

# Samsung electronics assignment



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HBS case analysis: Samsung Electronics Semiconductor industry has seen average growth rates of 16% per year since 1960. Semiconductors were classified into two broad categories, memory chips and logic chips. Memory chips would be further classified into DRAM, SRAM, flash memory. DRAM represent approx 55 % of memory market and SRAM and flash memory represent 10% and 32 % respectively. Share of DRAM has reduced from 80% to 67% due to saturation I computer. Flash memory and SRAM market was expanding by extensive use of memories in telecommunication and consumer electronics.

Rivalry within industry: Industry was experiencing fierce rivalry by increase in industry capacity and normal cyclical downturn. Many Chinese firms were ready to enter the market. Chinese competitors were willing to sacrifice profits for market share. Suppliers: With the growth of industry, supplier become more concentrated and would offer 5% discount on bulk purchases. Substitute: There was no effective substitute for memory chips. Buyers: Buyers were largely OEM, with no one controlling more than 20% of global PC market.

OEM would negotiate hard for price as memory represented 4-12% of PC cost and 4-7% of mobile phone cost. Buyers would pay 1% premium for reliability of product. Buyers were highly fragmented. Entry Barrier: Entry barriers were high. It involves high capital investment and complex technology. Chinese firm with help of joint venture and agreements were in position to get license and technology for manufacturing. Finance was now available for foreign partners to rip the benefit of low cost access to manufacturing resources and talented local engineers.

Samsung offered over 1200 different variations of DRAM. Unlike competitors, Samsung tried to create new uses for DRAMs. Samsung had launched new DRAM products with product-specific applications in laptops and personal game players. It enabled Samsung in creating new markets that were unavailable to its competitors. Samsung was market leader in memory chip technology and constantly remained ahead of its competitors. Samsung was able to create new market was developing new applications of memory and latest better technology. This had provided Samsung dual advantage of cost and value over its competitors.

It was like crating Blue Ocean in every few years. The Chinese counterparts were sinking the profitability of market as they has easy access to raw materials. Samsung had two options one is to actively collaborate with Chinese partners. Collaboration would provide access to local Chinese market which was growing rapidly and access to cheap resources and local talented engineers. Risk was to loose its unique culture and intellectual rights were not fully protected. Alternative option is to invest heaily in cutting edge memory products and niche markets and leave low end of the market for Chinese.