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## Consumer Electronics in the US

### EXECUTIVE SUMMARY

#### Consumer Electronics Grows in the Face of a Rapidly Changing Landscape

**D**riven by expansion in the portable consumer electronics category, the US consumer electronics industry recorded positive volume sales growth in 2019. Consumer preferences continued to shift towards smarter and more multifunctional products in 2019. Smartphones once again dampened demand for products like digital cameras and camcorders, portable players and aftermarket in-car navigation devices, among others. Manufacturers in all categories made technological improvements and increased the capabilities of their devices, hoping to capture the attention of consumers looking for higher-quality audio and imaging as well as more mobile capabilities.

The year's political environment, with the US involved in a trade war with China and imposing tariffs on other trading partners, brought a plethora of challenges for industry players, but the impact was not substantially felt by US consumers. Average unit prices remained stable in 2019, and innovative product launches kept consumers highly interested in industry developments.

#### A Stable Year for Unit Sales

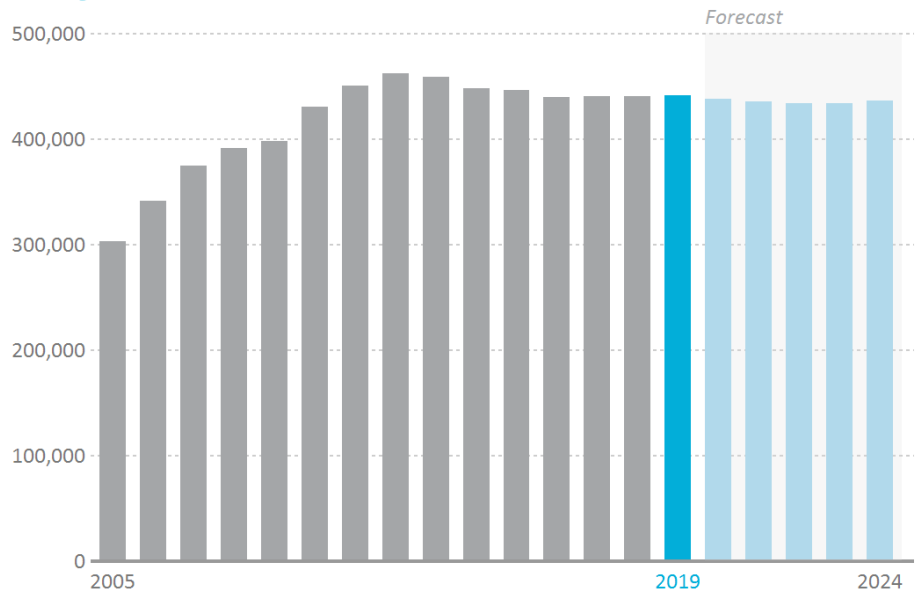
Limited volume sales growth for consumer electronics in the US masks many of the changes the industry has undergone since the start of the smartphone and portable computer era. The high level of internet connectivity across most of the US has enabled the rapid adoption of smart technologies and seamless streaming to in-home and portable devices. For the most part, consumers are forgoing electronics that perform functions that can be carried out by smartphones and expect even televisions to connect to entertainment streaming applications such as Netflix and Spotify. The trend has accelerated the decline of devices like portable media players or digital cameras, while increasing demand for smart wearables that can conduct many of the same functions as smartphones, increasingly without needing to be tethered to a phone. Connected consumers are driving the growth of internet retailing and mobile commerce, taking advantage of improved digital payment applications on portable electronics.

2019 brought growth for electronics that can complete many of the same functions as the most high-end products without necessarily costing a premium price. Within home audio, consumers can find powerful sound bars that simulate the

### Sales of Consumer Electronics in USA

Retail Volume - '000 units - 2005-2024

# 440,059



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performance of more complete sound systems, while improvements in LCD television technology brought them closer in quality to the more expensive OLED models. Within the smartphone space, flagship sales from major manufacturers missed sales expectations, as consumers opted for lower-end models and held on to their phones for longer than in years past.

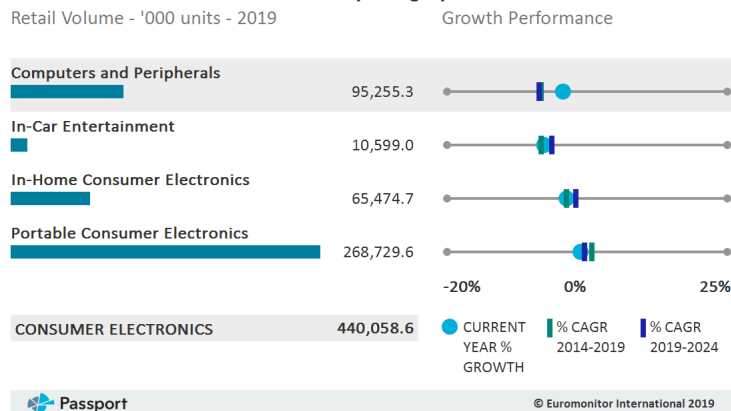
### Digital Assistants are Everywhere

Digital assistants and smart home technology continue to expand from smartphones and wireless speakers into more categories in consumer electronics and the home entertainment space. Amazon's Alexa and Google Assistant are changing the way people interact with their devices. Voice control is set to become the new normal when it comes to televisions and home entertainment devices. As the assistants become more integrated, their functionality will only increase. One indicator of the influence this software has is the fact that some models of Samsung televisions have both Alexa and the Google Assistant installed, despite the existence of Samsung's own digital assistant, Bixby. Smart technology is not just limited to consumer electronics products, as it has made its way from the humble beginnings of wireless speakers to becoming the central hub for entire households of connected devices, communicating with everything from ovens to car stereos.

### Bricks-and-Mortar Retailers Try New Strategies to Slow the Rise of Internet Retailers

Internet retailing, led by Amazon, continues its steady climb among distribution channels in consumer electronics and appears set to do so for some time ahead. However, manufacturers and bricks-and-mortar stores are looking to combat this trend with a twofold strategy. Firstly, they themselves are competing in the internet retailing space. By offering customers the ability to order online and pick up in store they are hoping that speed will trump convenience in terms of getting the products into consumer hands. In the same vein, Amazon, the top internet retailer, began offering free one-day, and in some cases same-day, shipping for its Prime members to reduce the time from purchase to possession. The second part of the strategy is a continued emphasis on the shopping experience. The idea is to combine the best parts of both worlds: first-person interaction and ease of purchase. Retailers and brands are opening smaller-format, more intimate stores and specialized pop-up formats, while providing customers with convenience, such as paying directly using an app

### Sales of Consumer Electronics in USA by Category



and not having to stand in line at a cash register. The strategy aims to remove incentives for consumers in showrooming behavior, in which people test products in person but purchase them online. A key component for traditional retailers in the future will be the effects of tariffs and trade policies on prices, an area where online retailers hold an advantage.

### Flat Forecast Period Growth Due To Market Maturity and Trade Headwinds

Growth in the overall consumer electronics market in volume terms is expected to be mostly flat during the forecast period. There will be significant challenges in the future for the computers and peripherals and in-car entertainment categories. The continued levelling out of the smartphone category will also be a headwind to growth for the entire market. Another factor impeding growth in the industry is the escalating trade conflict between the US and China. The added uncertainty regarding tariffs is detrimental to an industry with such a high percentage of international manufacturers. However, there is hope for a positive future. 5G technology is being rolled out slowly in major cities and its increased connectivity speeds may well redefine several categories in consumer electronics. Given the nature of the consumer electronics industry, there is always the possibility of innovation that could spur growth over the review period. ■

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