

# [Lg electronics’ fridges in three markets essay sample](https://assignbuster.com/lg-electronics-fridges-in-three-markets-essay-sample/)

With almost everything now available on the Internet, retailers need to give shoppers a reason to buy their products by customizing it to their local preferences.  It used to be that “ one size fits all” was the norm, with the high success of retail stores like Wal-Mart and Gap which were all identical across the county.  Now, however, most consumers are demanding more individualized selections (O’Connell, B1). The localization strategy of many retailers or companies is becoming powerful way of responding to the consumers’ tastes. Terry Lundgren, a former CEO of the Neiman Marcus Group, said that localization allows their company “ to listen to what the customer says about a local product in a local store.” (O’Connell, B8).

One of the many companies that recognized this potential is LG Electronics, South Korea’s second largest electronics maker and the world’s third largest appliance manufacturer.  The company is currently reaping success globally with their product differentiation across markets.  This paper would delve into three of the company’s localization efforts.

\* \* \*

LG Electronics has seen considerable success in the past twenty years.  For the year 2007 alone, the company realized a 15. 29% improvement in sales, totaling KRW53. 43 billion.  The company was also able to turnaround from a net loss in 2006 to earn a profit of KRW2. 07 billion (LG Earnings Report for 2007, p. 5.)  Its digital appliance division, which handles its refrigerator, washing machines, and air conditioners—among others—and one of its consistently strongest segment, earned KRW11. 80 trillion for the same period. (LG Earnings Report for 2007, p. 62).

LG Electronics introduced distinctive refrigerators in the global market and launched different marketing strategies for each.  Each marketing strategy was tailor-fitted to suit regional and cultural differences.

For instance, in selling its kimchi refrigerators in Korea, LG Electronics specifically designed a refrigerator that would keep kimchi fresh while isolating its odor.  Koreans consume kimchi and rice on a daily basis, in fact, it is no exaggeration to say that kimchi represents Korean food. Koreans usually store kimchi in their refrigerators. Since kimchi is made from fermented cabbage, seasoned with salt and garlic, Koreans usually find that the offensive smell spreads throughout the refrigerator.  Kimchi also spoils rapidly when left outside the refrigerator.  Traditionally Koreans had taken to burying kimchi in underground jars to preserve and ferment it.

To address both problems, LG Electronics introduced the kimchi refrigerator a little over two decades ago.  The kimchi refrigerator features a dedicated compartment for kimchi that isolates its smell from other foods and maintains the same as underground temperature.  Over time, the product became a necessity in Korean homes, inspiring rivals—such as Samsung, Daewoo, and Mando—to offer similar models.   Kimchi refrigerators soon became a fixture in as many as 65% of Korean homes,  making LG Electronics Korea’s top-selling manufacturer (Esfahani, 96).

The success of the kimchi refrigerator spurred LG Electronics to use it as the prototype and model for entering into new global markets.  The company insists on understanding and catering to the characteristics of the target local markets through in-country research, manufacturing, and marketing.  Localization is a key element of LG’s successful global expansion.  This is evident in the statement of Hamad Malik, the company’s marketing director in the Middle East, saying that the company is trying to speak to consumers individually since the days of rolling out one product for a global market are gone (Esfahani, 96).

India. LG Electronics has certainly been successful globally, specifically in India, where the company is now the clear leader in virtually every appliance and electronics category.

The company’s initial research found that India lags behind other countries in terms of infrastructure such as waterworks and electricity, so they needed to have a refrigerator to support big water storage and a reliable condenser. They also considered that there is inadequate water supply in the country, a fact that leads to excessive electrical uses, so they adopted door-lock function to prevent opening fridge door frequently. To meet the needs of the country’s consumers, LG Electronics rolled out refrigerators with large vegetable and water storage compartments, surge-resistant power supplies, and brightly colored finishes that reflect local preferences.

The door-lock feature also prevents servants or housemaids from stealing food stored in the refrigerator, reinforcing the age-old social hierarchy attitudes of the Hindu people. By grasping that people in India love red colors and are big cricket fans, the company started to produce red-finished appliances—including refrigerators.  The company also they officially sponsored the “ Cricket World-cup” as a part of its marketing.

Moreover, “ LG introduced a television for cricket fans that came with a built-in cricket video game”  As a result, the company soon dominated over its competitors in India, with sales that were projected at $1. 8 billion in 2005. (Esfahani, 97).

Saudi Arabia. Their localization strategy helps LG gain traction in emerging markets such as Middle Eastern countries, where other companies have already built on consumers’ brand loyalties.  In Saudi Arabia, LG Electronics announced that Bateel, a gourmet dates producer, endorsed the new LG Primian refrigerator that guarantees date preservation. Like its Korean kimchi counterpart, the Primian refrigerator includes a special compartment for strong dates, a Middle Eastern staple fruit that spoils easily. The Primian is specially designed to keep dates fresh and tasty, and to preserve the taste of other foods at optimal levels. When it was introduced, it was the first convenient home appliance that can store dates for up to six months at minus twenty-five degrees Centigrade. The fridge uses soft freezing technology that can store food at minus seven degrees Centigrade, preserving meat and fish items for up to twenty days. “ We are focused on presenting dates…in a way that appeals to the gourmet lovers of the world,” said Bateel’s General Manager Ata Atmar. “ Our philosophy is to make dates to Arabia what chocolates are to Switzerland and cheese is to France. Quality is paramount in our operation, we need to ensure the freshness and taste of our products. We have tested LG’s Primian refrigerator using our products and can guarantee the fridge preserves dates immaculately.”  (Bateel, online)

LG Electronics has since introduced new refrigerators that reflect cultural elements in several countries, and has thus succeeded as a global brand. In the United States, where most people highly value the utility rather than fancy design, the company produces refrigerators that are made of stainless steel. On the other side of the world, the company introduced a refrigerator that’s taller and thinner than the standard to Russians, who for the most part live in small apartments.  The company is also planning the “ Sabbath” refrigerator that is in relation to the Jewish religious day of rest.

\* \* \*

As John Graham had stated in his book on international marketing, markets are constantly changing, “ they evolve, expand, and contract in response to marketing effort, economic conditions, and other cultural influences (94).”

LG Electronics has risen to this challenge, from Korean kimchi to the Indian Caste system, to cricket games, to Arabian dates.  The company’s continuous efforts to localize its marketing is proving successful and chalks up unprecedented victory around the world.

Local marketing, however, has some weak points. It increases marketing and manufacturing costs by reducing the effects of economies of scale. It also presents several logistics problems as companies try to meet the varied requirements of varied regional and cultural markets. Further, it is more difficult to establish an overall brand image, specially if the product and message vary too much in different areas.

Even with these concerns, the advantages of localization often outweigh the disadvantages because local marketing helps a company to market more efficiently in terms of regional and cultural differences of demographics and lifestyles. In effect, it addresses the needs of its target markets better and more responsively.

Works Cited

1. LG Electronics Earnings Report for the full year 2007 . Financial Statement. Retrieved on 19 May 2008.

“ Bateel backs LG Primian fridge” Online. (2004, October 19) Press Release, Saudi Arabia.

Esfahani, Elizabeth (2005, December). “ Thinking locally, Succeeding Globally ” Business 2. 0 Magazine. pp 96-98

Graham, John L (2007) “ Cultural Dynamics in Assessing Global Markets ” International Marketing 13 th Edition, Chapter 4, pp94

O’Connell, Vanessa (2008, April 21). “ Reversing Field, Macy’s Goes Local ” The Wall Street Journal. Marketplace Section, pp B1 and B8