

IFA Says Up, But Are Appliances Up “Right?”

Written by Bob Snyder
18 September 2008

If you entered from the South entrance, there was something new this year at IFA Berlin. Berlin's famous brown good show turned white, white as a ghost.

The ghost of appliances, that is. This year an exclusive exhibition area measuring 25,000 square metres in Halls 1.1 to 4.1 was earmarked for HOME APPLIANCES@IFA.

There's this photo of Miss IFA precariously perched on a Siemens appliance and what a perfect visual analogy. The relationship between white goods and brown goods has been tenuous at best throughout the years. And Miss IFA won't be comfortable for the long term on that appliance either.



The ghost of major appliances has haunted consumer electronics ever since an appliance store first decided to add a new product called TV to its product mix. Appliance/TV was one channel, radio/TV another and furniture/TV was a third.

The evolution of high fidelity (it grew out of the furniture console and into self-stacking separates) and TV (it, too, left the wood-grained box for a future separated from furniture) put distance between white goods and “brown goods” channels. And eventually hi fi dealers were born and then video stores and computer dealers. The specialty channels were born and thrived.

Some of those channels eventually added back major appliances, but normally when you see the two physically together...they mix like oil and water.

Brown goods usually require high technical knowledge for sales and service, skills which need to get more complex with time. While white goods need more practical skills and "brute

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force" to manipulate the devices and heavy tools required to repair them.

IFA cites their motivation as their research showing home appliances fall in same Top 10 lists for consumer purchases as LCD TVs and personal computers.

IFA notes (and we believe them) that large dealer groups like Germany's EP (Electronic Partner) are happy and so are big Asian exhibitors like Samsung. Even Philips added Senseo coffee machines to their main displays at IFA.

For Samsung, it makes sense: “We are paying a small fortune for our stand. Let us add our white goods.”

What they didn't report was the grumbling from smaller high tech exhibitors who suffer culture shock from the very visage of appliances...They ask themselves: Is this the environment where I want to show off my latest high tech product?” They resent the tyranny that a few large exhibitors can exert—and they will vote with their feet.

IFA reports an increase in dealers but it is not clear if appliances are responsible. After all, in most large retail operations the white goods buyers are separate individuals. There is no real advantage for Currys in the UK when you add white goods to IFA: they would have to send a separate buyer. You may as well have a separate show in Duesseldorf.

IFA organizers proudly point out how well appliances integrated into their Berlin event. But it seemed more like segregation than integration: there was a separate showing going on over there in HomeAppliances@IFA.

The only dealers it helps are VSDs...the Very Small Dealers. And most of the time they belong to dealer co-ops or buying groups that hold their own annual events. These are not the market drivers; they're the endangered species.

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The aforementioned high tech exhibitors (and “smaller” means from 1 million euros in turnover to 500 million—it’s relative to the billion dollar industry giants who are conglomerates versus specialized makers) noted that attendance “seemed down.” These exhibitors are shocked by IFA’s attendee count as they guessed attendance was down as much as 30-40% in their exhibit halls.

And that leads us to the real danger of adding white goods to IFA: it probably is a good financial move for the IFA show organizers. It adds exhibition space so they can announce they are “up”. It draws a new group of dealers so they can announce they are “up”. And it keeps their biggest exhibitors happy.

Call this a “tranquilizer effect”. It makes IFA very happy with itself and it fogs over the real problem staring IFA in the face.

If you’ve been to CES, you’ve seen how consumer electronics “rocks” these days. We haven’t seen excitement like this since late 1970s. (OK, some of you never saw those years, but I did.) It’s practically electric with innovation and you can feel it in the air.

Berlin’s IFA lacks that “wow”. You still feel more MTV than YouTube.

And this mistake started in earlier times, in a period when CeBIT was demanding that Microsoft get Xbox off its Hanover’s stands and IFA was discouraging computer companies for joining in Berlin. “Not our group...the wrong element” was the attitude.

A recent GfK study underlines that the bulk of consumer electronics sales fall into 3 broad categories: Displays(TVs), Computers and Mobile Phones. IFA can be crowned King of Displays (it really is an impressive exhibition for TVs and displays) but it fails in computers, and does only a little better in mobility.

We would tell the folks in Berlin to “Wake up and smell the coffee” but somehow it seems they would take this literally. Bring out the Senseo.

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White goods are a distraction from IFA’s real core challenge: how to make IFA a real high tech lifestyle consumer show.

While IFA feels boldly confident about white goods, it risks alienation of its base. Hundreds of exhibitors could leave and leave a gap that can’t be filled by the wave of Chinese exhibitors that is IFA’s only strong suite today (other than white goods).

If they aren’t careful, IFA will end up with only a show for white goods. Then someone in IFA Head Office will probably pat himself on the back on say, “How smart I was to choose white goods—look how it has become the mainstay”.

Indeed.

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