

Samsung electronics case analysis essay



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This case study analysis on Samsung Electronics Company (SEC) and identify its competition advantages and threats. In this case, authors mainly talk about the business of Samsung Company In memory industry market. This paper consists by the following section: external analysis, Internal analysis, and problem solution. External Analysis using the six forces model to analyze this case, we can identify opportunities and threats of Samsung in the memory market.

Industry competition is medium to high, because it has many competitors, but Samsung is clear market leader now. Besides the six major competitors, many Chinese firms want into this market. In addition, high differentiation and high fixed cost as exist barriers. Bargaining power of buyers is moderate, since buyers were largely MEMO, and Siegel and Chew state: “MEMO would negotiate hard for a price as memory represented 4-12% of PC cost and 4-7% of mobile phone cost. Buyers would pay 1% premium for reliable suppliers” (Siegel and Chew 2). Bargaining power of suppliers is high.

There are few vendors for memory industry, “supplier become more concentrated and would provide 5% discount for high volume buyers”(Siegel and Chew 2). Threat of substitutes is low, since there is no effective substitute for memory chips. Threat of potential entry is high, because of large capital investment and complicated technology. PC and mobile phone are memory . However, PC and mobile phone market are maturity, customer demand is decline. Internal Analysis Based on the result of ROI analysis (table Samsung has substantial competitive advantages in DRAM market.

According to invest an amount of capital in R&D and strong leadership, Samsung as a leader occupied largest market share In DRAM market over 13 years (Siegel and Chin 8). Table 1: Samsung BRIO Analysis Valuable Hard to imitate Efficient Organization Technology Yes No Human resources Corporation strategy problem Solution Samsung entry timing strategy to DRAM is feasible, leading Samsung became the one of most valuable brand in the world. Samsung was a late mover, because it entry to DRAMS industry in later of growth stage.

In the case, Siegel and Chin showed that the group wanted to get into DRAMS... Even as the global semiconductor market went into a recession” (Siegel and Chin 6). If a company wants to be a market leader in DRAM market, since the DRAM market barriers to entry, companies must have large capital to build the plant and develop technology. Then the company should improve employees’ efficiency. For example, Samsung makes their R engineers and production engineers live together, they can quickly solve design and processing problem together. Third, has a strong leadership of the business.

Chairman Lee rates many effective strategies to helps Samsung take the business leadership. Samsung primary business strategy is cost leadership. Samsung has a better cost structure than its competitor, the average price premium of Samsung ASP over competitors’ ASP is 34%, and operating margin much higher than competitors. Samsung also produces “ specialty product” STREAM and DIR, this product line focus on low cost strategy, since its mature production design, Samsung produce different products at a low cost, Samsung had a market share of DRY and RADAR more than 5%.

Samsung has a substantial competition advantages versus its competitors. Chinese entrants do the same thing as Samsung did 20 years ago, those companies learning from their partner industries. In addition, the Chinese government offers cheap credit, abundant land, cheap utilities, engineering talent, tax incentive and other beneficial to attract foreign companies as Chinese partner. It is obvious that Chinese entrants plan to get market share according to apply low cost strategy, but they lack manufacturing experience and professional technology to reduce frontier products.