

Selling HDTV -how to break the loss making business

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- Advisory and consulting firm focusing on the Internet services and consumer electronics market
- Main work on broadband service provider residential market strategies, and developing network strategies for the consumer electronics industry
- Based on the United Kingdom

The TV industry lacks profitability

-Not healthy for the long term of the industry

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- TV business extremely important for CE retailers -often between 60-75% of the retailers revenue streams
- However, many vendors struggle with profitability
 - **Sony Q1 FY2008 filing:** “..Bravia LCD Television [profitability] improved due to a significant increase in unit sales..” **However, for FY2007:** “....[profitability] was partially offset by Bravia LCD Television for which profitability worsened due to unit selling price declines”.
 - **Philips Q2 2008:** Television EBITA: €-112million, down from €-69 million Q2 2007.
 - **Funai FY2008 filing:** “However, the greatest factors were negative earnings stemming from worsening profitability and the failure to achieve sales goals in the ... LCD TVs [business].

Why is such an important market in such an unhealthy state?

■ The established issues

- ➔ Easy to source components and TV manufacturing
 - ➔ Many competitors driving price competition
- ➔ Steady stream of new technologies
- ➔ Therefore inventories reduce profits
- ➔ As rebates and channel clearing is necessary
- ➔ Which again reduces profitability

■ The underlying issue

- ➔ Technical marketing and lack of perceived product differentiation

How do you tell the difference?

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Do we need dictionaries to buy TVs?

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- *“42” HD Ready 1080p LCD TV with built in Digital Freeview, XD Engine and 3 x HDMI. Experience Vivid picture quality with XD Engine and intelligent Sensor. Dolby digital and Surround Max deliver deep, dynamic sound.”*

- Huge 70" 10 Bit LCD screen
 - Triluminos LED backlight
- Live Colour Creation and x.v.Colour
 - Motionflow +100Hz
- 24p True Cinema to experience home cinema exactly as the director intended
 - Photo TV HD technology
- USB Photo Viewer to easily display your digital photos on a big TV screen
 - Built-in S-Force Front Surround
 - Voice Zoom
 - BRAVIA Theatre Sync
 - HD 1080p
- 3 x HDMI™ inputs for easy connectivity
 - Built-in Digital TV (MPEG 2)
- Can be wall-mounted using bracket SU-WL500 (optional)

Text has been shortened for illustration purposes

Quiz time

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- LG LE40A656
- Samsung PS42A457
- Panasonic TH-42PZ81B
- Sony KDL40W4500
- Philips 42PFL7603D/10
- Toshiba 37XV505D
- Sharp LC32X20E



Product names as appears on Pricegrabber.co.uk

1. Products designed by engineers, for engineers -not for consumers.
2. If you cannot communicate it, you cannot recommend it.
3. Consumer recommendations is the strongest marketing there is.

Ipod Nano

Apple focuses on consumer marketing, not technical marketing

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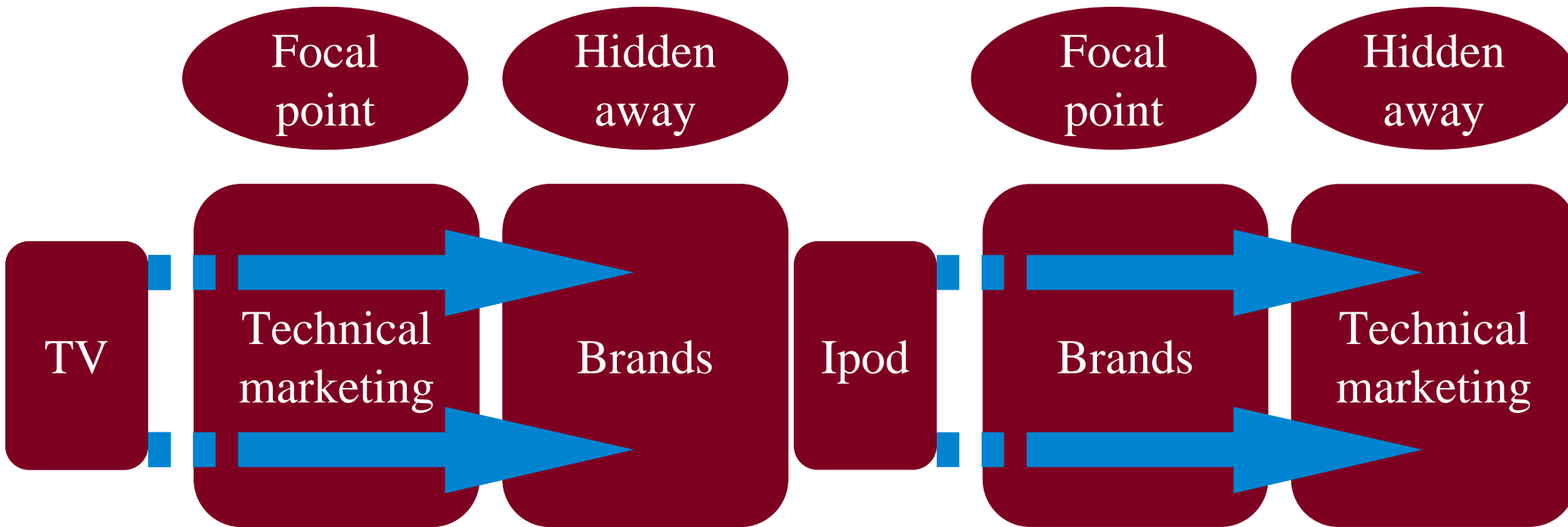
- CE vendors focus on the 'techie stuff'
 - ➔ Technical features
 - ➔ Technology buzz words
 - ➔ The more fancy words, the better
 - ➔ What technology enables you to do
- Technology is brought up front in marketing
- Many SKUs to sell in retail
- Product names to decipher
- Seldom sub-brands
- Apple focuses on the 'shiny stuff'
 - ➔ Form factor
 - ➔ Ease of use
 - ➔ User interface
 - ➔ What you can actually do
- Technology is hidden away in marketing
- Few SKUs to sell in retail
- Product names you can pronounce and repeat
- Different sub-brands

Technical marketing vs. consumer marketing

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- TV marketing

- Apple marketing



Consumers do not want to make technology choices. Apple would never bombard its customers with technologies like the TV industry. Why is that?

TV industry needs to learn how to brand and market products

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- **Create distinct brands for TV products**
 - ➔ Not just for all the TVs, but for segments of the market.
- **Product names must be pronounceable**
 - ➔ If not communicable, then it is not recommendable
- **Let the brand should communicate technologies**
 - ➔ Not the other way around
- **Examples:**
 - ➔ Premonvision Sunset (high end) TVs, 60 or 50” set
 - ➔ Premonvision Midday (mid range) TVs, 42 or 32” set
 - ➔ Premonvision Sunrise (low end) TVs, 32 or 24” set

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