

How LG's smartphone exit could help fuel its smart home growth

Article

LG's board of directors **officially** approved the closing of its mobile phones business **following** weeks of rumors. In a press release, the South Korean multinational said its smartphone exit would allow it to focus on “electric vehicle components, connected devices, smart homes, robotics, artificial intelligence,” and other growth areas. The company expects to complete the closure by sometime this July.

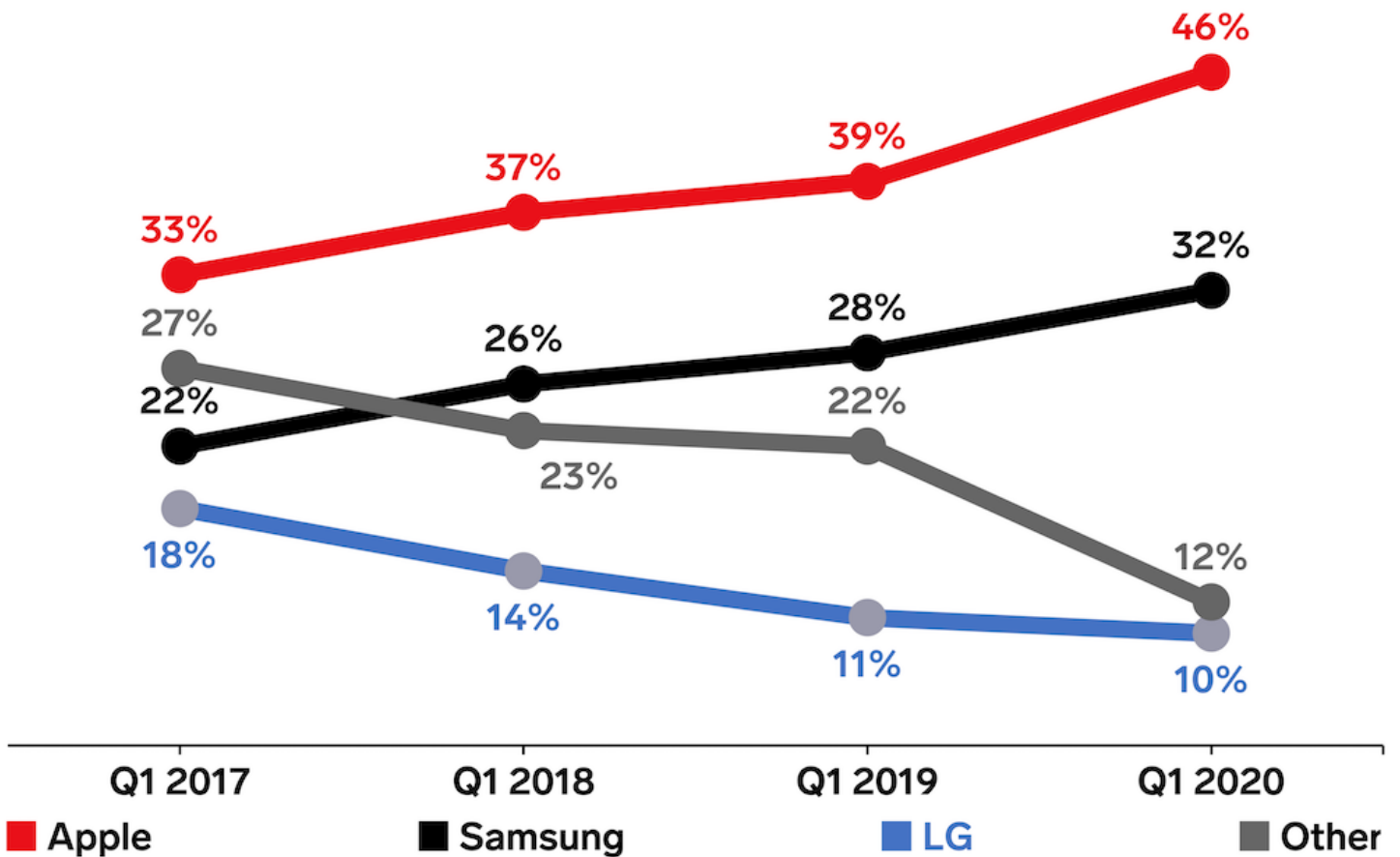
LG has struggled to shoulder heavy losses in its mobile phone business for years. The company's mobile business **reportedly** lost around \$4.5 billion over 23 consecutive quarters leading up to 2021. Rumors **started** swirling earlier this year of a potential LG smartphone exit, with recent reports claiming the company **attempted** and failed to sell part of its business to Vietnamese conglomerate Vingroup. For the past few years LG has tried to woo customers with phones featuring unique, unorthodox form factors like **rotating**, **folding**, and even **rollable** screens, but still failed to win over any significant portion of users. Today's news means the company's rollable phone—a 2021 CES **favorite**—may **never** reach consumers.

LG's smartphone exit will create a near duopoly in the US between Apple and Samsung. In Q1 2017, LG made up 18% of total US smartphone shipments, making it the third-largest smartphone manufacturer by shipment market share, just behind Samsung (22%), **according to** Counterpoint data. By Q1 2018, LG's market share had diminished to 14% before fading to 11% the next year. Globally, the story's even worse. Once a significant worldwide player, LG **dropped** out of the top five of global smartphone share in 2015. Last year, LG made up just 2% of smartphone shipments worldwide, **per** Counterpoint.

The move away from mobile phones may allow LG the flexibility to double down on its already successful smart home hardware business. LG's mobile phone business has failed to keep up with its other products for years. While the company's home appliance, home entertainment divisions, and vehicle component solutions sections saw annual sales growth increases of 20%, 7.9%, and 41.3% respectively, **according to** LG's Q4 2020 earnings report, mobile communications growth was significantly less at 4.9%. These recent smartphone failures could ultimately be a blessing in disguise for LG: By snubbing phones, LG can focus resources on its already well-established smart home and IoT technologies. That could present a significant upside since smart home device users in the US are expected to increase from 83.9 million in 2020 to 139.7 million by the end of 2024, **according to** eMarketer's 2021 Smart Home forecast.

Apple and Samsung's Growing US Smartphone Duopoly

% of US smartphone shipments market share



Source: Counterpoint, 2017-2020

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