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Flat-panel televisions

Thin screens, fat margins

What is behind the sudden mania for flat-panel televisions?

1 - IF YOU are thinking of buying a flat-panel television, you are not alone.

5 - Today's flat mania, says Scott McGregor, the boss of Philips Semiconductors, is "completely irrational" since a conventional TV can produce just as good an image at a fraction of the price.

10 - In part, says Riddhi Patel of iSuppli, a market-research firm, the sudden rise of flat-panel TVs is driven by the popularity of DVD players, games consoles and digital cable, all of which produce clear, sharp images that look particularly good
15 - on a big screen. Flat-panel screens are stylish and do not take up that much room. And they have geek appeal. As Pip Coburn, an analyst at UBS, puts it: "Getting a flat-panel TV today is as exhilarating as getting a desktop computer
20 - 15 years ago."

But the main reason for the sudden emergence of flat-panel TVs is that manufacturers smell a lucrative new market.
25 - As LCD screens in both desktop and laptop computers have become commonplace, margins have diminished. Televisions, however, use large LCD panels which cost more to make but command
30 - far higher margins.

New entrants and established firms such as Motorola and Westinghouse, both of which stopped making TVs decades ago, are now piling in. So too are computer makers such as Dell and Gateway, which already sell LCD computer monitors and are attracted by the fatter margins in consumer electronics. By selling direct over the internet, rather than through high-street stores, PC makers can undercut traditional consumer-electronics firms, says Ms Patel.

Ms Patel expects prices to fall by 40% over the next year. Bear that in mind before you buy.