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December 26, 2011

## TV Prices Fall, Squeezing Most Makers and Sellers

By **ANDREW MARTIN**

It's a great time to buy a television, and Ram Lall, a television salesman, isn't happy about it. In a basement showroom of J&R, the huge electronics store in Lower Manhattan, Mr. Lall says the days of making big money from televisions are in the past. Pointing to a top-of-the line, 55-inch Sony television, Mr. Lall said it would have sold for \$6,000 a few years ago. The current price? \$2,599.

"We are making less money because the company is forcing us to slash prices," Mr. Lall said, standing amid rows of flickering television sets.

Televisions have become so inexpensive that the profits have largely been squeezed out of them, a result of a huge increase in manufacturing capacity that has led to an oversupply and continued downward pressure on prices from low-cost manufacturers and online retailers.

The near fire-sale prices are great for consumers, who can now buy a television for a fraction of what one cost just a few years ago.

But what is good news for consumers has been a nightmare for manufacturers of TVs and retailers that sell them. The earnings of mainstay television manufacturers like Panasonic, Toshiba and Sony have been hammered. Sony, for instance, is overhauling its television operations because of what one executive said recently was a "grave sense of crisis that we have continued to post losses in TVs." Even newer and more nimble competitors like Samsung and LG have struggled to make much money on TVs, if any.

Seeking to stanch its losses, Sony on Monday said it would end its flat-panel joint venture with Samsung, which was set up in 2004 to capture the boom in televisions with liquid-crystal displays. Samsung, based in South Korea, will pay about \$940 million for Tokyo-based Sony's 50 percent stake; Sony aims to save on manufacturing costs while still buying panels from Samsung.

For retailers, the picture is not much better. This month, Best Buy reported a 29 percent drop in net income for the third quarter, in part because the retail chain had slashed prices on televisions and other electronics.

Perhaps even more ominously for the long term, the future of televisions appears to be more about what content they can provide, like Netflix and iTunes, than new hardware features like flat screens or 3-D technology. It is an area where television manufacturers have struggled with little success to get an edge, even as Apple and Google vow to upend the industry.

“Everybody is fighting for a limited amount of consumer dollars,” said Gregg Richard, president of PC Richard and Son, which has 66 electronics and appliance stores. “We are selling more TVs, more units, at lower retail prices.”

It does not help that consumers are reluctant to pay much more for the latest features, like 3-D and Internet connectivity. Instead, they are likely to wait patiently for a few months until the price inevitably comes down.

“People used to pay additional to get a Sony Trinitron,” said Riddhi Patel, director of television systems at IHS iSuppli, a market research firm. “But the industry has trained the consumer that any time there is a new technology, if they wait six months the price will come down.”

Paul Gagnon, director of North America TV research for DisplaySearch, which tracks the market, noted that a 60-inch LCD television by Sharp was now selling for as little as \$799 — about half of what it was selling just a year ago. “Absolutely amazing,” he said.

The slump is a hangover of sorts for an industry that binged on years of double-digit growth, as consumers rushed to replace old television sets with flashy new models with new features like high definition and flat screens.

There were roughly 32 million television sets sold in North America in 2004, for an average cost of \$400, Mr. Gagnon said. The average size of a television was 27 inches. Today, 44 million sets are sold a year in North America, with an average cost of \$460 and an average size of 38 inches.

Consumers buy a new television set every seven years or so, and an average household owns 2.8 TVs, he said. While those numbers would suggest a bonanza for television manufacturers, Mr. Gagnon said the larger, more sophisticated sets were expensive to manufacture and cut into manufacturers’ profit margins.

To help reduce costs, manufacturers invested heavily in sophisticated new factories or retrofitted old ones that were capable of cranking out more televisions at lower cost. The problem is that the factories became operational about the time the recession hit, creating a glut of televisions and forcing prices down.

A strong yen, relative to the dollar, has further hurt Japanese manufacturers like Sony and Panasonic, while Korean manufacturers like Samsung have benefited from a weak won.

Tablet devices like iPads that can be used like televisions are also cutting into sales.

Ms. Patel, who makes her living from the TV industry, said she had a flat-panel TV and a couple of iPads in her household. “Guess what? The price of an iPad is the same as a 42-inch LCD TV. It is more personal, yet everyone can use it.”

Despite the success of the iPad, Apple has not yet transformed the television in the same manner that it did music players and mobile phones, despite years of effort. Apple introduced a television accessory in 2007 that allowed users to stream iTunes content, but consumers were not enamored. Still, Steve Jobs vowed before his death to create a television with “the simplest user interface you can image.”

Google, meanwhile, offered a second version of Google TV in October that includes apps so viewers can search cable and Web sites for movies and shows and even live concerts.

At a conference in Paris this month, Google's chairman, Eric E. Schmidt, boldly predicted that Google TV would be offered on the majority of new televisions by the summer.

While it is too soon to know whether Apple or Google's television ventures will succeed, Mr. Gagnon said traditional TV makers would be wise to focus on "a more intuitive user interface that just works right out of the box with other products."

"If Apple is going to enter the space, it certainly is going to raise the bar in terms of user experience," he said. "Traditional TV makers will have some catching up to do."