

THINK RETAIL THINK VERDICT



UK Retail Futures 2013: Electricals

Annual forecasts to 2013



Published: May 2009
Reference Code: DMVT0512
Report Price: £2,195/€3,175/\$4,220

About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports cover nine core sectors, five-year forecasts, strategic issues, key locations, How Britain Shops consumer surveys the main European retail markets and global retail reports. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

About Verdict Retail Futures 2013

Verdict Retail Futures 2013 reports are designed to provide an accurate and detailed five year forecast for each retail sector. Each report complements Verdict sector reports by providing a detailed market outlook for the forecast period by analysing a host of economic, social, political and technological factors that determine demand. In addition they take account of factors like fashion, changing consumer preferences and the influence of the media.

As the only provider of forecasts exclusively for the UK retail industry, Verdict is uniquely equipped to give thorough and reliable projections and analysis on its future development.

Retail Futures 2013

The Retail Futures 2013 series of reports provide a complete overview of UK retail...

It provides 5 year forecasts for 73 categories...

Provides accurate projections of market demand and price pressures...

A unique and reliable forecasting tool...

Categories examined by the Retail Futures 2013 series...

CLOTHING & FOOTWEAR

- Women's Outerwear
- Women's Underwear
- Men's Outerwear
- Men's Underwear
- Girlswear
- Boyswear
- Infantswear
- Accessories
- Footwear

HOMEWARES

- Glassware, crockery, cutlery & silverware
- Lighting
- Non-electric kitchen utensils
- Miscellaneous household items
- Bathroom & table linen
- Bedding/Bed linen
- Furnishing fabrics & curtains
- Other household textiles

FURNITURE & FLOORCOVERINGS

- Upholstery
- Beds/Bedroom
- Kitchen
- Living/Dining
- Home Office
- Other Furniture
- Carpets
- Vinyl & Linoleum
- Hard Floorcoverings

ELECTRICALS

- Audio-visual Equipment
- Games Consoles & Software
- Photographic & Optical Equipment
- Major/Minor Household Appliances
- Information Processing Equipment
- Telephones & Fax Equipment

HEALTH & BEAUTY

- Babycare Products
- Bathroom Toiletries
- Cosmetics
- Dentalcare
- Haircare/Skincare
- Men's Toiletries
- OTC Medicines
- Paper Products
- Perfume
- Other Health & Beauty

FOOD & GROCERY

- Bakery & Cereals
- Dairy Products
- Fruit & Vegetables
- Meat & Fish
- Oils & Fats
- Pets, Petcare & Petfood
- Sugar & Sweet Products
- Other Food
- Alcoholic Drinks
- Beer/Spirits/ Wine
- Soft Drinks/Hot Drinks
- Tobacco
- Non-durable Household Goods

DIY & GARDENING

- Non-decorative/ decorative materials maintenance repair
- Tools, equipment & accessories
- Household utensils & lighting
- Fitted kitchens & bathrooms
- Flatpack furniture
- Floorcoverings
- Garden Structures
- Garden Tools
- Garden Utensils
- Outdoor Living
- Greenstock & Growing Media

BOOKS, MUSIC & VIDEO

- Books
- Newspapers & magazines
- Personal stationery & cards
- Music & Video

UK Retail Futures 2013: Electricals

Electricals market will see a significant slowdown in growth...

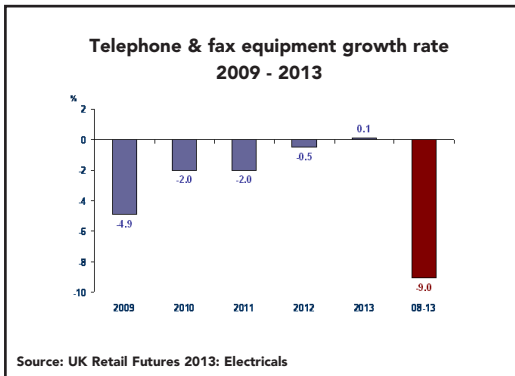
The UK electricals market achieved robust growth of 1.2% in 2008. Though this represented an underperformance of the wider retail market, it was much stronger than the other home sectors. However, the electricals market is set to deteriorate massively over the next five years, declining by 5.0% against growth of 8.1% in the total electricals retail market.

UK Retail Futures 2013: Electricals is a new report published by Verdict Research that provides an accurate and detailed 5 year forecast for the UK electricals sector. It complements Verdict's sector reports by providing detailed market outlooks for the forecast period by analysing a host of economic, social, political and technological factors that determine demand.

Categories Analysed

Major Household Appliances	Minor Household Appliances
Games Consoles & Software	Information Processing Equipment
Photographic & Optical Equipment	Telephones & Fax Equipment
Audio-visual Equipment	

Identify and understand the key drivers of market growth and gain insight into the channels of distribution...



"Superior phone models will drive more expensive contracts. At the more expensive end of the mobile phone architecture, consumers will be unable to afford one-off costs of hundreds of pounds for models incorporating quality cameras, GPS, MP3, Bluetooth and Wi-Fi. Instead, they will sign up to higher price contracts which offer such handsets as part of the package..."

- **Understand the key market drivers** using the analysis of major trends in electricals to gain insight into the challenges and opportunities going forward.
- **Discover which categories look set to outperform the market.** Compare the projected growth rates of key categories to assess new opportunities and make strategic decisions based on category information.
- **Identify which channels are gaining market share,** and gain insight into distribution channel performance and fully understand the reasons behind the projected changes in market share.
- **Gain detailed insight into the specialists channel.** Use the detailed analysis of the sector specialists to understand the drivers of market growth, analyse inflationary/deflationary pressures and see the impact of projected store expansion.

UK Retail Futures 2013: Electricals

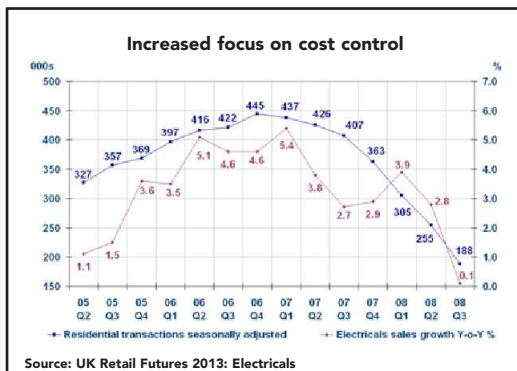
This report answers key questions including...

- To what extent will the UK electricals market grow over the next 5 years?
- What are the key issues that will be affecting the UK electricals market?
- Which electricals categories will grow the fastest and why?
- How will UK electricals specialists perform?
- What products will drive future growth?
- Which non-specialists will increase their exposure to electricals going forward?

Key Market Data

- Total electricals expenditure
- Electricals forecasted growth until 2013
- Expenditure analysis of the key categories
- Category shares, values and forecasts
- Market shares for the leading 18 retailers by channel of distribution & forecasted changes to 2013
- Specialists' sales densities, total sales, space growth & forecasted total store numbers

Key issues examined in this report...



"The deterioration in the housing market has impacted on sales of electricals. As transactions have fallen and average house prices have declined, sales of electricals have clearly suffered. There are two major reasons for this correlation. The first is the reliance of larger electricals purchases, and white goods in particular, on consumers equipping new houses. White goods are especially reliant on this due to the lack of innovation and creativity in the category..."

- **Sparse technology pipeline.** Over 2005-07, the pipeline of new technologies was very strong, with many significant advances in the audio-visual, gaming and personal computer sectors. These new products were a major driver of robust growth rates in the electricals market, providing a stimulus to encourage customers to replace older products. However in 2008, this pipeline dried up, with very few advances in electricals and none that particularly captured the consumer's imagination.
- **Revolution among electricals specialists.** Due to the decline of the market, the arrival of Best Buy and pressure from non-specialists caused a shake-up of the electricals market causing specialists to diversify into other product areas and place more emphasis on service/warranty revenue.
- **Digital camera market to decline.** Growth in the camera market has fallen markedly over the last 10 years, with average annual growth of 5.6% between 1998-2003 falling to 1.3% growth between 2003-08. The main cause of this decline has been the high penetration of compact digital cameras in the market, as well as a slowdown in advancement in new technology.

UK Retail Futures 2013: Electricals

SAMPLE PAGE - CHAPTER 3: KEY MARKET ISSUES (SLIDES 118

TABLES 87

FIGURES 51)

Executive summary

Key issues



ISSUE	SUMMARY		IMPACT ON ELECTRICALS
Collapse in housing market	Slowdown in housing transactions and fall in house prices	⊖	Sales of electricals will fall, especially white goods and other large items.
Revolution among electricals specialists	Contraction of market, arrival of Best Buy and pressure from non-specialists causes shake-up of channel	⊖	Best Buy becomes significant player. Comet and DSGI further marginalised. Specialists diversify into other product areas and place more emphasis on service/warranty revenue. Huge decline in number of independents.
Lull in technology pipeline	Lack of exciting new products to drive sales	⊖	Sales fall against strong comparatives. Video games growth drops away. Demise of declining technologies is hastened.
Evolution in Brown goods	Developments in role of brown good products changes consumer relationship with them	⊖	Blu-ray slowly supersedes DVD. Digital cameras see sales fall substantially. Convergence means less consumer electricals are necessary. Overall sales slow.
Impact of contract purchasing on grey goods	More consumers sign up to contracts for items such as phones and computers.	⊖	Lower sales, especially in PCs, laptops and mobile phones.
Poor performance of information processing	Sales of satellite navigation equipment, desktop PCs and laptops fall	⊖	Information processing becomes a much smaller part of the electricals market.

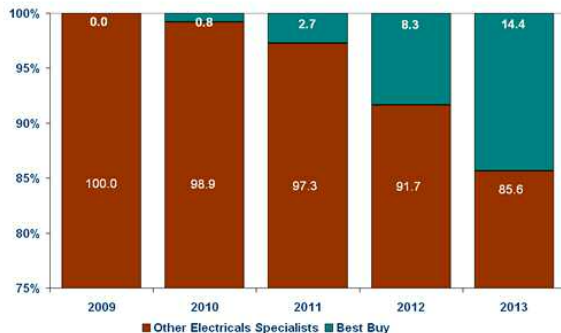
DMYT0512 UK Retail Futures 2013: UK Electricals: Annual Forecasts to 2013
© 2009 Datamonitor

Key market issues

Revolution among electricals specialists



Estimated percentage of electricals market space that Best Buy will occupy 2009 - 2013



- The specialists channel is likely to see radical changes over the next five years. The balance of power among the major players, the proportion of smaller operators and the actual propositions of specialists are all likely to face significant changes.
- One of the most significant factors is the arrival of leading North American electricals specialist Best Buy. In May 2008 the retailer purchased a 50.0% share of the Carphone Warehouse's retail business, following two years of collaboration. Best Buy intends to use this close tie as a gateway to open its own stores across Europe.
- The chart to the left illustrates how we believe Best Buy will grow its share of electricals space over the next five years. This assumes organic growth – if the retailer purchases a significant portfolio of offloaded stores from a retailer such as DSGI, or even purchases an entire specialist, then growth will be considerably faster.
- One of the key aspects of Best Buy's offer is exceptional customer service. All of Best Buy's employees go through an extensive training programme which emphasises customer service and product knowledge.
- When selling to customers, Best Buy staff take care to fully explain product features and benefits and show them how to get the most out of their purchases. This technique makes it easier to convince customers to upgrade later on and helps develop strong customer loyalty. Best Buy does not pay commission to individual sales staff, with rewards going to teams and stores, to discourage employees from aggressive sales tactics. Linked to this is a strong culture of assessment at Best Buy with managers of underperforming stores being quickly replaced.
- This space growth, service-focused proposition and expansion of its multichannel operations will see Best Buy growing sales strongly over the next five years, taking significant market share. We believe this will particularly be the case towards the end of the forecast period, when Best Buy will exploit the recovering market to grow its sales.

Source: Verdict Research

DMYT0512 UK Retail Futures 2013: UK Electricals: Annual Forecasts to 2013
© 2009 Datamonitor

Table of contents

UK Retail Futures 2013: Electricals

CHAPTER 1: TOTAL RETAIL FORECASTS

- The retail market at a glance

CHAPTER 2: EXECUTIVE SUMMARY

- Key findings
- Key issues
- Strategies for success
- Annual synopsis 2009 to 2013
- Electricals retail expenditure forecast overview

CHAPTER 3: KEY MARKET ISSUES

- Key issues
- Collapsing housing market
- Revolution among electricals specialists
- Lull in technology pipeline
- Evolution in brown goods
- Impact of contract purchasing on grey goods & poor performance of information processing

CHAPTER 4: EXPENDITURE FORECASTS

- Electricals expenditure forecast summary
- Key findings
- Total electricals expenditure detailed forecasts
- Category growth rates 2008-2013e
 - Audio-visual goods
 - Games consoles & software
 - Photographic & optical equipment
 - Information processing equipment
 - Telephone & fax equipment
 - Major household appliances
 - Minor household appliances

CHAPTER 5: CHANNELS OF DISTRIBUTION

- Methodology
- Major distribution channels of electricals
- Retail channels & market components forecasts
- Winners & losers
 - Electrical specialists: More exposed to slowing market and will lose share
 - Catalogue showroom: Argos suffers slight decline
 - Department stores: Will not benefit as strongly when market recovers
 - Other: Proving more robust than rest of market
 - Grocers: Improve electricals retailing skills
- Electricals specialists market shares

CHAPTER 6: SPECIALISTS FORECASTS

- Electricals specialists sales forecast summary
- Source of growth
- Space growth
- Selling space
- Sales densities at current & constant prices

CHAPTER 7: CATEGORY FORECASTS

- Components of electricals retail forecast summary
- Category shares & drivers of growth
- Winning & losing categories
- Electricals expenditure forecasts
 - Audio-visual goods
 - Games consoles & software
 - Photographic & optical equipment
 - Information processing equipment
 - Telephone & fax equipment
 - Major household appliances
 - Minor household appliances

CHAPTER 8: APPENDIX

- Total consumer expenditure 1998-2013
- Total consumer retail expenditure 1998-2013
- Total non-retail expenditure 1998-2013
- Store-based retailing summary 1998-2013
- Non-store-based retailing summary 1998-2013
- Online retailing summary 1998-2013
- Food & grocery expenditure summary 1998-2013
- Non-food expenditure summary 2008-2013
- Total growth by sector 1998-2013
- Volume growth by sector 1998-2013
- Inflation growth 1998-2013
- Sales and sources of growth – average annual change 1998-2013
- Sources of growth – average annual change 1998-2013
- Store and space trends 1998-2013
- Sales densities 1998-2013

Table of contents

UK Retail Futures 2013: Electricals

CHAPTER 9: APPENDIX 2

- Methodology
- Terminology
- Location definitions
- Principle sources
- Definitions
- Help & tips to use the quarterly forecasts
- Bespoke forecasting & consulting

TABLES & FIGURES (ABRIDGED)

- Methodology
- Retail channels of distribution
- Collapsing housing market
- Quarterly housing transactions against electricals sales growth 2005 Q2-2008 Q3
- Quarterly housing transactions against white goods sales growth 2005 Q2-2008 Q3
- Estimated percentage of electricals market space that Best Buy will occupy 2009 - 2013
- Proposition of major electricals specialists 2010 -13
- % of electricals specialists sales from electricals products 2004-13e
- Factors affecting growth of independent electricals retailers 2009 onwards
- Lull in technology pipeline
- Value of individual sub categories – 2008 & 2013 forecast
- Total online Sales by sector
- Total online sales growth by sector 1998-2013
- Total expenditure by sector 1998-2013
- Total growth & volume growth by sector 1998-2013
- Total growth & volume growth – sector average annual change 1998-2013
- Inflation/Deflation by sector 1998-2008 & forecast to 2013
- Electricals
 - Retail Spend, Value & Volume Growth 2008-13
 - Retail Expenditure Growth Trends 2008-2013
 - Retail Expenditure Summary 2003, 2008 & 2013
 - Market growth vs. total retail 1998-2013e
 - Growth trends 1998-2013e
 - Total Retail Expenditure 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change 1998-2013
 - Channels of Distribution 2007, 2008, & 2013 (Estimated)
 - Changes in shares of major channels in the market 2013 vs 2008
 - Retail channels share of market 2008 & 2013
 - Consumer spend category shares of market 2008 & 2013
 - Retailers Market Shares 2004-09e
 - Key retailers change in market share 2009e vs 2004
- For audio-visual goods, games consoles & software, photographic & optical equipment, information processing equipment, telephone & fax equipment and major/minor household appliances:
 - Five-year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
 - Growth rate 2009-2013
 - Sources of growth & % of ALL DIY & gardening spending (1998-2013e)
- UK electricals Specialists
 - Summary 2003, 2008, & 2013 (Estimated)
 - Sources of Growth 1998-2013
 - Value & Volume Growth 2008-2013
 - Total sales & space 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
 - Y-on-Y % change in current & constant prices 1998-2013e
 - Total store numbers & space (m sq ft) 1998-2013e
 - Sales densities at current & constant prices 1998-2013e
- Store retailing & Non-store retailing 1998-2013
 - Five Year Growth Rates 1998-2013
- Sources of growth for UK retailers 1998-2013
 - Average Annual Growth Rates 1998-2013
- Total consumer spending, non-retail consumer spending & retail expenditure 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
- Food & Grocery and Non-food expenditure 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
- Total specialist retail sales 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
- Sources of growth for UK retailers 1998-2013
 - Five Year Growth Rates 1998-2013
 - Five-year Average Annual Change % 1998-2013
- Store & space trends 1998-2013
 - Five Year Growth Rates 1998-2013
 - Average Annual Change 1998-2013
- Specialists sales densities 1998-2008 & forecast to 2013
 - Five Year Growth Rates 1998-2013
 - Average Annual Growth 1998-2013

