

Samsung: A Case Study

Marketing Strategy Analysis

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Executive Summary

This paper tries to shed light on the marketing strategy adopted and the external environment surrounding Samsung the electronic giant. We have studied the business environment prevalent around the globe and how Samsung as an organization fits into the scenario for the purpose of coming up with a critical analysis. A humble effort has been made through this paper to analyze the external environment surrounding the organization with the help of tools like SWOT Analysis and Pestel Analysis. The organization's approach depicts the organization's uniqueness. Founded way back in the year 1938 the organization has its headquarter at Seoul which is the heart of South Korea. The company consists of other ancillary firms to which it has provided the brand name. (Chang 2008)

The organization currently operates in four segments namely: Telecommunication Network, Digital Media, LCD and Semiconductor. With the help of its subsidiaries it is engaged in the manufacture and the sales of telecommunication products, semi-conductors, digital media products and home appliances. Through this paper an analysis of the marketing mix of the organization has been made and a prospective set of marketing strategies has been suggested.

Introduction

Established in the year 1938 by Lee Byung-chull, the organization has become one of the leaders of the global market. The company currently operates in approximately 60 countries around the globe. It has been able to establish itself as a global brand. The company has almost 146 cell phones listed on its websites of which most of them are android devices. The organization has been known for its technological advancements and for the sheer quality of its products.

(BRACETTI 2013)

The organization recorded a profit of 29.05 trillion won and revenue of 201.1 trillion won in the year 2012. There was a 4% increase in the revenue in the last quarter as compared to the third quarter (Figure: 1, Refer Appendices).

Samsung's Macro and Micro Competitive Environments

The external and internal factors have influenced the business environment of the organization. These factors have influenced the organization's presence across the globe and the performance of its products. Through Pestel analysis we would be able to understand the macro environment and the Swot analysis would enable us to gather a better understanding of its micro environment.

PESTEL analysis

The macro environment surrounding the organization can be gauged through this segment of the paper. The Pestel approach analyses the various macro environmental factors such as social, environmental, political, economic, political and legal.

Political factors

The political factors refer to the regulations prevailing within an Economy. It also refers to the political environment presiding within that nation and the intensity of economic intervention and various government subsidies.

In the countries of its operation the organization is subject to a significant level of risk which is political in nature. The risk generally varies from country to country. In some nations the environment is suitable while in other nations it is not so friendly and can particularly be termed as hostile. For example in the home country it is facing tough political environment. In Africa and South East Asia the organization is faced with a tough environment which is not particularly as suitable as the environment prevalent in countries like India and China which offer various advantages to the organization.

Economic factors

The interactions of various financial and economic resources of the nation comprise the economic factors. It also comprises factors such as, rates of interest, policy of taxation, growth, inflation and economic development. The business operation of an organization can be affected by these factors. (Pahl & Richter, 2009)

The borrowing capacity of the organization is reduced when the rates of interest increase. The cost of operation's increase with an increase in the rate of inflation which leads to an increase in the cost of salaries. These factors have been influencing the decision of the organization in many countries across the globe. The organization has to frame suitable policies depending upon the economic conditions prevalent within a particular nation and the consumers it wants to target. It also refers to the disposable income of the consumers. Cheaper products are launched and

marketed where the disposable income is less and high end products are marketed and launched where the disposable income is on the higher end.

Social-cultural factors

Factors like customs, traditions and practices comprise the social environment existing within an economy. These factors differ from nation to nation and can have a major impact on the policies of the organization. The demand of the product is affected by factors such as social status. The pension payments would be more where the average age of the work force of the nation is above 40. This can be very costly for the organization. The demand is also affected by the ageing population. The company by incorporating itself in new markets has been able to tackle and overcome these social challenges. In spite of this, the organization has admitted that it faces bribing to be offered a business chance operation. According to The Economist, "The Samsung group, has no legal identity: its 83 firms shelter under an umbrella company in which the Lee family has a controlling 46 per cent stake. Whistleblower Kim Yong-chul, a former chief lawyer for the group, claimed that the company established a \$200m slush fund to buy off politicians and prosecutors. He claims his tell-all book, Thinking of Samsung, documenting widespread corruption, price-fixing and bribery inside the Samsung empire, has been effectively blacklisted by the Korean media." (KIRK 2013)

Technological factors

Products and the way they are produced id changed by inventions and cutting edge technologies. The production costs and other related costs are cut down by inventions. This also leads to the improvement in the quality of the products. The organization has been proud of its advancements in this field and has been able to improve its manufacturing abilities by employing such

technologies. It has been universally accepted that the organization is strong in the field of technology. The culture of innovativeness is what drives the organization.

Environmental factors

The weather conditions of a country comprise the environmental factors. This factor to a great extent can influence the operations of the business. The climatic changes as a result of the global warming have influenced the operations of the business. The sector which has been mostly affected by these changes is the tourism sector. Astonishingly, the growing wish of the nations to protect the environment has had an impact on various sectors like transportation. Samsung's concern towards the environment is depicted by its corporate social responsibility. The organization has implemented practices which aim to safeguard the environment.

Legal factors

These refer to the legal restrictions which apply to an organization as a result of the legal framework of that nation. These factors have a huge impact the way an organization conducts itself and the way the demand for its product are determined. The policy of minimum wage rate if enforced by the government can bring up the costs of the organizations operating in that country.

Competitive environment

The organization faces brand competition from the entities that produces products that are different from those produced by Samsung. Market forecasting is required to counter this type of competition. The organization faces competition in various segments from organization like Nokia, Apple, Panasonic and others. However with the help of technological advancements and a unique advertising strategy the organization has been till now able to ward off the competition.

SWOT Analysis

The strengths, weaknesses, opportunities and threats evaluation of Samsung have been done in this section. The micro factors have explained with the help of this tool.

Strengths

The above mentioned situations have been used well by Samsung to its advantage.

It has been pointed out by Michell (2010) that the organization has been technologically more advanced than its competitors that has given an added advantage to Samsung. This enables the organization to produce products at a lower cost and add quality. The economies of scale enjoyed by the organization have enabled it to increase the efficiency of the production in regards to the huge volume of goods manufactured by it. This has allowed Samsung to reduce per unit of output as the fixed costs are shared by the increased turnover. This has to a certain extent helped the organization to explore larger markets. Availability of resources in the form of labor has contributed to this factor. All these factors have been well utilized by Samsung which constantly concentrates on production of better products through research and development.

Weaknesses

The organization has no association with gaming consoles. It is yet to enter the gaming industry. Its competitors like Sony, have an advantage in this field which was evident from the launch of its various consoles like PS1, PS2 and PS3. If Samsung chooses to enter this particular industry it would face stiff competition from Sony and might even be displaced by it. The higher prices charged by the organization as a result of the semiconductor technology employed makes it

tough to target low and medium end consumers. As a result of this the organization has been missing out on a huge opportunity as these consumers constitute a major segment of the market. Though the company has been trying to expand in new markets its efforts have seem to reduce in some of the countries. The company has been able to properly set its foot in America and Europe. This is evidenced from the overflow of its products in the UK market.

Opportunities

The organization has strategic alliances with other organizations which has helped it in developing its products. For example, its alliance with Toshiba in the year 2009 for semiconductor technology. The NAND flash technology was gained through this alliance. As a result of the Netflix agreement Samsung is able to offer movies to its consumers who use the BD-P2500 Blu-ray disc players. Though these alliances have helped Samsung to expand but to be a market leader it has to have more of such alliances. For instance an alliance with Microsoft will help it to affect the market greatly.

Threats

Being a multinational company it faces threats from forces like economic, political, social and technological. Advancements in the field of technology also contribute to obsolescence. As a consequence of this the organization has to keep pace with the changing technologies. The organization faces threats from its competitors in the form of changing tactics such as demographic shifts and others.

The Marketing Mix

Marketing mix is one of the key terms in the world of marketing. It refers to the strategy and the tools resorted to by the organization to generate the response in the targeted market. It basically includes everything that the organization can strive to do to generate or influence the demand of the products manufactured by it. (Kotler and Armstrong, 2004).

Marketing basically consists of four strategies; the right product, at the right place, in the right way, to the right consumer. This is exactly how an organization adds value. Launching a product hence involves the four principle elements, i.e. the 4 P's of marketing: Product, Price, Promotion and Place.

Product

Samsung had been seen as a conservative manufacturer back in the 1990's. It had always tried to associate its brand with bargain. It tried to penetrate the market with lower priced products. Once the organization was able to make a stronghold in the market it started launching premium products as well. These products were relatively costlier as compared to the previous products. This way the organization was able to target the high end consumers as well. This repositioning of products helped the organization build a noble image which the organization had always been striving to do. The organization realized the potential of the digital age and the rewards and risks associated with it. Samsung saw this as a real opportunity and switched from mass manufacturing to digital technology which is considered to be its own brand.

For instance the new LED 8000 Series Smart TV has been rated 4.8 out of 5 by the average consumers and includes features such as cutting edge TV applications and web browsing.

(Samsung 2013)

This product will provide the consumers with a new experience. Watching TV at home would never be the same. In the cell phone category the organization has been giving tough competition

to brands like Apple and Motorola. The organization has been able to make a difference with their innovative products.

Price

The fixing of price is known as pricing. This is one of the trickiest tasks as the organization cannot often resort to changing prices. Also the price of the product is somewhat inversely related to the demand. It is not necessary that low prices will lead to increased sales. The consumers don't just look for lower prices but also the quality offered by the product (Figure: 2, Refer Appendices). The 3D brands are highly priced (£1799 to £6999). The company should try and revise that as the current pricing strategy is not competent. (Samsung 2013a)

Placement

The organization has been able to place across the globe its prestigious 3D TV brands. It has been able to penetrate the market in countries like China, India, United States of America and United Kingdom. Through major stores like Curry's and John Lewis the company has been able to launch its products. (Anon 2012)

Promotion

The organization has employed various new marketing strategies. For instance it launched the new "Starter Kit" in the United States of America which allows the consumers to enjoy watching 3d movies no other place than home. The consumer can enjoy the movie in the comfortable environment of his home and does not have to go cinema halls. In the United Kingdom they are the sponsor Chelsea a top flight English Premier League club. In other countries like India it has

been using brand ambassadors like Amir Khan a leading figure of the Bollywood. It has also been using premier events like the Fifa World Cup to advertise its products and have been coming up with valuable bundled services.

Target Market

The organization should aim both, high as well as low end market segments as both these segments have enormous opportunities. Being an international brand it can easily step in to these markets and compete with the market leaders.

Recommendations

The Company should aim at capturing the medium and low-end markets by using an appropriate pricing policy. This would help the organization in gaining a major share as explained before.

The organization has not explored the field of gaming; it should look to explore this industry. It should try to land more strategic alliances with other organizations like Microsoft which would further help the company. The company has done well in terms of promotion and should look to be more innovative in the respect as it has been paying off for it. Though the organization has been operating in across 60 countries it is yet to explore a lot of countries. The recent bribing allegations that have come against the company can hamper the image of the organization and at all costs the organization should try to avoid these.

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Appendices

CONSOLIDATE STATEMENTS OF CASH FLOWS

Samsung Electronics Co., Ltd. and its subsidiaries

(In millions of Korean won, in thousands of U.S dollars (Note 2.28))

		For the year ended December 31,			
	Notes	2012	2011	2012	2011
		KRW	KRW	USD	USD
Cash flows from operating activities					
Profit for the year		23,845,285	13,759,043	22,262,426	12,845,713
Adjustments	31	22,759,559	16,450,629	21,248,771	15,358,630
Changes in operating assets and liabilities	31	(5,777,949)	4,057,345	(5,394,406)	(3,788,017)
Cash flows from operating activities		40,826,895	26,152,327	38,116,791	24,416,326
Interest received		789,397	755,859	736,997	705,685
Interest paid		(576,379)	(641,462)	(538,119)	(598,882)
Dividend received		1,112,940	628,585	1,039,063	586,859
Income tax paid		(4,180,044)	3,977,408	(3,902,572)	(3,713,385)
Net cash generated from operating activities		37,972,809	22,917,901	35,452,160	21,396,603
Cash flows from investing activities					
Net decrease (increase) in short-term financial instruments		(5,965,611)	75,666	(5,569,612)	70,643
Net decrease (increase) in short-term available-for-sale financial assets		(589,072)	518,479	(549,969)	484,062
Proceeds from disposal of long-term available-for-sale financial assets		106,208	415,096	99,158	387,542
Acquisition of long-term available-for-sale financial assets		(870,249)	(419,678)	(812,482)	(391,820)
Proceeds from disposal of associates and joint ventures		41,091	306,804	38,363	286,438
Acquisition of associates and joint ventures		(279,022)	(403,538)	(260,500)	(376,751)
Disposal of property and equipment		644,062	379,878	601,309	354,662
Purchases of property and equipment		(22,965,271)	(21,965,678)	(21,440,828)	(20,507,588)
Disposal of intangible assets		61,497	9,703	57,415	9,059
Purchases of intangible assets		(650,884)	(663,678)	(607,678)	(619,623)
Proceeds from deposits		313,043	461,454	292,263	430,823
Payment for deposits		(347,746)	(594,067)	(324,662)	(554,633)
Cash outflows from business combination		(464,279)	(522,740)	(433,460)	(488,040)
Cash inflows from disposal of business		-	925,454	-	864,022
Others		(355,321)	364,281	(331,735)	340,100
Net cash used in investing activities		(31,321,554)	(21,112,564)	(29,242,418)	(19,711,104)
Cash flows from financing activities					
Net (repayment) proceeds from short-term borrowings		(800,579)	977,315	(747,436)	912,440
Disposal of treasury stock		88,473	160,827	82,600	150,151
Proceeds from long-term borrowings and debentures		1,862,256	3,925,406	1,738,639	3,664,836
Repayment of long-term borrowings and debentures		(522,899)	(1,145,167)	(488,189)	(1,069,150)
Payment of dividends		(1,265,137)	(874,608)	(1,181,157)	(816,551)
Net increase (decrease) in Non-controlling interests		(1,200,134)	363,417	(1,120,469)	339,293
Others		(26,488)	(297,461)	(24,729)	(277,715)
Net cash provided by (used in) financing activities		(1,864,508)	3,109,729	(1,740,741)	2,903,304
Effect of exchange rate changes on cash and cash equivalents		(687,048)	(14,724)	(641,442)	(13,747)
Net increase (decrease) in cash and cash equivalents		4,099,699	4,900,342	3,827,559	4,575,056
Cash and cash equivalents					
Beginning of the year		14,691,761	9,791,419	13,716,517	9,141,461
End of the year		18,791,460	14,691,761	17,544,076	13,716,517

The accompanying notes are an integral part of these consolidated financial statements.

Figure: 1: Financial Statement 2012.

Source:

http://www.samsung.com/us/aboutsamsung/investor_relations/financial_information/downloads/2013/SECAR2012_Eng_Final.pdf

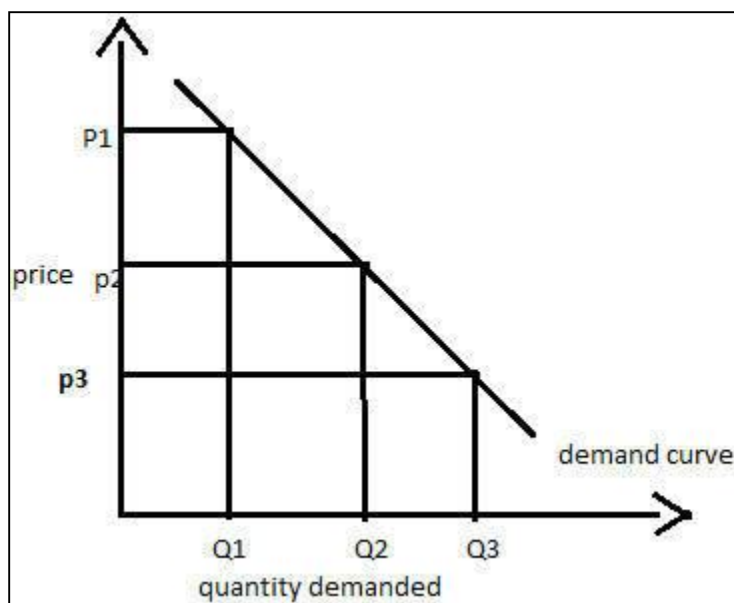


Figure.2: Law of Demand.

Source: <http://economictimes.indiatimes.com/definition/law-of-demand>