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## Digital Life

### Gadget buyers gouged as dollar soars

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Televisions on display: are prices coming down? Photo: James Davies

With our dollar running at an all time high, Australians should be enjoying bargain basement prices on electronic imports. Instead our country has become one of the most expensive places in the world to buy an iPod.

According to a recent update to the CommSec iPod index, which tracks the price of the iPod Nano around the world, Australia shifted from being one of the cheapest places in

2007 to one of the most expensive when it comes to buying the music player.

While most consumers would expect cheaper prices at the till, experts agree that a favourable economy is sometimes viewed more as an opportunity to gouge cashed up consumers, than a time to pass on the beneficial price cuts derived from a strong dollar.

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CommSec said its iPod index demonstrated that while the Australian dollar was now approaching parity with the US dollar, the price of some imported goods were yet to respond.

"In the Australian market we are relatively small compared with the rest of the globe so perhaps we don't see same sort of competition or dynamic pricing," said Craig James, chief economist at the brokerage.

"It has always intrigued us that US prices for things like iPods is low compared not just with Australia but other markets around world. The US is always on of the cheapest places to buy these goods."

While the effect of competition caused by the strong dollar may yet cause prices of popular gadgets to fall, Christopher Zinn, media spokesman for consumer group Choice, said it was unlikely we would enjoy the same low prices enjoyed in the US.

"Consumers expectations are high, and many believe that parity with the US dollar will mean identical prices but in the US there is a much bigger and more competitive market," he said.

#### Lag effect on prices

Bing Lee general manager, Phil Moujaes, said it was the electronics manufacturers that largely controlled the pricing of their goods in response to currency fluctuations, where there is often a lag in the effect of currency as it was absorbed throughout the supply chain.

Cost of freight, currency exchange fluctuations, standards compliance, taxes and other local costs are commonly cited to justify their pricing strategies.

Microsoft said it based the local pricing of its Windows 7 operating system (where the home premium package costs \$A299 compared with \$US199) on a number of factors including "forecast of exchange rates, local taxes, duties, local market conditions, retailer pricing decisions, regulatory requirements and operational and support costs".

"People talk about currency but what is most important is competition on price, and it is competition that drives down prices," said Zinn.

Rather than waiting for manufacturers to pass on savings, an increasing number of consumers are turning to online shopping sites for more instant discounts, and James said a cottage industry of US websites that source and sell goods directly to Australians had sprung up to meet demand.

He said the combined effect of competition between suppliers, the advance of new technologies and the strength of the Australian dollar all acted to push down prices of imports. "This is great news for consumers but bad news for retailers and other suppliers," he said.

"The important point is that local retailers and suppliers face the same dilemma as Apple – when currencies change, how quickly should local pricing change? And if you do change selling prices, do you fully adjust for the currency impact? There is a range of influences that play a part in the decision, including a judgement about whether the currency change is likely to be permanent or temporary."

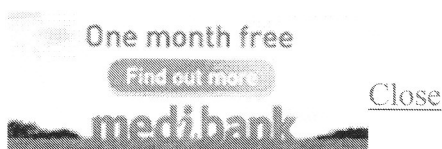
### TVs get cheaper

Electronics retailers say they are already feeling the pinch of these pressures on the shop floor - especially in the television category, where some prices have already declined by around 30 per cent. "This year it has been much faster than any other year. I think currency is an element but not the only element. The effect of both currency and competition between suppliers has basically led to a rapid decline in price of the TV category," said Bing Lee's Moujaes.

Gerry Harvey, head of Harvey Norman, said televisions and white goods were "closer to US prices than ever before in living memory" with the falling price of flatscreen TV creating a major headache for retailers. "A TV that was selling for \$2000 now costs only \$1000 which means we've got to sell twice as many," he said.

Even so, a Samsung series 8 55-inch LED television that costs \$US3499 to buy in the US still costs substantially more here at \$A5299.

"Prices are low now and they will probably be lower again by Christmas. But you have got to forget logic. It's about the power of the market, the power of the dollar and competition between suppliers. You put those all in a mixer and just see what happens," said Harvey.



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