

BUSINESS INTELLIGENCE

H O M E A P P L I A N C E S




Zenith
The ROI agency

Contents

Click to jump to a section:

1

**Advertising
Forecasts**

2

**Category
Growth**

3

**Consumer
Insights**

Introduction

Welcome to *Business Intelligence – Home Appliances*, the eighth of Zenith's *Business Intelligence* reports, which analyse the advertising, business and consumer behaviour trends shaping different categories.

Since the onset of the pandemic, a lot of people have spent a lot more time at home. They have also spent a lot less money on commuting, going out for entertainment and social events, and going on holiday, leading to a substantial increase in savings for the average household. After the initial shock during the first few months of the pandemic, consumers began spending some of these savings on making their homes more pleasant and efficient places to work, cook and relax in, which involved purchasing a lot of new or upgraded home appliances. This has helped home appliance advertising outperform the ad market as a whole during both the downturn and the recovery.

Home appliance brands already spend more than half their budgets on digital advertising, because home appliance sales have moved online well ahead of retail sales as a whole. But digital advertising will only become more important as brands continue to invest in

online retailer partnerships and, for some higher-end brands, direct-to-consumer relationships.

In a sector with little variation in physical appearances, consumers' rising expectations for environmental sustainability give brands the opportunity to differentiate by demonstrating their efficiency in using energy and water, and by offering recycling and rental services that extend the lives of appliances and components. Consumers are also looking for support with installation, finance and repairs. Brands that supply these services can use them to build ongoing relationships with their customers, instead of relying on infrequent separate transactions.

Scope of report

This report covers large and small home appliances, including air conditioners, dishwashers, fridges and freezers, heaters, kitchen appliances, ovens, personal care appliances, vacuum cleaners and washing machines. The 12 markets it includes are Australia, Canada, China, France, Germany, India, Italy, Russia, Spain, Switzerland, the UK and the US, which between them account for 74% of total global adspend.

HOME APPLIANCES ADVERTISING FORECASTS

12.6%
IN 2021

Home-appliance adspend to
grow 12.6% in 2021

\$4.5bn
IN 2019

\$5.6bn
IN 2023

Adspend by home-appliance
brands will total US\$5.6bn in
2023, up from US\$4.5bn in 2019



Digital will be the fastest-growing medium, expanding by 9% a year to 2023



18%

16%



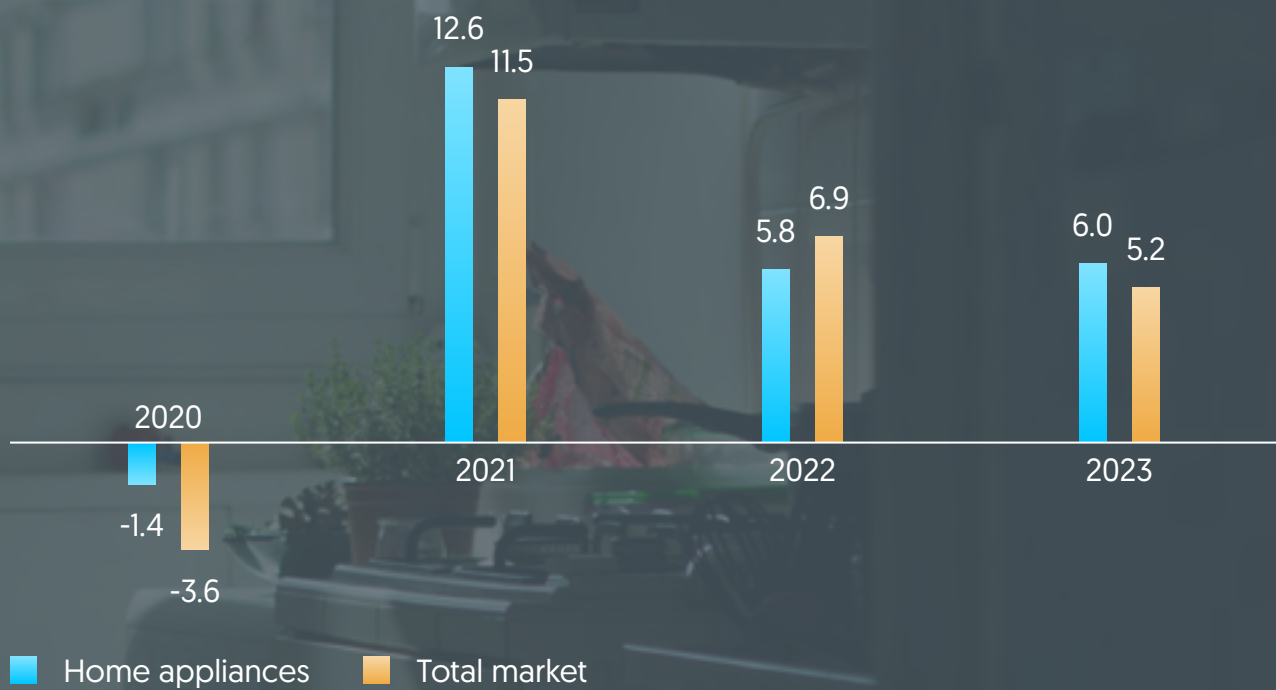
India and Russia to lead recovery with 18% and 16% annual growth respectively

INVESTMENT IN THE HOME WILL FUEL RAPID RECOVERY IN HOME-APPLIANCE ADSPEND

Zenith forecasts that home appliance advertising will grow ahead of the market as a whole in 2021, expanding by 12.6% while the total market expands by 11.5%. Forced to spend more time at home, consumers are investing in making their homes more pleasant to live in, using some of the money freed up by being unable to socialise or go on holiday. This is fuelling rapid growth in demand for both large and small appliances, particularly cookers, washing machines, dishwashers and air conditioning units. Despite the easing of coronavirus restrictions, we expect consumers will continue to spend more of their time and budgets at home, and forecast continued strong growth in home-appliance adspend of 6% a year in 2022 and 2023.

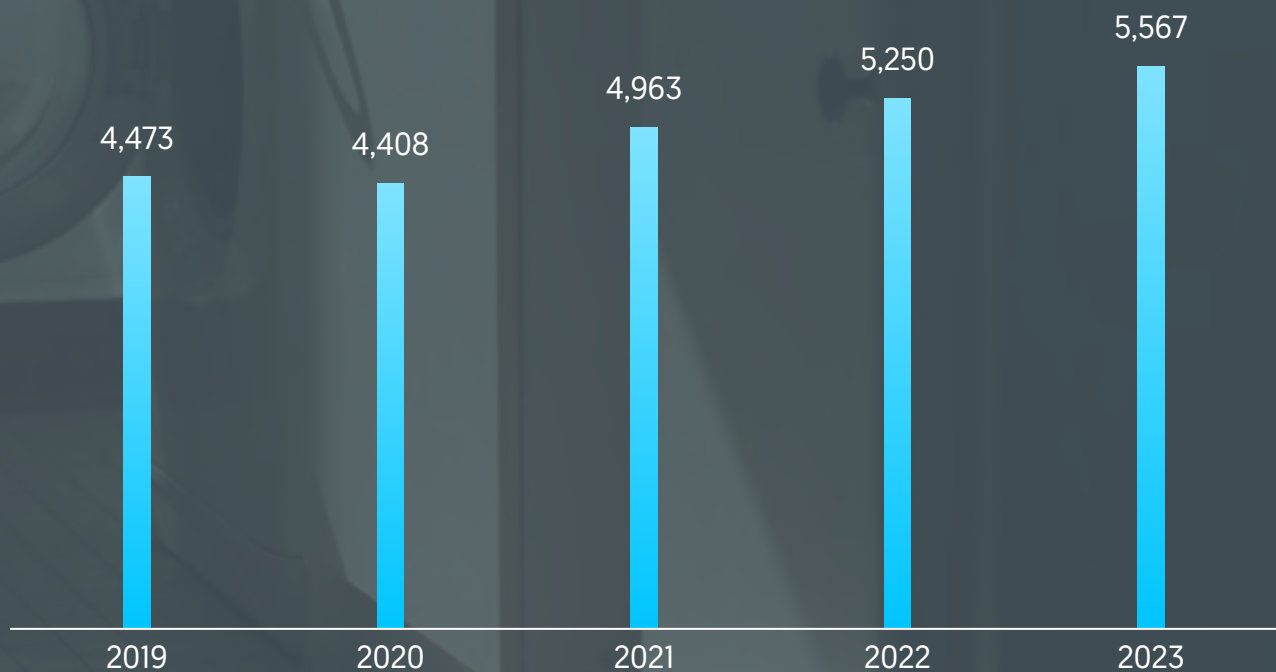
Zenith expects home appliance adspend to reach US\$5.0bn in 2021, 11.0% ahead of its 2019 level, and rise to US\$5.6bn in 2023.

Year-on-year growth in adspend (%) – 12 key markets



Source: Zenith

Total home appliance adspend (US\$ million) – 12 key markets



Source: Zenith

DIGITAL TAKES ON MORE BRAND BUILDING ALONGSIDE KEY PERFORMANCE ROLE

Most purchases of large home appliances are 'distressed' – that is, they are made out of urgent necessity, to replace a broken appliance. Despite the large sums of money that can be involved, consumers spend very little time in research and consideration, typically a few minutes. Home appliance brands use advertising in two key roles in this process. First, long-term brand-building ensures that the brand immediately springs to mind when the consumer realises they need to replace an appliance. Second, performance advertising captures the consumer as quickly as possible in the short window of opportunity, and channels them down the path to purchase.

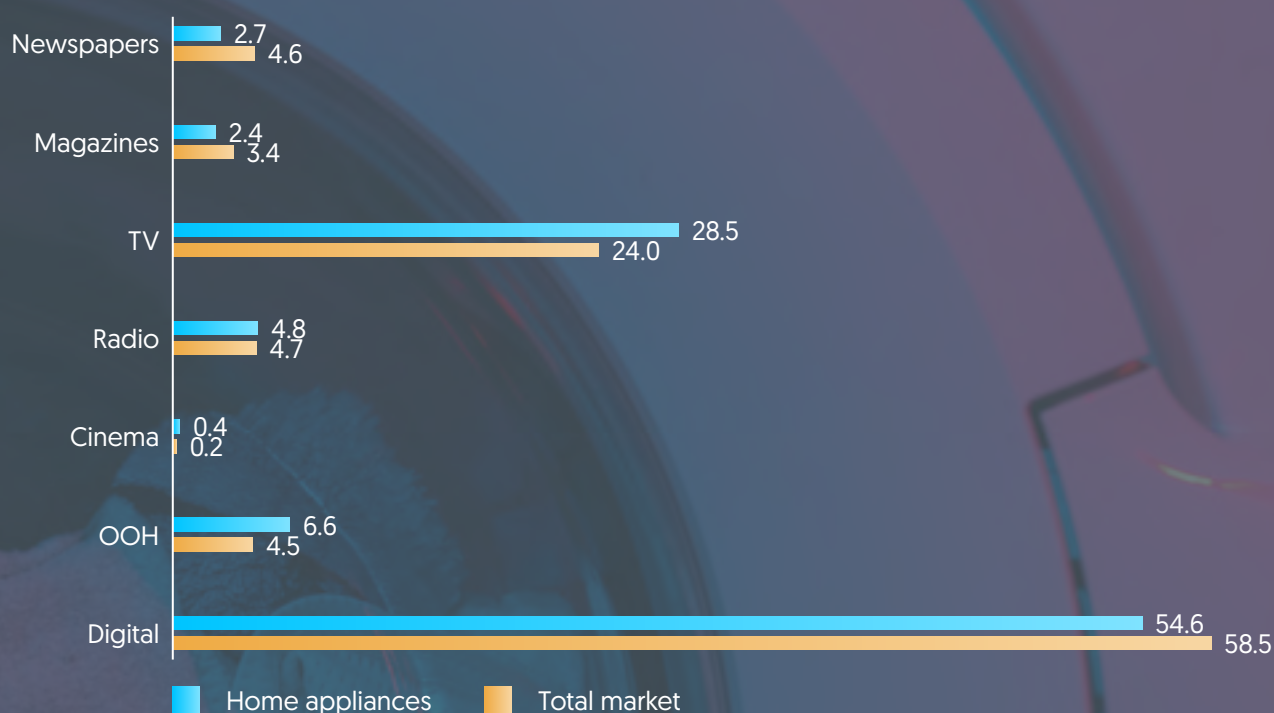
With few distinguishing features between physical appliances, brand building is essential for creating differentiation between brands. Television is still the most important single channel for this purpose. Home appliance brands spent 29% of their budgets on television advertising in 2020, compared to 24% for the average brand across the whole market. Out-of-home advertising is an important supplement, accounting for 7% of home appliance adspend compared to 4% for the market as a whole.

Digital advertising has also become essential for brand-building over the last few years, as audiences have migrated from traditional media. Online video is the principal channel for this purpose, supplemented by native advertising, social media and other forms of digital display. This digital brand advertising also

acts as a complement to paid-search advertising, which is the backbone of home appliance performance marketing, and central to conversion. Overall, home appliance brands spent 55% of their budgets online in 2020, slightly behind the 59% spent across the whole market.

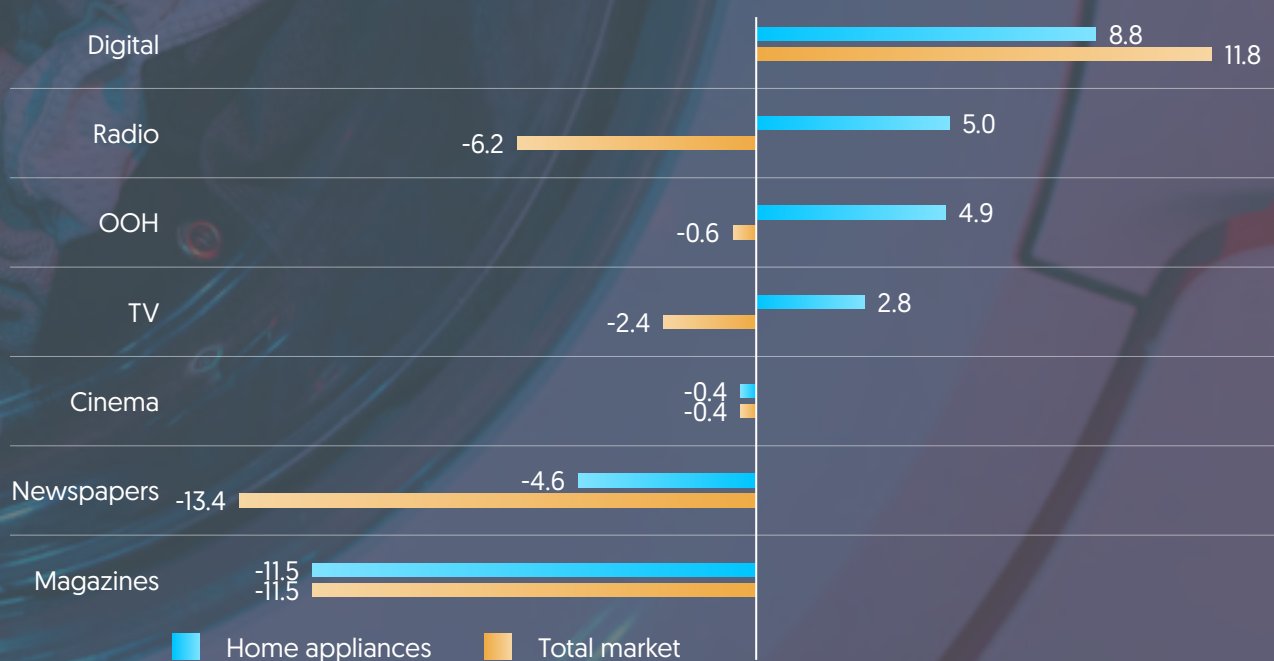
Digital advertising will become even more important to home-appliance brands over the next few years as they continue to embrace ecommerce. Home appliances brands were already well ahead of the market in embracing ecommerce before 2020, but the pandemic led to a step-change in home-appliance ecommerce. According to Euromonitor International, ecommerce rose from 23% of home-appliance retail sales in 2019 to 32% in 2020, compared to 16% of the market as a whole in 2019, and 21% in 2020. Most of these sales were made through retailer partners, particularly for mass-market brands. These partners have highly efficient logistical and distribution networks, which make it difficult from brands to compete with them on price. But some higher-end brands have started fostering closer relationships with consumers, building up first-party data and selling directly from their own websites, sometimes alongside links to retailer partners, but sometimes as a sole option. Zenith expects home-appliance brands to continue to invest in ecommerce over the next few years, fuelling 7.4% annual growth in digital adspend between the 2019 baseline and 2023, making it the fastest-growing advertising medium by some distance.

Share of adspend by medium, 2020 (%) – 12 key markets



Source: Zenith

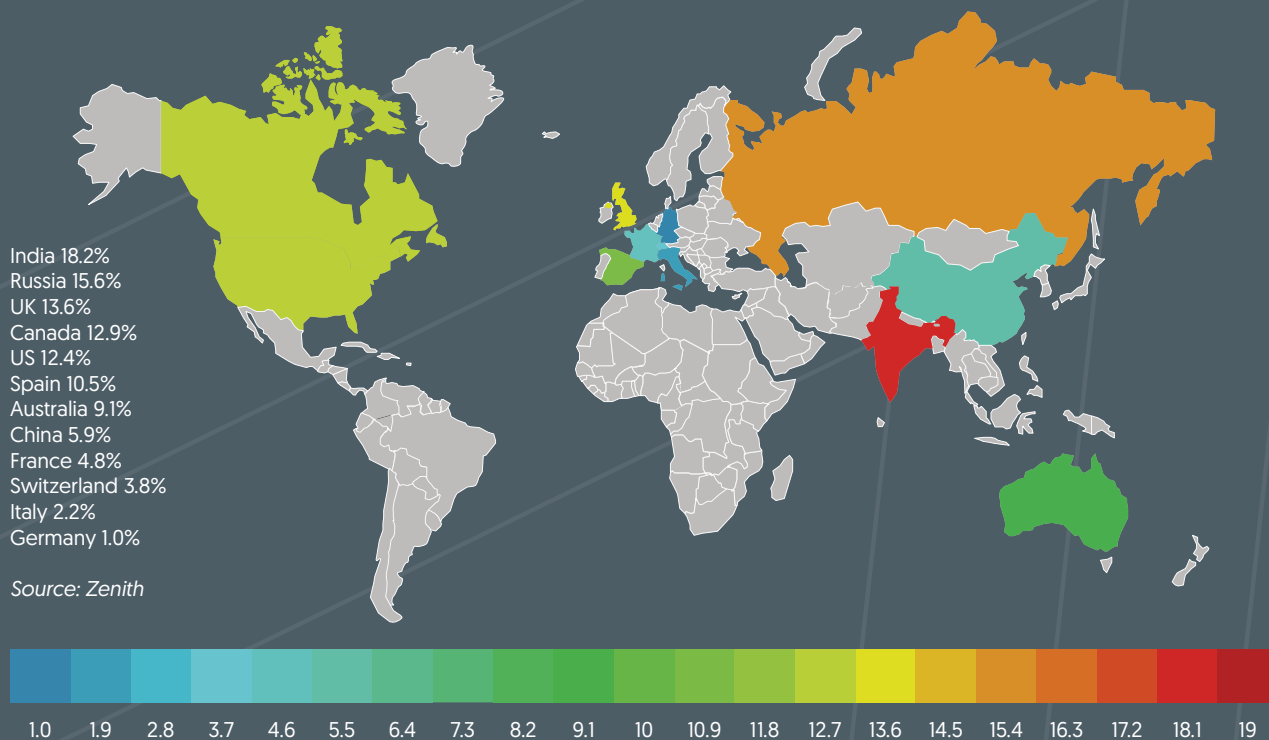
Average annual growth in adspend by medium 2019-2023 (%) – 12 key markets



Source: Zenith

**STRONGEST
GROWTH IN INDIA
AND RUSSIA AS
CONSUMERS
MAKE FIRST-TIME
PURCHASES**

Average annual growth in home appliance adspend by key market 2020-2023 [%]



Zenith forecasts home-appliance advertising to grow particularly quickly in India and Russia, which will grow at average rates of 18% and 16% respectively a year between 2020 and 2023. Their rapid growth will be in part a reaction to their declines in 2020, which were much steeper than average, with spending down 15% in India and 22% in Russia. But growth should remain strong after a swift recovery in 2021, as rising personal incomes allow households to buy new types of appliances for the first time.

Australia, Spain, the UK and the US also suffered from big drops in home appliance adspend in 2020, and are consequently expected to enjoy healthy recoveries as brands recommit to the market.

The slowest growth is expected in Germany, Switzerland and Italy, where consumer demand is mature, with 0% to 4% annual growth in home appliance adspend between 2020 and 2023.

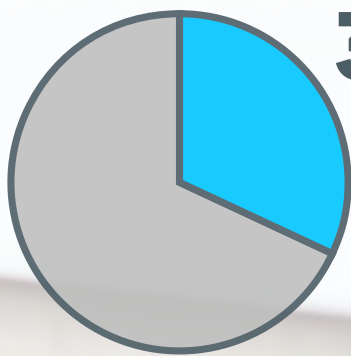
HOME APPLIANCES CATEGORY GROWTH

5%-6%
GROWTH A
YEAR TO 2023

Home appliance sales to
grow 5%-6% a year to 2023



76 million smart appliances
were sold in 2020



32%

Ecommerce enabled 32% of home appliance sales in 2020, compare to 21% for retail as a whole



Four of the five fastest-growing home appliance companies are based in China

HOME APPLIANCE SALES TO EXCEED PRE-PANDEMIC PEAK BY 11% IN 2023

Retail sales of home appliances shrank by 5.5% in 2020, ahead of the 3.1% drop in consumer spending as a whole. The decline of home appliance sales was concentrated in the first half of the year, particularly Q2, when consumers were most uncertain about the future course of the pandemic and cut back discretionary spending sharply, while manufacturers struggled with supply chain problems and the need to close or restructure their facilities to contain infections.

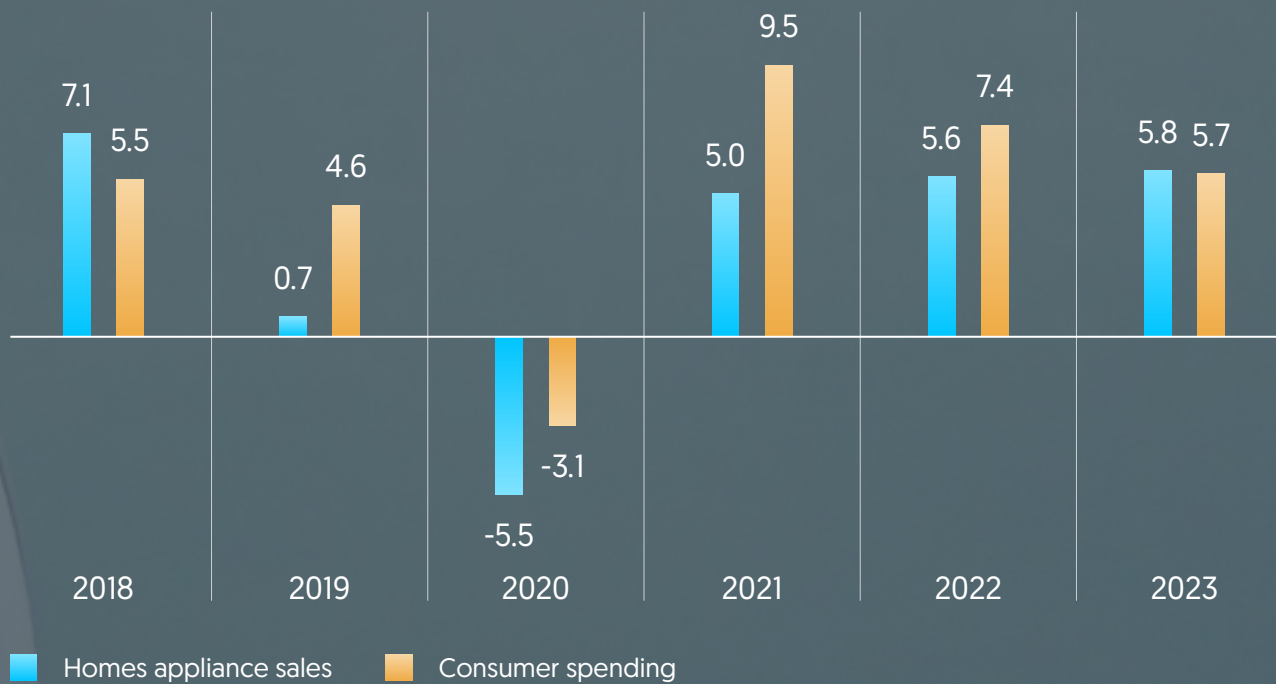
In the second half of the year, though, demand bounced back quickly. Unable to spend their money on holidays, socialising and entertainment in public, consumers saved some of the surplus, but also spend some of it improving their homes, where they were spending much more of their time. Much of this investment was in the kitchen, as consumers substituted home cooking for eating in restaurants and cafes. Manufacturers were able to improve supply and production progressively as the year went on. Home appliance sales picked up in Q3, and by Q4 some manufacturers were enjoying record profits.

Euromonitor International forecasts that home appliance sales will grow at a healthy 5%-6% a year in 2021-2023. Some of this growth will be a residual effect of the pandemic, as people continue to spend more time and prepare more of their food at home. But technological improvements are also making home appliances more valuable to consumers and increasing the price per unit. Although the 'smart home' remains for most an aspiration for the future rather than a practical reality, home appliances are steadily becoming more connected and more automated, gradually making life easier and more comfortable.

Home appliance sales are forecast to rise from US\$276 billion in 2020 to US\$323 billion in 2023, 11% higher than in 2019.

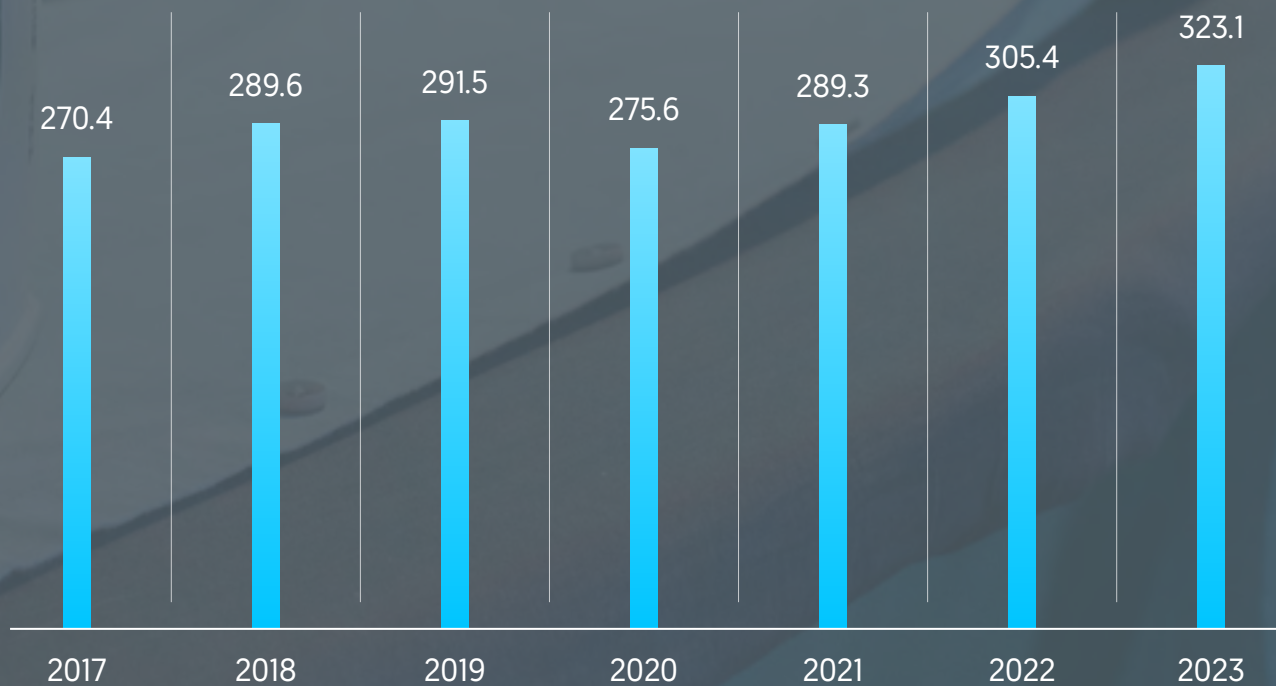


Year-on-year growth – 12 key markets (%)



Source: Euromonitor International

Homes appliance sales (US\$ billion) – 12 key markets

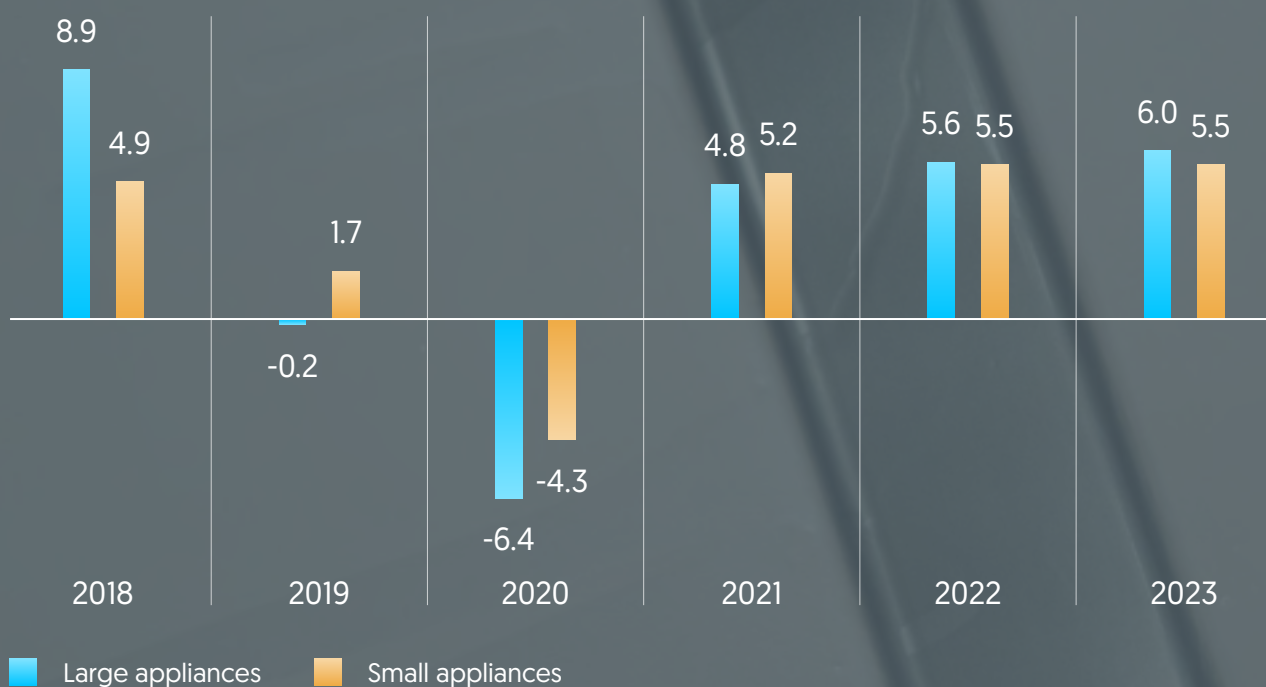


Source: Euromonitor International

Home appliances can broadly be divided into two sub-categories: large appliances [dishwashers, washing machines, dryers, ovens, stoves, microwaves, fridges and freezers] and small appliances [air conditioners, food preparation and small cooking appliances, heaters, personal care appliances, and vacuum cleaners]. Retail sales of large appliances totalled US\$150 billion in 2020, ahead of the US\$127 billion in small appliance sales.

Large appliances suffered more than small appliances from the downturn in 2020, their generally higher price points encouraging consumers to defer purchases until less uncertain times. Their rates of recovery are forecast to be similar, though, with the small appliance recovery weighted more towards the start of the recovery.

Year-on-year growth in home appliances retail sales – 12 key markets (%)

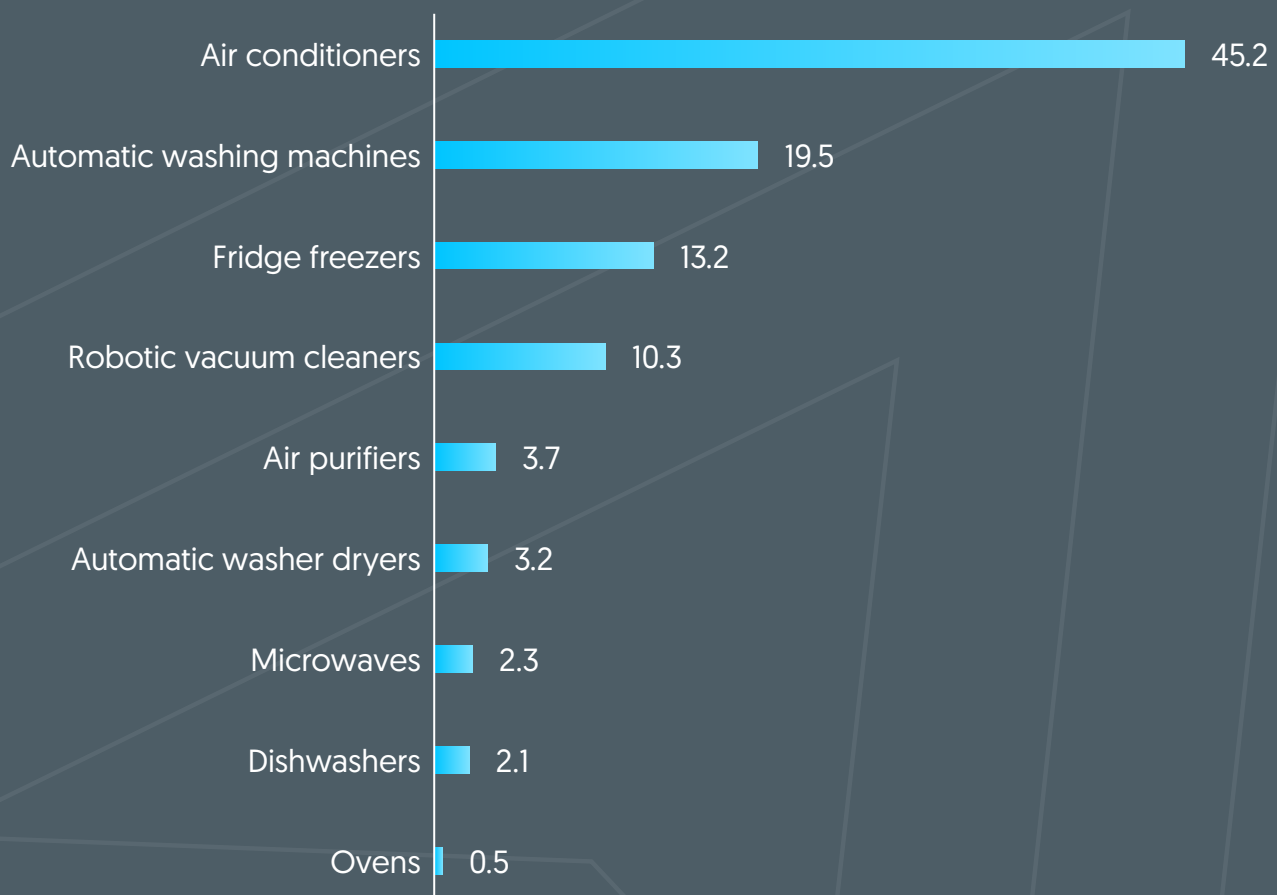


Source: Euromonitor International



**APPLIANCES ARE
GRADUALLY
BECOMING MORE
CONNECTED**

Share of global sales of connected appliances in 2020 (% of units)



Source: Euromonitor International

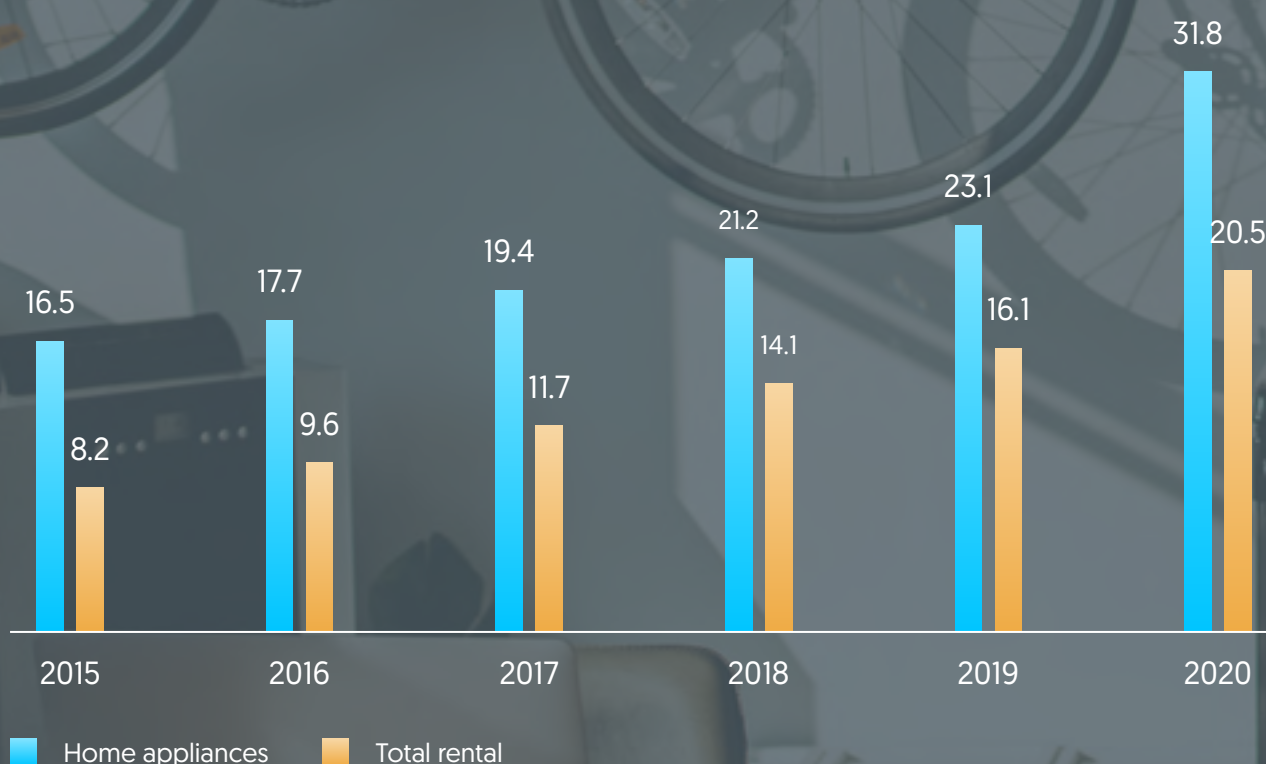
Connected appliances are those that use data connections to communicate with other appliances or controlling devices, such as smartphones, smart speakers or smart TVs. Connected appliances are not necessarily smart devices, which are governed by AI with minimal human intervention as well as possessing a data connection. According to Euromonitor, 76 million connected appliances were sold in 2020, representing 2.6% of all home appliances sold last year. Statista estimates that the value of sales rose 17% in 2020, and forecasts 30% growth for 2021, far ahead of the growth of conventional appliances in both years.

The most popular connected appliances globally are connected air conditioners, which allow consumers to turn them on remotely by phone, so they can enjoy the perfect temperature when they arrive at home, for example. These are highly popular in Asia, particularly China, where they represent 63% of all air conditioner sales.

Given the current low volume of sales, it will be several years before the connected home becomes commonplace, let alone the smart home. But continued investment by manufacturers will lead to lower prices with greater capabilities, so smart appliances are likely to become widespread before the end of the decade.

ECOMMERCE APPROACHES A THIRD OF ALL HOME APPLIANCE SALES

Ecommerce share of retail sales (%)



Source: Euromonitor International

The home appliances category has historically been ahead of the market in adopting ecommerce. In 2019, 23% of home appliance sales were made by ecommerce, compared to 16% for the retail market as a whole. As shops and showrooms closed in 2020, though, ecommerce made an unprecedented leap in importance for home appliance purchases, rising to 32% of sales, compared to 21% for total retail.

It had already been common for consumers to research appliance purchases online before buying in-store; in 2020 many went by necessity directly from researching to buying online. Some will return to in-store purchasing in 2021, but a lot of them – having experienced the convenience of ecommerce – will not. Ecommerce is only likely to become more important to home appliance sales over the next few years.



INDIA, RUSSIA AND CHINA WILL LEAD GROWTH TO 2023

Looking at the prospects for growth over the next few years, the markets can be divided into three broad types: fast-growth, healthy-growth, and no-growth markets. The fast-growth markets are forecast to expand by 7%-17% a year, the healthy-growth markets by 4%-5%, and the no-growth markets by -2% to 1%.

The fast-growth markets are China, India and Russia, Asian and Eastern European countries where incomes are rising rapidly and some households are buying appliances for the first time, instead of replacing existing ones. Three quarters of all the growth in the fastest-growing market, India, is coming from purchases of air conditioning and refrigeration appliances, providing great improvements in comfort and convenience for households in the hot climate that acquire them for the first time.

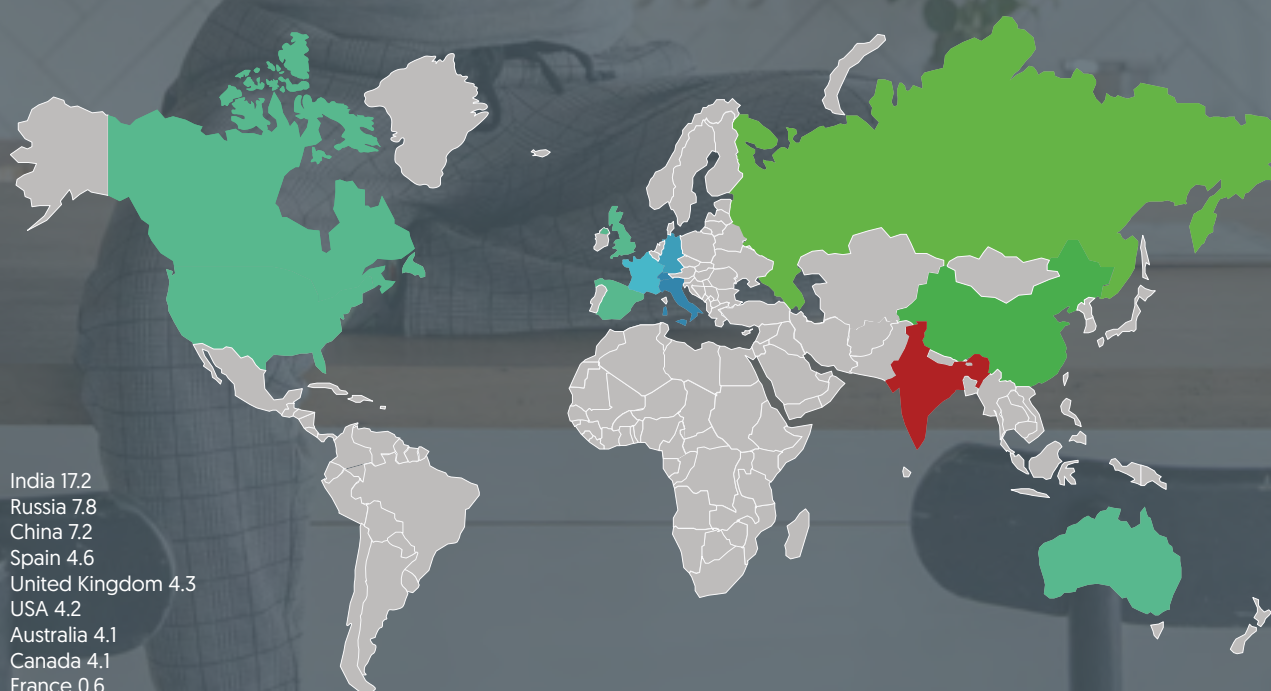
China is the world's biggest market for air conditioning, which can account for as much as 50% of the country's electricity usage at peak times, and air conditioning units are expected to drive 40% of the growth home appliance sales here over the next three years. Growth in Russia is more broad-based, with most types of home appliance contributing to growth. The largest contributor will be refrigeration appliances, accounting for 21% of growth.

The healthy-growth markets are Australia, Canada, Spain, the UK and the USA, all mature markets expected to bounce back from the 2020 downturn with sustained growth spread roughly evenly across different types of appliance.

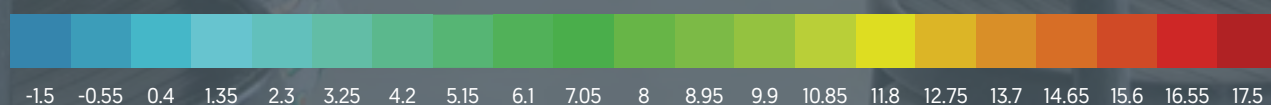
The no-growth markets – France, Germany, Italy and Switzerland – are even more mature, and here most sales represent the replacement of existing appliances with equivalent new ones, rather than upgrades or purchases of new types of appliance.



Average annual growth in home appliance sales 2020-2023 [%]



Source: Euromonitor International



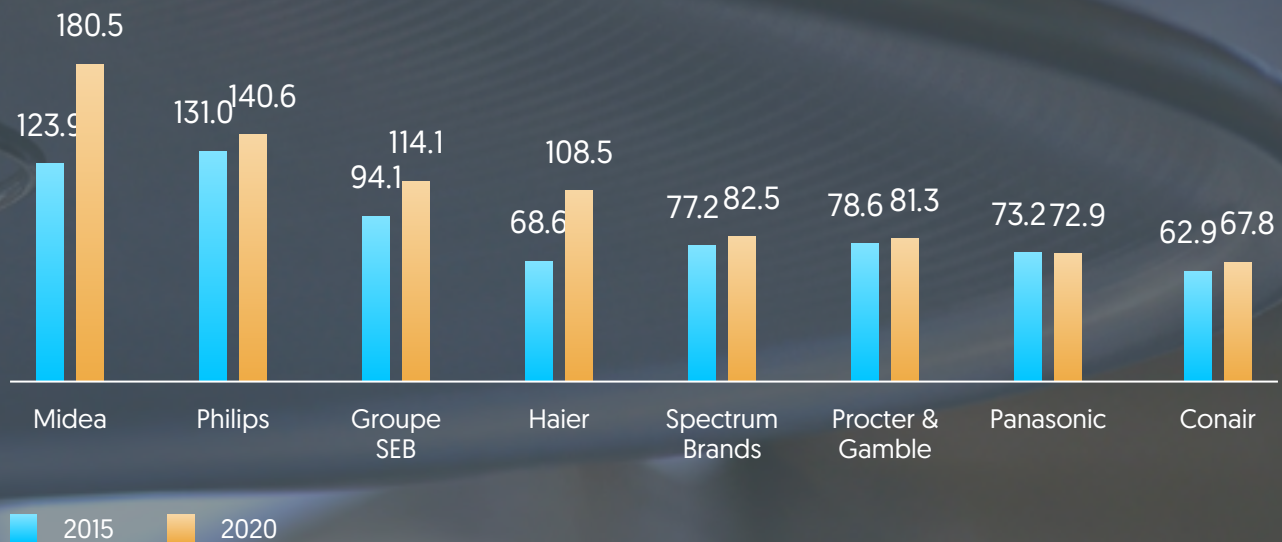
THE BIGGEST HOME-APPLIANCE MANUFACTURERS HAVE TIGHTENED THEIR HOLD ON THE MARKET

Home appliance manufacturing has become more consolidated in recent years, with the top eight companies accounting for 28.8% of sales by volume in 2020, up from 26.7% in 2015. This is due mainly to the rapid growth of the Chinese manufacturers Midea and Haier, as well as the French consortium Groupe SEB.

Midea is the world's biggest manufacturer of home appliances by volume of units. It sold 157 million units of all kinds of home appliances in 2020, specialising in particular in air conditioning. Midea is also the company that has increased sales volumes the most between 2015 and 2020, by 57 million units a year, partly thanks to its acquisition in 2016 of Toshiba's home appliances business and Electrolux's Eureka brand of vacuum cleaners. Note that the value of units varies widely by type of appliance and from market to market, so the retail sales value generated by each company will look rather different from the volume of units sold.

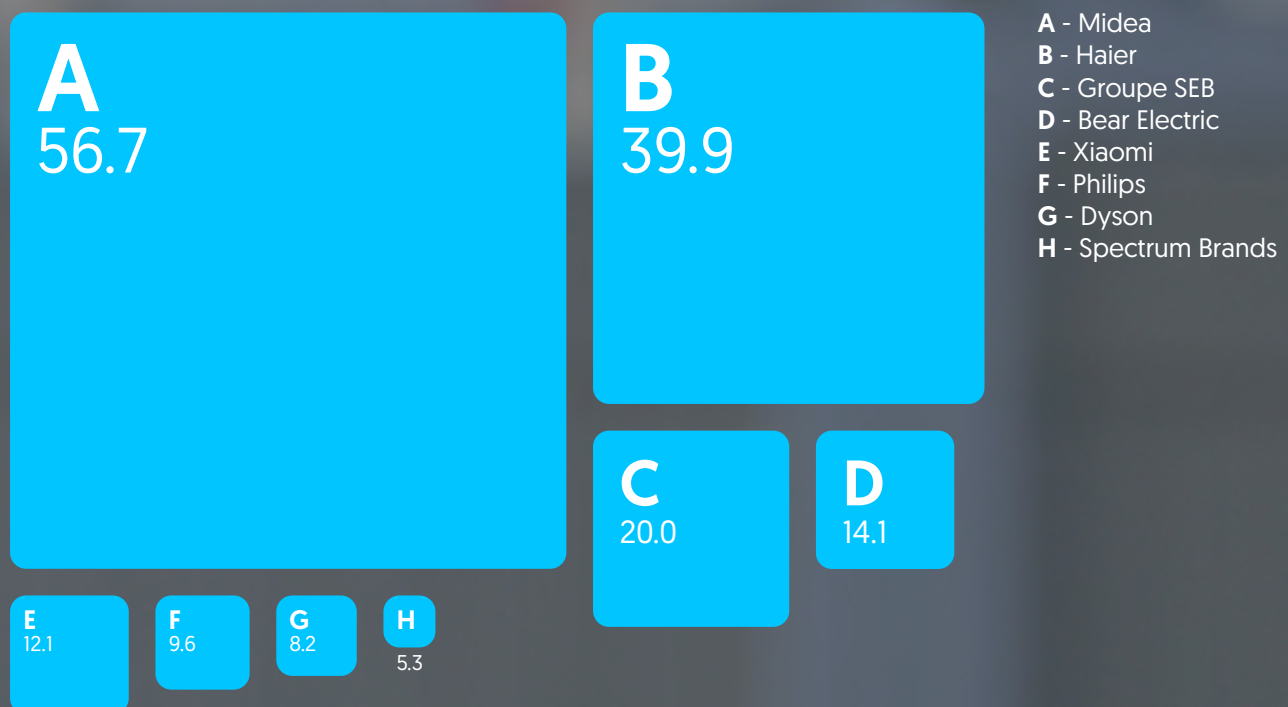
Haier was the second-fastest growing manufacturer between 2015 and 2020, thanks to the scale and dynamism of its home market, China. In fact four of the five fastest-growing companies are Chinese, also including Bear Electric and Xiaomi. Home appliance companies from China are likely to become more prominent on the global scale over the next few years. Despite the rapid growth of their home markets in percentage terms, Russian and Indian firms lack the scale to become global challengers in the near future.

Volume of home appliance sales by the top eight companies (millions of units) – global



Source: Euromonitor International

Growth in volume of home appliance sales 2015-2020 (millions of units)



Source: Euromonitor International

HOME APPLIANCES CONSUMER INSIGHTS



Homes need to adapt to
changing consumer needs and
be multi-functional spaces



Wider trends around
sustainability and health
will shape purchase and
product innovation



**Digital technology will
enhance both appliances and
the consumer path to purchase**



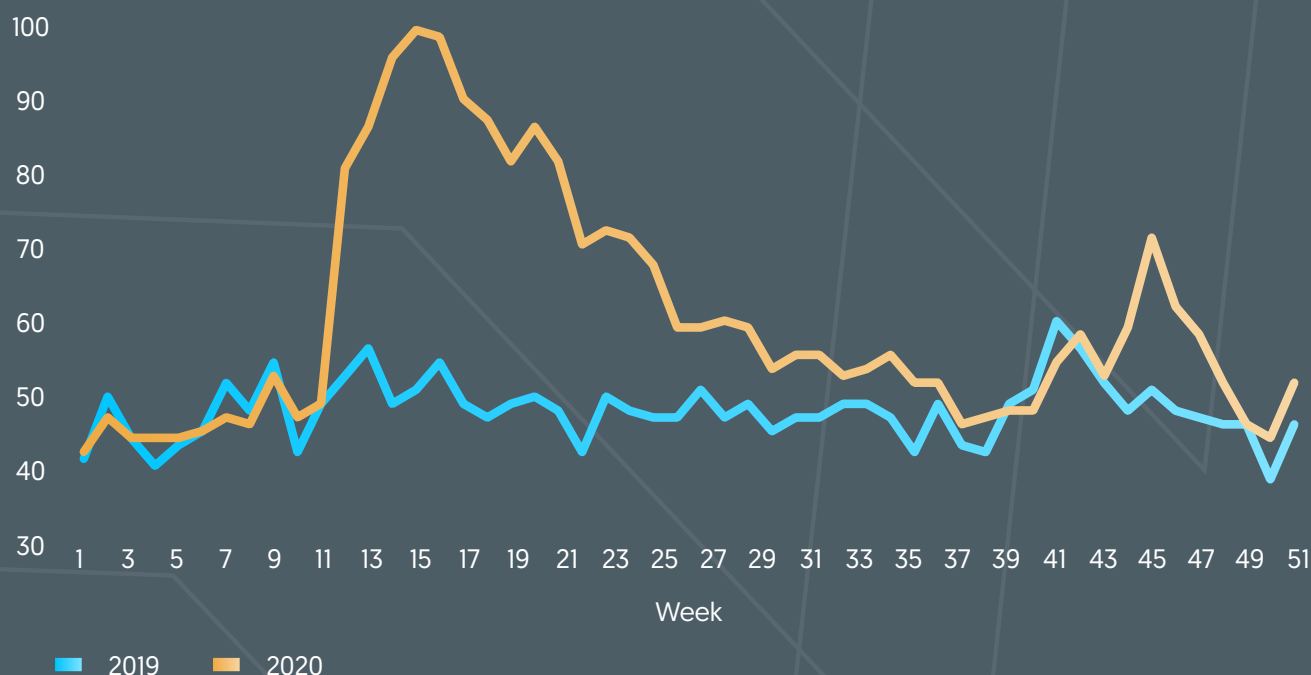
**Brands need to build
service offerings in order
to build a relationship
with consumers**

HOMES HAVE EVOLVED AS A RESULT OF THE PANDEMIC

Over the last year and a half, consumers' lives have been rapidly and significantly altered as a result of the COVID-19 pandemic. As the virus spread, many countries put in seclusion or lockdown measures that mandated staying at home where possible. As a result, nearly all outside activities, including work, education, exercise, and socialising moved in-home and online. To accommodate the increased number of people and amount of time spent there, the home had to adapt to become a much more multi-functional space. In the immediacy of lockdown, Google Trends data shows the increase in consumer interest in home improvement projects, with 2020 searches for “DIY” increasing in the UK vs. the same period in 2019.

The effect of this on household appliances differed depending on the size and cost of the appliance, and over time. In the uncertainty at the start of lockdown measures, there was a bigger interest in refrigeration and small kitchen appliances, such as food preparation or cooking devices, as consumers stocked up on food and started to cook and bake more. Similarly, the closure of hospitality venues meant investment in equipment that would allow consumers to enjoy quality “out of home” experiences in home. For example, a report in May 2020 by Square and the Specialty Coffee Association in the US stated that retail sales of coffee equipment increased by 11%.

Searches for “DIY” in 2019 vs. 2020 in the UK



Source: Google Trends

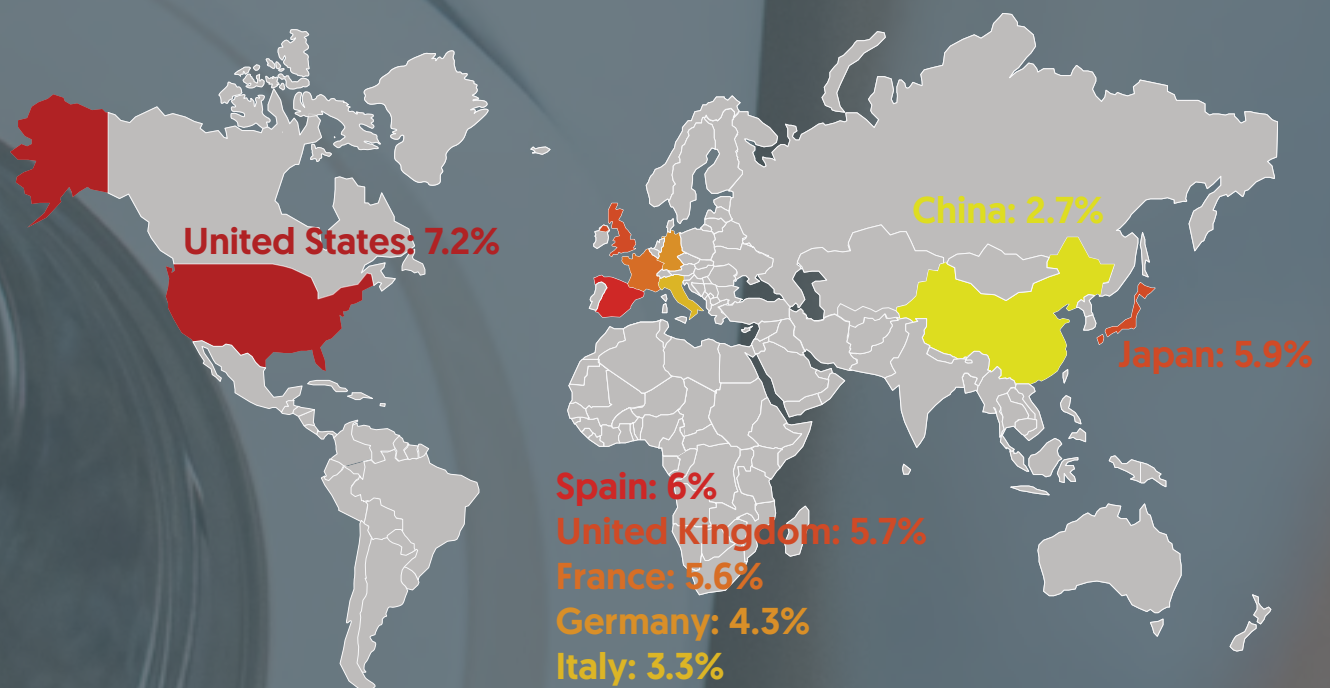
As the pandemic unfolded and consumers became accustomed to their 'new normal' it became apparent that some changes prompted by the pandemic would be permanent. Perhaps most significantly the adoption of flexible working by many companies. According to LinkedIn, as of May 20th, 2021 the percentage of paid job postings that offered 'remote work' in the US was up 457% vs. the previous year. A trend that is gaining pace across many industries, with 9.7% of listings including some form of remote work in May 2021, vs. 2% in 2020. With consumers spending more time at home, certain behaviours will also likely continue. For example, research from Bain & Company found that around 40% of people in 5 European markets said they would be eating home-cooked meals more often after COVID-19.

As is common in periods of uncertainty, consumers have also taken this period of isolation to more seriously assess their priorities. Cautious behaviour from the start of the pandemic will lessen as measures relax and vaccinations increase. Those that held off on any significant works or upgrades to their home due to unease with inviting tradesmen into their homes or due to the delays in construction and/or materials, may now be in a better place to consider bigger changes. Similarly, many have saved money during the last year – according to Bloomberg some estimate so-called 'excess savings' to be as high as 7.2% of GDP in the US - and they may wish to redirect their spending into home improvements. Equally, first-time buyers have saved deposits and some city dwellers have re-evaluated the need to be in the city full time. In March 2021 the results of the London Assembly Housing Committee's housing survey showed that 43% of respondents wanted to move to a new home, and of those, 35% wanted that home to be out of the capital.





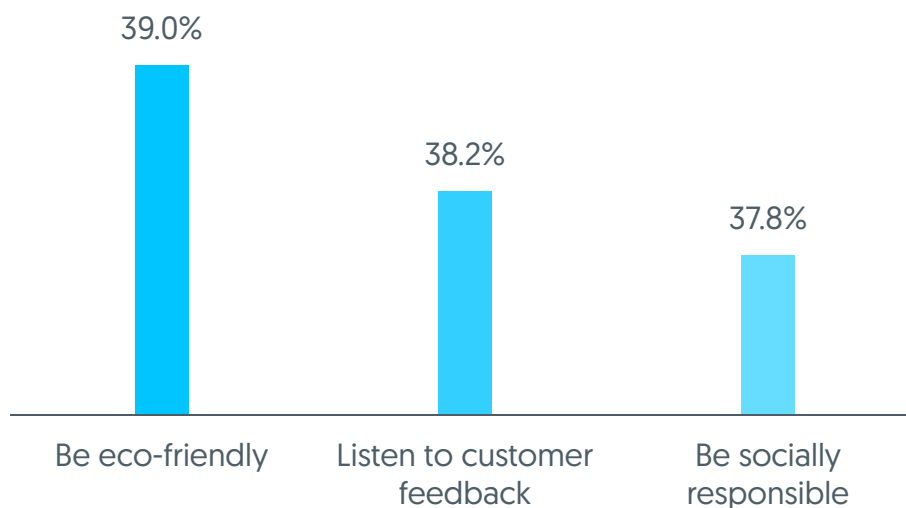
Excess savings as share of GDP during COVID-19 in selected countries 2020



Source: Bloomberg; Various sources (National central banks and statistical agencies)

WIDER CONSUMER TRENDS IN SUSTAINABILITY AND HEALTH IMPACTING THE CATEGORY

Which of these things do you want brands to do?



Source: GWI, Q1 2021 (selected markets)

Aside from the changes in home life, the COVID-19 pandemic has also amplified the existing consumer trend toward living a healthier lifestyle. In light of the global health crises, both physical and mental health have become even more important. Zenith Media's survey of shoppers in the UK, France, Germany, and Italy in November 2020 showed that 31% of consumers had made changes to what they consumed in the past 12 months; 57% of whom did so to be healthier. More time to prepare and cook food not only impacts what ingredients consumers are using, but how they are preparing and cooking them. According to Euromonitor reports, we can expect some time-saving products like slow cookers to be less relevant, and conversely smaller food preparation appliances to hold greater value. Keeping safe from germs and the spread of infections and disease will also be important, making the performance and features of certain cleaning products more pertinent.

As has been common across categories, there is also a growing, broader expectation among consumers for brands to be more socially responsible and consider the environment in both their products and their distribution. Lockdowns, reduced transport, and a change of consumption habits over the past 18 months have starkly highlighted the

damaging effect humans have on the environment. The latest GWI data shows that 29% of connected consumers are interested in environmental issues. As a result, many are reportedly making more environmentally friendly, sustainable, or ethical purchases according to a global survey by Accenture in 2020. For appliances, this means factors like energy consumption and water efficiency will be considerations when purchasing. In fact, 39% of connected consumers want brands to be eco-friendly, and 38% want them to be socially responsible according to GWI. To help inform consumers, the EU has recently made changes to their energy labels for fridges, freezers, dishwashers, washing machines, and television sets. As of March 2021, a simpler but far stricter scale will be in place, meaning fewer products will achieve the top rating. Labels will also include QR links to help consumers easily research products. Therefore brands will need to consider sustainability in both their product development and in their services and practices. Consumers are increasingly likely to appreciate brands or retailers that offer old appliance pickups, recycling, buy back or rental schemes, and brands that are open and honest about their practices, including where products are manufactured and their supply chains.

CONNECTED TECHNOLOGY INSPIRING INNOVATION WHILST ECOMMERCE CHANGES THE PATH TO PURCHASE

Smart appliances household penetration rate forecast in the
World until 2025

Household penetration %



Source: Statista, May 2021

Concerns regarding sustainability can in part be addressed with the rise of both connected and smart appliances, which have been growing both in availability and popularity. Statista forecasts that the number of homes with smart appliances will increase from 4.3% in 2021 to 11.6% in 2025.

Whilst current levels of smart appliance ownership are low, as the technology and connectivity improve and the features and digital services that were previously limited to more premium and more costly products become more widely available, the market will be opened up to a greater number of consumers. In fact, Strategy Analytics data suggests that despite a more cautious 2020, that consumer spending on smart home products and services will grow from 2021 and reach \$173 billion in 2025.

The category has not been exempt from the shift to online buying in the past 12-18 months. The swift closure of many stores from March 2020, and consumer caution concerning returning to busier spaces when they reopened, has forced consumers to look online even for products historically bought largely in store. At the start of lockdown, both retailers and brands needed to

quickly adapt to improve, or in some cases establish, a greater online presence or risk that those with existing infrastructure and operations would take advantage. Whilst a necessity in 2020, consumers who have bought online have also experienced the many benefits, including greater choice, competitive pricing, and convenience, and will likely continue to buy online to a greater extent than before the pandemic.

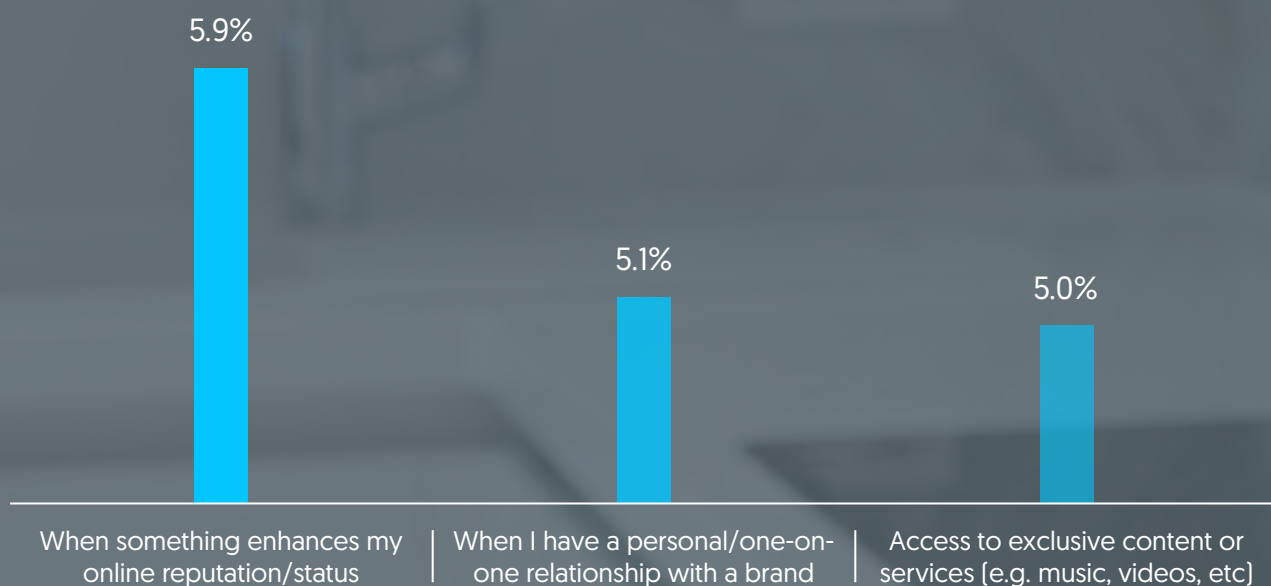
There is value to brands and retailers too, including the amount of data available that can be gathered on consumers. In China where online commerce is more established, retailers such as Alibaba and JD.com use ecommerce data to curate interactive and engaging online experiences. In May 2020, Chinese home appliance brand Gree Electric reported sales of 140.2 million US dollars from a three-hour live streaming event across six ecommerce platforms and retailer JD.com reported in Q1 2020 that for the first time more than 50% of appliance sales were made online. As a result of the pandemic, brands and retailers outside of Asia have also been experimenting with new ways to use online tools, including apps, social media tutorials, online 'live' chats, interactive brochures, and virtual demonstrations.

SERVICES OFFERED CAN HELP BRANDS BUILD RELATIONSHIPS WITH CONSUMERS

Increased usage of products, the rise of ecommerce, and increasing sustainability concerns are also fuelling the need for brands to consider added service offerings in addition to their products. According to GWI data, there has been an increase over the last 5 years of consumers advocating for brands with whom they have personal relationships and that offer exclusive content or services.

More than ever consumers are looking for brands to help and support them by offering assistance with the ordering process, with installations, with the removal of old appliances, financially with different payment plans, with repairs and after-sales services. In a category largely driven by distress purchase and short consumer journeys, these services also allow brands to establish a relationship with their consumers and drive consumer loyalty.

What would most motivate you to promote your favourite brand online, Q1 2021 vs. 2017



Source: GWI, Q1 2021 [selected markets]

WHAT DOES THIS MEAN?

The traditional definition of the home has changed. With consumer behaviour altered in the long term, the home must now fulfil many other functions and purposes. Appliances, therefore, must also evolve in order to help them better manage and support this 'new normal'. Advancements in technology will not only enhance the appliances themselves in terms of functionality, automation and connections but will help brands to forge on-going relationships with their consumers. Particularly,

the addition of service offerings will help brands to differentiate in a largely indistinct category. Ecommerce for appliances will also likely grow over the next few years, with growing consumer appreciation of the choice, competitive pricing and convenience the channel affords. As in other categories, sustainability, health, and hygiene concerns will continue to be important in product development, distribution, and communications.

