

TELECOM & MEDIA VANTAGE™

A view of the consumer marketplace in wireless, telecommunications, consumer electronics, and media

By Eleanor Baird and Scott Brewitt

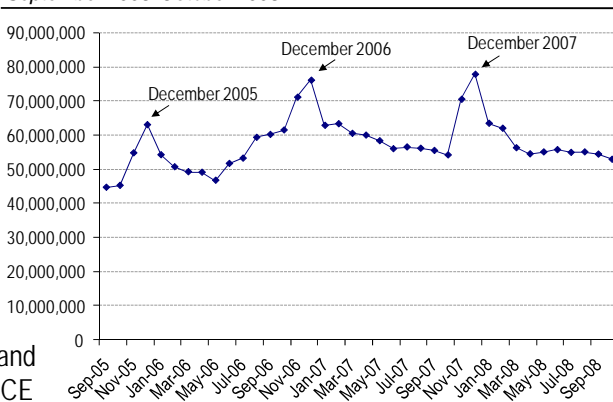
CE 2008 HOLIDAY FORECAST: ROUGH ROADS OR SMOOTH SAILING AHEAD?

With the economy in a slump, this holiday season is expected to be a tough one for most retail sectors, but will consumer electronics (CE) be one of them? So far, the outlook seems positive. A recent study by the Consumer Electronics Association found that although consumers may be spending less overall this season, they are planning to spend more on CE gifts. There are also arguments that the weak economy will make home entertainment products, like video games, more popular.

To benchmark consumer interest in CE products during the upcoming holiday season, Compete researched combined traffic to a group of over 140 CE websites over a three year period. This group includes manufacturers and retailers specializing in consumer electronics. The CE sections of "Big Box" retailers and review sites are not included.

The chart to the right shows clear traffic fluctuations around the holiday season: a consistent November climb, December peak and January drop. This year, online interest in CE products declined more rapidly than usual after the 2007 holiday season wrapped up. Though data from previous years suggest that there is still potential for big gains in the final two months of 2008, they may not be enough to surpass 2007's holiday season success.

Traffic to Consumer Electronics Shopping Sites
Unique visitors to CE manufacturer and CE-specific retail sites,
September 2005-October 2008



CE-specific retail and manufacturer sites could see nearly 6 million fewer visitors in November and December this year

Compete's intelligence and targeting services analyze consumer behaviors and competitive best practices to help companies maximize their returns on marketing, product development, and procurement.

WILL SHOPPERS COME OUT IN NOVEMBER AND DECEMBER?

There are two potential red flags for 2008: online interest early in the year declined faster than in 2007, and online CE interest has been flat since April.

November will be a critical month. Over the past three years, the largest month-to-month increases in online interest have happened between October and November (30% increase in 2007, 16% increase in 2006 and 21% increase in 2005). However, if we project the 3-year historical average increase in online interest during these months to 2008, CE retailers and manufacturers may see nearly six million fewer visitors online in the last two months of the year than they did in 2007. That could spell trouble for holiday sales and margins in 2008.

Of course, larger gains in November and December are possible, but this scenario prompts some important questions. Does a decline in online interest mean lower CE sales, or will resilient shoppers be bigger spenders? Is the decline in online interest due to the economy or fewer compelling CE products on the market? If there is a drop in product demand, will it have an equal impact on all products, or will some items be harder hit than others? What can retailers and manufacturers do to get more customers through the (virtual) door?

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	September (actual)	October (actual)	November (est)	December (est)
2008 Traffic	54,438,967	52,920,067	64,752,933	71,783,628
Difference in traffic from 2007	(1,054,839)	(1,253,422)	(5,816,124)	(6,147,559)

Compete will be at the **2009 Consumer Electronics Show in Las Vegas from January 8-11**. To learn more about our work in the consumer electronics space, contact Ryan Burke rburke@compete.com

Want more data on this analysis?
telecom@compete.com

We'll definitely be watching to see how the CE market shapes up for the rest of 2008.

