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Flat-Panel TVs, Long Touted, Finally Are Becoming the Norm

By Evan Ramstad, The Wall Street Journal, 1211 words
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After years as the Next Big Thing in consumer electronics, flat-panel TVs are finally becoming the mainstream standard.

A price war among makers of the two main flat-panel technologies, an expanding menu of high-definition content and the aesthetic and practical appeal of thinner boxes are luring consumers to switch from tube-based televisions to flat screens much sooner than expected. Already, many flat-panel models with screens 30 inches or smaller are selling for less than \$1,000, and 32-inch models could be in that range by year's end.

Last year, flat-screen TVs for the first time accounted for the majority of TVs bought in Japan, Hong Kong and Singapore. That crossover will happen this year or next in the U.S. and most European countries, industry watchers say, and at least one company has already stopped shipping tube TVs in the U.S. "It's happening faster than the most optimistic targets," says Ross Young, president of DisplaySearch, an Austin, Texas, market-research firm.

World-wide, sales this year of liquid-crystal display and plasma flat-panel TVs are on track to total about 44 million units, valued at as much as \$54 billion, out of an overall market of 185 million TVs, according to market research firms. In the U.S., sales are expected to reach between 12 million and 14 million flat-panel TVs, or roughly half of all TVs sold. Last year, world-wide sales of flat-panel TVs totaled 25 million units.

Consumers like the thin form and light weight of flat-panel TVs, but until recently, many considered them too expensive. Two years ago, a 30-inch, LCD-TV cost \$3,500 to \$4,000. Since then, more than a dozen factories producing critical glass and screen components have opened, which has pushed down manufacturing costs, allowing for lower prices.

Competition between LCD and plasma technologies is pushing down prices, too. Plasma models use electricity to light individual points of gas on a screen; in LCDs, a layer of liquid crystal filters a bright light. LCD beat plasma about 15 years ago as the flat-panel of choice in notebook computers. From there, plasma developers jumped to big-size screens, where they have since been most cost-effective, while technical challenges long limited the size of LCDs.

As a result, LCDs dominate in small sizes and only recently challenged plasma in screens greater than 40 inches. Because the average TV-screen is around 26 inches, LCD-based TVs outsell plasma models about 4-to-1. But it's too early to tell if LCD will one day overcome the economic advantages of plasma technology in large TVs.

As more expensive, brighter looking LCD screens have come closer to the large sizes of plasma models, plasma-screen makers have been cutting prices to keep an edge with customers. Major U.S. retailers, which set the pace on world-wide electronics prices, are pushing name-brand manufacturers such as Sony Corp. and Sharp Corp. to crack the \$1,000 barrier on 32-inch flat-panel models by the December holiday season.

Increased production is likely to help prices continue to fall throughout the year. Seven new factories are under construction in Asia that will make LCD panels 40 inches or larger, and three new factories for plasma screens are under construction. Several are being optimized for screens that are 50 inches or larger. By late next year, prices of 40-inch models will be closing in on \$1,000 as production ramps up.

Still, prices are on average at least twice the level for comparably-sized tube models. That means higher revenue for companies like Sharp, the leading seller of LCD TVs world-wide. In the last three months of 2005, Sharp said

operating income for audio-video products rose 15.2%, thanks mostly to its flat-screen business.

A year ago, Sony was a flat-panel also-ran, trailing behind its Japanese and South Korean rivals in market share. Now, Sony is the biggest seller of such TVs in the U.S. after launching a new line of LCD models in September. In the following three months, revenue from TVs jumped 16.7% from the year-earlier period, when revenue rose 3.9%.

"We're in a much different place today than we were a year ago," says Randy Waynick, senior vice president of home products for Sony's U.S. electronics unit.

Sony's U.S. executives have switched from monthly to weekly conference calls with major retailers to keep track of TV sales. Mr. Waynick says he confers with the company's Tokyo headquarters "almost daily" to discuss sales and supplies. "We hope not to be dealing with any shortages given the monumental growth," he said. Sony says it plans to triple its lineup of LCD TVs later this year and reduce the number of tube sets it offers.

Japan's Matsushita Electric Industrial Co., maker of Panasonic products, has stopped shipping tube TVs altogether to the U.S., where it expects to sell about 1.5 million plasma-screen TVs this year. Just two years ago, it sold one million tube TVs and 150,000 plasma models in the U.S.

Flat-panel TVs of all types have become an easier sell as popular television shows such as "CSI" and "Lost" adopt the widescreen, high-definition look of movies. The U.S. and several other countries are shifting their broadcast systems to digital signals that promise to broaden the availability of HDTV content. Higher-definition DVDs that are emerging this year may also fuel demand.

"Content is doing a nice job of complementing the hardware for a change," said Doug Moore, senior vice president of merchandising for Circuit City Stores Inc. "Often hardware precedes the content."

To meet demand, manufacturers are in a mad dash to build new factories, or change existing ones, to accommodate flat-panel TVs. In one week last month, Sony, LG Electronics Co. and China's Changhong Group announced new factories in Eastern Europe to assemble flat-panel models for the European market. Just this week, Sony and Samsung Electronics Co. said they would expand their LCD-panel joint venture by spending \$2 billion on what, for the moment, will be the industry's largest factory. Hitachi Corp. a week earlier said it's considering building factories to quadruple its annual output of LCD-TVs to more than five million annually.

Three of China's top five TV makers are building new factories to boost capacity for assembling flat-panel models. "LCD and plasma TVs will be the main territory for us to battle each other for market share," says Frederick Leung, director of finance for Skyworth Digital Holdings Ltd., a Hong Kong-based manufacturer that led the China TV market in unit sales last year.

Sharp is starting to buy LCD screens from other suppliers because its own component factories haven't been able to keep up with demand from its TV assembly operation. South Korea's government recently said it may help its electronics manufacturers by stockpiling raw commodities, such as a hard-to-get mineral called indium, for flat-panel TVs.

Manufacturers are already contemplating the next step: even bigger screens. Panasonic later this year plans to sell a 103-inch plasma TV in the U.S., eclipsing the biggest flat-panel TV now available, an LG-made 71-inch plasma set. LG.Philips LCD Co. in late February put LCDs back into contention by demonstrating a 100-inch screen.

"People generally don't think about a limit," says Paul Semenza, vice president of iSuppli Corp., a market research firm in El Segundo, Calif. "If it can be proven technically feasible, they go ahead and do it."

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