

14th February 2013

To whom it may concern at ACCC,

My name is James Fitzgerald and I have been asked to express my expert opinion and marketing view on the importance of advertising price points within the Consumer Electronics industry. I have been in the advertising industry for 29 years, working in the marketing departments of various radio stations and at Network Ten for 15 years. For the past 14 years, I have worked in my own advertising agency, with a staff of some 50 people, servicing and specialising in the retail sector for many national retailers. We assist Narta in developing marketing materials for consumer electronic products sold by its members.

It is in my opinion, specifically within the Consumer Electronics industry the price point at which consumer electronic products are advertised are of critical importance. From the manufacturer suppliers point of view it is critical to the brand imaging; product differentiation and as a product quality signal. Maintaining an advertising price point also assists to maintain retailer focus to maximise sales and market share. In this regard the advertising price point can be more critical to a brand than the actual selling prices, as while neither will directly affect a supplier's wholesale pricing of the product, the advertising of a product (including its advertised retail price) will determine how it is positioned in the market and ultimately influence sales volume.

For a CE retailer it is similarly imperative that they can go to market with a price point or price range on their advertised products.

Consumer spending had become unhitched from the normal cyclical factors that would keep it ticking along, such as low unemployment and falling interest rates. Statistics from the Reserve Bank of Australia show the national household debt-to-income ratio has decreased sharply since 2008. With consumers determined to save[#], they are aggressive in seeking out value for money, with many only prepared to commit to purchase when items are discounted.

Numerous studies have shown the importance of price in the consumers purchasing decisions. Getprice.com/Core data study found 93% of people said price was the most critical factor in the purchase decisions for shoppers both offline and online. Another survey of more than 11,000 consumers across 11 countries, showed price was clearly listed as the number one feature when determining what products to purchase in key categories including PCs, tablets, televisions and smartphones. Whilst elements such as product brand, design, look and feel only appeared as 9th or 10th on the list.*

Price can determine how the consumer perceives a product. Whether high or low quality can be inferred by price and with the ubiquity of product available, this becomes an essential communication tool in creating points of difference with the consumer electronics category.

The actual selling price is the vital decision making tool for consumers who have also been empowered by the rise of internet retailing and a strong Australian dollar. This is however to a degree decoupled from the advertising price, as retail discounting has become the norm in this market sector. This is similarly understood by today's empowered consumer.

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* Reference: The 2013 Accenture Consumer Electronics Products and Services Usage Report (Sept/Oct 2012).

Disposable household income spiked to 12% and is currently holding at around 10%. This is in stark contrast to the savings rates of between 1% and 5% recorded in the years prior to the onset of the global financial crisis between 2000 and 2007 (Reserve Bank of Australia).

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