Samsung, LG Bet On New Display To Revive TV Sales

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SEOUL, South Korea (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 ever harder to excite consumers who've been wowed by smartphones and tablets.

Undeterred by the 3-D TV flop and failure of Internet connected TVs to boost sales, Samsung Electronics Co. and LG Electronics Inc. are hoping "OLED" technology will keep them ahead in an intensely competitive business that has caused losses in the TV division of Japan's Sony 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 positively 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 a premium 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.

Consumers like 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 to watch 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. Short for organic light-emitting diode, the wafer-thin OLED TVs boast vivid, saturated colors and deeper contrast than the TV displays now available.

They hope the technology will help them command premium prices in the face of

quickly eroding TV 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, the premium for this new technology will not be just a couple of hundred dollars. It will be several thousands.

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.

Sales growth in LCD, or liquid crystal display, TVs slowed and plasma TV sales 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-trend-setting 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 technology. They think its profitability will not fall as quickly as LCD TVs because the technological gap is wide enough to keep late-coming rivals at bay.

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.

"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."

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

DisplaySearch forecasts the price of a 55-inch OLED TV to decline to around $4,000 by the end of 2013 and to continue falling to 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 on a sustainable footing.

"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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