



LG Electronics: The Blue Ocean Strategy

Case Study Reference No. BOS0010A

This case was written by Pinal Shah under the direction of Joel Sarosh Thadamalla, IBSCDC. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. This case was compiled from published sources.

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LG Electronics: The Blue Ocean Strategy

“A company is not only top management, nor is it only middle management. A company is everyone from the top to the front lines. And it is only when all the members of an organization are aligned around a strategy and support it, for better or for worse that a company stands apart as a great and consistent executor. Overcoming the organizational hurdles to strategy execution is an important step toward that end. It removes the roadblocks that can put a halt to even the best of strategies¹.”

LG Electronics, Inc. (LGE) was primarily known for its low-cost appliances had more than 72,000 employees working in about 77 subsidiaries and marketing units across the world. Youngdungpo-gu, South Korea based LGE was a technology innovator in electronics, information and communications businesses producing CDMA² handsets, DVD³ players, optical storage devices, canister vacuum cleaners, air conditioners micro ovens and consumer electronics. LGE comprised four SBUs⁴: Mobile Communications, Digital Appliance, Digital Display and Digital Media with total revenue of more than US\$ 35 billion (consolidated US\$ 45 billion)⁵.

LGE embraced the philosophy of “Great Company, Great People,” and pursued two growth strategies which involved “fast innovation” and “fast growth” to secure global competitiveness. The company sought to secure three core capabilities – product leadership, market leadership, and people-centered leadership. (Exhibit I) Since 1993, LGE had been undertaking ‘Super A’⁶ pioneering activities, to strengthen its competitiveness and create profitability. In 2003, LGE repositioned itself as a leading global consumer electronics brand.⁷ The company also practiced TL 2005⁸, a technological management strategy to build and sustain prominence in the global marketplace.⁹

In addition, to achieve an ideal management base, LGE was carrying out the Six Sigma Campaign. In January 2006, the company launched “Blue Ocean¹⁰ Management” campaign¹¹ to be one among the top 3 EIT¹² firms in the world by 2010.¹³

Further, LGE planned to double its sales volume, profit and shareholder benefit with 30% of its sales volume and 50% of its profit derived from blue ocean products.¹⁴

¹ W Chan Kim, Renee Mauborgne, “Blue Ocean Strategy,” Harvard Business Press, 2005, Page 171

² Code Division Multiple Access

³ Digital Video Device

⁴ Strategic Business Units

⁵ Overview, http://www.lge.com/about/corporate/company_overview.jsp

⁶ Super A- It was the activities performed in order to achieve profitability and competences.

⁷ “LG Electronics lights up time square”, <http://www.ogilvypr.com/case-studies/lg-electronics.cfm>

⁸ TL (Technology Leadership) 2005 - R&D efforts to achieve global technology leadership in selected business areas and technologies - is the technology management strategy adopted by LGE to position itself as a Global Market Leader

⁹ “Innovation”, http://www.lge.com/about/corporate/corporateculture_innovation.jsp

¹⁰ Blue ocean strategy is about epoch-making move of strengthening business capabilities and streamlining business structure in the five arenas of products, business model, work, system and human resources.

¹¹ “Press release”, <http://www.lg.co.kr/eabout/news/release/read.jsp>

¹² Electronics, information, and telecommunications

¹³ “Corporate Information”, http://www.lge.com/about/corporate/company_vision.jsp

¹⁴ Jeff Ooi, “When beating competitors simply means making them irrelevant”, April 16, 2006, http://www.jeffooi.com/i-witness/2006/04/blue_ocean_strategy.php.

Global Consumer Electronics

The consumer electronics industry was very dynamic and ever changing impacting every aspect of modern life. The demands of the consumers were ever-increasing and the companies were using state-of-the-art technologies to stay in competition. The electronics sector held great potential not only for the new-entrants, but also for the existing industry giants. To stay ahead of competitors, companies constantly moved into new markets emerging around the world. To succeed in these global markets, consumer electronics companies ensured that their products were compatible with local infrastructure. User interfaces and embedded software were being localized, providing documentation and support systems to the needs, language, and culture of local users at the same time controlling costs and accelerating time-to-market.¹⁵

The consumer electronics market generated total revenues of \$49.7 billion in 2005 with the growth of 11.9% representing a Compound annual growth rate (CAGR) of 10% for the five-year period spanning 2001- 2005¹⁶. Sales from products like plasma and LCD television and other video segment had generated total revenues of \$39.6 billion, equivalent to 79.7% of the market's overall value¹⁷. (Exhibit II) The increasing popularity of the digital music format like MP3 players, the sale of audio equipment also contributed significant revenues, with total sales of \$6.2 billion in 2005, equating to 12.4% of the market's aggregate revenues.¹⁸ The Asia-Pacific region constituted 31.7% of the in global consumer electronics industry as global revenues with rising income levels in China and India stimulating consumer spending there.¹⁹ In the Asian region South Korea represented with 9.8% of market share which was small but held an important share in wireless, Internet services and applications and in the digital market²⁰. (Exhibit III)

Korean industries were dominated by a small number of large, family owned companies called '*chaebols*', which include the electronics giants LG and Samsung. Such *chaebols* typically traversed several industries and were exceptionally vertically-integrated within a given industry. Through such vertical integration, companies had full control of the supply chain, through which they could minimize costs and maximize efficiencies accordingly. Through their significant economies of scale and scope such Korean *chaebols* had become global household names within the consumer electronics industry.²¹

About LG

Founded in 1947 as Lucky Chemical Industrial Corporation (LCIC), the company initially manufactured a cosmetic called Lucky Cream. . In 1952, LCIC became the first Korean company to enter the plastics industry to make cosmetics containers lids. As LCIC expanded its plastics business, it also established an electronic company, GoldStar in 1958.

¹⁵ "An Industry Insight to the World Consumer Electronics," February, 2005, www.the-infoshop.com/study/rnc27487_consumer_electronics.html,

¹⁶ "Consumer electronics in United States," June, 2006, <https://210.18.104.227/cgi-bin/nph-120025.cgi/010110A/http/dbic.datamonitor.com/industries/profile/?pid=5DF2CEF4-F6EA-49C7-BA6D-E4E93F1429C2>

¹⁷ Ibid

¹⁸ Op cit., Ibid

¹⁹ Op cit. "Consumer electronics in United States,"

²⁰ "Consumer electronics in Asia pacific", <https://210.18.104.227/cgi-bin/nph-120025.cgi/010110A/http/dbic.datamonitor.com/industries/profile/?pid=BFCD7905-5D0D-4697-9B4A-843385C260B2>, June 2006

²¹ "Consumer electronics in South Korea", <https://210.18.104.227/cgi-bin/nph-120025.cgi/010110A/http/dbic.datamonitor.com/industries/profile/?pid=03652D9F-17A5-45F1-A700-015E7C21F7F9>, June 2006

In 1959, GoldStar produced Korea's first radio which opened a new era for the electronics industry²² in Korea. (Exhibit IV). Until 1960 the sales volume was just tens of thousands but soon picked up to 1.34 million units in 1962 and by 1963, GoldStar was exported to the U.S. and Hong Kong.²³ As sales began to improve, the company began to prepare for a more diversified business management and recruited proven business professionals to lead. It also began to establish mass production centers. In 1966, GoldStar introduced the first Korean-made black and white TV set. In 1969, when President Chul-hwui Koo of LCIC was appointed as the second Chairman of GoldStar, the GoldStar Group underwent a major management restructuring. In the same year, LCIC went public and GoldStar too followed the suit.

The Korean electronics industry with active support from the Government in the 1970s showed promising growth. GoldStar established large plants and secured a nationwide production base. The large plants helped the company to expand and sowed the seeds for globalization. In 1975, GoldStar established a central R&D centre to develop color TV, VCRs and computers. In 1976, the company produced the first Korean made color TV.

In 1977, GoldStar's sales were over 100 billion. The export volume in 1978, reached US\$ 100 million.²⁴ After this the company laid the foundation for globalizing the Korean electronics industry.

In the early 1980s, GoldStar pursued profit-oriented operations and opted for a series of restructuring exercises to combat rising competition and to be effective in its efforts in globalization program. With the change in international trade scenario, it became essential for the company to establish overseas manufacturing bases to pursue international markets. GoldStar established a manufacturing subsidiary in Huntsville,²⁵ U.S. in 1982 and other manufacturing and sales subsidiaries in Germany. The company established a subsidiary in UK (1988) and a manufacturing subsidiary in Mexico²⁶ in 1989. (Exhibit V)

The energy crisis and political unrest in the early 1980s had a negative effect on GoldStar's growth. But the company was able to overcome the situation and by 1984, the total sales were exceeding 1.2956 trillion.²⁷ At this point of time GoldStar followed effective business strategies and focused on product diversification and strengthened its national sales channels in Korea. At the same time the company also focused on diversification of its export structure in international sales.

In the late 1980s LG had adopted a new strategy focusing on quality of product and expanding marketing capabilities. When the South Korean government relaxed trade barriers, there was great penetration of foreign companies entered to compete with domestic firms including LGE. As a result, sales of LG products dropped by US\$ 1 billion and profits decreased by 18% between 1986 and 1987. The company was able to challenge foreign companies by restructuring the organization and adopting a new management style with decentralized structure.²⁸ From 1992 onwards the company focused on 'creating value for customers', highlighting its commitment to

²² Ibid

²³ http://ca.lge.com/en/experience/story/story_beginning.jsp

²⁴ "Story of LG", http://ca.lge.com/en/experience/story/story_beginning.jsp

²⁵ Huntsville was the county seat of Madison County, Alabama in the United States.

²⁶ "LG Electronic Inc", [https://210.18.104.227/cgi-bin/nph-](https://210.18.104.227/cgi-bin/nph-120025.cgi/010110A/http/dbic.datamonitor.com/companies/company/?pid=E81333A5-8192-426E-BB11-ED6D09B879EF)

[120025.cgi/010110A/http/dbic.datamonitor.com/companies/company/?pid=E81333A5-8192-426E-BB11-ED6D09B879EF](https://210.18.104.227/cgi-bin/nph-120025.cgi/010110A/http/dbic.datamonitor.com/companies/company/?pid=E81333A5-8192-426E-BB11-ED6D09B879EF), LG electronics Inc.

²⁷ "Story of LG", http://ca.lge.com/en/experience/story/story_globalization.jsp

²⁸ PR Bhatt, 'Global Strategy for Global Leadership: A Case of LG Electronics' 20 March 2005, www.bodhini.com/March%202005/prbhatt.htm,

excellence for customers and internally helped employees to renew their devotion to customer satisfaction. The strategy was successful and GoldStar's exports crossed US\$ 2.56 billion in 1992.

In 1995, the company changed its name to LG Electronics and embarked on its journey to become the world's leading company. In the same year, the company also acquired Zenith Electronic Corporation.²⁹

Globalization and innovation along with the new product development was the major strategy adopted by LGE to grow and penetrate global markets. It had strengthened its R & D activities by setting up 25 domestic and 13 foreign-based technology institutes and a research centre. The research network supported all LGE operations in the development of production technologies, core electronic parts, design concepts and next generation product lines. It had 7200 researchers (23% of total LGE's staff) at home and abroad. In 1998, Jahong Ku, the President of LG electronics proclaimed "Digital-LG Vision" under which drives like Six Sigma, TL2005 and Super A were launched to improve and maintain competitive edge and profitability through innovation³⁰.

In 2000, LGE and LG Information and Communication (LGIC) were merged to take advantage of LGIC's expertise in telecommunication systems and LGE's core competency³¹. In the same year it adopted a strategy of e-business to facilitate innovative practices such as e-R&D, e-procurement, e-Supply Chain Management (e-SCM), e-Customer Relations Management (e-CRM) and e-management. The company formed strategic alliances in the digital television sector. (Exhibit VI) It partnered with GE for LWO (optical wave microwave), JBL³² for next generation audio and PBS³³ for digital data broadcasting services. In collaboration with Philips, LGE formed LG Philips Display in 2001 which established a home appliance plant in Mexico.³⁴ During the same period, the company focused on developing new types of networks for mobile phones.

In 2001, LGE reorganized into four separate companies to create a new corporate structure. The four companies were Digital Display, Digital Media, Digital Appliance, and mobile communication. (Exhibit VII) In 2002, LG Electronics was reorganized into a holding company structure in which business operation and equity investment were separated in order to enhance shareholder value. The holding company was named LGEI (LG Electronics Investment) while the business operating company continued to be known as LG Electronics Inc. (Exhibit VIII). The holding company focused on managing investment assets with surveillance on operating company's management. The operating company comprised business divisions, joint ventures and overseas & domestic subsidiaries while the holding company took care of affiliated companies in telecommunication service area and other related companies. The de-merger completely relieved LGE from the investment burden of its affiliates so that it could devote itself wholly to business operations.

LGE's long term strategy was "to maximize cash flow through sustained growth of cash cow business" such as digital appliances and telecommunication devices and to focus its resources on

²⁹ Zenith Electronics Corporation was an American manufacturer of televisions founded in 1918 and had headquartered in Chicago. It was inventor of modern remote control. LG group had acquired controlling share in 1995 and rest of shares in 1999.

³⁰ "Story of LG", http://ca.lge.com/en/experience/story/story_firstinnovation.jsp

³¹ "Annual report 2003" www.lge.com/annualreport/2003

³² JBL is an American audio company founded in 1946 by James Bullough Lansing.

³³ The Public Broadcasting Service (PBS) is a non-profit public broadcasting television service with TV stations in the United States.

³⁴ Royal Philips Electronics of the Netherlands is one of the world's biggest electronics companies, as well as the largest in Europe, founded in 1891 which manufactured incandescent lamps and other electrical products. In August 1999, LG had formed strategic alliance with Phillips.

strategic businesses like organic EL, PDP and digital TV. (Exhibit IX) It was pursuing "Fast growth Strategy" by exploiting its brand image of premium products.

The global business strategies of LGE bore rich dividends; the international markets pivoted its business structure and brought in bigger share of sales.³⁵ LGE's overseas sales of white appliances which included refrigerator, air conditioner and washing machine outpaced its domestic sales. The sales in Japan and European markets for televisions and color picture tubes for its fully flat products began to increase considerably. In the newly emerging markets of India, China and Indonesia, LGE began focusing on establishing fully localized business processes.³⁶

In 2006, LGE announced the launch of 'Blue Ocean Management' Campaign with an aim to be in league with the top 3 companies of the world in the field of electronics, information and telecommunications.

Blue Ocean Strategy

*"Blue Ocean Management" is a creative new style of management which opens new markets and invents new methods and systems that will maximize the efficiency of management. In other words, this is a management strategy for a whole new paradigm in which we will compete in the areas that we have to, while developing a blue ocean area which does not have any competition thus creating more profit. To this end, this year, we will focus on customer oriented management, strong technological competitiveness, and operational excellence."*³⁷

LGE, wanted to implement Blue Ocean Management to make competition irrelevant. The strategy was to redefine industry boundaries by focusing more on high end products and entering new segments of emerging markets like China, India and Middle East and Africa and thereby create uncontested market space.

Focusing on high end products

The LGE shifted its focus from volume to value through high-end product innovation in all of its four product divisions: Mobile Communications, Digital Appliance, Digital Display and Digital Media. Each domain company planned established high end value added products.

Table –I LGE Position and % Market Share in different Product Segments				
Segment	Products	Rank	Market share of LGE (%)	Competition
Mobile Communication	CDMA and GSM handsets	4	6.8% (As per July 2006)	Nokia 32.8%, Motorola 20.1%, Samsung 12.7%
Digital Display	Plasma TV	2	17.8% (Q2 of '06)	Matsushita, the maker of Panasonic brand - 28.3%.
	LCD TV	5	8.4% (Q2 of '06)	Sharp – 14.5%, Samsung 14.2%, Sony – 13.8%, Phillips – 12.4%.
Digital Appliances	Air conditioner	1	19.6%	

Source: Compiled by the Author

³⁵ "Story of LG", http://ca.lge.com/en/experience/story/story_secondinnovation.jsp

³⁶ Ibid

³⁷ "Management Info to shareholders", <http://www.lge.com/ir/Shareholders.jsp>

Mobile Communications

The Mobile Communications Division was responsible for selling CDMA and GSM³⁸ handsets. LG Electronics launched its CDMA handset operations in 1996 and in GSM operations in 2002. With a total range of wired and wireless solutions, the company was rapidly establishing a global presence and growing its international market share in 3G³⁹ handsets. The company had global sales of \$ 9.9 billion with sales of 55 million units and was ranked 4th in global mobile handset sales, after Nokia, Motorola, Samsung and Siemens.⁴⁰ LG's 'Chocolate' became best selling product through intensifying research capabilities and high-end design which was the mid term strategies for the company (Exhibit X)⁴¹.

LG Chocolate

*"LG Chocolate and the Black Label series are LG's Blue Ocean operational strategy in action, which are expected to generate around 30 per cent of sales and 50 per cent of profits by 2010"*⁴²

LG Gulf, Mr.C.H.Lee.

*"We have been building up muscles for growth, Now chocolate phone will give us a chance of make another leap forward"*⁴³

LG Executive, Vice-president Jae Bae

In November 2005, LG Electronics released a mobile phone, KG 800 attractively named as Chocolate Phone in South Korea.⁴⁴ It was the first version of Black Label Series, featuring a super-slim slide at 16.5 mm thick and weighs 88 grams, with 1.3 mega-pixel camera with a MP3 music player. The Chocolate Phone won the iF Design Award 2006⁴⁵. LG invested more than US\$ 73 million in its design operations in 2005 and has won 41 world design awards so far this year.⁴⁶

The Chocolate was globally launched in other regions in May 2006 and about 1.4 millions phones were soon sold in Europe, Asia and Latin America. Another 500,000 were sold in South Korea which helped LG to secure a 7% share of the domestic handset market.⁴⁷ Chocolate was also ranked the best-selling mobile phone by Carphone Warehouse, Europe's biggest mobile phone retail chain.⁴⁸ LG aimed to be number 3 by 2008 or 2009 in handset category with the global market share of 6.8% against its nearest rival Samsung, which held 12.7%. Industry leader Nokia had 32.8% while second-ranked Motorola had 20.1%.⁴⁹

³⁸ The Global System for Mobile Communications (GSM) is the most popular standard for mobile phones in the world. It was also considered a *second generation* (2G) mobile phone system.

³⁹ 3G was short for third-generation technology. It is used in the context of mobile phone standards. The services associated with 3G provide the ability to transfer simultaneously both voice data (a telephone call) and non-voice data (such as downloading information, exchanging email, and instant messaging).

⁴⁰ "www.lge.com/mobile communication

⁴¹ Ibid

⁴² "LG introduced new black label series", 29 May, 2006, www.strategiy.com/feature.asp?id=20060529053005,

⁴³ Moon Ihlawan with Jack Ewing, "LG's Chocolate: Will This Cell Phone Hit the Sweet Spot?", 19 July 2006, www.businessweek.com/globalbiz/content/jul2006/gb20060719_467824.htm?chan=search,

⁴⁴ Ibid

⁴⁵ iF Design Award – International Forum Design had inaugurated in 1953, which had existed as an enduring, prestigious trademark for outstanding design.

⁴⁶ Ibid

⁴⁷ Moon Ihlawan with Jack Ewing, "LG's Chocolate: Will This Cell Phone Hit the Sweet Spot?", 19th July 2006, www.businessweek.com/globalbiz/content/jul2006/gb20060719_467824.htm?chan=search

⁴⁸ Ibid

⁴⁹ Op cit., "LG's Chocolate: Will This Cell Phone Hit the Sweet Spot?"

Digital Display Company

The Digital Display Company was the leading producer of digital TVs in LCD and Plasma modules. In the increasingly competitive digital TV market, LG Electronics had cutting-edge products through innovations. Digital Display division was formed in joint venture with Philips to produce LCD TV and plasma TV in 2001. The digital display division had earned \$ 2.77 billion which constituted 28% of their global sales in the year 2005.⁵⁰ (Exhibit XI) With the business goal of becoming the dominant leader in digital TV and plasma TV, the division had undergone breakthrough innovations and products under the blue ocean strategy.

Plasma TVs

*"We will cement our second place in the plasma TV market this year to challenge the No. 1 in 2007," mentioned Yoon Sang Han, LG's executive vice-president in charge of the TV, monitor, and plasma panel module businesses.*⁵¹

As a leader in the plasma TV industry, the Digital Display Company had set the standard by continuously developing the 60", 71" and 102" full HD plasma TV which was awarded as 2006 Best of Innovations at the Consumer Electronics Association (CEA).⁵² LG planned to enhance the global production process of its flat panel displays at its four major plants in Mexico, Poland, China and Korea, focusing on region-specific R&D and marketing efforts.

Global sales of plasma televisions amounted to 2.2 million units with a growth of 95 % in the April-June quarter of 2006 from 2005, which was 20% of the global TV revenues⁵³. Matsushita, the maker of Panasonic brand, with a share of 28.3% paved its way to become No. 1 position in the Plasma TV while LGE with the sales of 877,000 in 2005, stood at No. 2 position in plasma TV market with a 17.8% global share, with the monthly capacity to produce 310,000 units in 2005. While Samsung the home rival had a market share of 13.6% and Dutch Philips Electronics with 10.3%⁵⁴. (Exhibit XII)

LCD TVs

LG Electronics attracted global attention with the development of the world's first 55-inch LCD TV, which was awarded a Design Award at the iF Design Awards and Innovation Awards. Global sales of LCD TVs jumped 135% in the three months to June from a year earlier, to 9.4 million units, accounting for 22% of the world's TV market.⁵⁵ The company, ranked 5th in LCD TV segment, after Sony, Samsung, Sharp, and Philips Electronics. (Exhibit XIII) The company expected sales of 4 million LCD TVs in 2006, up from 1.5 million in 2005.⁵⁶

⁵⁰ LG electronics, [www.lge.com/download/ir/archive/-850967273LGE\(CLSA2005\).pdf](http://www.lge.com/download/ir/archive/-850967273LGE(CLSA2005).pdf), 10/09/2005.

⁵¹ Moon Ihalwan, "Korea set to dual in digital TV", 30 May, 2006, www.businessweek.com/technology/content/may2006/tc20060530_512280.htm

⁵² Ibid

⁵³ Moon Ihalwan Kenji Hall, "LCD Fights Plasma for Giant TV Market," 25 August, 2006, www.businessweek.com/globalbiz/content/aug2006/gb20060825_743315.htm?chan=search

⁵⁴ Moon Ihalwan, "Korea set to dual in digital TV", www.businessweek.com/technology/content/may2006/tc20060530_512280.htm, 30 May, 2006

⁵⁵ Ibid

⁵⁶ Op cit., "Korea set to dual in digital TV"

Digital Appliance

The Digital Appliance SBU was a leader and pioneer in home appliance products, like air conditioner, refrigerator, vacuum cleaner, washing machine, microwave oven, and other home appliances. LGE had developed the world's inbuilt TV refrigerator, ARTCOOL⁵⁷ air conditioners, steam washing machines and many more core technologies for home appliance parts and products. Building on successful home appliance operations, the company was also expanding their business scope to have a greater emphasis on new product sectors such as commercial air conditioners, built-in kitchen appliances and home networks.

Air Conditioners

*"We reported over 10 % operating margin from air-conditioner business last year, and profitability will improve further this year thanks to growing sales of premium products."*⁵⁸

Lee Young-ha, CEO, Home appliances unit, LG

With an aim to create a niche market under blue ocean strategy LGE focused on system air conditioners and on high value-added large-capacity commercial air conditioners. The R& D investment was 10% of sales. LGE planned to increase its R&D manpower from the current 1,100 people to 2,000 people by 2008⁵⁹. Also, the company planned to expand air conditioner system production capacity at its Changwon Plant⁶⁰, and in the long term, build air conditioner production lines in Turkey, China, India, and Brazil to strengthen market accessibility⁶¹.

The global air-conditioner market was U.S. \$2.6 billion in 2005, and total world sales of the product reached 51 million sets in 2004⁶². (Exhibit XIV) Air-conditioner sales returned profit margins above 10%, higher than other products such as washing machines and ovens for LGE⁶³. LGE estimated the air conditioner market to expand from US\$ 21.2 billion in 2005 to US\$ 29 billion by 2010, and hoped to garner US\$ 3.5 billion in sales by 2010 to seize the world's top position.⁶⁴

Digital Media

With the global sales of \$5.7 billion the digital media segment generated synergy with its audio and video (home theater, DVD recorder), digital storage (super multi DVD recorder) and personal computer (desktop and notebook PC) divisions⁶⁵. Through continued technology innovation, the company had developed the world's first Satellite DMB notebook⁶⁶ in 2005. In particular, the company was actively penetrating multimedia product markets with mobile technologies, such as PDAs and MP3 players, and with composite products, such as super-multi drives and super-multi DVD recorders. This segment was also focusing on its Car Infotainment business.

⁵⁸ "LG Electronics Aims to Raise Air-Conditioner Sales," 12 January, 2006, www.appliancemagazine.com/news.php?article=9651&zone=0&first=1

⁵⁹ Ibid.

⁶⁰ First Changwon Plant was established in republic of Korea in the 1976 and other was in 1987 which produced household appliances like air-conditioner, washing machine, and refrigerator.

⁶¹ Ibid.

⁶² "LG leads global air conditioner market," 13 January, 2005, www.appliancemagazine.com/news.php?article=9651&zone=0&first=1

⁶³ Press release, 13 October 2005,

www.lge.com/about/press_release/detail/PRO%7CNEWS%5EPRE%7CMENU_10166_PRE%7CMENU.jhtml

⁶⁴ Ibid.

⁶⁵ www.lge.com/about_us

⁶⁶ Digital media Broadcasting notebook, which was the notebook PC

LGE was No. 1 in global sales of all optical storage products CD-ROMs and DVD-ROMs for eight consecutive years since 1998, including of DVD recorders (since 2005) and also secured 29% market share⁶⁷. In the home theater segment LGE became a leading player in countries like Italy, the Czech Republic, Hungary, Australia, and South Africa with a global market share of 16%⁶⁸. Through converging various devices and technical resources, LGE kept improving home theater combo systems with diversified designs, for instance, the DVD Recorder Home Theater Combo and the Home Theater System with wall-mount Flat Panel Speakers built-in flat speakers. In the DVD player segment LGE enjoyed the biggest market share of 10% since 2003 for three consecutive years.

New markets and New Segments

With sales of \$ 23.2 billion in the year 2005, 19% of which was from the Asia-Pacific region, especially China,⁶⁹ the Asian consumer electronic market grew at 10.5% annually.⁷⁰ In the digital products segment, specifically the flat and digital TV the Asian market was open to new segments.

LGE China.

*"In China, there is no future competing in 'red ocean' markets, so we must focus on the 'blue ocean' segment and penetrate high-end sectors. As part of its new strategy, we had chosen China as one place where it wants to create a "blue ocean" market."*⁷¹

S.S.Kim, CEO, LGE

LGE entered China in 1993 by establishing local subsidiary with Huizhou and in 1994 started manufacturing of cathode ray tubes, air conditioners and microwave ovens. Most of the products they manufactured were lower-priced, thin-profit-margin household electrical appliances which aimed at Chinese domestic market⁷². Realizing that China would probably overtake the US to become the world's largest market for DVDs, LG choose to create blue ocean market for its high end products and also set up DVD player production facilities with an annual capacity of 2 million units in Shanghai manufacturing plant.

With the investment of \$2.5 billion and with the workforce of 38,000 employees the company was able to generate the sales of \$10 billion in the year 2005. With brand awareness of 46% in China LGE stood at no.4 position household appliance⁷³. In China, a total 78 million units of mobile handsets were sold in 2005. CDMA handset constituted 6.84 million units of which LGE enjoyed market share of 18.71%⁷⁴ and ranked second. (Exhibit XV) In the GSM handset market, the company faced stiff competition from Nokia, Samsung and Motorola.

⁶⁷ www.lge.com

⁶⁸ [http://www.lge.com/download/ir/archive/-850967273LGE\(CLSA2005\).pdf](http://www.lge.com/download/ir/archive/-850967273LGE(CLSA2005).pdf), LG electronics, September 2005.

⁶⁹ Ibid

⁷⁰ "Consumer electronics in Asia pacific", <https://210.18.104.227/cgi-bin/nph>

120025.cgi/010110A/http/dbic.datamonitor.com/industries/profile/?pid=BFCD7905-5D0D-4697-9B4A-843385C260B2, June 2006

⁷¹ "LG looks to make splash in Blue ocean", 14 April, 2006, www.china.org.cn/english/BAT/165585.htm,

⁷² CHOI chang-hee, "The china strategies of Korea's winning companies", 1 August 2003,

www.nri.co.jp/english/opinion/papers/2003/pdf/np200367.pdf,

⁷³ "LG eyes bigger GSM market share", 10 may 2004, http://english.peopledaily.com.cn/200405/10/eng20040510_142855.html

⁷⁴ Ibid

LGE India

"LGEIL (LG Electronics India Ltd) did face obstacles initially, but from the very start we were determined to succeed"

Girish Rao, VP for Sales and Marketing India.

LG Electronics India Pvt. Ltd., a wholly owned subsidiary of LGE South Korea was established in January, 1997. The manufacturing facility began at Noida⁷⁵, in 1998, and in Pune⁷⁶, in 2004.⁷⁷ With localization the company had established distribution network of 43 branches, over 150 area offices and more than 10,000 trading partners, LGE was ahead of its competitors.

The revenues since 1997 were Rs 21,100 crore. (Exhibit XVI) By 2010, LGE expected to become a \$10-billion company with export turnover contributing \$3 billion or 30 per cent of LGEIL's turnover⁷⁸ through its blue ocean strategy. In the CDMA mobile handset segment, LGE India had ranked 4th with a market share of 2.5%., while industry leader had Nokia a share of 78.8%, Samsung 6.4%, Motorola of 4.6%, and Sony Ericsson 5.1% in February 2006.⁷⁹ LGE had a market share of 3.5 % in the GSM mobile handset segment.⁸⁰

The digital display market was expected to increase to 90000 units in 2006 from 18000 units in 2005⁸¹. Market leader Samsung, had 45.7 per cent share in the LCD segment compared to LGE's 39 % in 2006⁸². In the plasma display panel (PDP) segment, the company was at No. 2 position just behind Samsung who had a share of 35.5%.⁸³ In the digital appliance market LGE had enjoyed a lion's share of 36% in 2005 and in the air conditioners segment LGE had a quantity turnover of 5 lakhs units and value turnover of Rs.1050 crore in 2005. In the washing machine category LGE had market share of 34%.⁸⁴

LGE in Middle East and Africa

"We will pursue a 'Blue Ocean Strategy' which is to move away from ordinary products to create genuine differentiation. For example, in GSM mobile phones we are going to launch some high-end models in May that will be luxurious like jewelry. And last year we introduced the 71-inch Gold Plasma TV, made especially for the Middle East⁸⁵."

K.W.Kim, President LGE, Middle East and Africa

The regional digital leader LGE Electronics had a turnover of US\$1.36 billion, a growth of 20% in first half year sales performance in 2006. The company attributed its 8% increase in revenue in 2005 to its implementation of Blue Ocean Strategy which showed 34% increase over the year

⁷⁵ Noida was the famous town situated in Uttar Pradesh state in India.

⁷⁶ Pune was the famous town situated in Maharashtra state in India.

⁷⁷ <http://www.lgezbuy.com/aboutus.aspx?CatID=&MaiCatID=0>

⁷⁸ "K. Giriprakash, "The heat is on", 17 August 06, www.thehindubusinessline.com/catalyst/2006/08/17/stories/2006081700020100.htm.

⁷⁹ Govindkrishna Seshan, "Nokia still leads in India, but . ." 02 May 2006, www.rediff.com/money/2006/may/02spec.htm,

⁸⁰ "LG eyes top slot in flat screen mart", John Satish K , September 2006, www.businessstandard.com/common/storypage.php?autono=259530&leftnm=1&subLeft=0&chkFlg=

⁸¹ Neha Kaushik, "LG to assemble LCD TVs in India", 11 April, 2006, www.thehindubusinessline.com/2006/04/11/stories/2006041101840800.htm,

⁸² June 05, 2006, www.lgindia.com/Newsroom/News-room-details.aspx?ID=1044,

⁸³ John Satish K, "LG eyes top slot in flat screen mart", September 2006, www.businessstandard.com/common/storypage.php?autono=259530&leftnm=1&subLeft=0&chkFlg=

⁸⁴ Op cit., www.lgindia.com

⁸⁵ "First half LG sales turnover in Mid-East

And Africa touch US\$1.36 billion" 6 August, 2006, www.prfactory.com.tn/site/download.php?name=../document,

2004. LGE's LCD business grew 217% year-over-year, GSM mobile phones grew 62%, the PC division grew 38% in revenues.⁸⁶

At LGE blue ocean strategy was achieved via product innovation which was aimed at localized markets. In Iran, LGE offered microwave oven with a preset button for reheating 'shish kebabs'-- a favorite dish. LGE roughly commanded about 40% of the Iranian microwave market⁸⁷. A few of LGE's top-selling innovations include the Qiblah phone⁸⁸, the world's first mobile handset with Qiblah indicator which points in the direction of Mecca, the TV refrigerator; and the bag-less range of vacuum cleaners.

In the high-value product segment, LGE planned to focus its efforts on 15 inch, 17 inch and 20 inch LCD TV and monitor. The company had successfully launched its LG chocolate and black label series in May 2006. But in the GSM segment the company was facing difficulties to set up the distribution network.

The Road Ahead

*"The growth associated with the 'Blue Ocean' initiative will not be accomplished in just one or two years – but is a multi-pronged effort that will firmly reinforce our position among the top three in the electronics industry."*⁸⁹

LGE which was known for low-cost products faced competition not only from the home based Samsung but also from Japanese manufacturers.. The CEO of the company had admitted that a lot of work had been left to make the company's image as a premium brands in every part of the world.

Along with diversified operations the company had also been suffering low profitability. In the handset division it generated 3.1 US cents of operating profit in 2005 for every dollar of revenue compared with 5.7 US cents in 2004, while Samsung had increased its operating margins with 20% and Nokia averaged of 23% in 2005⁹⁰. LGE also faced a challenge to perform well in the key markets like in North America, where the company had grew only 0.4%. LGE's revenues from Asian market decreased, by 13% in 2005⁹¹.

With a tough road ahead would LGE be able to achieve its target by 2010? Would it be able to make its competition irrelevant, especially Samsung the home rival?

⁸⁶ "LG Electronics: US\$1.4 Billion Sales in Middle East & Africa", August 2006, <http://displayblog.wordpress.com/2006/08/06/lg-electronics-us14-billion-sales-in-middle-east-africa-markets/>

⁸⁷ Elizabeth Esfahani, "Thinking Locally, Succeeding Globally" December 1

2005 http://money.cnn.com/magazines/business2/business2_archive/2005/12/01/8364622/index.htm,

⁸⁸ Qiblah Phone which came with complete embedded compass, direction indication and prayer time alarm used in 500 cities worldwide.

⁸⁹ "First half LG sales turnover in Mid-East and Africa", August 06, 2006,

www.ae.lge.com/ir/html/ABboards.do?action=list&group_code=AB&list_code=PRE_MENU&page=2&target...

⁹⁰ "LG eyes bigger GSM market share", 10 May 2005 http://english.peopledaily.com.cn/200405/10/eng20040510_142855.html

⁹¹ "LG Electronics", <http://dbic.datamonitor.com/companies/company/?pid=E81333A5-8192-426E-BB11-ED6D09B879EF>

Exhibit I- LG Electronics Way

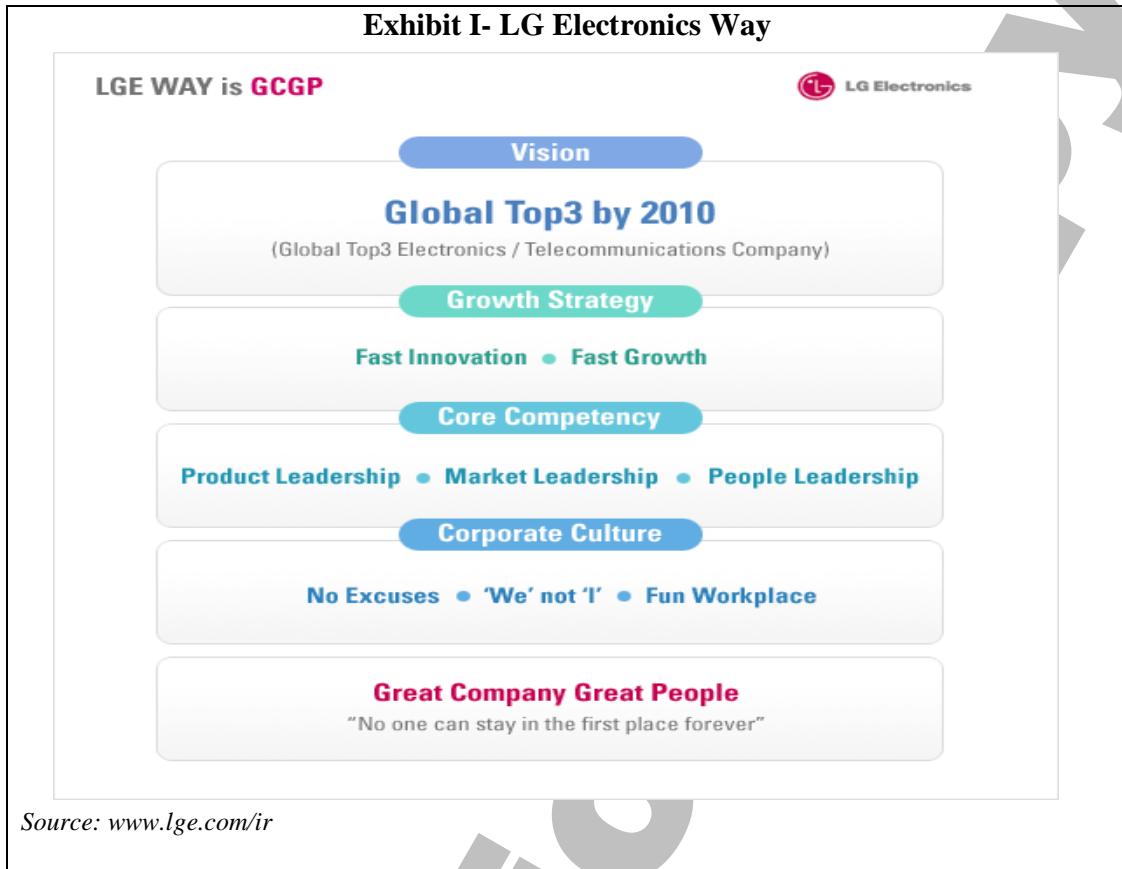
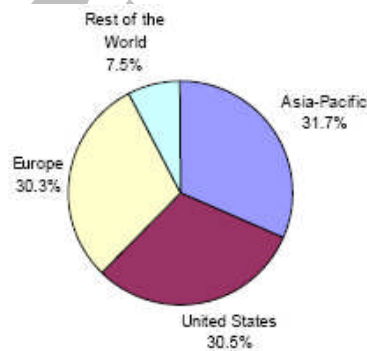
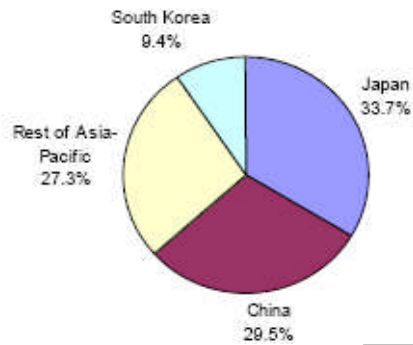


Exhibit II- Consumer Electronics Market Segmentation: %Share, by Value, 2005

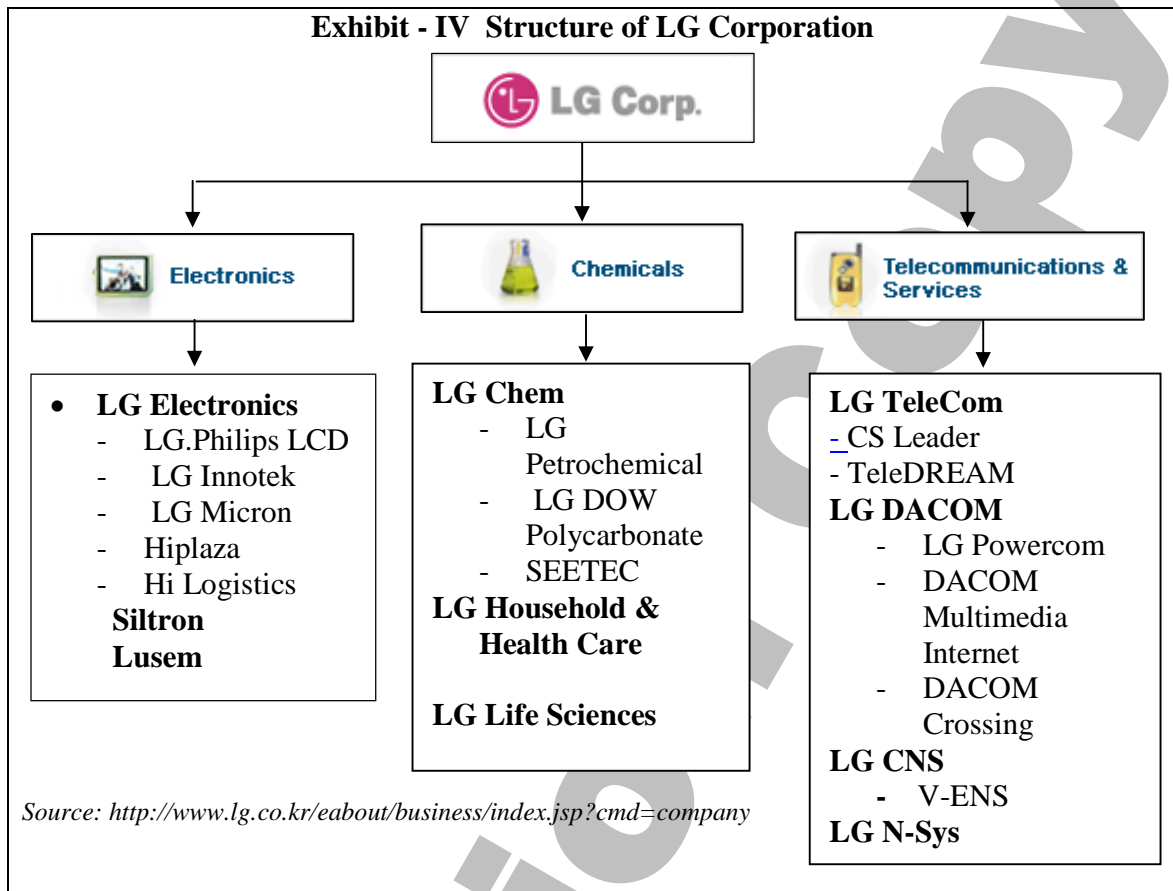


Source: "Consumer electronics in United States",
www.dbic.datamonitor.com/industries/profile/?pid=5DF2CEF4-F6EA-49C7-BA6D-E4E93F1429C2,
June, 2006

**Exhibit - III Asia-Pacific Consumer Electronics Market Segmentation
%Share, by Value, 2005**



Source: "Consumer electronics in Asia pacific",
www.dbic.datamonitor.com/industries/profile/?pid=BFCD7905-5D0D-4697-9B4A-843385C260B2,
June 2006



2)

• **Growth Period**(1966~1977)

Established the Foundation for Rapid Growth

1977. 12. 26 Accomplished • 100 billion in sales

Sales : • 104 billion Capital : • 6.4 billion Employees : 9,873

1976. 11. Established Changwon factory

1975. 6. Established Gumi factory

12. First to establish Central Research Center in Korean private corporations

1974. 8. Acquired shares in IFC

1970. 4. 13 First to be listed in stock market among our peers in Korea

1968. 3. First to produce air conditioner in Korea

9. First to establish an overseas branch office(New York) in Korea

1966. 8. First to produce black and white TV in Korea

Sales : • 2.9 billion Capital : • 0.7 billion Employees : 3,400

3)

• **Globalization Period**(1978~1986)

Globalization and Development of high-tech products

1986. 10. Established production line in Germany(LGEWG)

Sales : • 1,540 billion Capital : • 130 billion Employees : 21,775

1985. 4. 18 Issued \$30 million FRN

1984. 5. Established Pyeongtaek factory

12. 31 Broke 1 trillion won in sales

1983. 4. Established research center for design

1981. 4. Established Korea's first overseas production line in US(LGEAI)

1979. 11. Established Gimhae factory

1978. 8. Established a sales subsidiary in US(LGEUS)

12. 13 First to achieve \$100 million export in Korean Electronics Industry

Sales : • 471 billion Capital : • 47 billion Employees : 16,510

4)

• **Innovation Period I**(1987~1994)

Innovative Management Toward 21st Century

1993~1994 Strengthened TFT-LCD related investment
Strategic advancement into China

Sales : • 6,149 billion Capital : • 491 billion Employees : 30,621

1991. 2. Strategic alliance with Zenith

4. Established design research center in Ireland(LGEDT)

12. First to export \$2 billion in home appliances in Korea

1989. 1. Established the vision for the 21st century

1988 Established production line in Thailand, Mexico, England and Philippines

Sales : • 2,625 billion Capital : • 270 billion Employees : 36,442

5)

• **Innovation Period II**(1995~1998)

1998.	Reinforced business restructuring activities
Sales : • 8,853 billion Capital : • 632 billion Employees : 25,953	
1997. 1.	Promotion of TL2005
10.	Developed world's first IC set for DTV
1996. 3. 27	Declaration of LEAP 2005-2nd Establishment Anniversary
3.	Developed next generation hand held PC
1995. 3.	Renamed the Company, 'LG Electronics'
7.	Acquired Zenith
8.	Established TFT-LCD factory
10.	Developed PDA
Sales : • 6,592 billion Capital : • 635 billion Employees : 35,073	

6)

• **Digital Management Period**(1999)

1999. 4.	Developed first digital TV suited for Korean market
5.	First to introduce 40" PDP in Korea
5.	LG LCD acquired \$1.6 billion foreign capital : Launched LG.Philips LCD
7.	Proclaimed 'Digital-LG' Vision
Sales : • 10,546 billion Capital : • 632 billion Employees : 22,621	

7)

• **Digital Management Settlement Period(2000~Present)**

2003. 1. Developed world's first dual CDMA/W-CDMA IMT-2000 mobile handset
 4. Developed world's first digital tuner equipped 50" PDP TV
 8. Launched 1 hour recordable VOD camcorder mobile handset
 8. Mass production of world's first "Green Technology" linear-type refrigerator
 10. Vice-chairman, S. S. Kim, appointed as CEO
 10. Developed world's largest 76" PDP
 10. Established DTV factory in Poland
 11. Supplied telematics to GM
 12. Became 1st in the global general vacuum cleaner market

Sales : • 20,177 billion Capital : • 784 billion Employees : 27,683

2002. 4. Demerger(LGE & LGEI)
 5. First to commercialize home network system
 5. Released color mobile phone with organic EL
 6. Won IMT-2000 equipment supply contract from KTiCom
 6. Showcased W-CDMA technology during 2002 Worldcup opening rite
 8. Ranked sixth in the global mobile handset industry
 12. Established R&D center in Beijing, China

Sales : • 47,095 billion Capital : • 784 billion Employees : 25,216

2001. 1. Allied air conditioner business with Matsushita, Japan
 2. Successfully commercialized W-CDMA system
 5. Established world's second PDP mass production line (Gumi)
 7. Launched LG.Philips Displays, the CRT joint venture
 12. Surpassed 10 million units in mobile handset sales
 12. Finalized Company Demerger in Extraordinary Shareholders' Meeting

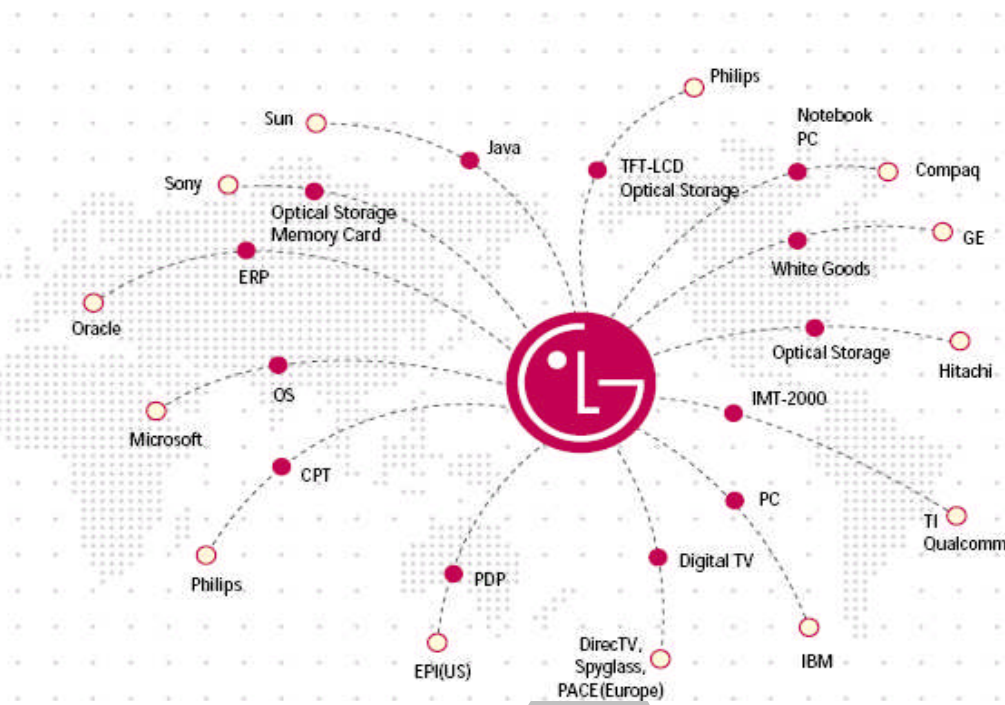
Sales : • 46,601 billion Capital : • 1,031 billion Employees : 26,789

2000. 6. Introduced world's first Internet refrigerator
 7. Successfully commercialized W-CDMA IMT-2000 core network system
 9. Merged with LGIC
 12. Exported W-CDMA technology to Marconi Corporation, Italy

Sales : • 44,836 billion Capital : • 1,031 billion Employees : 31,774

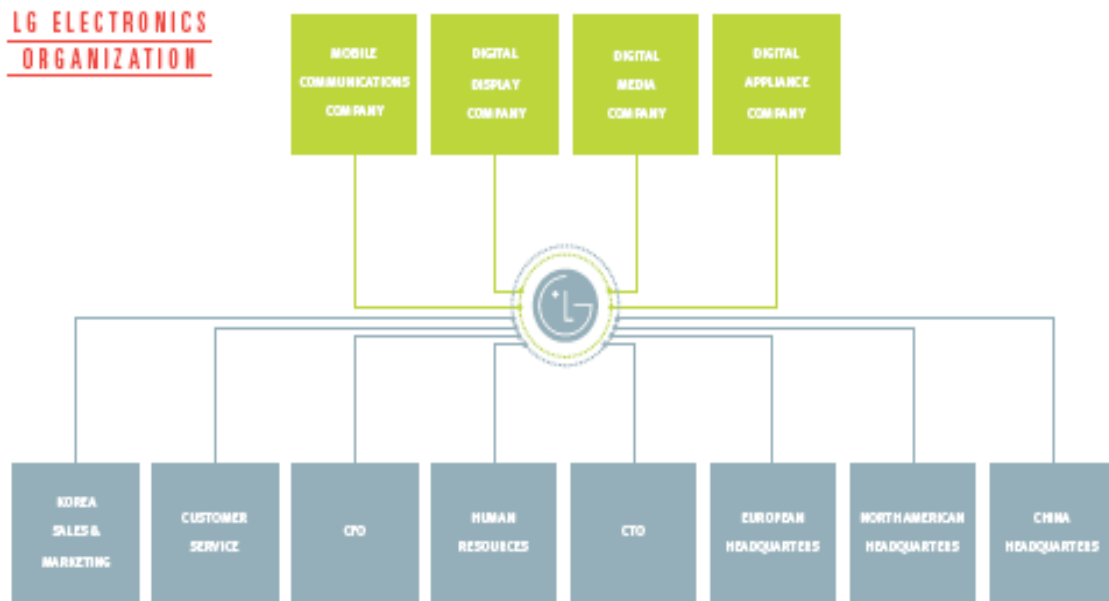
Source: www.lge.com/ir/annualreport 2003

Exhibit VI- Strategic alliances of LG Electronics



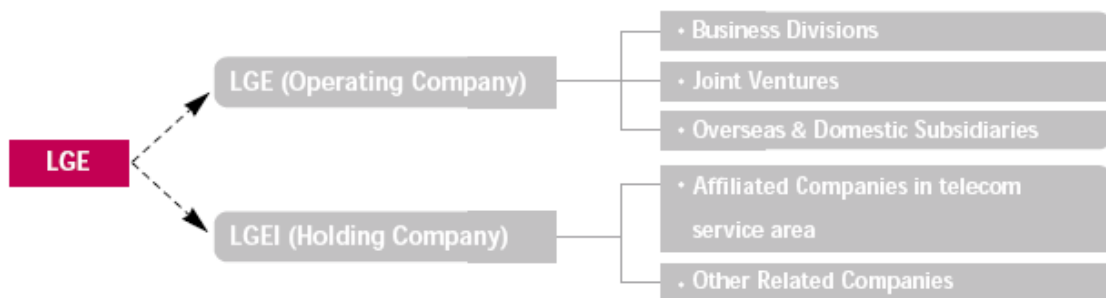
Source: www.lge.com/ir/annualreport 2002

Exhibit VII – Organization structure



Source: [http://www.lge.com/download/ir/archive/-850967273LGE \(CLSA2005\).pdf](http://www.lge.com/download/ir/archive/-850967273LGE%20(CLSA2005).pdf), LG electronics, September 2005.

Exhibit VIII - Demerger of LGE



Source: www.lge.com/ir/annualreport 2002

Exhibit IX - Long term strategy of LGE

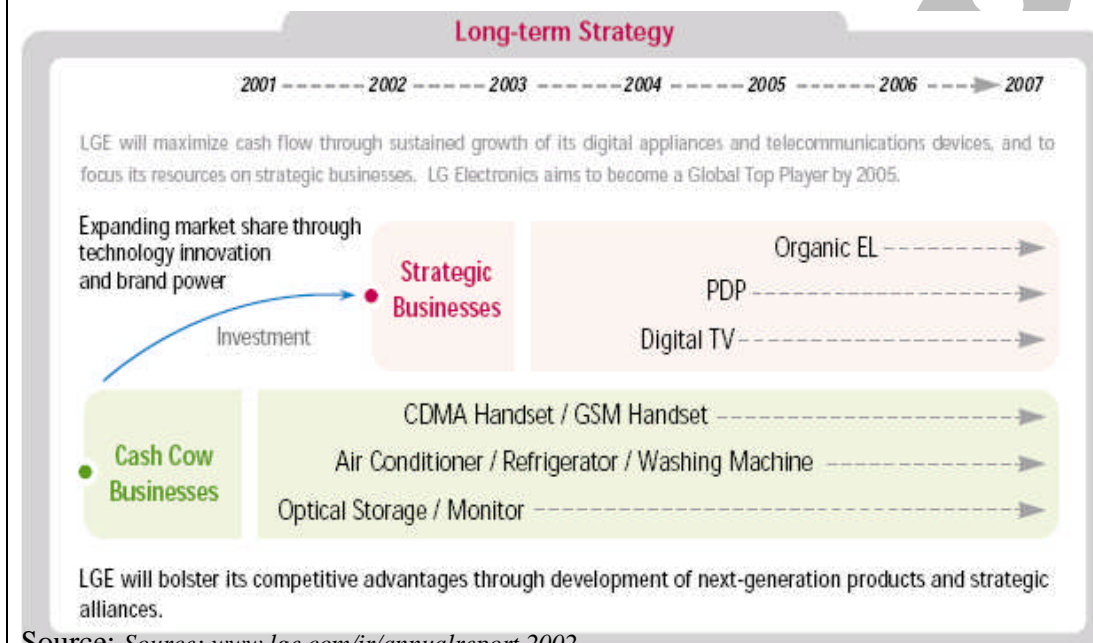


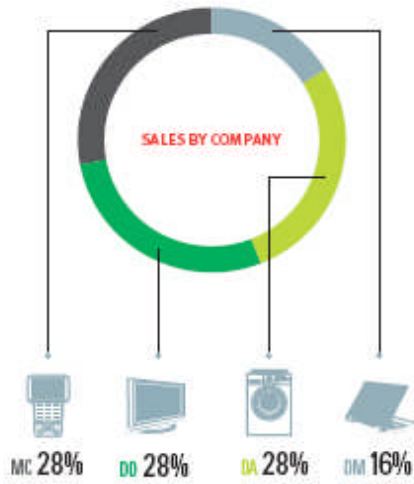
Exhibit - X Mid term strategies of LG Electronics for its four business division

MID-TERM STRATEGIES

	BUSINESS GOAL	STRATEGIES
MC	Growth / Business fostered with profit leveraging products	Bestselling products created through intensifying research capabilities and high-end design
DD	A dominant leader in DTV and plasma TV markets	Strength enhanced by combining proprietary resources for modules, chips, and total software solutions
DM	Continually maintaining the industry's highest profitability	Advanced market / Value-focused growth with premium products
DA	Coping with the digital convergence trends	Opportunities expanding from home appliances to mobile and car units

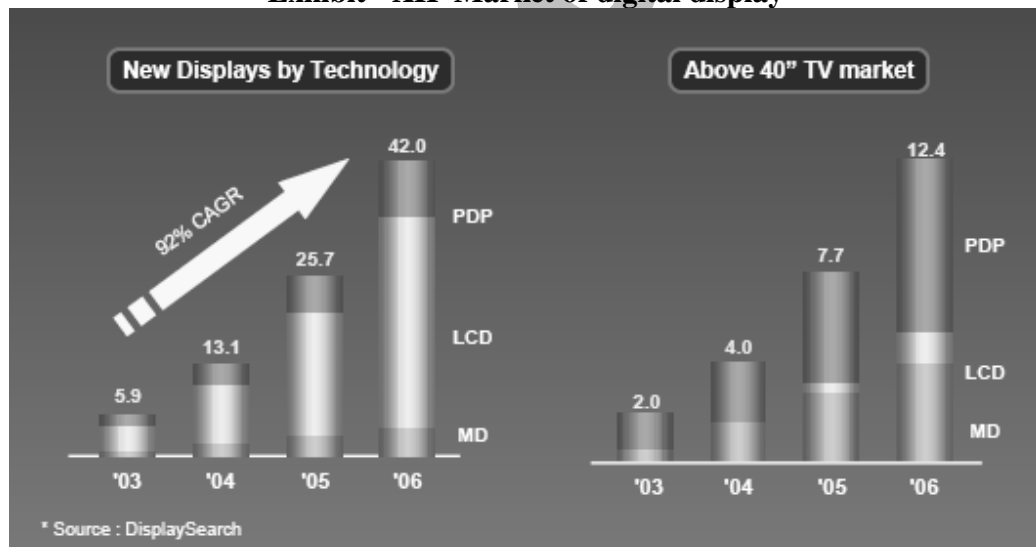
Source: [http://www.lge.com/download/ir/archive/-850967273LGE\(CLSA2005\).pdf](http://www.lge.com/download/ir/archive/-850967273LGE(CLSA2005).pdf), LG electronics, September 2005

Exhibit - XI –Sales by business segment



Source: [http://www.lge.com/download/ir/archive/-850967273LGE\(CLSA2005\).pdf](http://www.lge.com/download/ir/archive/-850967273LGE(CLSA2005).pdf), LG electronics, September 2005

Exhibit - XII Market of digital display



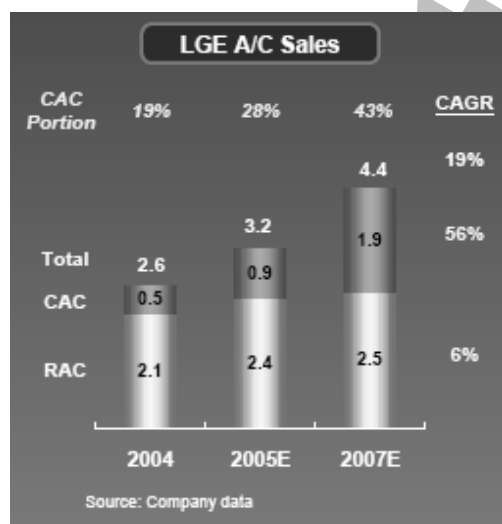
Source: www.lge.com/ir/annualreport 2002

Exhibit XIII World wide Television market and LCD market

Worldwide Television Unit Shipment Market Share in the Second Quarter (Ranking by % of unit shipments)		Worldwide LCD-TV Unit Shipment Market Share in the Second Quarter (Ranking by % of unit)	
Company	% Market Share	Company	% Market Share
LG	11%	Sharp	14.5%
Samsung	10%	Samsung	14.2%
TTE	9%	Sony	13.8%
Philips	7%	Philips	12.4%
Sony	6%	LG	8.4%
Panasonic	6%	Panasonic	6.0%
Others	50%	Toshiba	3.4%
		TTE	2.5%
		Others	24.8%

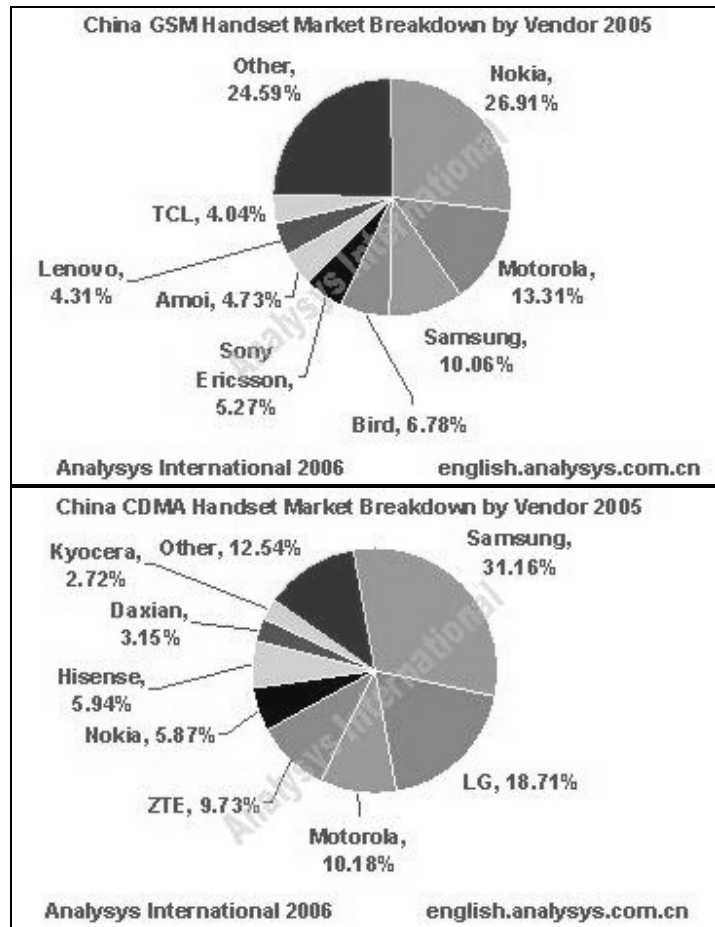
Source: www.issupli.com

Exhibit XIV – Sales of AC



Source: www.lge.com/ir/annualreport 2002

Exhibit XV China GSM and CDMA market



Source: <http://english.analysys.com.cn/UserFiles/watered/1673.jpg>

Exhibit - XVI Financial performance of LG India	
Year	Turnover in Rs. Crores
1997	125 Crores
1998	485 Crores
1999	1056 Crores
2000	1903 Crores
2001	2216 Crores
2002	Crossed Rs.3315 Crores
2003	Crossed Rs.4500 Crores
2004	Crossed Rs.6500 Crores
Source:	<a "&maicatid='0"' href="http://www.lgezbuy.com/aboutus.aspx?CatID=">http://www.lgezbuy.com/aboutus.aspx?CatID=""&MaiCatID=0

Exhibit- XVII Financial highlights of LGE

Financial Highlights (in billion won)

		2000	2001	2002	2003	2004	2005
SALES		14,835	16,601	18,602	20,176	24,659	23,774
	Domestic	4,881	6,084	6,654	4,793	5,086	5,509
	Export	9,954	10,516	11,948	15,383	19,573	18,264
Ordinary Profit	Ordinary Profit	728	573	675	836	1,860	741

(Unit: KRW bn)

Sales (Unit: KRW tn, USD bn)		Results	1Q '06	QoQ	2Q '06	YoY	2Q '05
<p>Sales Breakdown:</p> <ul style="list-style-type: none"> Domestic (Dom.): 1Q '06: 1.45 (+0.0%), 2Q '06: 1.58 (+8.1%), 2Q '05: 1.47 Export (Exp.): 1Q '06: 4.35 (\$4.45) (-3.1% (-0.3%)), 2Q '06: 4.21 (\$4.43) (+1.5% (+7.7%)), 2Q '05: 4.15 (\$4.12) Total Sales: 1Q '06: 5.80 (-0.1%), 2Q '06: 5.80 (+3.2%), 2Q '05: 5.62 	Sales		5,800	-0.1%	5,796	3.2%	5,615
	Gross Profit (%)		1,382	0.9%	1,394	-0.1%	1,395
			(23.8%)		(24.0%)		(24.8%)
	Op. Profit (%)		191	-0.1%	191	32.4%	144
			(3.3%)		(3.3%)		(2.6%)
	EBITDA (%)		368	-1.1%	364	2.8%	354
			(6.3%)		(6.3%)		(6.3%)
	Rec. Profit (%)		182	n/a	-10	n/a	216
			(3.1%)		(-0.2%)		(3.8%)
	Net Profit (%)		151	n/a	-10	n/a	151
			(2.6%)		(-0.2%)		(2.7%)

* EBITDA : Operating Profit + Depreciation & Amortization

Source: http://www.lge.com/about/corporate/company_overview.jsp

Annexure I:

LG Electronics Vs Samsung Electronics

LGE

Vision: to become among global top 3 Player by 2010.

Overview

- Corporate Name: LG Electronic Corporation
- Established on 1 October, 1958 in South Korea.
- Chairman: S.S.Kim
- First Product: Radio

Major Business and Products

- Mobile Communications Company
CDMA Handsets, GSM Handsets, 3G Handsets
- Digital Appliance Company
Air Conditioner, Refrigerator, Microwave Oven, Washing Machine, Vacuum Cleaner, HomeNet, Compressor for Air Conditioner, Compressor for Refrigerator
- Digital Display Company
Plasma TV, LCD TV, Micro Display Panel TV, Monitor, PDP Module, OLED Panel, USB Memory
- Digital Media Company
Home Theater System, DVD Recorder, Super Multi DVD Rewriter, CD±RW, Notebook PC, Desktop PC, PDA, PDA Phone, MP3 Player, New Karaoke System, Car Infotainment

Market Share:

Products	Market share	Rank
Optical Storage	29%	1
Home Theater	16.5 %	1
CDMA Handsets	20.9 %	1
Residential A/Cs	17.4 %	1
DVD Players	10 %	1
Plasma TV	27 %	2
Plasma Panel	15 %	2

Sales by division for the year 2005-2006

(Unit: KRW bn, USD M)

Section			2005					2006				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Digital Appliance	Sales	Domestic	494	765	575	468	2,303	494	702			1,196
		Export	1,175	856	749	771	3,550	1,079	860			1,939
		M\$	\$1,150	\$849	\$728	\$743	\$3,469	\$1,105	\$905			\$2,010
		Total	1,669	1,621	1,324	1,239	5,853	1,574	1,562			3,136
	Operating Profit		170	162	90	50	473	160	150			309
Digital Display	Sales	Domestic	263	254	300	296	1,113	384	445			829
		Export	990	901	1,019	1,098	4,008	1,039	984			2,023
		M\$	\$968	\$894	\$991	\$1,058	\$3,911	\$1,064	\$1,035			\$2,099
		Total	1,253	1,155	1,319	1,393	5,121	1,423	1,429			2,852
	Operating Profit		17	-22	28	-81	-58	30	21			50
Digital Media	Sales	Domestic	179	157	176	160	672	219	176			396
		Export	667	575	604	661	2,507	545	466			1,010
		M\$	\$652	\$571	\$587	\$637	\$2,446	\$558	\$490			\$1,048
		Total	846	732	780	820	3,179	764	642			1,406
	Operating Profit		23	27	52	36	138	23	11			34
Mobile Communications	Sales	Domestic	333	265	363	316	1,276	350	291			641
		Export	1,822	1,816	2,182	2,362	8,182	1,682	1,903			3,585
		M\$	\$1,785	\$1,801	\$2,121	\$2,276	\$7,983	\$1,722	\$2,003			\$3,725
		Total	2,155	2,081	2,545	2,679	9,459	2,033	2,193			4,226
	Operating Profit		102	8	128	217	455	-9	21			12
Handset	Sales	Domestic	258	174	237	246	915	316	248			564
		Export	1,615	1,647	2,056	2,206	7,524	1,527	1,771			3,298
		M\$	\$1,582	\$1,634	\$1,999	\$2,125	\$7,339	\$1,563	\$1,864			\$3,427
		Total	1,873	1,822	2,293	2,452	8,439	1,843	2,019			3,862
	Operating Profit		67	-4	123	197	384	-31	-3			-34
Parent	Sales	Domestic	1,302	1,466	1,454	1,288	5,509	1,454	1,584			3,038
		Export	4,657	4,150	4,565	4,894	18,265	4,346	4,212			8,558
		M\$	\$4,556	\$4,117	\$4,438	\$4,715	\$17,826	\$4,448	\$4,434			\$8,882
		Total	5,959	5,615	6,018	6,182	23,774	5,800	5,796			11,596
	Gross Profit		1,496	1,395	1,608	1,611	6,111	1,382	1,394			2,776
	Operating Profit		280	144	280	211	915	191	191			382
	Recurring Profit		77	216	128	321	741	182	-10			172
	Net Profit		83	151	157	312	703	151	-10			141

SAMSUNG ELECTRONICS

Vision: "Leading the Digital Convergence Revolution"

Mission: to carry out this vision through "Digital-ε Company."

Overview:

- Corporate Name: Samsung Electronics
- Established in January 1969 and in December it acquired Sanyo electronics.
- Chairman: Jong-Yong Yun,
- First Product: Black and white TV.

Major Business and products:

- Digital Media Business: Plasma TV, LCD TV, LCD Monitor, Digital Camcorder, Laptop, DVD Player, Laser Printer.
- Telecommunication Network Business: CDMA and GSM mobile handset,
- Digital Appliance Business: Refrigerator, Air-conditioner, Air-purifier, Drum washer, Microwave oven, Vacuum Cleaner,
- Semiconductor Business:
- LCD Business: Notebook PCs, Desktop PCs, TVs, Large Area TVs.

Market share:

Products	Market Share	Rank
TV	9.9%	1 st
MONITOR	21%	1 st
DVDP	14%	2 nd
Printer	11.6%	2 nd
CDMA-Mobile Phones	28.2	1 st
GSM-Mobile Phones	12.7	3 rd
DRAM	29%	1 st
SRAM	27%	1 st
Flash Memory	25.0%	1 st
LCD Driver IC	19.0%	1 st
NOTEBOOK PCS	25.4%	1st
DESKTOP PCS	22.4%	1st
TVS	16.2%	3rd

Financial Insights:

Sales by division in 2005.

Division		2005	2004	2003
Digital Media	Domestic	₩ 2,725,103	₩ 2,736,183	₩ 2,698,934
	Export	3,759,554	5,291,373	5,019,770
	Sub-total	₩ 6,484,657	₩ 8,027,556	₩ 7,718,704
Telecommunication Network	Domestic	₩ 2,864,774	₩ 3,326,019	₩ 3,550,778
	Export	15,953,484	15,609,856	10,650,955
	Sub-total	₩ 18,818,258	₩ 18,935,875	₩ 14,201,733
Semiconductor	Domestic	₩ 1,118,808	₩ 1,185,886	₩ 883,491
	Export	17,216,000	17,038,867	11,828,210
	Sub-total	₩ 18,334,808	₩ 18,224,753	₩ 12,711,701
LCD	Domestic	₩ 1,098,200	₩ 768,084	₩ 391,307
	Export	8,611,973	7,920,592	4,801,065
	Sub-total	₩ 9,710,173	₩ 8,688,676	₩ 5,192,372
Digital Appliance	Domestic	₩ 1,782,897	₩ 1,556,421	₩ 1,508,160
	Export	1,600,495	1,702,436	1,897,110
	Sub-total	₩ 3,383,392	₩ 3,258,857	₩ 3,405,270
Others	Domestic	₩ 705,126	₩ 464,170	₩ 315,958
	Export	21,256	32,472	36,278
	Sub-total	₩ 726,382	₩ 496,642	₩ 352,236
Total	Domestic	₩ 10,294,908	₩ 10,036,763	₩ 9,348,628
	Export	47,162,762	47,595,596	34,233,388
	Sub-total	₩ 57,457,670	₩ 57,632,359	₩ 43,582,016

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