

01

RAISING
CUSTOMER
VALUE



● Based on the principle of creating even greater value for customers, LG Electronics is providing products that consumers want, offering safer products with differentiated services, while also protecting customer information.

CATEGORY	CONSUMER INSIGHT MANAGEMENT	PRODUCT SAFETY	CUSTOMER SATISFACTION/COMMUNICATION/ PRIVACY PROTECTION
2008 Major Achievements	<ul style="list-style-type: none"> Opened a global marketing portal site Integrated consumer insight management into Marketing Division Completed an exclusive office for identifying consumer insights Developed region-specific products (Nigerian TVs, Indian refrigerators, Indonesian A/Cs to fight bird flu) 	<ul style="list-style-type: none"> LGE's CTO a recipient of a 2008 UL (Underwriters Laboratories Inc.) "Leaders in World Safety" award Certified as a Bluetooth Qualification Test Facility Joonho Park, LGE's chief R&D researcher, received a special commendation from Korea's prime minister on World Standards Day (for adoption of advanced safety analysis method) Established a global quality information management system 	<ul style="list-style-type: none"> Promoted Voice of Customers (VOC) system globally Offered region-differentiated services ("Zero Consumer Complaints" campaign in Korea, 211 system in India, 777 service in Australia) Development and use of service center location optimization program
Opportunities and Risk Factors	<ul style="list-style-type: none"> Improve capability to identify consumer insights and reflect them in developing new products Diversified and segmented consumer needs 	<ul style="list-style-type: none"> Increase of new risks with new technologies Opportunity to enhance brand image with safe products 	<ul style="list-style-type: none"> Ensured necessary conditions for systematic management of VOC Raise customer expectations about service Need to improve customer service skill according to development of diverse new products Risks for privacy infringement Increased regulatory risks as regulations get stricter
Future Direction	<ul style="list-style-type: none"> Extend consumer insight activities into Product Planning Division and R&D Division Establish infrastructure for global marketing Come up with marketing roadmap for greener products 	<ul style="list-style-type: none"> Improve product design with safety in mind Improve product quality control process to gain competitive edge 	<ul style="list-style-type: none"> Enhance the role of call centers as hubs of customer communication Establish corporate-wide privacy protection system Take preventive measures against personal information leaks
Related Teams and Divisions	<ul style="list-style-type: none"> GBS IM Team & INI Team, CMO Division 	<ul style="list-style-type: none"> Consumer Cooperation Group at each region Quality Strategy Group, CMO Division Eco Strategy Team, CTO Division 	<ul style="list-style-type: none"> CS Operation Group & CS Strategy Group, CS Management Team, CMO Division Information & Security Group, CSD

Consumer Insight Management

Consumer insight helps identify hidden meanings in consumer feedback, such as discovering latent consumer needs or value that they themselves might not be aware of and applying this information to our products. LG Electronics is making every effort to explore consumer insight and to reflect it in product development and marketing, thereby increasing consumer value.

Identifying Consumer Insights and Raising Consumer Value

Insight marketing only becomes more important during a recession because it helps in the understanding and identification of consumers' hidden desires and needs, while reflecting them in the development of new products. LG Electronics is devoting itself to understanding consumer needs to increase consumer value by developing products that reflect consumer insights, and actively communicating with consumers and to enhancing internal marketing capabilities.

Identifying Consumer Needs through Advanced Consumer Research Tools

Using the very latest methodology, LG Electronics is conducting a thorough observation and carrying out surveys to discover the "hidden needs" of consumers, needs which consumers themselves might not even be aware of or hesitate to express for fear of what others might think.

Two examples of this include neurological research, which is used to study the latent responses of consumers to products or commercials, and measuring the eye movement of potential consumers who are outfitted with special camera-mounted goggles. Both of these test groups are observed and analyzed to help develop optimal products.



Consumer Insight Survey Using Eye Tracker

Establishment of Educational Programs and Infrastructure to Strengthen Marketing Capabilities

Since 2008 LG Electronics has hosted Marketing Managers Capability Building (MMCB) training sessions and Country Marketing Insight (CMI) workshops in every major country where LGE is active, strengthening the capability of marketing personnel. Through these programs, LG Electronics is improving its ability to plan and market new products that reflect the needs of local consumers by sharing best practices, survey methodologies, and Segmentation-Targeting-Positioning (STP) training, all of which help uncover vital consumer insight.

LG Electronics opened a global marketing portal site as an in-house marketing center in July 2008 so that marketing personnel around the world could share and learn from important best practices as well as marketing strategies and activities. LGE will continue to expand the portal and strengthen its function as a Global Insight Hub.



1. Global Marketing Portal
2-3. Marketing Education (China)

A CONSUMER INSIGHT SUCCESS

NIGERIAN TV



Nigerian TV was developed by LG Electronics Africa Logistic FZE (LGEAF) to support the on-screen display (OSD) of the country's three major languages (Ibo, Yoruba, and Hausa). Released in May 2008, Nigerian TV sparked an explosive response from local consumers by improving on previous TVs, which until then had only supported English text. Other features, such as the CRT TV rotating stand (especially useful for larger families) and higher volume range for loud surroundings, were also included to reflect the unique conditions of the local environment based on newly identified consumer insights. LG Electronics has positioned itself as the runaway market leader in Nigeria—over 50% of market share in big ticket items such as air conditioners, refrigerators, and TVs—thanks to active marketing efforts that truly reflect consumer insights.

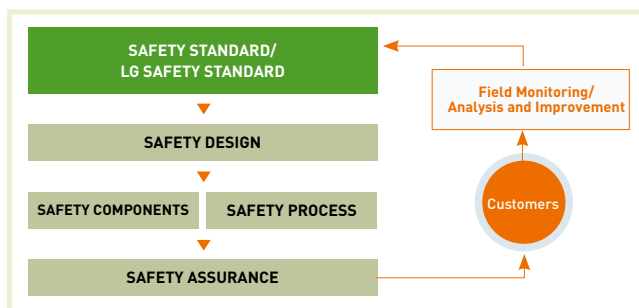
Product Safety

LG Electronics places the utmost priority on consumer safety. From the design stage to a product's usage and disposal, LGE continuously looks for ways in which to improve product safety to prevent any risk to a consumer's health or property caused by a faulty product. In addition, it is continuing to improve process management and quality so that consumers can feel more safe with product made by LG Electronics.

Developing the Safest Products

We approach product safety from three angles: design defects, production defects, and warning labels. LG Electronics pays close attention to internal processes for the development of safe products. This is aimed at protecting consumer rights in accordance with product liability laws.

[SAFE PRODUCT DEVELOPMENT PROCESS]



First, LG Electronics views international safety standards as the absolute minimum requirement to ensure consumer safety, abiding by even more stringent internal safety standards that take into account the user's environment.

Second, a study of the user environment is conducted prior to product development, while breakdown mode analysis tools are used to predict potential safety problems such as fires, electric shock, injuries and explosions so that safety measures can be aptly reflected in the product design. In addition, LGE considers possible safety issues after a product is delivered to the consumer, from installation and usage to maintenance/repair and disposal. Safety measures are then drawn up depending on scenarios of possible product misuse by the user.

Third, field data and breakdown mode analysis are used to select components that may affect product safety. LG Electronics then keeps a close watch over the development and production of the selected components.

Fourth, production processes that may lead to problems are analyzed and identified. LGE pays extra special attention to such processes, holding regular training on precautionary measures and safety checklists.

Fifth, safety check standards are in place for every product. LGE also conducts safety checks at every major stage of the development process. If and when a flaw is detected, LG Electronics checks for the possibility of

the same problem arising in a corresponding model as well as for other similar models before carrying out prompt corrective measures. LG Electronics' product safety assurance efforts are comprehensive, spanning from the inspection of the printed circuit board (PCB) to the various components and wiring in a product to the warning labels affixed on products and instruction manuals. For rigorous control over product safety, LGE also conducts testing under both general and unusual testing conditions that may arise when a product is used by a consumer. In doing so, every possible scenario that could lead to a fire is pored over inside a testing lab. To that end LGE maintains a host of various facilities, including a moisture resistance lab and a fire analysis lab.

Electromagnetic Environment

More and more, products become ever-more sophisticated using GHz broadband, there are growing concerns among consumer groups about the electromagnetic interference (EMI) of high-performance products, especially those using GHz broadband. Some time in the future, EMI regulations will have to be standardized internationally and applied forcefully, which is something that LG Electronics is already preparing for.

EMI sites that can conduct GHz broadband EMI tests are required to satisfy 6 dB or less of Site VSWR (Voltage Standing Wave Ratio), but the current technology of verifying the validity of EMI sites was not able to meet the standard. That is why LG Electronics developed the Site VSWR Validation Technology for GHz broadband, allowing it to lay the groundwork for conducting GHz broadband EMI tests and obtain the absorber optimization technology necessary to implement EMI Sites. This technology is supported at EMI sites at every LGE company.

Furthermore, with quality control systems, special facilities, and trained personnel to verify EMC suitability, LGE provides technical support for the standardization and analysis of prior standards with its new products.



1. EMI Test
2. Battery Tester

Increasing Product Safety

● CAMPAIGN LAUNCHED FOR THE SAFE USE OF DRUM WASHERS

LG Electronics carried out a safety campaign for drum washing machine users in October 2008, handing out free safety devices and stickers for children. The aim of the campaign was to prevent any possible child-related accidents in households that had kids. The safety device was designed to keep the door of the washers from shutting when not in use. Through this campaign, more than 40,000 safety devices have been distributed to consumers. LG Electronics will continue to develop safer and more convenient products as it makes sure it raises awareness about the safe use of its drum washers.



● NOTEBOOK BATTERY CHECKUP

In early 2008, there was an unfortunate accident involving our Z-series notebook battery, so inspections were conducted by outside specialized institutions, the Korea Electrotechnology Research Institute and Inter-tek. After reconstruction experiments, the cause of the accident was determined to be more about environmental factors than any mechanical flaws. Still, LGE conducted free checkups and replacements of notebook batteries to prevent the same accident from happening again. A total of 29,000 Z-series units which had been sold from January to December of 2007 are eligible for a free checkup and replacement, with 53.3% of them having been replaced through this service up until now.

Improving Product Quality

To guarantee product quality that meet consumers' expectation, LG Electronics operates step-by step quality control system from product development to manufacturing and service.

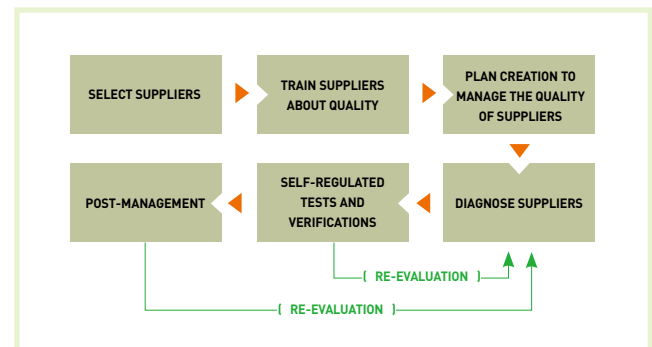
● QUALITY INFORMATION MANAGEMENT SYSTEM

LG Electronics operates a quality information system to collect, analyze and process information about product standards around the world, giving it the ability to make use of diverse quality information both inside and outside the corporation, which ultimately improves quality and allows LGE to manage product quality in a more systematic way. Through this system, LG Electronics gathers and analyzes information about quality loss cost data and field data inside and outside the corporation. In addition, a global quality monitoring system was put in place in 2008 to detect and provide early warning about any potential quality problems so that swift measures could be taken to correct them.

● SUPPLIERS' SELF-REGULATED TEST AND CERTIFICATION SYSTEM

LG Electronics runs a self-regulated test and certification system for its suppliers to innovate the quality of their parts. Under this system, suppliers evaluate their own products to assure their quality, while parts from suppliers that meet LGE's standards do not need to go through any other tests. This initiative has not only helped raise awareness among suppliers about quality control, but has also strengthened their competitiveness. At the same time, it has raised the level of competitiveness for every LG Electronics product even more.

[SUPPLIERS' SELF-REGULATED TEST AND CERTIFICATION PROCESS]



● GQA [GREAT QUALITY AWARD] SYSTEM

LG Electronics' Great Quality Award (GQA) system is a proprietary quality control system that is operated by company basis. Through this GQA system, which was implemented in 1997, relevant business unit and manufacturing & production subsidiaries are monitored and checked for their quality management results and quality assurance systems on an annual basis, with awards being handed out to those business units and subsidiaries with excellent records. This system helped to raise awareness about quality control and improve capabilities to manage quality, with systematic guidance and system optimization being offered for unsatisfactory sectors not meeting these rigid standards.

CTO, 2008 UL LEADER IN WORLD SAFETY



Last December, President and Chief Technology Officer (CTO) Woo Hyun Paik was recognized as 2008's "Leader in World Safety" by one of the most prestigious safety standard agencies in North

America, Underwriters Laboratories (UL). LG Electronics continues to spearhead consumer protection efforts by promoting product safety.

Customer Satisfaction

Through an analysis of customer expectations as they relate to service, LG Electronics is always keeping up with which service items customers want most, as it continues to provide the best service possible.

Providing Top Customer Responsiveness through LGE's Service Department

After LG Electronics adopted a "Moment of Truth" (MOT) management system in 2007 to thoroughly analyze every aspect of the customer experience with LG brands from a customer's point of view, LGE sought to provide the highest customer satisfaction anytime, anywhere. Today, LG Electronics is continuing its efforts to improve the quality of service by segmenting the process which customers can go through, as well as developing an optimized service program for each step of the customer service process.

We will conduct a host of activities to provide customers with even more than they expect through continuous innovation of our services, both in terms of quality and scope.

Taking Customers' Past Experiences into Account

Under the motto of Consumer Experience Innovator, LG Electronics keeps bettering its range of services and level of expertise. Today, LGE is expanding its range of services by optimizing every consumer touch point beyond the simple customer complaint management carried out in the past. By improving the distinguished elements that LGE explores and subsequently offers customers as brand building drivers, its service expertise is improving to the point that it is going beyond securing the efficiency of service operations.

● CALL CENTERS

LG Electronics operates 36 call centers around the world which all focus on listening carefully to customers about an array of topics, from how to use LGE products to any suggestions customers might have in dealing with complaints. LG Electronics never stops trying to improve the quality of its call center service.

A case in point is First Call Resolution, which allows customers to resolve a problem they have on their first call. The aim of this program is to deal with a customer inconvenience in the fastest, most effective way possible. At present, First Call Resolution is employed at all of LGE's call centers worldwide.

There is also a push going on at LG Electronics to increase customer satisfaction through the efficient control of the number of agents on hand at any given time based on an accurate estimate of how many customer service calls there will be. While expert agents can guide customers on the phone so that they can easily take care of simple problems

on their own, LGE's remote repair system lets them receive helpful services for digital products without requiring a visit from a service engineer.



SURVEY PROCLAIMS LG ELECTRONICS' CALL CENTER SERVICE TOPS IN CHINA

The LG Electronics Chinese Call Center topped a list of home appliance makers in a quality survey conducted by China's CIC (Consumers Information Center), which carried out the survey on major companies operating in China in the fields of home appliances, communication, and computers.

According to the survey, conducted on March 15, World Consumer Rights Day, QQ.COM, the biggest portal site in China, ranked LG Electronics No. 1, with high scores in every field including agent response, speed, and problem-solving capabilities. Four Chinese companies, including Media and Glanz, followed LGE to round out the top five companies on the list.

● SERVICE CENTERS

LG Electronics tracks the rate of "one-visit resolutions" to resolve customer complaints as quickly as possible. This is based on an analysis of customer needs, whereby customer satisfaction is maximized when a service engineer makes just one visit to accurately diagnose and fix a problem. To ensure the smooth operation of this system, LG Electronics has 124 domestic service centers and 13,000 overseas service centers, and is in the midst of establishing an integrated service network through continuous optimization.



To complement the limitations of overseas markets, which, unlike Korea, are mostly run as multi-brand service centers, LG Electronics is also focusing its efforts on enhancing customer satisfaction by expanding LG Direct Mobile Service to 250 vehicles, which it did in 2008. With this service, engineers can visit customers instead of having customers go to a service center.



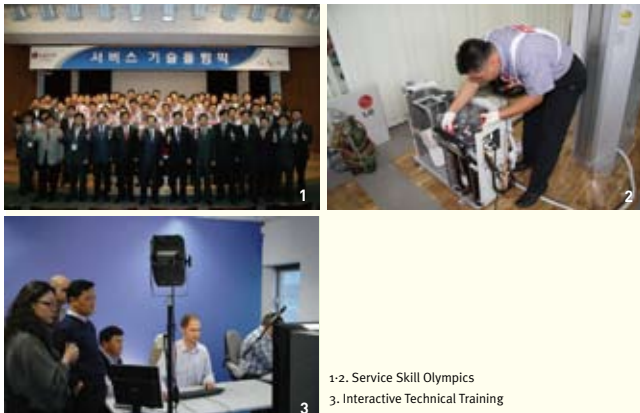
LG Direct Mobile Service Vehicle

● SERVICE ENGINEERS

LG Electronics believes that accurate feedback about maintenance work, as well as results after providing customer service, lead to increased customer satisfaction and product value. This has also led to LGE providing thorough tech training for service engineers.

Building on this, LG Electronics set up a system to share educational materials with service engineers around the world, and is strengthening specialized training programs by running an educational website and conducting online interactive training sessions where instructors and service engineers can interact.

In addition, LGE continues to provide three pieces of key information when offering service: what part(s) was fixed, the cause of the failure/problem, and how to prevent the same problem(s) from recurring in the future.



1-2. Service Skill Olympics
3. Interactive Technical Training

HELPING ELIMINATE WASTED STANDBY POWER IN HOME ELECTRONICS

HOME ENERGY DOCTOR SERVICE

Electronic equipment consumes standby electricity when it remains plugged in whether in use or not. This wasted standby power can add up to as much as 11% of one's monthly electricity bill. LGE's Home Energy Doctor Service teaches consumers methods on how best to save energy at home.

In 2008, LG Electronics entrusted service engineers as "Home Energy Doctors." Since then they have been at the forefront of efforts to save standby energy along with the Korea Energy Management Corporation (KEMCO). Their main activities include promoting 32 methods to save energy in 13 kinds of home electronics and distributing brochures. These energy-saving measures are easy to put into practice in everyday life. Three examples include regularly cleaning air conditioner filters, decreasing the brightness of your TV screen by 30 percent, and adjusting the suction power of your vacuum cleaner depending on how dirty a room is.

INTERVIEW

JONG-SOO LEE, ENGINEER,
7TH SERVICE SKILL OLYMPICS
GRAND PRIZE WINNER



I always think positively, and never give up until I find a solution to the problem and can complete the repair. This habit gave me today's honor, I believe. As I have done so far, I will continue to work together with my colleagues, give them technical support, and grow together.

* The Service Skill Olympics, which marked its 7th anniversary in 2008, are an annual event that brings together LGE's top 33 service engineers to compete in fixing electronic products in just 90 minutes.



Communication with Customers

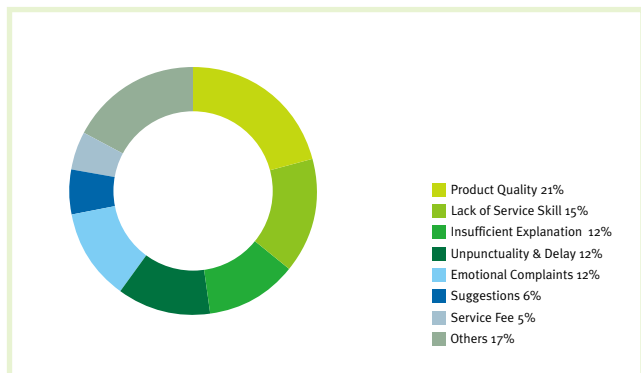
LG Electronics has a variety of channels to communicate with customers, through which we are able to listen to what they have to say and deliver this to the relevant departments as quickly as possible. As such, LGE can reflect each customer's unique voice to improve our products, marketing, and service.

Voice of Customers (VOC) Management

LG Electronics takes each and every customer opinion seriously, reflecting them all in the work process through its Management for Voice of Customers (VOC) System. The VOC Tag System enables LGE to pay attention to each customer's opinion and to take a case-by-case approach to handling any complaints collected over the phone, through LGE's corporate homepage, or by e-mail. Each one is tagged with a cause for complaint and transferred to the related department, with the entire process being closely monitored at each step of the way. This system is maintained based on a firm belief that every customer complaint should be addressed and resolved.

In addition, LG Electronics employees—from top to bottom—are working together to pay attention to whatever customers have to say, as is clearly illustrated when one sits in on a regular session of listening to customers' opinions and the discussion of solutions that follows at the Management Meeting attended by senior executives.

[TYPES OF CUSTOMER COMPLAINTS AT VOC] Korea / Cases received for the period Mar.-Dec. 2008



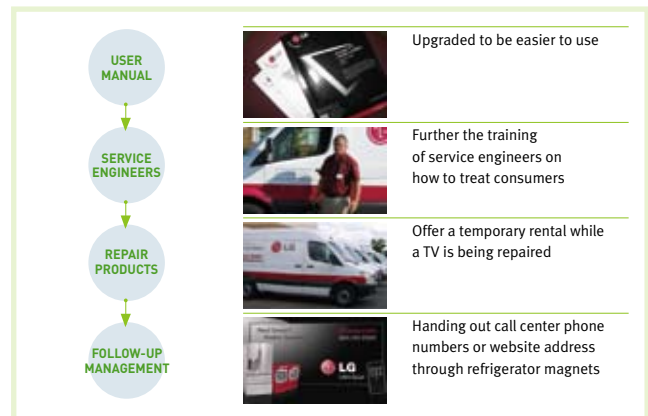
[2008 SUMMARY OF COMMUNICATION AT LGE.COM (GLOBAL)] Unit: Cases, %

TYPE OF COMMUNICATION	NO. OF QUESTIONS	NO. OF RESPONSES	RESPONSE RATE
Media Contacts	143	130	91
Job Training	15	2	13
Recruitment	89	3	3
Press Releases	13	12	92
Sponsorships	56	37	66
Advertising	17	10	59
Mailing Lists	25	15	60
Financial Report	194	81	42
Stock Information	143	83	58
Total	695	373	54

Consumer Satisfaction Surveys

LG Electronics adopted the Net Promoter Score (NPS) and Voice of customers (VOC) systems to ensure a more proactive response to customer needs. This is an improvement on the existing Consumer Satisfaction Index (CSI), which offered respondents answer choices, whereas the (NPS) asks customers a single question that can be rated from 0-10, enabling an in-depth analysis of customer needs. At the same time, LG Electronics has been developing a unique NPS survey package to increase the quality of its surveys and to take a diverse approach to the results of the survey. Through these consistent efforts to strengthen consumer communication, LG Electronics is drawing itself one step closer to its customers.

[APPLYING NPS RESULTS TO IMPROVE SERVICE (USA)]



[2008 SUMMARY OF ONLINE COMMUNICATION (KOREA)] Unit: People, Cases, %

BRANDS	DOMAIN	NO. OF SUBSCRIBERS	NO. OF QUESTIONS	NO. OF ANSWERS	RESPONSE RATE
XCANVAS	http://www.xcanvas.com	2,134	1,791	1,501	84
<small>(Home theater system included)</small>					
XNOTE	http://xnote.co.kr	140,416	16,103	15,958	99
FLATRON	http://flatron.lge.co.kr	344	1,807	1,576	87
TROMM	http://www.tromm.co.kr	2,339	384	375	98
DIOS	http://dios.lge.co.kr	2,398	675	630	93
WHISEN	http://www.whisen.com	2,568	1,107	949	86
DIOS Built-In	http://diosbuiltin.lge.co.kr	503	110	110	100
WHISEN Air Purifier	http://www.whisenac.co.kr	657	170	168	99
CYKING	http://cyking.lge.co.kr	860	169	124	73
B2B	http://b2b.lge.co.kr	4,856	79	54	68
Total		157,075	22,395	21,445	96

Privacy Protection

LG Electronics complies with all relevant laws and regulations concerning privacy to protect the personal information of customers. We also take several preventative measures against the illegal leaking of personal information and improve the reliability of customer privacy protection on an ongoing basis.

LGE's Personal Information Protection Management System

In order to heighten the reliability of our customers' privacy protection, LG Electronics has created principles and policies about privacy protection and established the following management system, which it complies with in a systematic manner.

LGE's Personal Information Protection Management System is divided into the following four areas to minimize compliance risks and to protect personal information more systematically: Management System, Accident Prevention System, IT Security System, and Operating System.

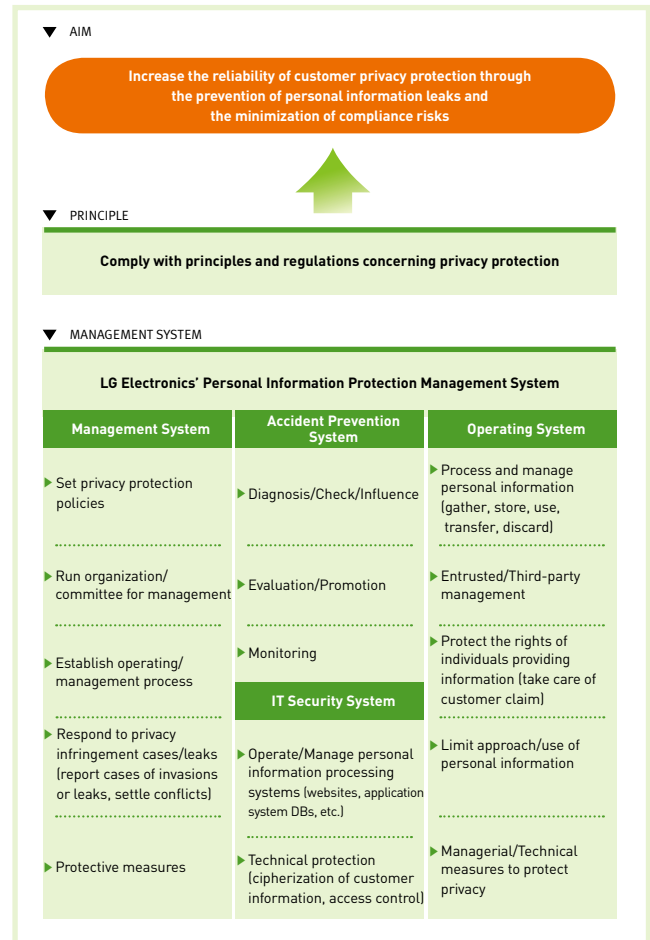
Major Activities

LG Electronics has been focusing its privacy protection efforts on the subscribers of its websites. However, we are well aware of the necessity and importance of privacy protection, which is why we have expanded our efforts to all of the personal information gathered by LG Electronics (including personal information collected offline) and are carrying out protective measures for more systematic and thorough protection.

Moreover, we have established corporate-wide privacy policies, improved our management system, standardized the operation and management process, and built a response system for possible information leaks or privacy invasions. Also, we are taking preventive measures such as offering regular checkups and diagnosis of privacy protection.

At the same time, the security awareness program has been developed to train personnel dealing with personal information and general employees on a regular basis, while a variety of technical measures have been carried out to deal with any potential security loopholes in processing personal information.

[PERSONAL INFORMATION PROTECTION MANAGEMENT SYSTEM]



[LG ELECTRONICS' PRINCIPLES OF PRIVACY PROTECTION]

1) Collection Limitation • Personal information should be collected in a fair and legal way. No one is allowed to collect personal information for any other purpose than those purposes which have been approved in advance so that the company can better provide service to the customer.

2) Data Quality Principle • No more personal information than is absolutely necessary must be collected, and everything possible should be done to keep the information accurate and current.

3) Purpose Specification • Personal information collected should have a specific purpose(s) and should be limited to serve that purpose(s).

4) Use Limitation • Personal data should not be disclosed, made available or otherwise used for purposes except : 'with the consent of the data subject' or 'by the authority of law.'

5) Security Safeguards • Personal information should be provided in a systematic way and with reasonable protection against such risks as illegal approach, destruction, use, modification, or release.

6) Openness • Open policies relating to a customer's personal information protection should be established and the "directions to process personal information" should be created and relayed to the information providers.

7) Individual Participation • Information providers should be guaranteed the right to withdraw their agreement, to require to see/provide/correct, to deny requests to see/correct/delete information, and be given the right to a legal representative about the information they have provided. The company should also respond immediately to the information provider's request with the appropriate measures and publish or inform the information provider of the results.

8) Accountability • The company should take every measure necessary to safeguard the security of personal information, ensuring that the principles and responsibilities of personal information protection are observed.