

Prices for flat-screen TVs will not go higher

31 December 2008, By Eric Benderoff

Don't fret if there wasn't an HDTV under your tree. (Let's pretend it would have fit.) If you were like me this holiday season, it took considerable effort to get beyond the TV department at the nation's retailers. I was there to shop for others, but boy, those TV prices were tempting.

Prices for flat-panel TVs were so low that one really had to consider whether a tight holiday budget could be stretched a bit further.

Well, guess what? You'll find those deals next month too, as you get ready for your Super Bowl party or the Oscar bash after that. They'll stay this low into the spring too, when baseball returns. And next fall, when new TV dramas premiere and pro football return, prices will still tempt you.

Indeed, the low prices for these highly desirable goodies will never go higher.

And when the 2009 holiday season rolls around, prepare for another price drop.

"It's really astounding that you can buy a 32-inch LCD TV right now for what a similar size CRT tube (a.k.a. that old boxy technology) cost three years ago," said Paul Gagnon, director of North American TV research at DisplaySearch, which studies TV manufacturing.

At any retailer, 32-inch flat panels (LCD and plasma) are plentiful in the \$500 range.

Better, you can find 42-inch TVs, the sweet spot for HDTV sales, from major brands for about \$700. That includes both the older 720p resolution - for less - and the newer 1080p models, known as full HD, for a little more.

Two years ago, you would have been delighted to find a 50-inch 720p LCD TV for about \$2,000 - and only from lesser-known brands. Today, 50-inch 1080p models from most major brands can be found for about \$1,000.

Heck, the cost of hanging these flat-screen gems on the wall might be more than the TV.

What happened? Our nation's economic woes combined with a consumer tech adage (prices always go lower) to accelerate price cuts over the past two months.

"The change was so sudden that it caught everybody in the supply chain off guard," Gagnon said. "At the end of the third quarter and the beginning of the fourth, demand just fell off a cliff."

Prices are 30 percent lower than last holiday season, with much of that decrease arriving recently, and prices have fallen even lower depending on screen size. Deals are plentiful for TVs in the 30- to 40-inch range, but capacity is building for 50-inch models.

"There is excess inventory throughout the entire supply chain right now," Gagnon said, noting that factories have been producing too many flat panels, warehouses are stuffed with them and they are not moving quickly at the retail level.

He estimates it will take until the middle of next year for inventory levels to adjust. "Then prices will stabilize, but they won't move upward," he said.

Indeed, he thinks they will be 20 percent lower for the 2009 holidays than they are right now.

For retailers, a few factors could help shed inventory.

One is the digital TV transition on Feb. 17. That's when broadcasters will transmit only digital signals. People do not need a new TV for this switch - they need a converter box if they don't have cable or satellite service - but the change is providing retailers with a good sales hook.

"The DTV transition has created so much hype," said Mike Abt of Glenview, Ill's Abt Electronics. "That's helping to push sales. Even if people don't

really think they need a new TV, they still want one."

Another factor: There's no reason to wait. "People wanted to wait to go from 720p to 1080p," Abt said about the higher resolution. "That's not an issue anymore. There's nothing new coming down the pipeline."

So that pipeline has been filling with really nice TVs.

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