Background

Based in South Korea, LG Electronics (LGE) had a global turnover of US$ 29.9 billion in 2003. LGE has 50 affiliated companies across the globe, with 300 offices and presence in 120 countries. With over 64,000 employees, it focuses on four main businesses - Electronics and Telecommunications, Services, Finance and Chemicals. LGE has 20 R&D centres worldwide and has subsidiaries in 76 countries.

Established in 1997, LG Electronics India (LGEI) is a wholly-owned subsidiary of LG Electronics, South Korea. It is one of the leading companies in consumer electronics, home appliances and computer peripherals in India. It has a turnover of almost US$ 1000 million in India. LGEI’s sales are increasing with a CAGR of 40 per cent over the past five years.

LG is the market leader in various segments like colour TVs, microwave ovens, frost-free refrigerators, washing machines and air-conditioners, with market shares of 26.2 per cent, 41.2 per cent, 37.9 per cent, 34.1 per cent and 34 per cent respectively.

LG Electronics India received the Occupational Health & Safety Management System OHSAS 18001:1999 certification from the British Standards Institution (BSI), India, for a systematic approach towards Occupational Health and Safety Management System.

LGEI exported goods and services worth US$ 40 million in 2003. The major export markets for LGEI are the Middle East, West Africa and Central Asia.

India challenges

The challenges faced by LG when it entered the market in 1995 were:

• Low brand awareness about LG in India.
• One of the last MNCs to enter India. (Samsung, Sony & Panasonic entered in 1995 & LG in 1997.)
• High import duty.
• Competition from local players and other multinational companies in the consumer electronics segment
• Price sensitiveness of Indian consumers.

LGEI has overcome these challenges to emerge as one of the prominent brands in the Indian consumer electronics and home appliances market by leveraging the success factors below.

Factors for success

Innovative marketing strategies

To make itself a known brand in the consumer electronics sector, LG has taken innovative marketing and promotional initiatives:

• Launch of new technologies in consumer electronics and home appliances.
• LG was the first brand to enter cricket in a big
way, by sponsoring the 1999 World Cup, and followed it up in 2003 as well.

• LG brought in four captains of the Indian cricket team to endorse its products. LG invested more than US$ 8 million on advertising and marketing in this sport.

• LG has differentiated its products using technology and health benefits. The CTV range has ‘Golden Eye’ technology, air-conditioners have the ‘Health Air System’ and microwave ovens have the ‘Health Wave System’.

Local and efficient manufacturing to reduce cost
To overcome high import duties, LG manufactures PC monitors and refrigerators in India at its manufacturing facility at Noida, Delhi. LG had already commissioned contract manufacturing at Mohali, Kolkata and Bhopal for CTVs. This has helped LG to reduce costs.

LGEIL is implementing a “digital manufacturing system” (DMS) as a cost-cutting innovation. This system is a follow-up to the Six Sigma exercise LGEIL had initiated earlier.

Product localisation
Product localisation is a key strategy used by LG.

• LG came out with Hindi and regional language menus on its TV.

• Introduced the low-priced “Cineplus” and “Sampoorna” range for the rural markets.

• LG was the first brand to introduce gaming in CTVs. In continuation of its association with cricket, LG introduced the cricket game in CTVs.

Regional channel strategy and wide distribution network
LG has adopted the regional distribution model in India. All the distributors work directly with the company. This has resulted in quicker rotation of stocks, and better penetration into the B, C, and D class markets.

LG also follows the strategy of stock rotation, rather than dumping stocks on channel partners.

LG has over 46 branch offices and another 110 area offices across the country. LG had set a target of developing 2,000 dealers in 2004, in addition to the existing 3,000 dealers all over India.

Leveraging the India Advantage

India’s IT advantage
LG Electronics has awarded a contract to develop IT solutions to LG Soft India (LGSI). The project involves development and support for ERP, SCM, CRM and IT-enabled services for LG Electronics’ 60 overseas subsidiaries and manufacturing facilities worldwide.

LGSI has offices in San Jose, London and Seoul with over 300 professionals in the development facility at Bangalore. All its offices are networked for swifter communication and decision making.

R&D potential
LG has set up research and development facilities in India at Bangalore and is in the process of setting up another at Pune. Both the units carry out R&D work for the domestic market as well as for the parent company. It also does customised R&D for specific countries to which it exports products.

Future plans
LG has a positive perception of India and the Indian consumer. LG is making a foray into the e-commerce market in India and has partnered with various local websites like fabmall.com, rediff.com, indiatimes.com, and indiaplaza.com.

LG is also planning to invest over US$ 208 million in India over the next three years to expand the business. Mobile software development is also on LG’s agenda.