Next: A "Decade of Opportunity," says GfK

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According to GfK, the good news is that retail business is getting better this decade. The bad news is that the market is changing (again) and retailers will have to jump a new "Valley of Death" to prosper.

GfK's Dr. Rudi Aunkofer told delegates at **RetailVision** the global financial crisis created cautious retail behaviour, lower stock levels and much more retail/vendor driven price competition.

But besides the "crisis" (and we use quotation marks as the crisis really affected many other areas of business far deeper than consumer IT), there were underlying cycles that typically drive our IT business.

A study by GfK asked consumers across Europe in what ways were they saving day-to-day to cope with the financial crisis. Consumers named buying food and drink for less as their Number one strategy. Spending less on clothes and shoes came next. Going out to eat was number 3 and postponing larger purchases of furniture or car ranked the 4th most important way they were saving money in the recession. What is remarkable is that cutting back on high tech products did NOT make the Top 10 Ways We'll Cut Costs. Not at all.

Sure, sales of high tech dropped as economies dropped but we, as an industry, were **not a direct target**
as consumers consider us a necessity (or at the very least a sacrosanct luxury).

More important to the state of our business are the underlying cycles that typically drive our IT business.

For example, the **product-market** cycle typified by a Windows 7 launch. Or the **demand cycle** shaped by buying cycles (around product longevity and technology-refresh by both consumers and business). And also the
technology cycle
(for example, the shift to cloud computing is typical in the sense that every 12-15 years we see a new paradigm in computing.)

All three of these cycles work in concert with economy like the way underlying currents affect an ocean battered by storms and weather: while unseen, they can be more powerful in effect than surface weather. You may be distracted by the impact of the immediate weather conditions, but nonetheless the currents are still at work. Aunkofer says without accusation that the market additionally suffers from **a lack of innovation at the moment.** Nothing like the heyday of new products, new technologies that we've seen pushing sales in the good ol' days.

In this beginning of a new decade, the market of 2010+ onwards is driven by a general upturn cycle…mainly from consumer interest in mobile computing, storage and peripherals.

It's clear to GfK (and now to you) that **a bigger product assortment is needed to out-perform the overall market trend.** The depth and breadth of your current product mix, plus diversification into new product areas (e.g., photo frames) and adding product innovations…will be your key to jumping over the Valley of Death.

This assortment will need to be visible (both online and on shelves) and actively managed to avoid distribution gaps and inventory gaps.

You will also have to **structure your pricing into entry level and premium level tiers.**
Change doesn't stop there
as the market is segmenting further.
In monitors, larger is better, in photo frames you need the one "right" size that's

popular, in mobile you can win with small or large and in peripherals it's not all about size at all, it's about ergonomic.

GfK is calling the next 10 years a "decade of opportunity." In the future, as GfK sees it, vendors will have to change their "product launch" to an "assortment launch" where they launch **a set of products** instead of a single top seller.

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