

# Samsung vs nokia finacial analysis critical evaluation marketing essay



**ASSIGN  
BUSTER**

In today's era of digital there are companies drifted towards the digital technology. The company Samsung has made his position in the market by themselves and now days recognised as the most innovative and good quality brand in the sector of electronic industry. The Samsung follow the policy of " we will devote out human resources and technologies to create superior products and services thereby contributing a better global society". In this assignment there is financial analysis of the Samsung Company in relation to the last five years summary. The various aspects are discussed critically in this assignment work. In addition to this there is comparison of the Samsung Company with respect to the Nokia Company a big rival of the Samsung Company in the market. There is comparison of the financial positions of both of the companies to make the differentiation between their strategies so they in future they can be benefited by this.

The Samsung Company is famous company in the area of electronic industry. This company was established in 1969 in Taegu, Korea. The founder of this company was Byung - Chull Lee. At the very first time the company has started business with the manufacturing of Black and White TVs. At the early period of time the company was at the steady growth and after the end of year 2004 the company has got about the sale of £52 billion and has assets about £38 Billion. At this time the company had employed approximately 113 thousand at the worldwide. In this year the company got the competitive advantage too as it go ahead to its competitive rivals like Kodak, Philips, and Panasonic etc. (Barney and Hesterly, 2008, PC-2 -1). At that time the company involved in the manufacturing of TVs, Computers and Av equipments, Mobile Phones, Networking Equipments, LCD Screens,

Notebook computers, Laptops, HDTVs , Washing Machines and other electronic equipments etc. (Barney and Hesterly, 2008, PC-2 -6). According to the company the success they achieved is purely depend on their contribution that how they manage their company in an effective way by considering the things like contribution to society and mutual prosperity at the worldwide level among the people. The chairman of the company has told that the group of Samsung always guide their employees to put emphasise over the efficiency and design of the products. Under the observation of the former chairman the company able to attain the leading position in the electronic market (Barney and Hesterly, 2008, PC-2 -6). In relation to this the below diagram has shown the organisational structure of the company.

Source- Samsung 2008 ([www. samsung. com](http://www.samsung.com))

### **Financial Analysis of the Company (Samsung)**

The Samsung is continued to grow and gain profit in the market at high rate. From the financial statement of the last five years of the company has clearly showed that how the company is on the track of the progress. From year 2005 to 2010 there is increase in the net profit of the company. For the year 2005 the company has gained the profit with 31 % but in the next year it was decreased by 1 % and become 30% then for the coming consecutive years there is decrease as that was recession period but still in recession it made the profit of 28% in both 2007 and 2008. For the further improvement in next year of 2009 there is total gross profit is by 33. 5 % and from the next and present year of 2010 the company has the highest profit of 35. 3 % as a gross profit of the company. From the financial statement given in the <https://assignbuster.com/samsung-vs-nokia-financial-analysis-critical-evaluation-marketing-essay/>

appendixes it is clear that the company has got the improvement in last five years. Till year 2010 there is total assets of the company are 125, 677 billion as Korean KRW.

Source “ [http://www.corporateinformation.com/Company-Snapshot.aspx?cusip= C410P0400](http://www.corporateinformation.com/Company-Snapshot.aspx?cusip=C410P0400)”

## **Ratio Analysis of the company Samsung**

The following table show the ratios for the company over last five years. The different ratios find in the table are ROE in which there are ratios of Profitability, assets turnover ratio and leverages are included and there is average ration of ROE is given. For the next there is Debt/ equity ratio for the five years followed by the Net debt/equity ratio and in the last column there is total earnings per share are given.

$$\text{ROE} = \text{NPM} * \text{TAT} * \text{A/E} = \text{ROA} * \text{A/E}$$

## **Financial**

### **Ratios**

**2005**

**2006**

**2007**

**2008**

**2009**

**2010**

**ROE**

**19.6**

**17.7**

**14.3**

**9.3**

**17.5**

**22.5**

Profitability (Net Income/Sales)

**0.09**

**0.09**

**0.08**

**0.05**

**0.08**

**0.11**

Asset Turnover (Sales/Asset)

**1.12**

**1.10**

**1.13**

**1.22**

**1.50**

**1.32**

Leverage (Asset/Equity)

**1. 84**

**1. 74**

**1. 68**

**1. 67**

**1. 53**

**1. 54**

**Debt /Equity**

**39. 5**

**30. 2**

**25. 9**

**27. 7**

**12. 9**

**12. 9**

**Net Debt/Equity**

**15. 3**

**9. 8**

**4. 8**

**6. 5**

**-15. 7**

**-12. 6**

**Earnings per share KRW**

**149, 969**

**52, 880**

**49, 502**

**37, 684**

**20, 731**

**28, 842**

The ratios are calculated from the balance sheet and income statements for the last five years of the company. The ratios calculated are shown in the following table for the years 2005-2010.

## **Introduction to Nokia**

The company Nokia has started in year 1856 at the banks of Nokianvirta River. The company at that time is major force in the industry. After that it undergoes merger with Cable Company to enter into the market of electronic by the name of Nokia Corporation. The new company successfully entered into the market and play a pioneering role in the area of mobile communications. Due to the globalisation the company soon grow at fast pace and there is good position attained by the company. The most strategic decision taken by the company was in 1992 that to concentrate on the telecommunication business only.

At present the Nokia Corporation is engaged in the business of communication and manufacturing of the mobile. This company is at the number one position in the market. The company had over 123000 employees at present working in the company. The company has its roots in 120 countries of the world. The annual sale of the company is 41 Euro billion and has profit about 1. 2 euro Billion as on the year of 2009. This company is

<https://assignbuster.com/samsung-vs-nokia-finacial-analysis-critical-evaluation-marketing-essay/>



recognised as the world's largest manufacturer of mobile phones and even it provides the navigation system too in addition. The market shares of the company was 30% of the global market in the third quarter of year 2010 operating profit of €1. 2 billion as of 2009. It is the world's largest manufacturer of mobile telephones: its global device market share was 30% in the third quarter 2010, but this value is less than to year 2009 when it was 34 %. The Nokia is continuing to growing by introducing advance technology according to the global needs of the society and market.

## **Financial analysis of Nokia**

For the financial analysis of Nokia there is consideration of the annual statements for the last five years of Nokia and also there is consideration of the balance sheet of the Nokia for the last five years from 2005- 2009. The following table is formulated for the explanation purpose to analyse the financial position of the company.

Financial years

2009

2008

2007

2006

2005

Fixed Assets

12 125

15 112

8 305

4 031

3 501

Current assets

23 613

24 470

29 294

18 586

18 951

Total equity

14 749

16 510

17 338

12 060

12 514

Long term liabilities

5 801

2 717

1 286

396

268

Current liabilities

15 188

20 355

18 976

10 161

9 670

Total Assets

35738

39582

37599

22617

22452

## **Ration Analysis of Nokia**

The following table shows the ratio analysis of the company on the bases of above table which represents the overall financial statement of the company.

Ratio analysis

2009

2008

2007

2006

2005

ROE

Profitability

Net profit margin

6. 5

2. 92

0. 63

7. 5

9. 79

7. 86

53. 5

15. 64

14. 11

35. 5

13. 35

10. 47

27. 1

13. 57

10. 58

Equity ratio

41. 9

42. 3

46. 7

54. 0

56. 4

Net Debt/Equity

Return on Assets

-25

0. 73

-14

10. 08

-62

19. 16

-69

19. 04

-77

16. 22

From above table of ratios it has been seen that there is deterioration in the ROE ratios from 2007 to 2008 and from 2008 to 2009. There is also deterioration in the ROA ratio with the same pace.

## **Comparison of Nokia and Samsung**

The both companies are reputed companies in the mobile sector. The Nokia is leading than the Samsung Company. At present the nokia is number one company but there is deterioration in the sales of the company and even in

<https://assignbuster.com/samsung-vs-nokia-finacial-analysis-critical-evaluation-marketing-essay/>

the ratios of the company if it continues it will be hard for the company to compete with its rivals. On the other hand the company Samsung is continue to grow. There is continue growth has seen in the company. As from the financial analysis of the company and the ratios calculated it has seen that at present the company has raised itself from the 15th position to the 5th position and this is milestone in the history of telecommunication industry. The company is continuing on this track to progress.

The following presentation shows the comparison between these two companies.

Nokia 2009

Samsung 2009

Position in Market

1st

5th

Operating income

( 1716)

8973

Net profit

0. 63 %

15. 4%

From above table it is clear that Samsung is making profit regularly. On the other hand there is continues deterioration in the Nokia from last four consecutive years.

## **Vendor**

### **1Q10 Unit Shipments**

### **1Q10 Market Share**

### **1Q09 Unit Shipments**

### **1Q09 Market Share**

### **Year-over-year Change**

1. Nokia

107. 8

36. 6%

93. 2

38. 4%

15. 7%

2. Samsung

64. 3

21. 8%



45. 9

18. 9%

40. 1%

Source – “ [http://www. palminfocenter. com/news/6470/worldwide-mobile-phone-market-grows-22/](http://www.palminfocenter.com/news/6470/worldwide-mobile-phone-market-grows-22/)”

## **Conclusion**

From the above report it is concluded that the financial analysis is very important for the companies in every field. This is useful in find out the level of company and moreover this is useful in having comparison with the other companies so that for the future welfare possible steps should be taken. The financial analysis make the company knows about the finance they have to spend and where they need to spend this. This even gives the evaluation for the profit and loss for the company.