

For Immediate Release
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‘Staycation’ mentality will drive home entertainment sales despite downturn

Across much of the globe financial reporting has shown a fall in lending for homes and businesses, core service industries weakening, heavy deceleration within construction, utilities and manufacturing, and repercussions across the breadth of the real economy.

Moreover, official UK figures released on 24 October reveal that the UK economy contracted by half of one percent in the three months to September, which is more than twice the level expected by many economists.

“Sharp rises in unemployment, falling house prices, low wage growth and faltering business confidence are all the hallmarks of a stumbling global economy,” says Sarah Carroll, Director of Strategy & Continuous Services at the electronics and entertainment analysis house Futuresource Consulting, “though in times of economic hardship we’ve seen consumer electronics and in-home entertainment weather the storm; indeed, expenditure in these segments can even increase.”

A new industry report from Futuresource looks at the impacts of recession on the consumer electronics industry and delves into the core drivers behind continued consumer uptake, providing forecasts across the key industry segments.

“And much of it hinges around the ‘staycation’ attitude,” continues Carroll, “Rather than going on vacation or dining out by candlelight, consumers see the purchase of hot new ‘must have’ electronics items like Blu-ray players, flat panel TVs or smart phones as a far better value-for-money option. The tangible benefits of these products can be enjoyed for a long time to come and are seen by many as essential items once consumers begin the retreat into their living rooms.”

“Futuresource research from the economic slump of 2001 reveals digital cameras and DVD players continued to grow sharply when the economy stagnated, giving us a clear indication that home entertainment can ride the storm. Stretching the timeline backwards further, during the economic downturn of the early 1980s, sales of VCRs in the UK rocketed, growing by 440% between 1980 and 1983.”

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New figures released by Futuresource last week show the markets for flat panel HDTVs and Blu-ray disc players will continue to expand in Europe and the USA this year, with the majority of consumers continuing to migrate up to more expensive, better specified products.

“The US flat panel market is on track to reach nearly 30 million shipments this year, with LCD screens experiencing a healthy 40% growth on 2007. However, although they’re still seeking that HD fix, many consumers in the US are shopping for smaller screen sizes, between 32” and 42”. Subsequently, we are likely to see slower growth for the US in the giant screen size segment (50”+). By 2010, overall shipments will have grown to 36 million units.

“In Western Europe the TV market is also holding up well, with overall volume growth of 6% predicted by Futuresource for this year. In addition, significant price reductions of up to 25% in the larger screen (42”+) categories are fuelling interest amongst first time buyers. Many European consumers are also looking to upgrade their bedroom or kitchen CRT sets to a small screen LCD display.

“Flat panel growth is expected to continue into 2009 and beyond, with panel suppliers expanding production and opening next generation plants, which will ultimately help to drive average prices down further and boost demand.”

The pattern of growth is similar for the Blu-ray disc player market, with Futuresource projections showing player shipments to Europe’s top 5 markets (France, Germany, Italy, Spain and UK) more than tripling between 2008 and 2009, to reach in excess of 1.8 million units shipped in 2009, excluding PS3.

Futuresource is hosting its two-day consumer electronics conference in Barcelona on 10-11 November, ‘The Changing CE World’, which will further address the effects of economic downturns upon the CE industry. For more information, please visit www.futuresource-consulting.com/ce-world.

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