

Smartphone competition weighs on LG earnings

October 24 2013, by Youkyung Lee



A man uses his mobile phone near a banner advertising LG Electronics' G2 smartphone at downtown Seoul, South Korea, Thursday, Oct. 24, 2013. LG Electronics Inc. said third quarter profit slid 34 percent as it cut prices and spent more on marketing to carve out a share of the high-end smartphone market. (AP Photo/Lee Jin-man)

LG Electronics Inc. said its handset business sank into the red for the first time in a year as it cut prices and spent more on marketing to carve out a share of the high-end smartphone market.

The South Korean company reported Thursday that its mobile communications business lost 79.7 billion won (\$75.5 million) in the July-September period, even after selling 12 million smartphones. It was the first red ink since the third quarter last year.

The result shows the challenges faced by handset makers trying to break into the premium smartphone market dominated by Samsung and Apple.

Samsung Electronics Co. and Apple Inc. captured 98 percent of profit generated from smartphone sales worldwide in the April-June quarter, according to Counterpoint Research, leaving just 2 percent for other makers to scrap over.

LG blamed its weak result on higher marketing costs to promote the G2 smartphone, its flagship model released last month, and intense competition that forced it to lower prices.

LG was a distant third in the [smartphone](#) market after Samsung and Apple in the April-June period, according to Strategy Analytics.

The company has tried to elevate its brand to convince consumers to pay a premium for its smartphones and also separate it from Chinese [handset makers](#) that are doing well in sales of lower priced handsets. But that has not proven easy as LG doesn't have as much cash as Samsung to spend on lavish marketing campaigns.

LG reported overall third-quarter earnings far below forecast. Its July-September net income was 108.5 billion won (\$103 million) compared with 164.5 billion won a year earlier.

Analysts forecast 197.6 billion won, according to financial data provider FactSet.

Quarterly sales rose 5 percent to 13.9 trillion won (\$12.5 billion).
Operating profit was up 27 percent to 217.8 billion won.

© 2013 The Associated Press. All rights reserved.

Citation: Smartphone competition weighs on LG earnings (2013, October 24) retrieved 25 April 2024 from <https://phys.org/news/2013-10-smartphone-competition-lg.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.