

Strategic management on samsung electronics industry



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Samsung electronics Industry Corporation was created in 1969 as a division of Samsung group, and the name of corporation was changed to the current name which Samsung electronics in 1984. Mainly it manufacture and exported electronics products, which include color TV, electronic calculator, electronic watch, electronic cash registers, as well as electronic home appliances such as refrigerators, air conditioners, washing machines, an also telecommunication devices. Especially, it recorded the outstanding number of manufacturing black and white TVs which was going up above 10 million and took top of the world in terms of export of black and white TVs. It succeeded to develop super mini VTR (8mm) in 1983, started to export VTR in 1985, and merged Samsung semiconductors and telecommunication cooperation in 1988.

Since then Samsung electronics has dramatically grown as one of the world's leading electronic giant with branches all over the world. Now millions of Samsung electronic products are being manufactured and sold every day and its product is seen in almost every house around the world. Samsung electronics has one of the best inventory management systems, supply and distribution chain in the world and its products are unique and durable with dedicated, efficient work force. Also, its research and development department is second to none in the electronic industry hence we decided to carry out this in-depth analysis to access the various strategies they have being applying since their existence and to advise them on the possible strategic options available to them now and in the future.

ENVIRONMENT ANALYSIS

Industry Analysis

Porter's Five Forces Analysis

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Michael Porter stated that for any business entity there are 5 forces in action, these forces can have a great influence on the current affairs and strategy of the business. These forces consist of the following factors.

Buyers power

Buyers are the driving force of any industry including the automotive sector. Buyer behaviour is an essential part of marketing strategy and in-depth studies and research have been conducted to try to understand buyer behaviour. Typical question to ask when considering buyer behaviour are, who are our buyers? How do they buy? When do they buy? Where do they buy? Why do they buy?

For Samsung electronics the brand strength allows them to make radical changes as they have a large base of loyal customers (due to an long history of building quality electronics), this has been evident with the radical exterior design changes to the Samsung product line up. Thus Samsung can be considered as a trend setter in their respective markets. This is a powerful position as it allows for some control of the direction of the future markets and trends. But strong competition from their rivals ensures that the changes aren't too radical as they may lose customers to their opposition.

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Suppliers' power

Suppliers are the foundations of any industry they can supply raw materials, labour components and other supplies. Therefore it is important that a business has a good healthy relationship with its suppliers to ensure that it can operate smoothly and efficiently in cohesion with its suppliers. The power of suppliers varies depending on certain factors, for example if the product is standardised then the supplier will be weak, an example of this in the electronics industry would be silicon manufacturers. There are many to choose from and product diversity is relatively low thus suppliers are weak in this market. Suppliers are more powerful when they provide a more specialised product. Samsung has a technologically advanced component with existing patents, so in this case the supplier has more power in the relationship than in the case with silicon.

Threat of Substitute products

A substitute product is a product in another market which poses a threat because it is potentially a substitute to your product. A substitute (product) can negatively affect the 'price elasticity' of your product since more substitutes become available the demand becomes more elastic as customers have more alternatives a close substitute product constrains the ability of firms in an industry to raise prices.

In the electronics industry substitute products will include other similar products from other manufactures. The threat of substitutes in the electronics sector is increasing since the consumer are being motivated by both social responsibility and legislation to find alternative manufacture that <https://assignbuster.com/strategic-management-on-samsung-electronics-industry/>

meets their criteria to reduce the affect of global warming energy consumption . Legislation in the UK such as high charging for energy bill also promotes substitutes in to electronic industry so it is a growing threat in this sector.

Degree of rivalry

Perhaps this is one of the most important of Porters 5 forces, since competition is what tends drives innovation changes in the market since firms strive for a competitive advantage. The intensity of rivalry amongst firms varies across markets. In a market that is saturated rivalry can become fierce as firms compete for the same customers, but in a growing market firms don't need to compete as fiercely as there may have their own growing customer base to which they can cater their product.

When considering direct rivals to Samsung such as Motorola and Dell they are all long established in the industry so it is likely that they have coexisted by having disciplined competition and also having a ' code of conduct' between themselves. This is evidence of ' friendly' competition within the automotive sector.

Barriers to entry

This relates to how easy it is to enter the market place, this force has only negative implications on current market competitors since the easier entry into a market is the more competitors there potentially is. But usually there are legal requirements that must be overcome before the market place can

be entered for example a product must pass minimum quality and safety standards and licences are usually required for trading.

When considering the electronics industrial sector entry into the market is extremely difficult, since a large initial investment is required, and competition is fierce. In the current economic climate entry in this sector will be almost impossible unless an innovative unique selling point is achieved. Currently the easiest entry into the electronics sector is through excellent design reliability, durability and cost effectiveness of electronics being the most obvious.

Electronics Industry Life Cycle Stage

According the theory of industry life cycle, Samsung Electronics already got the Maturity stage. Because growth is no longer the main focus, market share and cash flow become the primary goals of the companies left in the space. Samsung's products like TV, audio, video, mobile phones, camera, camcorder, PC, peripherals, Printers, home appliances and memory cards all have good reputation and occupy important place in market.

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Picture: Samsung Electronics industry life cycle.

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PESTEL Analysis

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This section serves as a business environmental scan. Here a PESTLE analysis is applied of the external macro environment in which SAMSUNG operates. The pestle analysis is applied to SAMSUNG looking at its market - i. e. no specific product. The diagram below highlights the main issues within each factor. All the factors have a high level of influence on our business and our future strategy.

Social

Cultural change

Car culture

Expectations

Environment

Demographics

Family change

Fashions & Taste

Redundancies

Political