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PING

## The Year of the Simpler Gadget

By [DAMON DARLIN](#)

THE [National Bureau of Economic Research](#) hardly stunned the nation this month when it announced that the United States had [been in recession](#) since December 2007.

And, as it turns out, the buyers of consumer electronics could very well have been a leading economic indicator. Over the last year, they chose to buy two inexpensive and simple products, the Wii and the Flip, over competing gadgets bristling with more features.

Nintendo has sold more than 30 million Wii game consoles since they were introduced two years ago. The machine is still luring shoppers: lines of buyers still form on Sunday mornings outside electronics stores. [Best Buy](#) put the Wii, not big-screen high-definition TVs, on the cover page of its Sunday circular last week, in its bid to get resistant holiday shoppers into the store.

The machine is dimwittedly simple. The console itself is hardly bigger than a DVD. It lacks the deep rich graphics, the rumbling sound and many of the violent games of the [Microsoft Xbox 360](#). But at \$250, it is outselling the more expensive Xbox 360 and the [Sony PlayStation 3](#) combined by almost 2 to 1.

The \$130 Flip camcorder is also simple, and two to three times cheaper than camcorders made by [Sony](#) or JVC that have optical zoom, an optical viewfinder and special effects. The original Flip didn't even have a headphone jack. Revenue at [Pure Digital Technologies](#), its manufacturer, grew 44,667 percent, the highest rate of any company in Silicon Valley, over the last five years, according to Deloitte, the business services firm. Pure Digital Technologies says it has sold more than 1.5 million Flips since it unveiled the product line in 2007.

This shift in consumer preference to the cheaper electronic device could well be a reaction to the recession. But it isn't the same as the consumer suddenly, and consciously, reaching for the house brand of creamed corn instead of the one with the Jolly Green Giant on the label. It is not just the economics of a shopping-fatigued nation at work here. Consumers found the simple devices, which don't need instruction manuals to set up and use, more appealing.

That shift in consumer preference could be ominous. As the United States enters a deflationary period, all kinds of companies will have to grapple with the consequences of falling prices. This is

nothing new for electronics makers. Every year, competition and the effects of Moore's Law forced prices down.

The one defense that seemed to work was to offer a new product at the same price as the old one — but with more features. The laptops got better graphics, the hard drives spun faster, the cameras picked up more detail, the memory cards held more.

Feature-itis was a disease, but it was better than the affliction known as consumer boredom.

Even the Flip is experiencing some feature creep. It has a popular model that shoots high-definition video. It's still the smallest HD camcorder, but it has U.S.B. port rechargers and power adapters, fast forward and rewind and four times as much memory as the original. Wii is still aimed at the market that [Microsoft](#) and Sony neglected: young children, older people and others who never played video games. But it is selling add-ons like the Wii Fit, a souped-up bathroom scale that allows a person to play skiing games, balance contests and musical play-alongs.

[Apple](#), innovator of business models as much as it is an innovator of electronic geegaws, may have found a solution to the problem of simple products becoming more complex. The Apple [iPhone](#) is one of the easiest-to-use devices ever created. At \$300, plus a two-year contract that quickly pushes the real price to \$1,800, it is hardly in the thrift class with the Wii and the Flip. But it is one of the most popular consumer electronics devices of 2008. Apple is expected to sell more than 14 million of them this year, and it is already the best-selling handset in the United States, according to the market researchers at the NPD Group.

AS much as it is part of the distinct trend toward the simple, the iPhone is also part of a trend to make a device versatile. It is a pretty thing, with a sleek touchscreen that does away with a keyboard. But it is also a hand-held game machine and a musical instrument that plays cowbells or imitates an ocarina. It's clearly an entertainment device, one that can identify the song playing in a movie or find friends on a map.

While it is not clear that mainstream electronics manufacturers have caught on, some scrappy start-ups have noticed its utility. One of them, [Sonos](#), has turned the iPhone into a pretty nifty remote control for managing music on Sonos's whole-house entertainment system. (The application can be downloaded free from the Apple AppStore.) The iPhone taps into a home's wireless network to control the wireless entertainment system in multiple rooms.

John MacFarlane, the Sonos chief executive, says creation of the software that makes the iPhone a Sonos controller lifted the company's sales by 20 percent in November. "In this economy," he noted.

The company gave up some revenue — a regular Sonos controller is about \$300 — but the new device exposed the entertainment system to a new audience and thus expanded the market.

Sonos isn't interested in anything other than music, but a versatile little device that you never let out of your reach could also manage burglar alarms and heating and cooling systems. "I think that is the universal remote control of the future," Mr. MacFarland said. "And that's the direction we are headed."

Right along with stingier consu- mers.

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