## Samsung, LG bet on new display to revive TV sales

June 20 2012, by YOUKYUNG LEE


In this Monday, June 18, 2012 photo, LG Electronics Director Phillip Anderson explains about LG Electronics' OLED, organic light-emitting diode, TV set in Seoul, South Korea. South Korean TV manufacturers are making billion dollar bets on a new display technology that promises an even thinner screen and imagery of eye-popping clarity. (AP Photo/Hye Soo Na)
(AP) - South Korean TV manufacturers are making billion-dollar bets on a new display technology that promises an even thinner screen and imagery of eye-popping clarity. It might prove to be a costly last gasp of innovation from an industry finding it harder to excite consumers wowed
by smartphones and tablets.

Undeterred by a flop in 3-D TV and a failure of Internet-connected TVs to boost sales, Samsung Electronics Co. and LG Electronics Inc. are hoping "OLED" technology will keep them ahead. The intensely competitive business has already caused Sony's TV business to lose money for the past eight years.

The arrival of flat-screen televisions 15 years ago was an advance in TV technology that tantalized consumers nearly as much as color televisions in the late 1960s. The first generation of flat screens now look obese next to the most recent ultra-thin TVs. Picture quality has also made giant strides.

But for most consumers, such incremental changes matter less and less. Why pay for great picture clarity when good quality will do? And why pay more for a TV when smartphones and tablet computers can offer a similar function and much more?

When South Korean Lee Sang-hyun decided to get his first television, his priority was to find a reasonably priced TV with a screen big enough to play games. The 30-year-old office worker had a tight budget after splurging on pricey gadgets: an iPhone, an iPad and a laptop computer.

To slim down, he picked a 42-inch plasma TV without fancy features. He paid 640,000 won (\$550) - less than half of the highest-end television of the same size.


In this Tuesday, June 19, 2012 photo, a visitor plays a boxing game with Samsung Electronics Co.'s 3D television in a showroom at Samsung Electronics Co. headquarters in Seoul, South Korea, South Korean TV manufacturers are making billion dollar bets on a new display technology that promises an even thinner screen and imagery of eye-popping clarity. (AP Photo/Ahn Young-joon)

Consumers such as Lee epitomize the tough challenges facing makers of high-end displays. As TVs no longer enjoy a monopoly over broadcasting moving images, consumers' viewing habits are changing. People are spending less time watching live TV shows in the living room. Smartphones and tablet computers can stream live shows and videos on demand.

But Samsung and LG are giddy about a technological leap that they are comparing to the invention of the first color TV in the early 1950s. Wafer-thin OLED, or organic light-emitting diode, television sets boast

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vivid, saturated colors and deeper contrast than the TV displays now available.

They hope the technology will let them charge more for TVs in the face of quickly eroding profit margins and heightened competition from Chinese makers.

There is at least one catch in the near term, though. As Samsung and LG are not yet prepared for mass production, people will have to spend thousands of dollars more for this new technology.


In this Tuesday, June 19, 2012 photo, visitors watch Samsung Electronics Co.'s 3D television in a showroom at Samsung Electronics Co. headquarters in Seoul, South Korea. South Korean TV manufacturers are making billion dollar bets on a new display technology that promises an even thinner screen and imagery of eyepopping clarity. (AP Photo/Ahn Young-joon)

Set to hit shelves in selected European, Asian and North American markets in time for the Christmas shopping season, the 55 -inch OLED TVs by Samsung and LG will cost at least $\$ 9,000$. That's more than twice as expensive as the top 55 -inch model currently available.

OLED "is the closest to the display of dreams," said Lee Kyungshik, vice president of Samsung's TV business.

Samsung's visual display division, which makes TVs and home entertainment systems, accounted for about 17 percent of the company's 45.3 trillion won ( $\$ 39$ billion) of revenue in the first quarter. LG's home electronics division contributed more than 40 percent of its 12.2 trillion won of quarterly revenue.

Samsung and LG have reason to be proud of their latest achievement in display technology. Even though Sony showed off the first OLED TV in 2007 with an 11 -inch screen, a bigger display never followed.
"Until the end of next year, only two companies in the world will have a capacity to make (large screen) OLED TVs: Samsung and LG," said Jang Moon-ik, director of LG's TV business.

The last year was tough for the entire TV industry as the European debt crisis and a slow turnaround in the U.S. economy sapped demand for consumer electronics. The notable exceptions were smartphones and tablet computers.


In this Tuesday, June 19, 2012 photo, a visitor watches Samsung Electronics Co.'s 3D television in a showroom at Samsung Electronics Co. headquarters in Seoul, South Korea. South Korean TV manufacturers are making billion dollar bets on a new display technology that promises an even thinner screen and imagery of eye-popping clarity. (AP Photo/Ahn Young-joon)

Sales growth in LCD, or liquid-crystal display, televisions slowed, while sales of plasma TVs dropped. In 2011, worldwide annual TV shipments fell for the first time since 2004, according to NPD DisplaySearch.

The feeble global demand hit Sony Corp. especially hard. It lost a record $\$ 5.7$ billion in 2011. It was the eighth straight year that once-trendsetting Japanese firm lost money in its mainstay TV business.

Samsung and LG weathered the downturn in the TV industry well enough to keep cash to invest in production lines for the new display

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technology. They believe its profitability will not fall as quickly as LCD TVs because the technological gap is wide enough to fend off latecoming rivals.

Others disagree.
"The problem with the current business model is that it has a lot of imitators," said Paul Gray, a director TV Electronics \& Europe TV Research at DisplaySearch, in an email.


In this Monday, June 18, 2012 photo, Sally Lee, assistant manager at Global Communications of LG Electronics, watches LG Electronics' OLED, organic light-emitting diode, TV set in Seoul, South Korea. South Korean TV manufacturers are making billion dollar bets on a new display technology that promises an even thinner screen and imagery of eye-popping clarity. (AP Photo/Hye Soo Na)

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"The fact that Sony and Panasonic and AU Optronics Corp. are already trying to break into OLED for large screens suggests that future margins will be severely damaged by companies trying to enter the market," he said.

News reports last month said Sony and Panasonic are in talks to form an alliance for the OLED TV business.

For Samsung and LG, a bigger challenge may not be coming from Japanese, Chinese or Taiwanese rivals but from a shift in viewing habits.
"I just needed a TV to play games and to me the screen quality didn't make a big difference," said Lee, the office worker. "I would have cared more about its thinness if I were buying a computer monitor."


In this May 10, 2012 photo, a model poses with a 55 -inch Samsung OLED, organic light-emitting diode, TV during a press conference in Seoul, South Korea. South Korean TV manufacturers are making billion dollar bets on a new
display technology that promises an even thinner screen and imagery of eyepopping clarity. (AP Photo/Ahn Young-joon)

He said he might consider upgrading to a new television for a better screen after a year or two. By then, OLED TVs will be more affordable but less profitable for the manufacturers.

DisplaySearch forecasts the price of a 55-inch OLED TV to decline to about $\$ 4,000$ by the end of 2013 and about $\$ 1,500$ by the end of 2015.

That price forecast is good news for consumers. For Samsung and LG, however, it means they will still be grappling with keeping their TV businesses sustainable.
"There are no single quick fixes," said DisplaySearch's Gray. "Success in the TV industry will also depend on understanding what the TV is used for in all the new interactive possibilities."

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