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European Electricals Retailing 2008

Retailers prepare for
unprecedented market downturn

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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.

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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

European Electricals Retailing 2008

Retailers prepare for unprecedented market downturn...

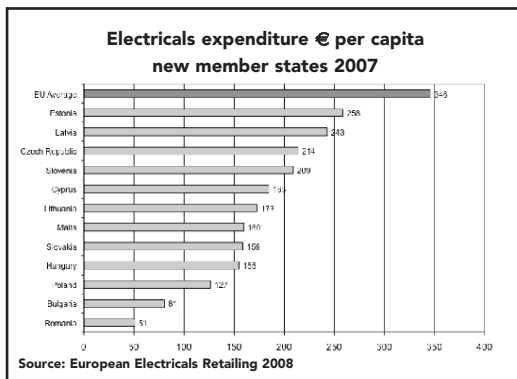
The European-wide electricals boom is over, after two years of strong growth in 2006 and 2007, market conditions have steadily deteriorated over the past year. The market has been impacted by a torrent of bad economic news with the largest western European markets some of the worst hit. Adding to the economic woes, the technology pipeline which was so instrumental in driving the market over the past few years is now starting to dry up. For 2008 Verdict forecasts that the European electricals market will decline in value by 1.5% with the worst still to come in 2009.

European Electricals Retailers 2008 is a new report published by Verdict Research that provides five years of European electricals market data and details the key drivers and trends shaping this sector across Europe. This report analyses key operating statistics for all the leading players to provide a proprietary benchmark of the leading European electricals retailers.

Detailed market analysis on

France
Germany
Italy
Spain
UK

Identify the fastest growing European electricals markets and understand the strategic issues faced by retailers with this new report...



"The performance of these markets has improved substantially in recent years following the trend of growth in their wider economies. However, in light of slowing global economic growth – and news that the eurozone is now in recession – Verdict expect these economies to see slower growth over the next few years. The Baltic states for example have already started to experience a slowdown in demand for electricals products through 2008..."

- **Identify the fastest growing European electricals markets** with five year historical data including market shares, sales, profits, sales densities, space allocations, space growth and store portfolios for 2003-08 for the key five EU markets.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including Metro Group, PPR, DSGi, Kesa Electricals and Electricals Buying Group (Euronics, Expert, EDA and Electronic Partner).
- **Assess the growth potential and the challenges facing the key European electricals retailers** with this report's in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report's actionable recommendations on how retailers can cope with the changing European electricals market.

European Electricals Retailing 2008

This report answers key questions including...

- Who are the top players in the European electricals market and how quickly are they consolidating their position?
- What impact will the financial crisis, high inflation and energy prices have on European electricals retailing?
- Which EU countries have the highest electricals sales densities?
- How will a weakening technology pipeline impact European electricals sales?
- Where are the key opportunities in the European electricals market?

Key Market Data 2003-08

EU 27 Electricals sector by country

Sales, space, store numbers

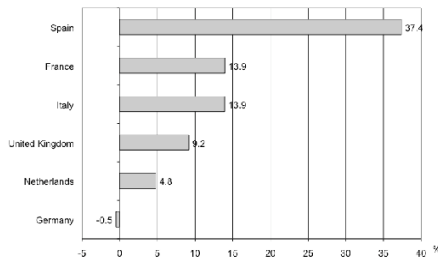
Top 3 shares of France, Germany, Italy, Spain and the UK

Sales densities

Extensive profiles of Europe's Top 8

Key issues examined in this report...

Electricals spending growth in leading EU states
2007 on 2002



Source: European Electricals Retailing 2008

"Among other EU15 economies, growth in the electricals market has been strong with Nordic countries performing especially well. However, the real star performance came from the new EU member states. Though growing from a small base, these countries have seen their combined electricals market increase by 40.6% in value between 2002 and 2007..."

- **Economic downturn.** What started as a collapse of global credit markets has started to impact the real economy during the second half of 2008. Electricals purchases are highly discretionary and therefore greatly exposed to negative changes in consumer sentiment. Also, particularly for bigger ticket goods, the current lack of availability of low cost credit is dampening demand further.
- **Consumer Spending.** While governments and central banks across Europe are taking coordinated action to revitalise consumer spending, the outlook for electricals remains bleak. Announcements of a VAT cut in the UK and a proposed €200bn economic recovery plan from the European Commission, alongside a wide range of other initiatives, come as welcome news to embattled retailers. However, for the electricals market such measures pale into insignificance in the face of slowing economic growth, rising unemployment and troubled housing markets.
- **Lack of New Technology.** In 2008 the latest gadgets and devices have typically been simple improvements to existing models rather than the groundbreaking innovations such as HD TV, satnav and MP3 seen over recent years. Retailers are having to work harder to convince customers to buy and are starting to see profit margins erode in some categories.

European Electricals Retailing 2008

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Technology Pipeline Weakens

- An immense technology pipeline that was instrumental in driving the European electricals market throughout 2006 and 2007 is slowing rapidly. This presents a major issue for electricals retailers especially at a time when consumer confidence is deteriorating.
- While new technologies continue to enter the market, in 2008 the latest gadgets and devices have typically been simple improvements to existing models rather than the groundbreaking innovations seen over recent years.
- In Western Europe, this trend can be seen in flat panel TVs. Whereas 2006 and 2007 benefited from mass market adoption of high profile innovations like HD, digital and affordable larger screens, improvements in 2008 like even larger screens have been less appealing. Granted, super-large screen devices have dropped into mass market price territory, but the market for 42in plus screens remains limited by the size of consumers' living rooms.
- Satnav, which has stimulated demand over recent years, has reached maturity with latest features attracting the attention only of more tech-savvy shoppers. Also, in small domestic appliances, relatively recent innovations like juicers and health grills have passed their peak by some way.
- On a more positive note, mobile phones are benefiting from innovation, stimulated by the user-interface of the Apple iPhone, which is now being emulated by competitors. The games market continues to perform well in 2008, buoyed by the release of high profile software for the PS3 and Wii among other platforms. The games software pipeline for Europe remains strong into Christmas 2008.
- Verdict anticipate a quiet year for new technology in 2009, though 2010 looks better as Organic LED TV will begin to grip the market and new high speed CPUs and a next generation of Windows will give the PC market a boost. Organic LED technology allows TV screens and monitors to be thinner and more energy efficient than current LCD technology because there is no need for a backlight with the OLED technology.

Energy Efficiency

- While energy efficiency has been on the agenda for a while, its importance escalated in 2008 as electricity prices soared over the Summer months. Though prices have fallen steeply from their peak, the prospect of higher medium-to-long term energy prices remains at the front of customers' minds, particularly as they tighten their purse strings over the next year.

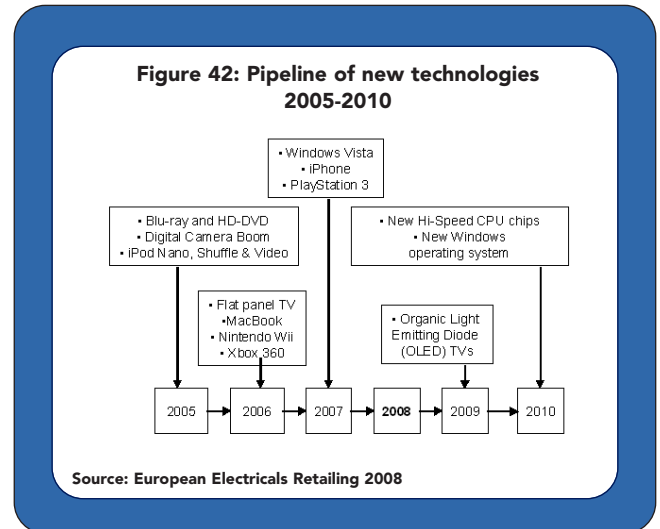


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