

# Samsung electronics co., ltd assignment



**ASSIGN  
BUSTER**

Samsung Electronics is a flagship subsidiary of Samsung Group which focuses on electronics and information technology. Samsung Electronics holds a significant position not only in South Korea, but also across the world. In 2006, It became the world's larger television manufacturer and the world's largest maker of LCD panel for eight consecutive years. In 2009. It was the worlds largest Information technology company, and by 2011, it had become the world's largest mobile maker and the world's second- largest semiconductor icemaker.

Today, Samsung Electronics has he largest market share worldwide in memory chips and has established a prominent position in the table computer market. Samsung Electronics has also developed assembly and sales networks in over 60 countries, with the total employees of more than 220, 000. This paper will analyze Samsung strengths and weaknesses, as well as the opportunities and threats. Some business strategies will be recommended in regard to SOOT analysis. Some ethical issues will also be discussed. Strengths Innovation and design Samsung Electronics Co. Ltd always produces Innovative products and distinctive functions, such as “ S beam”. It has won many awards for the design of Its products, and received the greatest number of awards among the participating companies. Some of the significant awards It has received were the seven awards from International Design Excellence Awards 2012, the most prestigious design contest organized by the Industrial Designers Society of America. It proves the competitive advantage of Samsung Electronics, which strengthen its position among competitors. It Is also reflected on the Increase of the market shares.

Research and Development Samsung has consistently enhanced its research and developments department. The company invests resources and attention on developing consumer-preferred products with innovative features. In 2012, the company planned a huge investment with amount of \$30 billion, a 27% Increase from 2011, for research and development purposes. Samsung Investment Into R&D across the company Is pushing the company's innovation to the new limits. Moreover, it helps the company launch various new products and improve the function of current products.

Low cost and differentiation strategies Samsung may operate on both low-cost and differentiation strategies, since it he company to have lower labor cost compared to companies that operate in Japan and United States.

Samsung assembly of its main R facility and FAA lines is estimated to have saved an average of 12% on FAA construction costs. Living together at the Samsung primary campus, R and production engineers may also solve the design and product engineering problems together, which also indirectly encouraged good rapport. Samsung innovative technology has also contributed to lower raw material costs and higher yield rate.

Samsung currently uses the smallest process technology of 0. 11 pm which enables them to have a higher net dice per wafer impaired to their competitors who use that of 0. Pm. Its innovation not only reduced cost, but also formed differentiation of core competency. Consequently, its innovation has reduced defects and produced lower wastage, which result in lower cost of production. Weaknesses Low profit margin Samsung Electronics is the largest technology company in the world in terms of revenues, yet it has a low gross profit and net profit margins.

Although the smartened business is rather profitable, the sales of semiconductors unit are low and the price cuts are aggressive, which result in low marginal revenue. Focus on too many products Samsung heavily invests into the development of newer markets, yet it does not focus on its core competencies, which results in brand dilution. Samsung Electronics has four main industries which are LCD & LED panels, mobile phones, semiconductors and televisions, and each has various products. Samsung tends to lose focus when competing in too many industries and too many products.

Also, if there are problems happening in one of the affiliated companies, the whole brand or the reputation of Samsung will be badly influenced as well. Lacks its own operating system (SO) and software Due to insufficient software engineer to create its own software, Samsung lacks its own operating system and software. The production of SO and software has higher profit margin. It can also increase integration of company's products and brand loyalty. However, without strong software and SO Samsung is at disadvantage over its competitors.

Opportunities Growing worldwide demand for tablet market Since Samsung and Apple launched their first tablet PC, tablet market is growing rapidly over these few years. This year's worldwide tablet market has a total of 190.9 million units with an average increase of between 2013 and 2016. Android's share of the tablet market will peak at 48.8% in 2013. Consequently, Samsung has a strong position in tablet market and may expand it by introducing newer and better quality tablet models, such as its current galaxy line.

The emerging Asia market is another great opportunity for Samsung to expand its sales. Due to the prosperity of economics in China and India in these current years, Chinese and Indian consumers are having higher purchasing power than before. Their usage rates of mobile phone have increased to more than 70% over the past few years. Moreover, Smartened shipments in India on 2012 have seen a growth of 5.7% to 15.2 million smartness compared to that on 2011. Samsung has a strong presence in Indian's market, and it may use this opportunity to raise its market share and expand its business.

**Threat Price War** Samsung has a very low gross margin on many of its products and is already selling some of them with significant price cuts. Competitors might follow price-cutting strategy as well, which induce the price wars. This might erode Samsung profit margin to nearly 0%. **Rapid technological change** A serious threat that Samsung Electronics and other technology companies are facing is the rapid technological change. Companies are under the pressure to release new products faster and faster. The one that cannot keep up with the competition will soon fail.

This is particularly hard when the company wants to introduce something new, innovative and successful. Intensive competitions in the industries Another main threat for Samsung is the intensive competition in the industries. There have been many significant merger and acquisition, as well as cooperation plans, among Samsung competitors. In the computer industry, HP acquired Compaq Company on 2002. Leno acquired Vim's personal computer business on 2005 and established the Thinking line of notebook PC's and the Think Centre desktop afterwards.

In the mobile industry, Sony announced the acquisition of Sony Ericson on 2011. These acquisitions have added great pressure on Samsung due to the increase in competitors' market shares and distribution networks. For cooperation plan, Nokia and Microsoft announced their collaborated invention of Nokia Lumia, a smart phone with Windows phone system. Samsung not only has to defend the existing competitors, but also needs to compete with new entrants. Nokia Lumia, the first Nokia Windows smart phone is not the only new product. Leno has also entered into the smart phone market and revealed 'Look-phone'.

Such actions taken by competitors have intensified the competitions on electronic industry and posed a threat of shrinking market shares in different segments to Samsung. Strategies 1) Increase the number of the new Samsung Partnership Samsung has already set up two Partnerships in Causeway Bay and Tim Shah Thus in Samsung brand reputation and customer loyalty. The idea is similar with Apple Store, which is to provide latest telecommunication products and enhance personal customer service. Samsung staff is present to answer customers question immediately. Moreover, this partnership shop may give strong advertising effect.

Samsung may also act as direct distributor and save up some intermediate cost. 2) Shifting the Research and Development budget from mobile market to others Samsung should cut the R&D budget in mobile innovation and put more resources in other products. If Samsung succeed in a new product innovation, it may enjoy the first mover advantage. The liquidity of the company could be improved, and more capital would be injected for better future development. Samsung has been over emphasizing in the already

developed mobile market that there are at least five bile products released between 2011 and 2012.

At the same time, Sony, Leno, Monika and Microsoft have entered the Smart phone market, which is a risky signal of the saturation of mobile market share. A much keen competition and price war may happen; hence, an innovation of new products is recommended. Ethical Issues of Samsung Corruption, Berries, and Relationship with Korea Government In 2010, Kim Young Chula, a prosecutor famed for winning the conviction of corruption charges against a former president of South Korea, Chunk Do-wan, and a former attorney of Samsung, published his book “ Think Samsung”, exposing alleged corruption and greed at Samsung.

Mr. Kim accused Samsung of maintaining over 1, 000 illegal accounts in a slush fund that managed as much as IIS\$ 7. 5 billion off the book. He reported that Lee Sun-he, the chairman of Samsung, and his loyal aides pocketed up to 10 trillion won from Samsung subsidiaries and hid it in illegal stock and bank accounts. It was later emerged that Samsung had allegedly bribed almost every segment of Korean government as well as politicians, Judges, and Journalists. In fact, it was not the first bribery case for Samsung.

Lee Sun-he was previously accused of bribing the former South Koreans president, ROR Tea-woo, for government contracts and other administrative benefits. In 2002, Lee Sun-he also provided a large sum of money with the amount of US\$ 5 million illegally to Lee Hoi-change, one of the presidential candidates at that time. In 2006, Mr. Lee was convicted for tax evasion of 46. 5 billion won in taxes on illegal fund and facilitating his son on buying

Samsung subsidiary shares at an artificially low price. However, he was able to escape the lawsuit and the investigation was shortened.

Eventually, Mr. Lee was sentenced to three years in orison, but a Judge suspended the sentence and stated, “ The crime was not serious enough to merit an actual prison term”. Mr. Lee had since resigned from his position as the chairman, yet returned to Samsung and continued the post after few months without any board meeting due to a pardon given by the president, Lee Eying-back. Even after a series of law violations, Samsung is still going strong and has been able to maintain good image in the country.

Samsung is extremely powerful as it contributes on as much as 20% of nation’s total exports. Some South Koreans even dubbed their nation as “ the Republic of Samsung”. To maintain the Country’s image, the government has covered up most of scandals about Samsung, as well as other acknowledged the pressure. They refused to carry advertisements for “ Think Samsung” book as they fear of losing advertisement deals with Samsung. Kim Sang- bong, a philosophy professor at Cinchona University, once stated, “ In the past, Korea, was oppressed by military rule.

Now I think Korea is oppressed by capitalist rule. ” Health Risks Relating to High-tech Electronics Workers In 2010, a number of petitioning group in Asia launched a campaign named “ Samsung Accountability Campaign” to uncover an unusually high incidence of angers and other serious diseases which appears among Samsung plant workers. As of March 2011, Korean labor and occupational health activists have counted 120 cases of severe illnesses and 46 resulting fatalities.



Most of the victims are “ clean room” workers who were trapped in the enclosed room engineered to keep dust and other particles away from sensitive equipment, such as semiconductor chips and other high-tech components. The air in this room re-circulates rapidly which increase the rate of workers breathing the air that is laced with vapors from toxic chemicals. The protective gear worn by workers, known as “ bunny suits”, is intended more to protect the semiconductor chips than workers, whilst the protection device installed in the room is often turned off due to lack of supervision.

Samsung, as well as the government agency, has repeatedly denied the allegations carried out intensively by some Korean MONGO, SHARPS (Supporters of Health and Rights of People in the Semiconductor Industry), and other labor groups. In fall 2010, an “ Advisory Report” released by Samsung suggested that there were no health risks at Samsung factories, which attained several criticisms. On 14 December 2012, finally, a government agency claimed that a Samsung factory was indeed responsible for the death of a 36-year old woman who suffered from breast cancer.

Korean Workers Compensation and Welfare Services (COMPEL) announced that carcinogens, such as radiation and organic solvents, existed at Samsung semiconductor factory in Gyeonggi. Labor Issues at China Suppliers Samsung has allegedly employed under-aged labor in a partner company, HUGE Electronic Co. , which assembles Samsung cell phone. Samsung had since denied the practices and stated that they would take measures to address unfair labor practices at its Chinese suppliers, including overworks and violation of basic labor rights.

China Labor Watch, however, has discovered that besides employing underage workers, the factory also enforces compulsory overtime and only gives 40 minutes break for meals within eight working hours. Some child labors were required to work in excess of 13 hours per day and were paid overtime wages below the legal standard. In addition, the factory failed to provide safe working environment for the workers as it did not compensate work-related injuries. Workers will suffer from hysterical and verbal abuses if they cannot meet the output target or expectation. They will also be given severe discipline if they report product defects.

There is an ineffective protection for the workers rights, although they strive to work to their limit for Samsung, Samsung tends to maximize the profit at the expense of its workers. Samsung and Apple has involved in a series of ongoing lawsuits across the world since 2011, regarding the design of smartness, tablet and computers. Both companies have taken legal action for the damages claimed of infringement of patent costing billions of dollars. Samsung was later claimed to have knowingly infringed six patents of Apple's mobile devices, as well as diluted Apple's trade dresses related to phone.

The Jury in United States awarded Apple US\$1.049 billion in damages. Moreover, the Jury rejected Samsung counterclaims, which stated that the phone-maker had failed to license its technologies. In South Korea, Samsung was also found to have violated one of Apple's patents. Apple was awarded US\$421.8 million in damages, and Samsung was ordered to halt the sales of the infringing products temporarily. Samsung has counter-sued Apple in

more than ten countries after Apple initiating the litigation in order to use the patents.

Conclusion Samsung is one of the strongest leaders of information technology market in the world, and has generated significant revenues for many years. The growing market demand for tablet, as well as Sais's emerging market, have further strengthened its position. Samsung, however, is facing the problems of lower profit margin and brand dilution. Existing and new competitors in the computer and mobile industries might also increase price wars. Although Samsung invests a lot in research and development department, the distribution of capital might be insufficient as it still sacks of its own operating system.

If Samsung want to maintain its position, there are two possible business strategies that can be carried out in the coming future. Samsung may increase the number of personalization shops and shift its R&D resources to many potential markets. Samsung must also deal with many scandals that it has frequently denied. It should conduct a better corporate social responsibility. Workers welfare and public trust are essential for future development and to increase both worker's and customer's loyalty. By providing innovative products and contributing more welfare to the world, Samsung will have brighter future.