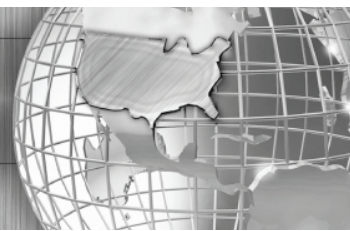


# Digital America 2009



## CE: A Hallmark of Innovation

In a year when change was in the air, highlighted by a historic presidential election and a period of unprecedented economic upheaval, consumer electronics (CE) offered a level of stability, a rare segment of sales growth in an uncertain time, and a promise for the future.

While not without serious challenges, the U.S. CE industry grew by more than five percent in 2008 to a new high of \$172 billion in sales, a seventh consecutive year of growth. The devices and services our industry produces have historically done well in even the most difficult economic times going back to the emergence of radio during the Great Depression.

Consumers recognize the tremendous value inherent in CE devices and have come to rely on them as an integral part of everyday life. With the typical American household now featuring some two dozen electronics products for work, communication and entertainment, the products our industry delivers have become a hallmark of life in the 21st century.

It was the final full year of analog TV broadcasts, helping sales of digital televisions, and a year of growth in smartphones, video games, Blu-ray DVD players and nascent categories like e-books. But it was also a year that saw layoffs spread throughout the industry and some longstanding retail names close shop amid the widespread economic woes.

The CE industry is broad and deep with products at various levels of maturity, and sales figures that rise and fall whatever the economic situation. It's an industry of continuing regeneration, with thousands of new products introduced annually, many to do things better and more easily than their predecessors. For example, the VCR was replaced by the DVD, which is now being supplanted by Blu-ray and electronic delivery of feature films. But the current economic climate is the most challenging in memory and will require all the hard work and creativity the industry can muster.

Here are some highlights of what you'll see in the pages of *Digital America*.

### In-Home Technology

Since the early days of black-and-white, television has been the mainstay of the industry for six decades and it remains the prime mover now that sets are digital and the world is flat. Digital displays represent 15 percent of overall CE sales with LCD sets at the forefront of the surge advancing 41 percent to attain dominance. Spurred by a drop in average selling price, 14 percent of consumers snapped up 33 million digital TVs in 2008, an increase of 24 percent. Plasma sets increased 11 percent. Projection sets fell 36 percent finding buyers primarily in the 60-inch and larger screen sizes while CRT-based set sales dwindled to little over a million, mostly in the small-screen realm and are expected to continue to fade in the coming year.

Other in-home technologies, including video and audio components and systems, home information technologies and communications products, held their own in the tough economy even as digital displays advanced.

Notebook computers have become the preferred replacement for desktops in the home with two-thirds of shipments now portables. Desktop computer units dropped to just over 10 million with \$6.7 billion in revenue, while notebooks grew by 24 percent to more than 17 million

worth more than \$14 billion. Within the notebook category, "netbooks" today play to consumers' desire to use computers principally as Internet access devices, whether at home or on the go.

Video game consoles and software continue to entrench themselves as an integral part of home and travelling entertainment. The average video game player is now in his (or her) thirties as generations who have grown up playing Atari and Pong enjoy the more sophisticated and realistic experiences that today's computing power provides. Total video game revenues neared \$20 billion in the U.S. in 2008 and should surpass that number in 2009.

### In-Vehicle Technologies

In-vehicle technologies were one of the most challenged segments in 2008 and will be again in 2009 given the uncertain economy and the struggling new car marketplace. This category has evolved over the past decade from what was once known as "autosound" to encompass electronics for audio and video entertainment, navigation and security. Overall revenues in the aftermarket category fell last year and are expected to struggle again in 2009. However, portable GPS devices represent a growing bright spot in this difficult environment.

### Anywhere Technologies

Americans continue to enjoy one of the primary benefits of digital technology – the ability to capture memories, stay connected, and enjoy audio and video entertainment anywhere. Digital camera volume approached 34 million units worth nearly \$7 billion last year while camcorder unit volume grew slightly to 5.6 million even as dollar volume fell below \$2 billion, a reflection of the surge in popularity of flash memory-based pocket camcorders. Digital photo frames represent another growth area in the digital imaging space with unit volume surpassing seven million and dollar volume exceeding \$800 million even as average unit prices continue to fall.

Portable music player sales showed another year of decline but still approached 45 million units worth \$5.5 billion. Related products however, like MP3 player speaker docks continue to rise in volume and should surpass 10 million units and \$1 billion this year.

Accessories for CE products continue on a steady growth curve especially as consumers take digital products with them everywhere. (Enhancements like accessories, power supplies and blank media represent \$20 billion in annual revenues as consumers seek products that make electronics devices easier to connect, take along, last longer or be more fashionable.) Even better for retailers and manufacturers in this economy, these are products that typically carry respectable profit margins. In blank media, flash memory is a growth area as audio and video cassettes fade.

In the nation's capital and around the country, CEA works with legislators and regulators to assure a level playing field so that innovation, the lifeblood of our industry, can continue to flourish unfettered. CEA promotes the interests of the industry to provide the products consumers want and their ability to use them when, where and how they like.

CEA, its individual member companies, and the entire CE industry have taken the lead in environmental issues, launching innovative recycling programs to reduce waste and reuse components. CEA's efforts in Washington continue to focus on the goal of national e-waste and energy efficiency standards rather than a state-by-state patchwork quilt of regulations. CEA's website, [www.mygreenelectronics.org](http://www.mygreenelectronics.org), serves consumers and the industry as a leading site for information about all things "green." For the past two years CES has been the largest carbon neutral event in the world and this year CEA's Greener Gadgets conference in New York featured a green design competition and exhibits of cutting-edge green technology.

Perhaps no issue is more important to the CE industry than that of an open and fair trading system worldwide. To further that cause, this past year CEA took to the road with a 28 state bus tour promoting free trade. The cross country tour stopped at U.S. based manufacturing companies where executives extolled the benefits of free trade to American companies and workers alike. Trade is vital to CE companies and the industry, creates millions of American jobs, provides billions of dollars to the economy, and is essential to preserving America's prosperity and way of life.

The CE industry generated \$1.4 trillion in direct business activity last year and directly employed more than 4.4 million Americans with one in seven of those jobs directly tied to overseas trade.

CEA and its members look forward to working with the new administration and Congress in Washington on key issues including



A handwritten signature in black ink, appearing to read "Jay S. Smith".

President and CEO  
Consumer Electronics Association

broadband availability, use of electronics devices in vehicles and on aircraft, sales tax holidays and telecommunications policy reform. As always, the continued protection of consumer's rights to use their lawfully acquired devices and content and to time shift and place shift that content remains a top priority.

The association produces a full schedule of events with focused agendas throughout the year, highlighted by Washington Forum in the spring, dedicated to regulatory and legislative issues including presentations and discussion with members of Congress and regulatory agencies, and Industry Forum in the fall with sessions exploring the issues crucial to success in the marketplace.

CEA also helps consumers understand the rapidly changing industry and its product offerings with outreach, including media tours and websites such as [www.digitaltips.org](http://www.digitaltips.org) and CEA's blog "Digital Dialogue" (<http://blog.CE.org>).

Throughout the year CEA continues its commitment to education in other ways. Professional training and certification programs, research, conferences, webcasts, market research, informational websites and standards-setting all contribute to CEA's mission to grow the industry. This promises to be a most challenging year, one without an increase in overall sales but one in which we can lay the foundation for future growth. ■