

Interview: LG Electronics

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United Press International recently caught up with JM Lee, president of LG Electronics USA Inc.'s Consumer Electronics Brand Division, to get some insight into what makes the \$45 billion LG Electronics tick. This question-and-answer session covers everything from LG's brand identity to some of its recent hardware decisions. One of those decisions announced in this interview is that LG is not going to enter the MP3 player market at this time.

Q. As president of LG Electronics USA, tell us a little about what it is you do?

A. I am responsible for leading the fast-growing LG Electronics consumer electronics brand business in the United States. That encompasses sales, marketing, administration and product management, including digital HDTV, plasma and LCD screens; digital audio-video

products and information technology products for consumer and commercial markets in the United States.

Q. What do you think the LG brand means to people?

A. Our research shows that the LG brand perception among U.S. consumers is young, cheerful and innovative: a premium brand on premium products. In less than 2-1/2 years since launching LG-branded consumer electronics products in the United States, LG's brand awareness has grown significantly to 65 percent, aided by marketing synergies with other fast-growing LG divisions including mobile phones and home appliances. All of our products are promoted under the common marketing umbrella "Life's Good," which is more than a marketing slogan; it embodies everything we do in bringing life's good things to consumers.

Q. LG has really stiff competition. What are you doing to distinguish yourselves in this very crowded market?

A. Positioning LG as a premium brand starts with our technological and product leadership. Unique industry-leading products, such as the first plasma and LCD HDTVs with build-in DVRs (digital video recorders), capitalize on LG's global leadership in flat-panel displays, HDTV receivers and optical storage devices.

LG is the world's largest producer of flat-panel displays, when you look at our LG's own plasma plants and the LG-Philips LCD factories combined. This means we can leverage our manufacturing expertise and efficiency by creating new, innovative products that have outstanding performance. In today's fast moving marketplace, the ability to quickly address market needs is also a great advantage we have.

Additionally, cosmetic product design has become a critical success

factor in today's market. The new generation of flat-panel TVs is a perfect example. These sets are often mounted on walls where they become part of the décor, which means the TV needs to look beautiful, even when turned off. In this area, LG is second to none. Our world-class design center has been at the forefront of product design for a number of years.

Finally, a key to our success in the U.S. market is to join forces with retail partners who share our vision of driving the digital transition and commitment to premium brand positioning.

Q. Specialized branded retail stores seem to be the new "in thing." Will LG go this route anytime soon?

A. Our retail strategy in the United States is built on loyal relationships with key dealers who focus on demonstrating the value-added features and technologies that LG brings to market. At this stage, we don't really see stand-alone brand-specific retail outlets as a major factor in the marketplace.

Q. Do you think LG has stretched itself too thin, and that it's hard to be a leader in one category, when you have product in so many different ones?

A. To the contrary, LG is focused like a laser on our core technology areas, primarily plasma and liquid crystal flat-panel HDTVs. We have been de-emphasizing rear-projection and CRT categories to devote more and more resources to leading the flat-panel arena, which is the fastest-growing segment of the consumer-electronics business today. As one of only a handful of companies worldwide with the in-house capabilities to develop and produce flat-panel modules or panels, LG is well-positioned to establish ourselves as a top-tier player in the U.S. market.

Over the past two years LG has received numerous awards for product design and innovation for virtually all categories we compete in, from categories as diverse as plasma TVs, DVRs, home theater systems and MP3 products, just to name a few, further emphasizing our ability to compete effectively in a wide variety of product categories with high-quality and innovative offerings.

Q. LG has its fingers in everything. How do you decide which hardware product categories to enter?

A. Indeed, as a \$45 billion global corporation, LG has a broad product portfolio and technology base to draw upon. This strong base of technological expertise allows us to address almost any emerging product category, not only with hardware, but also to help lead the way in digital convergence. As the technology becomes more complex, it's even more important for us to design devices that are easy to use and that work well together. Our approach to the U.S. market is straight-forward: identify our customer's needs and desires, exploit our technology leadership to meet those needs and work to exceed customer expectations in everything we do.

Q. There's been a recent controversy with the recent announcement that DRM (Digital Rights Management) protections in the upcoming HD-DVD/Blu-Ray wars will prevent the format from working on current generation PCs, even the newer high-end models that are being released over the next few months. What is LG's stance on this issue?

A. Our efforts are concentrated on stand-alone players, so this specific question should probably be directed to PC makers instead. Regarding DRM generally, this is an important area that will assure broad availability of high-value content on a wide range of devices in the digital world. I am proud of our leadership in the U.S. For example: pioneering the industry-standard DRM system for the hotel pay-per-view

industry and our role on the board of directors of the Home Recording Rights Coalition.

Q. Which next-gen DVD format will you support, and why?

A. LG has been a long-time supporter of Blu-Ray. Recognizing the current market dynamics for high-definition optical storage devices, we also have been working on HD-DVD technology. As the world's leader in optical drive technology, LG is in a unique position to be a key device supplier for both technologies.

Q. What do you think Blu-Ray and HD-DVD backers have to do to make each format successful?

A. Both can co-exist in the market for some time. The winner will be chosen by consumers and to an extent by Hollywood. Software availability, that is the number of titles available, will ultimately drive the market.

Q. Everyone seems to be interested in building more and more all-in-one devices, like HDTVs with built in DVRs, DVD players and Internet connectivity, portable media centers that can do everything possible, etc. ... Is it an impossible goal to have a single device that does everything and does it well?

A. Because of our broad technology base, LG Electronics is well-positioned to drive the convergence market, whether it's a mobile phone for streaming video, a high-end refrigerator with an LCD TV in the door, or combination plasma screens and DVRs. The single device that does it all is possible, but may not actually be feasible for the average consumer in the foreseeable future. On the other hand, we envision a series of flexible, intuitive devices that combine functionality and bring more convenience and enjoyment.

Q. What can you tell us about your new MP3 players and portable media center?

A. We decided to hold off on introducing these as we explore further product refinements. No timetable has been announced.

Q. What do you think the top two or three product categories will be this year?

A. Digital television, especially its highest form, HDTV, is growing rapidly. The transition to digital is well under way, and LG has been ahead of the competition with all-digital TV products. Flat-panel HDTVs will drive the market, and LG is in a strong position in both plasma and LCD to participate fully in this revolution, which is the most significant change in the TV business since the advent of color TV four decades ago. Consumers have a great appetite for HD content in all forms. This means the long-awaited introduction of Blu-Ray players will make it another key category for 2006, with recordable units available in the near future.

Q. Where do you see the consumer-electronics industry and LG in the next few years?

A. The industry is in the midst of a major transformation. By March 2007 all TVs will have digital tuners. By April 2009 all TV broadcasts will be digital. These milestones mark the beginning of a new era in the television business, bringing the benefits of digital technology, particularly the excitement of HDTV, to consumers at all income levels. LG's goal is to be a top-tier player in the U.S. consumer-electronics business, building on our technology and product leadership and continuing to nurture our excellent retailer relationships to bring the most advanced, easiest-to-use consumer-electronics products to U.S. consumers.

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