

# Foreign Rivals, Rising Costs Will Hurt Whirlpool's Market Share

Companies: ELUXY, GE, KRX: 066570, LSE: LGLD, SEO:005930, SHLD, WHR

May 31, 2012

## Research Question:

**Now that the International Trade Commission rejected import duties on foreign competitors, will aggressive pricing resume in the appliance industry to the detriment of Whirlpool's market share and margins?**

## Summary of Findings

- Thirteen of 14 suppliers, competitors and industry specialists expect [Whirlpool Corp.](#) (WHR) will continue to lose market share to foreign competitors because of its aggressive pricing and tech-savvy designs. One industry specialist pegged the anticipated market share losses at 1% to 2% per year.
- [LG Electronics USA](#) (KRX:066570, LSE: LGLD) and [Samsung Electronics Co. Ltd.](#) (SEO:005930) are gaining strong consumer acceptance. Their products are available in big-box and independent retail stores and online, and younger shoppers are already aware of the brands via their cell phones.
- Price—not brand preference or country of origin—is the major motivational factor for consumers when making a buying decision on big-ticket items.
- Appliance pricing is expected to increase over the next three to six months. Sources predict increases of 1% to 15% due to the rising cost of stainless steel. Despite this, foreign manufacturers are expected to price more aggressively than U.S.-based manufacturers.
- Secondary sources and one industry specialist pointed out that [reshoring](#) of appliance manufacturing to North America is an emerging trend. The specialist expects General Electric Co.'s (GE) commitment to U.S. manufacturing to drive market share for U.S.-made appliances.

	Whirlpool Will Gain Market Share	LG & Samsung Will Gain Share
Supply Chain	↓	↑
Competitors	↓	↑
Industry Specialists	↓	↑
Appliance Store Managers	N/A	↑
Customers	N/A	N/A

## Silo Summaries

### 1) SUPPLY CHAIN

Three of four supply chain professionals expect Whirlpool to lose market share. All four sources expect appliance pricing to increase by 1% to 5% in 2012, and by 8% to 12% when the economy recovers. Foreign manufacturers continue to price aggressively and are gaining market share. They are pushing their products into big-box retail stores and gaining more exposure. Parts and service on LG and Samsung brands are not up to the standards of U.S. manufacturers and this is a factor for consumers when buying.

### 2) COMPETITORS

Three of four competitors expect Whirlpool's market share to be challenged by the more aggressive pricing of LG and Samsung at the mid-level product range while the high end of the appliance market will not be affected. One competitor said LG and Samsung pricing is now on par and sometimes higher than their U.S.-made products. LG and Samsung have strong brand recognition as technology innovators and this is a challenge for U.S.-based manufactures like Whirlpool and GE.

### 3) INDUSTRY SPECIALISTS

All six industry specialists expect Whirlpool to continue to lose market share. Five of the six expect it to be to foreign manufacturers. One source says GE's new commitment to U.S.-based manufacturing efforts will create stiff competition for Whirlpool and could tip the scale for U.S. manufacturers to gain share. Sources expect flat to slight increases in pricing in the 2% to 3% range, as the thin margins and heavy competition will keep pricing in line. LG and Samsung are gaining market share while Whirlpool, GE and Frigidaire are losing it.

### 4) BIG BOX & APPLIANCE STORE MANAGERS

Six retail professionals representing big-box stores and independent chains had limited or no knowledge of the ITC ruling. Three sources expect appliance prices to increase, two expect prices to remain flat and one source did not comment. Foreign manufacturers are considered very competitive on pricing in the French-door refrigerator category. However, according to one source, foreign-made refrigerators lack some popular features that U.S. brands offer. Price is the main motivator for consumers and country of origin is rarely an issue. An independent retailer said LG and Samsung are working with independent appliance-store owners to help them preserve margin at the retail level.

### 5) CUSTOMERS

Four consumers indicated that price and design were the key factors in buying their appliances. None of the sources were aware of the dumping charge or the ITC ruling. Country of origin was not a factor in any of their buying decisions. One source said the design and price of a Samsung refrigerator were superior to the competition, while another said that LG and Samsung are probably gaining market share because of their aggressive advertising.

## Background

On April 17, the [U.S. International Trade Commission](#) (ITC) [voted against](#) imposing duties on foreign-made refrigerators, ending speculation of potential stronger pricing for this product segment. In 2011, Whirlpool accused competitors of attempting to increase market share by selling imported refrigerators in the United States at prices less than the cost to manufacture them. As a result of Whirlpool's pending lawsuit, foreign competitors such as [LG Electronics USA](#) and [Samsung](#) eased up on aggressive pricing and discounting in the fourth quarter of 2011, and Whirlpool benefited from better margins and increased market share.

## CURRENT RESEARCH

In this next study, Blueshift assessed whether foreign appliance competitors, with a focus on gaining market share over margins, will return to their low-pricing ways and put significant pressure on Whirlpool's market share and margins.

Blueshift employed its pattern mining approach to establish and interview sources in six independent silos:

- 1) Supply chain (4)
- 2) Competitors (4)
- 3) Industry specialists (6)
- 4) Big box and appliance store managers (6)
- 5) Customers (4)
- 6) Secondary sources (5)

Blueshift interviewed 24 primary sources, and included five of the most relevant secondary sources focused on the appliance industry, including pricing and cost issues, manufacturing issues and sales and marketing efforts.

## Next Steps

Blueshift will continue to research the market-share shifts in the appliance industry to see if Whirlpool and other American companies can hold or gain share. We will try to determine what kind of impact the expected 1% to 5% price increase for appliances will have on margins. We will also research the emerging trend of reshoring and determine how that will affect market share for foreign and North American manufacturers.

## Silos

### 1) SUPPLY CHAIN

Three of four supply chain professionals expect Whirlpool to lose market share. All four sources expect appliance pricing to increase by 1% to 5% in 2012, and by 8% to 12% when the economy recovers. Foreign manufacturers continue to price aggressively and are gaining market share. They are pushing their products into big-box retail stores and gaining more exposure. Parts and service on LG and Samsung brands are not up to the standards of U.S. manufacturers and this is a factor for consumers when buying. One source said brand preference is generational, with younger shoppers who are familiar with Samsung and LG cell phones willing to buy those brands, while the older generation is partial to U.S.-made appliances.

#### ➤ Vice president, sales and operations, appliance distribution company

Every new vendor takes a bite of the market. Whirlpool will be affected by foreign players and have a more difficult time maintaining its margin. Appliance and part prices will continue to increase year to year during 2012, even if some foreign companies lower their prices. The percentage of increase will depend on the economy. LG Electronics USA now sells in [Best Buy](#) (BBY) stores, and it may sell in other big-box stores in the future. As such, LG does not need to worry about lowering prices. The [GE Appliances](#) family line of Profile, Monogram and Café does very well. Whirlpool and its

# Whirlpool Corp.

subsidiaries are ranked two, followed by [Sub-Zero Inc., and Wolf Appliance Co.](#), then [Thermador Groupe SA](#) (EPA:THEP) and [Bosch Ltd.](#) (BOM:50030).

- “Whirlpool definitely thinks it will be impacted by LG and Samsung because they felt it was necessary to file. The pie is only so big, and now we have more players. So there will be less for Whirlpool, and they will have to work at keeping margins.”
- “Pricing is always an issue in this business. On and off, foreign countries have come in and torn our pricing up. That has always surprised me. And attitudes are very sensitive today.”
- “There will always be a price increase, despite the market players. Sometimes you see increases a few times a year, up 1%, 2% or 3%. Other times, once a year. In good times, prices can go up 8% to 12%. Or sometimes you will see selective prices on certain products. It varies, but appliance pricing always goes up.”
- “The recession is turning around somewhat. Whenever unemployment drops below 6%, you’ll see price increases.”
- “LG went to the big-box stores, Best Buy, and they may add another store. So the need to lower prices won’t affect them. You will not find them in the mom-and-pop stores. People come in and ask for them because they are very good-looking, but we only sell whole packages.”
- “UMRP [unilateral minimum resale pricing] has created more of a bidding war. People now shop around on the Internet, and it’s obvious that there is some type of uniformed pricing.”
- “Our business is up 15.5% year to year. We do not expect to see a slow-down, and we should be up overall 15% by the end of 2012. In 2011, we were up 5%. The [GE Monogram line](#) is up 43% from last year. We are the exception to the rule. Most places are flat or up just 5%. Other dealers have reduced personnel and a few lines. But we haven’t cut anything out in the past four years. If anything, we’ve added to the company and that has made all the difference.”
- “Parts prices have gone up year to year, based on supply and demand. You don’t see much of an increase on a quarterly basis. China is a player in the parts business, although their parts don’t hold up.”
- “On the mid- to high end, GE, with [the Profile, Café, and Monogram](#), is No. 1. Whirlpool, KitchenAid, Jenn-Air, and a few of the others, are No. 2. Sub-Zero and Wolf are three, and Thermador and Bosch are four.”

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*Vice President, Sales & Operations  
Appliance Distribution Company*

## ➤ Owner of appliance distribution company

LG Electronics USA and Samsung will continue to offer lower pricing, and they will cater to the low-end consumer. Appliance prices have increased 4% to 5% since January 1, due to the high cost of oil. Prices won’t decrease in three to six months, and they may go up if the economy recovers and the cost of energy continues to increase. Many customers prefer U.S. products and are willing to pay higher prices for familiar products. Manufacturers, including Whirlpool and its brands, maintain their margins by passing cost increases along to customers. Popular manufacturers include top players Whirlpool and Sub-Zero Inc., in addition to KitchenAid, GE Appliances and Thermador.

- “LG and Samsung products definitely are cheaper. That did cause a problem about six months back. I would imagine that these companies have lowered their prices once again. There is a customer base for the low end.”
- “We’ve seen an upward tick in price increases since January 1, 2012, a 4% to 5% increase in all appliances across the board. This reflects the increased cost of energy, oil.”
- “Hard to tell if the prices will go up more in the next six months, but they sure aren’t going down. It all depends on if the economy recovers and the price of energy, which has been going up, so probably the prices will continue to go up as well in the next three to six months.”
- “I would imagine raw material prices are also increasing due to energy.”
- “Our customers seem to like American-made and are willing to pay the higher costs of American appliances. We don’t carry LG and Samsung and too many non-U.S. products.”

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*Owner, Appliance Distribution Company*

# Whirlpool Corp.

- “Manufacturers pass along the energy increases, so their margins stay the same. I would imagine Whirlpool does the same with all of their brands.”
- “In the past year, our sales were better for Whirlpool and KitchenAid. GE and Thermador also do well. High-end Sub-Zero has also done well this past year. Whirlpool and Sub-Zero are at the top.”

## ► Vice president of marketing at a mid-Atlantic appliance distribution company

This source said the International Trade Commission ruling will hurt Whirlpool’s market share and margins over the next three to six months. While Americans want to buy American-made products, they may gravitate toward foreign imports because their prices are better and because they believe these products last longer. For this source’s company, General Electric is the leader in sales, though Whirlpool and its [Jenn-Air](#) brand are doing well, too. Smaller companies like Sub-Zero are hurting due to their higher prices. Appliance price increases have been minimal during the recession—2% to 5%—but he expects prices to rise once the economy gets back on track. LG’s and Samsung’s main problem is that they have not yet come to grips with the fact that they need to also focus on appliance parts and service in the U.S. market—as opposed to just sales.

- “Obviously, Whirlpool would not have gone to [the International Trade Commission] if they did not think [foreign competition] was hurting them. They are trying to meet the pricing and losing profit. So the answer is yes, this ruling will impact Whirlpool’s market share and margins in the next three to six months.”
- “There are 7 billion people in the world. The pie is what it is, and if GE and Samsung and LG take a piece of that pie, [that will hurt] Whirlpool.”
- “What is going down in the U.S. is a lot of people want to buy American. However, due to the quality issue and their own personal experience [with] family, friends, relatives, they may buy imports because they feel they last longer. GE is manufacturing a lot in Louisville, Kentucky, as opposed to overseas. That is a very good thing.”
- “Our General Electric line is our No. 1 line and we are 50% ahead in [GE Monogram](#) sales; that is one of their lines that they sell, and we are rocking and rolling with that. And there seems to be five or six Jenn-Air and the Whirlpool brand of products that are doing extremely well.”
- “GE had a very good introduction about three or four years ago called [GE Café](#) for the builders, and the price point for a high-end product was extremely well thought-out and it was done very well. It made it simpler for the builder to choose and easy for consumers to choose.”
- “Companies like Sub-Zero have been hurt because of their high prices. They are introducing a product that has been out there for 10 years—a French door refrigerator.”
- “Due to the recession, prices have not increased much, anywhere from 2% to 5%. Prior to that the pricing increases were 8% to 12%. It was crazy before the recession hit. Sometimes I got price increases quarterly. The building industry, with foreclosures, has been a killer. Inventory is huge on that side and construction has been slim to none. The good news is we sell to remodelers and kitchen dealers, so a consumer may not be doing a complete remodel, only a partial remodel—maybe new cabinet doors and maybe new appliances.”
- “Stainless steel is a good reason to raise the pricing and always has been, and 95% of my business is stainless. White is special order, almond has died and that raw material seems to give [manufacturers] a reason for price increase. If General Electric goes up, Whirlpool goes up.”
- “The increase we have gotten has been minimal in the last four years.”
- “It has surprised me how a manufacturer in China and Taiwan puts their product on a boat and brings it over here and then sells it at a lower price than U.S. manufacturers.”

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*Vice President of Marketing  
Appliance Distribution Company  
Mid-Atlantic*



# Whirlpool Corp.

- “The foreigners have come in and gone to the big-box stores, and in order to get in there, they have allowed the big-box store to sell it at an unusually low price. Consequently, they are buying the market and that is why Whirlpool went with that suit, but the federal government upheld it and nothing happened.”
- “The prices of foreign-made appliances seem to be better. We work with manufacturers like GE and Whirlpool on quotes, and if we can show competitors like Samsung and LG are lower, Whirlpool will meet the price if they want the deal. This is huge competition for the Americans.”
- “Somewhere along the line LG and Samsung have got to come to grips and look at parts and service, and everything it takes to market a brand in the U.S., and not just look at sales. If you put all of it together—parts, service, sales—and look at the entire picture, there have been a lot of manufacturers who have come in to the U.S. and have just left. Smaller ones all disappear.”
- “As the economy gets stronger the pricing will go up. Once the glut of foreclosures is gone and unemployment is at 6% nationally, I think we will be on track.”

## ► Vice president of a Midwest appliance distribution company

This source believes Whirlpool is losing market share while Swedish-owned [Electrolux Appliances](#) (ELUXY) is gaining market share, along with foreign manufacturers LG and Samsung. While the younger generation—who grew up with cell phones made by Samsung and LG—may gravitate toward those manufacturers, the older generation still prefers American-made items. American companies may have a slight advantage since replacement parts are not readily available for some of the foreign-made appliances. Boutique brands like Sub-Zero, [Viking Range Corp.](#) and the high-end Bosch have also been losing market share over the past few years. Appliance prices and parts are much higher than last year and he expects prices to stabilize for the next three to six months. The ITC ruling will likely have little impact on the industry.

- “Whirlpool is losing market share, and Electrolux is gaining market share. [Electrolux is] a foreign company, but they have been an American brand for many years. LG and Samsung are gaining market share. General Electric is holding its own.”
- “The foreign-made appliances are much cheaper in their replacement parts; however, consumers cannot get them. If you cannot get the part, it is much worse than having it overpriced. American manufacturer are winning against the game of foreign competition in parts and service. When you go to repair [your appliance], if you are part of the 80% of consumers who cannot get their parts, that is not good. The Asian owners of businesses like Samsung from Korea think if they build it right it will not break down, so why do they need parts?”
- “Whirlpool is very concerned about market share and Samsung and LG have more than doubled their market share, and now hold 5% to 10% of market share in the appliance industry. Five years ago they were in the 2% to 3% range. They have seen amazing growth. But can they sustain that? I do not think so unless they go to market with their parts and services.”
- “Smaller U.S. brands like Sub-Zero, Bosch, Viking—boutique brands—they have been losing tremendously in the last couple of years with the economy.”
- “For the younger consumer, foreign manufacturers are more popular—the Samsungs, as [younger consumers] are brought up with cell phones. But anyone older, especially here in the Midwest, they want American made.”
- “[Prices] are increasing. Parts have increased a lot in the last year. [Appliances have risen by] double digits, more like 11% to 12%, in the day of 3% inflation.”
- “[For] three to six months I think [prices] will stay where they are.”

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*Vice President  
Appliance Distribution Company  
Midwest*

## 2) COMPETITORS

Three of four competitors expect Whirlpool's market share to be challenged by the more aggressive pricing of LG and Samsung at the mid-level product range while the high end of the appliance market will not be affected. One competitor said

LG and Samsung pricing is now on par and sometimes higher than their U.S.-made products. LG and Samsung have strong brand recognition as technology innovators and this is a challenge for U.S.-based manufactures like Whirlpool and GE.

➤ **International service manager for competitor**

The International Trade Commission agreement does not affect high-end manufacturers, although it may force Whirlpool and other mid-level players to lower prices. This will depend on U.S. consumer interest in non-U.S. products that may not hold up well. Whirlpool and others may resist price lowering in order to maintain current margins. Year-to-year appliance sales have started to increase in 2012. Appliance and parts pricing is directly affected by the price of oil, which always goes up in the summer. The top U.S. competitor is GE Appliances, while top foreign competitors are Samsung and [Miele Inc.](#)

- "It's hard to tell what kind of impact the foreign competition will have. Maybe they can bring in larger quantities at cheaper prices, but will these appliances hold up? Are they what people want? This may take a while to play out."
- "Possibly Whirlpool and the others will be forced to lower their prices in response to the foreign competition. We are a high-end manufacturer, and our pricing is higher than the competition. The ITC agreement will not affect us."
- "Manufacturers want to keep their margins the same, so they will make some price increases or changes to accommodate the margin."
- "Appliance sales have increased a small amount in 2012 compared to 2011. Sales took a dive in 2008, when the economy collapsed, then they leveled out after that."
- "Oil prices go up in the summer, and this will add to the cost of parts and appliances."
- "The price of parts and raw materials is most definitely increasing. It is all tied to the increasing price of oil and transportation costs. Oil prices started skyrocketing in 2008. Raw materials, commodities and copper have been increasing for a while. The price of oil affects plastics, metals, pretty much everything."
- "GE is probably the most popular U.S. brand, and Samsung is the most popular non-U.S. brand. Miele is also considered top."
- "There is a perception in the United States that appliance prices in other countries are cheaper. However, these countries impose high tariffs on U.S. products, making the products more expensive overseas."

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*International Service Manager  
Competitor*

➤ **Competitor, former product developer**

Whirlpool and Sears Holdings Corp.'s (SHLD) [Kenmore](#) will continue to struggle with market share because of aggressive marketing and pricing by LG and Samsung, and brand recognition due to their technical savvy. This will continue into the near future. LG and Samsung will need to balance the low cost of entry products in order to make money on these products. To avoid losing market share, companies will have to observe the market closely and be willing to act quickly. Consumers are less likely to buy high-end products and trade up, given the current economy. Whirlpool is the No. 1 manufacturer, but they struggle with a large brand portfolio. [Sears Brands LLC](#) is struggling now with lower sales and subsequent reorganization. LG is the No. 2 manufacturer, followed by Samsung. LG and Electrolux Appliances manufacture products in Mexico, which may create problems for them due to the unstable climate there. The ITC agreement does not affect high-end manufacturers, although it may force Whirlpool and other mid-level players to lower prices. The top U.S. competitor is GE Appliances, while top foreign competitors are Samsung and Miele.

- "LG and Samsung undercut everyone. They were very aggressive and price-competitive and took away market share from Whirlpool and Kenmore. I don't see this changing for most products. They will continue to be this way. The Koreans work around the clock. They live to work."

LG and Samsung undercut everyone. They were very aggressive and price-competitive and took away market share from Whirlpool and Kenmore. I don't see this changing for most products. They will continue to be this way. The Koreans work around the clock. They live to work.

*Former Product Developer  
Competitor*

- “I’m not sure where pricing will go in the near future. Companies don’t want to lose their margins, but you have to act quickly. Companies have plans in place several months in advance, and it is hard for them to react to the market quickly. They can’t react overnight; they move very slowly. If a promotion is planned several months in advance, they are locked into this. Companies need to be flexible, look at inventories and forecast ahead.”
- “Entry-level products don’t pay their way if they are priced too low. They aren’t worth shipping over here. So this is a problem for LG and Samsung; they need to balance some prices. For example, in 2000 a pair of front loads with pedestals cost \$3,000. Today they are priced at \$1,000. Today we pay less, especially with the sales, and the companies are making less. So LG and Samsung entry-level goods are now struggling to break even. It is no longer feasible to offer a whole suite of products.”
- “The problem is brand recognition. The LG and Samsung brand essence started to penetrate the home environment. They are technically savvy, up to speed, and their names are on everything in the household. LG and Samsung have a household aura. However, Electrolux, Whirlpool and GE had a problem because they aren’t known in the tech world. They are fighting against a hard battle.”
- “Another problem is that consumers aren’t spending big money today, given the economy. The high-end market is a bit depressed. Customers are using their older appliances longer, putting off new purchases, not trading up and not buying upgrades, like color, which has \$100 up-charge.”
- “Whirlpool is a great manufacturer. They are at the top of the game. They produce the top-level washer [and] No. 2 dishwasher and refrigerator. They look good in [Consumer Reports](#). However, Whirlpool struggles with their large brand portfolio. They own everyone, and this wide base is creating a struggle.”
- “LG is the top foreign manufacturer, followed by Samsung. LG is ranked No. 2 in foreign-manufactured laundry by Consumer Reports, Samsung is No. 2.”
- “In the early 2000s, LG and Samsung entered the U.S. market. They didn’t understand the U.S. market, but they copied the front-load designs and aggressively marketed the copies at lower prices. At that time, LG and Samsung only offered a few products, which made it more difficult for them to compete. In the past 10 years, they each developed a suite of products that look very nice, and now they offer the complete package.”
- “LG and Electrolux do a lot of manufacturing in Mexico. The unstable climate in that area might create a market change.”

## ► Director of sales and marketing for a U.S. manufacturer of high-end appliances

This source does not believe that Samsung and LG can lower their prices to gain market share. If they attempt to in the near term, they will be forced to raise them again, as South Korea has no surplus of raw materials. Also, South Korea is influenced by the political climate in North Korea and is subject to interruptions to manufacturing. Whirlpool will be challenged by competitors that sell direct-to-consumer, by less expensive foreign brands available from big-box stores, and perhaps by high-end brands manufacturing lower-cost models. LG is poised among non-U.S. manufacturers to gain the most market share and is marketing itself successfully as a go-to brand.

- “It’s getting tougher to compete with companies that source from China to Taiwan.”
- “I don’t think [LG and Samsung] will lower their prices at all. We’re all already working with small margins and with major appliances.”
- “What worries me about the Korean companies is what goes on with North Korea. The last company I was with was from South Korea, and they were constantly scared about something going on in North Korea. It would shut down everything in South Korea, if the North gets into a conflict. With North Korea building nuclear weapons, South Korea’s going to suffer.”
- “The last company I was with [sourced out of] South Korea, and the cost of raw materials and transportation kept going up. We were forced to raise prices almost monthly, and to explain that to our dealers. There was no way to make the product less expensive.”
- “So I don’t think LG or Samsung can really just drop their prices to be the No. 1 leader in sales. It’s all about cost, and I don’t hear about South Korea having a surplus of raw materials.”
- “They may try to go with aggressive pricing, but they’ll change their minds almost immediately.”
- “We’ve come up with a separate line—we had to in order to compete. So prices have definitely come down.”

LG is doing a great job of marketing; I do see an increase in sales. They’re really pushing themselves as the brand to go to.

Director of Sales & Marketing  
High-end Appliances Manufacturer  
U.S.

# Whirlpool Corp.

- “We see a lot of foreign brands being less expensive. And a lot of the manufacturers are starting to just sell direct to consumers. We’re not B to C [business to consumer], and my experience is the ones who sell direct to consumer have made retailers upset.”
- “The megastores like [Lowe’s](#) and Sears have a lot of foreign brands which are less expensive, and I don’t think we can compete with those prices. We try our best to explain the quality and craftsmanship and diligence that goes into the product. You’ll see less maintenance than you would with the less expensive brands; there just isn’t the longevity.”
- “Viking and Sub-Zero are doing a good job of marketing, they’re gaining market share. And we’re throwing our hat into the ring, to rebrand ourselves and put us in direct competition.”
- “LG is doing a great job of marketing; I do see an increase in sales. They’re really pushing themselves as the brand to go to.”

## ➤ National sales manager for competitor

Most manufacturers are now increasing their appliance prices by 3% to 10% several times a year, and this trend will continue for at least six months if not longer. LG Electronics USA and Samsung are also priced higher to cover the cost of their many extra features. Manufacturers are covering their margins. People are buying new products at a lower rate than before the economic crisis. Consumers are becoming dissatisfied with the poor quality of current appliances, and this is reflected on the Internet. Unless manufacturers add quality along with the higher prices, they may hurt only themselves. Big U.S. players include Whirlpool and subsidiaries, GE Appliances, Kenmore and Crosley Corp. LG and Samsung are top foreign competitors, but they have had reliability problems.

- “Manufacturers across the board are increasing their prices slightly. We used to see an annual increase of 3% to 4%, now we see increases of 3% to 10% several times annually. This has nothing to do with the International Trade Commission decision. It’s just that standard costs are going up. This will continue for the next six months at least.”
- “LG and Samsung are priced really high now. They are higher than our products. The two companies offer full-featured crazy products, and they need to make a profit. LG has to increase prices because they are measured by margins, and profitability is the key.”
- “The price ratcheting is lining pockets. Manufacturers are looking out for their margins.”
- “The products and parts being made now don’t last. There needs to be more value added to making the products and parts. If manufacturers increase the quality along with the pricing, consumers will be happier.”
- “The Internet is a huge, huge tool that may change this industry around. There are a lot of dissatisfied customers out there. If companies don’t build in longevity, they may end up hurting themselves.”
- “Big players are Whirlpool, GE, Whirlpool subsidiaries [Maytag](#) and [Frigidaire](#), Kenmore and Crosley.”
- “We are doing very well. In fact, we can’t keep up with the demand. Our distributors are out of products. People recognize quality.”
- “Top foreign competitors are LG, No. 1, and Samsung. Both are comparably priced. They are beautiful products, but a few years back, Samsung had quality issues.”

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*National Sales Manager  
Competitor*

## 3) INDUSTRY SPECIALISTS

All six industry specialists expect Whirlpool to continue to lose market share. Five of the six expect it to be to foreign manufacturers. One source says GE’s new commitment to U.S.-based manufacturing efforts will create stiff competition for Whirlpool and could tip the scale for U.S. manufacturers to gain share. Sources expect flat to slight increases in pricing in the 2% to 3% range, as the thin margins and heavy competition will keep pricing in line. LG and Samsung are gaining market share while Whirlpool, GE and Frigidaire are losing it.

## ➤ President of national appliance service company, New York

Appliance sales and prices increase 2% to 3% every few months, and the trend will continue in 2012. Price increases are due to manufacturer gouging in order to keep margins high. Unit sales are increasing because products and parts break



# Whirlpool Corp.

down within a few years, and people need to buy replacements. Foreign prices for appliances and parts are definitely lower than equivalent U.S. prices. Many foreign brands are not well-made, however, and parts are difficult to acquire. LG and Samsung don't support their products. Whirlpool is struggling to stay on top after the [Maytag](#) acquisition. Whirlpool's appliances and parts are priced high, but their products aren't better than the competition. Solid refrigerators are made by Viking Range, [U-Line Refrigeration](#) and Alliance Laundry Systems LLC's [Speed Queen](#).

- "Appliance and part prices have been increasing for the past year, 2% to 3% every few months, and they will continue to go up this next year. U.S. manufacturers are gouging now. Overall, it is not a good situation."
- "Margins are still high. They aren't going down. I heard that [Frigidaire](#) called in a consultant to find out how they could up the margins, and they were told to increase prices. I'm not sure about [Thermador](#) prices."
- "Overall, sales increase each quarter because the appliances don't last as long as they used to, and they need to be replaced. Some parts are hard to get, some parts don't last either. These are now disposable units."
- "I'm not sure why Whirlpool filed that suit, but I think they've been trying to recover the money they spent to buy Maytag five to six years ago. I really don't think the suit had anything to do with the foreign prices. It was just a cover-up. Whirlpool has been doing all sorts of things the past few years, like raising prices, killing [Amana \[Appliances\]](#), just to make up for the Maytag buyout and keep on top."
- "Foreign appliance and parts prices are definitely lower; they'll always be lower than U.S. prices. Take one small part. A foreign part costs \$9 to \$12. A Sharp [Electronics Corp.] equivalent, which is Japanese, costs \$19 to \$22. But you'll have to pay three to four times that amount for a Maytag part."
- "Part prices are jumping. A lint filter was \$24 in November 2011, and in April 2012, just five months later, it is now \$40. That is a major jump and for no good reason. Whirlpool now lists all their lint filters at \$47 to \$50. They aren't worth that much. Washing machine circuit boards are high; motors are now \$150 to \$250. They were never that high before."
- "Up until a few years ago, prices of appliances hadn't escalated in about 30 years. Thirty years ago, a stove cost \$300, and a few years back, the same stove cost \$450. That's not much of an increase in 30 years."
- "The International Trade Commission should have voted to boot out all the foreign appliances and reduce our landfill of junk."
- "I'm not impressed with LG and Samsung. Maybe they can make electronics, but they can't make appliances. If people are smart, they won't be swayed by lower pricing. LG makes nice-looking products, but they don't hold up."
- "LG and Samsung don't support their products. Sometimes it takes up to six weeks to get a part, yet a refrigerator or any kitchen appliance needs to be fixed right away. Service is a necessary evil, but we have no control over these parts."
- "Viking is one of the best U.S.-made refrigerators. Also U-Line and Speed Queen of Wisconsin. They are simple machines that get the job done."
- "Amana had one of the best refrigerators around. It was a great product. The entire town was involved in making the refrigerator, and they all took pride in the product. But Whirlpool bought the company and just killed the product. They didn't want their cheaper products being overridden by product that lasted for years."
- "We are a disposable society, and this won't change until the consumer becomes educated on what is going on. It makes more sense to pay just a bit more for quality, something that will last for years. We are accepting garbage. But they don't do that in Sweden or Germany."

Foreign appliance and parts prices are definitely lower; they'll always be lower than U.S. prices. Take one small part. A foreign part costs \$9 to \$12. A Sharp [Electronics Corp.] equivalent, which is Japanese, costs \$19 to \$22. But you'll have to pay three to four times that amount for a Maytag part.

*President, Natl. Appliance Service Co.  
New York*

## ➤ Appliance blogger

Appliance and parts prices will continue to go up this year. Appliances by LG Electronics USA are priced higher now because they are in the big-box stores, and their appliances look appealing. Other foreign manufacturers may also take away market share from U.S. manufacturers, who cover their margins by raising prices. Whirlpool is one of the top

manufacturers. GE Appliances is popular, but some of the products aren't made to last. Current machines are very difficult to repair, and the parts are cheaply made.

- "People are attracted to low prices. I imagine if the foreign guys play low-ball, the U.S. manufacturers will be taking a hit. But LG prices are now higher because they are selling in the big stores, and their machines look nice."
- "Prices [appliances and parts] aren't going down now or in the future. The manufacturers are covering their margins by raising prices."
- "They are selling more appliances each year. I haven't heard of any downturn. American appliances break down, but they beat foreign machines. I call it 'crappytronics.' You have to keep replacing machines that keep breaking down, and it's cheaper to replace them than fix them."
- "Appliances are disposable now. They are too difficult and complicated to fix. It takes a rocket scientist to repair them. And the parts just don't hold up; they are inferior. I can tell by looking at all the complaints."
- "LG is just a new name for the [GoldStar](#) brand. The Korean company remodeled themselves to LG. It was known as a cheap company back then; it's a cheap company now."
- "New GE washers are only made to last five years. Whirlpool has used the same washing and drying design for 60 years. I put them at top."

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*Appliance Blogger*

## ➤ Past president of trade association

LG Electronics USA and Samsung are gaining market share at the expense of Whirlpool and other domestic players. Their pricing is lower, but the Asian markets also cater to new designs, and that attracts customers. Domestic manufacturers are struggling to maintain margins. Whirlpool dominates 50% to 60% of the appliance market, although they may be losing 1% to 2% of market shares each year. GE Appliances is ranked No. 2. High-end popular European manufacturers include Bosch, [Bertazzoni](#), and Thermador. Appliance and parts prices go up year to year, although part prices increase more rapidly

- "There is growth in LG and Samsung. Kenmore now uses LG parts, and that is eating into Whirlpool."
- "Whirlpool dominates the parts business due to penetration in the machine business. They have 50% to 60% of the market. They may be losing 1% to 2% a year, but that is a big chunk of change, given their size. The loss is huge."
- "In some respects, the Asian brands have superior designed products. They are more modern, to meet today's usage. This situation first started in the 1990s, when we began to experience the first computer parts. It's now the same. We have energy efficiency, cooling zones for refrigerators, better-sized appliances that fit modern homes, better shelving for refrigerators, like those that now fit pizza boxes. In the past 20 years, people are always looking for the next best thing."
- "Prices of appliances go up from year to year, each year, but not as much as the prices of parts. The pricing of parts definitely goes up year to year. That is why we've come to the current situation where it is not always cheaper to fix a machine that needs repairs."
- "Lower-priced competitors, especially from Asia, have hurt the domestic brands because domestic prices are higher. Asian brands are always lower in price."
- "There is an effort to maintain expected margins; the competition from imports makes it tougher."
- "GE is No. 2. The European brands at the higher end dominate, such as Bosch, Bertazzoni and Thermador."

There is growth in LG and Samsung. Kenmore now uses LG parts, and that is eating into Whirlpool.

*Past President of Trade Association*

## ➤ Executive director of a retail trade association

GE's recommitment to manufacturing will likely tip the market share toward U.S. manufacturers; hence, Whirlpool has as much or more to worry about from GE as it does from Samsung or LG. This executive director of a retail distributor trade association observes that, historically, foreign competition in consumer goods has not forced prices lower; it has meant more choices at the same pricing. With margins as thin as they are at present, the industry is not in a position to discount deeply.

- “GE is making some reinvestments. I think that with their resurgence in commitment to manufacturing, that will drive the overall share of U.S.-made goods.”
- “Historically, looking at the pricing cycle that occurred in electronics where aggressive foreign sales and marketing occurred, and particularly with Japanese manufacturers, in the end that did not seem to change things much. The Japanese at that time were aggressively promoting and were able to sell product, but I don’t recall that the pricing really changed much.”
- “My guess is pricing will stay the same, with maybe slight adjustments where pressure dictates. The appliance business is very competitive with a thin margin all the way through; it’s one of the most competitive consumer products that there is—it always has been.”
- “[On pricing between domestic and foreign manufacturers:] Item per item, there’s not a significant difference. For some U.S. makers of high-end appliances, pricing is naturally higher, but it’s a product that would deserve a higher price, for more features.”

GE is making some reinvestments. I think that with their resurgence in commitment to manufacturing, that will drive the overall share of U.S.-made goods.

*Executive Director  
Retail Trade Association*

## ➤ Senior editor of a consumer goods trade journal

This editor of a consumer appliance retail trade journal sees an unlevel playing field because the Korean government subsidizes its manufacturers. Samsung, therefore, has a cushion that Whirlpool does not, and Samsung has been historically aggressive in its pricing. Yet the commodity-pricing of Korean consumer electronics such as flat-screen televisions will likely keep Samsung from deeply discounting its appliance lines. Whirlpool is feeling the pinch of foreign competition, but the appliance industry overall is stabilizing and doing away with weekly discounts. Prices will remain fairly stable across industry in the near term.

- “Whirlpool brought the issue of dumping to the attention of the FTC [Federal Trade Commission] and eventually the ITC, and obviously, they have a lot to lose now in terms of market share. They’re absolutely feeling the pressure from relatively new contenders like LG and Samsung, who’ve only entered the U.S. appliance market in the last ten years—Samsung even more recently. And in a short amount of time, they’ve taken significant market share. So Whirlpool is feeling the pinch and will continue to cede share to those offshore manufacturers.”
- “The ITC ruling was limited to specific product categories, like French-door-type refrigerators. And another case under consideration that involves washing machines—so it’s a two-part thing.”
- “It was a big collective sigh of relief to those manufacturers who import, being Samsung and LG principally from Korea, and GE with a partner in Mexico. It would have been a big deal if the tariffs were imposed.”
- “[On margins] I couldn’t say for sure. They had some issues going back a few years in acquiring Maytag and integrating that production, but I think their production and integration is as tight as anyone’s. I don’t think they’re at a cost disadvantage from having to deal with dumped goods.”
- “From their perspective, I think the issue was, in the last three years in particular, price promotions. Everyone’s been very aggressive to gain that market share, that’s how LG and Samsung got their foot in the door in the first place. It’s not an even playing field.”
- “LG and Samsung receive certain subsidies from the Korean government, so they can take a hit on their margins and still be profitable. Whirlpool isn’t in the same position. So that’s an unfair advantage for importers.”
- “Parts and raw materials continue to go up according to manufacturers, along with the cost of fuel to transport. It’s forced them to pass along price increases to retailers, who in turn pass them on to consumers. But

Whirlpool brought the issue of dumping to the attention of the FTC [Federal Trade Commission] and eventually the ITC, and obviously, they have a lot to lose now in terms of market share. They’re absolutely feeling the pressure from relatively new contenders like LG and Samsung, who’ve only entered the U.S. appliance market in the last ten years—Samsung even more recently. And in a short amount of time, they’ve taken significant market share. So Whirlpool is feeling the pinch and will continue to cede share to those offshore manufacturers.

*Senior Editor  
Consumer Goods Trade Journal*

appliances have been less price-sensitive than other consumer goods. On average, people buy a refrigerator every seven or 10 years and tend not to remember the price points.”

- “Manufacturers will continue to take hits on their earnings. I think they’ve put the brakes on deep discounts for a number of reasons—for one thing, lousy earnings numbers at Whirlpool. They have to stop the bleeding at some point. And some Korean companies have consumer-electronics divisions where the price discounting has become so severe that fantastically advanced products like flat-screen TVs have become commodity items, with the profitability drained out. So manufacturers have seen what happened through discounting and promotions and are trying to avoid the same pitfalls as the consumer-electronics divisions.”
- “One of the big drivers of promotions has been Sears, whose market share has been slowly ebbing as home-improvement chains have drawn away business. Sears has been extremely promotional in the last few years, and the losses are mounting, and they’ve reversed course. That has stabilized the marketplace and taken away the need to offer weekly discounts.”
- “Between that and the discipline of manufacturers, we’ll see pricing and margin stability return. Discounts will be confined to select holiday periods like Fourth of July and Black Friday. It will be contained.”
- “I don’t think anyone has any big advantage. It’s all a matter of distribution and availability. All brands are available anywhere. There used to be more of a wall between the channels and distributors. Except for the most premium brands like Wolf or Sub-Zero. All boats will rise.”
- “Samsung and LG will try to maintain where they are now. But that could change at any minute. If one guy blinks they’ll all jump in. My projection is they’ll maintain the status quo.”
- “I think manufacturers are pulling back product a little, so there’s less pressure to discount.”
- “Three to six months from now, I think prices will be about the same as where they are now. All the manufacturers have pushed through a price increase, so I think prices are good for the time being.”

## ➤ Owner of an appliance repair franchise in Colorado

This source said domestic appliance manufacturers are struggling, as foreign competitors have hit the market successfully both on price points and on quality. LG is boosting its market share, though Whirlpool still remains popular. GE and Frigidaire are losing market share. Prices of appliances, as well as parts, have risen significantly over the last several years as dealers aim for higher-end products. He expects prices to continue to rise. While some sources complain of a parts shortage for foreign products, he claims it has not been difficult to get parts for LG and Samsung appliances.

- “All of the domestic manufacturers seem to be having a hard time holding their market share. Our politics are oriented toward making it difficult for American companies to make a fair profit.”
- “The way the market is going has to do with what the retailers can sell. There is a definite increase in the presence of the foreign manufacturers, but in all fairness, they do seem to be maintaining their quality fairly well, too, in the marketplace.”
- “Right now, LG is really increasing its market share. Whirlpool has always been by and large a very good brand, and they are right up there as to their popularity among customers.”
- “General Electric appears to be losing market share. We see very little new General Electric products. Frigidaire is definitely looking at their markets and studying them and by and large they put out a fairly good product but they are struggling to keep their market share.”
- “Prices have increased over the last several years. Some of them have increased as much as 60% to 90%. The main reason for the increases is most dealers are aiming at an upper market. There is more profit in higher-end stuff.”
- “Parts have increased 20% to 30% over the last year in some cases.”
- “[Foreign appliance makers] are very competitive. But there is not necessarily a great price advantage to buy foreign brands over domestic.”
- “The fact that some of the replacement parts are expensive may encourage some customers to purchase new appliances rather than repair them.”
- “Over the next three to six months, I expect that we will be looking at raising prices in general, both because of the mark-up in parts prices [and] because fixed expenses are generally edging up.”

All of the domestic manufacturers seem to be having a hard time holding their market share. Our politics are oriented toward making it difficult for American companies to make a fair profit.

*Owner, Appliance Repair Franchise  
Colorado*



- “We are an authorized servicer for LG and Samsung, and therefore we have a source for parts for those companies. Generally, it has not been any more difficult to get these parts.”

## 4) APPLIANCE RETAILERS

Six retail professionals representing big-box stores and independent chains had limited or no knowledge of the ITC ruling. Three sources expect appliance prices to increase, two expect prices to remain flat and one source did not comment. Foreign manufacturers are considered very competitive on pricing in the French-door refrigerator category. However, according to one source, foreign-made refrigerators lack some popular features that U.S. brands offer. Price is the main motivator for consumers and country of origin is rarely an issue. An independent retailer said LG and Samsung are working with independent appliance-store owners to help them preserve margin at the retail level. He also indicated that [showrooming](#) is a threat to retailers and is keeping prices low.

### ➤ Lowe’s sales associate, New Jersey

Appliance pricing is on the rise across the board in spite of slowing sales. While Whirlpool and Maytag appliances are selling well, Frigidaire is the top performer and GE is faltering. There is not much of a difference in sales between foreign and American-made products. Price, quality and features are what drive customer choice.

- “In our store, I would say Frigidaire is the top seller. We have the most variety of that brand on the floor. Whirlpool and Maytag do well. GE may be losing a bit of ground. We have fewer GE options available in our store, which may hurt them.”
- “From what I see, prices of appliances are going up across the board.”
- “In general, appliance sales are slower than they were a year ago. I think it is due to the economy. People are sticking with what they have and only replacing things as necessary—not just to upgrade one. I don’t expect things to pick up in the next few months or even in the coming year.”
- “Price is a key factor, but people are still interested in features and quality when choosing their appliances.”
- “I don’t particularly see a difference between foreign- and American-made appliances with regards to price or popularity. Some people might choose to go with an American-made product, but it doesn’t really come up in discussions with customers.”
- “I was not aware of the Whirlpool lawsuit and don’t have an opinion on how it will impact sales.”

Some people might choose to go with an American-made product, but it doesn’t really come up in discussions with customers.

*Sales Associate, Lowe’s  
New Jersey*

### ➤ Best Buy sales associate, New Jersey

Sales and prices of appliances are about the same as last year. People’s choice of appliance is largely driven by price, size, functions and style. The country of origin does not come up as an issue. No one brand seems to outsell any other.

- “Appliance sales are about the same as last year. I can’t say that any one brand really does better than another. People come in knowing what they want. It often comes down to price and style.”
- “I haven’t seen any noticeable changes in prices or sales of appliances.”
- “People are primarily focused on price, function, size and color when they buy a refrigerator. I have worked here for two years and the country where an appliance is made has never come up in conversation. People don’t care where they are made.”
- “I have not heard anything about dumping. People are definitely price-conscious, so if Whirlpool can’t compete it might hurt sales. Right now, there isn’t too much of a difference in the pricing.”

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*Sales Associate, Best Buy  
New Jersey*

## ➤ Owner/president of a chain of West Coast appliance retail stores

This owner of a chain of West Coast retail appliance chain does not expect pricing to rise or drop significantly in the next two quarters. Korean manufacturers are forced, like U.S. manufacturers to “play ball” with big-box retail chains that account for more than 70% of appliance sales, and those retailers are unlikely to surrender their margins. GE is historically adaptable to market influences, and he expects them to economize and maintain market share, though Samsung and LG are likely to gain as well. Samsung and particularly LG have proven willing to work with independent retailers to enable those retailers to keep their margins even. A leveler in pricing is showrooming—a trend in which shoppers scope out merchandise in stores but end up buying online.

- “[On price changes over next three/six months] personally, no, I don’t think so.”
- “In time, Samsung and LG will have to resume aggressive pricing to gain market share.”
- “Some of the Korean manufacturers have figured out how to limit internet exposure and big-box competition so the retailers can make money. LG has figured that out a lot better than Samsung.”
- “Big-box stores are key to LG’s strategy and Samsung. Maybe 70% of the [appliance] business is done by these guys, if not more, and especially if you throw Sears in there. So the [Korean manufacturers] have to play ball with them.”
- “Speaking as a cold-blooded merchant, the Korean manufacturers keep the Americans competitive.”
- “The Korean competition is a problem for the American brands, not for the retailers.”
- “Whirlpool will continue to gain market share, and LG and Samsung. GE will, too. I don’t know about Electrolux as a brand, but Frigidaire has done well.”
- “From a pure sales answer, not a bottom-line answer, Whirlpool has adjusted. The Korean influence is keeping Whirlpool’s pricing competitive, and they hang in there. They’ll figure out other ways to economize. Their first was to nail the Korean manufacturers, but that didn’t work.”
- “Showrooming is the real threat to retailers, where they [customers] shop at Home Depot but buy at Amazon. There’s nowhere to hide, and the prices change hourly. A customer will forgive ten or twenty bucks on an item, but if it’s \$100 it looks like you’re trying to gouge them, even if you’re just making 15% on an item.”
- “The manufacturers are experiencing what retailers have experienced their entire existence. Korean brands are to them what these big-box stores are to independent retailers. There’s different nomenclatures and reasoning, but basically it’s unfair competition.”
- “Whirlpool is the No. 1 manufacturer of American goods. It would solve a lot of their problems if they had portions of their line designated as UMRP [unilateral minimum resale price], but they’re not about to do that.”

**Speaking as a cold-blooded merchant, the Korean manufacturers keep the Americans competitive.**

*Owner/President, Appliance Retailer  
West Coast Chain*

## ➤ CEO of an appliance retailer, New England

Foreign appliance manufacturers like LG and Samsung will be able to price aggressively, and particularly in big-box stores. Samsung has proven itself aggressive in pricing and discounting. It performs better as a brand and as a business than LG. U.S. makers have not kept up with industry regarding pricing its goods. This source expects U.S. makers to raise pricing in 2012, noting that Frigidaire and Sub-Zero have already announced hikes.

- “Samsung in particular is always being sued by someone for something, be it by Whirlpool or [Fisher](#).”
- “[On LG and Samsung:] Those two companies are really very difficult on the back end to work with. We don’t sell as much of them as we probably could. Samsung hasn’t been around as long, though it’s a much better name than LG.”
- “They’re [LG & Samsung] very aggressive in pricing, especially around the holidays. I would suspect that without any tariffs on it, they’ll be able to sell their core items like French door [refrigerators] and washer dryers better, especially in [big] box stores.”
- “Prices have been increasing. The major appliance industry didn’t have an increase before three years ago. It’s like a herd mentality: You see one gazelle go into the water, and they all do. A lot of it has been

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*CEO, Appliance Retailer  
New England*

mitigated by rebates, but there's no question that prices have gone up significantly, from 10 to 15%."

- "In the next three to six months prices will go up again. Frigidaire announced a price increase as of July 1, and they're typically the value American line. And as they go, Whirlpool will go. Sub-Zero will increase at the end of September."
- "I don't think appliance has kept up with any other industry. Front and top-load washers are still \$399 after 25 years, and I'd expect a price increase on commodity stuff."
- "Samsung historically has been more aggressive in its pricing."
- "Frigidaire is doing really well. The newly rejuvenated Jenn-Air line is doing well because of really good rebates. And some of the high-end companies are starting to do better."
- "Some losers are those brands with no proposition, like certain segments of GE. LG hasn't done well because I think Samsung's done a better job of upscale-looking refrigerators, washers and dryers."

## ➤ Sales specialist working in the appliance department of Lowe's, outside Chicago

This source says aggressive pricing will not affect Whirlpool's share. One in three of her customers specifically request an American-made product, putting Whirlpool at an advantage. Due to a requisite switch by manufacturers to costlier U.S.-made stainless steel, stainless steel appliances have risen 5% this year and are expected to increase an additional 10 to 15% in June when new models are introduced. Frigidaire refrigerators are strong performers at this store due to a high number of rental units in the area. She sold 10 refrigerators on the day a reporter visited and of those ten, eight were Frigidaire and two were Whirlpool. Samsung prices have increased 5% this year. Black and white refrigerators are trending more now over stainless steel.

- "I had not heard about pending litigation. I don't see foreign competition affecting the market all that much. Many of our customers come in and asked if something is American made. I estimate one in three customers ask for USA-made products."
- "Whirlpool is gaining ground. They have done better in the last year."
- "Whirlpool has it going for them that most of their products are manufactured in the United States."
- "Samsung has been on the up and up. The interiors of their appliances are getting a boost. They are upgraded and fancier."
- "Samsung prices have gone up 5 percent since the beginning of this year."
- "At this store, Frigidaire performs the strongest for its price point. There are a lot of rental units in this area and we sell a lot of them for that purpose."
- "I have noticed in the last year or two with the bad economy, people don't get bored and change all their appliances like they used to for years prior. It used to be that after a decade, people would get sick of their appliances and come in to change them all out. That rarely happens anymore. Now people only replace things when they break."
- "I sold 10 refrigerators today and they were all for rentals units. This is the time of year when tenants are moving out and the owners are switching out appliances. Of the ten I sold today, eight were Frigidaire and two were Whirlpool."
- "The new models of refrigerators are coming out in June. We anticipate the prices of stainless-steel refrigerators to be up 10[%] to 15%, in all brands across the board."
- "We have already seen a slight increase in the price of stainless appliances this year. They are up around 5% and expected to go up even higher this summer."
- "The manufacturers were having problems with the stainless steel made in China so they had to start using American-made stainless again. It costs more so they are passing it onto the consumers."
- "Samsung has been gaining share for a year or so. But, they don't make the smaller fridges that people mostly purchase at this location. People need 17 to 18 cubic-foot models for their bungalows. Frigidaire has the market in this size."
- "In the last six months, Whirlpool has introduced a much nicer design on the inside of their refrigerators. The Frigidaires are more basic."
- "Customers' purchase decisions all depends on price since many of them are from rentals units. Homeowners tend to purchase more Whirlpool appliances, while more Frigidaires go into rental units."

**Samsung has been gaining share for a year or so. But, they don't make the smaller fridges that people mostly purchase at this location. People need 17 to 18 cubic-foot models for their bungalows. Frigidaire has the market in this size.**

*Sales Specialist, Lowe's Appliance Dept.  
Outside Chicago*

➤ **Assistant manager of a Sears appliance department, Chicago**

Prices are competitive, but style and design are more important than origin of brand for this source's customers. Korean brands lead in the trendy French-door style, while American brands offer more upgrades and features, which is what customers want. The [Kenmore Elite](#) line is their top-selling refrigerator, followed by a tie between Samsung and LG, and Whirlpool at No. 3. GE is their least popular brand with sales trending downward.

- "The foreign brands are competitive in price. To be more competitive with the U.S. brands, the foreign brands need to keep upgrading their features. The American-made brands have much more appeal in this way and that is what people want."
- "The trend style is the side-by-side French-style doors. The Korean manufacturers dominate in this style. The U.S. manufacturers need to introduce more models in this style in order to stay competitive."
- "The Kenmore Elite line is our top seller in refrigerators. No. 2 is tied between Samsung and LG and Whirlpool is No. 3."
- "General Electric refrigerators are the least popular and slow sellers."
- "Out of ten refrigerators sold, half are Kenmore, three are LG, one is Samsung and one is Whirlpool."
- "Most of the customers that come in for appliances are shopping for Kenmore."
- "People are not so concerned with the origin of the product. I know most Whirlpools are American made while the LG and Samsungs are made in Korea. Most customers are concerned more with the features of the fridge and what stuff it has on it. They also want it to match their other appliances."
- "General Electric is going down in popularity. We just don't get a large demand for GE."
- "Whirlpool has good innovation on their side-by-side refrigerators. They have the best design and features for side-by-sides."

The trend style is the side-by-side French-style doors. The Korean manufacturers dominate in this style. The U.S. manufacturers need to introduce more models in this style in order to stay competitive.

*Asst. Manager, Sears Appliance Dept.  
Chicago*

## 5) CUSTOMERS

Four consumers indicated that price and design were the key factors in buying their appliances. None of the sources were aware of the dumping charge or the ITC ruling. Country of origin was not a factor in any of their buying decisions. One source said the design and price of a Samsung refrigerator were superior to the competition, while another said that LG and Samsung are probably gaining market share because of their aggressive advertising. Another source said the LG price was higher than the price for the same GE appliance, so he went with GE.

➤ **Older female who purchased a Maytag refrigerator last week at Sears, Green Bay, Wisconsin**

This source states aggressive pricing exists now and companies need to offer quality products that last long in order to stay competitive. She was not aware the Maytag and Amana were Whirlpool brands and considered both along with Kenmore for her recent purchase. She purchased an \$850 Maytag refrigerator at Sears using a 25%-off coupon to reach close her spending goal of \$600. She says both Samsung and LG are gaining share due to increased advertising.

- "Samsung and LG are gaining share because there is more advertising out on them."
- "I was not aware of any dumping accusations against Samsung and LG. It may have affected my decision, but I don't know."
- "I feel there already is aggressive pricing in the marketplace. With our recent shopping trip for fridges, in the size and price range we looked at, they were all pretty competitive."
- "To stay competitive, companies need to offer a good brand. They need to offer both good quality and competitive pricing. They tell us now that refrigerators only last six to seven years. That is terrible. They should last longer; at least a decade. The GE fridge we are replacing has lasted 50 years!"

Samsung and LG are gaining share because there is more advertising out on them.

*Customer, Sears  
Wisconsin*



- “My husband and I looked at Maytag, Amana and Kenmore.”
- “The prices were all pretty much the same on the ones we were looking for. We were trying to hold it to \$600. This is our backup fridge for the basement.”
- “I don’t even know which ones are the foreign brands of the fridges we looked at. I would say no difference in price between foreign and American made.”
- “We ended up getting the Maytag for just over \$600. It is being delivered today.”
- “We had a 25%-off coupon at Sears. The Maytag we got was an \$850 fridge at Sears but then we got 25% off that price. With our coupon, we got it cheaper than the current sale price. Sears also knocked off the charges for delivery and removal of the old one.”
- “The country it was made—it should have had an effect on our decision—but it did not.”
- “I think Whirlpool appliances are good. They looked good. We just did not see any fridges from them in the price range.”
- “I had no idea that Maytag and Amana are Whirlpool brands so I guess I just bought a Whirlpool fridge!”
- “I know when I bought my LG washer 3 years ago, LG was supposed to be top of the line, even over Maytag.”

## ➤ Female appliance shopper in early 40s, New Jersey

While Whirlpool appliances have a good reputation, Wolf is the most desired brand, particularly for those going for a very commercial look. Country of origin and price were not key factors in the decision-making process for this customer. She was going for a specific style and chose [DCS appliances by Fisher & Paykel](#).

- “I think Whirlpool appliances are great. I considered a Whirlpool washer and dryer but after reading reviews about high-efficiency models, we went with Kenmore.”
- “The country of origin did not have any impact on our decision.”
- “I was not aware of the dumping accusations against Samsung and LG. That would definitely make me pause on any future appliance purchases.”
- “We really didn’t do a ton of research on appliances for the house. Our builder recommended a brand that he used, even in his own house and after looking at those we went with them. We wanted very commercial-looking appliances so we went with DCS, which is made by a company out of Germany called Fisher & Paykel.”
- “The only refrigerator we considered was DCS. We chose this over something like Wolf or Viking, which were much more expensive.”
- “Based on the little research we did, DCS was more expensive than others, though that specifically pertained to the range that we purchased, not the refrigerator.”

## ➤ Middle-aged male who purchased a GE refrigerator at Home Depot

A higher price for the foreign-made LG refrigerator affected this source’s purchase decision when he bought a GE refrigerator at Home Depot recently. He is not brand-loyal and does not care about origin of the products he purchases. He spent \$900 for the GE fridge, and the comparable one from LG was \$1,200. His Frigidaire died and he purchased the replacement soon after using \$500 in point vouchers from American Express. He has never owned a Whirlpool appliance.

- “I was not aware of the Whirlpool accusation against Samsung, and it probably would not have affected my purchase decision.”
- “I don’t know much about the Whirlpool brand. I have never purchased a Whirlpool appliance. Maybe the foreign brands like LG will go down in price now. It would have made a difference in my purchase decision.”
- “The refrigerator is GE but the compressor could be made in China. Who knows? But I don’t care about that stuff.”
- “I looked at a LG. The price was a bit higher than the GE I got for the features and size fridge I needed.”
- “I don’t really care about brand. I don’t have any loyalty to any government or really to brand. It really comes down to what I really like. I don’t really care where they are made. I don’t know if that is a bad thing morally. It is what it is.”
- “I spent around \$900 for my new GE refrigerator and the LG was \$1,200. You aren’t getting that much more for the extra \$300 so why would you spend it? LG needed to be more price competitive in my case in order for me to purchase.”

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*Customer, Home Depot*

- “The origin of the refrigerator had no bearing.”
- “Honestly, any brand would have been OK with regards to purchasing. I am not particularly loyal to any company and I don’t consciously shop for American-made brands.”
- “I got my fridge at Home Depot. I had American Express points, so I used a bunch of them for \$500 off the sale price. Home Depot is also convenient to my house and that kind of played into it.”

➤ **Senior female upgrading appliances in remodeled kitchen, New Jersey**

Samsung was the refrigerator of choice due to a recommendation for a granddaughter who recently purchased a similar model. Price was also a factor for this shopper, who wanted a French door with freezer below model. The Samsung was in the \$1,500-plus range while all other choices were over \$2,000. Country of origin was not a factor for this shopper, simply style and price. The product has performed well although the freezer door does go out of alignment from time to time.

- “I went with Samsung for three reasons—my granddaughter had recently purchased a Samsung and she loved it. I wanted a French door with bottom freezer and I thought Samsung had the best design and finally their price was \$1,500-plus, versus over \$2,000 for all competitors.”
- “The quality of the refrigerator seems fine. I have had one minor problem with the freezer door where it gets out of alignment occasionally, but it seems to correct itself by closing it and opening it again.”
- “I don’t know if I would buy another Samsung. I would hope I could buy one made in the U.S., but when I bought six months ago the pricing and design of the Samsung was superior to the U.S. models.”

## Secondary Sources

A review of additional resources revealed that Whirlpool appliances are now exclusively used by [Meritage Homes](#). Whirlpool kitchen appliances are rated as reliable, while LG is prone to repair. Reshoring of appliance manufacturing is an emerging trend and products once manufactured outside the United States are starting to return to North America due to higher labor and delivery costs in other countries. This increase in North American appliance manufacturing may lead to a shortage of plastic parts in the near future. Finally, a study found that consumers are not brand-loyal: price and a good deal are the primary factors when purchasing big-ticket items.

➤ **June 1, [article](#) in ApplianceMagazine.com**

Whirlpool has partnered with Meritage Homes, the ninth-largest U.S. homebuilder, to become their exclusive appliance provider.

- “Meritage Homes will be one of the first home builders in the United States to outfit homes with the [Whirlpool Ice Collection](#), a new line of appliances with a design that balances modern cues of metal against white and black surfaces.”
- “Meritage Homes is the ninth-largest homebuilder in the United States based on homes closed. As of March 2012, it had 150 actively selling communities in 15 metropolitan areas.”

➤ **May 24 [post](#) on Consumer Reports Web site**

Whirlpool is rated as one of the more reliable brands for kitchen appliances including refrigerators. LG and GE were listed as repair-prone.

- “Whirlpool gets high marks for reliability across top-freezers, bottom-freezers, and side-by-sides. ... Kenmore is another brand to consider. GE, on the other hand, was among the more repair-prone brands of top- and bottom-freezers with icemakers, while LG has been among the more repair-prone brands of side-by-sides with ice makers.”

➤ **April 2012 [article](#) in ApplianceMagazine.com**

A report indicates that higher wages in China and more competitive manufacturing in the U.S. are leading to a possible manufacturing renaissance. Appliance companies are beginning to reshore some manufacturing operations in North America.

- “Harold L. Sirkin, a BCG [Boston Consulting Group] senior partner and co-author of the report, said higher wages in China is only part of the reason that America may see a manufacturing renaissance. ‘The U.S. manufacturing

sector has gotten a lot more competitive over the past decade. And in recent years, companies have been paying much closer attention to the total costs of delivering a product made in China compared with making it closer to the end customer.”

- “This trend is still in the early stages,” stressed Michael Zinser, a BCG partner who leads the firm’s manufacturing work in the Americas. “But we expect it to accelerate as the new math of manufacturing increasingly favors the U.S. and as federal, state and local governments provide more support for companies considering opportunities to reshore work.”
- “Conservatively, we expect that around half the appliance manufacturing returning to North America will be done in the U.S., despite Mexico’s cost advantage,” the BCG report stated, noting that “some appliance manufacturers that have moved to Mexico have complained of quality problems due to shortages of skilled workers.”

➤ **April 5 [article](#) on Plastics Today Web site**

Some appliance manufacturers are bringing production back home to the United States. GE has opened two appliance manufacturing facilities in the past month and Whirlpool is moving their KitchenAid small appliance manufacturing back as well. If this pace continues, plastic molded parts may become scarce.

- “The American appliance manufacturing industry seems to be slowly making its way back home. Kentucky is the lucky recipient of a \$250-million investment from GE Appliance(s) at Louisville’s Appliance Park, the second GE facility to open within a month, and the first new plants at the park in more than 50 years.”
- “Manufacturing is picking up and a reshoring of appliance manufacturing is taking place,” said Jack Shedd, VP of business development for Hoffer Plastics Corp., which serves the appliance market among others. “Whirlpool is moving its KitchenAid small appliance manufacturing to Greenville, Ohio. They will still import motors and other items but the plastics will be retooled here.”
- “But of course with so much molding work having been pulled from custom molders in the U.S. and sent to Mexico, resulting in some molders shutting down, Shedd predicts a ‘capacity issue in the marketplace if things keep moving in the direction they are going.’”

➤ **April 2 [posting](#) on Home Channel News, a print and online resource for home-improvement retailers**

Brand loyalty is not an issue for most big-ticket consumers. Price and a good deal are the motivators for most shoppers.

<http://www.homechannelnews.com/article/big-ticket-purchases-how-consumers-shop>

- “Nearly seven out of 10 home improvement shoppers say they are not brand-loyal when it comes to buying big-ticket items, according to a study.”
- “Appliance shoppers are more likely to respond to a deal—but the new normal has them closely studying the real price/value equation of their purchase.”

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Additional research by Renee Euchner, Cheryl Meyer, Dann Mauro, Tina Strasser and Maggie Purcell

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