflect this channel's role in supporting most eventual purchases.

In short, no matter which channel consumers choose to discover, research or buy products from, companies in the Consumer Technology and Durables sector must ensure their needs are met.



## Innovation in action: Leverage next-gen digital innovation, in store and online

As traditional lines between online and offline have dissolved, new ways to engage with customers are emerging.

This isn't just focused on online tools. In fact, many next-gen digital innovations can elevate in-store experiences too. By reimagining physical stores as experiential hubs in which customers can test and trial products, those retailers and direct-to-consumer brands that have already sunk significant costs into physical real estate can find novel ways to make the most of this offline channel.

The emergence of AR and VR technologies, for instance, can pave the way for brand new in-store or online experiences. Not only do they create opportunities to build buzz and excitement around new products or brands, but they can also facilitate new brand interactions, help gather customer feedback and foster innovation

and co-creation. The potential to access the small subset of pioneering customers already engaging with the metaverse takes this one step further, with the emergence of events, workshops or stores open to digital avatars in virtual worlds.

In China, live shopping or 'social selling' has also seen a dramatic rise in recent years, with plenty of opportunity for other markets to follow suit. By partnering with influencers – known as 'Key Opinion Leaders' in China – this allows items to be sold online via live, high-energy events. These respond to consumer concerns and questions in real time and often tie in with limited-edition ranges or promotions.

These are just two examples of how brands and retailers can leverage new digital tools to connect and communicate with consumers, online and offline.

# Adapt pricing, promotions and brand positioning to reflect uncertainty

**In the current climate, C-suite leaders in the Consumer Technology and Durables sector need to ensure clear, coherent and differentiated brand positioning, as well as pricing and promotional structures that reflect changing consumer priorities in a period of uncertainty.**

They'll need to rethink data and its availability to wider teams, segmentation, product assortment and key promotional events to optimize their place in the market and identify opportunities for growth.

## **Leverage data to navigate turbulent times**

As we've explored, post-Covid there have been permanent shifts in the consumer landscape, be that the digitization of

shopping habits or the shift to hybrid work patterns. This is compounded by declining levels of consumer confidence as inflationary pressures bite.

Amid such volatility, business decision makers should ensure they're staying on top of these rapidly changing consumer behaviors, regularly leveraging accurate, comprehensive and reliable data that digs into exactly how values and expectations are evolving.

"It's all about fine-tuning your business plans to reflect the needs of consumers and understanding how each shift in the market could impact your business," says David Lewis, VP of GfK Market Intelligence and gfknewron. "With the volatility the markets are facing these days, high-quality, reliable data is essential for making decisions and staying aligned with the current pace of change."

This data can come from multiple sources. Brands and retailers may opt to engage in social monitoring, consumer sentiment studies or brand tracking, an approach that measures brand building efforts against key metrics such as consumer awareness. They may also incorporate POS data to connect the dots between consumer sentiment and the actions they take.

"But crucially, as well as the data itself, companies need a robust process to review and share it across the organization, collaborate to take informed decisions and analyze it in conjunction with other market data to understand not just what is happening, but why," adds David Lewis.

# 43%

**of consumers only buy products or services from a trusted brand**

Source: GfK Consumer Life Global 2022

## Rethink segmentation to reflect a polarizing market

Both brands and retailers need to carefully rethink their customer segmentation models.

Not only has the global pandemic already created brand new customer categories, but the cost of living crisis is creating further polarization.

- As explored above, high-income earners are far more confident that they'll be personally better off within the next 12 months.<sup>28</sup>
- This already corresponds to a drop in those same low-income earners purchasing Consumer Technology and Durables, down from 16% of total sales in 2019, to 11% in 2022.<sup>29</sup>
- There are also marked differences between Gen Z and Boomers, with 76% of Gen Z confident they'll be personally better off in 12 months, compared with just 55% of Boomers.<sup>30</sup>

That creates an urgent need to update consumer profiles to reflect the current state of the market and understand changing consumer behaviors.

"A great way for businesses to stride confidently into uncertainty and a highly volatile market is to become diligent about segmenting their customer base and hitting them with the right product offerings as well as messaging on the right channels," explains Bali.

"With limited budgets, retailers and manufacturers need to become good at optimizing their spend on the right customers while fulfilling the right needs. Rather than 'spray and pray' tactics, a targeted approach with a clear ROI measurement is critical."

# 40%

of consumers agree that it is better to buy well-known brands because you can rely on their quality

Source: GfK Consumer Life Global 2022

# 18%

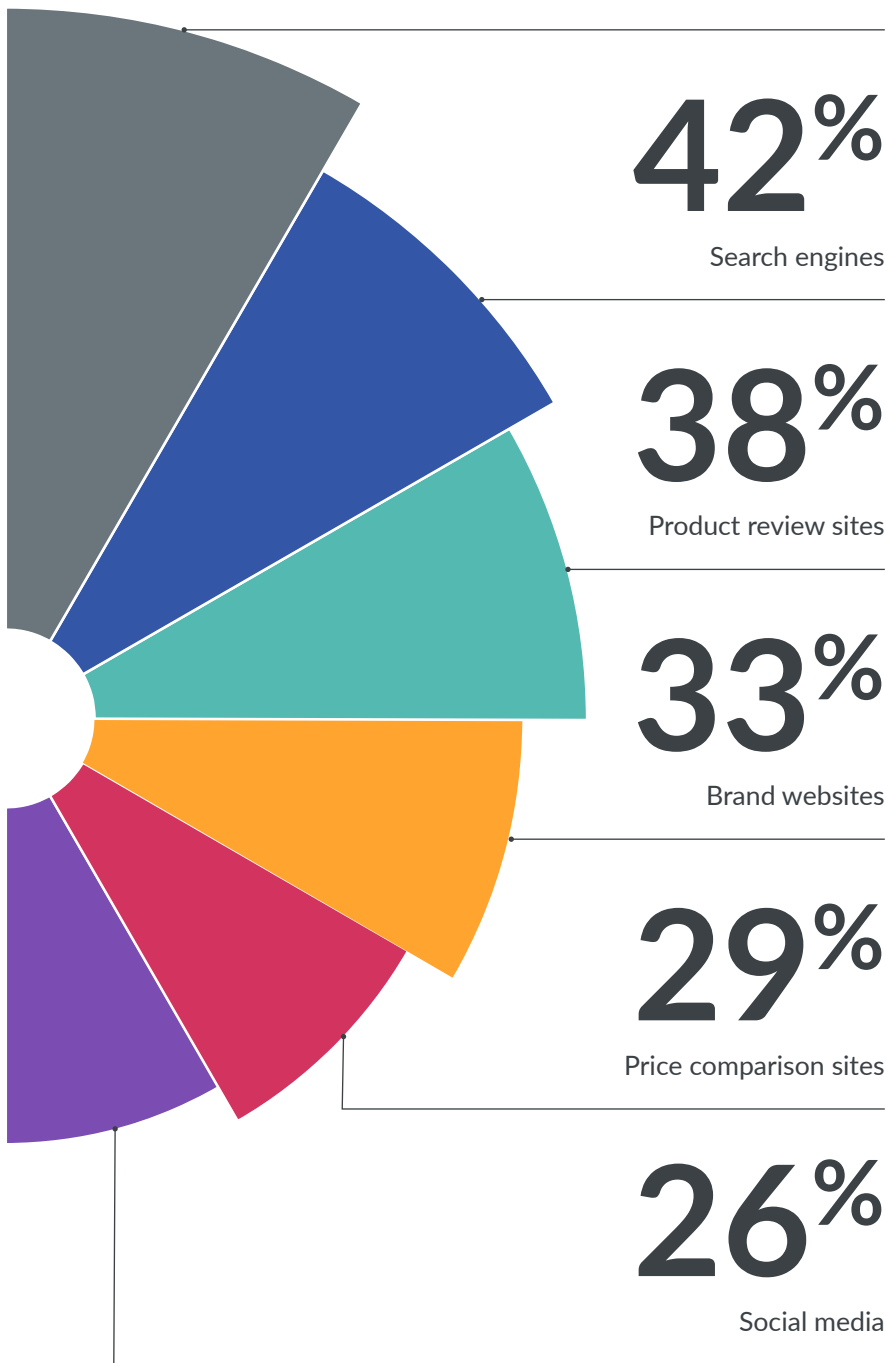
of consumers were inspired by social media advertisements to purchase a Consumer Technology and Durables product

Source: gfknewron Consumer Intelligence; Jan - Mar 2022

28 GfK Consumer Life Global 2022  
29 gfknewron Consumer Intelligence; CN, FR, DE, JP, PL, RU, KR, GB  
30 GfK Consumer Life Global 2022

**Channel utilization is vital as consumers research products through a range of digital sources**

Places where consumers globally research consumer technology and durables goods before purchase



Source: gfknewron Consumer Intelligence

**Update price, product and promotions to reflect today's needs**

As inflationary pressures leave many consumers far more cost sensitive, finding the right price point for both existing and new products is more important than ever.

Overall, average prices within the Consumer Technology and Durables sector have remained stable from 2021 to 2022,<sup>31</sup> but some brands and retailers are opting to use new SKUs and innovation to elevate these average prices and combat inflationary pressures going forward. Average launch prices in TVs, for example, have increased by \$201 USD.<sup>32</sup>

Premiumization continues to be used by the sector to offset deceleration too, with price hikes from 2019 to 2022 driven by premium products in categories such as mobile PCs, inkjet printing and robotic vacuum cleaners.<sup>33</sup>

Going forward, brands and retailers need to create carefully curated product assortments that reflect a variety of price points, balancing high-growth premium feature segments with lower-tier options that meet the needs of those consumers facing financial pressures.

Consider how to add greater value at the same price point, by experimenting with bundle options, additional accessories or limited-edition SKUs that offer exclusivity.

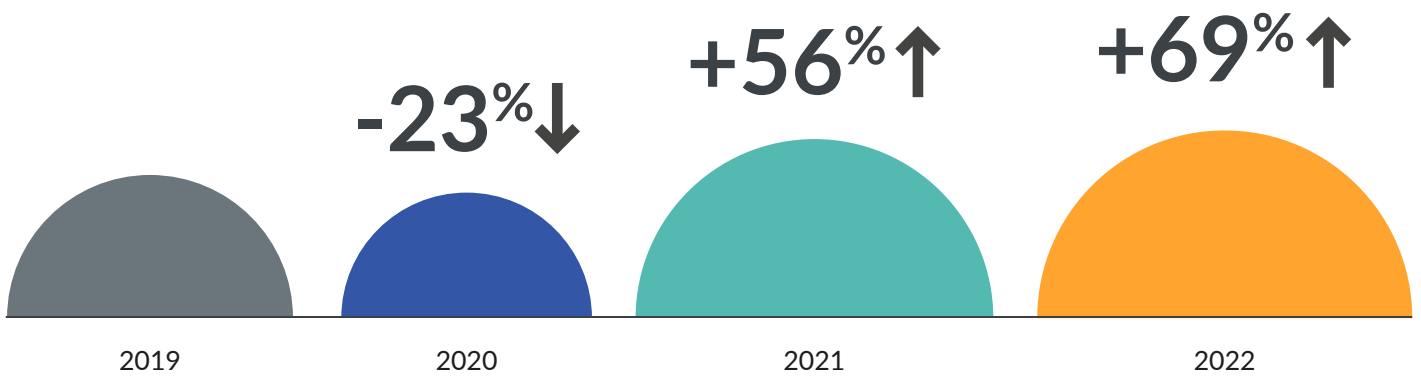
And just as price and product mix requires a rethink, so too will brands and retailers need to reconsider their promotional plans in the year ahead.

31 GfK Market Intelligence: Sales Tracking; TCG global, average price growth in USD, unit growth YoY

32 GfK Market Intelligence: Sales Tracking; Period: 2019-2022 YTD-Jan-Jun 2022

33 GfK Market Intelligence: Sales Tracking; Period: Jan -Jun 2019 -2022; Countries: EU5; Categories: Mobile Computing, Inkjet Printers and Robot Vacuum Cleaners

**The 618 shopping festival continues to generate volume demand above pre-pandemic levels...**  
 APAC ecommerce performance, sales unit growth from the week of 18th June vs 2019 baseline



Source: GfK Market Intelligence: Sales Tracking; APAC

**+8%**  
**increase in 618 shopping festival sales units in 2022 vs 2021**

Source: GfK Market Intelligence: Sales Tracking, APAC online channel

Key promotional shopping events like Singles' Day, Black Friday and Christmas look set to become even more critical as consumers seek out value to stretch household budgets further. Companies must find ways to capitalize on these.

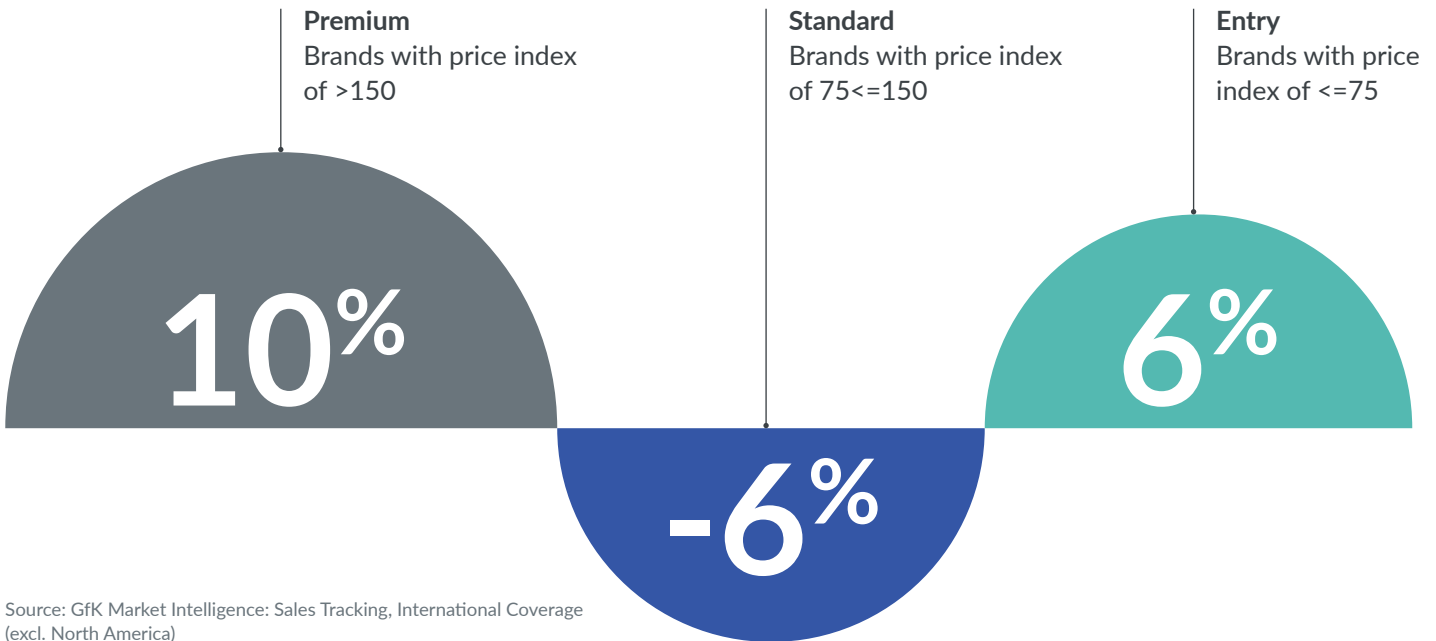
To make this happen, C-suite leaders will need to engage in early planning of promotional strategies to raise awareness, using real-time data on demand and consumer behavior to pave the way for a greater sales boost.

**Keep investing or risk a long road to recovery**

As highlighted earlier in the report, a key lesson from the 2008 economic crisis was that those brands that continued to invest in activities such as marketing, promotions and NPD recovered and grew market share far quicker than those businesses that pressed pause on all but essential activities.

## Promotions are driving price premiumization in APAC

Value & growth 2022 vs 2021



Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America)

It's a lesson brands and retailers should bear in mind as they navigate the current economic storm facing both the supply chain and end consumers.

"In periods of uncertainty it can be tempting for C-suite leaders to cut budget or reduce investment in their share of voice," explains Madalina Carstea, Head of Global Solutions, Marketing and Consumer Intelligence at GfK. "But in fact, with many competitors opting to do just that, it can actually be a great time to deliver far more impactful campaigns or product launches, at the same cost.

"In the long term, meanwhile, sustaining this focus on brand engagement activities and a strong innovation pipeline will help both brands and retailers secure greater shopper awareness and loyalty than the competition," she adds.

**"Sustaining this focus on brand engagement activities and a strong innovation pipeline will help both brands and retailers secure greater shopper awareness and loyalty than the competition"**

Madalina Carstea,  
Head of Global Solutions, Marketing and Consumer Intelligence at GfK

# Premiumization on pause?



# 42%

of global consumers agree that it is important to indulge or pamper themselves on a regular basis

Source: GfK Consumer Life Global 2022

**In 2021, premiumization in Consumer Technology and Durables was a major driver of growth.**

But in a post-pandemic world, this trend is playing out slightly differently – brands and retailers must take note of this shift.

Just as premiumization represented a clear opportunity for growth within the sector in 2021 – a trend explored in depth in GfK's previous report, *The State of Consumer Technology and Durables: 2022 Insights* – so too are products with higher-end features fueling

value growth in the market in 2022. At a product level, for instance, while all categories are in decline, those products offering premium features are seeing sales uplifts. These include robotic vacuum cleaners with dirt extraction docking stations (+78%) and fryers with integrated air fryers (+43%).<sup>34</sup>

At the same time, however, premium brand growth is on pause. In SDAs, for instance, upper-high-end-priced product tiers represented 41% of total value sales in the category in H1 2022, versus 42% in H1 2021.

This trend is amplified in those Western markets more exposed to the inflation fueled by the Russia-Ukraine crisis, with an 11% drop in sales of premium-priced SDA products in EMEA in May 2022, versus 3% growth in Latin America.<sup>35</sup>

Combined, these two trends suggest that those consumers weathering a cost of living crisis are increasingly seeking out products with premium features, without the high-end price tag. Inflationary pressures on household budgets are forecast

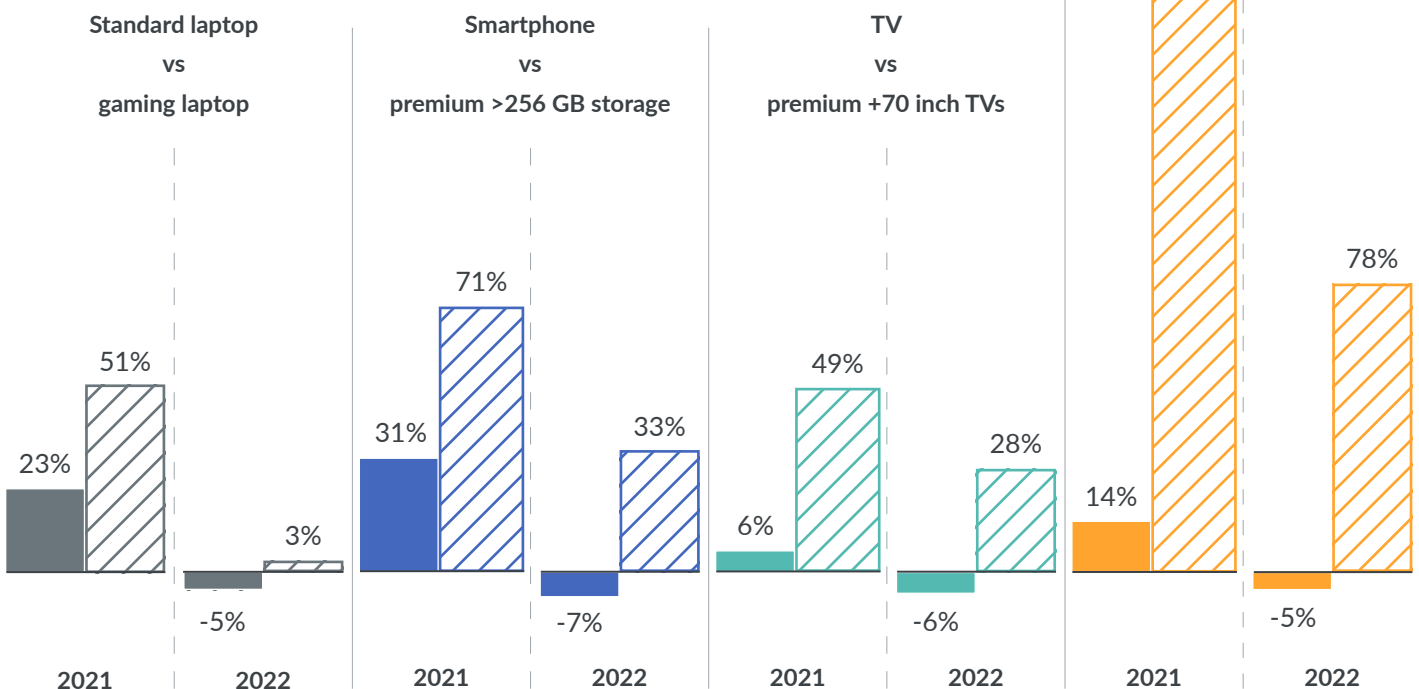
to continue in 2023, meaning such factors will likely continue to influence purchase behavior in the year ahead.

There are other key shifts in motivation that brands and retailers should keep in mind. For one, while instantaneous extras – such as high performance or convenience – were once primary purchase drivers in premium products, now the cost of living crisis means more consumers are willing to take the long view if it means saving cash.

### Premium features are still driving sales, but the pace is slowing

Sales value USD growth rate YoY for Jan-Jun 2022 and Jan-Dec 2021

■ Standard    ▨ Premium



Source: GfK Market Intelligence: Sales Tracking

35 GfK Market Intelligence: Sales Tracking, International coverage excl. North America



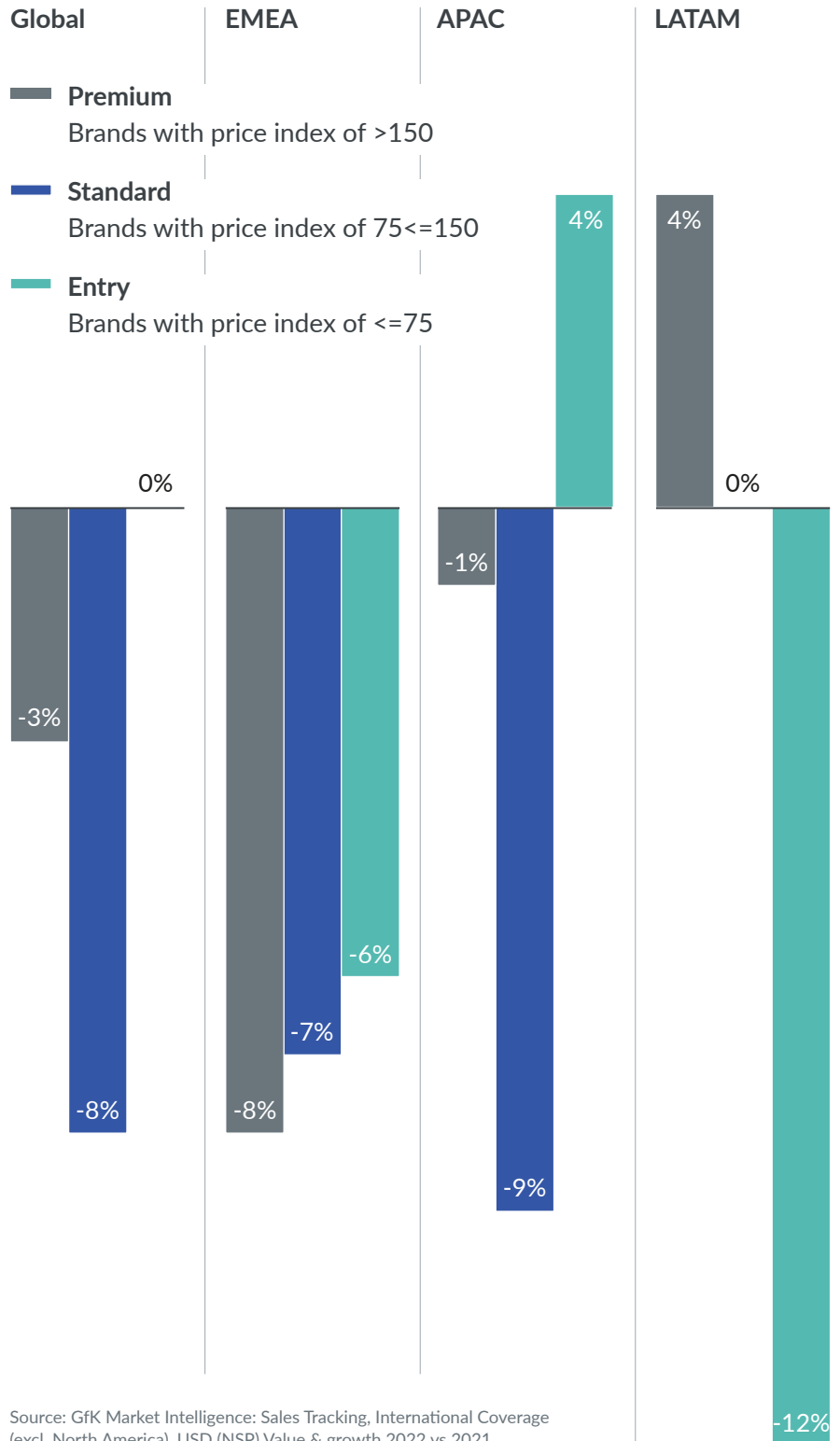
This is driving greater interest in products that cost more upfront but can help reduce energy bills, such as smart thermostats, which saw a 48% increase in sales in H1 2022 compared with the same period in 2019. Further growth was triggered directly by a lack of regulatory support. In Germany, which has the least extensive relief policies in Europe, sales of smart thermostats grew by 41% in Q1 2022, the steepest increase in the region.<sup>36</sup>

There are also differences emerging between different income brackets. While low-income groups are the most likely to scale back spending on Consumer Technology and Durables, those that are more financially stable or have higher incomes are less exposed to inflation across essentials like food and fuel and may continue to indulge in premium products and features, albeit with some additional hesitation.

In short, while the widespread appetite for premium brands and products has lessened in the face of a looming economic downturn, in its place have emerged pockets of opportunity for brands and retailers to explore. To do so, they'll need to use data to unpack consumer behaviors, redraw the lines between traditional customer segments and integrate greater variety into price tiers to understand exactly what consumers are willing to spend.

Underpinning all this, of course, must be a strong and relevant brand positioning that reflects changing consumer priorities both now and heading into 2023.

### Value & growth Jan-Jun 2022 vs 2021 in key product groups Value & growth 2022 vs 2021



Source: GfK Market Intelligence: Sales Tracking, International Coverage (excl. North America), USD (NSP) Value & growth 2022 vs 2021

36 GfK Market Intelligence: Sales Tracking; sales value EUR

## CONCLUSION

# Five core strategies for 2023

The Consumer Technology and Durables sector is facing challenging economic headwinds – as are its consumers.

As outlined in detail throughout this report, these forecasts of ongoing turbulence will require business decision

makers to invest and adapt core business strategies across supply chains, product, price and brand engagement.

Looking toward the final months of 2022 and into 2023, GfK's five recommendations to manufacturers and retailers are:

## 1

### Identify opportunities by region

Different regions are exposed to varying levels of inflation, supply chain issues and declining consumer confidence. Many emerging markets in particular are currently less impacted by certain macro trends, coupled with far lower penetration rates of Consumer Technology and Durables. As a result, pivoting focus to explore these markets could create new growth opportunities.

## 4

### Offer an optimized product mix

Products that offer added features and functionalities have seen value growth, despite overall deceleration. Brands and retailers should prioritize these growth segments and seek out alternative creative ways to add value for price-conscious shoppers, such as utilizing product bundles or offering repair kits.

## 2

### Mitigate risks in supply chain dependencies

By reevaluating dependency on volatile markets for production, brands and retailers can seek to offset supply chain disruption. This may include developing alternate supply partnerships to spread risk, or leveraging tools to optimize inventory management, such as predictive demand analytics.

## 5

### Make data available to teams

Amid ongoing volatility, company leaders need to arm themselves and their teams with the right data and insights to tailor product mixes, refine shopper segmentation and craft brand positioning relevant to the current market.

## 3

### Tailor product pipelines toward pockets of opportunity

Consumer confidence may be dampened by the cost of living crisis, but there remain areas of value growth within Consumer Technology and Durables toward which brands and retailers can skew portfolios. These include products that help save money, or those that are high performing with innovative features, providing an added value to the consumer in terms of convenience, performance or energy saving.

# Authors

Namrata and Sohjin form part of GfK's Global Strategic Insights team. This team provides fact-based strategic analytics by integrating multiple sources of GfK research, including unique global

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*Manager Business Management,  
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