

LG Electronics De-Emphasizing Plasma TVs

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On Friday, LG Electronics said it will scale back on production of its PDP (plasma display panel) screens later this year in order to improve the business performance of its display operations.

The second-largest electronics maker in South Korea issued a statement today saying it will stop operation of its oldest "A1" PDP manufacturing line in Gumi, southeast of Seoul, sometime during the first half of this year and won't be compensating with increased production at its other two sites.

LG expects capacity will drop from 430,000 to 360,000 panels this year, it said in a statement, with the cut back resulting in savings between \$22 million and \$32 million per year.

The move comes as plasma sales took a substantial dive for the first time this past February. Not only did revenue for plasma TVs drop—generating only \$181 million, as opposed to \$216 million in February of 2006—but price declines also hampered plasma makers as well, according to the NPD Group.

The average price of a plasma TV last February was \$1,688, according to the NDP, which represents the second lowest price in three years.

Part of the problem, according to market research firm DisplaySearch, is that unlike LCD TVs, plasmas have not been able to offset lower average prices by reaching higher volumes in their larger screen sizes, characterized as 42-inches and above.

While the market was fairly balanced a few years ago—with LCD panels used in displays up to 42-inches and PDP panels used in displays 32-inches and above—new advances in LCD manufacturing technology have made larger size LCD panels more cost effective. So with a lot of competition in the areas where the two panel displays overlap, plasmas is increasingly coming out on the losing end due to its inability to compete, cost-wise.

According to DisplaySearch, shipments of PDP displays totaled 2.3 million in the first quarter of this year. LG recently reported an operating loss of \$131 million in the first quarter, which the company partially blamed on "a sluggish display and media business."

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