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Short circuit: Despite economic recovery, competition will stunt revenue growth

IBISWorld Industry Report 44311

Consumer Electronics Stores in the US

July 2019 Cecilia Fernandez

About this Industry

Industry Definition

Consumer electronics stores retail a range of new appliances, electrical goods and home entertainment products, such as dishwashers, TVs and computers. Many stores also offer repair services and some stores sell used goods. This industry does not include stores that primarily sell computers (IBISWorld Report 44312).

Main Activities

The primary activities of this industry are

- Retailing new household appliances (e.g. refrigerators, washing machines and ovens)
- Retailing new personal appliances (e.g. hair dryers, curling irons and electric razors)
- Retailing consumer electronics (e.g. radios, TVs, digital cameras, video games and computers)
- Retailing mobile phones, smartphones and accessories
- Offering repair services in conjunction with retail operations

The major products and services in this industry are

- Cameras and photographic equipment
- Computer hardware and software
- Major appliances
- Televisions and audiovisual equipment
- Telephones, including mobile phones
- Services and other

Similar Industries

44312 Computer Stores in the US
Operators in this industry retail new computer peripherals, prepackaged computer software and office equipment and supplies.

44313 Camera Stores in the US
Operators in this industry sell new cameras and photographic equipment and supplies, often in conjunction with providing repair services and film developing.

45112 Hobby & Toy Stores in the US
Operators in this industry retail new electronic toys, games and hobby and craft supplies (except needlecraft).

45321 Office Supply Stores in the US
Operators in this industry retail new computers, accessories, prepackaged software, stationery, school supplies, office supplies and new office equipment and furniture.

81121 Electronic & Computer Repair Services in the US
Operators in this industry repair and maintain consumer electronic equipment, computers and office equipment and other electronic equipment.

About this Industry

Additional Resources

For additional information on this industry

www.cta.tech
Consumer Technology Association

www.eff.org
Electronic Frontier Foundation

www.ieee.org
Institute of Electrical and Electronics Engineers

www.womeninconsumertechnology.org
Women in Consumer Technology

Industry at a Glance

Consumer Electronics Stores in 2019

Key Statistics Snapshot

Revenue	Annual Growth 14–19	Annual Growth 19–24
$85.7bn	-2.2%	-0.2%
Profit	**Wages**	**Businesses**
$3.5bn	$9.3bn	34,860

Market Share

Best Buy Co. Inc.
37.8%

GameStop Corp.
5.2%

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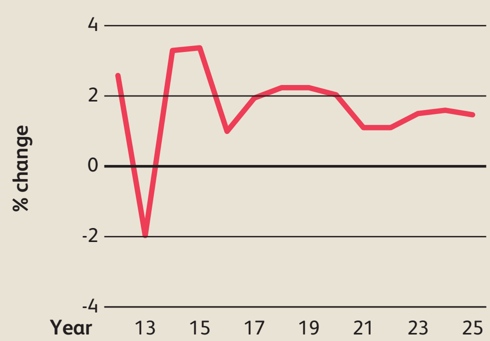
Revenue vs. employment growth

Per capita disposable income



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

- Per capita disposable income
- Percentage of services conducted online
- Number of households
- Price of household appliances
- External competition for the Consumer Electronic Stores industry

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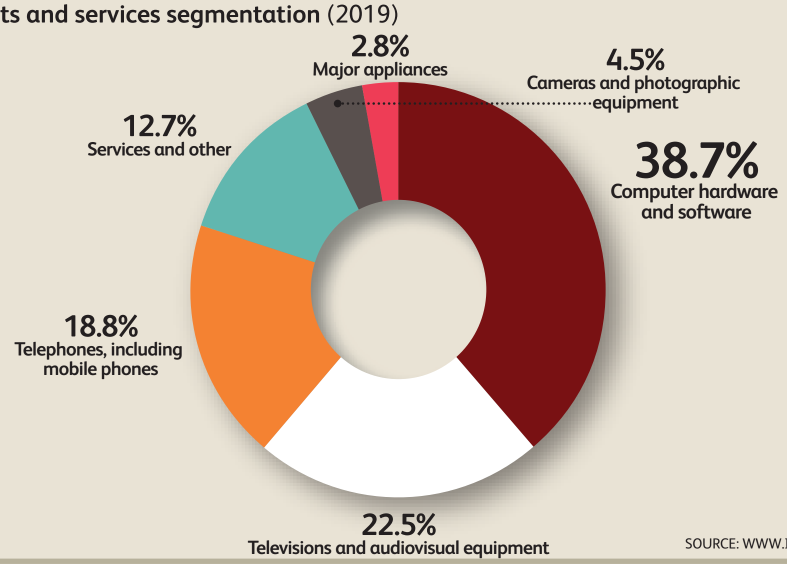
Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Decline	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 33

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Consumer electronics and appliances are staples in US households and include a wide range of items, from DVD players to refrigerators. The Consumer Electronics Stores industry, which largely relies on discretionary purchases of such products, has been plagued by increasing external competition over the five years to 2019. Consumer confidence and spending grew over the past five years, but not enough to lift the industry out of its mild decline due to fierce competition from online retailers, discount retailers and department stores. Considering these difficult conditions, IBISWorld expects industry revenue to fall an annualized 2.2% to $85.7 billion over the five years to 2019; this includes a projected decline of 0.2% in 2019 alone, driven primarily by a continuing shift toward online electronics purchasing.

Consumer confidence grew during the period, but not enough to lift the industry out of its mild decline

Over the past five years, the percentage of services conducted online grew strongly at an annualized rate of 11.0%. Consumers have shifted their business over to online or discount retailers since they are more convenient and tend to offer a variety of products at lower prices. Online retailers have lower overhead costs than traditional brick-and-mortar stores and are able to pass down the cost savings to consumers by offering lower prices. To compete with these alternative sellers, industry operators tried to keep prices low, cutting into industry's profit margins. As a result, businesses laid off employees and closed down unprofitable establishments to buoy margins. Overall, due to the rising competition from online retailers, profit, measured as earnings before interest and taxes, is expected to account for 4.1% of industry revenue, down from 4.6% in 2014.

Over the five years to 2024, continued economic strengthening will lead to an increase in consumer spending; however, the industry will likely continue to contract. Challenged by mounting competition from online retailers, industry operators will be sustained by consumers who prefer to shop for big-ticket items in store. Nevertheless, as more consumers become accustomed to making these purchases online, aggregate sales will likely decline during the outlook period. Furthermore, despite ongoing improvements in the residential construction market and the rising number of US households supporting sales of industry products, much of these sales will take place through online channels. Overall, industry revenue is forecast to decline an annualized 0.2% to $84.8 billion over the five years to 2024.

Key External Drivers

Per capita disposable income

Products sold by consumer electronics stores are often discretionary. Therefore, a rise in per capita disposable income increases consumers' propensity to purchase industry goods, leading to growth in demand. Per capita disposable income is expected to increase in 2019, representing a potential opportunity for the industry.

Percentage of services conducted online

Online retailers are major competitors to industry operators. These retailers sell consumer electronics and appliances, often at lower prices than consumer electronics stores due to the lack of fixed costs, attracting customers away from industry players. The percentage of services conducted online is expected to

Industry Performance

Key External Drivers continued

increase in 2019, representing a potential threat to the industry.

Number of households

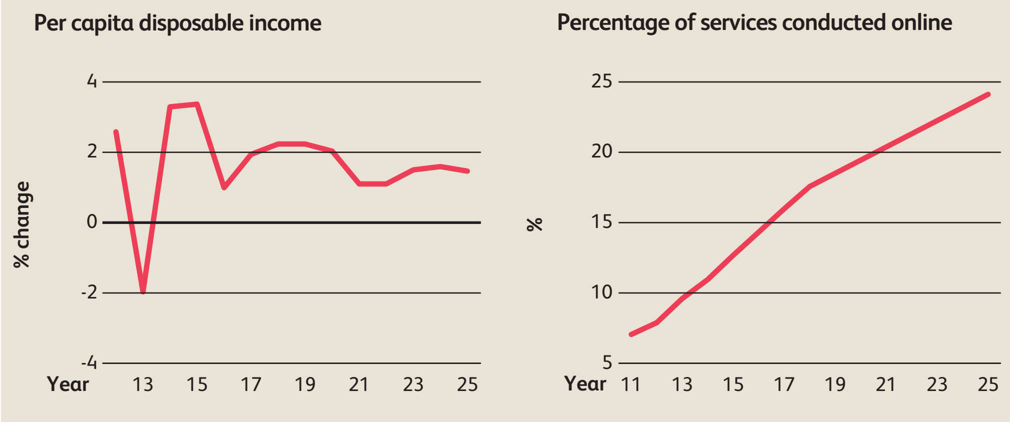
An increase in the number of households will lead to higher demand for consumer electronics. Recent societal trends have shown that consumers are increasingly concerned with long-term growth in personal wealth and are often delaying marriage until later in life. This has resulted in low-density living, increasing the volume of households. The number of households is expected to increase in 2019.

Price of household appliances

The price of household appliances typically moves in accordance with demand fluctuations and the cost of major material inputs, such as plastic and steel. Manufacturers pass production cost increases to retail outlets, which are usually able to pass these increases on to their customers. As appliance prices rise, improving consumer confidence and demand will enable retailers to raise selling prices. This will drive revenue growth and enhance profitability. The price of household appliances is expected to decrease in 2019.

External competition for the Consumer Electronic Stores industry

External competition for the industry stems from department stores, warehouse clubs, home improvement stores and online retailers. These operators sell consumer electronics and appliances, often at lower prices than consumer electronics stores, attracting customers away from industry players. External competition for the Consumer Electronic Stores industry is expected to increase in 2019.

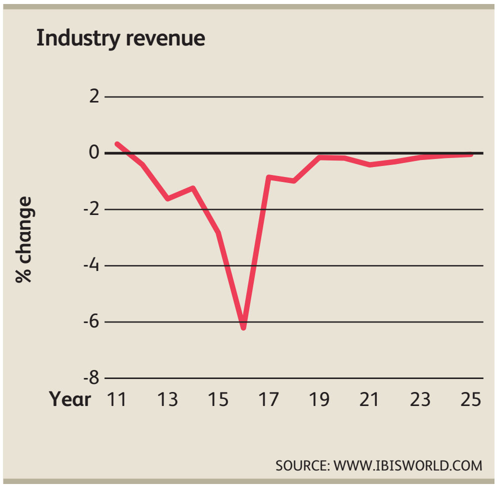


SOURCE: WWW.IBISWORLD.COM

Industry Performance

Current Performance

Operators in the Consumer Electronics Stores industry retail a wide variety of electronic goods, from DVD players to refrigerators. The widespread use of industry products by consumers has made the industry a staple in the domestic economy; however, these trends also made it largely subject to movements in consumer preferences. Consequently, the industry has declined over the five years to 2019 as industry products have become oversaturated and rising competition from discount and online retailers that offer lower prices has hampered industry revenue growth. Overall, industry revenue is expected to decline at an annualized rate of 2.2% to $85.7 billion over the five years to 2019. This includes an expected 0.2% decline in 2019, which will mainly be the result of a continued embrace of online electronics purchasing.



Product mix shifts

While sales of industry products have declined over the five years to 2019, the industry has experienced various changes in product performance, which have had both positive and negative effects on sales volumes. For example, the consumer electronics segment has fared well during the five-year period as the appliance segment faltered. Since the features and functionality of appliances do not change much from year to year as they do with electronics, consumers had little motivation to purchase big-ticket household appliances, such as washers, dryers and refrigerators. Instead, as per capita disposable income increased during the period, consumers opted for more discretionary purchases in the electronics segment.

The electronics segments have fared slightly better. Innovation in TVs and personal computers, once the industry's major revenue generators, has slowed, dampening consumer demand. Conversely, the computer hardware and software segment has been buoyed by the introduction of the tablet computer and new innovations in mobile phone devices and technology. Tablet computers' meteoric rise has particularly been a boon to the industry. Apple Inc.'s iPad, currently the highest-selling tablet on the market, was introduced prior to the period, while tablet computers were not popular in consumer markets. Nowadays, an estimated half of Americans own and use tablet computers. This trend represents an immense rise in popularity and sales volume and, while many tablets are purchased through other retailers, this growth has been advantageous to operators supplying these products.

Industry revenue from CDs, DVDs, video games and their respective players and consoles has suffered from technological change. For instance, online streaming enables consumers to listen to music and watch movies without purchasing CDs or DVDs. As a result, CDs and DVDs sales have been declining during the five-year period. Conversely, mobile phone sales have grown for industry operators. According to Pew Research Center, out of the 96.0% of Americans that own a mobile device,

Industry Performance

Product mix shifts continued

81.0% own a smartphone as of 2019. In response to this shift in consumer tastes, the industry's largest player, Best Buy Co. Inc. (Best Buy), opened smaller stores primarily featuring mobile devices. Furthermore, these stores feature Samsung and Windows mobile products to sell high-margin mobile products. However, the company closed all of these smaller stores in the beginning of 2019 due to overall declining demand and market saturation.

Profit and external competition

Profit growth has been constrained by intense competition from department stores, discount outlets and online retailers. For example, many large-format stores, such as Walmart Inc. (Walmart) and Target Corporation (Target) sell products similar to those of industry operators. *TWICE*, a leading consumer electronics publication, has reported that Walmart and Target are two of the top eight sellers of consumer electronics in the country, siphoning an estimated $30.0 billion of business away from industry retailers in 2018 (latest data available). Furthermore, increased competition from online retailers has forced industry operators to close down unprofitable establishments and lay off employees in order to stay afloat. Even so, profit, measured as earnings before interest and taxes, is expected to account for 4.1% of revenue in 2019, down from 4.6% in 2014.

Online consumer electronics sales have boomed over the past five years. In 2017, research company eMarketer has noted that 18.0% of internet users purchase consumer electronics digitally, 43.0% purchase them in-store and 39.0% purchase them both in-store and online (latest data available). Intensifying competition has led to aggressive discounting by industry operators to offer prices comparable with those offered by online sellers that do not incur the same fixed costs as brick-and-mortar stores.

Profit growth has been constrained by intense external competition

In addition to competition from outside the industry, consumer electronic and home appliance retailers must compete with the two largest industry players: Best Buy and GameStop Corp. In 2019, these two companies are expected to account for 43.0% of total industry revenue. A few regional operators and various small operators characterize the remainder of the industry. These small players do not have the product selection, economies of scale or purchasing power experienced by department stores, discount retailers and large online retailers, forcing them to focus on niche product segments. As a result, operators put cost-cutting measures into place, cutting employment figures and closing down unprofitable establishments to preserve margins. Overall, industry employment has fallen at an annualized rate of 2.3% to 329,256 workers over the five years to 2019, while the number of establishments has fallen an annualized 3.2% to 51,615 locations during the same period.

Industry Performance

Industry Outlook

Outlook for the Consumer Electronics Stores industry is mostly negative, with revenue forecast to decrease an annualized 0.2% to $84.8 billion over the five years to 2024. Although economic conditions are gradually improving and will likely boost consumer spending, individuals are buying fewer of the big-ticket items that sustained growth in the past. Instead, many are now reaching for less expensive products, such as tablet computers and e-readers. External competition is also a growing threat, as consumer electronics stores compete with discount retailers, department stores and online retailers for the electronics and appliances market. While increasing consumer spending and per capita disposable incomes will drive purchases of industry products, more consumers are becoming comfortable buying the big-ticket purchases that drive industry success online. Continued economic strengthening will not be enough to stave off the industry's descent.

Consumer trends

US consumers' commitment to the environment is expected to play a larger part in their selection of home appliance products over the next five years. Consumers have already started actively seeking out and purchasing items that feature lower energy use, less water consumption and greater recyclability. The federal government's expired Energy-Efficient Appliance Rebate Program supported this trend early during the previous five-year period. While no other government-assisted rebate plan is scheduled to follow, this program heightened consumers' awareness of green appliances. Consequently, consumer electronics stores are anticipated to experience increased sales of energy-efficient appliances over the coming five years. However, online appliance sales have risen over the five years to 2019 and are likely to continue doing so, hindering industry revenue.

For home entertainment systems, new technological advancements, especially in the audio and video equipment segment, will contribute to the industry's future growth. For instance, the TV market has been one of the industry's primary drivers throughout the past decade due to consumers' shift in preference to HD flat-panel sets that are lightweight and have better picture quality than traditional TV sets. The introduction and growing popularity of 3D, internet connectivity and organic light-emitting diode (LED) technologies will maintain and increase revenue in the display category, particularly toward the end of the outlook period. Growth in this segment will also be augmented by the rising popularity of ultra-high-definition 4K TVs. 4K TVs are projected to account for 44.0% of total global flat panel TV shipments in 2018, according to ABI Research (latest data available). Furthermore, increases in the number of households and residential construction will raise demand for major appliances, such as TVs, as new homeowners will seek to furnish their residences.

> Consumers' commitment to the environment will play a larger part in their selections

While an increase in the use of smartphones has aided industry sales to some extent, it has also sped up the convergence of electronic capabilities. Smartphones typically combine mobile phone functions with capabilities found

Industry Performance

Consumer trends continued

in separate devices, such as GPS navigators, portable music and video players, portable game consoles and digital cameras. The convergence of different functions into a singular device has led to a decline in sales of several other electronic products, such as MP3 players and digital cameras. As more consumers become familiar with smartphones and mobile technology further evolves, this trend will likely continue. Increased sales of smartphones and ultra-high definition TVs will only partially offset these declines. Meanwhile, the industry will rely on the continuous innovation of products to stimulate demand and ensure growth over the five years to 2024. Consumer interest in big-ticket items, such as TVs and personal computers, has waned due to market saturation and slowing innovation. Therefore, demand will shift to accessories and peripherals, as these goods are relatively inexpensive to produce, affordable to purchase and usually designed to be used with items that consumers already own.

Profit outlook

Profit is expected to increase only marginally over the five years to 2024. Prices of consumer electronics and appliances will remain low or fall further during the five-year period as demand remains stiff, constraining operators' margin growth. As many companies struggle to adapt to the changing landscape for electronics sales, they will be forced to restructure their business models and incur the associated costs. For instance, Best Buy Co. Inc. (Best Buy) recently embarked on a major restructuring effort that has shifted its focus from its traditional, large discount stores to smaller, more specialized stores. However, the company concluded that this strategy was not profitable and decided to invest in big-box stores since it has more space to enhance consumer experience. Other industry operators are expected to take cost-saving measures, such as reducing purchase costs and other expenses, which will bolster margins slightly.

Furthermore, industry operators are expected to continue their flight from the industry over the next five years. As Best Buy and GameStop Corp. continue to dominate the industry, and online competitors prove to be too much for smaller operators, enterprise figures will drop an annualized 1.6% to 32,184 companies over the five years to 2024. At the same time, industry operators will place a premium on customer service moving forward. Highly knowledgeable staff members will continue to be a key factor in adding value to the brick-and-mortar store experience that a consumer cannot get online. To accommodate this, employers will hire more highly skilled workers. However, wages are still expected to fall, decreasing at an annualized rate of 0.7% to $9.0 billion during the outlook period.

Prices of industry products will remain low or fall further as competition remains stiff

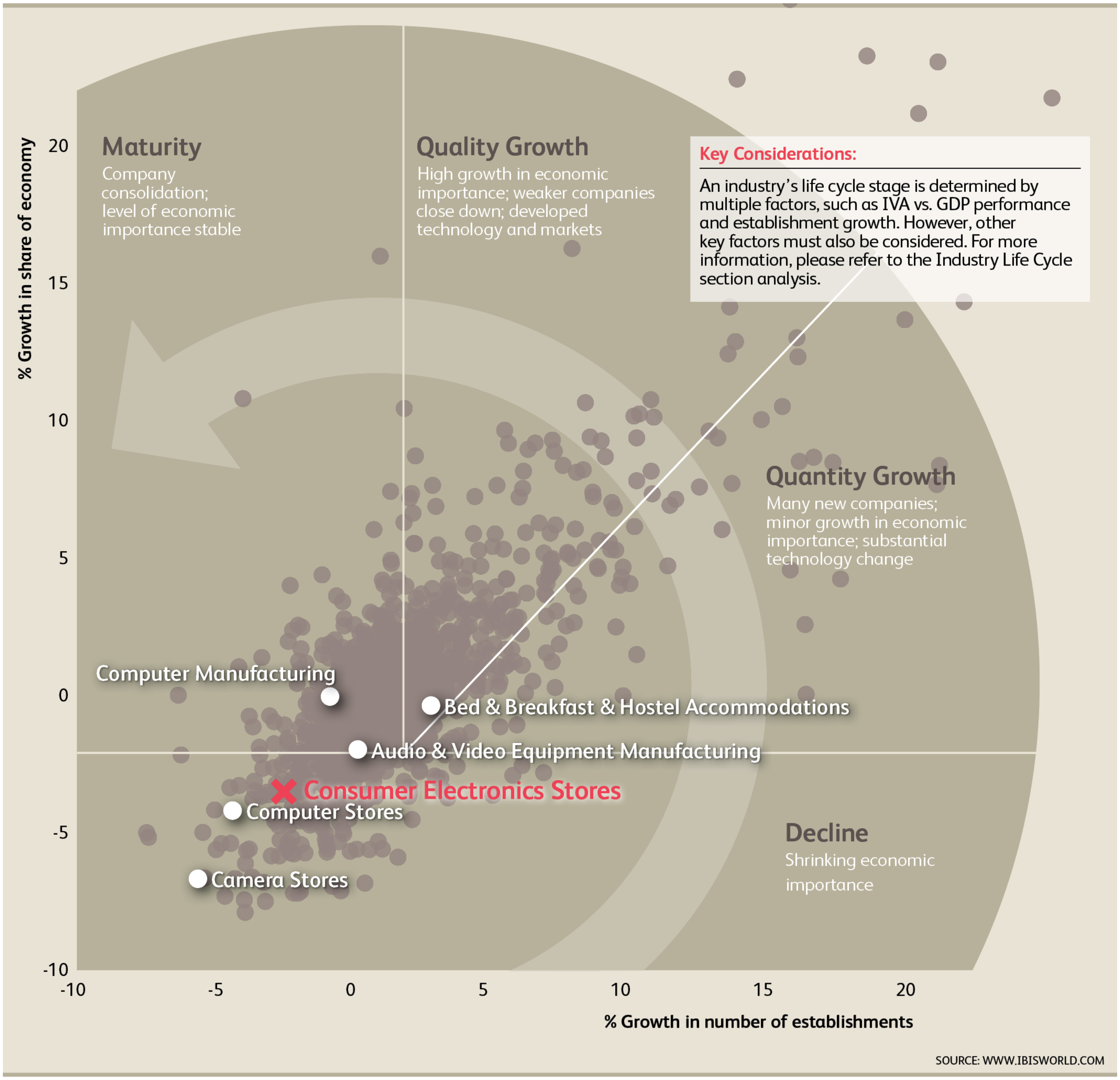
Industry Performance

Life Cycle Stage

The industry is expected to underperform relative to the US economy at large over the 10 years to 2024

The number of enterprises is estimated to fall over the 10 years to 2024

Industry products are highly saturated



Industry Performance

Industry Life Cycle

This industry is in **Decline**

The Consumer Electronics Stores industry is in the declining phase of its life cycle. Over the 10 years to 2024, industry value added (IVA), which is a measure of the industry's contribution to the overall economy, is expected to decrease at an annualized rate of 1.6%. Meanwhile, US GDP is projected to grow at an annualized rate of 2.0% during the same period.

Market saturation has led to a static per capita consumption of industry products, which is also a characteristic of the declining phase that this industry exhibits. TVs, refrigerators and other products traditionally sold by this industry's operators are increasingly sold throughout the retail sector at department stores, discount retailers and online, creating intense external competition. In addition, some of the industry's other core products, such as high-definition TVs, video game consoles and digital cameras, have been experiencing major price declines due to their saturation. However, despite increasing competition, consumer electronics stores remain a staple in the domestic economy and customers still rely on industry operators for consumer electronics and appliances.

Declining enterprise figures are also evidence of the industry's decline. The number of enterprises is expected to fall at an annualized rate of 2.4% over the 10 years to 2024. Additionally, many of the nonemployers that make up a large portion of this industry have been forced to exit the industry as major players have acquired competitors to bolster their market share.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

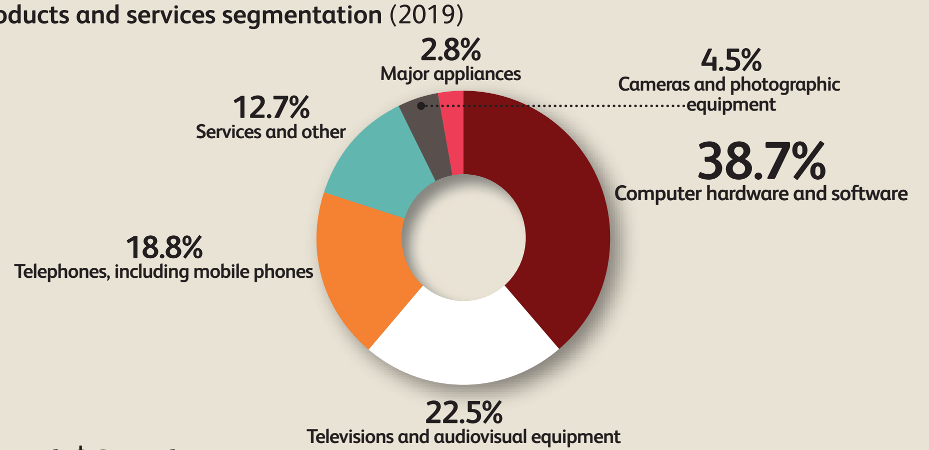
72119	**Bed & Breakfast & Hostel Accommodations in the US** This industry purchases consumer electronics, such as TVs, radios and hair dryers for use in bed and breakfasts and hostels.
99	**Consumers in the US** Households are the primary buyers for consumer electronics stores. Purchases are made for private use in homes, rather than resale.

KEY SELLING INDUSTRIES

33411a	**Computer Manufacturing in the US** This industry supplies computers and computer accessories.
33431	**Audio & Video Equipment Manufacturing in the US** This industry manufactures stereo equipment, video cameras, DVD players and other products that are sold at consumer electronics stores.
33521	**Vacuum, Fan & Small Household Appliance Manufacturing in the US** This industry manufactures small household appliances such as vacuums, fans and irons that are later sold in consumer electronics stores.
42362	**TV & Appliance Wholesaling in the US** This industry supplies household electrical appliances, including gas clothes dryers, video cameras and electric toothbrushes that are sold in consumer electronics stores.
42369	**Electronic Part & Equipment Wholesaling in the US** This industry supplies blank CDs and DVDs, telephone equipment and radar equipment, among other things, that are sold in consumer electronics stores.

Products and Services

Products and services segmentation (2019)



Total $85.7bn

SOURCE: WWW.IBISWORLD.COM

The Consumer Electronics Stores industry retails an assortment of appliances and consumer electronics that are generally used in consumer households. Fluctuations in the proportion of revenue that each product segment makes up come as a result of changing consumer preferences and the effects of competition. For example, over the five years to 2019, the computer hardware and software segment has seen ups and downs that corresponded to the

Products & Markets

Products and Services continued

meteoric rise of tablet computers and subsequent market saturation. Due to the relatively fast changing consumer preference landscape, prevailing trends can have a year-to-year effect on each product segment.

Computer hardware and software

Countervailing trends have affected the computer hardware and software segment, the industry's largest, over the past five years. For example, the beginning of the period saw a rise in the sales of tablet computers. Tablet sales growth outpaced laptop and desktop growth because computer prices fell, driven by lower manufacturing costs, slowing product innovation and constricting consumer demand. In fact, the price of computers and peripheral equipment is projected to decline at an annualized rate of 2.8% over the five years to 2019. However, tablet sales have been on the decline for several years now as the consumer tablet market has increasingly approached saturation. In the third quarter of 2018, the International Data Corporation reported that tablet shipments fell 8.6% (latest data available).

While the hardware segment has seen overall growth during the period, software sales have decreased strongly as the SaaS (software as a service) model has become more popular and many software manufacturers have opted for a subscription-based model. Online retailers, direct downloads and piracy have also hurt software sales. However, growth in computer hardware sales has been enough to counteract slumping software sales and this segment has grown to account for 38.7% of industry revenue in 2019.

TV and audiovisual equipment

TV and audiovisual equipment make up the second-largest product market for the industry, accounting for an estimated 22.5% of revenue in 2019. This segment consists of both visual and audio equipment. Specific products in the visual equipment segment include: flat-screen, plasma, LCD and LED TV sets; DVD and Blu-ray players; DVDs and CDs; digital cameras; video recorders; and video games and their consoles. Over the course of the past decade, this segment has seen considerable changes, as products have grown and shrunk in popularity.

For example, the convergence of electronic capabilities has slowed demand for some products included in this segment. For instance, digital camera sales have suffered as a result of the increasing photographic capacity of smartphones. As more and more people have come to see smartphones as a viable replacement for digital cameras, operators have sold fewer cameras. Video streaming services have also increasingly replaced portable DVD players and discs as the primary way consumers watch movies and TV shows.

However, this segment has also seen growth in some products. For example, even as falling TV sales have posed a threat to this segment, as stores have been forced to lower prices to compete with e-tailers and discount department stores, the growing popularity of ultra-high-definition TVs has been a boon to the segment. Overall, positive trends have outweighed negative trends and this segment has grown as a proportion of revenue over the past five years.

The audio equipment segment includes digital music players, radios, stereos, compact disc players, tape recorders, audio books, electronic musical instruments and other associated accessories. This product group has experienced considerable declines over the past five years. Much of this decline has been due to the proliferation of nontraditional competitors, such as online retailer Amazon.com Inc., that have diluted demand because their

Products & Markets

Products and Services continued

products are less expensive. In addition, many of this segment's products, such as the Apple Inc. (Apple)'s iPod, are sold through multiple channels, including manufacturer-owned retail stores and mass merchandisers, which leads to lower sales at consumer electronic stores. Revenue generated from audio equipment sold through manufacturer-owned retail stores (e.g. Apple and Sony stores) and discount department and warehouse stores (e.g. Walmart and Costco) is excluded from the industry because these stores do not specialize in the sale of consumer electronics.

Mobile and landline telephones

The mobile and landline telephones segment has been one of the fastest growing in the industry over the past five years and is estimated to account for 18.8% of industry revenue in 2019. While landline telephone sales have long been a small proportion of revenue, many operators have increasingly focused on mobile phones because of their high-margins.

Mobile phones sold by industry operators can be prepaid or postpaid and include a variety of makes, models and carriers. This one-stop-shop format creates a competitive advantage for consumer electronics stores and gives them a leg up on stores that only sell a single brand or carrier. Even as the consumer mobile phone market has become more saturated, buyers have shown a propensity to replace their phones for newer models on a fairly consistent basis, driving demand for this segment.

Appliances

Appliances are expected to make up 2.8% of industry revenue in 2019. This product group includes large household appliances such as refrigerators, freezers, washing machines, ovens and stovetops and small appliances like toasters and microwaves. The slow growth in the number of US households has stagnated demand for new major appliances. Department stores and discount retailers have also exacerbated this segment's decline as many consumers have opted to purchase these often-expansive items from retailers that can leverage size and reach to offer lower prices. Even the industry's largest companies that can offer appliances at prices comparable with their competition have seen relatively low appliance sales in recent years. Best Buy, for example, only reported appliances as 10.0% of revenue in fiscal 2019 (year-end January) and appliances have generally been more of a staple for the industry's large-format stores, as smaller shops occasionally do not have the floor space required to show these large items.

Other

Other products sold at consumer electronics stores include kitchen countertop appliances, such as mixers, blenders and toasters, as well as home-office equipment, such as fax machines, copy machines, calculators, telephones and typewriters. Additional revenue is derived from labor costs for repairing appliances and electronics, and the sale of kitchenware, books and magazines. These products, combined with service contracts, are expected to comprise 12.7% of industry revenue in 2019. Nonetheless, this segment contends with strong external competition from online retailers, mass merchandisers, the Home Furnishing Stores industry (IBISWorld report 44229) and the Office Supply Stores industry (IBISWorld report 45321).

Products & Markets

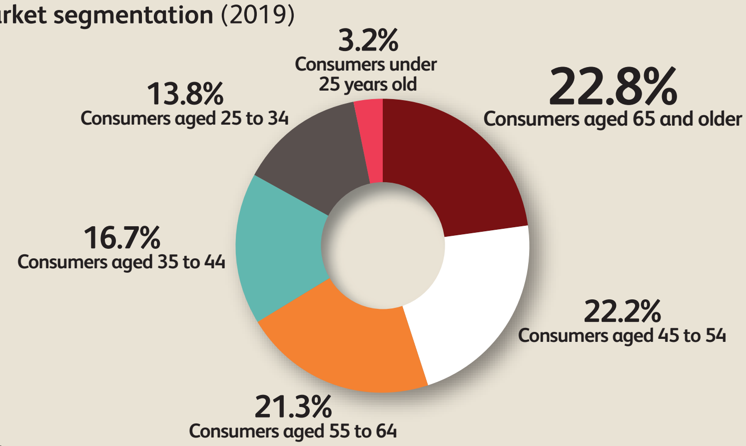
Demand Determinants

Consumer electronics and appliances are often considered discretionary, so the level of demand for the Consumer Electronics Stores industry is sensitive to changes in consumer confidence and household disposable income. Growth in income enables consumers to demand a broader range of goods and increases the quality and price of goods purchased. While several products retailed in this industry are small-ticket items (e.g. toasters and coffee machines), big-ticket items (e.g. flat-screen TVs and computers) require a substantially larger portion of consumers' disposable income. As a result, periods of economic uncertainty and labor market weakness are met with a decline in demand. A drop in incomes may lead consumers to either delay purchases of industry goods or purchase secondhand items, reducing industry demand.

The prices a store charges for appliances, TVs and other electronic goods affect demand for these items. Prices of many consumer electronics, such as HDTVs and laptop computers, have fallen over the past several years, due to lower component and manufacturing costs and maturing technologies. Given the highly saturated and crowded consumer electronics market, consumers are able to search for the best price possible, both inside and outside the industry. Traditionally, stores have experienced competition from mass merchandisers and department stores; however, online retailers are a growing threat.

Major Markets

Major market segmentation (2019)



Total $85.7bn

SOURCE: WWW.IBISWORLD.COM

Operators in the Consumer Electronics Stores industry sell their merchandise to two key markets: replacement and new purchases. The replacement market consists of consumers who replace merchandise that is old, outdated or no longer functions correctly. The new purchases market is made up of consumers who purchase new appliances, TVs or electrical goods, often to furnish new homes. The new purchases market is often sensitive to the number of housing starts and the rate of household formations. Since more consumers are using the internet for shopping, regardless of age, online competition is a threat to the industry throughout these market segments.

Consumers under 35 years of age

Younger consumers are the smallest market for industry operators. This age

Products & Markets

Major Markets continued

bracket can be broken down into two age groups: consumers under 25 years old and consumers between the ages of 25 and 34. Consumers under 25 years of age account for the smallest share of industry sales, estimated to represent 3.2% of revenue in 2019. Individuals in this age group typically have limited disposable income and live with relatives or in apartments with roommates, restricting their ability and necessity to make big-ticket purchases. Nonetheless, these consumers are often very aware of changes in technology and constantly demand new product developments from the industry. Over the five years to 2019, this age group has shrunk as a proportion of industry revenue because this group has increasingly shopped online for their computers and audio equipment, directing business away from industry operators.

Younger consumers are more likely to buy home entertainment systems, mobile telephones or computers than they are appliances. Many consumers aged 25 to 34 live with their parents or in rental housing, which tends to come fitted with appliances. While these consumers tend to have less income than older people, they are still willing to spend on electronics for entertainment, particularly mobile devices. For instance, consumers in this market are most likely to purchase tablets. This age segment makes up an estimated 13.8% of total industry revenue in 2019, down slightly from its 2014 figure, as these customers have delayed home purchases and do not have as many homes to furnish.

Consumers aged 35 to 54

Consumers aged 35 to 54 are estimated to represent the largest market segment for the industry, accounting for 38.9% of revenue in 2019. The majority of consumers in this category are employed individuals with steady incomes. They are able to freely spend on big-ticket items. In addition, consumers in this group typically have their own families and homes, making them an ideal market for the industry. Consumers in this segment purchase items across this industry's product spectrum, including TVs, major appliances and small electrical equipment, such as blenders. Over the past five years, as the job market has recovered and consumer sentiment has risen, consumers in this age group have resumed buying big-ticket items that were previously delayed, boosting this age group's proportion of revenue.

Consumers aged 55 and older

Consumers aged 55 to 64 are expected to account for 21.3% of industry revenue in 2019. People in this age segment are often in their peak earning years and have relatively high disposable incomes. Small appliances that require minimum disposable income dominate industry purchases made by this market, followed by major appliances and TVs. Consumers in this group often replace old, existing equipment before entering retirement, leading to this segment's relatively high share of revenue.

Consumers aged 65 and older make up 22.8% of revenue in 2019. Most of these consumers have entered retirement and, therefore, have lower disposable incomes than those in the younger, working demographics. In addition, these consumers have homes that are well equipped with appliances, and they are not as sensitive to technological changes, so they often opt to continue using old equipment. Consumers in this demographic stand apart from the other market segments in that they are less likely to shop online; about 35.0% of consumers aged 65 and older browse products online, compared with an average of 45.0% of all consumers, according to retail research firm NPD Group. The propensity for older customers to buy from brick-and-mortar stores has helped their proportion of revenue grow over the past five years.

Products & Markets

International Trade

The Consumer Electronics Stores industry does not participate in international trade, as trade figures are accounted for in the relevant upstream manufacturing industries. However, many of the products sold by industry operators are imported, and the manufacturing costs and exchange rates in the countries from which industry products are sourced heavily influence the prices of electronics and appliances. Refer to the Vacuum, Fan and Small Household Appliance Manufacturing industry (IBISWorld report 33521), Major Household Appliance Manufacturing industry (33522) and Audio and Video Equipment Manufacturing industry (33431) reports for specific figures on trade.

Products & Markets

Business Locations 2019

Products & Markets

Business Locations

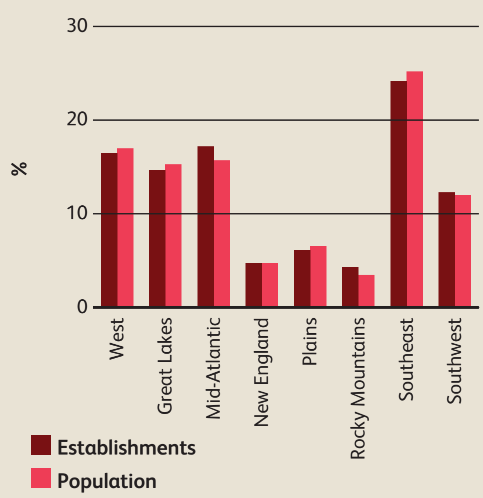
The distribution of establishments in the Consumer Electronics Stores industry closely follows the spread of the US population. This is typically the case with retail industries because they rely heavily on population density. Generally, when there are more residents in a region, its demand for industry products is stronger.

The Southeast region accounts for the largest share of the US population with 25.7% and holds the largest number of industry establishments at 24.2%. Florida (7.6% of industry establishments) accounts for the most significant share of both population and market presence in the region, as there are several large cities in the state that are hubs for consumer activity.

The Mid-Atlantic, West and Great Lakes regions also hold large proportions of industry establishments and the US population. The Mid-Atlantic region accounts for 17.2% of establishments and 15.2% of the population. This is bolstered by New York, which holds 8.1% of the industry's establishments. New York has a higher-than-average household annual income which props up the market for consumer electronics purchases.

The West accounts for 16.5% of establishments and 17.3% of the US population. California leads the nation with 11.8% of establishments. The Great Lakes region closely follows with 14.7% of establishments and 14.5% of the population. With many large cities and competitive colleges and universities in the region, sales for consumer electronics, such as laptops, TVs and mini refrigerators, have grown beyond the population.

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Medium**

Industry concentration measures the extent to which the industry's top players dominate an industry. IBISWorld estimates that the top two players in the Consumer Electronics Stores industry account for 43.0% of revenue. However, much of that concentration is from the industry's largest player, Best Buy Co. Inc. (Best Buy), which is expected to account for 37.7% of revenue. Best Buy sells a wide variety of consumer electronics and can leverage its size and reach into lower-prices that can compete better with online and discount retailers than its smaller counterparts. The ubiquitous nature of Best Buy nationwide makes it difficult for smaller general consumer electronics stores to compete on a general product level. The industry's second-largest company, GameStop Corp. (GameStop), specializes in video game hardware and software, both new and used. The dominance of GameStop has also made it more difficult for smaller operators to carve out a niche in the video game segment of this industry.

However, several factors have led to the moderate level of market share concentration in the Consumer Electronics Stores industry. The majority of businesses in this industry are small in scale, employing less than five employees, denoting relatively stable demand for smaller operators and enough business for smaller companies to thrive. Industry concentration has decreased slightly over the five years to 2019, as large industry enterprises have seen a decline in their industry-specific revenue.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Proximity to key markets
Industry stores should be located in well-populated areas and be easy to locate and access. Smaller operators should also consider locations with high foot traffic.

Ability to control stock on hand
Effective and efficient control of stock reduces inventory costs, increases stock turnover and prevents excess inventory build-up.

Experienced work force
Maintaining a highly skilled workforce that is known for its quality customer service and product expertise is a boon for this industry's operators. Staff turnover can be reduced with ongoing training and work-advancement programs.

Attractive product presentation
The store layout and stock display should be clear and well presented. Having appealing product displays can encourage product purchases and strengthen the company's image.

Having links with suppliers
Products sold by this industry often have high brand recognition. Stores should have links with suppliers of such brands to generate high sales.

Cost Structure Benchmarks

The cost structure for the Consumer Electronics Stores depends on a variety of factors, such as the size of the operator, location, supply chain, among others. This is the cost structure for an average industry operator.

Wages
Employee compensation, including payroll and benefits, is consumer electronics stores' second-largest expense. Retailers rely heavily on employees for daily operations such as

Competitive Landscape

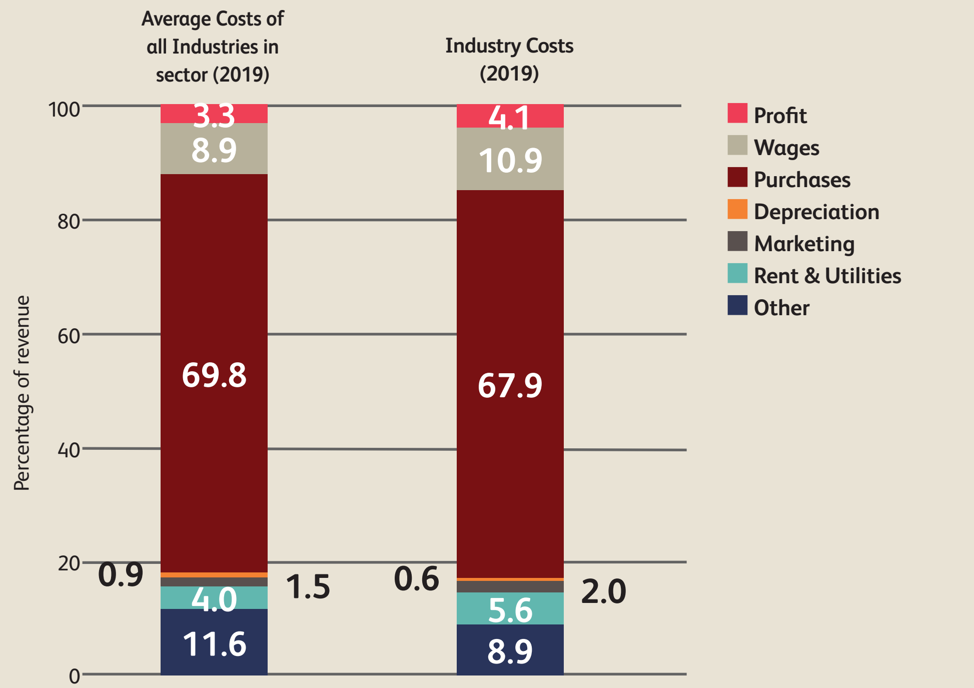
Cost Structure Benchmarks continued

customer service, maintenance of store displays and inventory checks. This expense has been relatively stagnant over the past five years, accounting for an estimated 10.9% of revenue in 2019. Countervailing trends have caused relative wage spending to remain static. As competition has heightened, so has the need for talented employees to best accommodate customers and companies have sought to differentiate from other competitors and add value to their products by hiring higher-paid employees with specialized knowledge, which has put upward pressure on wages. However, drops in revenue have caused many operators to look for ways to cut operating expenses to remain profitable. Companies have increasingly contracted their workforce to preserve profit margins in an increasingly competitive environment. The effects of these countervailing trends have caused relative wages to increase only slightly.

Purchases

Purchase costs are expected to remain the single largest expense for the industry in 2019, accounting for an estimated 67.9% of industry revenue. High purchase costs are typical of retail industries because stores must maintain a significant volume of inventory to meet consumer demand. Suppliers to this industry benefit from strong brand recognition; major suppliers for consumer electronics include Sony Electronics, Panasonic and Samsung, and major suppliers for appliances include Whirlpool, GE and Electrolux. Purchase costs in this industry have increased as a share of revenue over the past five years due to tariffs hikes in the appliances segment, which led to higher appliances prices.

Sector vs. Industry Costs



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Cost Structure Benchmarks continued

Profit

Profit margins, measured as earnings before interest and taxes, vary among consumer electronics and appliance retailers. Larger stores often buy merchandise in bulk to achieve more cost savings. Conversely, smaller stores do not experience the same economies of scale and, therefore, incur higher purchasing costs, which can lower their profit margins. Over the five years to 2019, increased competition from department stores, discount retailers and online retailers has constrained profitability growth. Increased competition along with steady demand has made it hard for smaller players to continue operating, resulting in industry exits. In 2019, profit is expected to account for 4.1% of industry revenue, down from 4.6% in 2014.

Depreciation

Depreciation costs are estimated at 0.6% of revenue in 2019. Depreciable assets include computer inventory systems, cash registers and other point-of-sale computer systems.

Marketing

Marketing expenses are particularly important because stores often engage in advertising and promotional campaigns to drive foot traffic. Operators advertise via a range of media including TV, radio and print; however, the breadth of options available to players is largely controlled by their size and their cost constraints. On average, marketing costs are estimated to account for 2.0% of revenue in 2019. This segment's proportion of revenue is anticipated to increase over the next five years as companies bolster marketing budgets to grow their brand following.

Rent

Most industry operators rent their retail space. In 2019, rent costs are estimated to account for 4.3% of industry revenue.

Utilities

As electricity prices have gone up during the period, utility costs are estimated to account for 1.3% of industry revenue in 2019.

Other

Operators in this industry also incur a variety of other expenses, including administrative costs and insurance.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Operators in the Consumer Electronics Stores industry compete with each other on the basis of price, product range, customer service, location and store promotions. By nature, consumers are relatively price-sensitive and will comparison shop to ensure that goods are purchased at the best price possible. Given the high price tag of some merchandise, operators aim to ensure that prices are in line with industry averages and that any reductions in purchase prices from suppliers are passed on to consumers.

Products sold by this industry range in size and price. To gain exposure to most of the consumer market, operators compete on the basis of the brand, quality and range of products offered. Players in this industry want to appeal to consumers who are in the market for big-ticket items such as refrigerators and flat-screen TVs, but they also want to attract consumers who are looking to purchase smaller home appliances, such as blenders and coffee makers.

Customer service is also an important consideration. A store's retail staff must be well-versed in the functions of the technical products that consumer electronics stores offer. Furthermore, it is important that stores stand behind purchases with

Competitive Landscape

Basis of Competition continued

extended warranties and repair services. Customer service helps determine the number of buyers who return to shop at the same store. The level of customer service offered is, in part, a byproduct of the number of employees who work at the store. Some other players aim to differentiate themselves from competitors by offering sophisticated custom-installation services for their home-entertainment products.

Other forms of internal competition include location and store promotions. A store's location influences a retailer's popularity and the number and type of potential consumers it can reach. Operators compete for stores that are close to other retail premises (e.g. shopping centers and strip malls) because they often provide ample customer parking and are easily accessible. When located close to other popular stores, consumer electronics stores benefit from an overflow of customers who were not originally planning on visiting them. Industry players also offer promotional deals such as coupons, discounts and add-ons in an attempt to boost sales. These are typically very effective during the final quarter of the calendar year, which is the busiest season for consumer electronics stores.

External competition

Online stores have continued to emerge as a serious threat to consumer electronics stores, adding to the industry's already significant external competition. For years, consumer electronics stores have experienced competition from department stores, home improvement stores and warehouse clubs, and the addition of online retailers has only increased external competition. Department stores, such as Sears Holdings Corporation and Macy's Inc., offer appliances and electronics that are competitively priced and cover an extensive range of products available on the market.

Discount retailers such as Costco Wholesale Corporation and Walmart Inc. have also challenged consumer electronics stores. Due to their sheer size and market power, these stores have the added advantage of being able to purchase larger quantities of goods at a discount; therefore, they are often able to provide industry goods at lower prices, attracting price-conscious consumers. Home improvement stores, such as The Home Depot Inc. and Lowe's Companies Inc., also retail large and small appliances, TVs and home electronics. Furthermore, online appliance and electronics retailers are growing their presence. Online stores compete with a wide selection, lower prices and the added convenience of shopping from any internet connection.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Steady**

New operators planning to enter the Consumer Electronics Stores industry will need to overcome several barriers. The most significant of these will be the level of external competition from department stores (e.g. Sears Holdings Corp.), discount retailers (e.g. Walmart Inc.) and online retailers (e.g. Amazon.com Inc.). These larger operators benefit from economies of scale, as they are able to purchase a wide variety of merchandise, often at discounted prices,

Barriers to Entry checklist

Competition	High
Concentration	Medium
Life Cycle Stage	Decline
Capital Intensity	Low
Technology Change	Medium
Regulation and Policy	Light
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Barriers to Entry continued

and pass the cost savings on to consumers without significantly reducing their profit margins.

Prospective operators will also need to consider the level of market dominance exerted by the two largest players, which account for 43.0% of the market. New entrants may find it difficult to compete with Best Buy Co. Inc. (Best Buy) and GameStop Corp. (GameStop) in terms of brand awareness, product range and price, as well as efficient, scaled infrastructure.

The product market for merchandise retailed by operators in this industry is largely saturated. The high price tag of some merchandise may also be considered a barrier to entry for prospective operators. Players planning to enter the industry must have a high volume of stock to replenish supplies as they are purchased. Larger players such as Best Buy have established distribution centers, which house the company's massive amounts of stock until a specific store requires it. Some other players aim to differentiate themselves from competitors by offering sophisticated custom installation services for products such as their home entertainment products.

The initial cost of establishing or purchasing a retail outlet can be expensive and may be a barrier for new entrants as well. In addition, operators require a line of credit for the purchase of store inventory, which can be extensive. Retailers also need to establish relationships with suppliers to guarantee a consistent and reliable supply of quality products, which may be a barrier for new entrants. Further, well-connected, existing retailers may have exclusivity agreements with some wholesalers, straining new entrants' ability to secure some merchandise.

Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Steady**

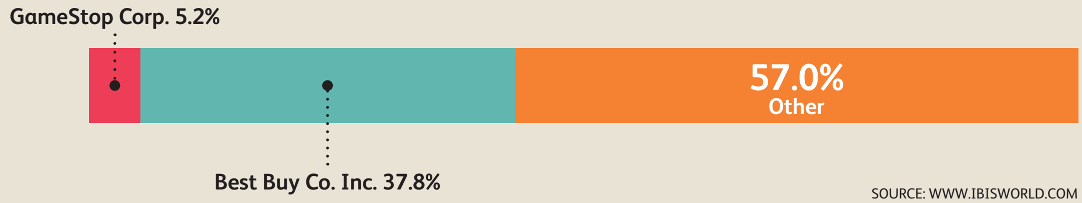
Globalization measures foreign activity by domestic operators in the Consumer Electronics Stores industry and the presence of foreign operators in the domestic market. Most participants in this industry are US-owned and earn their revenue from domestic operations. However, some larger players in the industry derive a small portion of their revenue from international operations in Canada, China, Mexico and Europe.

Most of the industry's products are manufactured overseas, and globalization in upstream industries is covered in the Vacuum, Fan and Small Household Appliance Manufacturing industry (IBISWorld report 33521), Major Household Appliance Manufacturing industry (33522) and Audio and Video Equipment Manufacturing industry (33431).

Major Companies

Best Buy Co. Inc. | GameStop Corp. | Other Companies

Major Players
(Market Share)



SOURCE: WWW.IBISWORLD.COM

Player Performance

Best Buy Co. Inc.
Market Share: 37.8 %
Industry Brand Names
Best Buy
Magnolia Audio Video
Pacific Sales

Headquartered in Richfield, MN, Best Buy Co. Inc. (Best Buy) is a specialty retailer of consumer electronics, home office products, entertainment software and appliances that also provide related services. The company currently operates 1,187 large- and small-format brick-and-mortar retail stores worldwide and employs more than 125,000 workers. Of those stores, 1,026 are located in the United States and are operated under a variety of brand names, such as Best Buy and Pacific Sales. Best Buy breaks down its reported revenue into two segments: domestic and international. In fiscal 2019 (year-end January), the domestic segment, made up of the company's US stores, call centers and online operations, accounted for about 91.7% of consolidated sales. The international segment spans operations in Canada and Mexico and accounts for a small portion of the company's reported revenue. In fiscal 2019, the company generated a total of $42.9 billion in revenue.

Computing and mobile phones is the largest product segment, accounting for 44.0% of domestic revenue. Desktop and laptop computers, tablets and mobile phones and accessories are the staple products in this segment. The company's increasing focus on high-margin mobile products has driven demand for this segment. The consumer electronics segment accounted for 33.0% of revenue, bolstered by high demand for ultra-high-definition TVs, despite depressed Blu-ray and DVD player sales. Appliances sales account for the third-largest segment for Best Buy, at an estimated 10.0%. Entertainment accounted for 8.0% of revenue and services and other made up an estimated 5.0% combined. The entertainment segment has taken a hit over the past five years as streaming services have become more popular and physical media sales have plummeted.

Best Buy Co. Inc. (US industry-specific segment) - financial performance*

Year**	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014-15	32,521.61	N/C	1,296.2	N/C
2015-16	32,364.85	-0.5	1,410.7	8.8
2016-17	31,390.77	-3.0	1,527.6	8.3
2017-18	32,669.39	4.1	1,480.4	-3.1
2018-19	32,779.5	0.3	1,498.7	1.2
2019-20	32,359.9	-1.3	1,824.7	21.8

*Estimates; **Year-end January

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

Best Buy recently attempted to shift its focus from its large-format stores to smaller stores with merchandise that is more focused on specific, high-margin product segments, as a part of its profit-invigorating Renew Blue initiative. The company's shift in focus partially came about in 2012 with the opening of 128 Best Buy Mobile standalone stores. This change in expansion strategy follows the industry trend of large-format stores transitioning to smaller stores, enabling companies to tap into urban markets. However, in 2018, Best Buy announced it would close all of its 250 Best Buy Mobile standalone stores since smartphone sales matured and these stores are no longer profitable. The company has decided to invest in its big-box stores, where they are planning to improve customer experience and in the second quarter of fiscal 2019 it finalized the closures.

Financial performance

Overall, Best Buy has benefited from increasing disposable income and consumer sentiment. The company has been able to leverage its economies of scale to offer low prices that can compete with those of its competitors and keep revenue high. However, Best Buy's industry-relevant revenue is expected to decrease at an annualized rate of 0.1% over the five years to fiscal 2020 (year-end January), totaling $32.4 billion. Rising e-commerce purchases and increasing competition from other online and discount department stores have tampered revenue growth. While tablet and appliance sales stumbled over the past few years, wearable technology sales and ultra-high-definition TV demand have supported revenue, even as the industry as a whole has contracted, preventing significant declines.

The company's profit, measured as earnings before interest and taxes, has grown at an annualized rate of 7.1% during the period. This growth is primarily the result of the Renew Blue initiative, which enabled the company to generate cost reductions of nearly $1.0 billion during the multiyear productivity program and enhance relationships with key suppliers, such as Samsung Electronics Co. Ltd. Following the completion of the Renew Blue initiative, Best Buy recently introduced Best Buy 2020: Building the New Blue. This new customer-based initiative will focus on enhancing retail business, meeting consumer needs and growing the company's international segment.

Player Performance

GameStop Corp.
Market Share: 5.2 %

GameStop Corp. (GameStop) is a video game, consumer electronics and wireless services retailer in the United States. The company is headquartered in Grapevine, TX, and currently operates more than 5,800 retail stores with more than 16,000 full-time employees and between 23,000 and 45,000 part-time employees throughout the United States, Canada, Australia, New Zealand and Europe. Domestically, GameStop operated 3,846 stores and three distribution centers in fiscal 2018 (latest data available). The company's retail stores operate under several brand names, including GameStop, EB Games and Micromania. The company also owns *Game Informer*, a prominent video game magazine and ThinkGeek, a retailer featuring exclusive video game products.

GameStop is divided into four geographic operating segments: United States, Canada, Australia and Europe. The video game market has been growing during the five-year period due to the introduction of new technology, especially in gaming consoles. New video game software accounts for the majority of revenue, followed by new video game hardware. In 2017 and 2018, the

Major Companies

Player Performance continued

company sold Kongregate, a web and mobile gaming platform, and Cricket Wireless, respectively. More recently, in January 2019, the company sold its Spring Mobile business, a retailer of AT&T-branded wireless services.

Financial performance

Over the past five years, industry-specific revenue is estimated to have decreased at an annualized rate of 4.2% to $4.5 billion in fiscal 2019 (year-end January). The world's largest multichannel video game retailer has had to deal with cyclical demand for video games, which can be somewhat volatile depending on the launch of new gaming platforms. While the company has seen some declining revenue in its preowned and value video game products and video game software subsegments, increasing revenue in its video game accessories and collectibles have offset the decline.

GameStop Corp. (US industry-specific segment) - financial performance*

Year**	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014-15	5,561.8	N/C	433.9	N/C
2015-16	5,707.9	2.6	447.3	3.1
2016-17	4,935.5	-13.5	347.4	-22.3
2017-18	5,141.5	4.2	291.2	-16.2
2018-19	5,066.5	-1.5	-466.4	N/C
2019-20	4,478.8	-11.6	-571.0	22.4

*Estimates; **Year-end January

SOURCE: ANNUAL REPORT AND IBISWORLD

Other Company Performance

P.C. Richard & Son
Market Share: 0.5 %

Founded in 1909, P.C. Richard & Son is the largest private appliance and consumer electronics retailer in the country. The company sells goods such as vacuums, TVs, cameras, computers, mobile electronics and video games in more than 60 stores throughout New York, Connecticut, New Jersey and Pennsylvania. The company helped usher now-common appliances, including irons, washing machines and microwave ovens, into US households with innovative marketing techniques. These techniques included offering free trials and displaying playing TVs in storefront windows, which is an enduring feature of small consumer electronics stores. P.C. Richard & Son is in its fourth generation under family ownership and operation. Financial data for this private company is limited; however, IBISWorld projects that the company will earn $459.9 million in revenue in 2019.

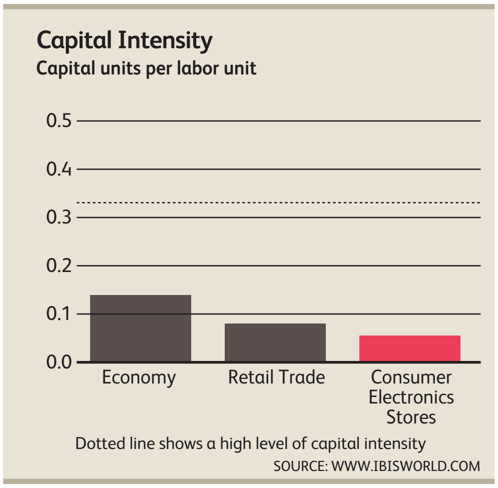
Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

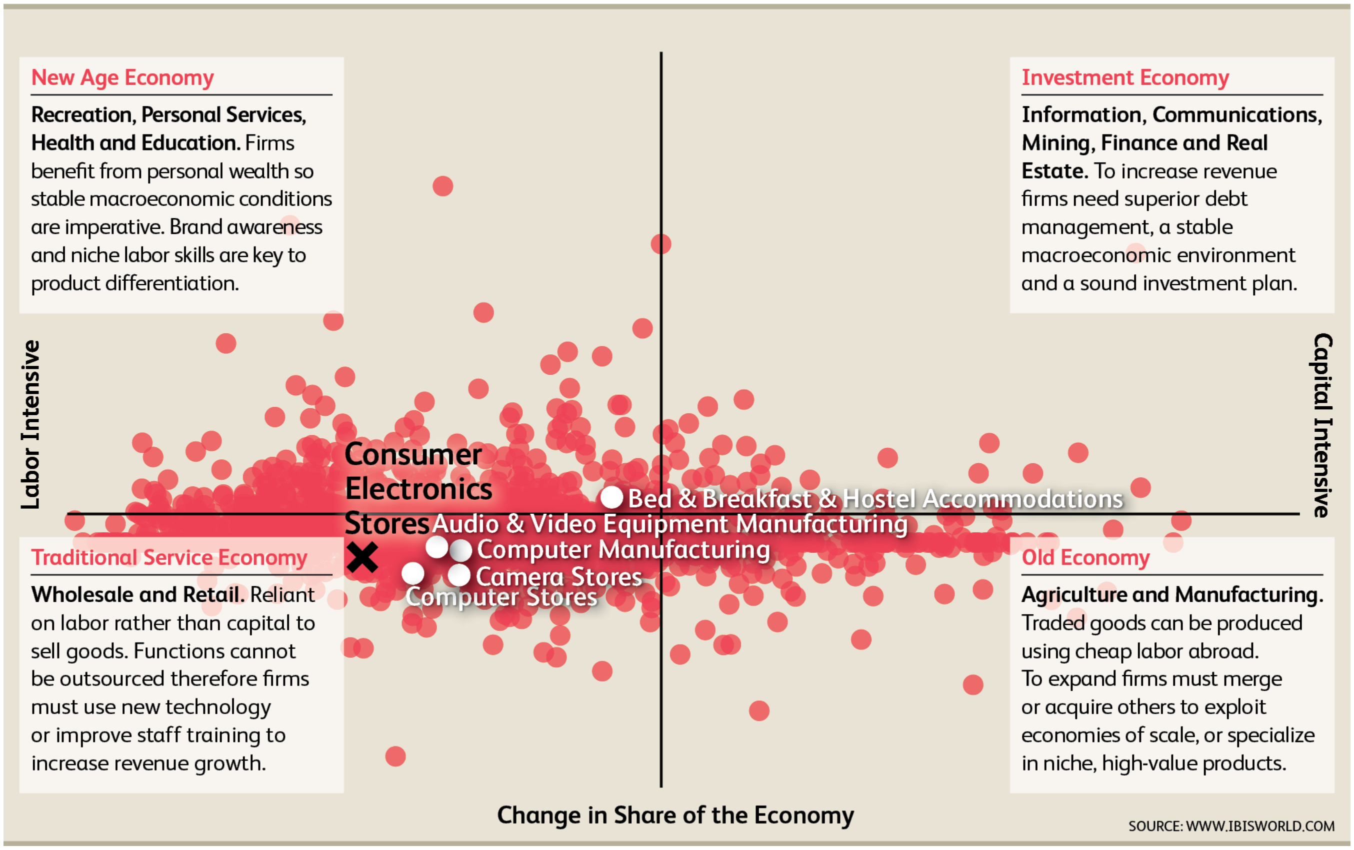
Capital Intensity

Level
The level of capital intensity is **Low**

The Consumer Electronics Stores industry has a low level of capital intensity. IBISWorld estimates that for every dollar spent on wages, industry operators will spend $0.06 on capital investment. Capital investment is mainly in fixtures and fittings, cash registers and point-of-sale (POS) systems. This industry's capital expenditure is spent when operators open new stores, as facilities or equipment are replaced or when stores are renovated or upgraded with new checkout or inventory control systems. Over the past decade, the industry has undergone considerable change with the implementation of computer scanning technology. Its implementation has simplified labor tasks and minimized the level of human error in processing purchases. POS systems have enabled operators to computerize their inventory, resulting in better stock control.



Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

Workers in this industry provide customer service, maintain store displays, process purchases and maintain computer systems. This industry places high emphasis on labor, as stores require highly knowledgeable employees to assist consumers with specific questions about technical subjects such as energy efficiencies or product performance. Employees are also required to provide exceptional customer service. Unlike capital costs, labor costs are integral to a retail store's operations. Therefore, labor costs for this industry are considerably larger than capital expenditure.

This industry has become less capital intense over the five years to 2019. This is because the industry's capital investments in new stores, remodeling, new distribution facilities and information technology upgrades have slowed, especially as some operators begin replacing some of their larger stores with smaller formats. Overall, many operators, including the major players, have been closing stores, lowering depreciable asset volumes and seeking to differentiate from competitors and add value by hiring well-paid employees with more specialized knowledge. Capital intensity has shrunk as a result.

Technology and Systems

Level
The level of technology change is **Medium**

As with most retail industries, the Consumer Electronics Stores industry is continuing to adapt to selling via the internet. The larger industry players have established websites and offer merchandise for sale online. One of the major changes in terms of online capability is the acceptance of a wider range of payment options. As more customers have become more accustomed to paying for products via PayPal and Google Wallet, industry operators have increasingly offered them as payment options for their products. However, delivery of consumer electronics and appliances presents a large challenge for online operators. While smaller items (e.g. computer software and various electronic accessories) are not difficult to ship, the large and often fragile nature of most products offered in this industry (e.g. TVs and refrigerators) brings about concerns of delivery through mail carrier services.

Most of the other technological improvements in the industry have enabled better management of operations and inventory. These improvements include automated inventory equipment. New technology at checkout has included computerized point of sale (POS) equipment that controls and records merchandising, distribution, sales and stock markdowns and stock reordering. Barcode scanning increases labor productivity, ensures greater control over the distribution of goods and reduces errors along the supply chain.

Radio frequency identification (RFID) provides real-time information on inventory. RFID tracks products from the time they leave the assembly line to the time they leave the store by releasing continuous signals from a chip. These chips have been inserted in the product at the manufacturing stage and are monitored by a radio frequency receiver. RFID reduces shrinkage (e.g. shoplifting, paperwork errors and supplier fraud) and improves efficiency. Other theft-prevention advancements used by retailers include closed-circuit TV cameras, source tagging, signature-capture technology (this is used at the POS terminal for credit card transactions) and fingerprint-scanning systems that verify customer identities.

Operating Conditions

Revenue Volatility

Level
The level of volatility is **Low**

The Consumer Electronics Stores industry has a low level of revenue volatility, but it is still affected by several factors. Due to the largely discretionary nature of products in the industry, demand is influenced by variations in disposable income and consumer confidence. Consumers are price conscious; therefore, their purchase of appliances and consumer electronics depends on the level of income at their disposal. Demand is also affected by fluctuations in the level of consumer confidence. Retail spending generally rises when consumers are more confident about their financial position.

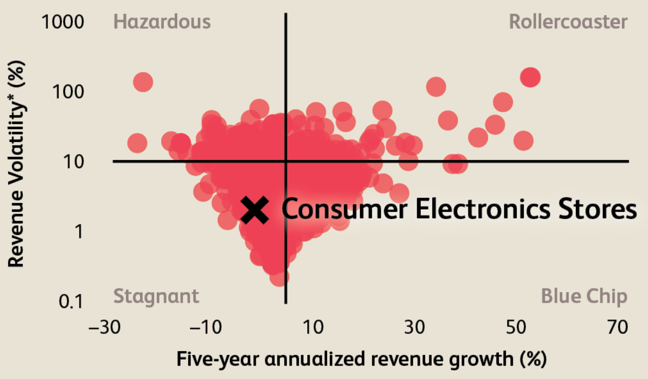
However, the expansion of industry product offerings by external competitors, such as large department stores and online retailers, has kept industry revenue from growing. In recent years, these external players have placed increasing pressure on the industry by offering consumers a broad range of products at competitive prices. This factor has offset some revenue growth during times of strong sales, while exacerbating declines during periods of low demand.

Conversely, volatility in this industry is moderated by several influences. Firstly, consumers purchase products from operators as new goods and as replacements for damaged or out-of-date ones. Many of the products sold by this industry have relatively short replacement cycles. For example, according to the Digital Innovation Gazette, cell phone owners typically replace their phones every 18 months, a figure that is cut in half for prepaid phone owners. Secondly, the near-constant introduction of new consumer electronics creates a steady stream of demand from those looking to be up-to-date with the latest trends and have the newest technology on the market. For example, the introduction of ultra-high-definition TVs and tablets led to a boom in sales for TVs and computers, respectively, over the past five years. As long as new products are hitting industry shelves, consumers will demand them. For these reasons, revenue volatility is low for this industry.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs. growth



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Regulation and Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

Operators in the Consumer Electronics Stores industry have kept an eye on changing environmental regulations and legislation over the five years to 2019, though these actions do not have a direct effect on the industry's revenue. For instance, industry operators anticipate tightened vehicle emissions standards and other energy-related mandates that may have an impact on expenditures incurred by the industry via merchandise delivery cost increases. Other issues being advocated by the Consumer Technology Association, a trade association, include consumer choice in cable access devices (as opposed to renting such devices from a service provider), product safety and energy and water efficiency.

Generally speaking, regulations relevant to the retail sector vary by state. States have enacted their own antitrust laws to ensure that the general public is provided with the best prices, quality and choice. Companies must also comply with the Fair Labor Standards Act and various state laws governing matters such as minimum wage, overtime and other working conditions. Industry operators must also comply with the provisions of the Americans with Disabilities Act of 1990, as amended, which generally requires that stores be accessible to customers with disabilities.

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

The Consumer Electronics Stores industry is directly aided by government rebates and tax deductions for Energy Star appliances and electronics that are provided by the US Environmental Protection Agency. Energy Star rebates are given to customers that purchase appliances and electronics that have an Energy Star certification, which is granted to certain energy-efficient products. This system benefits operators in two ways. Firstly, Energy Star-certified goods are generally more expensive than their noncertified counterparts. Rebates enable consumer electronics stores to lower the advertised selling price of these higher-end goods, stimulating demand and making it easier for more consumers to afford these products. Secondly, once a buyer purchases one of these items, they are permitted to apply for a tax deduction for certain certified goods. Both of these lower the relative price of these higher-end appliances and electronics, to the benefit of operators.

While tariffs are applicable to goods supplied by this industry, trade is recorded at the manufacturing level. Retail operators purchase goods from importers, wholesalers and, in some cases, manufacturers after the tariff has been applied. However, a change in the tariff rate of a good can alter where the good is purchased from and change the purchase price. For instance, a decline in tariffs of goods is likely to result in falling purchasing costs, which can be passed on to consumers. This will let the retailer remain price competitive.

Industry operators also benefit from the assistance provided by trade organizations, such as the Consumer Technology Association (CTA). CTA educates consumers and advocates on behalf of its members on public policy issues at the federal and state government levels.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Per capita dis-posable income ($)
2010	98,849.8	14,056.1	55,855	40,399	335,844	--	--	9,509.0	N/A	38,162.0
2011	99,173.3	14,009.8	56,553	40,345	356,320	--	--	9,943.7	N/A	38,777.6
2012	98,770.4	14,046.8	63,960	42,039	390,907	--	--	9,898.4	N/A	39,778.6
2013	97,168.9	15,081.5	59,776	39,212	366,200	--	--	9,931.5	N/A	38,995.4
2014	95,962.8	15,357.4	60,610	41,098	369,832	--	--	10,271.4	N/A	40,279.6
2015	93,253.2	15,313.2	60,201	40,230	368,156	--	--	10,650.5	N/A	41,636.7
2016	87,461.4	14,350.8	52,731	35,722	336,067	--	--	9,540.4	N/A	42,050.1
2017	86,715.4	13,444.4	52,356	35,435	333,046	--	--	9,455.5	N/A	42,866.5
2018	85,858.1	13,357.7	51,942	35,123	330,582	--	--	9,380.9	N/A	43,825.0
2019	85,726.4	13,341.6	51,615	34,860	329,256	--	--	9,347.9	N/A	44,804.7
2020	85,578.2	13,304.3	50,679	34,203	326,164	--	--	9,274.4	N/A	45,715.0
2021	85,224.3	13,226.5	49,916	33,677	323,333	--	--	9,202.3	N/A	46,217.8
2022	84,966.4	13,155.0	49,063	33,066	320,438	--	--	9,130.9	N/A	46,726.2
2023	84,837.7	13,123.6	48,210	32,460	317,801	--	--	9,068.0	N/A	47,427.1
2024	84,768.5	13,113.9	47,827	32,184	316,635	--	--	9,039.9	N/A	48,182.8
Sector Rank	**15/63**	**14/63**	**20/63**	**24/63**	**14/63**	**N/A**	**N/A**	**13/63**	**N/A**	**N/A**
Economy Rank	**126/694**	**202/694**	**141/694**	**163/694**	**102/694**	**N/A**	**N/A**	**172/694**	**N/A**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita dis-posable income (%)
2011	0.3	-0.3	1.2	-0.1	6.1	N/A	N/A	4.6	N/A	1.6
2012	-0.4	0.3	13.1	4.2	9.7	N/A	N/A	-0.5	N/A	2.6
2013	-1.6	7.4	-6.5	-6.7	-6.3	N/A	N/A	0.3	N/A	-2.0
2014	-1.2	1.8	1.4	4.8	1.0	N/A	N/A	3.4	N/A	3.3
2015	-2.8	-0.3	-0.7	-2.1	-0.5	N/A	N/A	3.7	N/A	3.4
2016	-6.2	-6.3	-12.4	-11.2	-8.7	N/A	N/A	-10.4	N/A	1.0
2017	-0.9	-6.3	-0.7	-0.8	-0.9	N/A	N/A	-0.9	N/A	1.9
2018	-1.0	-0.6	-0.8	-0.9	-0.7	N/A	N/A	-0.8	N/A	2.2
2019	-0.2	-0.1	-0.6	-0.7	-0.4	N/A	N/A	-0.4	N/A	2.2
2020	-0.2	-0.3	-1.8	-1.9	-0.9	N/A	N/A	-0.8	N/A	2.0
2021	-0.4	-0.6	-1.5	-1.5	-0.9	N/A	N/A	-0.8	N/A	1.1
2022	-0.3	-0.5	-1.7	-1.8	-0.9	N/A	N/A	-0.8	N/A	1.1
2023	-0.2	-0.2	-1.7	-1.8	-0.8	N/A	N/A	-0.7	N/A	1.5
2024	-0.1	-0.1	-0.8	-0.9	-0.4	N/A	N/A	-0.3	N/A	1.6
Sector Rank	**42/63**	**41/63**	**48/63**	**51/63**	**45/63**	**N/A**	**N/A**	**45/63**	**N/A**	**N/A**
Economy Rank	**566/694**	**558/694**	**568/694**	**569/694**	**575/694**	**N/A**	**N/A**	**574/694**	**N/A**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2010	14.22	N/A	N/A	294.33	9.62	6.01	28,313.74	0.09
2011	14.13	N/A	N/A	278.33	10.03	6.30	27,906.66	0.09
2012	14.22	N/A	N/A	252.67	10.02	6.11	25,321.62	0.09
2013	15.52	N/A	N/A	265.34	10.22	6.13	27,120.43	0.09
2014	16.00	N/A	N/A	259.48	10.70	6.10	27,773.15	0.09
2015	16.42	N/A	N/A	253.30	11.42	6.12	28,929.31	0.09
2016	16.41	N/A	N/A	260.25	10.91	6.37	28,388.39	0.08
2017	15.50	N/A	N/A	260.37	10.90	6.36	28,390.97	0.07
2018	15.56	N/A	N/A	259.72	10.93	6.36	28,376.92	0.07
2019	15.56	N/A	N/A	260.36	10.90	6.38	28,390.98	0.07
2020	15.55	N/A	N/A	262.38	10.84	6.44	28,434.78	0.07
2021	15.52	N/A	N/A	263.58	10.80	6.48	28,460.75	0.07
2022	15.48	N/A	N/A	265.16	10.75	6.53	28,495.06	0.07
2023	15.47	N/A	N/A	266.95	10.69	6.59	28,533.58	0.06
2024	15.47	N/A	N/A	267.72	10.66	6.62	28,549.91	0.06
Sector Rank	**39/63**	**N/A**	**N/A**	**23/63**	**40/63**	**23/63**	**21/63**	**14/63**
Economy Rank	**585/694**	**N/A**	**N/A**	**377/694**	**495/694**	**439/694**	**563/694**	**202/694**

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue: Small (<$10m)	Medium ($10-50m)	Large (>$50m)
Liquidity Ratios							
Current Ratio	1.5	1.6	1.5	1.5	1.5	1.4	1.5
Quick Ratio	0.7	0.7	0.7	0.6	0.6	0.6	0.8
Sales / Receivables (Trade Receivables Turnover)	24.3	27.7	26.9	32.6	36.2	32.0	18.5
Days' Receivables	15.0	13.2	13.6	11.2	10.1	11.4	19.7
Cost of Sales / Inventory (Inventory Turnover)	7.1	6.8	6.4	5.6	5.9	5.2	6.0
Days' Inventory	51.4	53.7	57.0	65.2	61.9	70.2	60.8
Cost of Sales / Payables (Payables Turnover)	11.5	12.5	13.0	12.0	11.8	12.7	11.9
Days' Payables	31.7	29.2	28.1	30.4	30.9	28.7	30.7
Sales / Working Capital	14.8	15.4	15.7	14.5	14.2	16.2	13.9
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	8.2	8.1	7.0	6.2	4.6	7.1	7.4
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	4.0	4.0	3.7	2.4	4.0	2.1	n/a
Leverage Ratios							
Fixed Assets / Net Worth	0.4	0.3	0.3	0.3	0.4	0.2	0.3
Debt / Net Worth	2.2	2.3	2.0	2.3	2.0	2.6	1.8
Tangible Net Worth	23.3	26.1	28.8	25.1	22.0	31.6	22.7
Operating Ratios							
Profit before Taxes / Net Worth, %	28.6	25.9	26.2	26.2	22.3	23.1	32.4
Profit before Taxes / Total Assets, %	8.1	8.6	8.7	7.7	6.5	7.6	10.3
Sales / Net Fixed Assets	51.8	52.3	39.2	41.2	34.5	55.5	45.6
Sales / Total Assets (Asset Turnover)	3.6	3.5	3.4	3.3	3.3	3.4	3.1
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	30.5	30.6	33.1	31.6	36.9	25.5	26.1
Cash after Operations	2.9	3.3	3.4	2.9	3.6	2.1	3.7
Net Cash after Operations	3.3	3.3	3.9	3.0	3.6	2.2	4.6
Cash after Debt Amortization	1.1	0.7	1.3	1.2	1.2	0.8	2.1
Debt Service P&I Coverage	2.7	3.3	2.9	3.4	3.6	1.7	8.3
Interest Coverage (Operating Cash)	7.7	6.2	7.4	6.2	6.1	4.0	24.6
Assets, %							
Cash & Equivalents	15.8	14.9	16.3	14.8	15.5	13.7	14.3
Trade Receivables (net)	20.3	20.5	18.5	16.3	15.0	16.2	22.5
Inventory	36.8	36.4	35.7	39.3	36.9	45.5	34.4
All Other Current Assets	2.4	3.0	2.3	3.6	3.2	5.0	2.0
Total Current Assets	75.3	74.9	72.8	74.0	70.5	80.4	73.1
Fixed Assets (net)	13.0	13.0	14.7	14.7	17.9	10.4	10.8
Intangibles (net)	5.8	6.1	6.3	5.2	4.6	4.1	10.5
All Other Non-Current Assets	6.0	6.1	6.2	6.2	6.9	5.1	5.6
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets ($m)	4,517.3	4,935.7	3,687.3	4,062.7	298.4	870.9	2,893.4
Liabilities, %							
Notes Payable-Short Term	10.6	11.1	9.3	10.5	9.8	13.8	5.5
Current Maturities L/T/D	2.2	1.5	2.3	2.0	2.6	1.2	1.4
Trade Payables	25.3	23.2	20.9	21.6	20.4	22.8	24.0
Income Taxes Payable	0.1	0.2	0.2	0.2	0.2	0.2	n/a
All Other Current Liabilities	11.9	12.9	14.9	16.4	15.7	16.3	19.9
Total Current Liabilities	50.1	49.0	47.7	50.7	48.7	54.4	50.8
Long Term Debt	12.8	13.2	10.9	11.1	14.6	5.7	8.9
Deferred Taxes	0.1	0.2	0.2	0.2	0.2	0.2	0.2
All Other Non-Current Liabilities	7.9	5.5	6.1	7.7	9.9	4.1	6.9
Net Worth	29.1	32.2	35.1	30.3	26.6	35.7	33.2
Total Liabilities & Net Worth ($m)	4,517.3	4,935.7	3,687.3	4,062.7	298.4	870.9	2,893.4
Maximum Number of Statements Used	331	332	278	379	211	119	49

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.

Jargon & Glossary

Industry Jargon

BLU-RAY An optical disc format designed to display high-definition video and store large amounts of data.

BRICK-AND-MORTAR A store that has a physical presence and location, as opposed to an online retailer.

POINT OF SALE (POS) A system used at checkout in retail stores using computers and cash registers to capture transaction data at the time and place of sale.

RADIO FREQUENCY IDENTIFICATION (RFID) A technology that tracks products from the time they leave the assembly line to the time they leave the store by releasing continuous signals from a chip.

SMARTPHONE A mobile phone that offers advanced PC-like capabilities.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Jargon & Glossary

IBISWorld Glossary continued

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20 % ; high volatility is ±10 % to ±20 % ; moderate volatility is ±3 % to ±10 % ; and low volatility is less than ±3 % .

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.