Industry Trends

September 2002 Consumer Electronics Sales - Strong Compared to September 2001

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Industry Overview

Dollar sales of Consumer Electronics products in the United States continue to show improvement despite all the recent negative indicators. The NPDTechworldSM point-of-sale data for the month indicates some slowness during September compared to previous months this year but the critical profit-oriented product categories seem to be doing well.

Retailers report less store traffic but higher closure rates. It appears that Consumer Electronics purchases are becoming less impulse and more destination. Fewer shoppers; better customers.

SEPTEMBER 2002 DOLLAR SALES WERE AHEAD 8% COMPARED TO 2001
Consumer Electronics dollar sales are 2% below September 2000 levels

The 2002 trends still show that almost every "new" product with digital technology and anything involving home theater are offsetting some of the declines in the "old" digital and analog product categories. "New" product such as 5.8 GHz phones and DVD have cannibalized many of the analog and even some of the "old" digital products like 900 MHz and 2.4 GHz phones and CD players.

Dollar sales compared to the same month last year .

	March	April	May	June	July	August	September	YTD
Video	3.84%	13.47%	11.47%	7.24%	2.52%	+3.38%	+5.28%	+3.97%
Audio	-1.50%	-3.68%	-2.81%	-4.05%	-9.24%	-3.39%	+3.36%	-6.40%
Mobile	7.18%	8.22%	7.54%	11.10%	5.32%	+3.10%	+2.17%	+6.17%
Telecom	-8.65%	-4.42%	-12.85%	-5.76%	-9.91%	-9.68%	-4.75%	-9.77%
Imaging	-3.51%	9.57%	4.06%	-1.69%	0.23%	+1.25%	+20.39%	-0.53%

Direct comparisons to September 2001 are not appropriate. Although a large percentage of September 2001 purchases were made in the first part of the month with Labor Day and back to school sales, the events of September 11th and the confusion in the following weeks makes comparison difficult. Evaluating September 2002 to September 2000 provides a better analysis of sales.

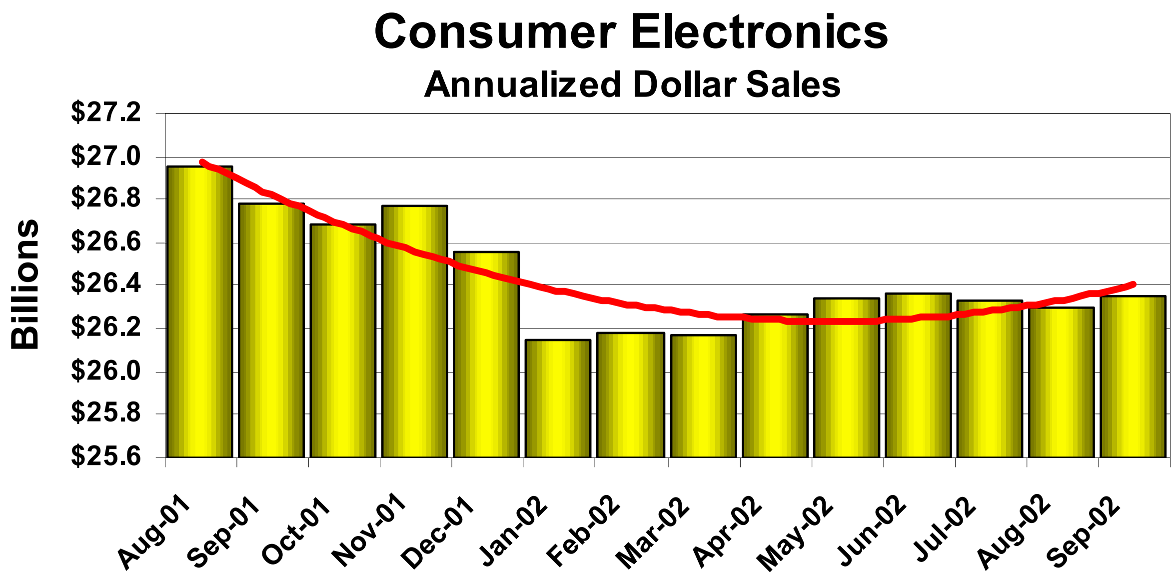
September/September Change

	2001/2000	2002/2001	2002/2000
Video	- 1.6%	+5.3%	**+3.7%**
Audio	-18.3%	+3.4%	**-15.5%**
Mobile	-7.6%	+2.2%	**-5.6%**
Telecom	-5.4%	-4.8%	**-9.9%**
Imaging	-10.8%	+20.4%	**+7.3%**
TOTAL CE	**-6.9%**	**+7.7%**	**-1.6%**

Product shortages in the supply pipeline that were caused by the unexpectedly strong 2001 Christmas season were on the way to replenishment with the deliveries of new products that were introduced in the Spring. Unfortunately, the West Coast labor action that closed all 29 ports will have a future effect on Consumer Electronics sales. The full impact of the action will not be felt until the November/December sales periods. The backlog of shipping containers and the subsequent slow work pace will probably affect product availability until January.

ANNUALIZED CONSUMER ELECTRONICS DOLLAR SALES

It appears that the dollar sales declines seen in Consumer Electronics sales dollars in July and August were reversed in September 2002. The computer generated trend line also indicated this..



NOTE: This is not a good indicator of economic trends due to the impact of the events of September 11th on Consumer Electronics retailers' sales throughout the United States. The trend indicator may not be valid until next year's data periods as promotional schedules were drastically altered to reflect the mood of the consumer. First half 2002 availability was also affected as previously noted.

KEY CATEGORY SUMMARIES:

TELECOM:
The trend for Telecom products continues to be the most severe but shows some slight improvement. Dollar sales of Telephone Answering Devices were 9% ahead of last September. Activity in the Cordless Phone category was also good with unit sales up slightly. Dollars suffered, down 11%, as average prices dropped in preparation of the new 5,8 GHz phones. Dollar sales of the 2.4 GHz phones were up 39% but the average selling price dropped $19.18 to $62.64. 6,200 of the 5.8 GHz phones were sold at an average of $176.86.

IMAGING:
Digital Still Camera sales dollars are approximately 35% ahead of last year. The growth is seen in the Electronic and Photo Specialty Stores and among the Discount Retailers. Office Products and Computer Retailers are 8% behind for the month while E-commerce is down 21%. In other Imaging categories, Single Use Camera dollar sales are 5% ahead but Conventional Camera dollars are 9% behind September 2001. Film is almost level with last year's sales, +0.4%.

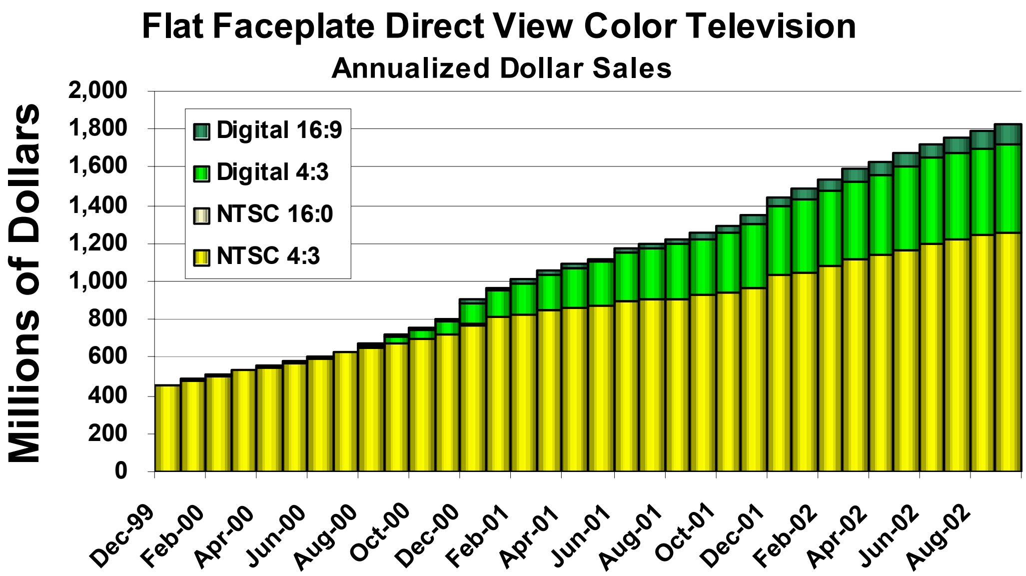
AUDIO:
The increase in Audio dollar sales for September 2002 is misleading. September 2001 had a huge decline in many categories compared to September 2000. The strong product areas continue to be Chip Recorders (+76%), Stereo Headphones (+7%), Home Speakers (+12%) and Home Theater Audio Systems (+52%). HiFi Components were down 4% and Home CD Players and Recorders were 25% and 34% behind.

MOBILE:
Mobile after-market products are doing well. Used car sales, fueled by returned leased vehicles, are helping to drive the categories as buyers upgrade the basic original equipment. Amplifier dollars are 7% ahead but In-Dash CD units are 5% behind. The CD was a popular leased car add-on and replacement is not critical. Mobile Multimedia, primarily DVD and Monitors, is 77% ahead. 16,800 Satellite Tuner Boxes sold in September bring the nine month total to 108,300 units reported in the categories tracked by NPDTechworld.

VIDEO:
The increase in the Video Categories is from Projection and Flat Panel Television and DVD. DVD dollars are up 27% and unit sales are on track to meet or beat the 22.5-million sales projected for 2002. 10,400 Flat Panel units were sold in September. Total Flat Panel sales for the 12 months of 2000 were 9,300 units. 76% of the unit sales are LCD models but 66% of dollars are from Plasma screens. Digital Television unit sales are double last year, dollars up 80%. Digital TV is four times September 2000 unit sales and 185% ahead in dollars. The average selling price declined $794 compared to September 2000.

FEATURED PRODUCT – FLAT FACEPLATE DIRECT VIEW TELEVISION

Color televisions with flat faceplate cathode ray tubes debuted in July 1995. Sales peaked after the first year and then growth dropped until mid-1999. The decline was primarily due to the higher price of the picture tube and a lack of programming material in the widescreen 16:9 format. Several manufacturers upgraded their model offerings with flat faceplate CRTs, drawing retailers to the more attractive styles that offered improved margins. Digital Television and DVD also increased demand for the widescreen 16: 9 aspect ratio.



The dollar share mix of direct view television sets has grown to the high point 49% of all direct view CTV sales in September 2002. This is well above the comparable share of 36% in Sept 2001, 26% in 2000 and 13% in 1999. This trend will continue as product offerings expand into all channels of distribution and reach widespread consumer acceptance. Flat CRT product has even been seen in an aisle stack-out at a local supermarket (Albertson's/Acme).

Note: All data are NPDTechworld's projected point-of sale panel and exclude direct sales, Internet, grocery, drug, Wal-Mart and Clubs. Direct sales and Internet are included in Telecom and Imaging categories