

Samsung group is a large south korean company

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Samsung group is a large South Korean company, which includes the Samsung electronics company. Samsung became the world's leading memory producer for all kinds of electronics products. Due to recent changes in the market and entrance of new competition, Samsung needs to re-examine its strategy and ask- what is the best course of action considering the new threats.

External Analysis: Porter: Threat of new entrants - The memory industry is characterized by high level of entry and exit barriers caused by very high necessary investments in R, factories and production lines, leading to low profit and risky return on investment so the threat of new entrants is moderate, guarded by economies of scale, significant capital costs and learning curve.

Rivalry between existing competitors - This complex market situation is leading to a fierce rivalry between competitors.

This kind of rivalry forces a price competition which has negative effects on Samsung as well as the entire industry. The combination of prices going down and stagnation in the demand are causing erosion in the profitability. Bargaining power of suppliers - as the semi-conductor genealogy grew more complex, the number of suppliers became more concentrated. There was no significant differentiation of inputs, weakening their power by a bit.

A discount of up to only 5% is given to high volume buyers.

Bargaining power of customers - the memory industry contains price-conscious customers. The customers were far more fragmented, with no

single MEMO controlling more than 20% of the global PC market. Threats of substituted products - Chinese competitors competing in older product lines are willing to sacrifice profits for greater market share while Samsung succeeded in marketing new types of cutting-edge memory chips. Chinese Competition: China government's support makes the Chinese competition intimidating rivals.

Moreover, it is mentioned that China is expected to become the world's second-largest purchaser of semiconductors, after the U. S. Samsung low cost advantage does look at risk when regarding Chinese rivalry, as It is clear from exalt AAA that If SIMI will Increase Its volume, Its relatively low cost will decrease even more and may put Samsung under a huge risk. A response to the Chinese competition will be regarded In the conclusion. Internal Analysis: Samsung ore competences will be analyzed through three key levels: reliability, productivity reliability of its products.

Examples for Samsung active product reliability promotion can be seen in the text: Samsung chairman encouraged employees to think of quality first and in a brave move ordered to launch mass burnings of shoddy products - a decision that proved to pay off. In the following years Samsung won awards by most of its major customers for reliability. Samsung conducted debates prior to designing new products including all levels of experts, in order to create the best and most reliable product. Flexibility - as mentioned in the text, Samsung prided itself for its ability to customize products to customer demands.

Its unique organizational structure enables rapid decision making and contributes to its flexibility.

This unique organizational structure is characterized by: employees living together in the same company-provided housing causing continual work-related conversations, internal competition around the global R sites, FAA lines located at the same site (and not scattered) and the employment of process engineers who attempted to make multiple production lines work coherently and efficiently.

In addition, Samsung vast range of 1200 different products, creating advantage by economies of scope, enables flexibility in producing different types of products. Being flexible allows Samsung to be a “ first-mover” and adapt to changes quickly. Of course, being a first mover can also be an obstacle – but over the years Samsung has had ‘ luck with choosing the right technology. Productivity – Manufacturing and Operational moves: Samsung constructed multiple product architectures on each production line and process engineers had reputedly figured out how to modify its production equipment for all kinds of contingencies.

In addition, the decision to increase the size of the wafers used to cut the DRAM – a risk that no other competitor was willing to take, placed Samsung at the top of efficient mass production.

HER strategy: Samsung implemented a philosophy of “ rewarding outstanding performance and not punishing failure”, as well as rewarding employees for efficiency and accomplishments, which led to innovative

attitude and productivity. Noteworthy is Samsung relatively low labor costs and low raw materials costs.

These make Samsung a leader in cost productivity, which enables it to enjoy economies of scale. BRIO: Reliability, flexibility and productivity are valuable: Samsung has the highest average selling price (exhibit 6), yet the company's brand value is ranked 21st in the world - therefore reliability is essential. Also, the memory market keeps growing and demand keeps high, hence productivity and flexibility are important.

They are rare and inimitable in different ways: Samsung low cost productivity has a big advantage over competitors. Moreover, being a cost leader requires high costs.

Also, reliability is one of the most desirable principles in the memory industry and keeping it high is translated into continual profitable sales to all customers. All of them are organized to capture value. Cost Differentiation Map: In order to position Samsung in the cost differentiation map, we must identify Samsung incentives and target: Samsung is broad targeted and tries to reach as many customers as possible, while trying to fit all customers' needs and wants.

In addition, Samsung is a cost leader, as Exhibit 6 specifies that Samsung has the lowest production costs of all competitors.

However, Samsung is not entirely holding a cost leadership, since it rates a valuable, differentiated product - reliable and customized to consumer's beliefs. I believe that Samsung holds an integrated low-cost-differentiation strategy.

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This kind of strategy has its risks: getting stuck in the middle if products are too costly to compete with low costs providers and too undifferentiated to demand high price gained by the differentiation. Conclusion: Although the Chinese are a major threat to Samsung memory market share, through our analysis we can conclude that cooperation with the Chinese should not be considered.

Samsung has shown its ability to take chances and create new market opportunities by investing in new technologies resulting in profitable product differentiation.

This strategy should be implemented, investing larger budgets in cutting-edge technologies in order to create a new generation of memory technology targeted for niche markets. This could remove the Chinese threat, as the Chinese suffer from lack of infrastructure and knowledge and will not be able to compete in this industry. Hence, Samsung will generate higher revenues due to added value higher margins that don't negatively affect the overall cost structure.