

Samsung electronics case solution assignment



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The industry is rapidly changing. Current competitors include companies like Memory Inc. , Semiconductor Inc. , Technologies , Micron Technology, Technology Corporation and Semiconductor Manufacturing International Corporation. Samsung analysis: Central Issue In the case: Chinese players are entering the memory chip market and Samsung is bound to face intense competition In the memory chip space Chinese players have access to low cost finances from multitudes of investors.

In addition, they have access to local markets for selling their products as well for talented human resources Currently, the Chinese players lack critical infrastructure to support cutting-edge semiconductor industry, but the Chinese government is firmly committed to developing the same. Chinese government is providing facilities in the form of cheap credit, abundant land, cheap utilities, engineering talent, tax incentives and other essential resources to anyone who plans to build a cutting-edge semiconductor facility with a Chinese partner.

The Chinese are actively forging partnerships with incumbents like and . This is the same strategy that Samsung had adopted 20 years back. With the above, the Chinese pose a major threat to Samsung profitability and market share In the coming few years. What options does Samsung have? What should Samsung do? Considering the pros and cons of all the options mentioned above, the best suitable option that Samsung has is focusing on the niche market.

Let us discuss the options o Justify this conclusion In case Samsung decides to merge with a Chinese player, its major focus would eventually shift to

producing mass-market products at lower and lower costs. But this is against the strategy and R&D focus that have been Samsung core strengths and also its competitive advantage. Further, there is a risk of creating rivals from partners as protection for Intellectual Property Rights in China is not very healthy. Deterring entry of Chinese into the market is also very difficult.

Considering the kind of investment environment that has developed in China and the kind of support the government there is providing, there are eventually going to be too many players and bringing market to a level where new entry becomes non-profitable would cause Samsung heavy blows on its profitability. Further, the Chinese players initial period to gain market share. Samsung being an established player, cannot afford to lose on profitability for such a long period. Hence, the best strategy that Samsung can adopt is focusing on niche markets.

It is prudent to accept the fact that Chinese players are going to enter the market. Hence, instead of staying focused on markets which are bound to face competition in the years to come, it is better to start catering to a market which is Samsung strength. Niche markets are where Samsung has a sustainable competitive advantage. Hence, it is better to start focusing there early on and capture the market while remaining competitors keep focusing on either partnering with the Chinese or deterring them.