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Strategic Analysis of Samsung

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**Course:** Global Strategic Management

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Academic Year: Semester 1, 2020-2021



## ABSTRACT

The vital aim of this report is to recognize the strategic planning that was used by Samsung. Various strategic analysis of Samsung is included in this report. The SWOT review assesses Samsung's internal strengths and weaknesses and external opportunities and threats. The three-level strategy includes corporate-level strategy, business-level strategy, and function level strategy of Samsung. Product development strategies and market penetration strategies are discussed with the strategic map of Samsung. Samsung's industry climate is evaluated through a five-force analysis of competitive rivalry, new entrants, suppliers, buyers, and product substitution. The strategic map of the smartphone industry is evaluated to study the brand value mobility barriers. The principal resources and capabilities are investigated on the VRIS analysis. By including all the above-mentioned strategic analyses, this report provides insights on how Samsung formulated strategic decisions.

**KEYWORD :** Strategic Analysis, Three Level Strategy, Strategic Group



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## I. INTRODUCTION

Samsung was founded in 1938, 82 years ago in Taegu, Korea, by Byung-Chull Lee. The business began in Korea as a food exporter and exported to China, products such as dried fish and flour.

Current Product and Service lines:

- Apparel
- Automotive
- Chemicals
- Consumer electronics
- Electronic components
- Medical equipment
- Semiconductors, Solid-state drives, and DRAM,
- Ships
- Telecommunications equipment
- Home appliances
- Advertising
- Construction
- Entertainment
- Financial services
- Hospitality
- Information and communications technology
- Medical and health care services
- Retail
- Shipbuilding



Why Do We Choose This Company?

- **Huge** - The Samsung Group is a big part of South Korea's GDP. And has a total asset value of \$265 billion(2017). They have more employees than Apple, Google, and Microsoft combined. In the year 2015, they shipped more than 325 million smartphones. Samsung also produced the iPhone 4 Series, iPhone 5 Series, and even some of the popular iPad Series chips were also produced by Samsung.

- **Diversified** - Samsung is made up of more than 80 businesses, including shipbuilding and constructions. They build more than 30 ships every year. Samsung also created the South Korean Army jet fighter, helicopter, and mobile artillery. And construct some of the biggest skyscrapers, like Burj Khalifa, Taipei 101, and Petronas Tower.
- **Old** - They have been in the business for 82 years. They are older than their competitors.



## II. THREE LEVEL STRATEGY

### 2.1. Corporate Level Strategy

Corporate level strategy is defined as the plan of highest level management to decide in which direction the company's future is heading and the overall growth of the company. To put it simply, corporate level strategy is the bigger picture. It is usually simple, clear, and not too detailed. There are various types of corporate level strategy a company can adapt, which are :

- Stability strategy, which focuses on stabilizing existing business and operations efficiency
- Expansion strategy, which focuses on growth and increase in company's investment,
- Retrenchment strategy which focuses on cutting off loss making units
- Combination strategy, which combines all three of the strategies mentioned above, depending on the company's needs

Samsung company itself has adapted the combination strategies which nurtured the company into such conglomerates. The company is huge, has a lot of strategic business units, and has done so many things to keep itself stable, and to constantly outgrow itself. The combination strategy of Samsung involved foreign firm acquisition where by last 2018 Samsung has acquired at least 33 organizations mostly focused on IT to overcome technology barrier, most recently are the likes of Zillabs and Kngine which both specialize in AI and deep learning. Samsung also adapted both vertical and horizontal integration to help sustain itself, but still using both internal and external suppliers at the same time which minimizes procurement costs and enhances design development speed. Samsung also applies a diversification strategy, in which the company has established its own units in a wide range of industries, not limiting itself in manufacturing goods but also providing services, which mostly are integrated. Samsung is already well known with its electronics which includes smartphones, home appliances, TV and audio, computers and so on. At the same time, Samsung also provides repair services for electronics which operate in Korea, China, Latin and North America, Europe, Asia Pacific, and Africa. Samsung manufactures health equipment, and has its own hospital. Samsung also has hotels and constructions. All these different lines of business can be using the service or goods from but not limited to each other. The health equipment goes to their own hospital, fancy home appliances and electronics can go to their hotels, and their construction companies now involved in landscaping projects and resorts. Not limited to the above,



Samsung also has its own financial and insurance service. Basically, they provide almost everything for everyone but when the company themselves had to spend some funds, they mostly go around from one to another. These, not only expanding their markets and extending their product or service range, but also stabilizing their stands.

## 2.2. Business Level Strategy

Samsung sets its goal, vision, and mission all around change and contributes its technology to create a better future. Throughout the years, Samsung has now become one of the companies with most subsidiaries. Below are the list of businesses owned by Samsung.

Table 2.1. Samsung Subsidiaries

<b>Business Name</b>	<b>What It Does</b>
Samsung Electronics	Consumer electronics
Samsung Biologics	Biotechnology
Samsung Heavy Industries	Shipbuilding company
Samsung Life Insurance	Insurance company
Samsung Fire & Marine Insurance	Insurance company
Samsung SDS	Engineering service company
Samsung C&T Corporation	Construction company
Cheil Worldwide	Advertising agency company
Samsung Electromechanics	Electronic component manufacturing company
Multicampus	Web based e-learning service (finance, language, computer, management, etc)
Renault Samsung Motors	Car manufacturer
Samsung Securities Co., Ltd	Financial service company

Hotel Shilla	Hotel & Resort
Dacor	Kitchen appliances
Cheil Industries	Chemical industry company
Samsung Engineering	Engineering company
Shinsegae	Department store
Joyent	Software company
Barbarian	Advertising company
Samsung Sport	Multi-sport club and sports marketing
Samsung Machine Tools	Machining centers manufacturer
Beanpole	Fashion brand
Samsung iMarket Korea	Procurement service and MRO goods
Ace Digitech	Polarized light films manufacturer
Everland	Amusement park

One of Samsung SBUs that has been one of the big players in the industry is Samsung home appliances. Its products vary from air conditioner, refrigerator, kitchen set, air dresser, and many more. Unlike its smartphone sector strategy which is more focused in cost leadership compared to its biggest competitor, Apple, Samsung home appliances focuses more on its product innovation and development. Samsung has been constantly coming up with new features for its home appliance line. As technology keeps developing each time, Samsung has also launched various lines of smart tv, smart stove and even smart refrigerator which are all connected to the internet and have features that are not usually found in usual home appliances.

Samsung spends big in its R&D department not only to keep up with its market but to make its product innovation its competitive advantage. These product developments are not only limited to new fancy features, but also cool and sleek designs for a better market approach.

Despite its focus on cost leadership in these SBU as well up until 2010, the game changed when Samsung decided to bring new chief marketing officer Eric Kim into the family. Now Samsung pays more attention to the markets and products. Samsung uses the strategy of market penetration, market development, and product development but the key is its innovation. By keeping innovating, Samsung penetrates new markets by offering advanced and well developed products to attract and make sure their potential customers would engage, in order to increase their market share. This product development is not only targeted to attract new customers, but to constantly offer something new for their old customers to purchase.

### **2.3. Function Level Strategy**

#### Financial Strategy

- Comprehensive sequence of procedures  
By setting up financial goals and objectives, identifying resources, engaging into financial decisions, analyzing data and tracking variances between budget and actual results to determine the variances. Samsung's financial strategy revolves around the right approaches to an ideal financial management in a long term horizon.
- Adapting the strategic financial approach - Samsung is always open with new financial strategies that can be suitable for the changes and issues that the company faced.
- Working with different investors around the world - this is of the long term strategy with the impressive record that the company achieved with the help of the most effective financial strategy.
- From the graph below, we can see that Samsung has grown rapidly from past years, the net income grew as the year goes by.

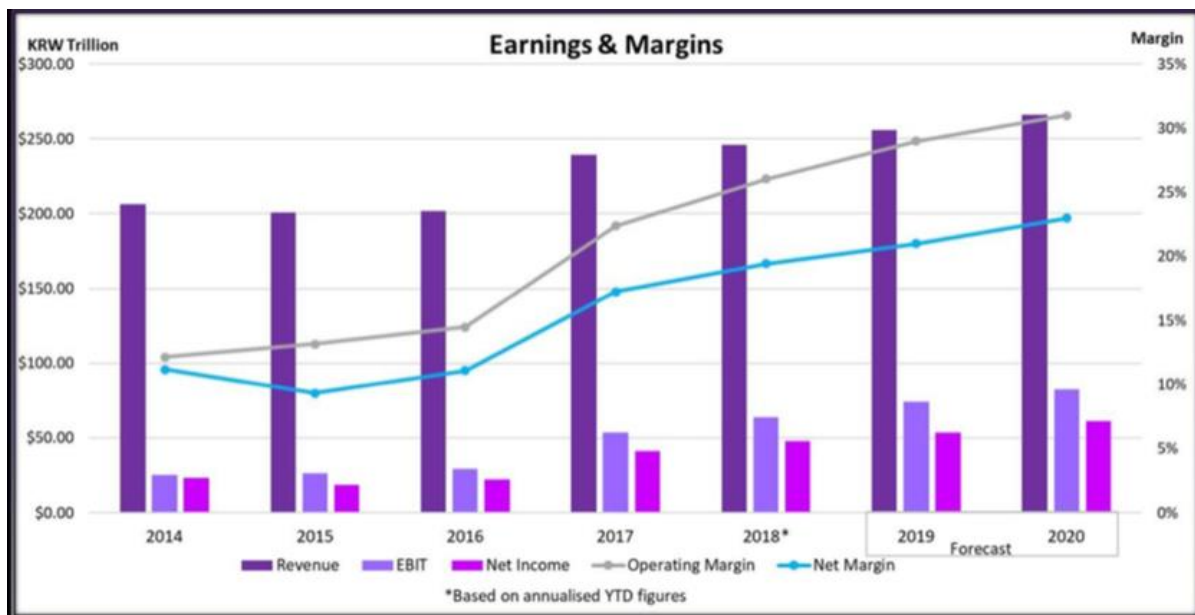


Figure 2.1. Samsung Earnings and Margins

### Human Resource Strategy

- Samsung also has different departments to maintain their company. From the training program, core program to leadership program with different 5 levels of leadership and at last expertise program (Developing Industry-leading Experts).
- Samsung has 287,439 employees world wide
- Provides a scholarship - Every year Samsung also provides a scholarship to the people that want to continue with further education, with a return they have to work for Samsung. This method also makes Samsung have easier access to be able to hire talented employees where they already know their abilities.

**Organizational Structure for Compliance Management**

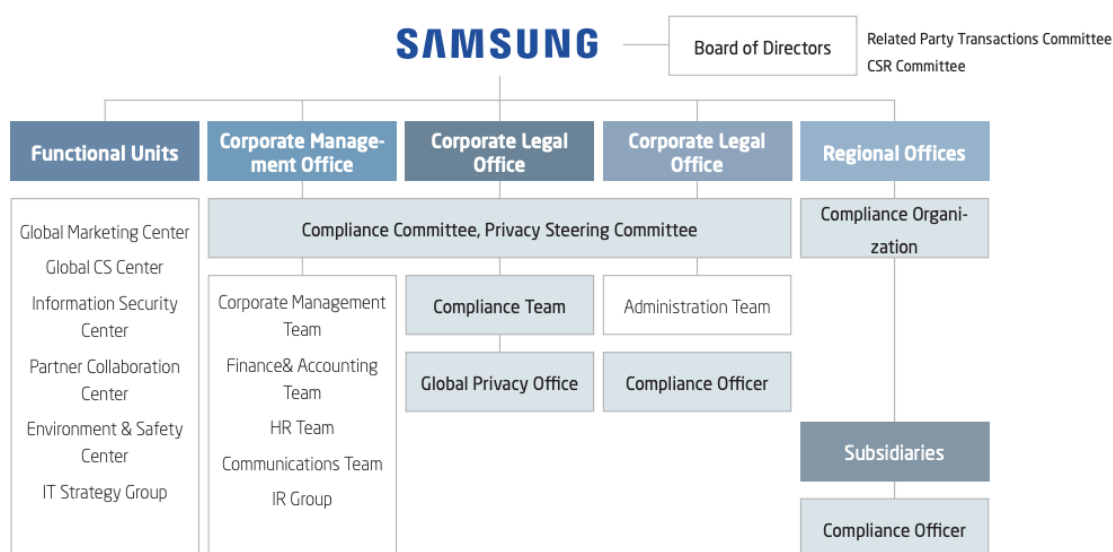


Figure 2.2. Samsung Organizational Chart

- Samsung Seoul R&D Campus for the center of openness and innovation with a creative work environment.
- Ranked 3rd at the 2015 ATD the Association for Talent Development best awards

Production Strategy

- Vertical integration  
With such a wide range of manufactured goods that Samsung offers, its production surely holds a very important role in its business activities. As Samsung has many subsidiaries, its production process is able to adapt vertical integration. Samsung companies manufacture various components of the products itself and then arrange them into whole products. This lets Samsung have more control of the production process, including quality control, cost control, and so on since most processes are done between their own companies.
- Fast lean production  
Samsung has a rigorous approach to putting resources together once a decision is made and if that decision requires quick action, Samsung is an organization that can put together large development-teams and assign million-dollar budgets within hours.

## Research and Development Strategy

Samsung has one of the most advanced research and development centres around the world. They put a lot of effort into providing new futuristic technology not only in smartphones, but other appliances too. This department has to make sure what the company invested is worth the money. Where they have to increase the interest of the consumers about the new or pre launch product and cancel any plans if the product is already in the market.

- R&D network consistent in korea and other international country, US,UK, Israel, China, India, Russia, Japan
- 40% of the global employees are involved in R&D
- 9% of the company's sales revenue go for R&D - this shows that Samsung is putting a lot of effort into their research and development to provide the best product and service for the consumer.

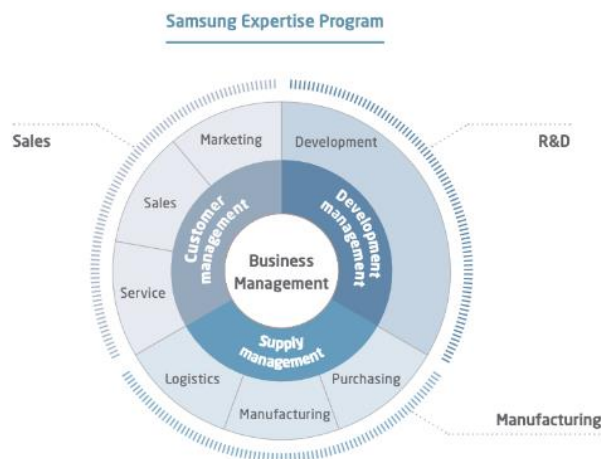


Figure 2.3. Samsung Expertise Program

### III. STRATEGIC MAP

Samsung is a conglomerate company and one of its well known SBU is Samsung Electronics. Samsung follows a simple business philosophy: to devote its talent and technology to creating superior products and services that contribute to a better global society. To achieve this, Samsung sets a high value on its people and technologies. Along with this business philosophy Samsung focuses most of its business activities in broad differentiation.

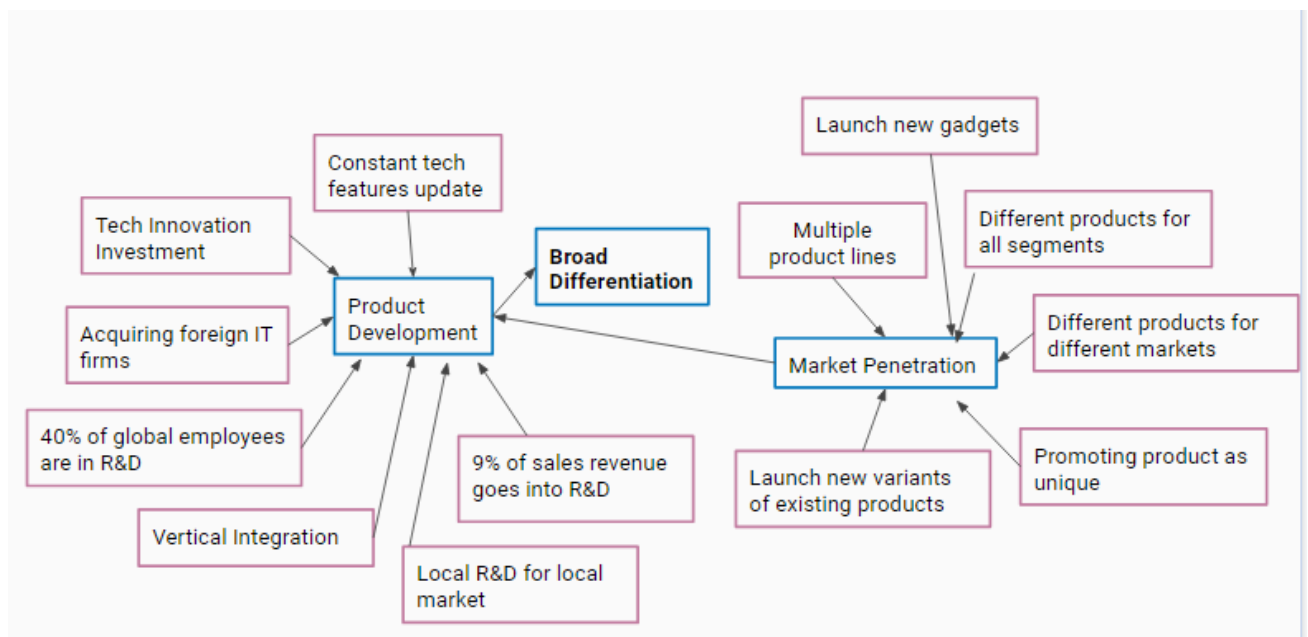


Figure 3.1. Samsung Strategic Map

#### Product Development

- **Tech Innovation Investment**

Samsung invests a huge amount in technology innovation as it is stated in its goals which is to create superior products. In the latest news it is stated that Samsung plans to invest KRW 25 Trillion in AI (Artificial Intelligence), 5G and automotive electronic parts.

- **Acquiring Foreign IT Firms**

Samsung has been acquiring numerous foreign firms throughout the years, most of them are specialized in the IT industry. By the end of 2018, it was recorded that Samsung has acquired at least 33 firms (Source : acquiredby.co)

Table 3.1. Firms Acquired by Samsung

Company Name	Field	Company Name	Field
Zhilabs	Enterprise Software	Proximal Data	Intelligent Systems
Kngine	Search Engine	PrinterOn	Printing
Fuenty Inc.	AI	Smart Things	Home Automation
VRB	Video Streaming	Shelby.tv	Predictive Analytics
melaud	Headphones	Novaled	Nanotechnology
Perch	Apps	Boxee	Enterprise Software
QD Visions	Nanotechnology	NeuroLogica	Mobile Device
NewNet Communications	Mobile Devices	NVELO	Enterprise Software
Harman	Audio	Nanoradio	Semi Conductor
Tachyon	Mobile Apps	mSpot	Music
Viv	AI	ZigZag Software	Apps
DACOR	Home Renovation	Nexus DX	Biotechnology
Joyent	Software	Grandis	Innovation Management
AdGear	Ad Targeting	Liquavista	Electronics
YESCO Electronics	Electronics	Clairvoyante Inc.	Displays
LoopPay	Service Industry	Genoa Color Technologies	Software
Simpres	Printing		

- **40% of Global Employees Work in R&D**

As Samsung pays more attention to its R&D Department, almost half of its total global employees work in this department. This highlights that Samsung R&D Department is huge and needs more human resources to work on so many product development and innovation altogether.

- **Constant Tech Features Update**

Samsung has been constantly coming up with new tech advanced features on its products. Starting from simple home appliances with basic functions, then coming up with new designs, up until the smart version of home appliances that Samsung sells nowadays. For example, Samsung recently came up with the flip and fold tech for its new Galaxy Z series which not only features the advanced screen folding tech, but also already with the 5G speed.



- **9% of Sales Revenue Goes to R&D**

Samsung works hard to increase its sales and has been selling relatively well, even very well in some certain regions. Samsung also sells various products from home appliances, smartphones, smart home tools, TV and audio, and so on. But from all that hard work selling products, 9% is used to support the R&D Department.

- **Local R&D for Local Market**

As Samsung has become a global company and has consumers from all over the world, its products can also be found in various regions and countries. Since Samsung understands that every region has different demands, different cultures, different needs and different financial abilities, Samsung then established local R&D in various regions to understand its market better thus they can also fulfill the needs better which correspondingly leads to better sales and higher income.

- **Vertical Integration and Product Volume**

Samsung depends on vertical integration as the core strategic edge. Although Apple still purchases billions of dollars worth of parts from its competitor each year, Samsung does not import parts from other companies. Samsung also handles some operational precision in a way that Apple doesn't.

## **Market Penetration**

- **Launch New Gadgets**

Samsung releases new gadgets every year. In the year of 2019 alone they released 19 smartphones, 2 Galaxy Watch Active Smart watches, and Samsung buds - Samsung's wireless noise cancelling headphones.

- **Multiple Product Lines**

Samsung has multiple product lines. Samsung manufactures various displays for smartphones, computers, tablets, and watches, memory components for various sections, tv sets, notebooks, smartphones, watches, tablets, and much more.

- **Launch New Variants of Existing Products**

Samsung launches new variants of existing products every year, with additional features and functionality, thanks to their efficient R&D.

- **Different Products For All Segments**

Samsung delivers a wide variety of items for all areas of the society. In different markets they focus on different segments. Samsung is heavily concentrated on the middle segment of society and the market itself in countries like China and India, and smart phones should have been at cheaper prices that fit their pockets.

- **Promoting Product As Unique**

Samsung always introduces new products into the market or promotes a better version of existing gadgets. They are the first one to release a phablet (Phone + tablet) Samsung's note series, which is a huge hit in various markets. Samsung also released a premium foldable version phone last year.

- **Different Products For Different Markets**

Samsung Galaxy M series was introduced for the Indian consumers primarily. Samsung shipped over two million M-series mobile phones in India. Samsung pays more attention to big markets like China and India, and develops new gadgets with the local R&D.



## IV. STRATEGIC GROUP MAP

### 4.1. Smartphone Industry; Samsung and Its Competitors

It has been widely known that when asked about Samsung smartphone competitors, most would think about Apple right away. It is undeniable that Samsung and Apple are two of the biggest players in the smartphone industry. But this does not mean that the options are limited only to these two brands. Instead, new brands have emerged, especially from China. Following are the top 10 brands of smartphones in 2020:

Table 4.1. Top 10 Smartphones Brand 2020

Rank	Brand Name	Country	Net Worth
01	Samsung	South Korea	\$1.2 Trillion
02	Apple	United States	\$1.3 Trillion
03	Google Pixel	United States	\$300 Billion
04	Huawei	China	\$80.64 Billion
05	OnePlus	China	\$1.4 Billion
06	Xiaomi	China	\$46 Billion
07	Oppo	China	\$450 Million
08	Vivo	China	\$470 Million
09	Sony	Japan	\$158 Billion
10	Asus	Taiwan	\$5.56 Billion

Aside from the net value, smartphone companies market share also shows that Samsung indeed is one of the best players in the industry. As these brands mostly have different market segmentation, they also have different product features and offered value to the customers.

Table 4.2. Top 5 Smartphone Market Share 2020

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q3 2020 (shipments in millions of units)					
Company	3Q20 Shipment Volumes	3Q20 Market Share	3Q19 Shipment Volumes	3Q19 Market Share	Year-Over-Year Change
Samsung	80.4	22.7%	78.2	21.8%	2.9%
Huawei	51.9	14.7%	66.6	18.6%	-22.0%
Xiaomi	46.5	13.1%	32.7	9.1%	42.0%
Apple	41.6	11.8%	46.6	13.0%	-10.6%
vivo	31.5	8.9%	30.2	8.4%	4.2%
Others	101.7	28.8%	104.2	29.1%	-2.4%
<b>Total</b>	<b>353.6</b>	<b>100.0%</b>	<b>358.5</b>	<b>100.0%</b>	<b>-1.3%</b>

Source: IDC Quarterly Mobile Phone Tracker, Oct 29<sup>th</sup>, 2020

From the list above could be seen that 5 out of 10 brands are from China.

For the strategic group map below, variables used are price and brand value. Price is chosen because nowadays everybody uses smartphones despite one's financial ability.

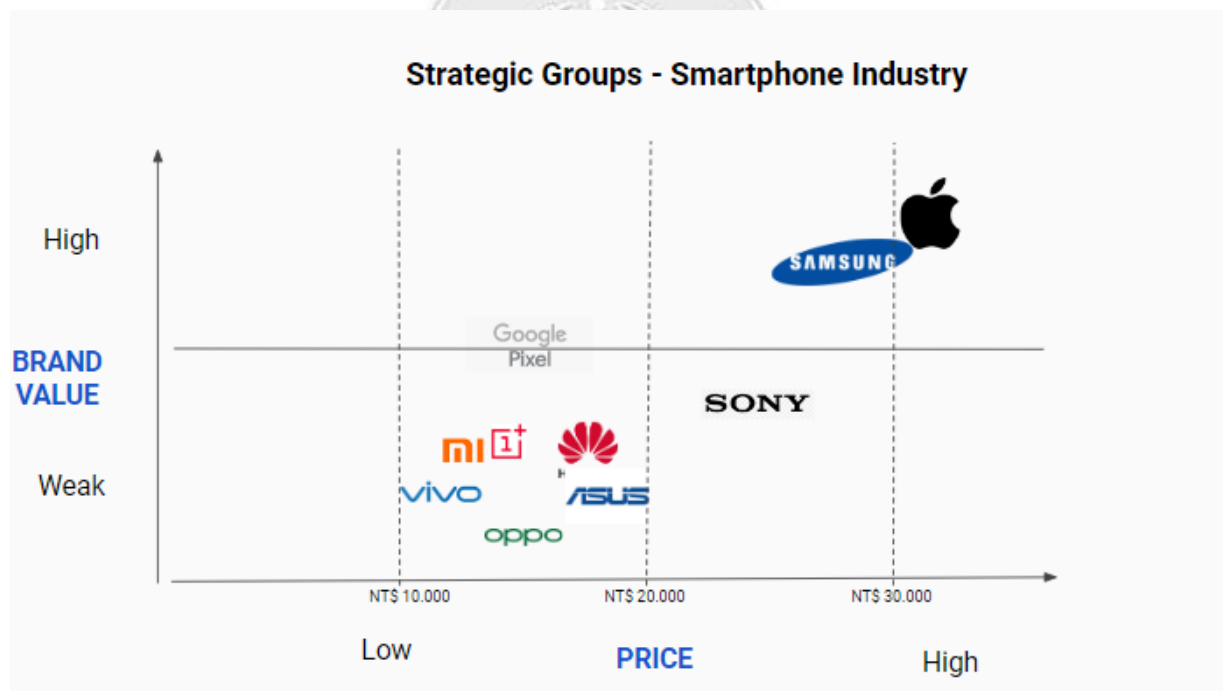


Figure 4.1. Smartphone Industry Strategic Group Map

Smartphones used to be a luxury that not just everyone can afford, but as technology develops each day, more affordable smartphones are out in the market and now smartphones are not a luxury anymore but a need instead. As more and more people are using smartphones, more and more affordable, even cheap, smartphones are emerging into the market, especially

the new brands from China. In a very short period of time (compared to the other brands), Chinese affordable smartphones are starting to take over the market. But just like how some people resort to more affordable smartphones, there are also some who choose more expensive smartphones instead. This could be because of quality preferences, features, brand loyalty, or social status.

Table 4.3. Average Price of Top 10 Smartphone Brands

Smartphone Brand	Highest Selling Price	Phone Type	Lowest Selling Price	Phone Type	Average Price
Apple	NT\$ 48.400	iPhone 12 Pro Max 512GB	NT\$ 13.900	iPhone SE 64GB	NT\$ 31.150
Samsung	NT\$ 71.888	Galaxy Z Fold 2 5G	NT\$ 3.990	Galaxy M11	<b>NT\$ 28.592</b>
Google Pixel	NT\$ 18.990	Pixel 5 5G	NT\$ 11.990	Pixel 4a	NT\$ 15.490
Huawei	NT\$ 29.900	Huawei P30 Pro	NT\$ 7.990	Huawei PrimeY9	NT\$ 18.495
One Plus	NT\$ 22.689	OnePlus 8 Pro 5G Dual SIM	NT\$ 6.505	OnePlus Nord N100	NT\$ 14.597
Xiaomi	NT\$ 23.180	Xiaomi 10 Ultra	NT\$ 3.050	Xiaomi Poco C3	NT\$ 13.115
Oppo	NT\$ 23.990	Oppo Reno 4 Pro	NT\$ 4.990	Oppo A53	NT\$ 14.490
Vivo	NT\$ 18.460	Vivo X50 Pro	NT\$ 4.735	Vivo Y95	NT\$ 11.597
Sony	NT\$ 36.990	Xperia 1 II	NT\$ 11.490	Xperia 10 II	NT\$ 24.240

Asus	NT\$ 30.375	Asus ROG Phone 3 5G	NT\$ 8.700	Asus Zenfone 5	NT\$ 19.537
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(Source : official website, expansys-tw.com, phoneaqua.com, mobile57.com)

Since the price of smartphones varies widely, in this strategic group maps brands are classified into high end and affordable smartphones. As expected, Apple takes the highest position price-wise as its target market has always been the upper ones. Apple also uses its own operating system so all of its products are exclusive only to each other, unlike phones with Android operating systems. This adds even more to its price since the brand itself already has very high brand value.

In this scale, Samsung is somewhere in the upper middle. Because Samsung has a different strategy from Apple, instead of aiming to target one particular market segmentation, Samsung aims to reach all levels of segmentation. This explains why Samsung has a very, very wide range of products (phone series). The highest priced ones are Galaxy S series and Note series which are their premium flagship smartphones, where Galaxy S is for Galaxy series and Note falls into the phablet (phone-tablet) category. Then Samsung also has Galaxy A series which is less pricey than S which target upper mid and mid market segmentations. The list goes on as Samsung also has C Series, J Series, Prime Series, Pro Series, E Series, Galaxy Max, and On series. It goes in this particular order where their targeted market differs from high to low.

Google Pixel, Sony, and One Plus also included in the higher part of the map, but closer to the center compared to Samsung. These three brands might be smaller in terms of market share but are more focused on the high quality features and design so the price is set at the higher bar. Out of these three, Oneplus is the only Chinese smartphone brand with higher price compared to the other chinese brands.

On the affordable side of the map, there are some Chinese brands and also Asus. Asus placed a bit higher than the Chinese brands because even though some of the phones are also affordable, but since Asus produces laptops as well, they launched smartphones with features designed particularly for gaming (together with ROG) which are sold with much higher price. Then we have Huawei, Oppo (and Realme), Mi, and also Vivo which has grown rapidly in the recent years. With its target being the lower market, as we know the consumer quantity of the lower market is bigger than the higher ones, these Chinese smartphone brands made up a big

percentage of the market share. Huawei, in particular, is one of the most well known because of its advanced technology and large amount of sales.

#### **4.2. Cluster Mobility Barriers**

- **From Low To High**

It is challenging and quite difficult for brands known for lower price to suddenly move up to the higher price. This does not only concern the product but more to the brand value. Product-wise, to manufacture a better quality product will cost higher on the production cost. Meanwhile, building or changing brand image is not an easy task since it takes drastic changes both from the brand and customer perceived image themselves. Besides, if brands which usually sell at lower prices suddenly raise its price, regardless of the reason explained to the public, customers will most likely have a negative attitude towards this change which can result in an even lower result for the company.

- **From High To Low**

If brands known for its higher price suddenly changed its product price into lower one, their decision might leave their customers questioning. Besides, there is no going back. Once the brand goes to the lower side of the price bar, it would be very difficult for them to go back up. One of the alternatives they could do is keeping their existing product and image still the same but launching new series with lower price instead. For example, Apple launched the iPhone 5c and 12mini which have lower prices compared to the usual number series.

- **Upward Brand Value Mobility Barriers**

Competition is the most significant barrier for Samsung. Competitive pressures from firms like Apple, Huawei, Google, Xiaomi, Vivo, Oppo, Asus, Lenovo, Sony, and LG. These rivals are capable of reducing the customer base of Samsung and the resulting sales revenues, which would have a direct effect on Samsung's upward brand value mobility.

Dependence on Android OS: Unlike Apple, Samsung's reliance on Android OS is a vulnerability that restricts business capability. For instance, because of Google's regulation of Android, the company's smartphone's operating system functionality and related licenses are limited. In addition, the impact of Google on Android growth reduces the brand image of

Samsung (weakens consumer loyalty), because both of those companies actually compete in the smartphones as well as other mobile technology device segments.

Imitation is an external factor that threatens the business, particularly in segments of the market that are price-sensitive. For example, cheaper phones that partially replicate the company's smartphone models are appealing to price-sensitive consumers. In view of this, the combined challenge of rivalry and imitation are some of the reasons for Samsung's value barrier.

Legal constraints and litigation are also issues that challenge the company in terms of the potential constraint of business results, particularly in major mobile technology markets such as the United States and Europe, where Apple and other rivals are aggressively seeking legal routes.



## V. PRINCIPAL RESOURCES AND CAPABILITIES



### Technology Acquisition

Samsung quickly kept up with existing rivals by adopting and integrating technologies from numerous perspectives, especially given the lack of technical expertise in semiconductors. In order to acquire foreign technologies and merge them with their core competencies, Samsung used different outlets, such as joint projects, collaborations, technology licenses, overseas Research centres, skill hiring, equipment manufacturers, and part-time consultants.

Table 5.1. Resources of Samsung and Apple

Resources		Characteristics	Indicators	Samsung	Apple	Year	Source
Tangible Resources	Financial	Borrowing capacity, Internal funds generation	Debt/Equity ratio	6%	1.5%	2019	yahoofinance
			Credit rating	AA3	AA1	2019	moodys
			Net cash flow	16B	58B	2019	yahoofinance
	Physical	P&E, Size, location, technology, land & building, raw materials	Fixed assets	171B	175B	2019	yahoofinance
			PPE	119B	37B	2019	yahoofinance
Intangible Resources	Technology	Patent, copyrights, know how, R&D, talents	No. Of patents owned	74,746	25,253	total	statista.com
			R&D expenditure	17B	16B	2019	statista.com
	Reputation	Brands , customer loyalty, reputation	Brand equity	32B	352B	2019	brandz
			Market share (smart phone)	20%	14%	2020	statista.com

### Low-Cost & Mass Production Skills

Through gradual product innovation, Samsung was able to cruise rivals. It accelerated its R&D activities and, through parallel growth, streamlined time for product innovation and mass manufacturing. Via cooperation with cross-functional task force committees and the co-location of Research and development activities and manufacturing at a single location, close integration of design and manufacturing was accomplished. Samsung has invested extensively in recessions and conditions of considerable uncertainty. The existence of an effective leadership and proprietor corporate governance structure that allowed a huge investment perspective and rapid decision-making made such ambitious and massive investment possible.

### New Product Development

At the essence of dynamic skills is the creation of new technologies and products from experimentation. Product development experience of Samsung with each DRAM product generation. In the memory market, speed and timing were crucial, despite the limited product life cycle of each sequential DRAM products. Samsung used a number of approaches to minimize the time required for the creation of new products and mass manufacturing.

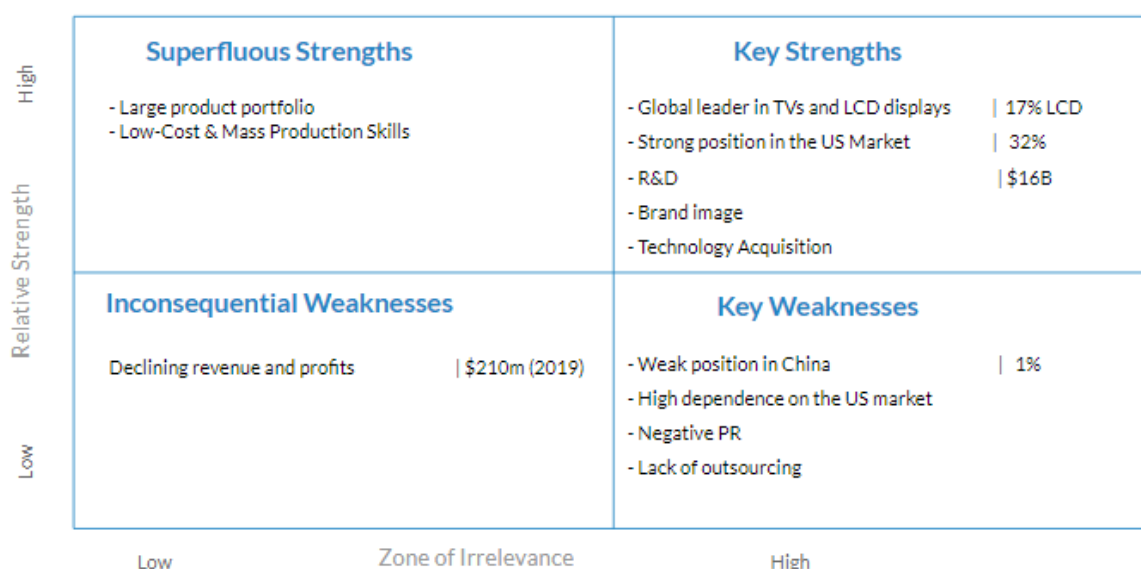


Figure 5.1. Resource/Capability Analysis

### Restructuring Business Operations

Another method of implementing dynamic capability is to release capital by restructuring. By standardizing costs, selling non-core firms, laying off staff, outsourcing and shifting operations overseas, Samsung reacted to the Asian financial crisis. Samsung has been able to concentrate on its primary semiconductor market and generate massive profits by increasing capital through prompt restructuring.

Table 5.2. VRIS Framework Analysis

<b>Core Competency</b>	<b>Valuable</b>	<b>Rare</b>	<b>Inimitable</b>	<b>Substitutability</b>	<b>Implications</b>
<b>Technology Acquisition</b>	Yes	Yes	Yes	No	Sustainable Competitive Advantage
<b>Low-Cost &amp; Mass Production Skills</b>	Yes	No	Yes	Yes	Sustainable Competitive Advantage
<b>New Product Development</b>	Yes	No	Yes	No	Temporary Advantage
<b>Restructuring Business Operations</b>	Yes	No	Yes	No	Temporary Advantage



## VI. PORTER'S NATIONAL DIAMOND FRAMEWORK

The Porter's National Diamond framework is known for having 5 parts which are factor endowment/conditions, related/supporting industry, demand, firm strategy/structure, and government.

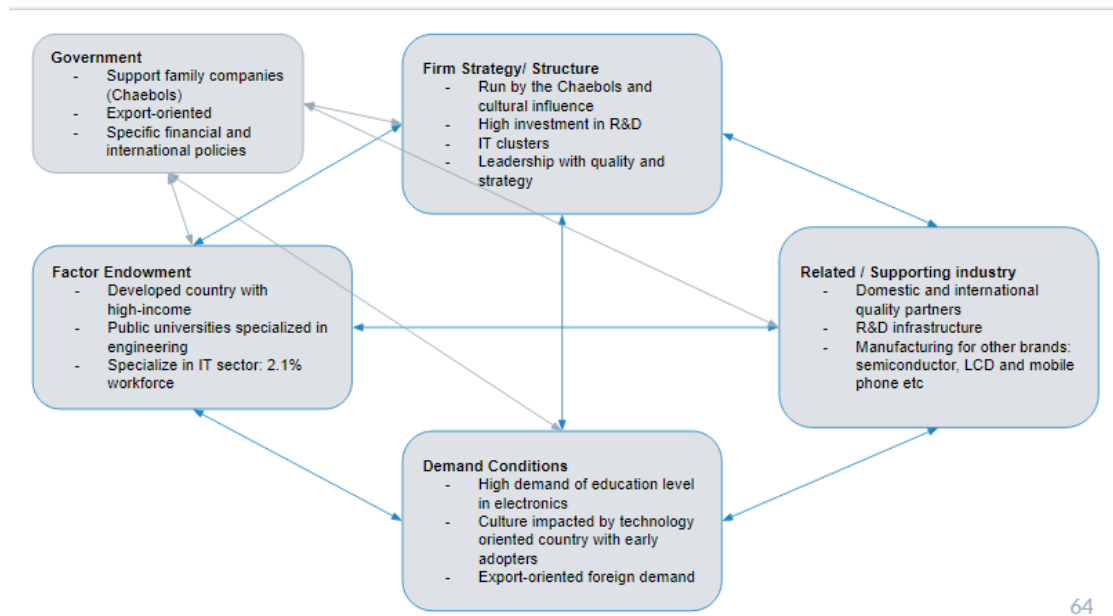


Figure 6.1. South Korea Porter's National Diamond Analysis

### 1. Factor Endowment/ Conditions

- Developed country with high-income  
South Korea is known as a developed country with a high income population.
- Public universities specialized in engineering  
A lot of universities from South Korea focus on engineering majors. Samsung even supports some of the public universities for this specific major and offers to employ the student after the graduation.
- Specialize in IT sector.  
2,1% workforce in South Korea are working in IT sector. IT sector in South Korea is known as their industrial revolution in digitalization, artificial intelligence, robotics, increased connectivity and autonomous vehicles.

### 2. Related/ supporting Industry

- Domestic and international quality partners

Building a connection between domestic and international partners is important to Samsung since they are known world-wide for their innovation and technology, and South Korea is also proud to have Samsung as their local products.

- Manufacturing for other brands: semiconductor, LCD and mobile phone etc
- R&D infrastructure from the Government programs and research clusters (Daedok Innopolis and SAIT)

South Korea is also known as the most innovative economy, dominating international charts in R&D intensity, as Samsung is also known for having 40% of their employees working in R&D and 9% of the company sales goes to R&D department.

### 3. Demand

- High demand of education level in electronics
- Culture impacted by technology oriented country with early adopters

South Korea is addicted to Smartphones, as studies found that 72% of children there has their smartphones by the time they turn 12. South Koreans have preferences towards their own local products, which explains why Samsung grows rapidly in South Korea compared to in other countries.

- Export-oriented foreign demand

Samsung does not only make a product for their company but also for other international companies.

### 4. Firm strategy/ structure

- Run by the chaebols or known as the conglomerate in Korea.

Korean conglomerates (chaebols) play a big role for the country in developing new industries, markets, and export production to help the country to be a better country.

- High investment in Research and Development

This strategy is chosen by Samsung to enable the company to make or innovate a product that consumers need or want in their life to be better.

- IT clusters, the group of IT specialists

Samsung is known for their electronic, smartphone, semiconductors, and others, which is why a great IT cluster is needed in the company to be able to produce their products.

- Leadership with quality and strategy

Samsung is a huge company with a lot of things, leadership is needed in every department to make a strategy with a high quality result.

5. Government

- Support family business (Chaebols)

The government sets industrial policy toward new investment, and the chaebols were to be guaranteed loans from the banking sector.

- Specific financial and international policies
- Security

Samsung has collaborated with the government to enhance and improve the security for the country



## VII. BCG MATRIX AND SYNERGY

### 7.1. BCG Matrix

The Growth Share Matrix, or better known BCG Matrix is a product portfolio matrix, designed to help business considering bussines growth opportunities, and to help making long term strategies as well. In BCG Matrix, products are classified into four different classifications based on how big their market share, how good the sales, and how much the possibilities for its market to grow in the future.

The four classifications of BCG Matrix are as follow:

- Stars. This part of the matrix shows products with high market share and high industry growth rate. Products in this category are the ones that the company preferrably invest in since it makes a lot of money and still is growing.
- Cash Cows. This part of the matrix shows products with high market share, usually high number of sales, but the industry is not growing so well anymore. Products in this category makes money for the company, but how long will it keep going is questionable.
- Dogs. This part of the matrix shows products which do not have high market share nor high industry growth rate. Products in this category might not make much money for the company, but might also still be profitable for the company in the long run. They might be providing synergys for other business of the company. If this is not the case, then company might want to rethink whether or not to keep the products around.
- Question mark. This part of the matrix shows products with relatively low market share but the industry is growing well. Products in this category might not be succeeding yet but they have the potential to evolve into stars and later cash cows. Although, in the worse cases products in this category might also turn into dogs, thus the company need to pay more attention to products in this category.

As a notably big company, Samsung Electronics also has various of product lines, aside from the smartphones that the company is very famous for. Samsung Electronics has launched multiple products throughout the years, smartphones, tv and audio, home appliances like refrigerator and wsahing machine, and even computing device from monitors to printers.

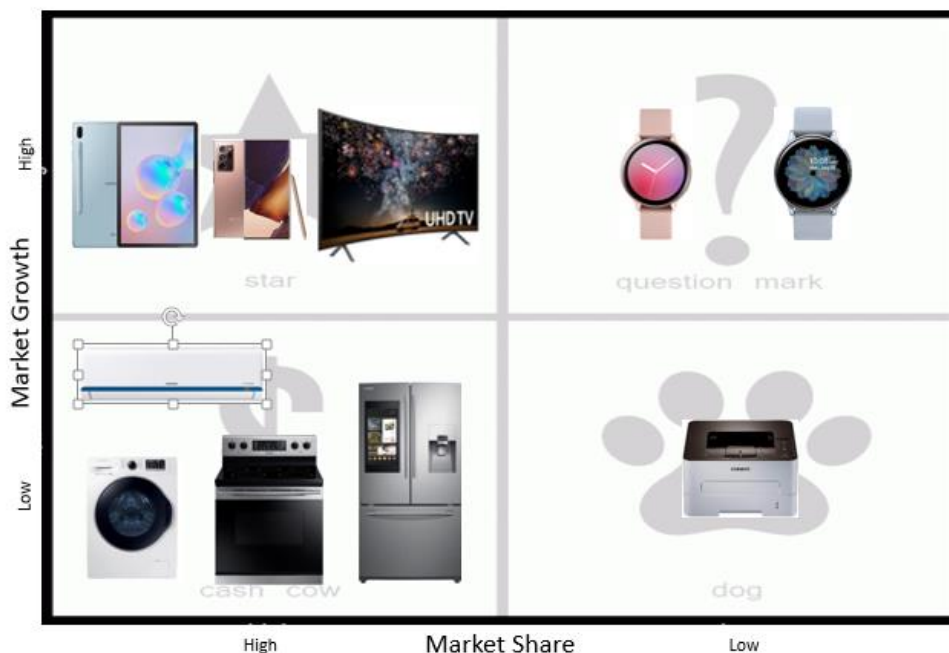


Figure 7.1. BCG Matrix of Samsung Electronics

From the BCG Matrix above, could be seen that various of Samsung Electronics products fall into different categories.

- Stars. This category includes Samsung smartphone, tab and TV. Samsung smartphones actually holds the biggest market share compared to its competitor. Samsung innovates its products and answers the need of various consumer demand from all type of target market, thus its success in this industry. Aside from smartphone, the tab industry is growing as well as the sales of Samsung tabs. Furthermore, Samsung TV has been known for its quality and innovation throughout the years, including their newest curved TV and QLed TV.
- Cash Cows. As Samsung has already manufactured home appliances way before the smartphones, the quality of samsung home appliances, from washing machinge, refrigerator, stove, or even air conditioning is already assured. This line of products makes a lot of money for Samsung Electronics, but the industry growth has started to slow down.
- Question Mark. Recently, smartwatch has been gaining popularities among the consumers. Many of Samsung’s competitor launched smartwatch of their own, as well as Samsung. Again, in this industry Samsung is competing with is main rival, Apple. It is still not very sure how things will go for Samsung smartwatch at this point, but the industry is sure growing well as more and more people wear smartwatch nowadays.



- Dogs. Samsung products that falls into this category, is Samsung printers. In this industry, Samsung printers has a lot of strong competitor that focuses on printers itself, like HP, Epson, and Canon. High competition in narrow market pool makes it hard for Samsung printers. As a result, Samsung printers was bought by HP back in 2017. The printers are still sold under the brand Samsung, but for this product line is now owned by Samsung anymore.

## 7.2. Synergy Between Samsung SBUs

In strategic management, synergy is defined as the concept of combining performance and value of two companies to create and even greater result. Samsung, has a large number of subsidiaries and SBU, which enables synergies to happen between one and the other.

- Samsung Electromechanics and Samsung Electronics

Samsung Electromechanics which focuses in manufacturing electronic components, does manufacture the parts needed for Samsung smartphones. As can be seen from the picture above, Samsung Electromechanics manufactures camera module, communication module, package substrate, inductor, MLCC, chip resistor, and RFPCB for Samsung smartphones.

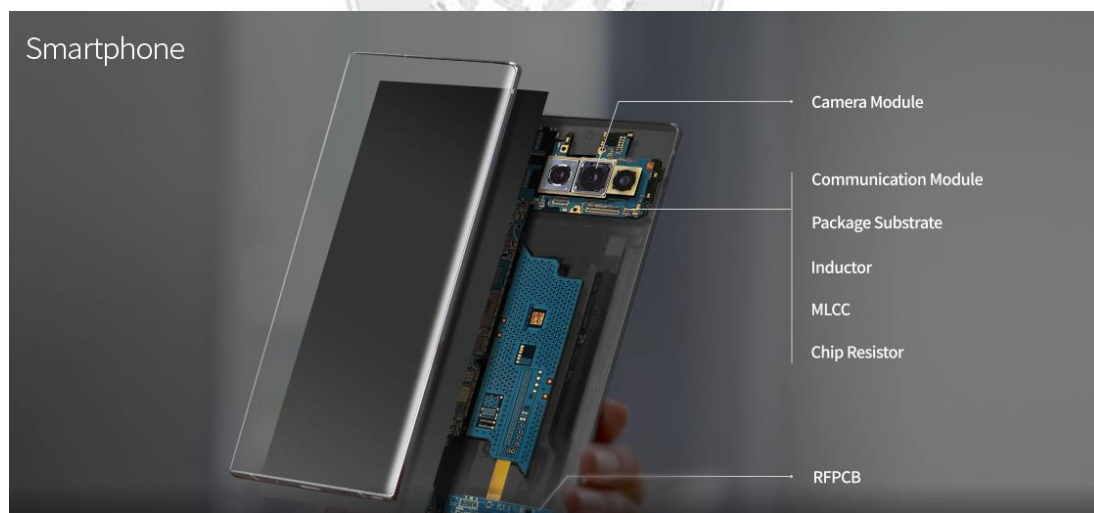


Figure 8.2 Smartphones Components Manufactured by Samsung Electromechanics

- Samsung and Harman.

Samsung acquired Harman International on the late 2016. The deal was completed in March 2017 and ever since, Harman became a part of Samsung. As the two work together, Samsung visual display technology is paired with Harman audio, lighting and control solutions which result in multi-sensory experience for the consumers. This collaboration

enabled cognitive room solution, where for example, a hotel room transformed into a fully connected environment which enhances the in-room experience for the guests.

- Samsung Life Insurance and Samsung Electronics

Samsung life insurance is the biggest stockholder of the core company of Samsung corporation, Samsung electronics. This is to help promote the realignment of affiliated companies and also to streamline complicated capital ties within the company. This could also help to prevent drops of stock values in case of sudden oversupply.



## VIII. CONCLUSION

In this semester we have conducted various analyses on our chosen case company, Samsung. These analyses include the three-level strategy, strategic map, five forces analysis, strategic group analysis, VRIS analysis, value chain analysis, national diamond analysis, and BCG matrix analysis. When performing these analyses, we learnt that Samsung has been on a steady growth since its inception as a small trading company. With the origin of the company deeply rooted in the electronics industry, Samsung today is a leading high tech product manufacturer. It is also the largest company in South Korea contributing a large portion of the country's tax revenue. Samsung has been steadily expanding its overseas market share in several industries including smart phone, LCD TV, home appliances, and semiconductor. Through our analysis, we found that Samsung is a highly vertically integrated company that manufactures the input products virtually in every step of the value chain. This offers Samsung both advantages and disadvantages depending on the economic outlook the company finds itself in. While some of the companies in the vertical value chain are of strategic importance to Samsung, others are proving to be a burden for the parent company. Moreover, R&D has been a focal point constituting the core competitive strength of Samsung company. Through its sizable R&D investments, Samsung has been able to pioneer many key innovations such as in the screen and semiconductor industries. However, we determined that the lack of strategic focus to excel in a few key products by the parent company of Samsung is resulting in a weak competitive environment. As it stands now, Samsung is simply too big of a company to fail which undermines its future success in enhancing the company value.

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