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A model of global marketing in LG Electronics:

An empirical research

21st June 2007

***Presented by
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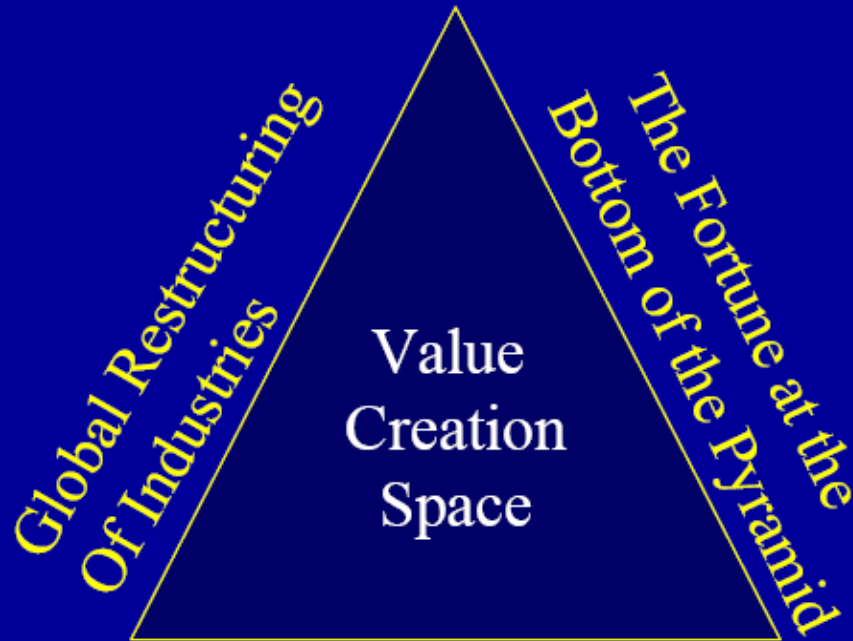
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Drivers of Innovation and Growth:



The Future of Competition:
Co Creation of Value

Three major market forces today MNCs should understand

- ① Globalization (outsourcing)
- ② The Fortune at the Bottom of the Pyramid
- ③ The Future of Competition (the co-creation of value)

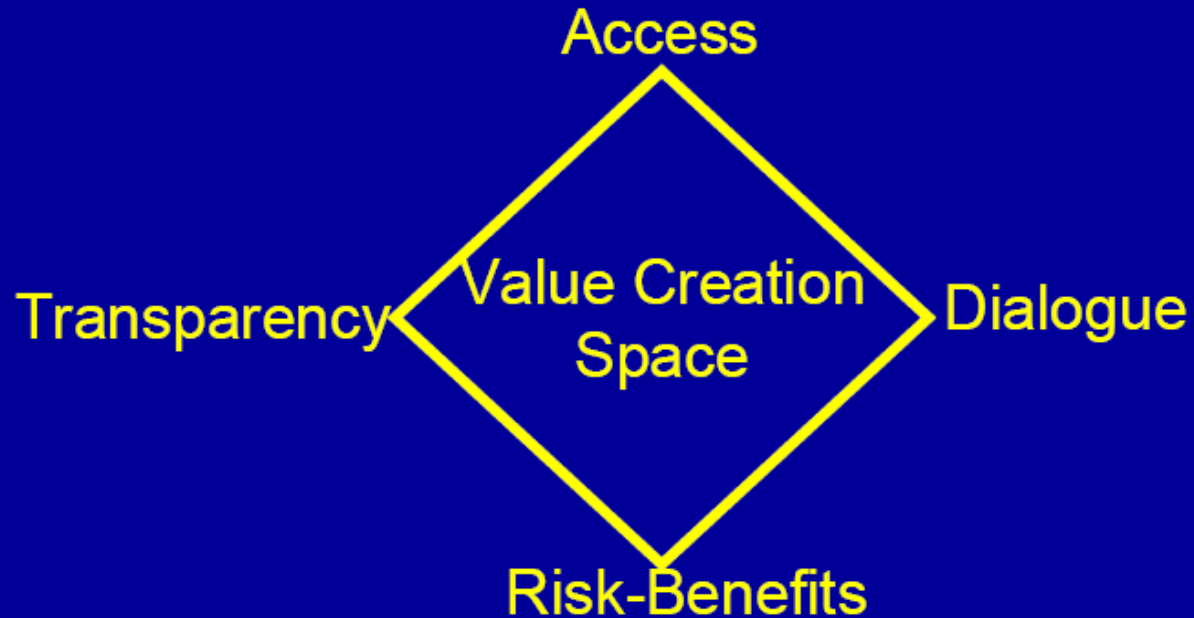
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Global marketing model and value co-creation

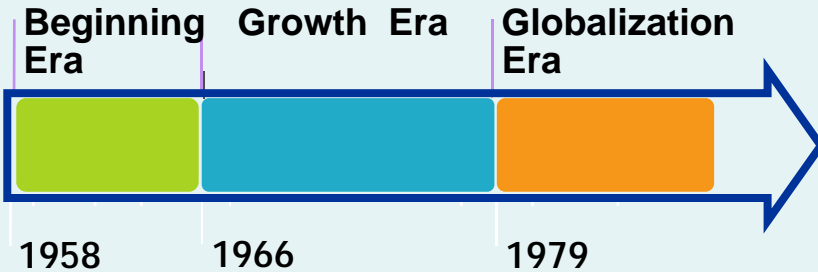
Dialog implies interactivity, deep engagement, and the ability and willingness to act on customer and the firm.

Marketing environment and **structure** creates a forum where dialogue among firm and consumers, and networks of firms can take place.

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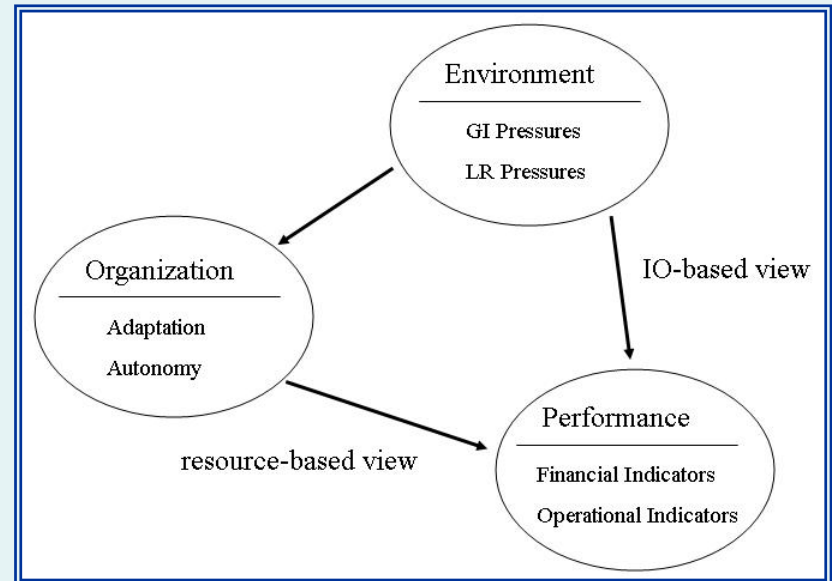
LG Electronics



- 1 1958: Founded as Lucky Goldstar
- 2 1968: First overseas branch office (New York) established
- 3 1978: First in the electronics industry to reach export of \$100 million
 - Sales subsidiary in US established
- 4 1981: Korea's first overseas production subsidiary in US established
- 5 Now: 77 subsidiaries worldwide and 75% sales revenue is from export

Research Issue

- Identify the model of global marketing that explains the important determinants on LG Electronics performance

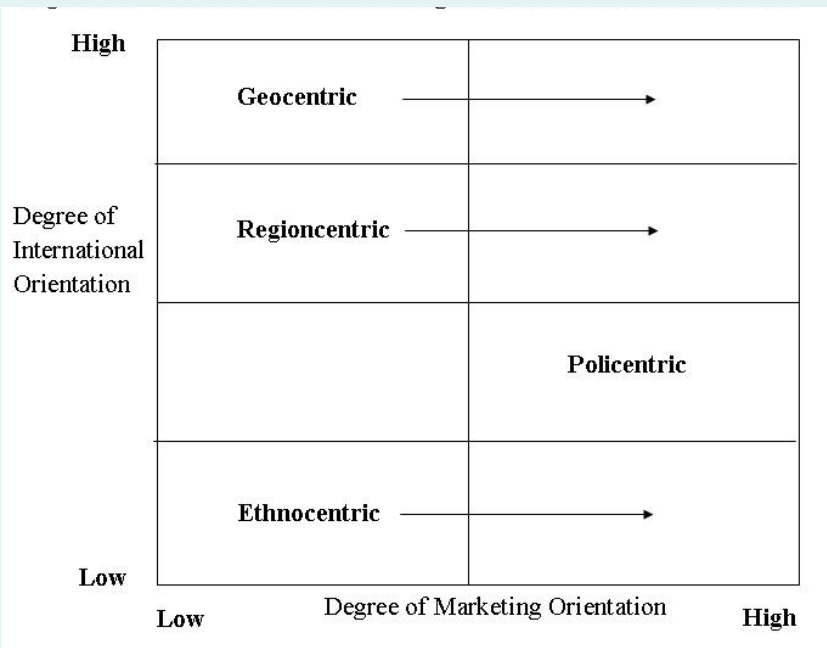


- Focus area in the research is global marketing environment and global marketing organization components

Theories for global strategy

Perlmutter (1969) introduced the EPRG framework and Prahalad and Doz (1987) published the integration-responsiveness (IR) framework

EPRG Framework

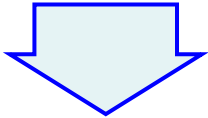


IR Framework



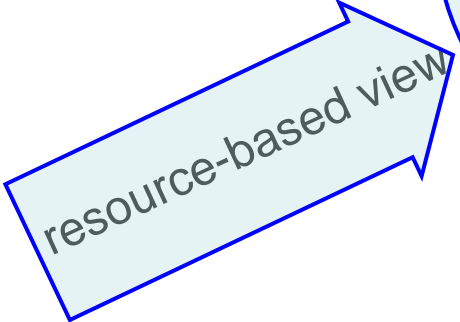
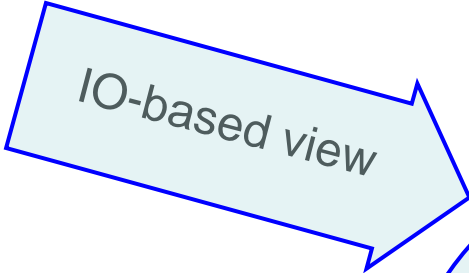
International Marketing Environment

- Constructs: GI Pressures
LR Pressures
- Papers: Prahalad and Doz (1987) IR framework



International Marketing Organization

- Constructs: Adaptation (strategy)
Autonomy (structure)
- Papers: Chandler (1962), Jain (1989), Egelhoff (1988), Andrews (1987), Hedlund (1981).etc...



International Marketing Outcome

- Constructs: Financial Indicators
Operational Indicators
- Papers: Venkatraman & Ramanujam (1986).etc...

Hypothesis 1: Higher level of adaptation in marketing strategy leads to higher performance of LG Electronics' subsidiary

Hypothesis 2: Higher degree of autonomy in marketing decision leads to higher performance of LG Electronics' subsidiary

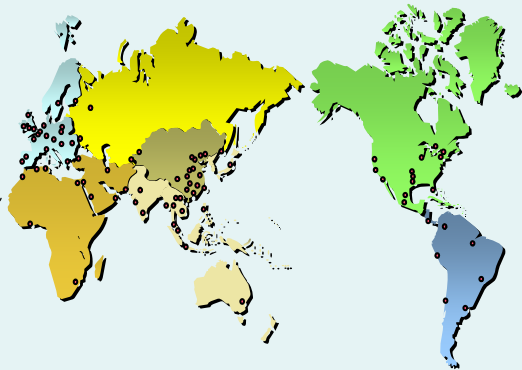
Hypothesis 3: The more global integration, the better the performance in LG Electronics' subsidiary

Hypothesis 4: Local responsiveness pressures have an impact on the performance of LG Electronics' subsidiary in local market

Hypothesis 5: Environment component represented by GI and LR pressures has an impact on Organization component represented by Adaptation in marketing strategy and Autonomy in marketing decision

Sample Selection

- Include all 77 subsidiaries worldwide



- Target respondents: subsidiaries or business unit sales and/or marketing managers

Questionnaires

Content:

- 87 main survey items using 7-point scales
- 2 demographic questions (location, product)
- 1 box for comments



Four (4) Pretests:

- 1st : with Prof. Mayhew
- 2nd : IUJ & REIMS
- 3rd : LG members
- 4th : online test

Data Collection

Published online:

<http://november.sh.cvut.cz/hung/>

Method:

- Email request

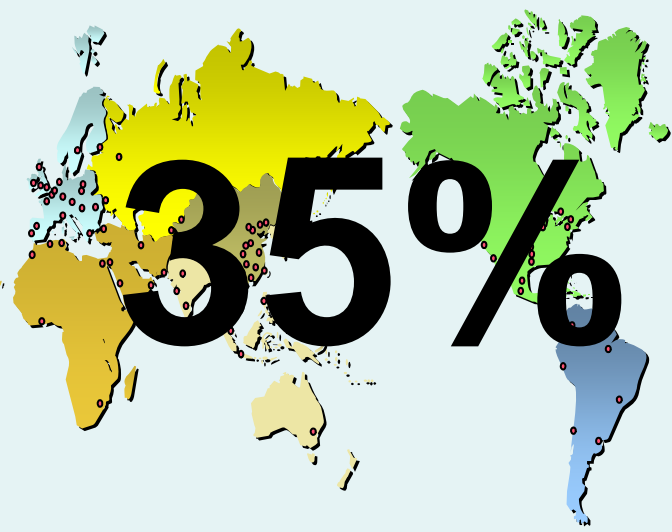
Source of contact:

- Personal relation
- Internal communication system LGeNet

Two (2) reminders:

- 1st : after one week
- 2nd : after three week

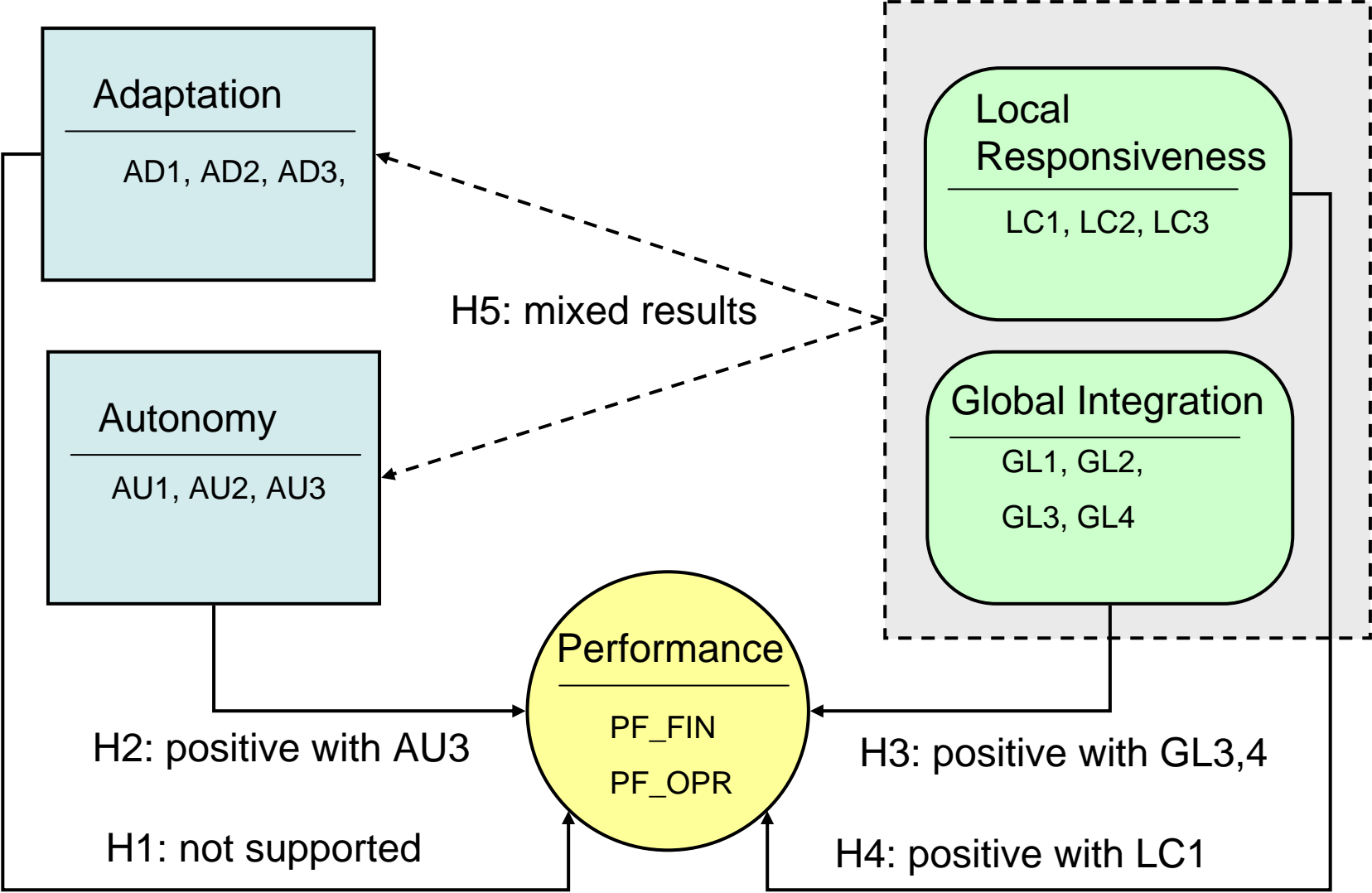
Respondent Analysis



No.	Country	No.ofRespond	No.	Country	No.ofRespond
1	Argentina	2	15	Kazakhstan	2
2	Austria	1	16	Mexico	4
3	Azerbaijan	1	17	Malaysia	1
4	Bulgaria	2	18	Nigeria	1
5	Brazil	3	19	Netherlands	2
6	Canada	3	20	Romania	1
7	Germany	3	21	Singapore	1
8	Spain	3	22	Slovenia	1
9	France	1	23	Thailand	1
10	Great Britain	4	24	Ukraine	1
11	Hungary	3	25	US	8
12	Indonesia	1	26	Vietnam	3
13	India	5	27	Africa	5
14	Italia	4	28	(blank)	3

Data Analysis Process





Managerial Implication 1

Autonomy in decision making about product at subsidiary level has positive impact on performance

- managers in subsidiary who understand the market can decide to develop, promote products which are better fulfilling market's needs, demands and requirements.

- LG should encourage and provide greater autonomy, especially in market with strong local tastes, preferences and market with big business potential
- Implementing in subsidiaries => enhance competitiveness in each market worldwide => better performance of LG Electronics overall

Managerial Implication 2

Scope of sharing at global level in the company for advertising funds, R&D and production facilities, distribution channels and sales force has significant positive impact on performance

- The same finding is for scope of in-house activities in in production & purchasing

- LG should enhance collaboration between subsidiaries
- Train member in headquarters and managers in subsidiaries about global perspective and benefits

5. Limitation & Future Research

Limitation

- ① Scope of study
 - Based mainly on industrial organization theory and resource-based view
 - Concentrate on environment, organization components
- ② Indicators to assess performance
 - Limited to financial indicators and operational indicators only
 - Not include efficiency indicators in assess performance
- ③ Assume linear relationship between components and constructs
 - Might ignore some explanation

Future Research

- Extend to be an empirical study for all MNC worldwide (or region, country)
- Extend the model or increase the depth in each components, constructs
- Asset in other aspect of process (e.g: how to set up autonomy, adaptation)
- Include efficiency indicators in assess performance
- More advanced methodology (e.g: structural equation modeling)



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Thanks