

Strategic analysis and marketing strategy for samsung



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1. Introduction and Company overview

The consumer electronics industry is a versatile and competitive business environment (Porter, Consumer behavior, retailer power and market performance in

consumer goods industries, 1974). Rival companies in this industry regularly attempt to surpass their contenders through innovative promotional methods,

developing and reassessing their strategies regularly in light of external and internal factors affecting the business (Teece, 2010). Marketing departments

of companies focus their efforts on identifying and anticipating the needs and desires of customers and designing products and/or services that meet all

expectations of their client base (Gummesson, 2002). Industry leaders are usually companies that have excelled in research and development (R&D) and

marketing functions alongside their operational capabilities, utilising the information available to them to develop products that appeal to their target audience and communicate to their clients in a timely and relevant manner.

Founded in 1938, Samsung is one of the industry leaders in a multitude of industries from power generation through to smart phones (Kovach, 2013).

Each of

their business units adhere to the same vision of becoming the preferred supplier of products and/or services to their clients, but the methods used to achieve this vision are tailored to suit the specific market focus, therefore demonstrating the adaptability of the company. This paper will analyse the marketing strategy and business environment of Samsung Electronics, focusing particularly on their TV production and sales functions. Therefore, this report intends to explore the various internal and external factors which shape the business strategy and tactics of the retailer, through the use of analytical business tools, namely PESTLE, SWOT, Value Chain and 5 forces analyses.

2. PESTLE analysis

A PESTLE analysis is a tool used to examine the macro environment external to a business and highlight the aspects that impact on the chosen organisation

(Teece, 2010). The letters in the acronym stand for the main structures (political, economical, social, technological, legal and environmental) which affect the business, as presented below for the Samsung case study.

2. 1. Political

One political aspect which influences corporations' income is the level of corporate tax and customer taxation (HM Revenue & Customs, 2013). Any

fluctuations in the corporate tax percentage can impact on the operations of a business and many companies chose to move their business headquarters in

countries where the corporate tax is beneficial to their profit purposes.

However, many corporations do not understand that this could potentially impact

on the overall reputation of the corporation. Samsung Electronics operates as a South Korean based and owned business and in one year from 2010 to 2011 the

company has seen an increase in taxes and dues of 11.7% (Samsung Electronics, 2012). In spite of this, the company chose to remain loyal to its country of

origin and, in turn, this has a positive impact on the ethical reputation of Samsung.

In addition to this, the headquarters location of Samsung in South Korea is also a political factor that has to be factored into its strategic development, as the tensions with its neighbouring country North Korea and the threat of a military conflict in the Korean Peninsula is a pressing reality (Sang-Hun, 2013). Another political aspect is imposing tariffs and trade barriers, which aim to protect the local employment and producers through increasing the

price of imported products into the country (Lee & Swagel, 1997). This protects a country's overall economy and Samsung has integrated local sourcing tactics into their Corporate Social Responsibilities activities, with locally focused R&D departments and a focus on using and developing the skills of local labourers.

2. 2. Economical

The economic stability and growth of a region has a direct and significant impact on the profits of a business. Economic stability of a region provides high standards of living and high employment rates leading to an increase in consumers' disposable income and a close analysis of growth trends determine the market focus of Samsung (Meyer, 2009). The consumer electronics market has experienced an increase in sales due to the growth of individuals' spending power, which is expected to rise over the next decade, due to a steady recovery from the economic downturn of the past few years (Savitz, 2012). At the same time, the economic strength of a region (or the disposable income of the region's inhabitants) is an indicator for the saturation of the market in regards to electronic products. As such, Western economies are areas where Samsung has a well-established brand name, but

is experiencing potential resistance from the customers who are overly exposed to marketing messages from all consumer electronics sellers (Long, 2014). At

the opposite end of the spectrum, growing economies are a great market for Samsung's expansion, as the demand for upmarket consumer electronics is on

the rise and the reputation of the company can be utilised to position it in a good competitive position (Lev-Ram, 2013).

2. 3. Social

Demographic variables influence a business' focus, their product or service offerings and ultimately impact on the sales and the survival of a

business in its market. Studies reveal that an aging population is less likely to purchase furniture items and the latest technological devices, which is relevant in determining the areas of focus (Jaimovich & Siu, 2008).

Comprehensive analysis of the demographics and cultural trends are needed in order

to ensure that a company maximises its profits (Curtis & Cobham, 2008).

Samsung has local centres for R&D in the different geographical areas, such

as Samsungs Electronics China, Samsung Poland R&D Centre or Samsung R&D Institute India (Maniwa, 2010). This ensures that the company has a clear

view of the customer demand and expectations and, although Samsung operates on a global basis, they can benefit from the local knowledge developed by these

R&D centres. Labelled as glocalisation, the strategy of mixing the global focus of a company with the local demands of the market is the way forward in

establishing a company like Samsung as the industry leader in all the geographical areas where it operates (Svensson, 2001). Defeating the local

competitors is only possible if a global retailer understands the strategies required to position itself as a market leader in a particular area. Samsung

invests at least 9% of their sales revenue in the R&D function, proving that the company has a clear understanding of the importance of the culture and demographics of its markets (Samsung, 2014).

2. 4. Technological

Another technological factor which increases awareness and reach amongst the target market of retailers is social media. The interactive online platforms

allow companies to engage in meaningful communication with their customers and helps build a company's reputation through customer reviews and

feedback (Kaplan & Haenlein, 2010). Whilst technology can be leveraged by companies to become more relevant to their targeted consumer market, mobile

devices that allow access to the Internet on the go have empowered customers, who can compare and contrast the offerings of competitors with minimal effort

(Simmons, 2008). Individuals can use webpages that are specifically designed to compare the technological specs and the prices of similar products from

distinct brands in order to obtain the best value for money for the product they are looking to purchase. As such, Samsung's influence in regards to marketing has been increased by the presence of smart technology but the marketing messages relevance has been negatively influenced by customers'

access to multichannel shopping environments.

Due to technology, companies are also able to cut down production and promotion costs and improve the quality of their products. Samsung's digital TV's have evolved from black and white back in 1970 to the LED 3D TV sets currently available (Warman, 2013). In addition to this, the sale channels used by Samsung have diversified to cater to every need of the customer, with online shopping as well as in store options available.

2. 5. Legal

Electronics companies, particularly those who have diversified their product offerings to include smartphones and tablets are in fierce competition in the retail market (Brien, 2014). From a legal standpoint, companies have started to file lawsuits for patent rights in order to increase their competitive edge. After three years of corporate hostilities between the two market leaders in smartphone sales. Apple and Samsung, the companies have reached an

agreement to drop all litigations between the two companies outside of the US (Swanson, 2014). Although less publicly spoken of, Samsung is currently facing another patent lawsuit from the chipmakers Nvidia, over the use of graphics which are patented to Nvidia and have been used in mobile and TV devices

by Samsung over the last years (Rubin & Tibken, 2014). The risk that a company is usually faced with when it comes to the legal macro environmental

element is the precedent created by a lawsuit, as other competitors will attempt to find ways to affect a company's cash flow and their reputation through claims.

In addition to the patent lawsuits, Samsung is facing a controversial legal battle regarding compensation for factory workers who suffered from cancer and

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the company has officially accepted to compensate those affected (Simpson, 2014). Although the official statement of the vice-chairman of Samsung, Kwon

Oh-hyun is an official apology to the affected families and individuals, Samsung clearly states that the payment and official apology do not concede a link

between the chemicals used in the company's semiconductor assembly plants and the cancer cases (Associated Press, 2014). However, the public might be

inclined to believe that the payment is indeed an admittance of the company's fault, affecting its reputation in regards to the ethical employment

promoted by the Korean company.

2. 6. Environmental

Over the last decades, the importance of environmental sustainability has gradually increased, and successful companies are regularly scrutinised with regards to their carbon emission, recycling and supplier behaviour.

Businesses are compelled by national and international standards to conduct their

operations in a manner which limits their negative impact on the environment (McWilliams & Siegel, 2001). Samsung's design team matches the

demand for new products with environmental standards and tries to make use of recyclable and eco-friendly materials. To exemplify, the LED TVs are made

without the use of mercury or spray paint which are considered hazardous to the environment. In terms of manufacturing, the company has reduced greenhouse

emissions by 47% through innovative production processes (Brownlee, 2009). In addition to this, Samsung has wind-powered facilities across the US,

therefore utilising renewable energies, further reducing the negative impact on the environment at large (Samsung, 2007).

3. Porter's 5 Forces Analysis

Porter's 5 forces is an analytical tool used for determining the profit potential of a company in its industry, in relation to all parties involved,

from competitors to customers (Porter, 1986).

3. 1. Industry rivalry

The majority of industry rivalry in the retail business revolves around price competition. The consumer electronics industry is currently oversaturated and

consumers are spoiled for choice in any given product category (McGoldrick, 2002). Therefore this is a very high threat, particularly for Samsung, as the

competitors Sony, Panasonic and LG are able to match the product offerings of Samsung.

3. 2. Threat of new entrants

The threat of new entrants in the industry that Samsung Electronics operates in is generally low, because of the oversaturation of the business and because

the existing competitors have established some barriers to entry, particularly the well established reputation of the existing brands.

3. 3. Bargaining power of suppliers

Another low threat is the bargaining power of suppliers, due to the same reason as above, as suppliers are not able to negotiate prices, as they are competing amongst themselves to become the preferred suppliers for the industry leaders, as a guarantee of constant profits.

3. 4. Bargaining Power of buyers

The bargaining power of consumers is one of the highest threats to Samsung, as the competition is fierce in the industry, and customers are overwhelmed

with the promotional messages directed at them. Therefore, it is important in the retail industry to gain the loyalty of a customer (Macintosh &

Lockshin, 1997). Also, apart from the fact that consumers are price-sensitive, they are also becoming oversaturated with generalised promotional messages

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so, in order to gain potential customers, Samsung needs to invest time and budget into researching their target audience and developing relevant and appealing messages, which in turn increases the chances to boost the profits of the firm.

3. 5. Threat of substitutes

The threat of substitutes is a relatively high one, as an increasing number of individuals are using their laptop, PCs, tablets or smartphones to watch programmes that they would traditionally watch on TV. However, Samsung Electronics has diversified its product offerings to include any of the products that could potentially replace TVs, whilst also evolving towards more sophisticated and interactive models of TV, which offer seamless integrations with web applications and external devices.

4. SWOT analysis

The SWOT analysis is a framework used to categorise internal and external factors that influence the operations of an organisation. Unlike the PESTLE analysis, this tool clearly requires a delimitation of negative and positive factors that influence a company and whether these factors are internal or external to the organisation.

Extern Positive Negative

Internal	Strengths	Weaknesses
al	<ul style="list-style-type: none"> • Product range • Ownership of market share • Brand reputation • Awards and industry recognition • Low cost productions • Local teams in all locations • Investment in R&D 	<ul style="list-style-type: none"> • Pricing tactics – lower price is usually interpreted as low quality • Not niche focused • Relies on external software for products • Distribution channels costs for products • Patent litigations with Apple
	Opportunities	Threats
	<ul style="list-style-type: none"> • Increased market demand in growing economies (particularly India) • Increase in disposable income after economic downturn recovery 	<ul style="list-style-type: none"> • Reputation of competitors • Decline in demand for TVs • Political instability in South Korea • Aging population

- Demand for innovative products

5. The marketing mix (4Ps)

5. 1. Product

The variety of TV sets offered by Samsung ensures it keeps abreast of the competition in the consumer electronics market. Their product offerings are suitable to a wide array of customers, from those requiring basic TV sets through to large display 3D TVs with interactive features for those potential clients who are interested in the latest gadgets (Katzmaier, 2011). The consistency in high performance and stylish designs for their products ensures the brand recognition of Samsung TVs.

5. 2. Price

Pricing strategies are dependent on a variety of influencing factors. Despite popular belief, the lowest prices are not the most attractive to all customers, as the demands of the market in general has become more sophisticated and consumers have become aware of the concept of value for money (Ba & Pavlou, 2002). As such, clients are prepared to pay premium prices if they are comfortable in the belief that they will obtain a high quality

product. As such, Samsung uses the competitive pricing strategy for their TVs, devoting time to comparing their prices with the ones of their main competitors like LG or Sony in every geographical market (Woollaston, 2013). The Samsung TV prices reflect the quality that the customers can expect from

the product.

5. 3. Placement

Through a thorough market research Samsung places their products in the best retail seller locations in each of the countries where they operate. For example, Samsung TVs can be found in John Lewis, Tesco or Argos stores across the UK, which are some of the best known British retailers. At the same time,

Samsung operates independent showrooms and have partnered with numerous other companies from all industries that display Samsung TVs in their headquarters

in order to increase the market presence of the brand (Kershaw, 2012).

Overall, the placement of products in all the retail locations ensures that the brand maintains its leading market position, as the catalogues of stores where Samsung TVs are sold feature the newest TV models released by the company,

promoting the brand even further.

5. 4. Promotion

Samsung often uses promotional pricing tactics in order to maintain its competitive edge over the other industry leaders. Specifically designed to attract

customers, price reductions, such as the ones available in John Lewis online stores, with free delivery and 5 year guarantee and added care for all

Samsung

TV sets, these promotions are particularly available around the Christmas holidays in order to attract customers at a time when their disposable income is

used to make more generous purchases, including new TVs for the house (Moore, 2011). In 2011, when Samsung launched their new generation of 3D TVs, they

were offering two free pairs of 3D glasses with the purchase of selected TVs, an attractive offer for the potential customers, particularly as none of the

other Panasonic or LG 3D TVs were benefiting from this offer (Katzmaier, 2011).

6. Conclusion

Although the quality, design and technological specifications of consumer electronics remain important characteristics in the decision making process of a

consumers' purchase, marketing strategies and tactics have a crucial impact on the perception of existing and potential customers. The reputation of a company, including their ethical behaviour, from human resources to their impact on the environment at large and the perception of industry innovators in

their specific market can influence the profits of a company in a significant manner.

This paper has presented how the external environment can influence the marketing strategy of a company and how Samsung Electronics' current practices are in line with the demands and realities of the consumer electronics market across the globe. Although the competition is fierce and Samsung's rivals in the TV market share are other well-known global brands such as LG, Sony or Panasonic, the ethical behaviour of Samsung has helped the company increase their revenue each year, through launching products that attract the technological savvy customers, as well as launching promotional offers for the customers who are more price sensitive.

Samsung's ambition to become a global leader in the consumer electronics industry is complemented by their investment in research and development and

marketing functions of the organisation, as well as adapting a strategy of globalisation, using their recognisable brand name but becoming aware of the

needs and desires of customers in each local market.

All in all, this paper proves that time and resources invested in developing a strategy that focuses on the needs and desires of customers across the distinct markets that a global leader operates in translates into increased profits and reputation building.

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