

# Micro environment analysis of samsung



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Samsung was founded by Lee Byung-chul. In 1938 Samsung was born as a company that was dealing with fruit & vegetable and dried fish. The company was exporting its product from South Korea to Beijing in China. In 1969, Samsung Electronics was born. From there, the company started acquiring and creating different business establishments including a hospital, paper manufacturing plant, life insurance company, department stores and many others

In 1974, Samsung electronics acquired half of Korea Semiconductor -this made it the leading electronics manufacturer in the country.

In eighties Samsung Electronics merged with Samsung Semiconductors and Telecommunications.

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## **2. MICRO ENVIRONMENT ANALYSIS OF SAMSUNG**

The aim of this section is to conduct an internal environment analysis of Samsung which will investigate the environment in which Samsung operates in. components of the analysis will be those in which the company has control over, as known as internal environment.

### **2. 1 Strength**

Samsung is the second biggest telecommunication industry in the world through its innovation smart phone.

Samsung has wide range of product includes Cell phones, Tables, Tv's Cameras, Home appliances, laptops, etc.

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Samsung have increase their brand value in this past three to four years

Samsung is leading in design features. For example Samsung is the first one to produce dual screen phones, and they have a thinnest and lightest note pad ever.

Their design are attractive and stylish at the result their sales are moving in high volumes

## **2. 2 Weakness**

Their prices are low, hence their product loss value easy in the market

They launch a new phone after another that can cause confusion to the customers.

Poor creativity in terms of software, mostly they steal Apples software ideas

Their products are not use friendly, as compare to Nokia phones

They are leading in hardware but they have too much dependence for their software from other parts.

## **3. EXTERNAL ENVIRONMENT ANALYSIS OF SAMSUNG**

This section will focus on the Macro environment of Samsung and I will explain how the external factors affect the company by looking in their opportunities and threats also go through PESTEL analysis.

### **3. 1 Threats**

Low cost competitors from China can affect Samsung

All Samsung competitors bought their product parts in China that can lead a future fall to Samsung.

The war between Samsung and Apple might contaminate the image of Samsung

Samsung was banned from importing their products in a Euro Zone that left a bad image of Samsung in that zone

Apple is dominating in South and North America, and builds its brand to make any new difficult to operate there.

Apple and Nokia they are in a process of merging, that could be a threat to Samsung because Nokia has built its brand already especial in Africa, which is Nokia can just take its customers

In Australia, Google Nexus 7 have a market lion share which make Samsung struggle to penetrate the market smoothly because Australia does not see big difference Samsung tablets and Nexus 7

Sony has release a new tablet which has almost the same feature which Apple and Samsung have.

In German, Samsung is struggling to penetrate the market because they believe that Samsung is incompetent, is copying from Apple iPod.

(www. marketing91. com)

### **3. 2 Opportunity**

Samsung need to introduce user friendly products and educate their market about their product, because there is a big market in Africa yet the majority is uneducated,

Here in South Africa they need to open their own stores, whereby they go to sell only their own products

Samsung could launch no name brand like MTN and Vodafone whereby they will take the out date old model, change only a cover and sell with cheaper price.

### **3. 3 PESTEL ANALYSIS**

” The PESTEL analysis is an analysis of the external macro environment in which an organization operates. These are often factors which are beyond the control or influence the business (RapidBi, 2013).

PESTEL will be used as a tool to analyze the Macro environment of Samsung.

#### **3. 3. 1 Political environment**

Looking at the political environment, how the impact of politics affecting Samsung globally, As much as Samsung is a good company not everybody see like that, due to the strong competition between Apple and Samsung it ended up involving government in other countries. American government trying to stop Samsung influences the Euro zone to block Samsung to have market around Europe. Specifically in German Samsung was forced to withdraw its Galaxy tablet. Also South Korea stops Samsung to operate in

there due to the political differences between Japan and South Korean government.

### **3. 3. 2 Economic environment**

Samsung has expanded its business to more than 58 countries. Samsung mostly they invest heavily to the infrastructure in each end every country they have a business in. Here in South Africa they bought a land whereby they going to build the big plant, whereby it will manufacture or assemble its products for whole Africa, it means there are employment opportunities coming and there is an opportunity for South African economy. This plant is expected to employ more than 3000 people.

### **3. 3. 3 Social Environment**

Social trend in South African environment are constantly changing as new innovation technology and services have impact to the needs and wants of South African communities. The stats show that there is an increase attraction to the technology which has become the primary means of communication. Samsung find that gaps to improving people's lives. The challenge is that many people do not know how to use Samsung products in a proper way especially these new tablet phones. People steal need to be educated on how to use these tablets phone that is a challenge of our societies.

### **3. 3. 4 Technological environment**

Technology in South Africa has advance and grown rapidly over the years and has affected the way we do things here in South Africa. Technology has change the way the business is done as social media has a crucial role in

sustainability strategy of most businesses. Samsung find a way of take a business out of the building structure to the pocket. By introducing Galaxy Note 2 is more tablet like than phone like, it mean that you can do you work in the public transport, in the restaurants, anywhere, without filling intermediated of carrying big machine.

### **3. 3. 5 Ecological environment**

Samsung Electronics is operating its own voluntary take-back system across Korea (Republic), using a network of 130 of service centers and Anycall Plaza retail outlets (exclusive outlets for Samsung's ' Any call' brand). End of Life mobile phones are collected either free of charge, or in some cases with a customer reward. The returned phones are then sorted and transported to recycling facilities for scrapping. They makes an effort to develop environment-friendly product that minimizing an impact to environment through whole process from getting raw materials, production, transportation, usage and end-of-life disposal by adding ' environment' on function, price, quality, design that were the essence for product development, Samsung reporting the recycling amounts for Korea and Japan from 2004, for Europe from 2005, and for the United States from 2006. For 2006, they have forecasted an estimate of volumes they expecting to recycle this year. (www. samsung. com)

### **3. 3. 6 Legal environment**

The South African government has decided in April of 2011, the Consumer Protection Act68 of 2008 should come in operation. This might have a negative impact to the company like Samsung because they have a tendency of dumping their low quality product in third world country to

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maximize their profit as they did in India. There are strong labour laws in South Africa which might have a strong negative impact to Samsung operating in South Africa as they intend to open a big factory in Johannesburg as a distribution center for Africa; it will be a challenge to them if they think they are going to exploit people in South Africa.

#### 4. MARKETING ENVIRONMENT

This section will be focusing on the Marketing Environment in which Samsung operates and I will be evaluating its effects on the new Tablet in term of the competitive in the industry.

### **4. 1 Industrial Challenges**

This section will be broken into three parts: Porters 5 forces, competitive analysis by comparison and industry trend

#### **4. 1. 1 Michael porter’s porters fives forces**

Porter five forces analysis is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1979. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An “ unattractive” industry is one in which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching “ pure competition”, in which available profits for all firms are driven to normal profit. (wikimedia.org)



[http://upload.wikimedia.org/wikipedia/commons/6/66/Porters\\_five\\_forces.](http://upload.wikimedia.org/wikipedia/commons/6/66/Porters_five_forces.png)

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This model will be used to analyse the Industry Challenges faced by Samsung

#### 4. 1. 1 The threat of potential new entrants

capital is required to compete in technology industry. Capital to buy the equipment's and capital to carry out the marketing activities and other expenses should be available. However, Microsoft will release its new first Tablet soon, this mean Microsoft will be a new threat to Samsung. Microsoft will lavage on the success of their software

### **Product Differentiation**

So far there's no different on how the market design its software, hence the market hope that Microsoft will bring something new in the market, if not they will not survive in this industry because this only way they can differentiate themselves

Even then, overcoming issues such as customer loyalty and switching costs would be another large barrier to entry such as Microsoft.

#### **4. 1. 2 The threat of substitutes**

The threat of substitute products within the industry, however, is low.

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Even though there is an increased popularity of Tablets, they are busy doing same thing. However Samsung is the one who inventing a new trend that shift from tablet to galaxy phone which it have all feature that tablets has and smart phone features. This is the only direction the market goes.

### **4. 1. 3 The bargaining power of buyers**

Reliability is one of the area the companies should concentrate in, however if an organisation loss its focus on customer wants, it is easy for customer to move to another company. Companies should know how much the customer is will to pay. Buyers easily switch cost with the increased of choices of mobile companies because this products are similar to one another; If the company does not beat market, the buyer will switch to those companies that have better features or better price. However Samsung is sitting on top of the game, they always want to beat the market by releasing designs and they consider their prices they offer their customers, even now Samsung is the one have a cheaper tablet in the market.

### **4. 1. 4 Bargaining power of supplier**

Samsung is its own supplier of most components. Samsung also happens to be its own supplier for raw materials and they design for themselves. The bargaining power of suppliers is high because suppliers' goods are critical to the buyers' marketplace success, for example Samsung is a supplier of Apple which is the have a significant role in Apple prices.

## **5. INDUSTRY LEADERS**

Industry leaders are brands, products or companies that have power in the industry.

This section will focus on the Industry leaders, the competition that the organization faces within the industry. This will rank the organization competitors according their service offering.

Based on the above information it is clear that, Samsung tablets are the best in the market, even if Apple can take Samsung to the court. It is clear that a trend of Apple is going down little beat; looking at the Blackberry and Motorola Tablets they have almost the features Apple has. It is clear that the development team of Samsung are working hard, they know what is needed and what went wrong in the previous product they and looking at the improvements they have. Looking at the improvement they have It show that Samsung will survive in this industry for another ten years Desktop computer came and go, laptop is taken out by Tablets, if you look at Samsung Galaxy S4 it is a new trend of mobile technology because it a combination of a Tablet and smart phone and its memory is big a tablet, but its size is smaller and thinner.

## **6. RECOMMENDATIONS**

Samsung should try to make its products simpler (friendly usable), because their products are highly advance.

They must try to give space between one model to another, because Samsung release one after other, they don't give you a change to full understand the current one you have.

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