

## Creating Value for Customers

With the management principle of “Creating Value for Customers”, LG Electronics is committed to delivering on its promise to customers of enriching lives through technology innovation. LG Electronics strives to provide its customers worldwide with the best value by reliably supplying products in demand from the customers’ perspective, listening to their feedback, and assisting with fast, accurate, and unique service.



My first work with LGE Started from the participation in TROMMIZ prosumer activity in 2009. TROMMIZ inauguration ceremony was very impressive, and I could feel LGE’s devotion through every detail and effort paid in preparing the event. The family voyage, mother-and-daughter photo contest, it was a memorable experience. Especially, the visit to Changwon production site was a very special experience, which made myself proud of being a member of TROMMIZ. I was surprised at the clean and organized space filled with high-technology equipments where the products were being manufactured. What I liked the most was that LGE was eager to listen to our opinions and communicate with us in various occasions. I really anticipate the company’s efforts to take one step closer to the customers, like its recent policy allowing the customers’ comments in ‘The BLOG’, the company’s official blog to listen to the customers’ voices, and the operation of ‘Life’s Good Studio’, the company’s online live broadcast studio.



**Hyo Eun Kim**  
Power blogger, TROMMIZ member



# Communication with Customers

Based on the Brand Identity(BI) strategy of “Enriching Lives through Technology”, LG Electronics is striving to fulfill its promise customers. In addition to listening to the customers through diverse channels, LG Electronics is actively applying the customers’ opinions to product development, service improvement and marketing activities.

## OUR APPROACH

### • Developing global brand identity

- Brand benefit: Enriching lives through technology
- Brand foundation: Breakthrough innovation
- Brand attributes: Stylish design, Reliability, Smart technology

## OUR PERFORMANCE

### STRATEGIC BRAND COMMUNICATION

Every brand communication at LGE is based on its own brand identity. This is expressed by “Life’s Good”. LGE’s products and services enrich customers’ lives through innovative technology, ultimately making their lives better.

However, since the fundamentals of the market and consumer characteristics differ for each region, LGE has been implementing differentiated customer communication strategies with insight analysis for each region to ensure that the cultural differences for each region are respected. Particularly, LGE conducts Brand Health Index(BHI) surveys in 66 countries around the world on an annual basis to evaluate it’s own brand communication system. The survey is to monitor criteria such as unaided awareness, preference, price premium, and consistency of brand identity, and compare with data from the previous year with emphasis on the establishment of a premium brand identity. LGE identifies the degree of preference of LGE brand and applies the information gained for developing effective brand communication strategy for the regional market.

At the same time, LGE is also performing the brand marketing activities to imprint corporate brand identity in the global market. Since 2009, LGE has been making efforts to create young and dynamic LGE

brand image in the global market. One of the major activities was sponsoring the F1™ race as its global partner. F1™ is recognized as one of the world top 3 sporting events, together with the Olympics and the World Cup, and has more than 600 million fans in about 180 countries. LGE also hosted a global project with YouTube called “Life in a Day”, where users across the world upload videos of their every day lives and some of them were selected for a documentary film. The documentary is to be played at the 2011 Sundance Film Festival and also distributed on YouTube in 25 languages. The documentary will continuously deliver the message of “enriching lives through technology” while imprinting the uniformed brand slogan of “Life’s Good”.



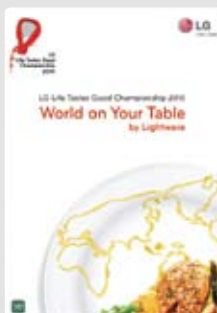
1. Sponsorship for “Life in a Day” project
2. Sponsorship for the F1™ race

### COMMUNICATION FOR PRODUCT DEVELOPMENT

#### A mobile phone that reads books for the visually impaired •

In 2006, LGE developed a mobile phone that can read books. Together with LG U+(former LG Telecom), LGE has donated a total of 6,580 book-reading mobile phones to visually impaired users by 2010. This product was specially designed for visually impaired users based on the feedback from an advisory committee consigned by the Korea Blind Union.

The phone includes the Text To Speech(TTS) feature which converts texts into sound. Moreover, the phone enabled users connect to the



#### [CASE] LG Life Tastes Good Championship

##### A SUCCESSFUL GLOBAL COMMUNICATION FUFILLING CONSUMERS’ NEEDS

“LG Life Tastes Good Championship” is the part of HA(Home Appliance) Company’s global communication strategy that has perfectly met the needs of local consumers. The championship has been selected as the “No. 1 Best Practice at the Global Marketing Conference 2010” not only for demonstrating the excellence of the cooking appliances but also for it’s important role in delivering LGE’s brand image enriching people’s lives.

“Auto Book Reading Library” operated by the LG Sangnam Library and access over 5,000 digital voice books in such diverse fields as humanities’, culture, science, and arts.

**Long-Term Care TV for senior citizens** • To develop customized TV for senior citizens in care facilities, LGE visited over 100 care facilities for senior citizens and collected various opinions. Long-Term Care TV provides some special features such as enlarged screen size, radio, schedule reminder, reduced surrounding noise, and simpler remote control so that the elderly can easily control the TV without difficulty. In addition, the TV has an automatic detection feature that turns off the TV when no one is watching it. This feature was designed to save the energy for the elderly who often leave the TV on and forget to turn it off.

**Prosumer Marketing** • LGE has been involve prosumer marketing activity that allows consumers to be directly involve in the development stage of products. One main example of this is the TROMMIZ program, in which 15 housewife bloggers participated in the development phase of the TROMM washing machine. By getting involved with product planning, providing online suggestions, and giving feedback after usage, the selected participants act as a bridge between LGE and consumers. LGE has been expanding the prosumer marketing activities to include all home appliances such as water purifiers, air conditioners, and light wave ovens. In November 2010, LGE’s top management held a forum with its communication partners “The BLOGer”, under the theme “This is what we want from a LGE mobile phone.” The forum helped to find ways to enhance product competitiveness, especially in that of smart phones. Top management want-

ed to listen to the customers’ honest opinions in the market and find solution, Unlike previous communication forums for product launches, this meeting was significant in that top management listened to customers’ voice at pre-planning stage of the product. Throughout the meeting, participating customers criticized the weaknesses of LGE’s smart phones and made suggestions on improvements.

**CUSTOMER INSIGHT MARKETING COMMUNICATION**

LGE has launched events and campaigns covering various concepts tailored to local customers and developed through customer insight marketing strategy. These events and campaigns have been contributing to the enhancement of LGE brand image in the global market as well as growth in revenue.

**Glocalization of customer insight marketing**

Region	Activities
North America	LGE Recycling Challenge Program: Awarding US\$10,000 and inviting a rock group to the school which collects the most waste mobile phones
Brazil	Digital Experience 2010: Showcasing new products based on local insights such as the 3D TV and Chaplin(TV phone) during World Cup season which considers the Central and South American market
Dubai	The Live BORDERLESS™ Campaign: An event for BORDERLESS™ LED TV launch, where the winner gets a ticket for travel around the world for 80 days
Levant	LGE Lebanon Service Car Parade: Promoting the LGE call center by driving across Lebanon in 19 service vans with LGE logo The Air-Conditioner Academy and LGE Dead Sea Ultra Marathon

- 1. Long-Term Care TV for senior citizens
- 2. Book-reading mobile phone
- 3. LGE TROMM washing machine prosumer, TROMMIZ
- 4. Meeting between The BLOGer and R&D center executives at LGE





## RESPONSIBLE MARKETING COMMUNICATION

In addition to complying with local laws and regulations throughout all marketing activities including advertisements, promotion, and sponsorships, LGE implements self corrective and improvement measures in case unintentional violation is identified.

**Correcting Energy Label Marking Error in Australia** • In 2010, LGE identified an error on the annual energy consumption label for some of the side-by-side refrigerator models sold in Australia. As a corrective measure, LGE actively notified the public by contacting the customers individually as well as through mass media advertisement. LGE conducted corrective actions by either exchanging the product free of charge, by offering a full refund, by compensating the difference in the electricity costs.

In addition to this, to provide only verified models to customers, all models exported to Australia are inspected not only by LGE but by the National Certification Lab of Australia to test the energy consumption and performance for double check to ensure that there is no fault with the products. From the corporate business division level, each organization under the HA(Home Appliance) company has established a standard/PL under the Quality Assurance Department. LGE improved its prevention capabilities by strengthening standards that are applied to the testing criteria. Furthermore, LGE is making an effort to prevent quality defects in the future, and have established compliance team in Australia subsidiary.

## ONLINE COMMUNICATION THROUGH SNS

In 2009, LGE launched the official corporate blog, “The BLOG(<http://blog.lge.com>)” and also opened Twitter and Facebook accounts in 2010 as means to communicate with the consumers. Through such efforts, LGE has broadened the contact points with the consumers and has been actively launching SNS marketing and campaign programs to take one step closer to the customers.

## FUTURE DIRECTION

- **Strengthen consistent Brand Identity(BI) in the global market**
- **Launch glocalized marketing strategies based on “Life’s Good” spirit**
- **Improve reliability of the brand through responsible marketing and communication**



### LGE in Spain

Nacho Palou, Power Blogger  
(<http://www.microsiervos.com>)

LGE looks like a credible brand and is perceived as a suitable option for those who do not have a well-formed opinion, as well as for those who do not know the brand and look for advice from others before making their purchase decision. LGE helped the market to move away from a very polarized consumption attitude, in which consumers used to perceive certain brands from certain countries as the only acceptable option for certain products.

Nacho Palou is one of the co-operators of Spain’s power blog called, “Microsiervos.” The blog writes mostly about electronics, technologies, and gadgets.



### LGE in Germany

Gilly, Power Blogger  
(<http://blog.gilly.ws>)

Many people buy LGE products because they have an excellent price to performance ratio. Nevertheless LGE is not as well-known as other producers in this market segment. In the area of mobile phones, LGE does not enjoy a very good reputation as the software of many devices is faulty-especially in the area of high-end smartphones. Many people buy LGE devices because of their great design but are disappointed by the handling afterwards. However, if LGE keeps building new smartphones based on Google Android and offers regular updates to customers, I think it has good prospects on the German market.

The power blog, “Gilly’s Playground,” is run by a person who lives in Berlin using an Internet ID called Gilly. The website is renowned among Germany’s early-adopters for its in-depth reviews on home appliances and devices that the blogger has self-tested.

# Product Safety

## OUR APPROACH

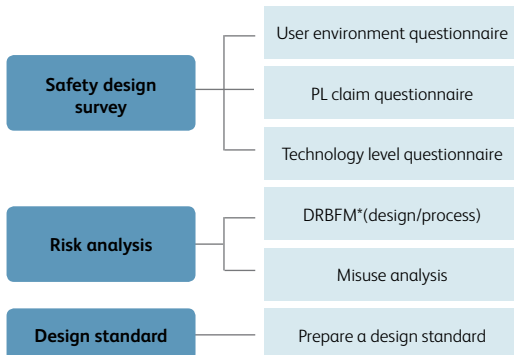
- **Quality Vision: LG Electronics, Perceived as World Best Quality by Customers and Consumers**
- **Product Safety Awareness**
  - Ethics of the management and managers
  - Development of safe products
  - Safety validation
  - PL(Product Liability) claim management
  - Vendor management
  - Talent nurturing

## OUR PERFORMANCE

**Quality Vision** • With the strong encouragement of the CEO, LGE has reinforced to the enterprise QA organization, and is shaping the corporate culture to allow neither the slightest quality problem nor compromise on quality under the vision of “LG Electronics, Perceived as World Best Quality by Customers and Consumers”. LGE is also trying to provide consumers with the high-safety products by promoting enterprise quality activities and quality awareness.

### CONSIDERATIONS FOR SAFE DESIGN

To prevent product safety issues, LGE is focusing on the 3 areas: design defect, manufacturing defect and caution & warning expression defect. LGE also established the safe product development process to protect the consumer rights systematically under the product liability law. For safe product design, LGE considers the followings:



\*DRBFM: Design Review Based on Failure Mode  
(method of design to solve all the problems without omission)

**Strengthened Quality Organizations** • The product safety system has been reinforced by adopting the 3 stage management mechanism – business unit > division > and headquarters, and the relevant professionals are ensuring product safety through regular exchange of information in the product specifications committee and PL(Product Liability) committee.

**Product Safety** • LGE established the product safety regulations including the product safety design checklist to ensure safety proactively, and ongoing efforts are made to enhance the safety awareness of all employees. Product safety regulations provide “product safety awareness” to ensure through product safety.

### PRODUCT SAFETY AWARENESS

#### 1. Ethics of management and managers

In order to perform effective operations for guaranteeing safety, human and material resources shall be supported, as well as providing no defect products through faithful fulfillment of this standard. In the case of the occurrence of continuous claims on similar cases due to defects in the design or extensive defects in the production, active service or measures such as recall shall be taken in order to guarantee the safety of customers.

#### 2. Development of safe products

Continuous researches on safety development shall be carried out to enable the designing of products with the best engineering technology, and shall be applied in product development. Moreover, the safety of our products shall be compared and analyzed with products of competitors to guarantee safety at least above the equal level.

#### 3. Safety verification

Strengthened safety standards shall be established with safety regulations and shall be abided according to laws and regulations related to product safety. Safety shall be verified through a Safety Review, and product safety shall be guaranteed through regular safety verification on mass products.

#### 4. PL claim management

As product safety is of importance to the life and property of customers, the occurrence of safety problems shall be constantly monitored, and reported immediately to Top Management when such PL Claims are detected. Management shall take measures to guarantee the safety of our customers.



LG Electronics places the highest value on providing customers with reliable products which they can use in a safe way. Product safety must be ensured under any circumstance, and product safety has the highest priority over sales objective, product design, marketability and expense issues. All staff at LG Electronics will exert their best effort to observe standards for the product safety system, acknowledging that safety is a fundamental value of products.

#### 5. Supplier control

LGE, together with the Ministry of Knowledge Economy, conducted a safety check campaign against old Cathode Ray Tube(CRT) TV for 3 months starting from September 2010. The target TV sets were 25 types of 10+ year-old products, for which inside cleaning and part replacement service were provided.

#### 6. Fostering human resources

PS(Product Safety) professionals shall be fostered who can detect expected defects in advance to guarantee product safety, and who can establish countermeasures for development by correctly analyzing causes of accidents.

### FIELD CLAIM MANAGEMENT

**CRT TV Safety Check Campaign(in Korea)** • LGE, together with the Ministry of Knowledge Economy, conducted the safety check campaign against old Cathode Ray Tube(CRT) TV for 3 months starting from September 2010. The target TV sets were 25 types of 10+ year-old products, for which inside cleaning and part replacement service were provided.

**Voluntary recall of drum washing machine(in Korea)** • For the drum washing machines of 10kg and 12kg capacity produced between August 2003 and October 2008 whose doors cannot be opened from the inside, a voluntary recall was made to replace locking systems(over 400,000 units) and distribute safety caps(over 500,000 units) free of charge(as of March 2011). This campaign will continue all year round so that every customer can use the LGE drum washing machine safely. The drum washing machine(of capacity 10+ kg) on the market after November, 2008 has the structure where the door can be opened from inside.

**Proactive Recall Notice** • LGE announced a recall notice for the drum washing machine lock system through major newspapers and TV advertisements in Korea. LGE also used various online channels e.g., LGE website, blog and Twitter to make the announcement.

**Active Measures** • LGE actively responded to the recall service requests through the use of sales, delivery and service date so that as many customers as possible can receive the service.

**Safety class for children(in Korea)** • LGE is running a campaign to protect children from product related accidents. This safety campaign reflects the strong commitment of the CEO that LGE should not only sell products but also look into the fundamental problems to prevent recurrence of accidents. With safety on top priority, LGE is working its best efforts, through the campaign to establish a culture of using all home appliances and the drum washing machine in a safe way.

For this purpose, LGE held safety training sessions in 15,000 preschools and elementary schools across the country. The main audience to safety training is preschool children and first/second graders in elementary schools who are vulnerable to accidents. LGE distributed campaign posters, messages to home, safety news letters and training CDs to the relevant schools across the nation. The children training CD includes the safety song and dance video, flash, animation and advanced teaching method which can induce children's interest. This material is a proven training program jointly produced by the Department of Early Childhood Education, Pusan National University. For more information, please visit the website(<http://www.academysafe.com>).

### FUTURE DIRECTION

- Address the global PL(Product Liability) through the global IT system
- Nurture the global Product Safety professionals
- Reinforce the in-house product safety regulations and audit activity

1. Safety class for children
2. A poster for safety check campaign
3. Website for safety class



# Customer Satisfaction and After-Sales Services

## OUR APPROACH

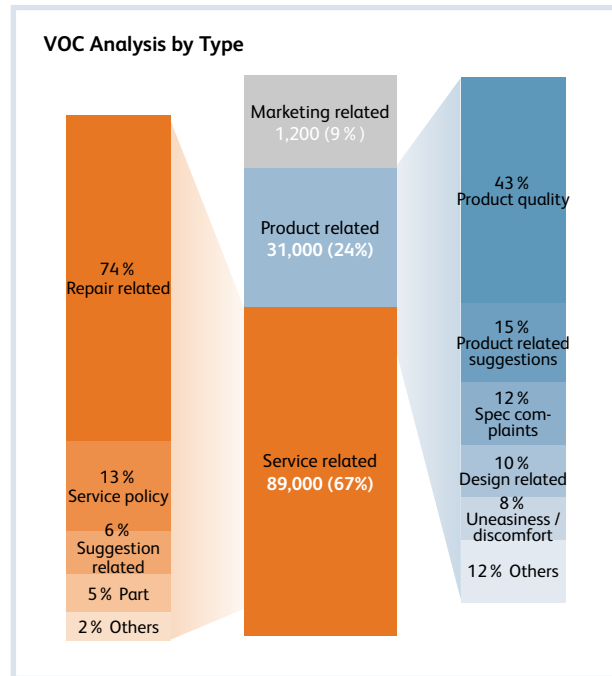
- Innovate the service center and call center based on on the customers' perspective
- Provide a differentiated service
- Build service infrastructure for new products/projects and acquire service competence

## OUR PERFORMANCE

### RESEARCH AND VOC MANAGEMENT TOWARDS BETTER CUSTOMER SATISFACTION

**Enhanced customer satisfaction research** • LGE conducts scientific based research, namely, the Net Promoter Score(NPS) and Customer Satisfaction Index(CSI) results, for better understanding of customer satisfaction and complaints. The NPS helps us analyze the strengths and weaknesses of each of our customer contact points, while the CSI shows customer satisfaction for each of our services and their comparison with our competitors. The research results give us the ability to pinpoint our weaknesses, further our improvements, and double our efforts in bringing higher customer satisfaction.

**Global Voice of Customer(VOC) management** • Since its overseas expansion of VOC management in 2007, LGE has increased VOC collection channels to 10 in 2010. Currently, LGE is managing over 130,000 VOC worldwide. With the expansion of the online community, blog and social networks, LGE is getting web-buzz to keep ourselves in line with online customer opinions.



### INCREASING CUSTOMER VALUE THROUGH CUSTOMER-ORIENTED CONTACT POINT MANAGEMENT

**Call center** • LGE operates its call center over the weekend hours to provide a fast and convenient service for customers. The weekend call centers, currently being operated in 27 countries, will be further extended to cover every region of the world. In addition, we at LGE support the customer with the dedicated specialists to resolve complicated cases through phone calls, and provide remote diagnosis/repair to increase customer's convenience even

#### [CASE] Differentiated Service Activity

##### 1. INDONESIA: SERVICE PROMOTION ACTIVITY



Based on LGE's motto to provide service to the customer anywhere and anytime, LGE is actively promoting our services currently offered in Indonesia along with the call center's contact number through various media (radio, flyers and inserts).

##### 2. INDIA: 10<sup>3</sup> SERVICE



- 1) Confirmation call within 10 days from the date of purchase (inform the public of the call center's contact number)
- 2) Regular visit and courtesy call within 10 weeks from the date of purchase
  - Gather customer complaints on products
  - Provide product cleansing and usage tips
- 3) Second regular visit and courtesy call within 10 months from the date of purchase

##### 3. KOREA: 3 YEARS OF FREE SERVICE TO THE 4 MAJOR HOUSEHOLD APPLIANCES

Since December 2010, LGE has extended its free service period for the 4 major household appliances (TVs, refrigerators, air conditioners, washing machines) from 1-2 years to a maximum of 3 years. The 3 year warranty, offered to membership holders, contributes to increasing customer confidence in the quality of the product.



**LG Electronics' philosophy is to provide service for customers at the right time, in the right place, and at the right cost. Based on this principle, LGE promises to deliver a satisfaction level that exceeds our customers' expectations, and strives to provide the highest value to our customers through a fast, accurate and differentiated service based on multi-angle analysis of the customers' satisfaction and expectation levels.**

without necessity of in-home service.

To effectively respond to the extended customer service requests, LGE also offers customer responses to cover general issues from product purchase inquiry to user guides.

#### Call Centers Operating all week long(7days) As of February, 2011

Region	Country
North America	U.S., Canada, Mexico
South & Central America	Panama, Venezuela, Argentina, Peru, Chile, Colombia
China	China, Taiwan, Hong Kong
Europe	Greece, Russia, Ukraine, Kazakhstan, Latvia
Asia	Australia, Indonesia, Thailand, Vietnam, Malaysia, Singapore, the Philippines, Japan
Middle East	Turkey, United Arab Emirates



#### SISTERHOOD RELATIONSHIP EVENT BETWEEN KOREA AND OVERSEAS -MIDDLE EAST

LGE carries out various activities to share its service expertise with overseas service centers to improve overseas' service levels. In 2010, LGE established a sisterhood relationship between Korea-Middle East and Korea-Singapore service centers to share our service know-how and increase the service level for overseas customers.

**Service center** • LGE operates 141 service centers in Korea and over 13,000 worldwide. The service network is organized in a systematic and scientific manner, in accordance with the area and population of the regions to maximize its efficiency. To provide a fast and accurate service in line with customer expectations, LGE is further extending the operation of the LG Mobile Service Vehicle, which carries the required tools and components to perform on-site repair services. Our efforts to provide distinguished service centers, customized to each region, are well recognized and appreciated by local customers. The technicians are trained to explain the cause of the problem, the details of the repair, and the necessary preventive measures after repair to keep the customers informed about repair service and therefore increase their satisfaction level.

#### MOBILE REPAIR SERVICE



#### REPAIR SERVICE AND PRODUCT PROMOTION THROUGH MOVING SERVICE BUS



In February 2011, LGE opened a systematized service center in Mali, Africa, for the first time in the global household appliance industry. To cover Africa's wide region, which has a relatively weak service infrastructure, LGE operates a Care & Delight Bus program to offer on-site service to customers. The interior of the bus consists of a repair station where the technicians can repair general household appliances such as mobile phones and TVs, and a waiting room equipped with hi-tech LGE products where customers can rest and experience new technologies while their products are being repaired. The exterior of the bus is used as a billboard to promote LGE's brand and products.

## FUTURE DIRECTION

- Enhance competence through the efficient expansion of service infrastructure
- Improve global service levels through the development and promotion of a differentiated service program
- Increase the consultation and repair service capability