

Business Management – SL Internal Assessment

What strategies should Samsung India Electronics Pvt. Ltd. use to subvert the market leadership of Xiaomi Technology India Private Limited in the Indian smartphone market?

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A. Introduction

With 439.42 million smartphone users, India is the world's second largest smartphone market¹. Samsung India Electronics Pvt. Ltd is completely owned by Samsung Group. The Samsung Group is a multinational company. They are the largest South Korean company, with several related enterprises, most of which are integrated under the Samsung brand². Xiaomi Technology India Pvt. Ltd began operations in India in 2014. Xiaomi boosted their market share in 2016 by pushing Samsung India back. Xiaomi Corporation is a Chinese multinational electronics company founded in April 2010³. The purpose of this commentary is to examine & contrast the marketing techniques of both companies. The goal is to review & analyze the feasible marketing strategies that Samsung can employ to restore their market position.

¹ <https://www.statista.com/statistics/748053/worldwide-top-countries-smartphone-users/>

² <https://en.wikipedia.org/wiki/Samsung>

³ <https://en.wikipedia.org/wiki/Xiaomi>

B. Marketing Mix

a. Samsung⁴



Figure 1 Galaxy M02⁵



Figure 2 Galaxy Fold⁶

| Product | Price |
|---|--|
| <ul style="list-style-type: none"> • Makes smartphones in both budget & premium range. • There are 85 smartphone models • 38 are available on their website to buy⁷. • Innovative Products. • Status Symbol for customers | <ul style="list-style-type: none"> • The smartphones range from ₹10499 to ₹ 171999.⁸ • Price Skimming • Competitive Pricing |
| Place | Promotion |
| <ul style="list-style-type: none"> • Focused more on physical channels. • Sale & service dealers • Retailers • Distributors • Have their own e-commerce platform. | <ul style="list-style-type: none"> • Newspapers • Social Media • Celebrity Endorsement • Offers a series of benefits & discounts to their business partners to encourage them to sell Samsung devices above the competition. |

Table 1 Marketing Mix – Samsung

⁴ Supporting Document 2 - <https://bestxiaomiproductions.com/xiaomi-vs-samsung/>

⁵ <https://www.samsung.com/in/smartphones/galaxy-m/galaxy-m02-gray-32gb-sm-m022gzabins/>

⁶ <https://www.samsung.com/in/smartphones/galaxy-z-fold3-5g/>

⁷ <https://www.samsung.com/in/>

⁸ <https://www.samsung.com/in/smartphones/all-smartphones/>

b. Xiaomi⁹



Figure 3 Redmi 9A¹⁰



Figure 4 Mi 11 Ultra¹¹

| Product | Price |
|--|--|
| <ul style="list-style-type: none"> • They make smartphones in both budget & premium range. • There are 27 smartphones models¹². • The focus lies on phones for photography. | <ul style="list-style-type: none"> • The smartphones range from ₹6799 to ₹74999. • Cost Plus Pricing • Penetration pricing |
| Place | Promotion |
| <ul style="list-style-type: none"> • Have their own e-commerce platform. • Also sell on other e-commerce platforms. • Retailers • Being a digital first company they save money on shop construction & management. • Customers can access products without giving perks to the distributor, wholesaler. | <ul style="list-style-type: none"> • Social Media • Microblogging Sites. • Flash Sales to sell a limited number of smartphones in a short period of time. • Pay social media influencers to advertise their products. • Also offer a loyalty program 'Mi VIP Club', that rewards users for purchasing Xiaomi items. |

Table 2 Marketing Mix – Xiaomi

⁹ Supporting Document 2 - <https://bestxiaomiproductions.com/xiaomi-vs-samsung/>

¹⁰ <https://www.mi.com/in/redmi-9a/>

¹¹ <https://www.mi.com/in/mi-11-ultra/>

¹² <https://www.mi.com/in/list>

c. Analysis¹³

Product – Both companies have managed to maintain the highest conceivable standards. Xiaomi sells their goods at a lower price point while also including more features that are needed by individuals who are from lower & intermediate income backgrounds. Samsung, on the other hand, spends a significant amount of money on R&D for new features that increase the product's cost. Xiaomi's USP is 'High-end & High-spec Goods at a Reasonable Cost', Samsung's USP is 'Innovation'.

Price - Price plays an important role as smartphones have become an integral part of our lives. Xiaomi uses Cost – Plus Pricing wherein they cut the promotion costs & price their products according to production cost & add small percentage of profit. To earn more profit, they market third-party apps which offer subscriptions. Samsung uses Competitive pricing wherein they price their products based on marketing, research, & production costs, as well as external factors such as inflation. Also, they use Price Skimming in which they set a high price at first & then lower the price after the model is mature. Both the companies use Psychological Pricing to price their products & also sell several limited-edition cellphones that are more expensive.

Place - Samsung entered India before Xiaomi, giving them an edge over competitors in terms of product distribution. Multichain distribution is used to handle distribution. However, one issue that Samsung faces in physical distribution is that retailers cannot keep all the models in stock, so buyers prefer to compare & buy online. Xiaomi has stronger online presence, & are committed to investing Rs.100crores in establishing retail facilities over the next years.¹⁴

¹³ Supporting Document 2 - <https://bestxiaomiproducts.com/xiaomi-vs-samsung/>





¹⁴ <https://www.indiatoday.in/technology/news/story/xiaomi-to-invest-rs-100-crore-in-expanding-retail-outreach-over-next-one-year-1783598-2021-03-25>

Promotion - Xiaomi is more into below the line promotion where they use social media to advertise their products & partner with social media influencers & celebrities. Xiaomi's targeted market is low to medium income people therefore they invest more on small & medium-sized social media influencers. They also use Viral Marketing, Sales Promotion & Publicity. Samsung, spends a significant amount of money on above the line promotion like Television, Outdoor advertising, & Celebrity endorsement.





Consolidated Analysis - Samsung should make smartphones for people of all income ranges, but in the Indian market they should focus more on the low & middle-income people; for which Samsung should spend far less on above-the-line promotion & more on below-the-line promotion, which allows Samsung to sell their products at a much lower rate. Samsung should also offer its products online, since this would allow the corporation to reach out to new customers. Also, their R&D should come up with products that is better tailored to India's middle-class consumers.

C. Boston Consultancy Group Matrix¹⁵

a. Samsung

| | | Market Share | |
|---------------|------|--|--|
| | | Low | High |
| Mather Growth | Low | Dogs  Galaxy Note series | Cash Cow  Galaxy-A series Galaxy-M series |
| | High | Question Mark  | Star  Galaxy-Z series Galaxy-S series |

b. Xiaomi

| | | Market Share | |
|---------------|------|---|--|
| | | Low | High |
| Mather Growth | Low | Dogs  | Cash Cow  |
| | High | Question Mark  | Star  Mi series Poco series Redmi series |

¹⁵ Supporting Document 3 - <https://www.counterpointresearch.com/india-smartphone-market-q3-2021/>

c. Analysis¹⁶

Samsung¹⁷ - Samsung's smartphones are categorized as Galaxy Z, A, M, S, & Note. Samsung's Galaxy M & A series are doing well in the entry & mid-range segments, respectively. In this series, Samsung releases just minor updates in this smartphone series. They come under mid-range smartphone, & they are the Cash Cows of the BCG Matrix since they have a lot of market share but not a lot of market growth. The Galaxy S & Z series are also their best-selling smartphones in the premium sector. Because of the strong sales, Samsung has also invested a lot in the R&D of these goods, making them the cash cows of the BCG matrix due to their high market share & growth. The Galaxy Z has outperformed any previous Galaxy Note series in terms of lifetime revenue contribution. A result of the Galaxy Note's decreased market share & Samsung's reduction in manufacturing¹⁸ of this series puts the product in the Dog of the BCG matrix, as it has a lower market share & a lower market growth.

Xiaomi - Xiaomi's products are classified as Redmi, Poco, & Mi. Xiaomi took the top four spots on the list of the best-selling smartphones by its Redmi series. Redmi series is a smartphone in the mid-segment. Xiaomi had its highest-ever premium-segment shipments of the premium-segment smartphones because of Mi series. Xiaomi's Poco series is also their best-selling line of smartphones, they are high-end smartphone. Xiaomi's all goods are in the Star since the business has confined its product selection to three sub-brands. They are investing equally in the development of their devices. Therefore, their products have high market share & high market growth.

Consolidated Analysis - Samsung should cease investing in the Note series since it'll take a significant amount of money to shift it from the Dogs to the Star. Instead, it should focus more on A & M, bringing them to the top of the mid-segment by investing in product marketing and development. Also, S & Z series should be given equal attention. They can add 5G to their A & M series smartphones in order to overtake competitors in the 5G category.

¹⁶ Supporting Document 3 - <https://www.counterpointresearch.com/india-smartphone-market-q3-2021/>

¹⁷ <https://candytech.in/smartphone-market-share-india/>

¹⁸ <https://www.indiatoday.in/technology/news/story/galaxy-note-20-not-selling-well-report-says-samsung-is-reducing-production-1737801-2020-11-04>

D.SWOT Analysis

| Strengths | Weakness |
|--|---|
| Samsung - They have a strong R&D network, which allows them to create a broader product line that caters to everyone's demands. They have a Mega factory in India that promotes the 'Make in India' concept & can attract additional clients. | Samsung - They charge heavy price on their smartphones. The organization prefers to offer their products in person rather than online. They offer a wide range of products ¹⁹ , they are unable to fully focus on a single business sector. |
| Xiaomi - They manufacture their primary components in China & import them to India for assembly, which allows them to save money on taxes of production ²⁰ . The penetrative pricing strategy aids in lowering the cost of their cellphones. Because they distribute their products online & avoid Covid's regulations also have a larger reach. | Xiaomi - It was occasionally difficult for customers to obtain a particular model. This is because their offline distribution is inadequate, & Xiaomi phones are primarily sold online. ²¹ |
| Opportunity | Threats |
| Samsung - The corporation can categorize their smartphone sector into three categories: low, mid, & high range, with a focus on the low & mid-range. Samsung can research more & innovate more foldable smartphones. ²² They can also develop a smartphone that is most suited to the Indian market. ²³ | Samsung - In the smartphone sector ²⁴ , there is competition from not only Xiaomi, but also from emerging companies like Vivo, Oppo, Realme & Apple. |
| Xiaomi - They can broaden their product selection & invest more in R&D to better meet the needs of their customers. They can also begin to produce more durable & long-lasting items to acquire the trust of their clients. | Xiaomi - Vivo, Oppo, Realme & Apple ²⁵ are strong competitors in the smartphone market. |

¹⁹ <https://www.samsung.com/in/>

²⁰ <https://www.reuters.com/article/us-xiaomi-india-idUSKBN2AP13K>

²¹ Supporting Document 2 - <https://bestxiaomiproducts.com/xiaomi-vs-samsung/>

²² <https://www.sammobile.com/news/samsung-vs-xiaomi-2020/>

²³ Supporting Document 4 - <https://economictimes.indiatimes.com/tech/hardware/samsung-faces-tough-but-doable-challenge-to-rise-to-top-in-india-handset-market/articleshow/74407419.cms?from=mdr>

²⁴ Supporting Document 1 - <https://www.counterpointresearch.com/india-smartphone-share/>

²⁵ Supporting Document 1 - <https://www.counterpointresearch.com/india-smartphone-share/>

Consolidated Analysis - Samsung should acquire its components from nations where they are inexpensive to manufacture. Samsung should now concentrate on online distribution channels & interact directly with customers as a B2C firm. Because internet distribution channels account for 55%²⁶ of overall sales. This will also assist them in lowering the price of their items. Furthermore, because Samsung has been on the market for a long time, it should make a lot of money. As a result, it should adopt predatory pricing to eliminate market competition. Also, they can use Penetration pricing for their mid-range smartphones to attract more customers.

²⁶ Supporting Document 3 - <https://www.counterpointresearch.com/india-smartphone-market-q3-2021/>

E. Conclusion

Xiaomi presently holds the largest market share in the Indian smartphone market. The corporation targets the poor & middle wage earning people & spend far less on above the line promotion & more on below the line, this helps Xiaomi to sell their products at a much lower rate.

Samsung holds the second largest market share. If Samsung wants to reclaim their market leadership, they should focus equally on below the line promotion like Viral Marketing, Sales Promotion, Publicity & Sponsorship. Also, instead of focusing on celebrities, small & medium-sized social media influencers will be able to gain a larger customer base with the same amount of money. Samsung has a very good R&D, therefore they should come up with a product that is more specific to the middle-class people of India. For example, Samsung is only one producing foldable smartphone screens. They can work on more such innovative products. Also as Samsung has been profitable²⁷ over the years they can use Predatory pricing and Penetration pricing which will help Samsung to eradicate its competition and gain their consumers back.

Word Count – 1470

²⁷ <https://www.zeebiz.com/companies/news-samsung-india-logs-39-rise-in-profit-at-rs-4041cr-revenue-flat-in-fy21-168995>

F. Supporting Documents

a. Supporting Document 1

Link – <https://www.counterpointresearch.com/india-smartphone-share/>

Title - India smartphone market share: by quarter

Date - August 6, 2021

By - Team counterpoint

b. Supporting Document 2

Link – <https://bestxiaomiproductions.com/xiaomi-vs-samsung/>

Title - Xiaomi vs Samsung 2021 | Which is Better?

Date - October 12, 2021

By - Jenny Xiao

c. Supporting Document 3

Link – <https://www.counterpointresearch.com/india-smartphone-market-q3-2021/>

Title - India Smartphone Shipments Cross 52 Million Units in Q3 2021 as Brands Prepare for Festive Season

Date - OCTOBER 28, 2021

By - Prachir Singh

d. Supporting Document 4

Link – <https://economictimes.indiatimes.com/tech/hardware/samsung-faces-tough-but-doable-challenge-to-rise-to-top-in-india-handset-market/articleshow/74407419.cms?from=mdr>

Title - Samsung faces tough but 'doable' challenge to rise to top in India handset market

Date - Feb 29, 2020, 09:03 AM IST

By - Himanshi Lohchab, ET Bureau

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