

**TESTIMONY OF JOHN HERRING
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HOME APPLIANCE DIVISION, LG ELECTRONICS**

Good afternoon, my name is John Herring, and I am Vice President of Sales for the Home Improvement Channel, Home Appliance Division, at LG Electronics. I've been with LG Electronics 9 ½ years and actually began my career at Maytag where I spent over 12 years. Collectively, I have over 21 years in the appliance industry so I'm pretty familiar with the washing machine industry.

I'd also like to introduce my colleagues, John Toohey who is our Director of Strategy, and Andrew Kim, our Product Manager for the washing machine division.

Our team is here to discuss the important market facts relative to the US washer market so the ITC has the necessary information for this petition. Some of you may recall, I was here in 2012 for a similar case - so you may be familiar with some of the information previously presented.

Let's start with market fact #1 – washers are not a commodity product. The consumer's choice among brands, designs, features and innovations has never been greater. In fact, there are a variety of washer configurations offered from up to ten brands ranging in price from \$300 to over \$1500. If all washers were created equal, there wouldn't be so many options across such a broad spectrum of price

points available to US consumers today. According to Traqline, the industry average price for a washer in 2015 is just \$568. Yet, over 74% of LG's washer sales during the same period are over \$600. Clearly, LG is a leader is driving higher average prices in the US market place.

Let's look more in depth in how LG is able to accomplish higher average selling prices in such a competitive environment. Market fact #2 – product innovation is critical to driving consumer demand and higher retail prices. LG has a rich history and is known for bringing innovation to US consumers. I'd like to call your attention to the slide titled "Washer Innovation: Product and Design". This first slide outlines the numerous innovations LG has brought to the US washer market since 2003. In 2006, LG revolutionized the US washer market by bringing innovative steam technology to the market with a bold new design in the "Wild Cherry Red" color. This demonstrated to the industry that both design and color were important to US consumers and were willing to pay a premium as we launched this product at \$1399 and it was a huge success creating backorders at the factory well into 2007. The slide also shows the innovations that Whirlpool seemingly acknowledged were important to US consumers as well by emulating these and adding them at a later date. I'd like to move on and briefly cover some of the individual LG innovations on the following slides. The first one is the LG's front control top load design that LG brought to market in 2012. By relocating the

control panel from the back of the washer to the front, LG provided consumers with a more intuitive design making the controls easier to see and operate. This immediately sold very well and became an overnight sales success. The next slide showcases LG's TurboWash which was also launched in 2012 on front load washers and "fast forwarded" the laundry chore for US consumers, dramatically reducing the time for consumers to wash a load of clothes required from 60 mins to 40 mins without sacrificing performance. The next slide showcases one of the most innovative concepts the washing machine industry has ever seen with LG's new Twin Wash system. For the first time ever, consumers now have the ability to wash two loads at the exact same time by coupling our "SideKick" pedestal washer with any of our LG front load washers. This truly unique offering is providing consumers with the opportunity to simultaneously wash a big item such as a comforter in the front load washer above along with small or delicate items in the SideKick pedestal washer below. This was one of the biggest hits at the Consumer Electronics Show last year and is now broadly available at retailers all across the US. This brief collection of washer innovations truly set LG apart as a leader in bringing real value to US consumers and making Life's Good a reality.

This consistent pattern of innovation over time really has resonated with US consumers. Let's look at this with market fact #3 – brand awareness plays a major role in a consumer's purchase decision for washers. Let's turn to the slide titled

“Unaided Brand Awareness”. This slide highlights the “unaided” awareness of three major domestic washer brands available to US consumers. For clarity, unaided simply means the consumer had to recall the brand without any prompting during the survey. As you can see, from 2013 to 2015, the Whirlpool, Maytag and GE brands all incurred steep declines of 8 to 9 points in unaided brand awareness, indicating that Whirlpool, Maytag and GE are all losing mind share among US consumers. The next shows “Top of Mind” brand awareness, which indicates the first brand the consumer listed when asked. The rapid growth of the LG brand, by nearly 8 points in the past two years, confirms LG’s product and marketing investments are increasing awareness among US consumers. There are many factors contributing to the growth of LG as an overall brand including our company’s significant presence in the mobile phone and home electronics market. But I’d also like to call your attention to the slide “Brand Image” from our Mesh Shopper Tracking study which shows the consumer’s perception of the LG brand versus the Whirlpool brand across a variety of characteristics. This clearly shows that compared to Whirlpool, consumers see LG as more modern, more innovative, and more premium, among other things. Clearly, LG’s continuous innovation is having a favorable impact with regard to consumers’ perceptions of the LG brand.

Now, I’d like to turn it over to my colleague, John Toohey.

