

Kiarra Ysabel P. Puzon  
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Strategic Marketing Management  
Professor Ghosh

### Samsung Case Discussion

#### What are the key challenges for Samsung?

Samsung was recognized to be one of the largest and most profitable companies in the world, holding the 15th spot by revenues and 10th by profits in the Fortune Global 500. However, the company was dealing with difficulties in its core mobile phone business, as it faced a rigorous challenge from rising Chinese competitors such as Huawei, Xiaomi, and Oppo. If they do not fulfill this challenge, it could result in their fall or even bankruptcy, like various competitors such as Nokia, Motorola, and Ericsson.

The company faced several challenges. Losing key markets, Samsung was known to hold the title of being the dominant smartphone brand in mainland China, as they held over 20% market share. They are now ranked the last among major brands in the market with a 2% market share. It also affected its market share in India, turning over sales leadership to Xiaomi in the fourth quarter of 2017. Margin Compression, despite Samsung, retaining a dominant position in developing markets, the occurrence of Chinese manufacturers operating at low or negative margins pushed the profit margin for the company's mobile division down from 15.5% in 2014 to 10.6% in 2015. From 2013 to 2016, Samsung's total sales decreased from USD 182bn to USD 162bn.

The firm's biggest marketing difficulty right now is figuring out how to promote its smartphone to corporate buyers. This is regarded as Samsung Inc.'s biggest issue, as corporate buyers have lost faith in the company's products. Samsung could not afford to overlook this market segment to succeed in the current market. Many businesses are now utilizing Smartphones and other associated electronic devices to handle a variety of tasks. These gadgets are frequently used by multinational organizations to monitor operations at numerous branches throughout the world. Organizational customers have proven to be a lucrative market for companies like Blackberry and Apple. The issue of security is the main reason why Samsung smartphones and other communication devices are less popular among corporate buyers. Samsung's smartphone is powered by Google's open-source Android operating system. In comparison to Apple Inc. and Blackberry, this operating system is more sensitive to viruses and can be easily hacked. Buyers in organizations no longer have faith in their communication devices. Third-party breaches of sensitive data might have major ramifications depending on the database that has been hacked. Hackers have been known to delete key files that are required for proper operations.

### How does Samsung plan to regain the market?

Machine intelligence and automobiles, intelligent healthcare solutions, intelligent machines to augment human capabilities. Samsung's aggressive expansion in Silicon Valley was propelled by the challenges it faced in the maturing smartphone market and the increasingly fierce competition it faced. Samsung has chosen to invest considerably in technological innovation and research and development. Samsung has to become a pioneer in developing new technology to get a competitive edge based on innovation. Sony had a consumer electronics advantage in the 1990s, but it was based on analog technology. The digital world necessitated new goods, thus the company devoted significant resources to developing large-area LCDs, chipsets, and telephones. Samsung also concentrated on product development and design, knowing that cutting-edge technology does not always ensure market success. Their goal was to design items that provided benefits that at least some consumers thought were worth the price. Because many product benefits are subjective – for example, beautiful styling, a cool image, or camera quality – new product development at Samsung typically comprises a team of designers who work closely with the company's engineers, manufacturing teams, and marketers. Samsung's marketing strategy centered on developing a promotional campaign to improve the company's brand image. Even the most technically advanced and well-designed items will fail unless customers are aware of their existence, can easily obtain them, and believe they are worth the money.

### SWOT Analysis:

<b>Strengths:</b> <ul style="list-style-type: none"><li>● Innovative designs</li><li>● Dominates the smartphone market</li><li>● Research and Development</li><li>● Award-winning brand</li><li>● Cost &amp; Quality Focused</li><li>● Low production cost</li><li>● Ecologically friendly innovations</li><li>● Stronghold in the Asian markets</li></ul>	<b>Weakness:</b> <ul style="list-style-type: none"><li>● Low-Profit Margin</li><li>● Heavily dependent on the American markets</li><li>● The decline in smartphone sales</li><li>● Damaging Image by Infringement</li><li>● Product failures</li><li>● Dependence on low-end smartphones</li><li>● Lacking Own Operating System</li><li>● Bribery scandal (2015)</li><li>● Hereditary leadership</li><li>● Less Quality than Apple's</li></ul>
<b>Opportunities:</b> <ul style="list-style-type: none"><li>● The Indian smartphone market is growing</li></ul>	<b>Threats:</b> <ul style="list-style-type: none"><li>● Increased competition</li><li>● Chinese competitors are gaining</li></ul>

<ul style="list-style-type: none"> <li>• Triple protection proposition</li> <li>• HR management</li> <li>• The growth of the tablet market</li> <li>• Diversification</li> <li>• 5G Technology</li> <li>• Acquisition of new companies</li> </ul>	<p>competitive advantages</p> <ul style="list-style-type: none"> <li>• People are looking for better quality nowadays</li> <li>• Patent infringement controversies</li> <li>• Legal and regulatory threats</li> <li>• Economic uncertainty</li> <li>• Rise of counterfeiting</li> <li>• A large number of products, failing one will affect another</li> <li>• Impending court cases</li> </ul>
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### Porter's Five Forces of Competition

#### Competitive Rivalry (High)

- This is especially important for Samsung because other white goods multinational companies (such as LG, Nokia, and Motorola) let alone Apple are in fierce competition. Within the contemporary industry, there is a lot of competition, especially among the huge and powerful corporations, such as Apple and Samsung. Because the products they manufacture are identical in appearance and function, competition between these two enterprises is extremely fierce. Several litigations between the two corporations have emerged from the competition, which will be detailed later in this story. Because of the importance of the rivalry between these two companies, as well as other companies in the industry, Samsung Electronics must be continually informed of its competitors' strategies to improve brand awareness, loyalty, and market share.

#### Threat of new entrants (Moderate)

- The white goods industry is characterized by high entry barriers and low export barriers, especially when it involves large global companies such as Samsung. Indeed, entering emerging markets is usually very difficult because many factors must be considered, such as the establishment of a distribution network and supply chain. Samsung Electronics operates in a very competitive business in which competitors compete not only on price but also on innovation and individuality. Newcomers to the business would have to create customer awareness and branding, which could be tough given how well-known the present brands are and how many established mobile companies there are. Companies like Samsung and Apple make premium, top-of-the-market items, whereas any new company would have to settle for being viewed as a 'knock-off' of inferior quality. Nonetheless, the history of Samsung Electronics demonstrates that a business may progress from this position to become a global leader. As a result, new entrants into the business pose the greatest danger to Samsung Electronics, as they have the potential to design goods that are significantly different from those now available. There are numerous barriers to entry into the industry, including the need to quickly build a strong customer base and brand recognition, the fact that many consumers have strong brand loyalty, the capital

requirements for entry, government regulations, and retaliation by the industry's current leaders.

### **Power of Buyers (High)**

- Buyers have mixed feelings about the power of white goods manufacturers like Samsung. Although buyers have multiple choices, at the same time they must insist on using products because they can't just discard products because of high-value items. Because of the enormous number of rivals in the mobile device sector, consumers have a lot of choices. While many consumers value innovation, price is still a crucial consideration. Consumers can easily switch from one provider to another based on which offers more options and lower prices. Consumers have substantial negotiating power because companies in the industry are all appealing to the same group of customers. The variety of items sold throughout the sector are one element that limits consumers' negotiating power. Consumers will rarely purchase a significant number of electronic devices at once, each purchase decision is made based on the options available at the moment. Because of their strong brand loyalty, many customers are willing to accept higher rates and fewer services than they would otherwise. Samsung Electronics must keep aware of the needs of its customers as well as the various possibilities available from its competitors. This allows the organization to remain competitive while also understanding how to best exploit its market.

### **Power of Suppliers (Low)**

- Since the white goods market is flooded with many alternatives, and consumer durables are usually long-term purchases, this factor is indeed high. Companies such as Samsung must be cautious when choosing an appropriate marketing strategy. Since there are so many component suppliers, it's simple for businesses to switch from one to another if the pricing of one supplier's products becomes too expensive. This reduces suppliers' bargaining leverage and allows Samsung to be less influenced by their demands. Samsung also makes memory chips, CPUs, and screens, unlike most other smartphone manufacturers. As a result, Samsung finds itself in the odd position of serving as a supplier to its main competitor. However, this also means that Samsung Electronics can supply numerous components to itself, avoiding the price fluctuations that come with relying on an external supplier.

### **Threat of Substitutes (Low)**

- This is an additional element of the analysis because people are increasingly concerned about social and environmentally conscious business practices, which means that companies like Samsung must be cautious when doing business and selling products to consumers. Smartphones are growing more popular as a technology, as they provide consumers with a variety of features such as voice calls, applications, and the capacity to play music. The creation of substitute products is harmful to Samsung since it reduces Samsung's capacity to dominate the market because consumers can quickly switch to another product. The patient-centric nature of the industry is one of the most powerful factors inhibiting the creation of replacement products. Many of the cases involving Apple and Samsung have yet to be resolved; however, if it is

determined that either Apple or Samsung violated patent law, it will be difficult for other companies to develop substitute products, and may even result in injunctions against some of Apple or Samsung's products. Anything that performs the same features as Samsung's smartphones and devices is considered a substitute product. Tablets, laptops, PDAs, and non-smartphones (sometimes known as "dumb phones") fall into this category. However, their ability to serve as a substitute is restricted. In comparison to smartphones, tablets and laptops are big, and they lack the traditional functions of a phone. This implies they can't be used as a direct replacement. PDAs are also limited because this is not a well-developed sector, and most PDAs lack the features of a smartphone or a mobile phone.

### Strategies- discuss the pros and cons

#### Traditional fast-follower strategy

Pros:

- Ability to quickly imitate innovations by market leaders and improve them
- New product development instantly
- Best innovative hardware
- Useful features
- Expansion in Silicon Valley

Cons:

- Often blindsided by disruptive innovations
- Battery life
- Bloatware
- Poor thermal management system
- Lack of software updates
- Rise of competitors

From the 1990s to the early 2000s, Samsung, together with other large Korean conglomerates (chaebols) rose to market dominance by adopting a fast-follower strategy. Their strength to rapidly imitate innovations by market leaders and improve them in combination with fast decision-making and execution, allowed the chaebol to gain market share quickly. These capabilities also guaranteed that new product development and introduction to markets were all performed almost immediately, shortening product cycles. However, the most essential part, the chaebol achieved large-scale economies by making bold investments in gargantuan production facilities. The fast-follower strategy simultaneously faced a challenge from nimble Silicon Valley players. The chaebol focused on benchmarking market leaders, making incremental

improvements, and executing production quickly and efficiently. Due to this, the chaebol were often blindsided by disruptive innovations originating from Silicon Valley, which radically changed markets and consumer preferences.

### Use technology and change the current strategy

Pros:

- Investing in start-ups to tie up with the company
- Its branding goal is to build a brand that people trust and admire, as well as a firm that they want to work for.
- New ideas to keep up with trends through outside innovation
- Samsung Electronics strongly focuses on the use of R&D in order to ensure the company retains a competitive advantage in the market.
- Samsung Electronics' technological position and strategy have been heavily focused on the development of smartphones, using Android as its operating system and producing a product that looks superficially comparable to Apple's.

Cons:

- Samsung needs world-class human resources from both technical and business backgrounds to achieve its goal of creating innovation within the organization.

### Use Silicon Valley as a research laboratory

Pros:

- Samsung Catalyst Fund is a strategic investment tool for the Chief Strategy Office that enables Samsung to work directly with the best and brightest startups.
- Rigorous R&D
- Building an in-house research lab

Cons:

- One significant issue that has restricted the company is Apple, which developed a range of products before Samsung Electronics or at the same time that have many similarities.
- Many of Samsung's gadgets, according to Apple, infringe on its patents, resulting in numerous infringement claims all over the world. These lawsuits have centered on allegations that Samsung copied the design of Apple's iPads and iPhones when developing its smartphones and tablets.

Samsung's decision to expand its presence in Silicon Valley signifies an intensification of its rivalry with Apple, as the two companies compete for the same employees, investments, and inventions. Samsung feels that its Silicon Valley expansions are needed to inject more

entrepreneurial DNA into the veins of a corporation that is recognized for following rather than leading innovation. To put it plainly, Samsung and Apple have a complicated relationship. Samsung has long been one of Apple's primary component suppliers. For years, Samsung has had a minor presence in Silicon Valley, with its U.S. semiconductor headquarters, a small R&D lab, and a venture capital office. However, that relationship has stretched in recent years as Samsung has unveiled a range of new handsets, led by the Galaxy, that operate on Google's Android operating system. Samsung has become the world's largest smartphone vendor, despite Apple's dominance in the United States. It hasn't always been easy to work with Samsung. Samsung produces a wider range of items than Apple, such as appliances and televisions. Because of its size and complexity, as well as its concentration in South Korea, the corporation has proven difficult to comprehend and navigate for valley entrepreneurs and potential partners. Sohn expects that the company's increased presence in Silicon Valley would assist in familiarizing and de-mystifying the area. There will undoubtedly be plenty of opportunities for Silicon Valley entrepreneurs and engineers to rub shoulders with Samsung in the coming years.