

How do Korean Companies Manage Customer Relationship with Indian Customers?

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Abstract

The study was designed to find out the levels of customer satisfaction of Korean companies. Data was collected from a sample size of 100 users each of LG and Samsung products from Mumbai, a large Indian metropolitan city. The results show that a gap develops between the two when it comes to ease of use by customers. In overall service provided LG definitely scores over Samsung. 76% of LG's existing customers and 66% of Samsung's existing customers would like to buy the products of these companies in the future. The managers of Korean Companies should concentrate on improving on buying behaviour, demonstration provision, delivery of product, follow up of calls and service camps. The major contribution of the study is to strengthen the customer relationship management and their operations in India by Korean companies.

Keywords: customer satisfaction score, Samsung, LG

INTRODUCTION

The rupee 200,000-Million Indian consumer durables industry, of which the white good segment is the biggest, can be broadly

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classified into three segments — television, refrigerators/air conditioners and washing machines. The Indian television industry is estimated to have a size of Rs 96,000 Million, with the color television (CTV) segment accounting for Rs 91,000 Million and black and white (B&W) television segment at Rs 5,000 million. After CTVs, refrigerators constitute the second-largest product segment within the industry with an annual turnover of Rs 39,000 Million. The size of the air conditioner segment is Rs 24,000 Million while the total washing machine sales amount to Rs 11,000 Million. There is also a sizeable market for video/audio products apart from home appliance products (Nayanar 2005). The two Korean companies LG and Samsung practically dominate all these categories. Latest estimates suggest that LG has hiked its market-share in refrigerators from nearly 19 per cent in FY02 to 29 per cent in FY05, while Samsung has moved up from 7 per cent to over 11 per cent. Similarly in the washing machine segment, LG's share has moved from up from 24 per cent to 35 per cent whereas Samsung has increased its pie from 12 per cent to 14 per cent (Business standard, 2005). The Koreans came in a blitzkrieg of advertisements, promotion campaigns, offers and discounts and completely took away the markets from Indian manufacturers (Business Standard 2005). The Koreans, unlike other players in the domestic market, have aimed at first generating brand equity and building volumes, and then investing in building capacities and expanding the market share. This approach is evident in both LG's and Samsung's business model in the Indian market (Current Economic Statistics and Review for the week 2005). LG began operations in India as a trading company in 1997, importing products from its Korean parent company. Many other companies such as Nokia are now launching their latest products in India, but the Koreans were the first to adopt that practice (Business World 2003). Ten years ago, nobody could predict the Korean takeover of the Indian market in consumer durable segment (Current Economic Statistics and Review for the week 2005).

LG began operations in India as a trading company in 1997, importing products from its Korean parent company. Initially LG India launched low-priced models across categories like CTVs, refrigerators, ACs, microwave ovens and washing machines. The

company offered Indian consumers, international quality products at affordable rates. LG India, seized market shares from virtually every player in the market — Videocon, Godrej, Whirlpool and BPL. The brand was able to record a quantum leap in market share primarily due to the price factor. Other brands present in the market at that time, like Panasonic, Sony and others offered superior quality too, but at prices that were far from affordable for the consumers.

The Koreans realized that the Indian consumer is value conscious along with being price conscious. They have derived price targets from the local market; they have aimed to be competitive, not necessarily cheap. But within those price objectives they have achieved reliable quality and sought to be a step ahead in product technology. Both LG and Samsung have consistently launched contemporary models — be it fuzzy logic washing machines, flat screen TVs or microwave ovens — in step with their launch globally. Many other companies such as Nokia are now launching the latest products in India, but the Koreans were the first to adopt that practice (Business World 2003).

What makes Korean companies so successful? Is it only due to the quality of products or managing customer's satisfaction? India is a large country with diverse cultural background. Different people could have different expectation & satisfaction level. How Korean companies have managed them in India was not studied earlier.

RESEARCH OBJECTIVES

1. To find the levels of customer satisfaction amongst the Indian consumers of products of Korean companies:
2. To find out the effectiveness of the customer relationship building strategies of Korean companies:

RESEARCH METHODOLOGY

It was conducted in Mumbai — a financial city & representing India due to homogeneity of population as it represents various culture ethnicity of a diversified country like India. It was a

descriptive quantitative research

Sample Plan

100 respondents each were selected on simple random basis. 52% were males compared to 48% females in both the categories to minimise the sampling error. There is gender variation due to population of Mumbai which is more male oriented in decision making. People who were selected were user of LG or Samsung products. They were selected after screening 630 respondents. All respondents were not the users of Korean company's products. It took three months to complete the research.

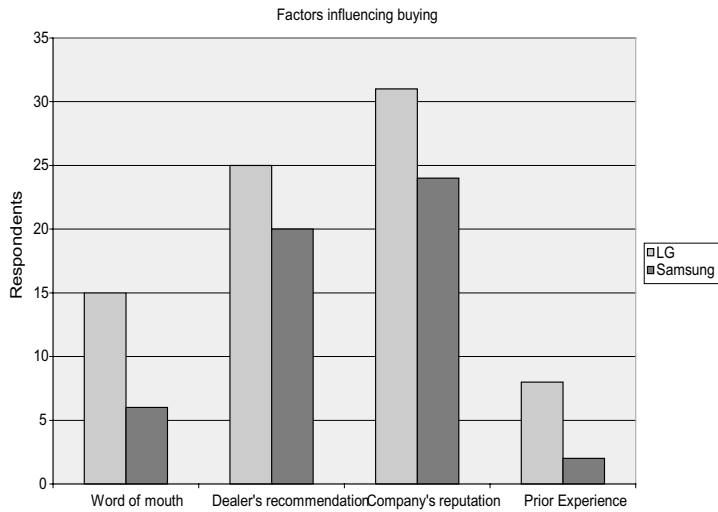
Data Collection Method

Questionnaire using likert scale, semantic differentiates scale for rating & ranking were used. It was personal interviewing of consumer using Korean products with focus on LG & Samsung. Interview was done after taking their appointment. It lasted from 5 minutes to 10 minutes with average of 7 minutes per person. 4 MBA students participated in this study. Telephone was made to thank them after the study was over and also control the interview process.

ANALYSIS & FINDINGS

The first part of the study was to find out what factors influenced India purchase behaviour for Korean brands like LG & Samsung in white goods segment. A factor emerged as strong influencing factors word of mouth, Dealers communication, company's reputation & prior experience. Both LG & Samsung has strong reputation in the Indian market. Due to strong dealer's relationship, they were recommended strongly by dealer to Indian consumer. This is given in Graph table 1

Product demonstration is the first step I influencing the buying behaviour. 67% of purchaser mentioned that they would like to have a demonstration. However, Demonstration of LG & Samsung products were 73% & 67% respectively. This was further probed on company call-up after delivery. It was only



Graph 1. Factors which Influenced Purchasing Behaviour.

32% & 27% respectively for LG & Samsung. This depicts a low post sales service on part of Korean companies. Quality plays an important role. Therefore when repair of white goods on first purchase was made can reflect quality of products. The first repair after three years in ease of LG was 43% compared to 36% of Samsung. There is fairly good reflection of quality standards. This could be one of the successful strategies adopted by Korean companies in penetrating in India Product complaint often could be difficulty of using the product with ease. Therefore the next survey was to find out the ease of product usage. 86% of LG products reported Excellent to good on product usage compared to 62% of Samsung. LG products are more perceived to be users friendly compared to Samsung. However, this point could be important point for their success in view of literacy level of Indian population .However chi square value was 6.635 (at 0.01). Therefore, ease of usage of product is significant in building the brand in India for Korean products as given in table 1

It is an interesting observation as Indian population is not literate and earlier study on product complaint did report that customers are not satisfied as they are not aware of the product usage (Srivastava 2005).

Since the basic aim of the research was to find out the customer relationship of the Korean firms with their Indian

Table 1. Brand & Ease of Usage

a) Ease of product usage

	LG	Samsung
	86	62
	14	38
Total	100	100

b) X2 table

OF	TF	OF-TF	(OF-TF) ²	(OF-TF) ² /TF
86	74	12	144	1.94
62	74	-12	144	1.94
14	26	-12	144	5.33
38	26	12	144	5.33

X² = E = 14.9686X_{th} = 6.635 (0-01)

customers, we have decided to find out the satisfaction levels of the Indian Customers in respect of both LG and Samsung in terms of customer satisfaction Index (CSI). Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

CUSTOMER SATISFACTION INDEX

All throughout our questionnaire we have subjected questions related to the calculation of CSI to 5 probable answers viz Excellent, Good, Fair, Poor and Very Poor. These have been assigned ranking points ranging from 5 (Excellent) to 1 (Very Poor) respectively and the respondent has to provide a unique answer to the questions posed to him by rating it in terms of these ranking points.

This CSI is calculated by multiplying the ranking point (Subject to the answers provided by the respondent) by the number of respondents falling under that ranking point category and then adding up all these products and finally multiplying the sum obtained by the parameter weight age assigned to the

Table 2. Customer Satisfaction Score

Parameter	Parameter weight	LG CSI	Ideal LG CSI	Samsung CSI	Ideal Samsung CSI
Quality of Demo	1	108	135	95	125
Product Quality	6	822	1110	726	990
Ease of use	3	453	555	360	495
Perceived customization	2	266	370	234	330
Quality of After sales service	4	712	960	524	720
Overall service provided	5	685	925	545	825
Overall CSI levels		3046	4055	2484	3485
%		75.11	100	71.31	100

Customer Satisfaction Score-Use of F Test

LG CSI	(X-X) ²	Ideal LG CSI	(Y-Y) ²	Samsung CSI	(X-X) ²	Ideal Samsung CSI	(Y-Y) ²
108	159736.1	135	292500.3	95	101761	125	207554.4
822	98803.35	1110	188501	726	97344	990	167623.4
453	2988.809	555	14600.61	360	2916	495	7324.13
266	58404.39	370	93533.82	234	32400	330	62791.02
712	41750.75	960	80750.88	524	12100	720	19437.45
685	31445.93	925	62084.19	545	17161	825	59740.34
Total= 3046	393129.3	4055	731970.8	2484	263682	3485	524470.8

For LG : H₀ : $\alpha_1^2 = \alpha_2^2$
 H₁ : $\alpha_1^2 \neq \alpha_2^2$

$$\alpha_1^2 = \frac{\sum(x-x)^2}{n_1-1} = \frac{393129.3}{6-1}$$

(for LG CSI)

$$\alpha_2^2 = \frac{\sum(y-y)^2}{n_2-1} = \frac{731970.8}{6-1}$$

= 146394.161
 (for Ideal LG CSI)

$$f = \frac{\alpha_2^2}{\alpha_1^2} = \frac{146394.16}{78625.86} = 1.862$$

For Samsung : H₀ : $\alpha_1^2 = \alpha_2^2$
 H₁ : $\alpha_1^2 \neq \alpha_2^2$

$$\alpha_1^2 = \frac{\sum(x-x)^2}{n_1-1} = \frac{263682}{5} = 52736.4$$

$$\alpha_2^2 = \frac{\sum(y-y)^2}{n_2-1} = \frac{524470.8}{5}$$

= 146394.16

$$f = \frac{\alpha_2^2}{\alpha_1^2} = \frac{104894.16}{52736.4} = 1.989$$

f = 5.0503 (5% level)

respective parameter.

Thus,

$$CSI = \left(\sum_{i=1}^n (\text{Ranking point (i)} * \text{No of respondents}) \right) * \text{Parameter weight age}$$

Where n : The maximum available rating point for the questions

For example, consider the following respondent question and the rating points given to it and also the parameter weight age assigned.

Here the CSI will be calculated based on the above formula as follows:-

$$CSI = \left(\sum_{i=1}^n (\text{Ranking point (i)} * \text{No of respondents}) \right) * \text{Parameter weight age}$$

Thus,

For LG,

$$CSI = ((1 * 0) + (2 * 0) + (3 * 5) + (4 * 24) + (5 * 8)) * 3 = 453$$

For Samsung,

$$CSI = ((1 * 0) + (2 * 0) + (3 * 12) + (4 * 16) + (5 * 4)) * 3 = 360$$

(Here the parameter weight age assigned for Ease of Use is 3).

Ideal CSI is the satisfaction index that could have been achieved had all the respondents given the best possible rating for the particular question.

This Ideal CSI is calculated by multiplying the no of respondents by the maximum rating allotted to the question as well as multiplying the product obtained by the parameter weight age assigned to the respective parameter.

Thus,

$$\text{Ideal CSI} = \text{Total no of respondents} * \text{Max Rating} * \text{Parameter weight age}$$

Thus, For LG, Ideal CSI = $37 * 5 * 3 = 555$, For Samsung, Ideal CSI = $33 * 5 * 3 = 495$ (Here the parameter weight age

assigned for Ease of Use is 3) Customer satisfaction Index is used basically to find out the reason for success of Korean companies. Total customer experience did make Korean companies pole apart from other Indian and Japanese companies. A well studied analysis of Indian behaviour gave. LG & Samsung have an edge over others. Customer is the king has been proved by Korean approach.

These data were subjected to "F Test." Both sets to data reveal that both brands are equally rated by customers in terms of satisfaction. However on quality of after sales service parameters LG is marginally better than Samsung. Their satisfaction level are excellent for both the brands with % score of over 70% Korean companies products are well perceived by Indian customers on five parameters of customer satisfaction scores. No wonder, today Korean companies are dominating the market. Their strategy of high quality at affordable price has given them good market share despite being the late entrant in Indian market.

DISCUSSION

Both the LG & Samsung did their home work before coming to India. Indian customer's perception study gave them insight and their built in communication was based on UCP (Srivastava 2005) rather than USP. Indian consumers are more rationale and price concision. They look for value for money (Prahlad 2005). This could be the main reason for Korean company's success in India as they gave quality product with affordable price. This could be reason for better buying Intension in future for LG & Samsung products as the current study reported as given in Table 3

Despite being relatively late entrants in the Indian consumer durable market, Korean companies have been successful in

Table 3. Buying Intention for LG and Samsung

Buying product in future	Yes	No	Total
LG	76	24	100
Samsung	66	34	100

crating brand equity by providing quality products at affordable price. This could be the main reason for their success following by implementing total customer experience concept.

CONCLUSION

Success of a company is mainly based on satisfied customers. Good brand equity created through total customer experience created a good image among Indian customers. Product demonstration and ease of usage helped Korean company's products to get better mindshare of Indian consumers. Total customer satisfaction index gave excellent rating for Korean companies. Company's involvement with total customer experience could be the key for their success in India.

The overall service provided by these companies is definitely very good and the CSI levels of 75% for and 71% for Samsung just go on to prove this point. These levels are very close to the Dream CSI levels benchmarked for these companies.

The products of these companies in terms of quality are very good and that is the prime criteria for any firm to survive in the market because Quality always comes first for the customers. So then if they could just concentrate more on the services that they offer to their customers to keep their products in workable and excellent conditions then they definitely would be able to hike those CSI levels beyond the 80% mark.

MANAGERIAL IMPLICATIONS FROM FINDINGS

Company's reputation built on campaign played a better role for Korean companies in influencing buyer behaviour. LG & Samsung should not become complacent on this aspect. Dealer's campaign could be taken for improving the ales as their recommendation will help them to improve their market share & provide service to end users where company's engineers could not reach on time. This weal spot can be corrected by Korean companies. There is still scope to achieve ideal in after sales service s both the companies have to improve.

Limitation of the Study and Direction for Future Research

The study was conducted in Mumbai city. However, Mumbai city is representative of India as different classes of people stay in this city. The sample size taken for the survey is only 100 each. Larger sample size from other parts of India could be taken for further research. Non availability of data on Korean companies in Indian Journals as detailed study is not available. Non availability of in-company Data due to confidentiality .More study involving more cities in India and Asia especially SARC countries will add more values.

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