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 strategies.1”

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 Ocean”10 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

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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.
12 Electronics, information, and telecommunications
13 “Corporate Information”, http://www.lge.com/about/corporate/company_vision.jsp
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 market.20 (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.

17 Ibid
18 Ibid. “Consumer electronics in United States.”
19 “Consumer electronics in South Korea”, https://210.18.104.227/cgi-bin/nph-
20 “Consumer electronics in Asia pacific”, https://210.18.104.227/cgi-bin/nph-
In 1959, GoldStar produced Korea’s first radio which opened a new era for the electronics industry 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. 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. 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, 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 Mexico 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. 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 deceased 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. From 1992 onwards the company focused on ‘creating value for customers’, highlighting its commitment to

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22 Ibid
25 Huntsville was the county seat of Madison County, Alabama in the United States.
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 generator 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 innovation 30.

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 competency 31. 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), JBL 32 for next generation audio and PBS 33 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 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.
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. 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.

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.”

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>
<thead>
<tr>
<th>Segment</th>
<th>Products</th>
<th>Rank</th>
<th>Market share of LGE (%)</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Communication</td>
<td>CDMA and GSM handsets</td>
<td>4</td>
<td>6.8% (As per July 2006)</td>
<td>Nokia 32.8%, Motorola 20.1%, Samsung 12.7%</td>
</tr>
<tr>
<td>Digital Display</td>
<td>Plasma TV</td>
<td>2</td>
<td>17.8% (Q2 of ’06)</td>
<td>Matsushita, the maker of Panasonic brand - 28.3%</td>
</tr>
<tr>
<td></td>
<td>LCD TV</td>
<td>5</td>
<td>8.4% (Q2 of ’06)</td>
<td>Sharp – 14.5%, Samsung 14.2%, Sony – 13.8%, Phillips – 12.4%.</td>
</tr>
<tr>
<td>Digital Appliances</td>
<td>Air conditioner</td>
<td>1</td>
<td>19.6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the Author

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 GSM 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 3G 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. 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).

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.”

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.”

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. 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 2006. LG invested more than US$ 73 million in its design operations in 2005 and has won 41 world design awards so far this year.

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. Chocolate was also ranked the best-selling mobile phone by Carphone Warehouse, Europe’s biggest mobile phone retail chain. 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%.

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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
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 IIf 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?”

7
**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. 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.

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). 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 revenues. 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%.

**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. The company, ranked 5th in LCD TV segment, after Sony, Samsung, Sharp, and Philips Electronics. The company expected sales of 4 million LCD TVs in 2006, up from 1.5 million in 2005.
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, ARTCOOL 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."  
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 2008. Also, the company planned to expand air conditioner system production capacity at its Changwon Plant and in the long term, build air conditioner production lines in Turkey, China, India, and Brazil to strengthen market accessibility.

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 2004. (Exhibit XIV) Air-conditioner sales returned profit margins above 10%, higher than other products such as washing machines and ovens for LGE.

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.

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 rewriter) and personal computer (desktop and notebook PC) divisions. Through continued technology innovation, the company had developed the world’s first Satellite DMB notebook 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,  
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.
63 Press release, 13 October 2005,  
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."

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 market71. 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 and 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 appliance72. 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%73 and ranked second. (Exhibit XV) In the GSM handset market, the company faced stiff competition from Nokia, Samsung and Motorola.

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67 [www.lge.com](http://www.lge.com)
69 Ibid
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 Noida56, in 1998, and in Pune57, in 2004.57 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 turnover 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 East.”

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

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55 Noida was the famous town situated in Uttar Pradesh state in India.
56 Pune was the famous town situated in Maharashtra state in India.
57 http://www.lgezbuy.com/aboutus.aspx?CatID=&MainCatID=0
64 Op cit.,www.lgindia.com
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 market.87 A few of LGE’s top-selling innovations include the Qiblah phone,88 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 2005.89 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 2005.

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?

88 Qiblah Phone which came with complete embedded compass, direction indication and prayer time alarm used in 500 cities worldwide.
91 “LG Electronics”, http/dbic.datamonitor.com/companies/company/?pid=E81333A5-8192-426E-BB11-ED6D09B879EF
Exhibit I- LG Electronics Way

LGE WAY is GC&G

Vision

Global Top3 by 2010
(Global Top3 Electronics / Telecommunications Company)

Growth Strategy
Fast Innovation  ●  Fast Growth

Core Competency
Product Leadership  ●  Market Leadership  ●  People Leadership

Corporate Culture
No Excuses  ●  ‘We’ not ‘I’  ●  Fun Workplace

Great Company Great People
“No one can stay in the first place forever”

Source: www.lge.com/fr

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”,
Exhibit - IV  Structure of LG Corporation

Source: http://www.lg.co.kr/eabout/business/index.jsp?cmd=company

LG Electronics
- LG.Philips LCD
- LG Innotek
- LG Micron
- Hiplaza
- Hi Logistics
- Siltron
- Lusem

LG Chem
- LG Petrochemical
- LG DOW Polycarbonate
- SEETEC

LG Household & Health Care

LG Life Sciences

LG TeleCom
- CS Leader
- TeleDREAM

LG DACOM
- LG Powercom
- DACOM Multimedia
  Internet
- DACOM Crossing

LG CNS
- V-ENS

LG N-Sys

Exhibit V- Time line of LG Electronics

1) Foundation Period (1958~1965)
Established the Foundation for the Electronics Industry

- 1958.10. Founded as GoldStar

1958. 1. First to produce refrigerator in Korea
6. Established an affiliation
   Sales: 1.2 billion Capital: 0.3 billion Employees: 2,500

1962.11.28 First to export radio(U.S.A) in Korea
11. First to produce telephone in Korea
1959.11.15 First to produce tube transistor radio(A-501) in Korea
- Pioneer in Korean Electronics Industry
   Sales: 80 million Capital: 10 million Employees: 313

Continued on next page....
Established the Foundation for Rapid Growth
1977. 12. 26. Accomplished • $100 billion in sales
   Sales: • $104 billion Capital: • $6.4 billion Employees: • 6,673
1978. 11. Established Changwon factory
1979. 6. Established Gumi factory
1979. 12. First to establish Central Research Center in Korean private corporations
1984. 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
1968. 5. First to produce black and white TV in Korea
   Sales: • $2 billion Capital: • $7 billion Employees: • 3,440

Globalization and Development of high-tech products
1985. 10. Established production line in Germany (LGEWG)
   Sales: • $4,540 billion Capital: • $430 billion Employees: • 21,775
1984. 4. 13 Issued $30 million FRN
1984. 5. Established Pyeongtaek factory
12. 31 Broke 1 trillion won in sales
1988. 4. Established research center for design
1991. 4. Established Korea’s first overseas production line in US (LG전자)
1979. 11. Established Gimhae factory
1979. 8. Established a sales subsidiary in US (LGUSA)
12. 13 First to achieve $100 million export in Korean Electronics Industry
   Sales: • $74 billion Capital: • $7 billion Employees: • 16,510

Innovative Management Toward 21st Century
   Strategic advancement into China
   Sales: • $1.4 billion Capital: • $461 billion Employees: • 36,621
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: • $69.5 billion Capital: • $70 billion Employees: • 34,442

16

- Reinforced business restructuring activities
  
  **1996.**
  
  Sales: 6,853 billion  Capital: 832 billion  Employees: 25,650

- **1997.**
  1. Promotion of TL2005
  10. Developed world’s first IC set for DTV
  3. Developed next generation hand held PC
  27. Declaration of LEAP 2005-2nd Establishment Anniversary
  3. Developed next generation hand held PC
  6. Renamed the Company, ‘LG Electronics’
  7. Acquired Zenith
  8. Established TFT-LCD factory
  10. Developed PDA

  **Sales:** 6,832 billion  **Capital:** 832 billion  **Employees:** 25,073

6) *Digital Management Period (1999)*

- Developed first digital TV suited for Korean market
  
  **1999.**
  
  Sales: 40,546 billion  Capital: 832 billion  Employees: 22,829

- First to introduce 40" PDP in Korea
- LG LCD acquired $1.6 billion foreign capital:
  - Launched LG Philips LCD
- Proclaimed ‘Digital-LG’ Vision
7) **Digital Management Settlement Period (2000-Present)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
</table>
| 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  
  10. Mass production of world’s first “Green Technology” linear-type refrigerator  
  12. Became 1st in the global general vacuum cleaner market  |
|      | Sales: 29.177 billion  
  Capital: 784 billion  
  Employees: 27,883 |
| 2002 | 4. Demerger (LGE & LGEL)  
  5. First to commercialize home network system  
  6. Released color mobile phone with organic EL  
  8. Won IMT-2000 equipment supply contract from KTCam  
  9. Showcased W-CDMA technology during 2002 World Cup opening rite  
  10. Ranked sixth in the global mobile handset industry  
  12. Established R&D center in Beijing, China  |
|      | Sales: 47.096 billion  
  Capital: 784 billion  
  Employees: 25,246 |
| 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. Finalized Company Demerger in Extraordinary Shareholders’ Meeting  |
|      | Sales: 46.501 billion  
  Capital: 1,031 billion  
  Employees: 26,780 |
| 2000 | 6. Introduced world’s first Internet refrigerator  
  7. Successfully commercialized W-CDMA IMT-2000 core network system  
  9. Merged with LG/C  
  12. Exported W-CDMA technology to Marconi Corporation, Italy  |
|      | Sales: 44.936 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


Exhibit VIII - Demerger of LGE

Source: www.lge.com/ir/annualreport 2002
Exhibit IX - Long term strategy of LGE

LG Electronics will maximize cash flow through sustained growth of its digital appliances and telecommunication devices, and to focus its resources on strategic businesses. LG Electronics aims to become a Global Top Player by 2005.

LG will bolster its competitive advantages through development of next-generation products and strategic alliances.

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

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

**Mid-term Strategies**

<table>
<thead>
<tr>
<th>BUSINESS GOAL</th>
<th>STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>MC</td>
<td>Developing products created through internally integrating capabilities and high-end design</td>
</tr>
<tr>
<td>DID</td>
<td>Strength enhanced by combining proprietary resources for modules, chips, and total software solutions</td>
</tr>
<tr>
<td>DM</td>
<td>Advanced market / Value-focused growth with premium products</td>
</tr>
<tr>
<td>DA</td>
<td>Opportunities expanding highmargin applications to mobile and server market</td>
</tr>
</tbody>
</table>

Exhibit - XI –Sales by business segment


Exhibit - XII Market of digital display

Source: www.lge.com/ir/annualreport 2002
### Exhibit XIII World wide Television market and LCD market

<table>
<thead>
<tr>
<th>Company</th>
<th>% Market Share</th>
<th>Company</th>
<th>% Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG</td>
<td>11%</td>
<td>Sharp</td>
<td>14.5%</td>
</tr>
<tr>
<td>Samsung</td>
<td>10%</td>
<td>Samsung</td>
<td>14.2%</td>
</tr>
<tr>
<td>TTE</td>
<td>9%</td>
<td>Sony</td>
<td>13.8%</td>
</tr>
<tr>
<td>Philips</td>
<td>7%</td>
<td>Philips</td>
<td>12.4%</td>
</tr>
<tr>
<td>Sony</td>
<td>6%</td>
<td>LG</td>
<td>8.4%</td>
</tr>
<tr>
<td>Panasonic</td>
<td>6%</td>
<td>Panasonic</td>
<td>6.0%</td>
</tr>
<tr>
<td>Others</td>
<td>50%</td>
<td>Toshiba</td>
<td>3.4%</td>
</tr>
<tr>
<td>TTE</td>
<td>2.5%</td>
<td>Others</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

Source: [www.issupli.com](http://www.issupli.com)

### Exhibit XIV – Sales of AC

<table>
<thead>
<tr>
<th>Year</th>
<th>CAC (portion)</th>
<th>RAC (portion)</th>
<th>Total (percentage)</th>
<th>CAOR (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>19%</td>
<td>5%</td>
<td>2.6</td>
<td>13%</td>
</tr>
<tr>
<td>2005</td>
<td>28%</td>
<td>12%</td>
<td>3.2</td>
<td>56%</td>
</tr>
<tr>
<td>2006</td>
<td>43%</td>
<td>25%</td>
<td>4.4</td>
<td>25%</td>
</tr>
<tr>
<td>2007E</td>
<td>19%</td>
<td>6%</td>
<td>2.5</td>
<td>56%</td>
</tr>
</tbody>
</table>

Exhibit XV China GSM and CDMA market

China GSM Handset Market Breakdown by Vendor 2005

- Nokia, 26.91%
- Motorola, 13.31%
- Samsung, 13.31%
- Sony Ericsson, 6.27%
- Bird, 6.78%
- TCL, 4.04%
- Lenovo, 4.31%
- Amoi, 4.73%
- Other, 24.59%

Analysys International 2006
english.analysys.com.cn

China CDMA Handset Market Breakdown by Vendor 2005

- Samsung, 31.16%
- LG, 18.71%
- Motorola, 10.18%
- ZTE, 8.73%
- LG, 5.07%
- Nokia, 5.94%
- Hisense, 3.45%
- Daxian, 2.72%
- Other, 12.54%

Analysys International 2006
english.analysys.com.cn


Exhibit - XVI Financial performance of LG India

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover in Rs. Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>125 Crores</td>
</tr>
<tr>
<td>1998</td>
<td>485 Crores</td>
</tr>
<tr>
<td>1999</td>
<td>1056 Crores</td>
</tr>
<tr>
<td>2000</td>
<td>1903 Crores</td>
</tr>
<tr>
<td>2001</td>
<td>2216 Crores</td>
</tr>
<tr>
<td>2002</td>
<td>Crossed Rs.3315 Crores</td>
</tr>
<tr>
<td>2003</td>
<td>Crossed Rs.4500 Crores</td>
</tr>
<tr>
<td>2004</td>
<td>Crossed Rs.6500 Crores</td>
</tr>
</tbody>
</table>

Source: http://www.lgezbuy.com/aboutus.aspx?CatID=’&MaiCatID=0
Exhibit- XVII Financial highlights of LGE

Financial Highlights (in billion won)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>4,881</td>
<td>6,084</td>
<td>6,654</td>
<td>4,793</td>
<td>5,086</td>
<td>5,509</td>
</tr>
<tr>
<td>Export</td>
<td>9,954</td>
<td>10,516</td>
<td>11,948</td>
<td>15,383</td>
<td>19,573</td>
<td>18,264</td>
</tr>
<tr>
<td><strong>Ordinary Profit</strong></td>
<td>728</td>
<td>573</td>
<td>675</td>
<td>836</td>
<td>1,860</td>
<td>741</td>
</tr>
</tbody>
</table>

**Sales** (Unit: KRW bn, USD bn)

<table>
<thead>
<tr>
<th>1Q '06</th>
<th>2Q '06</th>
<th>2Q '05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dom.</td>
<td>5.80</td>
<td>5.62</td>
</tr>
<tr>
<td></td>
<td>1.45</td>
<td>1.58</td>
</tr>
<tr>
<td>Exp.</td>
<td>4.35</td>
<td>4.21</td>
</tr>
<tr>
<td></td>
<td>(4.45)</td>
<td>(4.43)</td>
</tr>
</tbody>
</table>

Results

<table>
<thead>
<tr>
<th></th>
<th>1Q '06</th>
<th>QoQ</th>
<th>2Q '06</th>
<th>YoY</th>
<th>2Q '05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,800</td>
<td>-0.1%</td>
<td>5,796</td>
<td>3.2%</td>
<td>5,615</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,382</td>
<td>0.9%</td>
<td>1,394</td>
<td>-0.1%</td>
<td>1,395</td>
</tr>
<tr>
<td>Op. Profit</td>
<td>191</td>
<td>-0.1%</td>
<td>191</td>
<td>32.4%</td>
<td>144</td>
</tr>
<tr>
<td>EBITDA</td>
<td>388</td>
<td>-1.1%</td>
<td>364</td>
<td>2.8%</td>
<td>354</td>
</tr>
<tr>
<td>Rec. Profit</td>
<td>182</td>
<td>n/a</td>
<td>-10</td>
<td>n/a</td>
<td>216</td>
</tr>
<tr>
<td>Net Profit</td>
<td>151</td>
<td>n/a</td>
<td>-10</td>
<td>n/a</td>
<td>151</td>
</tr>
</tbody>
</table>

*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:*

<table>
<thead>
<tr>
<th>Products</th>
<th>Market share</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optical Storage</td>
<td>29%</td>
<td>1</td>
</tr>
<tr>
<td>Home Theater</td>
<td>16.5 %</td>
<td>1</td>
</tr>
<tr>
<td>CDMA Handsets</td>
<td>20.9 %</td>
<td>1</td>
</tr>
<tr>
<td>Residential A/Cs</td>
<td>17.4 %</td>
<td>1</td>
</tr>
<tr>
<td>DVD Players</td>
<td>10 %</td>
<td>1</td>
</tr>
<tr>
<td>Plasma TV</td>
<td>27%</td>
<td>2</td>
</tr>
<tr>
<td>Plasma Panel</td>
<td>15%</td>
<td>2</td>
</tr>
</tbody>
</table>
Sales by division for the year 2005-2006

<table>
<thead>
<tr>
<th>Section</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q 2Q 3Q 4Q Total</td>
<td>1Q 2Q 3Q 4Q Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Digital Appliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>484 765 575 468 2,303</td>
<td>494 702</td>
</tr>
<tr>
<td>Export Sales</td>
<td>1,175 826 746 771 3,550</td>
<td>1,079 608</td>
</tr>
<tr>
<td>NS</td>
<td>$1,190 $849 $726 $743</td>
<td>$3,409 $1,125 $826</td>
</tr>
<tr>
<td>Total</td>
<td>1,659 1,621 1,284 1,296 6,083</td>
<td>1,574 1,462</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>110 162</td>
<td>90 50</td>
</tr>
<tr>
<td></td>
<td>473 180</td>
<td>150 30</td>
</tr>
<tr>
<td><strong>Digital Display</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>363 254 300 296 1,113</td>
<td>394 445</td>
</tr>
<tr>
<td>Export Sales</td>
<td>900 001 1,010 1,008 4,008</td>
<td>1,039 984</td>
</tr>
<tr>
<td>NS</td>
<td>$3,959 $3,934 $3,981 $4,055</td>
<td>$3,931 $1,054 $1,053</td>
</tr>
<tr>
<td>Total</td>
<td>1,263 1,155 1,310 1,308 5,126</td>
<td>1,423 1,425</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>17 22</td>
<td>28 47</td>
</tr>
<tr>
<td></td>
<td>50 21</td>
<td></td>
</tr>
<tr>
<td><strong>Digital Media</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>175 157 176 160 672</td>
<td>219 175</td>
</tr>
<tr>
<td>Export Sales</td>
<td>650 475 504 561 2,507</td>
<td>645 456</td>
</tr>
<tr>
<td>NS</td>
<td>(502 (571 (597 (637</td>
<td>$2,445 $593 $560</td>
</tr>
<tr>
<td>Total</td>
<td>826 732 750 820 3,179</td>
<td>764 642</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>23 27</td>
<td>52 36</td>
</tr>
<tr>
<td></td>
<td>136 23</td>
<td></td>
</tr>
<tr>
<td><strong>Mobile Communications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>355 345 393 316 1,278</td>
<td>350 291</td>
</tr>
<tr>
<td>Export Sales</td>
<td>1,022 1,010 2,152 2,302 6,188</td>
<td>1,952 1,933</td>
</tr>
<tr>
<td>NS</td>
<td>$1,795 $1,501 $2,121 $2,276</td>
<td>$7,963 $2,722 $2,030</td>
</tr>
<tr>
<td>Total</td>
<td>2,855 2,081 2,545 2,679 4,459</td>
<td>2,253 2,183</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>122 8</td>
<td>128 218</td>
</tr>
<tr>
<td></td>
<td>455 29</td>
<td></td>
</tr>
<tr>
<td><strong>Handset</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>355 172 237 346 915</td>
<td>516 248</td>
</tr>
<tr>
<td>Export Sales</td>
<td>1,015 1,047 2,065 2,206 7,324</td>
<td>1,237 1,771</td>
</tr>
<tr>
<td>NS</td>
<td>$1,990 $1,534 $1,999 $2,125</td>
<td>$7,339 $1,563 $1,854</td>
</tr>
<tr>
<td>Total</td>
<td>1,193 1,762 2,260 2,428 4,829</td>
<td>1,843 2,219</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>67 4</td>
<td>152 257</td>
</tr>
<tr>
<td></td>
<td>384 31</td>
<td></td>
</tr>
<tr>
<td><strong>Parent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>1,302 1,486 1,454 1,288 9,509</td>
<td>1,484 1,354</td>
</tr>
<tr>
<td>Export Sales</td>
<td>4,567 4,153 4,656 4,934 19,265</td>
<td>4,364 4,213</td>
</tr>
<tr>
<td>NS</td>
<td>$6,866 $4,317 $5,113 $5,395</td>
<td>$27,829 $4,834 $4,623</td>
</tr>
<tr>
<td>Total</td>
<td>5,899 5,615 6,018 6,182 23,774</td>
<td>5,850 5,764</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,466 1,595 1,608 1,611 9,111</td>
<td>1,382 1,394</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>280 144</td>
<td>290 211</td>
</tr>
<tr>
<td></td>
<td>915 191</td>
<td></td>
</tr>
<tr>
<td>Recurring Profit</td>
<td>77 246</td>
<td>120 321</td>
</tr>
<tr>
<td></td>
<td>741 182</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>83 151</td>
<td>157 312</td>
</tr>
<tr>
<td></td>
<td>703 151</td>
<td></td>
</tr>
</tbody>
</table>
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:
- 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:

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

Financial Insights:
Sales by division in 2005.

<table>
<thead>
<tr>
<th>Division</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Media</td>
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<tr>
<td>Domestic</td>
<td>¥ 2,728,103</td>
<td>¥ 2,736,183</td>
<td>¥ 2,898,924</td>
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<tr>
<td>Export</td>
<td>¥ 3,759,564</td>
<td>¥ 5,291,373</td>
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<tr>
<td>Sub-total</td>
<td>¥ 6,484,667</td>
<td>¥ 8,027,556</td>
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<tr>
<td>Telecommunication Network</td>
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<tr>
<td>Domestic</td>
<td>¥ 2,864,774</td>
<td>¥ 3,326,019</td>
<td>¥ 3,550,778</td>
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<tr>
<td>Export</td>
<td>¥ 15,953,484</td>
<td>¥ 15,609,856</td>
<td>¥ 10,050,955</td>
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<tr>
<td>Sub-total</td>
<td>¥ 18,818,258</td>
<td>¥ 18,935,875</td>
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<td>Semiconductor</td>
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<td>Domestic</td>
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<td>¥ 1,185,886</td>
<td>¥ 883,491</td>
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<td>¥ 17,216,000</td>
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<td>¥ 11,828,210</td>
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<td>LCD</td>
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<td>¥ 4,801,065</td>
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<td>¥ 5,192,372</td>
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<td>Digital Appliance</td>
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<td>¥ 1,887,110</td>
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<td>¥ 3,395,270</td>
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<td>Others</td>
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<td>Domestic</td>
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<td>Sub-total</td>
<td>¥ 726,382</td>
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<td>Total</td>
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<td>Domestic</td>
<td>¥ 10,294,908</td>
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<td>Sub-total</td>
<td>¥ 57,457,670</td>
<td>¥ 57,632,359</td>
<td>¥ 43,582,016</td>
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</table>
References:

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