

Marketing excellence korean consumer

Business



Marketing Excellence Korean consumer electronics giant Samsung has made a remarkable transformation, from a provider of popularized commodity products that original equipment manufacturers (OEMs) sold under their own brands, to a global marketer of premium-priced Samsung-branded consumer electronics such as flat-screen TV's, digital cameras, home appliances, semiconductors, and cell phones.

Samsung high-end cell phones have been a growth engine for the company, which has also released six Olympics, and ran several global ad campaigns themed "Imagine," "Quietly Brilliant," and "M)IS," all which included brand messages such as "technology," "design," and "sensation" (human). In 2005, Samsung surpassed Sony in the Interbrand brand ranking for the first time and continues to outperform Sony today.

The economic downturn during 2008 and 2009 significantly affected the semiconductor industry, overall consumer electronics sales, and Samsung bottom line.

To survive, Samsung slashed profit margins, decreased production, and cut inventories. As a result, the company emerged at the end of 2009 with record-high quarterly profits despite significantly smaller profit margins.

Today, Samsung is the global leader in flat-panel TV's and NAND memory chips, and the number two player in mobile phones. It is focused on growing technologies such as smart phones and has partnered with both Microsoft's Windows Mobile and Google's Android software. In addition, Samsung has formed a green partnership with Microsoft to help create energy-efficient computers.

Unlike rival firms, Samsung has become a global leader by making both components for electronics products and the actual devices sold to consumers, a steady stream of innovations, popularizing the PDA phone, the first cell phone with an MP3 player, and the first Blue-ray disc player.

Samsung initially focused on volume and market domination rather than profitability. However, during the Asian financial crisis of the late 1990s, when other Korean chaebols collapsed beneath a mountain of debt, Samsung took a different approach.

It cut costs and reemphasized to go from project phase to store shelves within six months. Samsung invested heavily in innovation and focused intently on its memory-chip business, which established an important cash cow and rapidly made the company the largest chip maker in the world. The company continued to pour money into R&D during the crisis, budgeting \$40 billion for 2005-2010. Its focus on R&D and increasing digital convergence have let Samsung introduce a wide range of electronic products under its strong brand umbrella.

The firm also partnered with longtime market leader Sony to create a \$2 billion state-of-the-art LCD factory in South Korea and signed a milestone agreement to share 24,000 basic patents for components and production processes. Samsung success has been driven not only by successful product innovation, but also by aggressive brand building over the last decade.

From 1998 to 2009, the company spent over \$7 billion in marketing, sponsored and without acquiring major competitors. It has more than doubled its employees from a decade ago to over 164,000 around the world.

With record sales of \$110 billion in 2008, the company's CEO, Lee Yun-woo, announced the firm hopes to hit \$400 billion in revenue by the year 2020. To accomplish this aggressive goal, Samsung will explore areas like health care and home energy products.