

# 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.

# Quiz time

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**Ipod Nano**

# Apple focuses on consumer marketing, not technical marketing

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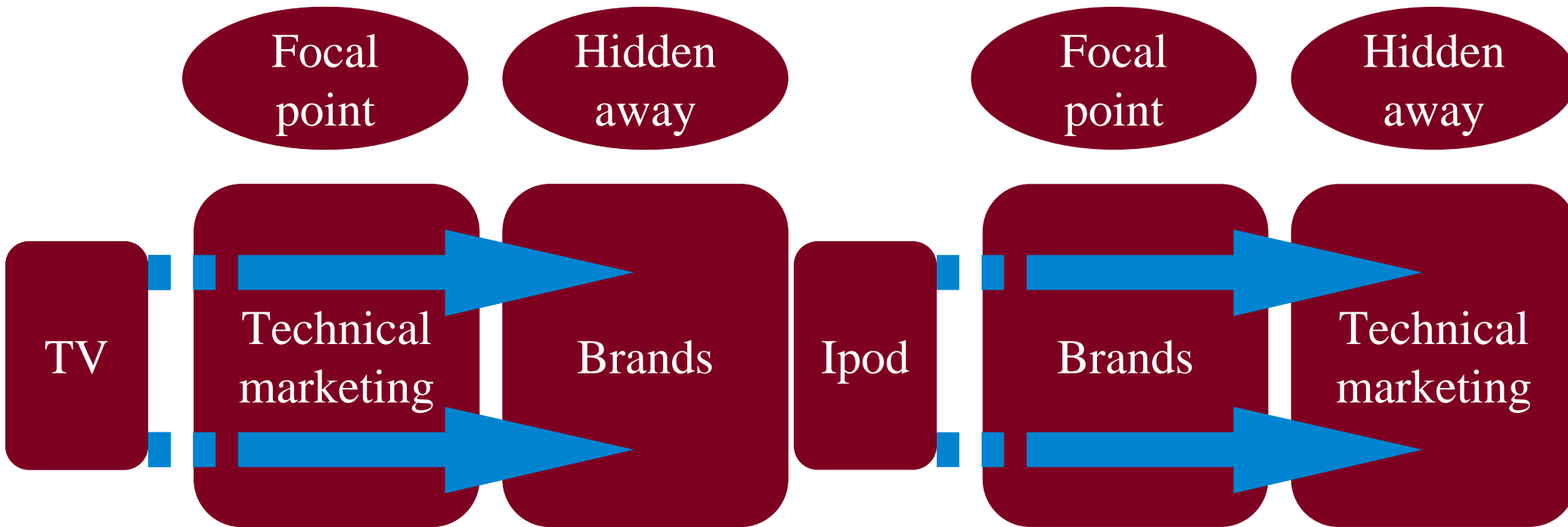
- CE vendors focus on the 'techie stuff'
  - ➔ Technical features
  - ➔ Technology buzz words
  - ➔ The more fancy words, the better
  - ➔ What technology enables you to do
- Technology is brought up front in marketing
- Many SKUs to sell in retail
- Product names to decipher
- Seldom sub-brands
- Apple 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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