

# **CASE STUDY - NAMING THE BRAND**

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Place: Mumbai

Date: 24<sup>th</sup> May 2008

## APPENDIX - I

### CERTIFICATE FROM THE GUIDE

This is to certify that the Project work titled “Case Study – Naming the Brand” is a bona fide work carried out by Nikhil M. Nande (Roll No. DPGD/JL06/0362), a candidate for the Post Graduate Diploma Examination of the Welingkar Institute of Management Development & Research under my guidance and direction.

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## EXECUTIVE SUMMARY:

The main objective of doing this project is to understand, the overall **BRANDING** of LG Electronics and to compare it will the India market with regards to its brand building in terms of advertising, marketing, market share with the Indian competitors.

The American Marketing Association (AMA) defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.

The objectives that a good brand will achieve include:

- Deliver the message clearly
- Confirms your credibility
- Connects your target prospects emotionally
- Motivates the buyer
- Concrete User Loyalty

Consumption of manufactured consumer goods is recognized as one of most widely accepted measures of standard of living and quality of life. Consumer goods manufacturing industry provides the driving force for stimulating rapid economic growth. The major players are Blue Star Ltd., Mirc Electronics Ltd., Whirlpool of India Ltd., Philips (India) Ltd., BPL Ltd., Sony Corporation Ltd., Samsung India Ltd., LG Electronics India Ltd., Videocon International Ltd., Thomson Ltd. & Daewoo Ltd

LG Electronics India Pvt. Ltd., a wholly owned subsidiary of LG Electronics, South Korea was established in January, 1997 after clearance from the Foreign Investment Promotion Board (FIPB). LG Electronics India is the fastest growing company in the consumer electronics, home appliances and computer peripherals industry today. LG Electronics is continually providing superior technology products & value for money to more than 50 lakh households in India. On January 1,1995 the group formally changed its name to LG Group from the original name Lucky-GoldStar and embarked on a new corporate identity program. The new 'face of the future' logo symbolized the five concepts of world, future, youth, humans and technology, which the group believed were significant elements for growth and development.

**BRAND IDENTITY:** *Delightfully smart*

The **LG brand** is composed of **four basic elements**:

***The Values, The Promise, The Benefits, and The Personality***

The LG Electronics logo uses the LG Group master brand as the primary identifier of all LG Electronics products.

Understanding of the Indian consumer helped LG in achieving its marketing objectives.

### **Growth drivers:**

- Distribution channel
- Research and development:
- The retail way
- Local manufacturing
- Innovative marketing and promotions
- Brand-building efforts has focused on usurping the health platform
- Advertising

Bollywood Icon **Abhishek Bachchan** to be 'The Face of Home Appliances' At LG

The Rang De Basanti-LG association

LG – TV commercial featuring James Bond

**Capturing the rural market.** The rural market in India with its size and demand base offers many opportunities to marketers. Two-thirds of the country's consumers live in rural and semi-urban areas and almost half of the national income is generated there. One reason for LG to enter the rural market is that LG have products at prices that can address these markets.

**Competitors:** BPL Ltd, Videocon Industries, Mirc Electronics, Godrej Appliances.

**Market share** of LG compared with other competitors, on basis of colour televisions, washing machines, refrigerators, microwaves ovens, DVD players.

**Facts and figures** for LG Electronics India, in terms of its recent and expected turnover and growth.

**LG's 2008 Vision and business goals:** LG Electronics is pursuing the vision of becoming a true global digital leader, attracting customers worldwide through its innovative products and design. The company's goal is to rank among the top 3 consumer electronics and telecommunications companies in the world by 2010. To achieve this, we have embraced the idea of "Great Company, Great People," recognizing that only great people can create a great company.



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## 1. OBJECTIVE:

The main objective of doing this project is to comprehend, the overall BRANDING of LG Electronics and to understand what are the brand building exercises undertaken in the India market, and to compare the same with the Indian competitors.



## 2. BRANDING

**The American Marketing Association (AMA)** defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.

Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem.

The objectives that a good brand will achieve include:

- Deliver the message clearly

- Confirms your credibility
- Connects your target prospects emotionally
- Motivates the buyer
- Concrete User Loyalty

To succeed in branding you must understand the needs and wants of your customers and prospects.

A strong brand is invaluable as the battle for customers intensifies day by day. It's important to spend time investing in researching, defining, and building your brand. After all; your brand is the source of a promise to your consumer. It's a foundational piece in your marketing communication and one you do not want to be without.

### ***2.1 Brand Personality:***

Based on the premise that brands can have personalities in much the same way as humans, Brand Personality describes brands in terms of human characteristics. Brand personality is seen as a valuable factor in increasing brand engagement and brand attachment, in much the same way as people relate and bind to other people. Much of the work in the area of brand personality is based on translated theories of human personality and using similar measures of personality attributes and factors.

### ***2.2 Brand Image:***

Like brand personality, brand image is not something you have or you don't! A brand is unlikely to have one brand image, but several, though one or two may predominate. The key in brand image research is to identify or develop the most powerful images and reinforce them through subsequent brand communications. The term "brand image" gained popularity as evidence began to grow that the feelings and images associated with a brand were powerful purchase influencers, though brand recognition, recall and brand identity. It is based on the proposition that consumers buy not only a product (commodity), but also the image associations of the product, such as power, wealth, sophistication, and most importantly identification and association with other users of the brand. In a consumer led world, people tend to define themselves and their Jungian "persona" by their possessions. According to Sigmund Freud, the *ego* and *superego* control to a large extent the image and personality that people would like others to have of them.

Good brand images are instantly evoked, are positive, and are almost always unique among competitive brands. Brand image can be reinforced by brand communications such as packaging,

advertising, promotion, customer service, word-of-mouth and other aspects of the brand experience. Brand images are usually evoked by asking consumers the first words/images that come to their mind when a certain brand is mentioned (sometimes called "top of mind"). When responses are highly variable, non-forthcoming, or refer to non-image attributes such as cost, it is an indicator of a weak brand image

### 3. TEN CRUCIAL STEPS A SUCCESSFUL CORPORATE BRANDING STRATEGY, ENTAILS SERVING AS A USEFUL GUIDE FOR ANY CORPORATE BRANDING PROJECT.

1. **The CEO needs to lead the brand strategy work:** The starting point for corporate branding must be in the board room, which also serves as the most important check-point during the project. The CEO must be personally involved in the brand strategy work he/she must be passionate and fully buy into the idea of branding. To ensure success, despite the daily and stressful routine involving multiple duties. The CEO must be backed by a strong brand management team of senior contributors, who can facilitate continuous development and integration of the new strategy.
2. **Build your own model as not every model suits all:** All companies have their own specific requirements, their own set of business values, and a unique way of doing things. Therefore, even the best and most comprehensive branding models have to be tailored to meet these needs and requirements. Often, important adjustments are required to align them with other similar business models and strategies in the company to create a simplified toolbox. Remember that branding is the face of a business strategy so these two areas must go hand in hand.
3. **Involve your stakeholders including customers:** Who knows more about your company than your customers, employees and various other stakeholders? This is common sense, but many companies these simple and easily accessible sources in providing valuable information for the branding strategy. A simple rule is to use 5% of the marketing budget on research and at least obtain a fair picture of the current business landscape including the current brand image among stakeholders, brand positioning and also any critical paths ahead. Put simply, do not forget the valuable voice of your customers in this process.
4. **Advance the corporate vision:** The corporate branding strategy is an excellent channel for advancing the corporate vision throughout the company. It allows management to involve,

educate and align everyone around the corporate objectives, values and future pathway. It provides a guiding star and leads everyone in the same direction. (The internal efforts count towards least 50% of making a corporate branding strategy successful).

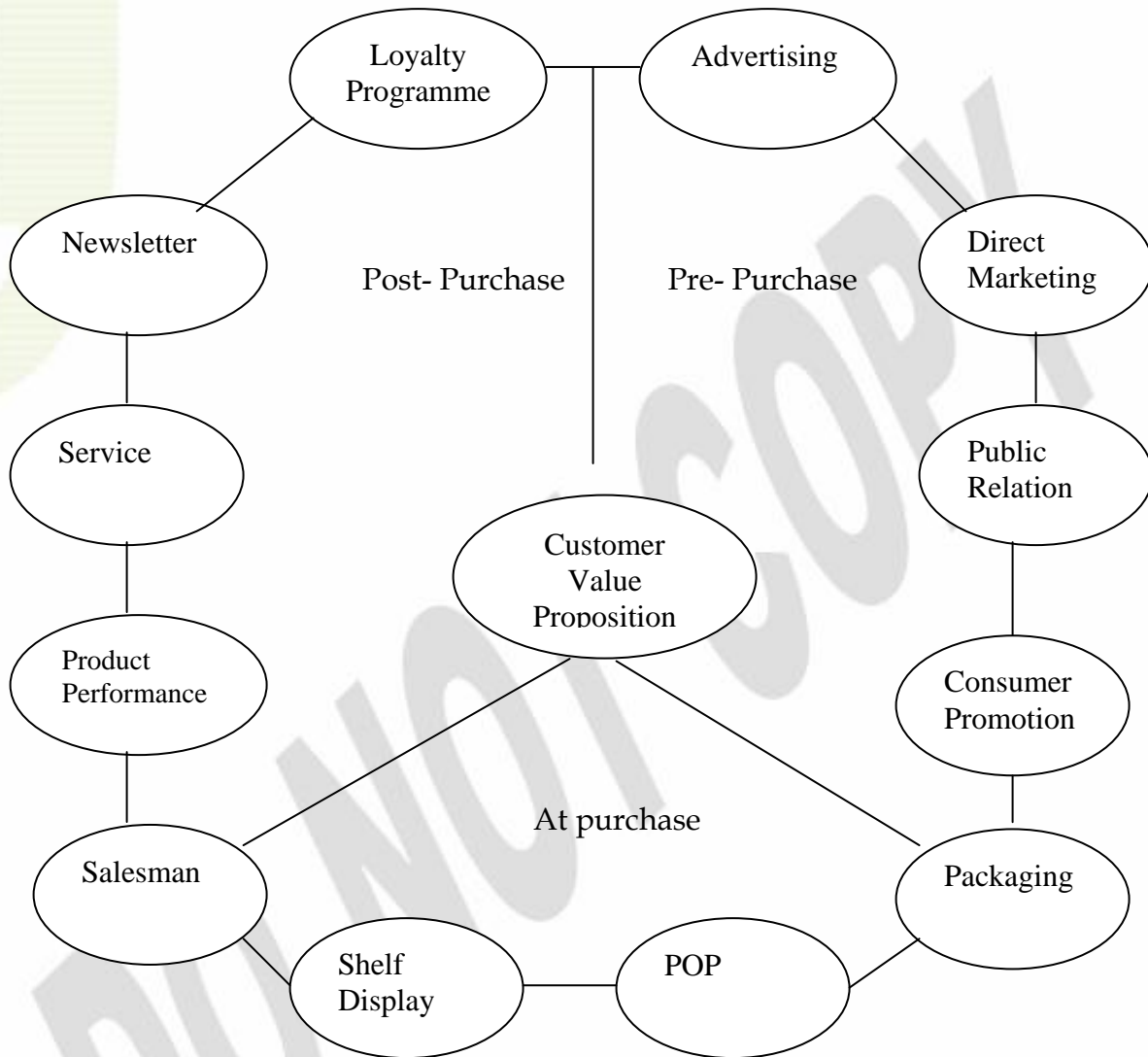
5. **Exploit new technology:** Modern technology should play a part in a successful corporate branding strategy. Technology contributes to improving effectiveness and improving the competitive edge of the corporation. A well-designed and fully updated Intranet is a must in today's working environment which has become increasingly virtual, with employees working from home, from other locations and traveling across the globe. An Extranet can facilitate more seamless integration with strategic partners, suppliers and customers, avoiding time consuming paper work and manual handling of many issues. A company website is not only a must, but rather a crucial channel for any modern corporation regardless of size. If the corporation is not accessible on the Internet, it does not exist! The more professional the website is, the better the perception among the Internet savvy modern customer. Gone are the days where corporations could get along with a business card portrayed on the Internet.
6. **Empower people to become brand ambassadors:** The most important asset in any organization is people. They interact every day with colleagues, customers, suppliers, competitors and industry experts. As well as interacting with an impressive number of people totally disconnected to the corporation in the form of family members, friends, former colleagues and many others. Hence they serve as the corporations most important brand ambassador as word-of-mouth can be extremely valuable and have a great impact on the overall corporate brand image. The most effective way to turn employees into brand ambassadors is to train everyone adequately in the corporate brand strategy (vision, values and personality etc.) making sure they fully understand - and believe! - What exactly the corporation aims to be in the minds of its customers and stakeholders. Nike is a brand which is known for their efforts in educating and empowering everyone employed by the company to be strong brand ambassadors.
7. **Create the right delivery system:** The corporate brand is the face of the business strategy and basically it promises what all stakeholders should expect from the corporation. Therefore, the delivery of the right products and services should be carefully scrutinized and evaluated on performance before any corporation starts a corporate branding project. Think of the cradle to grave concept, of a lifelong customer and the value he/she will provide in such a time span. Make sure he/she is handled with outstanding care according to internal specifications and outside expectations. The moment of truth is when the corporate brand promise is delivered well - and it

does not hurt if the corporation exceeds the customer expectation. Singapore Airlines runs a very rigid, detailed and in-depth description of any customer touch point with the corporation.

Resources are spent on making sure it actually does happen every time to every customer. All employees regardless of title and rank from Singapore Airlines spend a significant amount of workdays being trained every year.

8. **Communicate!:** To bring the corporate brand to life one needs to implement a range of well-planned, well-executed marketing activities, ensuring the overall messages are consistent, clear and relevant to the target audiences. Making sure the various messages are concise and easy to comprehend. Do not try to communicate every single point from the corporate branding strategy. Instead, use a selective approach, will make much more impact using the same resources.
9. **Measure the brand performance:** A brand is accountable and so too should a corporate brand. How much value does it provide to the corporation and how instrumental is the brand in securing competitiveness? These are some of the questions which need to be answered and which the CEO will automatically seek as part of his/her commitment to run the strategy successfully. The brand equity consists of various individually tailor-made key performance indicators (including the financial brand value) needs to be tracked regularly. A brand score card can help facilitate an overview of the brand equity and which gauge progress as the strategy is implemented.
10. **Adjust relentlessly and be ready to raise your own bar all the times:** The business landscape is changing almost every day in every industry. Hence the corporation needs to evaluate and possibly adjust the corporate branding strategy on a regular basis. Obviously, a corporate brand should stay relevant, differentiated and consistent throughout time, so it is a crucial balance. The basic parts of the corporate branding strategy like vision, identity, personality and values are not to be changed often as they are the basic components. The changes are rather small and involve the thousands of daily actions and interpersonal behaviors, which the corporations employ as part of the brand marketing efforts. But make sure complacency does not take root in the organization and affect goal setting. The strongest brands are the ones which are driven forward by owners whom never get tired of raising their own bar. They become their own change agents - and brand champions for great brands.

### 3.1 Communications



## 4. INTRODUCTION TO CONSUMER DURABLES INDUSTRY

With Indian economy increasingly witnessing structural transformation from a rural, agricultural one to more urban industrialized one, consumer durable goods sector is fast emerging as an important segment of the economy.

Consumption of manufactured consumer goods is recognized as one of most widely accepted measures of standard of living and quality of life. Consumer goods manufacturing industry provides the driving force for stimulating rapid economic growth. The growth rate of manufacturing and consumer goods industry normally surpasses that of agriculture and service sectors. It is for this reason that the manufacturing and consumer goods durable industry is considered the backbone of economy

### *4.1 Background*

Prior to liberalization, the Consumer Durables sector in India was restricted to a handful of domestic players like Godrej, Allwyn, Kelvinator and Voltas. Together, they controlled nearly 90% of the market. They were first superceded by players like BPL and Videocon in the early 1990s, who invested in brand-building and in enhancing distribution and service channels. Then, with liberalization came a spate of foreign players from LG Electronics to Sony to Aiwa.

Rs 23,000-crore consumer durables industry can be divided into two types: consumer electronics and consumer utilities. Consumer electronics is basically entertainment systems like television, VCRs, audio systems and home theater systems. Consumer utilities are other household appliances like refrigerators, washing machines, air conditioners, food processors, and vacuum cleaners. On most third world countries, consumer durables like the refrigerator and television are most popular. Out of these, the television segment is undoubtedly the largest segment. Products in the white goods segment come next to the CTVs in the purchasing hierarchy of the Indian consumer.

Over the years, demand for consumer durables has increased with rising income levels, double-income families, changing lifestyles, availability of credit, increasing consumer awareness and introduction of new models. Products like air conditioners are no longer perceived as luxury products

## ***4.2 Current Scenario***

Most of the segments in this sector are characterized by intense competition, emergence of new companies (especially MNCs), introduction of state-of-the-art models, price discounts and exchange schemes. MNCs continue to dominate the Indian consumer durable segment, which is apparent from the fact that these companies command more than 65% market share in the colour television (CTV) segment.

## ***4.3 Major Players***

The major players in the consumer durables industry, operating in different sectors such as air conditioners, washing machines, refrigerators & television: Blue Star Ltd., Mirc Electronics Ltd., Whirlpool of India Ltd., Philips (India) Ltd., BPL Ltd., Sony Corporation Ltd., Samsung India Ltd., LG Electronics India Ltd., Videocon International Ltd., Thomson Ltd. & Daewoo Ltd.

## ***4.4 Demand/Supply***

Supply growth is high across all the segments. But the organized sector has gained substantial market share from the unorganized segment in recent years. However, there are fewer players in segments like dishwashers and vacuum cleaners. Cyclical and seasonal demand is high during festive season and is generally dependent on good monsoons. There are certain factors in the consumer durables industry, which are considered as demand drivers.

They are:

1. The degree of distribution network in the market
2. The advertising and marketing strategy adopted by the players in the industry.
3. The brand image of the product as perceived by the consumer.
4. The technology used by the company viz. state-of-art technology or an older version.
5. The ability of the company to introduce newer products and newer product features.
6. The capability of the company to service its products 'The discount schemes and consumer finance facility available.
7. The market positioning of the product.
8. The cost competitiveness and pricing strategy of the company.
9. The financial strength of the players.



## . SUCCESS FACTORS FOR CONSUMER DURABLE INDUSTRY

Indian consumer durables industry is going through a consolidation phase with MNC companies going in for strategies to increase market share. Certain success factors for this industry are identified as follows:

### ***5.1 Technology:***

Rising competition has resulted in major competitors introducing technologically superior products at competitive prices. This means the technology input is gaining more and more importance. In this regard, the large MNC players score over their Indian counterparts as they can always source technology from their parents. On the other hand, Indian companies rely on the outside sources for their technology requirements.

### ***5.2 Knowledge of the local market:***

Indian consumer durables market is different from other markets. Hence understanding these peculiarities is important for the long-term survival. For example, Samsung launched the “Super Horn” brand after it discovered that Indian consumers prefer loud noise. Indian companies are better placed in this regard as they know the market pretty well.

### ***5.3 Strong distribution network:***

Tough competition means that a proper mindshare of the consumer has to be maintained and the product has to be made visible. Volumes in this business are narrow and profitability comes from volumes. To achieve volumes, deep penetration of the market is necessary. Indian companies score a point here as being in the market for a longer time; they have developed strong distribution channels.

### ***5.4 Good brand image:***

Perception of a particular brand plays an important role in purchase decision. A typical Indian consumer looks for value for money when he makes purchase of white goods, as the price involved is significant and unlike developed markets, Indians do not have the buy, use and throw mindset. Hence, consumer also looks for reliability of the product. All this is conveyed through strong brand awareness.

## 6. SWOT ANALYSIS: CONSUMER DURABLE INDUSTRY

STRENGTH	WEAKNESS
<ol style="list-style-type: none"> <li>1. Accessory to Necessary "Air-conditioners" are no longer perceived to be an item of luxury.</li> <li>2. Advancement of technology which gives the companies ability to introduce new products and new product features</li> <li>3. High Growth. Key drivers being Urban and Rural.</li> <li>4. Government Policies in favour of Industry includes infrastructure development, reduction in excise duty and so on</li> </ol>	<ol style="list-style-type: none"> <li>1. Supply continues to outstrip Demand. Demand Cyclical and seasonal.</li> <li>2. Volatile performance of the agricultural sector has a negative impact on demand. The sector's performance is highly dependent on monsoon and reforms, which has failed often.</li> </ol>
OPPORTUNITY	THREAT
<ol style="list-style-type: none"> <li>1. Diversification. Developing new products for new market</li> <li>2. Easy availability of finance has stimulated consumers to buy durables.</li> </ol>	<ol style="list-style-type: none"> <li>1. Dozen companies operating in the white goods segment. Prices would continue to remain depressed and margins will be under pressure.</li> <li>2. Threats of cheaper imports from China and other South East Asian countries</li> </ol>

## 7. FUTURE SCENARIO

Rising rate of growth of GDP, growth in disposable income, improved lifestyles, rising purchasing power of people with higher propensity to consume with preference for sophisticated brands would provide constant impetus to growth of white goods industry segment makes future of consumer durable industry beneficial will rise the expectation of consumer durable industry, While the consumer durable market is

facing a slowdown due to saturation in the urban market, rural consumers should be provided with easily payable consumer finances schemes.

Rural India, which accounts for nearly 70 per cent of the total number of households, has a two per cent penetration in case of refrigerators and 0.5 per cent for washing machines, offers plenty of scope and opportunities for the white goods industry. By the industry itself the rural market is growing faster than the urban India now. The urban market is a replacement and up-gradation market now.

### ***7.1 Conclusion and Recommendation***

It Contributes more than 5.5% to index of Industrial Production and provides jobs to lakhs of professionals, Skilled, Semi Skilled and unskilled workers, particularly women. It improves the quality of life of people by providing Entertainment / information / education / comfort and helps reduce daily chores, particularly for housewives. But the importance of the sector in National Economy remains unnoticed.

**"Low Penetration means opportunity:** The consumer electronic and home appliance which forms the part of consumer durable industry is categorized by low penetration. Television, Refrigerator and Air-conditioner have penetration of 24%, 13% & 2% respectively. This means huge opportunity and untapped market.

### ***7.2 Problem Areas: Some Of The Reason Attributable To Industry Are As Follows-***

- Ø Inadequate stress on R&D
- Ø Quality - Yet an issue
- Ø After Sale Service & Customer Satisfaction

### ***7.3 Action for Industry for Growth***

- Ø Commit sufficient resources for R&D
- Ø Need to be more quality conscious
- Ø Need to improve After Sales Services

- Ø Need to build economies of Scale
- Ø Explore exports as a viable option.
- Ø More emphasis to develop Rural Market

## 8. INTRODUCTION TO LG ELECTRONICS:



LG Electronics India Pvt. Ltd., a wholly owned subsidiary of LG Electronics, South Korea was established in January, 1997 after clearance from the Foreign Investment Promotion Board (FIPB). The trend of beating industry norms started with the fastest ever-nationwide launch by LG in a period of 4 and 1/2 months with the commencement of operations in May 1997. LG set up a state-of-the art manufacturing facility at Greater Noida, near Delhi, in 1998, with an investment of Rs.500 Crores. This facility manufactured Colour Televisions, Washing Machines, Air-Conditioners and Microwave Ovens. During the year 2001, LG also commenced the home production for its eco-friendly Refrigerators and established its assembly line for its PC Monitors at its Greater Noida manufacturing unit. The beginning of 2003 saw the roll out of the first locally manufactured Direct Cool Refrigerator from the plant at Greater Noida.

In 2004, LGEIL also up its second Greenfield manufacturing unit in Pune, Maharashtra that commences operations in October this year. Covering over 50 acres, the facility manufactures Color Televisions, Air Conditioners, Refrigerators, Washing Machines Microwave Ovens Color Monitors and GSM phones.

The Greater Noida manufacturing unit line has been designed with the latest technologies at par with international standards at Korea and is one of the most Eco-friendly units amongst all LG manufacturing plants in the world

LG has been able to craft out in eight years, a premium brand positioning in the Indian market and is today the most preferred brand in the segment.

Various studies have shown that the consumer is well informed on the health awareness front. LG was one of the first companies who recognized the emerging change in consumer needs and decided to differentiate their products on the basis of technology which appealed to the consumer on the basis of health benefits. Its vision was to become a 'Health Partner' for its consumers worldwide and therefore formulated its corporate philosophy to make peoples' lives better, convenient and healthier. The CTV range offered by LG has 'Golden Eye' technology, which senses the light levels in the room and adjusts the picture to make it more comfortable for the eyes. The entire range of LG air-conditioners have 'Health Air System', which not just cools, but keeps pollution out. Similarly, microwave ovens have the 'Health Wave System', refrigerators have the 'PN System', which preserve the nutrition in food and washing machines have 'Fabricare System', which takes the health factor down to ones clothes. All the products offered by the company have unique technologies, developed by its R&D departments that give customers a healthier environment to live-in.

The year 2001 witnessed LG becoming the fastest growing company in the consumer electronics, home appliances and computer peripherals industry. The company had till the month of October 2001 achieved a cumulative turnover of Rs.5000 Crores in India since its inception in 1997, making it the fastest ever Rs.5000 Crores clocked by any company in the Indian consumer electronics and home appliances industry. Having achieved this milestone, LG achieved another benchmark with the first ever sales of One Lakh ACs (Windows and Splits) in a calendar year.

In Colour Televisions having set the sales target of one million units of Color Televisions for 2002, LG has already achieved the one million mark in the month ahead of its target. In 2003, LG has emerged as the leader in Colour Televisions, Semi Automatic Washing Machines, Air Conditioners, Frost-Free Refrigerators and Microwaves Ovens. In the year 2004, LGEIL achieved unprecedented sales efficiency both in Direct Cool and Frost Free segment and sold more than 1 million units of refrigerators outperforming industry expectations.

## 9. LG – INDIA:

LG Electronics India is the fastest growing company in the consumer electronics, home appliances and computer peripherals industry today. LG Electronics is continually providing superior technology products & value for money to more than 50 lakh households in India.

The company has achieved a turnover of Rs.6500 crore in 2004 and aims to touch a turnover of 10 Billion US Dollars by 2010 and commands an enviable position in the GSM mobile phone market. It has already started manufacturing of GSM phones in its plant at Pune.

LG India has also been taking on a slew of initiatives as a part of Corporate Social Responsibility. LGEIL is proud to have adopted about 24 villages around our Greater Noida facility. LG extends Free Medical Care, which comprises of free check ups and a free distribution of medicines on a daily basis. LGEIL is also generating self-employment opportunities for the people in the form of tailoring, knitting etc. in addition to all this, LG also sends veterinary doctors regularly to these villages. Besides all this, LG India is one of the very few companies in the country that has an internal Energy, Environment, Safety and Health Department. This function caters to activities like Energy Conservation, Environmental Issues, Work Place Fire and Safety as well as Occupational Health for the benefit of the employees.

### ***9.1 Vision:***

LG Electronics vision for the 21st century is to become a true global digital leader through fast growth and fast innovation and to be known as a company who can make its worldwide customers happy through its innovative digital products and services. LG Electronics has set its mid-term and long-term goal to rank among the top 3 electronics, information, and telecommunication firms in the world by 2010. We aim to utilize our core capabilities of product leadership, market leadership and people leadership and enhance our corporate culture of team work and fun workplace to achieve our mission of becoming "2 by 10", that is, double our sales volume and profit by year 2010.

### ***9.2 Internal Culture:***

As we all know requirement of trained and experienced Professional with the desired mindset is the need of the hour for any Organization to Survive and Grow in this competitive environment.

To cope with the growing expectations of business and in order to give the organization a competitive edge to the business we in LG have streamlined the whole system by integrating the HR fundamentals with Information Technology and have adopted some practices unique to LG

LG as a brand and a market leader in India attracts candidates in hordes and it's Industry leadership status serves as a major factor in attracting employees. Therefore LG has the ability to hire the best in the industry.

Once these candidates are hired, they undergo an exhaustive induction programme for duration of 14 days under which the candidate is acquainted with each and every aspect of the organization. A thorough integration with HR & Business Processes takes place and the formulation of a KPI is done within three days of taking the candidate onboard. Customer Department/Vendor Department interaction also takes place.

LG as an organization takes pride in the fact that they have the highest manpower productivity and the lowest manpower cost in comparison to the industry. In fact LG is benchmarked in terms of manpower costing.

Employees are given a chance to visit Korea after certain timeframe. Apart from this LG also has a family ambassador programme where a dedicated mentor goes to the workers house and talks to his family, their problems etc. and tries to make their situation better. All workers are served lunch along with the other senior employees so that no demarcation is made.

In fact lunch is first served to workers and then to the white collar employees. On the first Monday of every month the workers meet the MD and 50 workers amongst of them get awards for outstanding performance

Besides this, there are informal clubs such as singing, games and yoga clubs which aims at de-stressing employees and building their overall personality.



### 9.3 Product

### Categories



**FLAT PANEL DISPLAY**



**COLOUR TELEVISION**



**DIGITAL AUDIO VIDEO**



**COMPUTER PRODUCTS**



**COMPUTER PRODUCTS**



**REFRIGERATOR**



**WASHING MACHINE**



**VACUUM CLEANER**



**MICROWAVE OVEN**



**ROOM AIR CONDITIONER**





**COMMERCIAL AC**

## 10. THE AMAZING TRANSFORMATION OF LG ELECTRONICS

In 1995, LG Group, formerly known as Lucky-GoldStar, was doing well. It employed 120,000 people worldwide, had headquarters in three key regions, 260 offices and facilities in 120 countries. The group employed 1% of South Korea's work force and yet contributed 10% of the country's gross national product and 15% of total export sales

Despite this sharp performance it was clear to Chairman Bon Moo Koo that the entire organization faced the challenge of a fundamental transformation. As one of South Korea's most prominent chaebols (large, diversified conglomerates, many of which are family run) LG confronted a set of external forces that were unprecedented in its history.

The government had introduced major reforms aimed at reducing the chaebols' economic clout. At the same time, liberalization of South Korea's markets increased competitive pressure on the domestic front. It simultaneously integrated the nation into the global economy, opening up entirely new opportunities.

To prosper and grow in this new environment, LG would have to become a truly global organization. This, in turn, would not be possible without challenging and changing the foundations on which the group's past success had been based. For LG Group strategic decision making would become even more critical. Top management would have to set the example and lead the globalization process.

Organizationally, the management system was fundamentally hierarchical, with decision making authority largely concentrated in the office of the Chairman. The organization was a dense bureaucracy.

Chairman of LG Academy, explained, "Our people had become complacent, bureaucratic, disillusioned. We could not win if we went on as we had. We had to change ourselves to survive. We had been a reactive company."

## ***10.1 A New Face: Change in Group Identity***

On January 1, 1995 the group formally changed its name to LG Group from the original name Lucky-GoldStar and embarked on a new corporate identity program. The new 'face of the future' logo symbolized the five concepts of world, future, youth, humans and technology, which the group believed were significant elements for growth and development.

## ***10.2 Optimizing the Portfolio***

Both selective divestiture and development of new strategic regions and businesses were planned. The group decided to concentrate exclusively on businesses that showed significant potential growth or cash generation; contributed to developing core competencies for global competitiveness and served as the base for creation of new businesses. They decided to withdraw from any area where they could not achieve market leadership, even under profitable circumstances.

Divestiture was also planned for the businesses that demonstrated continuous loss; had a low turnaround possibility; put inadequate efforts to secure core competency; had low aspirations for growth; were riddled with persistent labor disputes and were of low strategic priority.

Focusing on business activity was essential to maximize synergy across resources and insure full commitment in areas where leadership could be possible. In these selected areas LG planned to invest heavily to rapidly achieve critical mass. The company wanted to compete aggressively until major player status was achieved. Their objective was securing a return over the long term.

To liberate the resources necessary to make investment commitments, LG focused on cost minimization in foreign markets by sharing best practices and know how within the group.

## ***10.3 Core Competencies for Growth***

LG defined four core competencies necessary for future growth:

1. Acquire promising differentiated technology LG believed that to grow it must establish leadership in technology for both existing projects and next generation projects
2. In management based on cash flow value based management LG used value based management to maximize shareholder value. Investments were to be made on the basis of

both future cash flow and profit. Management resources would be more appropriately distributed through analysis of investment effectiveness and use of assets to evaluate existing projects and new business. This would help implement growth strategy and aid investment judgement and strategy selection through future cash flow.

3. Building core skills to succeed, LG planned to develop or import management skills necessary to engage in strategic alliance
4. **Ensuring breakthrough capability** developing breakthrough capabilities to improve operational activity were critical for growth.

### *10.4 Models for Growth*

LG needed to achieve growth under three primary, but different conditions ie South Korean, regional and global context. LG developed three growth models to outline the characteristics and requirements in each context. By identifying the skills, strategic approach, growth vehicles and evaluation criteria the group began to deal with the complexity of managing growth across industry dynamics in the context of geographic competition

### *10.5 Reshaping Organization and People*

Few corporations of comparable size and complexity had ever attempted a transformation as radical and a growth objective as ambitious as Leap 2005. So there was little by the way of precedence or existing best practice to learn from. Yet, from the experiences of other companies - particularly that of General Electric - it was clear that LG's strategic ambition could not be achieved without a fundamental change in its culture and people. This was the most important dimension of the second managerial revolution. LG's historical culture was defined by a set of attributes that were internally consistent and mutually reinforcing. These were:

- 1) Stability
- 2) People harmony
- 3) Respect for seniors
- 4) Teamwork
- 5) Individual recognition through opportunity
- 6) Paternalistic management style
- 7) High commitment and loyalty

## 11. LG: Brand

### BRAND IDENTITY

*Delightfully smart*

#### ***11.1 Positioning Statement***

LG strives to enhance the customer's life (and lifestyle) with our intelligent features, intuitive functionality, and exceptional performance.

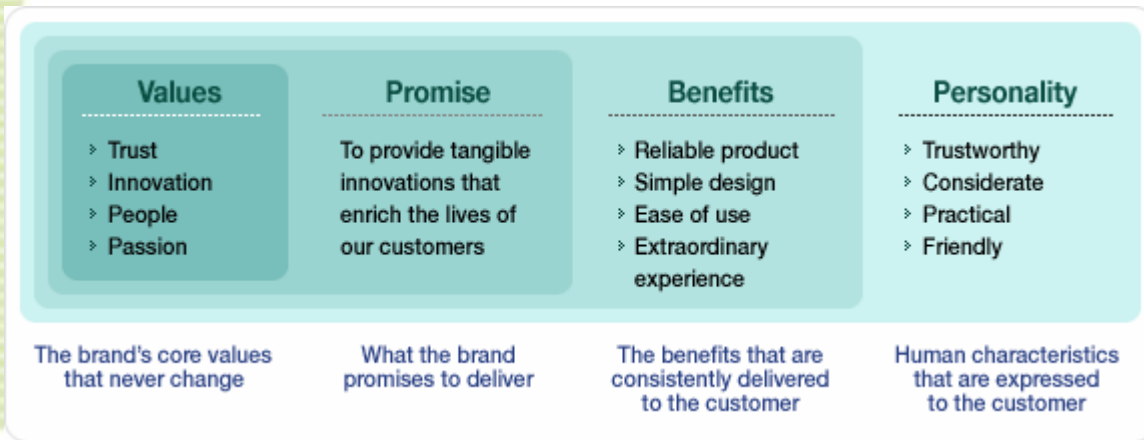
Choosing LG is a form of self-expression and self-satisfaction. Our customer will take pride in owning the amazing and take comfort in knowing he/she made a smart, more informed decision

By establishing an instantly recognizable identity and *look and feel*, those who view LG communications will connect the Quality and practicality of our products with the warm visual expression that represents us. This brand recognition will further position LG in the public consciousness as not only a manufacturer of advanced electronics, but also as a company that seeks to improve the human condition with its products. The visual language that LG employs and the Intuitive technologies that drive its products work as one to create the persona of a company that is friendly, fun, helpful, and practical. In essence, we strive through our public representations and the private, domestic achievements of our products to be a company that is warm and receptive to the embrace, rather than cold and indifferent.

#### ***11.2 Brand Platform***

The LG brand is composed of four basic elements:

***The Values, The Promise, The Benefits, and The Personality***



### 11.3 The Values

#### The Values

**"The Values are derived from the heart of LG Corporate founding principles"**

**Management Philosophy** — Creating value for customers  
 Management based on esteem for human dignity

Values	Innovation
We are honest and responsible. We always keep the promises we make to our customers in our bid to become the world's most trusted brand.	We provide the most innovative products and services. Our innovations are made not for technology's sake, but for our customers' benefit. From the most basic features to the most sophisticated technology, our products are designed to give our customers substantial value. (Technology for customers, not for engineers.)
People	Passion
Respecting and caring for our customers is the driving force behind our philosophy in human-centric product development. Respecting and caring for our employees make this a reality.	We are very passionate about providing products and services that satisfy the unmet needs of customers, as well as those potential needs they have yet to recognize.

## 11.4 The Promise

*"LG provides tangible innovations that enrich the lives of customers."*

With our expertise in all areas of electronics, LG promises to deliver tangible benefits to our customers. Tangible benefits include our relentless attention to all aspects of our products, from the most basic features to the most sophisticated technology implemented to improve people's lives. We passionately dedicate all our resources in providing timely and consistent innovations to keep the trust we have earned from our customers and to continue giving them full satisfaction.

## 11.5 The Benefits

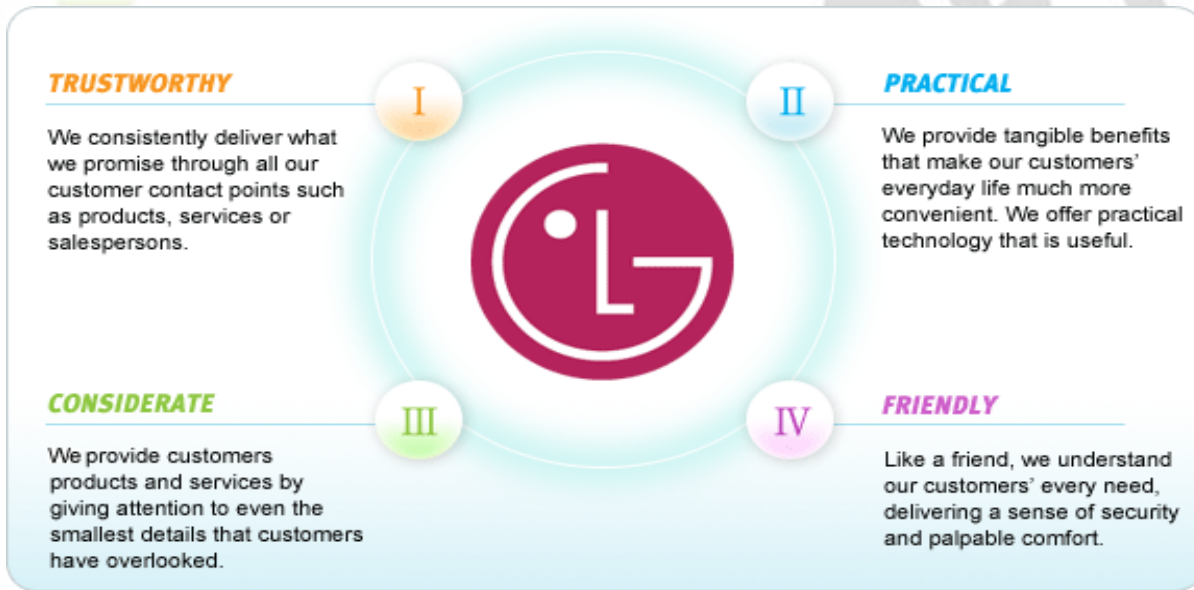
*"LG delivers a different experience."*



## 11.6 Brand Personality

To achieve our goals, the LG image must mirror the attributes of our products. Therefore, LG's visual language emphasizes our commitment to product designs Those are high quality, easy to use, and stylish. However, the LG signature and the graphic elements that support it also radiate the innovative spirit is truly responsible for the development of our superior products. The final result is an Expression of premium quality that is friendly, easy-to-use, and guaranteed to make life more livable. LG is dedicated to making life *Delightfully Smart*.

*"LG is delightful."*





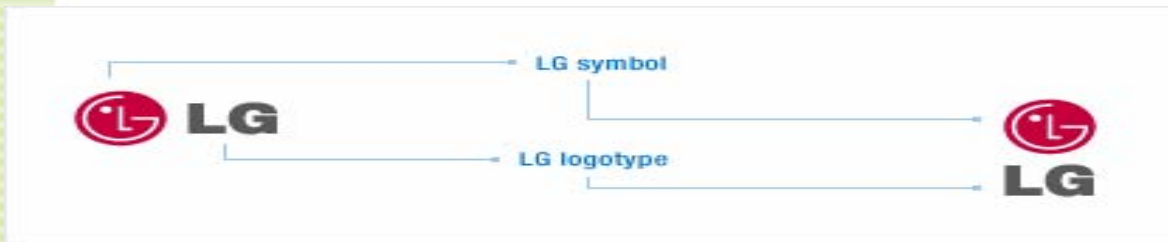
## 11.7 Logo

The LG Electronics logo uses the LG Group master brand as the primary identifier of all LG Electronics products. In all geographic regions, emphasis and focus should be on the LG logo in all divisions and on all products. Sub-brand logos should be significantly deemphasized in order to promote awareness of the Parent brand, LG.

Consistent usage of the LG logo is absolutely essential. The logo is symbolic of our steadfast reputation or excellence, and therefore, any variation of the logo diminishes the visual identity of LG Electronics, its divisions, and products. The logo consists of two elements: the LG letterforms in LG Gray and the face symbol in the unique LG Red color. This logo is always positioned with LG



letterforms placed at a specific size to the right of the LG symbol. Never change any aspect of the typeface, symbol, color, or their relationships to the logo.



### 11.8 The Slogan



**Slogan**, 'Life's Good' best expresses our brand's values, promises, benefits and personality. It is an ultimate expression for what our brand stands for and what we strive to deliver continuously. LG's delightfully smart products will make your life good. The LG Electronics Life's Good signature consists of the LG logo, seal, and the slogan, "Life's Good," set in Charlotte Sans typeface curved around the LG symbol. The curving of the slogan reinforces LG's personality and uniqueness. The consistent usage of this signature clearly establishes the unique identity of the company and unifies every division and product from LG Electronics across the globe.

## 12. LG - BUILDING ITS BRAND IN INDIAN MARKET

Founded in 1958 as a maker of fans, GoldStar Co. became Korea's first electronics company a year later when it started manufacturing radios. The outfit eventually made everything from refrigerators to elevators and semiconductors. Meanwhile, the group's chemical unit, Lucky, was expanding into plastics, cosmetics, batteries, and more, and in 1995 the chaebol changed the group's official name to LG.

As Lucky Goldstar, the company's biggest fault was that it did precisely what other white goods brands of the 1990s were doing: some half-hearted advertising and pushing the products only when the consumer entered the store.

LG has come a long way from the days when it was known as Lucky-GoldStar -- a name LG would just as soon forget. Ask executives what LG stands for and they'll tell you "Life's Good," the slogan marketers dreamed up a year ago to retrofit the company's name

Activities that "pulled" potential buyers into showrooms were conspicuous by their absence. Once it got the permission to operate as a wholly-owned subsidiary, though, all that changed. Within just five months, LG products were available across the country, compared to the average two years competitors took for a nationwide launch.

LG India since 1997 -- points to a basic characteristic of Indian consumers: "They are very **price sensitive**. They want the best quality at reasonable prices." Accordingly, LG introduced its economy range in the country, which would be "easily accepted".

"LG has been a price warrior while retaining its brand equity," "Their success is the result of hard work and commitment. There's no miracle involved.

Of course, it's not just the finance schemes that were tailor-made. LG had been careful right from the start to offer customers a "**value-plus**" proposition.

Promotions and finance schemes are designed to suit the needs of local customers.

**For example:** Refrigerators in India have smaller freezers and big vegetable compartments -- Indians prefer fresh food and a significant proportion are vegetarian. Colours, too, are chosen keeping market preferences in mind.

White refrigerators, for instance, don't sell well in Kolkata and Punjab -- while the sea air in Bengal corrodes the paint, the masalas used in Punjabi cooking discolour the fridge. So LG offers a range of bright colours in these markets

Economy" and "value-for-money" are no longer going to be the cornerstones of LG's India strategy. In the next five years, the company will concentrate on building itself as a premium brand, targeting 10 per cent of its earnings from super-premium products.

The company was ready to do battle on two flanks: it offered modern, features-packed products, at the same time keeping its margins wafer-thin. Even competitors accept the merit of the tactic.

### ***12.1 Understanding of the Indian consumer helped LG in achieving its marketing objectives***

In today's globally competitive environment, companies are under relentless pressure to provide innovative products in shorter time cycles with reduced costs and improved quality. Therefore, we obviously can't survive without tracking consumer behavior and preferences. This information is used to formulate our products, pricing and promotion strategy to remain ahead of competition.

Now this is possible because of our presence in about 180 cities across the country, and the internal focus given on Research and Product Planning activities. Extensive studies are carried out for the remotest parts of the country to understand the feasibility of the markets, products, and communication. Accordingly, products are developed keeping in mind the different requirements for the customers in each market. For example, different colours of refrigerators are made for different markets as consumer preferences differ from market to market. In the case of televisions, we have four different languages for the on screen displays.

LG believes in partnership with its retailer and consumer fraternity, and without understanding the dynamics that affect our and their business, a symbiotic relationship is not possible. Our communication strategy was changed to follow the route of being more emotionally connected with the Indian consumer, based on our understanding of the consumer.

## 12.2 CRITICAL RAPPORT

At LG, the theory is that once consumers have an LG phone in hand, they're more likely to turn to the brand when buying a TV, video recorder, or refrigerator. "LG's brand image is significantly better among those who have used LG products. LG is concentrating its efforts on selling phones

## 13. GROWTH DRIVERS:

### ➤ *RESEARCH AND DEVELOPMENT:*

Research and development is one of the most emphasized activities at LG. The company is known for launching new products that are both consumer-friendly and have state-of-the-art technology.

LG invests significantly in local R&D, the company spent over Rs.100 crore (Rs.1 billion) on research. The research for these adaptations and innovations is done in-house

### ➤ *DISTRIBUTION CHANNEL:*

Importantly, for LG, a nationwide launch means a lot. A penetrative distribution strategy ensured that products were available even in smaller towns and cities, breaking the chain of urban dependency that plagues most white goods manufacturers. More than 65 per cent of revenue came from non-urban sources.

Flexibility and adaptability have proved indispensable for LG Electronics India, whether in the showrooms or on the shop floor.

Be it the regional distribution model, the opening of exclusive retail IT shops, or the launch of innovative products, LG Electronics India has always been known for scaling uncharted heights and reaping success in return.

However, this has not been an easy task, considering that the company started operations in the country just six years ago. Delivering a good performance year-on-year, with a product portfolio ranging from consumer electronics to home appliances to computer peripherals, the company has successfully carved a niche for itself. According to IDC, LG is today the second largest monitor brand in India

In pursuit of faster and a wider reach, the company opted for both the distribution routes—regional distribution and retailing. This helped LG to grow much faster than many of its competitors

LG gives the credit for its success to its channels. Firmly believing in the policy of stock rotation, the company does not dump stocks on its channel partners. Rather, it provides stocks and simultaneously creates a pull, leading to stock consumption in a short span of time. This has also helped in creating confidence amongst the channel fraternity since prices do not fluctuate much due to overstocking or under stocking.

Starting out with four national distributors, the company shifted to a regional distribution model in early 2001. This was done with the objective of increasing volume sales by better penetration in smaller markets. It has helped LG in getting closer to the customer and responding faster to market changes. It has also enabled the company to utilise its resources in a more effective manner. With this system one can easily gauge the expectations of the market and get a quicker response time, which ultimately leads to better customer satisfaction.

#### ➤ *THE RETAIL WAY*

While on one side LG has been taking the channel route, on the other side it has also opted for the retail route. Understanding the reach and scope of retailing, the company started its retail experience in 2001. To give a further boost to its sales, the company also recently started exclusive LG IT shops.

The advantage of an extended distribution network is that marketing executives can keep a finger on the pulse of the market. Nearly 40% of sales of white goods in the country is expected to come from big retail chains. LG Electronics group head for washing machines told a news conference that big retail chains will be the largest consumer of white goods in the country.

#### ➤ *LOCAL MANUFACTURING*

LG believes in local manufacturing since it enables them to offer goods at cheaper rates with customised finishing. In 2001 the company established an assembly line for its PC monitors at its Greater Noida manufacturing facility, while recently it added two more manufacturing bases at Guwahati and Pune.

➤ **INNOVATIVE MARKETING AND PROMOTIONS:**

LG is known for running innovative and customer-friendly schemes every month. These not only help in keeping up the momentum of distributors but also results in higher brand recall. To create a pull factor, LG keeps coming out with different bundling propositions. This results in greater push for LG products. For its channel partners, the company has a unique point-based incentive scheme.

One of the major reasons for this impressive performance is the reorganisation of LG's channel structure, besides various innovative promotional activities and price rationalization. For example, one recent company scheme, Patakha Ghumao Inam Pao, was specially conceived for Diwali and valid till the end of October; it offered gifts on every purchase of an LG product.

The LG Champions Club programme enables participating partners to track their balance points and rewards through SMS, while the Freedom Fiesta programme is a contest run completely through SMS.

LG is one of the most aggressive advertisers in the white goods industry, spending close to 5 per cent of its revenue on marketing activities – A close tie up with cricket ensured the brand building exercise would score well on consumer recall -- apart from signing on leading Indian cricketers, LG also launched a cricket game on one of its television models. Point of sales promotions were also extensively advertised to ensure customers were tempted to visit the stores.

Each RAO has servicing, marketing and sales teams at its disposal and an individual budget for marketing activities in its territory. The executive in charge has independent decision-making powers - he can decide the tenor and scale of brand promotions in his area, without having to cross check every little detail from the head office.

The cricket game in TV sets wasn't the only "go local" innovation:

Economy" and "value-for-money" are no longer going to be the cornerstones of LG's India strategy. In the next five years, the company will concentrate on building itself as a premium brand, targeting 10 per cent of its earnings from super-premium products.

The challenge now will be to integrate the new incumbent's working style with the existing culture of the organization -- and work on the new marketing strategy. If LG meets that head on, then, like its tagline says, Life's Good.

The promotion strategy they follow is totally unprecedented in the durables industry. They use promotions in a big way during what is termed as the "off-season", which is between May and September. And they use events to match these promotions. They had their birthday in May when they launched the LG Birthday Bash. And because they did something on their birthday, the whole industry jumped on to the promo bandwagon around the same time. Then the Champions Trophy promotion, they did, everyone else followed suit. They used television for most of our promotions during the lean season.

The peak season for promos every year is Diwali, focused on print because Diwali is one season when people are in a buying mood any way. And when people are in a buying mood they look at newspapers more seriously than TV. This is one insight they have culled out from their experience over the years.

Equally important is our communication strategy. LG has been successful in driving home the benefits of its products that are unmatched as far as quality and price go. The health positioning of all LG products in India has been well received by customers and today the benefits of Golden Eye technology, Plasma technology and the Fabricare concept is common knowledge.

LGEIL has always taken steps to create excitement in the marketplace throughout the year. The latest was its mega consumer offer 'LG Cup Uthao, Shandaar Inaam Pao'. Armed with the clear-cut objective of leveraging the cricket fever, this promotion took the market by storm.

LG has positioned itself with 'health and fitness', and sports is integral to this. We hope to increase customer affinity towards the brand with this association. LG started its positioning with cricket in 1997 – with the World Cup – and today has the global sponsorship rights for the World Cup till the year 2007. Cricket, in India, is a religion that cuts across boundaries. LG has aligned itself with the aspirations of the country, which has increased our brand recall manifold. Cricket has helped us in bringing the population of this country on one platform, and for LG, which pioneered the cause of healthy living; this association is a natural corollary.

LG Captains of India is based on the fact that LG is the captain of the industry and has the desire to own the game of cricket. Incidentally, all cricket fans also know that the captain leads while the team follows. It is a clever positioning move, which suddenly makes competitive advertising a follower. LG is not trying to create an image – we are just communicating the already existing image of the leader, as personified by the greatest Indian captains

➤ ***A LARGE PART OF THEIR BRAND-BUILDING EFFORTS HAS FOCUSED ON USURPING THE HEALTH PLATFORM***

Various studies have shown that the Indian consumer today is well informed, well aware and concerned about good health. He/she is spending more time and resources to move towards a healthier lifestyle. LG was one of the first companies in India to recognise the change in consumer needs and invest in research to develop "healthy" consumer durable products. Its vision is to become 'a health partner' for its consumers worldwide and in India.

A mother, today, realizes the importance of a healthy upbringing and wants to provide the best options to her family whether it is food or anything else.

We recognized the emerging change in consumer needs and decided to invest in research on healthy consumer durable products. Our vision was to become a 'Health Partner' For its consumers.

The concept of "wrinkle-free viewing" was conceived at this stage and this gave birth to the "Golden Eye" technology in television. This has become the most revolutionary technology in CTVs ever brought to the Indian consumer by any consumer electronics and home appliances company.

In an environment where the consumer was being loaded with various exchange offers, LG differentiated its products on the basis of technology, which appealed to the emotion of the Indian consumer rationally. This helped LG build a strong bond with its consumers

Given that they are the clear leaders, every company today benchmarks itself against LG because it is everyone's ambition to beat LG in the numbers game. That includes Samsung, Onida, Videocon, Whirlpool and Godrej. And that is the problem of being the leader. Because you are successful, people think you must be doing something right and they follow you. That is why we have to keep changing our benchmark

➤ ***LG IS ONE OF THE FEW COMPANIES THAT WENT WHOLE HOG INTO SELLING RATHER THAN FIRST BUILDING THE BRAND AND THEN BUILDING ON VOLUMES***



- Initially, we used print advertising to build our brand unlike most companies that focus on TV advertising to build their brand. The impact of press advertising during the launch period, especially when you are launching technologically different and innovative products, is much greater. In fact, the impact of a full-page ad is completely different from that of a 30-second commercial. . A newspaper ad drives the customer to the retail outlet, which makes the dealers happy.

So initially we did a 70:30 split (that is, 70 per cent of the advertising effort was concentrated in print and 30 per cent on TV). This paid off in the first three years, but now it is the reverse. We do 80 per cent TV and 20 per cent print because our volumes have grown.

## 14. ADVERTISING:

Advertising plays an instrumental role in establishing a brand and its success. But in today's environment, advertising should be molded looking at various other parameters such as the growth or the performance of the concerned industry, the respective company's performance and the brand pull.

For an example, in the earlier stages of establishing itself in the market, a company should follow the strategy of imagery advertising, but after creating a strong foothold in the consumer's households, the brand should change its strategy for its marketing communication to product centric communication and more interactive communication on the ground level.

Taking another example of LG Microwave ovens, they have always spoken about Healthwave and the initiatives taken by them for the cookery classes. But in today's changed environment, since the price points give us an opportunity to reach out to a greater audience, they have changed the communication to? Garam Garam Khaana?, thereby addressing the mass media.

In our first year of operations (97-98), the communication was focused on imagery advertising and we leveraged its association with World Cup Cricket to get closer to the end consumers. During 99-00, the marketing communication was focused on creating a superior image in technology, thereby talking about "Digital LG" and "Cyber LG" with the advent of Internet enabled products.

Now, we are taking the brand closer to the consumer by taking an emotional route in our advertising and marketing communications. We took the health platform and communicated the "Health Benefits"

Their media strategy revolves around using different media vehicles depending on the product category and the target segment for that particular product. For instance, in case of CTVs, they realized that this product category must target all segments. they therefore, took LG's association with cricket and soccer to further strengthen the communication of LG CTVs. We focused on the channels providing high reach opportunities

Similarly for Air Conditioners, they focused on movie channels and niche magazines for their media vehicles. The objective was to retain the premium image of this product category.

For Refrigerators, they focused on the family oriented channels as a strategic move to target the right segment.

On the whole, LG tried to spread its investments across all channels.

Today, the brand LG has already established itself in the market. The unaided brand recall for our brand has been as high as 61%. Therefore, we now want to penetrate further and want to give an opportunity to a greater number of consumers to experience our products. DD suited LG's objectives by giving us a greater reach into the consumer's households that MAX couldn't have offered us.

Given our high brand recall, we now are using DD to penetrate into new sets of consumers

LG was one of the few companies that recognized the emerging trend in consumer needs towards health consciousness. Our advertising strategy has been to communicate what our products actually deliver – health, convenience, advanced features, and technological superiority. LG communication, till date, was centered at the theme of 'protective health'. It was driven by LG's concern for the consumers' health, and having technology that work towards protecting them. This platform gave LG the ability to cater to the benefits that consumers were looking for and was focused on 'product and technology'

LG brand communication speaks the language of 'active health', which is all about a 'vibrant and colourful life. The active technology allows consumers to go ahead and explore the myriad vignettes of their lives and frees them from all worries and cares. It allows them to live their dreams in full colour and enjoy life to the fullest.

This is a positive step for the brand in connecting with consumers at a personal level, thereby building bonds that further cement the LG brand in the consumer's life. During the seven years of existence in

the country, LG has managed to capture a premium brand positioning in the market through its integrity, dynamism and innovation making it a symbol of trust and quality.

- ***LG WAS VERY ACTIVE IN ITS ADVERTISING CAMPAIGNS BUT LATELY THERE HAS BEEN A LULL IN PROMOTIONS.***

LG is not so visible in advertisements but they are very much visible in other areas. They believe that marketing is beyond advertising and is beyond a 30-second ad. There are some companies which have a visibility issue, awareness issue, top-of-mind recall issue but when you reach a certain position, then your first priority is not visibility or awareness any more. They don't need to run an advertising campaign saying that this is LG. People know LG the brand. We have already spent a lot of money on advertising and awareness. On top-of-mind recall and awareness levels LG is at the highest level. So it is a conscious decision to move away from the 30-second space. They believe that there should be a 360-degree paradigm. In fact, in advertising taking a conscious decision that they will start looking at more avenues of consumer involvement than follow the typical ad spot way.

## 15. LG ELECTRONICS LAUNCH MARKETING CAMPAIGNS FEATURING ABHISHEK BACHCHAN

### *Bollywood icon Abhishek Bachchan to be the face of Home Appliances at LG*

Abhishek Bachchan is more than just an icon; while his image is sophisticated and upscale he also projects the aura of an out of box thinker and a caring human being. All these images are perfectly matched with LG in the sense that LG has always been and would continue to be an innovative consumer durable brand that cares about customers and continues to develop new generation technology. He further added? Another important reason for our choice was the fact that Abhishek's appeal transcends across all sections and demographics of the society, a vital element for a consumer durable company.

LG has signed the contract with Abhishek for a period of two years, during which the star will endorse the entire range of home appliances of the company. LG plans to utilize this association for various communication channels such as print and television ads, outdoor publicity, road shows and strategic events amongst others?

Commenting on his association with LG Electronics as their new brand ambassador, **Mr. Abhishek Bachchan** said, LG Electronics' as a brand is synonymous with quality and commitment to consumers the world over. It is my pleasure and privilege to be associated with the leaders in the consumer durable industry in India.

### *15.1 The Rang De Basanti-Lg Association:*

Renowned electronics brand 'LG' has also associated with the film and launched the new LGX mobile specially designed for the new generation. LG has packed the phone with exclusive wallpapers and screensavers from the film.

### *15.2 Lg - Tv Commercial Featuring James Bond:*

It was around eight years ago that consumer-durables major LG set foot in the world of IT with its computers, colour monitors and optical storage devices. Its first television commercial, 'Inventive Thinking', for the LG Xnote PCs, went on air as late as 2003 and was aired till 2005. The foray, however, failed to stir the market, which is highly dominated by HP, IBM and the likes.

This time around, LG has launched the Fantasy Series of notebooks, a high-tech variant of laptops, which it hopes will be a rage in the PC market. Launched under its brand, Xnote, this series has several technological innovations and is targeted predominantly at high flyers.

To announce the launch of this product, which claims to be on par with **James Bond's gadgets**, LG has rolled out a multimedia campaign, which includes a television commercial.

The TVC shows a James Bond look-alike working at his notebook, and as he uses his system, each feature of the notebook is revealed. He boots the notebook with the touch of a finger (enhanced security aspects). The image of a woman comes onto the screen, warning him that his life is in danger. Paying no heed, he flirts with the woman, using a touch-screen monitor.

Then he sees an intruder creeping up behind him on the glass walls, and the woman on the screen cautions him, "James! Your life is in danger!" He punches in some keys on his notebook. Poof! The intruder loses his balance and falls off, and Bond quips with panache, "Right now, life's good." The ad concludes with the LG logo and product shot.

The commercial has been launched with a double objective: first, to announce the launch of this new product and, second, to strengthen LG's brand values in the IT brandscape and get rid of the 'simply a consumer durable company' image. This is also why the TVC has been given a high-tech and

international feel.



James at his notebook



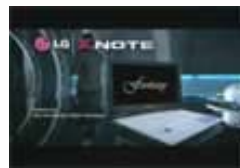
A lady is constantly warning James that his life is in danger



An intruder creeps up James' office glass pane



The glass breaks, following which the intruder falls off



Super: LG Xnote Fantasy

## 16. CAPTURED THE RURAL MARKET:

The rural areas have shown a remarkable growth over the last one-year. While the urban markets are growing at a rate of approximately 35 per cent, semi-urban areas have shown growth of almost 100 per cent. This year also, these markets will show a good growth rate keeping in mind the various initiatives and policies that the government has taken to upgrade the lifestyle of the people, and to help various companies to reach even the remotest areas. The other factor that will drive growth of these markets is increase in the education level in these areas. The markets in the semi-urban areas promise a lot of untapped potential.

The rural market in India with its size and demand base offers many opportunities to marketers. Two-thirds of the country's consumers live in rural and semi-urban areas and almost half of the national income is generated there.

The biggest draw is the fact that rural markets are growing at five times the rate of growth of urban markets. The accelerated pace of development of infrastructure facilities, higher yields of agricultural produce, recent hikes of support prices, increased literacy and multiplicity of rural-specific media have contributed to this growth. In contrast, intense competition in the urban markets has resulted in an

increase in costs but not higher market share and profits. This, in turn, has resulted in a change of focus by a host of organisations. LG realises if it wants volumes it has to direct its efforts in the hinterlands. And that's exactly what we are doing now and sales from semi-urban areas comprise 35 to 40 per cent of LG's total sales turnover today.

One reason for LG to enter the rural market is that LG have products at prices that can address these markets. Four or five years ago they had televisions priced at Rs.15, 000. Today they have TV sets that cost Rs 8,000. When they launched microwaves in the country, they were available at Rs.20, 000. Today, they have microwave ovens at Rs.6, 000. As they have come down the price ladder they have expanded the market. That is because the rural market operates on a price-value proposition.

How did they do this? To begin with, they've knocked off some of the frills in their products; the idea is to give features that are absolutely indispensable. For example, the upcountry consumer does not need the Golden Eye feature; so their base model does not have that feature. Similarly, not all consumers need 200 channels; so they have provided for 100 channels in their base model. This is what we call 'cost innovation' - to bring the price down. In fact, the 'Mujhe Kuch Nahin Ho Sakta' punchline for our refrigerators encapsulates LG's attempt to broad base its customer profile.

What they have done is strike a balance between utilitarian and aspirational features. In effect, there is increasing customisation to satisfy the demands of these markets.

If you consider our communication, a lot of it has been devised keeping the rural consumer in mind. We are speaking directly to these consumers through regional channels like Lashkara, Alpha Punjabi and Gujarati.

## 17. THE INDIAN REVIVAL

**17.1 BPL Ltd:** Has formed a 50:50 joint venture with Japan's Sanyo Electric, which is investing \$100 million (Rs.450 crore) in Indian operations; looking at global markets; claims to be exporting to 30 countries already; has targeted Rs.2,000 crore in revenues by 2009.

**17.2 Videocon Industries:** Chairman Venugopal Dhoot has been on an acquisition binge (brands such as Kelvinator and Electrolux in India; French electronic major Thomson's colour picture tube business) and intends to beat the Koreans in their volumes game.

**17.3 Mirc Electronics:** Gulu Mirchandani, the Chairman and Managing Director, feels that a larger product portfolio, extended presence in high growth segments like DVD players, microwave ovens, air-conditioners and exploring under-penetrated global markets, like Russia and Ukraine, will help.

**17.4 Godrej Appliances:** Thus far, had only refrigerators, washing machines and air conditioners in its portfolio; now planning to enter categories such as microwave ovens and DVD players, maybe even televisions; exports is an immediate target.

### **17.5 Videocon:**

Despite price hike in the wake of rising costs, urban and rural consumers have splurged on technology-led products and contributed significantly in this Rs. 30,000 crore consumer durable industry. The year witnessed a 12 percent value growth and 10 percent volume growth, in which smaller towns contributed a significant share of 70 percent. Due to the increasing level of awareness, aggressive marketing strategies and availability of easy consumer finance, sales of high-end products have witnessed a dramatic increase. Saturation level in the mid and lower-end segments in urban markets has pushed the manufacturers to tap the huge opportunity underlying the rural markets by expanding their distribution network. Consumers have showed great interest in purchasing flat panel TVs and LCD TVs, which has resulted in decline in sales of low-end products. In the year 2007, more than 60 percent sales came from high-end categories due to increasing level of affordability of first time buyers and upgraders.

#### **➤ PROSPECTS FOR 2008.**

Changing lifestyle of consumers and increasing disposable incomes are the key drivers for boost in sales of technology-led product categories. Manufacturers will be aggressive to tap the market share for 21-inch and 29-inch flat TV segments and LCD and plasma TV categories. Innovative product categories will also help to penetrate smaller towns, which will help this industry to grow further. The price sensitive Indian market will encourage manufacturers to offer more discounts and consumer

offers. The forthcoming World Cup season will be the most crucial phase for the color television industry, where technology driven products will drive the market.

➤ ***MARKET AND TECHNOLOGY TRENDS.***

Last year the flat TV segment witnessed huge growth in terms of sales volume. The prime contributors for this segment were 15-inch, 21-inch and 29-inch flat models. Shift towards conventional to flat and mid-end segment is increasing and more innovative offerings are expected from the Indian manufactures in this year. At present 65 percent contribution is coming from flat TV segment and only 35 percent is estimated from conventional segment. Urban and suburb India are splurging more money into this segment, whereas the rural market is still very price-sensitive. Thus manufactures will try to introduce more models at lower price points. Increase in awareness levels in the rural market is expected to boost up sales of flat televisions. However, this is again restricted by entry level models at affordable price points. Technology driven models are in more demand, which will give additional reasons to introduce new models in the LCD and plasma TV segments. The stylish young India is moving towards innovative and technology led products. Convergence of IT and consumer electronics has introduced multi-feature and multi-functional products in the market. User friendly devices have helped the CTV industry to grow rapidly. Continuing this trend, a new technological evolution has happened in the 21-inch and 29- inch slim TV segment.

➤ ***ON PRICE TRENDS.***

Over the last year, the CTV industry has witnessed value growth overtaking the volume growth. Considering the average spending behavior of the Indian consumer in the urban market, and rise in raw material costs, manufactures have increased their price for high-end products. But subsequently, average price has also reached its lowest point in order to tap the rural market. Still the rural market is price sensitive and open for entry level models. The availability of easy consumer finance is also shaping the price graph in upward direction.

➤ ***CHALLENGES AND OPPORTUNITIES.***

The consistent 8 percent growth in GDP helps the industry to take more out of consumers pockets. The flat TV segment represents a huge opportunity as the penetration level is still very low. The major challenges will be to reach out to the rural customers, who are going to contribute more in the CTV industry in the coming years. Manufactures have to design their distribution network very strategically to meet this challenge. Different consumer offers and promotional activities will also play a major role in selling high-end products. Every competitor will thus have to increase its brand equity to get maximum market share.



➤ **STATE-WISE CONTRIBUTION TO SALES.**

Maharashtra still remains the major contributor in color television market, followed by Andhra Pradesh, Tamil Nadu, Uttar Pradesh, and West Bengal. Though metros like Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, and Bangalore have shown high acceptance of flat TVs, rural India is still price sensitive. It will take some time to completely replace the 14-inch conventional TV segment by 15-inch flat TV segment in these markets.

➤ **MARKETING AND DISTRIBUTION STRATEGIES.**

Videocon offers brand at affordable cost, which gives strength to our core marketing activities. These activities are done by clear understanding of the target market and customer. We have mapped our marketing platform and established each segment with prompt marketing communication to the customers. Our multi-branding strategy has helped us to be present at higher-end, mid-end and to the lower-end segments in order to tap the huge potential of urban & rural area. Videocon has also adopted the strategy to be present at various price points, which supersedes the fierce price war in the market. Well established network has always been the top priority for us. To segregate zones according to their market potential, we have carefully designed our distribution channel. Distributors and authorized dealers are the main channels and the product range/quantity given to them is also as per their business capacity. We have close liaison with our trade partners and offer them various schemes and consumer offers on a time to time basis.

➤ **ADVERTISING AND PROMOTIONAL STRATEGIES.**

Entertainment and sports are the major sectors where Videocon has always maintained a significant presence. With sponsorship in Cricket and organizing various Bollywood Awards ceremony, we have been successful in reaching millions of hearts. We use print media and TV commercials to promote our offerings to customers. Close association with *Kaun Banega Carorepati* has also helped in brand recall of Videocon. In order to promote our high-end products amongst youths, we have assigned brand ambassadors from both the field of sports and entertainment. We also meet our customers at various exhibitions and road shows.

➤ **CONTRIBUTION OF FLAT TVS TO YOUR OVERALL CTV SALES.**

At present, the flat TV contributes around 65 percent to our overall CTV sales. The major segments include 15-inch, 21-inch and 29- inch flats.

➤ **EXPECTATIONS FROM THE GOVERNMENT IN THE FORTHCOMING BUDGET.**

We hope the government will be supporting the companies that are becoming global. Countries like Japan, Brazil, and Russia also provided support such as concessional loans, subsidies and other benefits to the aspiring and growing companies.

## **17.6 Onida**

Company: Mirc Electronics Ltd.

➤ **DATA**

Sales Turnover

(2006–07): Rs. 1,238.61 crore

Dealers: 3,000

Technical Partner: Japanese Video Company

Onida is positioned as a premium brand with distinct product superiority in the color television segment. In the flat TV segment, company has two models in the 15-inch segment, nine models in the 21-inch segment and six models in the 29-inch segment. Its flagship *Poison Series* launched last financial year comprises two 21-inch models and two 29-inch models. Some of the key features in the *Poison* range include sound output up to 3500W, DVD component in, 5-B graphic equalizer, music mode. The *Oxygen Series* offers two 15-inch, three 21-inch and four 29-inch models with sound output up to 1200W. In the conventional CTV segment, the company offers one model in the 14-inch segment, and two models in the 20-inch segment. Onida has recently launched its LCD TVs. The range includes 20-inch, 26-inch, 32-inch, and 40-inch models. Onida LCDs come with image decoder, which enables delivery of true picture. The image decoder provides high frequency video response enabling high sharpness levels giving enhanced details. In the color television segment, company will focus on the 29-inch segment, which contributes to around 12 percent of the company's overall sales, whereas the industry average is only at 7 percent. The company offers Onida *Poison Series* in the 29-inch segment with maximum sound output of 3500W. Its *Poison* home theatres have built in 5.1 Digital SRS Circle surround sound that gives the pleasure of complete theater experience with mono input in the comfort of home with awesome sound. The company's distribution strategy is to reach customers through a network of direct dealers and distributors. The company directs its efforts to strengthen its direct dealer network. This year, the impetus of the company will be to maximize extraction out of the existing network and

at the same time expand the network. As far as communication strategy is concerned, the company will aim at acquiring the mind share of the consumer through distinct brand imagery and increased share of voice. Onida is a premium brand across all consumer segments.

Therefore, its communication cut across all sections of consumers, both from proposition and imagery aspects.

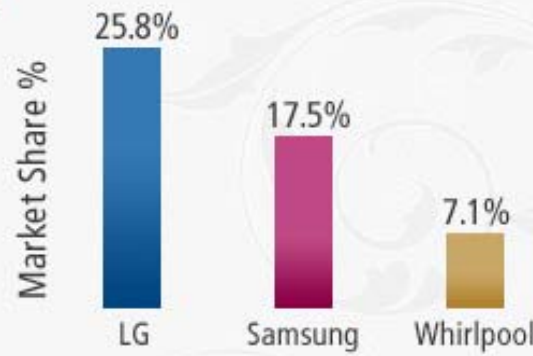
The company plans to continue its marketing investments behind the Onida brand campaign—*Nothing but the Truth*, along with its legendary brand mascot *Devil* to make it a vibrant brand.

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## 18. MARKET SHARE

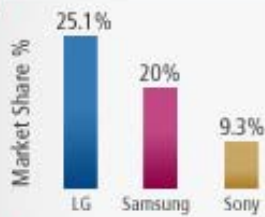
### Leadership Across Categories

#### Consumer Durables



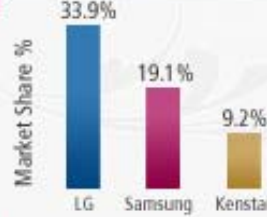
#### Brands

#### Colour Television



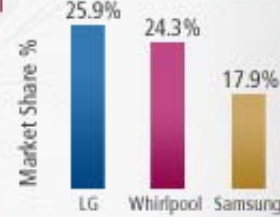
#### Brands

#### Microwave Oven



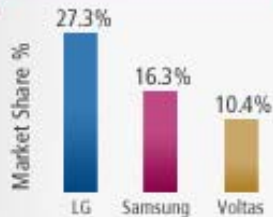
#### Brands

#### Refrigerator



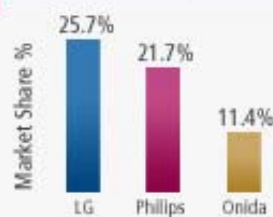
#### Brands

#### Air Conditioner



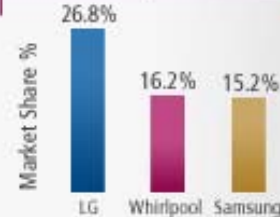
#### Brands

#### DVD Player



#### Brands

#### Washing Machine



#### Brands

## 19. FACTS AND FIGURES OF LG ELECTRONICS INDIA:

### SALES TURNOVER

(CALENDER YEAR 2007) - Rs. 9500 Cr.

GROWTH - 15.15%

#### *19.1 Overall Contribution*

43% - HOME APPLIANCES,

39% - CONSUMER ELECTRONICS,

13% - IT PRODUCTS AND

5% - GSM

LG India expected to contribute Rs. 1100 crore to the total turnover in 2008

LG India is expecting a growth of 20%

## 20. 2008 VISION AND BUSSINESS GOALS

LG Electronics is pursuing the vision of becoming a true global digital leader, attracting customers worldwide through its innovative products and design. The company's goal is to rank among the top 3 consumer electronics and telecommunications companies in the world by 2010. To achieve this, we have embraced the idea of "Great Company, Great People," recognizing that only great people can create a great company.

## Global Top 3 In Consumer Electronics & Telecommunications

Enhancing customer value with innovation and design

Delivering superior returns to shareholders

Developing the "best-in-class" organization

01 Align strategy for growth and ROIC

02 Manage portfolio to win

03 Develop strategies for the "polarizing consumer"

04 Innovate through design, as well as technology

05 Invest in clear, global brand identity

06 Align and upgrade organization for the future

## 21. CONCLUSION

A good brand always delivers good results. The essential of good and successful brand is to deliver the message clearly, confirms your credibility, connects your target prospects emotionally, and concrete user loyalty. LG has been very successful in implementing the crucial steps for branding its name, by studying the Indian market very well and then establishing its model to suit all kinds of customers, whether urban or rural. By taking part in different events, endorsing successful actors, and promoting the 'Health' message through various ways, helps LG to become different from its other competitors. LG as an organization takes pride in the fact that they have the

highest manpower productivity and the lowest manpower cost in comparison to the industry. LG is very much employee oriented, wherein it has a family ambassador programme where a dedicated mentor goes to the workers house and talks to his family, their problems etc. LG's ,stability, people harmony, respect for seniors, teamwork, individual recognition through opportunity, paternalistic management style, and high commitment and loyalty contributes to increase in sales and profits and high growth of the organization .

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