South korean multinational conglomerate company

Samsung Group is a South Korean multinational conglomerate company which headquartered in Seoul, Korea. (Samsung, 2012) According to the meaning of Korean hanja word, Samsung meaning is three stars, which represent big, numerous and powerful eternity. (Koreadaily, n. d.) Today, Samsung group included subsidiaries such as: Samsung Electronics, Samsung Life Insurance, Samsung Heavy Industries, Samsung C&T, Samsung SDS. Our assignment is focusing on Samsung Electronics business. Samsung Electronics is specializing in electronics and information-technology which comprises assembly plants and sales networks in 61 countries across the world. In 2009, the company became the second largest Information Technology producer in the world. (Samsung, n. d.)

Knowing that Samsung is a global organization, it is not surprising that international strategy in at the heart of their competitive focus. Samsung's competitive strategies area associated mainly with foreign direct investment (FDI) as the market entry modes in operating their business. When operating in a develop market, Samsung strives to grow and gain economies of scale through FDI in other companies. FDI occurs when a firm invests directly in facilities to produce or market a product in a foreign country. In this process which involves the moving of resources which includes capital, technology, and people to gain the ability to understand better the consumers and competitive environment as well as providing a high degree of control in the operations. (Direct Investment, n. d.)

Under FDI, there are two main form which are, greenfield investment and acquisition. Greenfield investment is whereby the parent company operates a new venture in a foreign country by the new operational facilities, and most of the parent company will provides a new long-term jobs opportunity in the foreign country. (Investopedia, n. d.) While acquisitions are the growth strategy whereby a company takeover or buy an existing firm's operations and niche compared to expanding the business own their own. (Investopedia, n. d.)

One of the categories is strategic alliance-joint ventures. Joint venture is jointly owned under two independent firms to entails establishing a firm. Samsung Electronics use the joint venture by with other company to overcomes ownership restrictions and cultural distance by combines resources of 2 companies. By this way, Samsung Electronics gains the potential for learning and viewed as insider with less investment required. (Businessdictionary, n. d.) While, strategic alliances are the management style that whereby both company is open and mutually beneficial. By using strategic alliances, Samsung Electronics enjoys strategic partnerships with many leading companies outside Korea. (Samsung, 2012)

Next is whole owned subsidiary, or the daughter company, which the firm owns 100% of the stock. Samsung control their subsidiaries company as the parent company. Samsung Group comprised 59 unlisted companies and 19 listed companies on the Korea Exchange stock-exchange. (Kim K. R., 2011)

Current expansion strategy

Besides, wholly-owned subsidiary also is one of the current expansion strategy that used by Samsung. Wholly-owned subsidiary is a company whose stock is entirely owned by parent company which including management structure, product and clients (Chirantan Basu, n. d). United

Stated is one of the countries for Samsung apply wholly-owned subsidiary strategy inside that country such as Samsung Electronics America (SEA). SEA is responsibility expanding its position in the U. S market which mainly focus on upholding Samsung to innovation and converge digital technologies for offer superior quality of product, diversify features, performance and value to customer (About Samsung, 2012). Indeed, Samsung Information Systems American (SISA) is a wholly-owned subsidiary of Samsung Electronics in San Jose, CA. Samsung using SISA to research emerging technology in the world in order for R&D enable develop cutting edge technology that they can enhance competitiveness of Samsung’s product such as HDD, SSD, printer and so on (SISA Samsung, n. d).

Following countries is Canada (CNW, 2010), Mexico, Austin, Texas, Dallas, Ridgefield Park-NJ (About Samsung, 2012), Tokyo – Japan (Sony, 2011), China (Kim, 1997, p. 36), Malaysia (Kim, 1997, p33), Thailand (Kim, 1997, p. 34), India (The Asian Age, 2012), West Africa (BellaNaija, 2011), Philippines (BrightWire, n. d), Hong Kong (Google Finance, n. d) and so on.

In term of FDI, Samsung expansion its business with strategic alliances to another country. An agreement arises between two or more organization in order to cooperate in a specific business activity for gain benefit and achieved competitive advantage. However, Yi Wei (2007) claimed that a strategic alliance is “ just similarly referred as a partnership that offer new business opportunities for each of company to generate beneficial and sustained competitive advantage”. According to the news released by BusinessWire (2012), announced today Samsung new strategic alliances with AOpen in Taiwan, American, Europe, Asia and the Pacific to promote their respective products and services to the digital signage through their networks of distributors and channel partners. Furthermore, according to Kodak (2012), claimed that Strategic Alliance with Samsung to sell Consumer Inkjet Printing in Europe and recently launched in Germany. By Scott Bicheno on 19 April 2011, announced strategic alliance regard an agreement for Samsung to supply Seagate with the NAND Flash for its enterprise SSDs, and a reciprocal agreement that Seagate will supply disk drives (HDD) to Samsung for use in its PCs and consumer electronics. This agreement dealing was closing at the end of 2011. Following country that Samsung entry markets via strategic alliances is in Boise, ID (Compass, 2012), Hong Kong (Threehk, 2011), ridgeland, Miss(Business Wire, 2010), Richmond, United Kingdom (OCM, 2010), Palo Alto, California (Nanosys, 2010), SEOUL, South Korea (PR Newswire, n. d), London (Visa, 2011) and so on.

Recommendation

Samsung Inc has shown its success in most of its entry and its expansion on most of the market globally that enables Samsung Inc operated worldwide include America, Latin America, Asia pacific, Southwest Asia, Africa and Europe. Carefully conducted of every entry strategies enable them to access to the worldwide market successfully.

So far, for Samsung Inc its entry strategies that taken is joint venture, acquisition, sales subsidiary and whole owned subsidiaries. Regional that under sales subsidiary categories included Samsung Asia and Samsung Southwest Asia. In this area, most of the operation is regarding to sales, promotion and distribution of their relative product will coordinator under a few regional headquarter.

There are a few countries that Samsung has not venture into and we believe that these countries are good areas for Samsung to expand further. Taking into consideration the Gross Domestic Product (GDP) of the country, population, ranking in ease of doing business and Gross National Income (GNI) per capita, we have discovered potential profitability in the three countries below.

Bangladesh

According to The World Bank (2012), Bangladesh is ranked at 122nd on the " Ease of doing business" list for 2012. Previously, they were ranked at 118th in 2011. Although Bangladesh's rank dropped by four places since 2011, there are good reasons why foreign investors should invest in this market.

The World Bank (2012) recorded a dramatic increase of Bangladesh's GDP over five years from 2006 until 2011. The total difference of GDP in between those years amounted up to USD48. 711 billion and the growth rate has been consistent annually. Bangladesh's GDP currently stands at USD110. 61 billion. (The World Bank, 2012) Since the purchasing power of consumers in Bangladesh has been increasing steadily, we believe that Samsung should venture into this market as the likely future wealth of consumer, which depends on economic growth rates, will continue to increase.

Other than that, the U. S. & Foreign Commercial Service and U. S. Department of State (2006) found that Bangladesh has the highest population density of any country except city states such as Singapore. This is a good market for Samsung to capture since they have products that fulfill the basic needs of life such as home appliances and telecommunication products. With that kind of population density, the probable sales volume could lead to higher profit margin.

Besides that, there are currently nine multinational companies (MNCs) listed in the Bangladesh Trade Directory by BangladeshTrades. com. Out of the nine companies, three are competing in either the telecommunications, information & communication technology and lifestyle service, or home appliances industry. This gives Samsung the opportunity to avoid pioneering cost and have a better chance to survive in the new foreign market. Research seems to confirm that the probability of survival increases if an international business enters a national market after several other foreign firms have already done so. (B. Balassa, 1963)

The U. S. & Foreign Commercial Service and U. S. Department of State (2006) also stated that personal relationships are vital to do business in Bangladesh. Many companies license dealers or distributers, or hire local agents to represent their products on an exclusive or non-exclusive basis. Because of this, we recommend that Samsung venture into this country using licensing as their entry mode.

Apart from that, since Samsung’s timing of entry into the Bangladesh market isn’t considered as an early entry, they should enter the market on a small scale to further gather information about the market and also the consumer preferences that could greatly affect their marketing efforts.

Colombia

The World Bank (2012) ranks Colombia at 42nd on the “ Ease of doing business” list for 2012. Previously, they were ranked at 47th in 2011. The

GDP of Colombia currently stands at the figure of USD331. 65 billion for the year 2011. This proves that the purchasing power of the consumers in Colombia is high. Hence, making it an attractive market for investment.

Other than that, The World Bank (2010) found that obtaining approvals to build warehouse and connect it to utilities, on average is faster and cheaper in Colombia than elsewhere in Latin America, but the variation exist across Colombian cities. This means that Samsung will be able to set up its distribution channels at a faster rate and cheaper cost, which is an advantage to starting its business in Colombia. With lower cost, Samsung will be able to obtain higher profit margins.

According to World Economic Forum (2010), Colombia is ranked number 4 in infrastructure among Latin American countries. At the Global Competitive rank of 68th, Colombia shows competitive strengths from the quality of its macroeconomic environment (rank 50th), big market size (rank 32nd), considerably sophisticated businesses (rank 61st), and successfully implementing technology and improving innovation (rank 63rd and 65th for technological readiness and innovation respectively).

Furthermore, in the Global Competitiveness Report for 2009-2010, Colombia registered a better competitive position, improving 14 places in the rank. The factors that contributed to improving the ranking position are the availability of the latest technologies, the implementation of technology regulations, the transfer of technology resulting from direct foreign investment, the increase of the internet and mobile phone users and the number of personal computers in the country.

Although Colombia is a developing country, its economic progress over the years is evidence that international businesses are bound to flourish if it enters the Colombian market. We suggest that Samsung penetrate into the Colombian market using wholly owned subsidiaries as an entry mode. Through this entry mode, Samsung is able to preserve the competency of its technology in Colombia. Furthermore, having a wholly owned subsidiary in Colombia will give Samsung the ability to engage in global strategic coordination, allowing them to establish a rather tight control over operations. Since the market in Colombia could be very competitive, global strategic coordination would come in handy when Samsung is experiencing intense competition. Last but not least, we suggest that Samsung enter the Colombian market on a large-scale to capture first-mover advantages associated with demand preemption, scale economies and switching costs.

New Zealand

New Zealand is ranked 3rd on the “ Ease of doing business” list for 2012. Previously, they were ranked at 3rd as well in 2011. The GDP of New Zealand was USD142. 48 billion for the year 2010.

According to New Zealand Trade and Enterprise (2012), New Zealand has a stable and internationally competitive economy. More than a decade of economic restructuring, which included the privatization of some utilities and state services, has given rise to one of the world’s most efficient and competition friendly economies.

Besides that, it takes just one day to start a business in New Zealand and two to register a property. Business processes and the taxation system are business and user-friendly which eases the business process. Furthermore, New Zealand is known for its safe, stable and secure business environment. Also, New Zealand ranks first or first equal globally on a range of indexes for protecting investors, lack of corruption and absence of protectionism. The banking sector is strong and New Zealand came through the global financial crisis well.

There is a low-inflation environment, legislative requirements to keep public debt at

prudent levels and a flexible exchange rate. Major international airlines serve international airports in seven urban centres across New Zealand. The country also has a network of privately-run deepwater ports, an extensive road and rail system, and effective inter-island links.

We suggest that Samsung enters the New Zealand market using wholly owned subsidiaries as an entry mode because the competitiveness in New Zealand will require Samsung to engage in global strategic coordination. Since it is so easy to do business in New Zealand, many multinational companies will be attracted to invest in this market hence increasing the intensity of rivalry. Furthermore, Samsung will be able to be in total control of its technology and will be able to realize location and experience curve economies. We recommend that they enter New Zealand on a large-scale because the ease of doing business in New Zealand gives a lower risk rating for Samsung to commit long-term.

Conclusion

In conclusion, if Samsung is able to expand its business to the three countries that we've recommended, they will definitely be able to capture a wider market that will not only help to increase their profit margins but also inspire the company to keep pushing themselves to innovate and exceed all future expectations.

The current expansion strategy that Samsung is using has its advantages and disadvantages. We believe that the three markets mentioned are geographical locations that are strategic and worth venturing into. While these are our recommendations, there are many developing countries that have yet to appear as a market that is worth investing in and Samsung should keep a look out on countries whose economies are growing rapidly.

The school of thought for international business currently remains as it is for now but in the future there may be better ways to expand the business of a company globally. While there are many other factors to consider in the expansion of a business globally, the ones mentioned in this paper are naturally the most important factors that Samsung should consider before they make the leap into new foreign markets.