

3D won't prevent Britons spending less on electricals

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LONDON, UK: By the end of 2011 sales of electrical goods will have fallen by £2.2 billion (About R25 billion) compared to 2007 as the golden age of new products comes to an end and new technology like 3D struggles to have an impact on the market, finds Verdict, one of the Datamonitor group of companies.



Research* by the independent retail analyst has revealed that while the decline is now diminishing, the market will contract by 0.9% this year. This makes the electrical market one of the worst performing in retail, as total retail will grow by 2.0% in 2011.

Matt Piner, senior analyst at Verdict, said: "Up until 2007 the electricals market was doing well, driven by a raft of new technology including flat screen TVs, digital cameras and laptops. There was also a surge in the popularity of gaming brought about by third generation consoles such as the Xbox 360 and Nintendo Wii. However there has since been a drought in new technology, which has severely impacted the market. This isn't a consequence of the recession alone."

A downer for Dixons *et al*

None of this bodes well for the UK's beleaguered electrical retailers. Between 2007 and 2010 Comet's profit fell by 72%, Dixons Group by 69% and Argos (which drives more than half of its revenue from electricals) by 18%.

However, perhaps the biggest setback has been suffered by US retailer Best Buy. The North American giant has been forced to extensively scale back its ambitious UK opening plans and has seen a number of high profile executives depart.

The lack of exciting products to sell has been exacerbated by high unemployment, low consumer confidence, squeezed disposable income and a weak housing market. Consequently sales of big appliances like fridges, freezers and washing machines have sunk to pre-2000 levels. Discretionary products, like computers, have seen much longer replacement cycles.

Still opportunities, however...

For the best retailers, those with strong service, good product ranges and clear value, there are still opportunities on the horizon. The most significant of these is for 3D technology which many retailers are hoping will give fresh impetus not only

to TVs, but also to a whole range of products.

Piner continued: "3D technology won't do enough to turn around the fortunes of the electricals market in 2011, but it will give a boost to the best retailers. It will aid sales of products like games consoles, cameras, laptops and smart phones, as the technology is adopted by more electrical goods.

"Overall, however, in comparison to the last few decades, there is undeniably less for consumers and retailers to get really excited about."

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**UK Electricals 2011*

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