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Ahead of the curve: the strategic analysis of Samsung

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Course: Global Strategic Management

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Department: International Business

Academic Year: Semester 1, 2020-2021

Abstract

This report is part of the Global Strategic Management course. The objective is to apply the business strategy theory to study and analyze the case study of Samsung electronics. Samsung electronics is a competent and established multinational electronic corporation in South Korea. The company consists of four main divisions namely, consumer electronics, IT and mobile communications, device solution, and Harman international. These departments are the key fundamental to enable Samsung to be a leader in the business.

To study the strategy Samsung electronics use to achieve their goals. This report is categorized by several parts of the authors' analysis, which are categorized into ten topics with nine analyses. The examination consists of SWOT analysis, Strategy Level, Strategy Map, Porter's five forces Analysis, Strategy Group, Resources and capabilities analysis, BCG Analysis, the synergy among SBUs, and Porter's Diamond Analysis.

Samsung has the potential to grow in several ways and has advantages in technology because it keeps enhancing market share and overall profits. The company tries to adopt both cost leader and differentiation strategies to develop its four departments. Also, it focuses on R&D, manufacturing, and product development all the time. That enables Samsung to gain competitive advantages and bargaining power in the industry. Additionally, the company is given benefits in a domestic country like South Korea such as South Korean culture, technology devices in the country, and government.

Keywords： Samsung electronics, SWOT analysis, Strategy Level, Strategy Map, Porter's five forces Analysis, Strategy Group, Resources and capabilities analysis, BCG Analysis, the synergy among SBUs, and Porter's Diamond Analysis.

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Chapter 1 Company Background and SWOT analysis

Samsung Company Background

The background information is summarized from Samsung Electronics Co., Ltd. 2020 Business Report (2020). Samsung Electronics Co., Ltd. was established in 1969 and later held for initial public offering in 1975. Samsung was initially named "Samsung Electronics Industry Co., Ltd." but changed to "Samsung Electronics Co., Ltd. in 1984. The company was divided essential products division into four departments

CE Division

This division is responsible for developing electronic appliances such as television, refrigerators, washing machines, air condition, and the software embedded into these products.

IM Division

IM Division is responsible for the development of mobile communication products. This department oversees the development and production of smartphones, tablets, and wearables. The same departments are also developing parts mentioned products (e.g., camera, hardware).

DS Division

This department oversees the development of semiconductors and other related products such as chips and wafers parts. The department develops and supplies these products within the company and sells them to others.

Harman Division

This department designs and develops related products that are used in the mobile communication industry, automobile assembly, consumers, and companies.

By the end of 2020, Samsung has 59 affiliates, 16 of which are listed and 43 being unlisted companies. The company also has worldwide subsidiaries, currently at 241 subsidiaries with 55 in the Americas, 75 in Europe, 19 in Africa, 30 in Asia (exclude China), 33 in China, and 29 in South Korea.

In recent years the company made rapid progress in artificial intelligence, software, and semiconductor industries. By 2019, the company announced the vision to invest 133 trillion Korean Won through 2030 in the semiconductor. And by 2020, the company started the operation of Pyeongtaek Line 2, which is currently the most extensive semiconductor line globally. The company also launch 5G mobile processors, the first ultra-high-speed dynamic random-access memory (DRAM), and foldable touch screen smartphone.

Between 2019 and 2020, most significant subsidiaries still maintain profit with minor losses in several companies. Many of the subsidiaries have less gain compared to 2019. However, the pattern of increased profits and sales appeared. Many Samsung electronics subsidiaries performed exceedingly well compared to other subsidiaries, suggesting the growing electronic product consumption.

This information suggested the growth and potential expansion of the corporation in the future. The company has reached the global market and expanded into multiple industries segments. The main industry appeared to be high-technology-electronic-related products and semiconductors. The company's report also states that the company did not have a significant

change of plans or structures for the past five years, suggesting a long-term strategy has been applied.

SWOT analysis

Strength

- *Technological Advancement*

Samsung's research and development team are remarkably advanced. The company developed and supplied high-tech electronic products and parts to customers and as outsourcers or others. The company was the first to sell 64M DRAM in 1992, the first to sell 3D V-NAND flash memory chips, Development of ISOCELL, advanced Quantum dot-based QLED TV, Launched the world's first ultra-high-speed DRAM for AI and next-generation super computers, the world's most extensive semiconductor line. The company was the first to sell 64M DRAM in 1992, the first to sell 3D V-NAND flash memory chips, Development of ISOCELL, advanced Quantum dot-based QLED TV, Launched the world's first ultra-high-speed DRAM for AI and next-generation super computers, the world's most extensive semiconductor line. And it is also famous for the advanced quantum dot-based QLED TV. The company also launched the world's first ultra-high-speed DRAM for AI and next-generation super computers, the world's most extensive semiconductor line.

This shows the brand's potential growth and capability to evolve and invent innovations, primarily when the brand mainly competes in the electronic and technology industry. The advanced technology in their products will likely be compatible in the large market.

Financial Resources

During the past two years, the company still earned profits in most of the subsidiaries worldwide. This allows the company to expand productions and fund the research and development department. Hence, it makes it highly possible that the company can invent innovations before other brands or follow the trend easily due to large resources. In 2019 Samsung Announced "Semiconductor Vision 2030," which is a vision to invest 133 trillion Korean Won through 2030 in system semiconductors and employ 15,000 persons. And by 2020, it started the operation of Pyeongtaek Line 2, the world's largest semiconductor line. The expansion appeared to be possible due to the company's continuous growth that led to financial access.

Samsung also has varieties of subsidiaries and production plants in many developing countries to lower their cost. Following economic scale, the company expansion means it was yet to achieve the maximum production quantity in the past. The current production company funding may lead to higher profit in the future. By running the largest semiconductor line, Samsung will have control over many supplies, increasing their bargaining power. The bargaining power may not be directly applied to their product consumers, but their competitors purchase Samsung semiconductor products such as Apple.

Expertise and Knowledge

The company has been a significant player in the electronic industry for decades. It gradually expanded and gathered technological knowledge and managerial knowledge throughout the years. Samsung products exist in the market and still evolve while many companies diminish. Their smartphones became world famous and thrived, while Nokia and Blackberry slowly declined. The

adaptability and expertise in production are remarkably high. Their expertise is stable and reliable, leading them to be other brand suppliers, manufacturers, and assembly lines. Samsung has a complete circuit system, from production to sales and customer services. The brand expertise in management in the variety department is presumably good, as customers are satisfied with products and services reflected through their financial performance.

The company is also responsible for other company outsourcing. This provides the company an opportunity to study and elaborate on others' work. When the patents expire, Samsung will be the early company to have the patent to explore from since they are the ones producing. The company could study other companies and improve based on other works to produce more advanced products.

Self-reliance

Most of the compartments and parts of their electronic devices are made by Samsung. As mentioned earlier, the company has a considerably complete circuit system. The company does not rely much on other suppliers. Samsung is responsible for designing, producing, developing products and products software themselves. This prevents spillover knowledge and allows the company to adjust or redo their work efficiently. By being self-reliant, problems such as delay of production and resource shortage will be minimized. Furthermore, it would spare the Company extra cost, and outsources would also increase the income for the company.

One of The Top Smartphone Providers

Samsung has been one of the world leaders in the smartphones market. The company Galaxy line is well-known and widely accepted. Their galaxy line is continuously developing with a wide

array of prices ranges. Samsung provides affordable smartphones to advance smartphones for their customers highly. The product is considered stable for its lifespan, varying from the specification. The operating system is also widely used and stable.

By being a leader in the smartphone market, which appeared to be growing as it became an essential part of daily life, Samsung will likely benefit from the growing demand. Their smartphones are varied in specification and price range. This allows customers from different backgrounds to explore and select the phone that suits their needs without overspending. Compared to other brands such as Apple, Huawei, and Sony, Samsung provides more smartphones, and the line appears to be expanding, attracting more and more customers.

Interconnected Product Lines

Samsung is specialized in designing and manufacturing electronic products combined with the fact that the internet of things is growing. This allows the company to sync its creations to attract customers. Samsung electronic products became more interconnected throughout the year. Most of their appliances can connect via WiFi or Bluetooth for convenience and even remote operation.

- *Wide products categories*

Samsung has a variety of products, both B2B and B2C. Businesses to customers segments produce from home electronic appliances to smartphones. From a Business to Business perspective, they provide semiconductor products and other manufacturing services. With a wide array of products being offered to the market, it enables the company to study the market demands and forecast the future needs of their customers, both businesses and direct consumers.

As mentioned prior, their products also have a wide range of prices and specifications, which access a wider audience with different backgrounds. This allows the company to reach a wide potential audience. Word of mouth will likely occur with high consumer consumption, leading to higher brand awareness.

Their wide range of products will also allow them to explore which market to enter and which to retreat. With multiple product lines, it can test whether their product will be accepted in the market or not to avoid unnecessary resource waste. Furthermore, by knowing which market the products are widely accepted and famous, the company could direct their resources to the market and excel.

Weakness

Weakness is a part of the internal factors of a company. Following are some analyses about Samsung in SWOT of weaknesses. First is building semiconductor facilities is time-consuming. We know that Samsung provides many kinds of products. It comprises numerous businesses. The reason that building semiconductors is complex is that the production-related machinery is sensitive to dust. Second is depending on the American market. Though Samsung has diversified its products, resources, and market, it is still highly dependent on the American market. Roughly 70% of Samsung's smartphones are sold in the USA. Third is Drop-in profit. The sales of smartphones have been declining in the covid-19 pandemic. Moreover, there is a loss that Samsung smartphones lack safety. For example, Samsung Galaxy Note 7 series had overheating batteries explode. Last but not the least is High price. Samsung's products are always at a high price. The competitors such as Huawei and Xiaomi are trying to improve quality and price range. Here are some suggestions to enhance Samsung's weakness; Samsung should balance quality and

finances which survive in competition. Samsung should explore the markets of Asia and Europe.

Opportunities

- *Growing market in developing countries*

Growing markets in developing countries have been growing for consumer demands in tech devices such as smartphones and tablets. For example, India which is the second-largest smartphone market globally and Samsung had a 24% market share there. At the same time, Smartphone sales also grew by 7.2% in South Africa. That enables Samsung to become a leader in the market, with a 43.84% market share in April 2019. Moreover, the growing middle class in several developing countries has offered Samsung opportunities to increase its sales in those countries.

- *Growing tablets market*

People are currently working, playing, and studying from home due to the covid-19 pandemic, leading to more demand for tablets. Employers and employees have to find an efficient way for work-from-home (WFH) arrangements, leading to buying a tablet for long run use . This could give the Company opportunities because Samsung has an important role in the tablets market and could expand its markets.

- *Acquisitions and diversification*

Owing to the latest technologies such as AI and IoT, Samsung has got opportunities to provide various segments of its products to customers and corporate customers like Verizon

because these acquisitions could help Samsung join into the market both the smartphone electronics industries and access to new markets.

For instance, Harman International's acquisition, which is a company that produces connected car technology and lifestyle audio innovations, allowed Samsung to grow in the related technology market, especially automotive electronics. They launched new products that enable the company to increase consumer experiences.

- *Growing demand for digital services*

Digital services have been increasing because they were stimulated further due to the Covid-19 pandemic. Several people had to spend much time doing many activities at their houses. That changed people's behavior so much because most people depended on several technology services for several purposes such as entertainment or purchasing goods. Therefore, more and more people use smartphones to approach services

Although smartphone’s demand decreased in the first quarter of 2020, this situation has stimulated digital service’s needs at the same time. Consequently, when the case returns to normal, employment will also increase. That could lead to faster growth for the smartphone market and be beneficial to Samsung as a famous brand in the smartphone market .

5G Technology

As countries worldwide, including the U.S, South Korea, Japan, and China, have been interested in 5G networks, Samsung intended to invest in the 5G product in a broader range.

Moreover, Samsung has a head start in the 5G segment before rival companies. So, Samsung could benefit because consumers are likely to spend more on it to get the fast internet experience.

In addition, Samsung could benefit from raised 5G usage because the company provides 5G equipment. For example, Samsung made a deal with Verizon wireless communication, which is a 5G networking equipment company. This deal has made customers in Europe more confident to choose Samsung's networking equipment. In addition, it has helped Samsung strengthen in this market as a 5G networking equipment provider. Besides being a big deal, Samsung is given a chance for bigger wins outside the US as well. This made Samsung beat leading companies like Nokia and Ericsson.

Threats

- *Intense competition*

Samsung has been established in a fierce competition era. Other brands strive as much as possible to decrease Samsung's market share. They receive lots of challenges from other electronic companies. Samsung has to increase its' customer loyalty and provide a better after-sale service from their target customer. Also, Samsung's product line has been so wide that they don't have a representative. Other brands like Apple, known as it's iPhone. Xiaomi may be familiar to us because of its' smartwatch and home appliances. But when we mention about Samsung, it seems like there's not a representative product of them. How to keep customers and absorb new customers are the challenges they will face in the future, especially in this mature technology world.

SWOT analysis summary

Samsung Electronics has advantages in technology, surplus financial resources, expertise in know-how, self-reliance, large market share, ecosystem product lines, wide product ranges. However, the company's disadvantages are; Large facilities that could consume establishing time and maintenance budgets, Dependence on U.S. market, Declining profit in multiple product lines, excessive pricing on certain products.

The growing emerging economy markets signify Samsung's potential to grow, growth in multiple electronic products demands, continuous internet, and digital services industry advancement. To proceed forward, Samsung may have concerns over the following subjects: lawsuits of infringing of patents, and other pending litigations, intensified competition, local authority tighten policies and regulations, economic uncertainty, and increasing counterfeiting products.

Chapter 2 Three level strategy

Corporate level strategy

The story of Samsung started in 1969 when Samsung was created to help people achieve the impossible. After over 50 years, Samsung is still developing and innovating.

Samsung electronics constantly reinvent the future. They explore the unknown to discover new technologies that can help people worldwide live happier and healthier lives.

Mission

Samsung's states as its mission: "We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society." This mission statement shows confidence in their change over society. This change covers many elements, from improving communities to creating superior products and services to devoting human resources and technology. Samsung is a caring and responsible enterprise; it cares about the environment with different programs and fully supports e-waste recycling and handling.

The company has shown its commitment to meeting customers' needs when it comes to quality. It has been positioned as one of the best and second at the global level revenue-wise. All Samsung productions ensure the best of grades, and it shows that it is ready and capable of doing anything possible.

Vision

Samsung's vision statement is "to inspire the world with our innovative technologies, products, and designs that can help to enrich people's lives and give social prosperity by creating a new future." The statement calls attention to its leadership position. It inspires the world by developing products and doing so with such an inspiring passion.

It is mainly focused on innovation. Samsung considers its presence in the markets as an

opportunity to change the way people live and relate for the better by improving people's work, interactions, and studies.

Core values

Samsung's core values include "people, excellence, change, integrity, and co-prosperity" Samsung worldwide shares a rich culture in all its facilities sharing similar and comparable practices. At the heart of the company, everyone relates to Samsung to some point, and it makes sure all the benefits are distributed equally across the board. They want to give their employees many opportunities in order for them to reach their full potential as workers. Everything made at Samsung is driven by an unyielding passion for excellence and an unfaltering commitment to developing the best products in the market. Samsung sets sights on the future, anticipating the market needs and demands driving the company to long-term success. Operating in an ethical way is key for the enterprise; everything done is guided by a moral compass that ensures fairness, respect, and complete transparency.

Internal goals

Samsung's internal goals are meant to create the best, both products and services that can give the customers the best satisfaction and retain the first position in the world in the same line of business. They want to contribute to shared interests and prosperous life in every community member.

Business level strategy

Divisions and subsidiaries

The Samsung group owns Samsung Electronics Co. Ltd. The group owns and diversifies its company into multiple divisions in various industries. The major affiliates are Samsung Electronics, Samsung Heavy industry, Samsung Engineering, Samsung C&T Corporation,

Samsung Life insurance, Samsung Everland, Cheil Worldwide. This paper will solely consider studying Samsung electronics as it is the most well-known subsidiary of the group.

Samsung Electronics Co. Ltd. has mainly four divisions. Though the company branched out to other industries and held multiple shares in other companies, it divides its operation management into 4 divisions that operate as individual entities. This paper will focus on the main four divisions as it operates independently at international scales. The four divisions are Consumer Electronics (CE), Information technology and Mobile Communication (IM), Device solutions (DS), and Harman international industry, Inc. and subsidiaries (Harman).

Under the premise of 59 affiliates and four international divisions, the company branched out into 241 subsidiaries located in almost every continent as of December 31, 2020. The company has 55 subsidiaries on the American continent, 75 in Europe and the Commonwealth of Independent States (CIS), 19 in Africa, 30 in Asia, excluding China mainland, 33 in mainland China, and 29 in South Korea. Samsung holds significant shares over 50 per cent for all of these affiliates.

Four main Divisions

- *Consumer Electronics (CE) division*

Cost Leadership

The strategy that Samsung has used to maintain cost advantages is the vertical integration to control the production chain itself. Even though the critical materials of the CE division are display panels, which AUO and other companies supply, account for only 23.7%, other materials can be supplied by its subsidiaries. Apart from vertical integration, the CE division also offers customers many appliance products. That causes the company to gain economies of scale in production. Moreover, the company also focuses on capacity utilization. It can be evidenced that CE utilization rates were 93.6% in 2020.

Differentiation strategy

CE division focuses on developing pioneer and global digital products by constantly offering innovative technology and unique designs. That can be seen TV is an important product of this division. Samsung has competitive advantages in both hardware and software. That enables Samsung to become a leader in appliance markets because it provides customers with many intelligent appliances with premium and academic offerings. For instance, Samsung air conditioners can detect weather forecasts and recommend appropriate temperatures. Fridge and freezer, the latest technology, utilize high levels of technology because the company presented Triple Cooling™ technology and a Wi-Fi system, allowing the customers to manage various operations within the machine. That said, differentiation strategy is the most suitable for Samsung as the company is continuously involved in inventing the technologies.

- *IT and mobile (IM) division*

Cost Leadership

Many Mobile devices such as smartphones, tablets, and wearables are produced and sold by The IM Division. It offers many kinds of products from low models to premium models. That has enabled the company to have achieved its target in both developed and emerging markets. There is some evidence to explain that Samsung smartphones are a lower price than several rivals such as Apple Inc. For example, Samsung's Galaxy S8 is about $40 cheaper than iPhone 7, $769 per handset. The strategy enables Samsung to attract lower-income customers. That differs from Apple, which underlines premium customers. Today, the low-cost method has been essential and strengthened the company's global smartphone market, especially in developing countries. So, Samsung's Omnia and Wave can represent the cost leadership strategy targeting developing countries.

The critical cost drivers that Samsung can provide a lower cost to customers include (1) Vertical integration is a strategy that companies use to gain the production chain. Although key materials such as mobile AP and camera modules supplied by Semco, Qualcomm, and others need to be provided, they are calculated as only 17.2% and 16.4%, respectively. Samsung can produce its components such as memory, chips, and so on through its subsidiaries. On the other hand, other manufacturers have to buy them from suppliers. It can raise their operational costs rather than Samsung. (2) Due to their smartphone's lower price, Samsung can appeal to broader global customers. That enables the company to benefit from economies of scale. Cost leadership strategy is crucial for Samsung to gain market share as well as against rivals simultaneously. Moreover, the company also uses better sourcing of materials, better manufacturing practices, and better-quality control to approach cost leadership.

Differentiation strategy

Samsung has also used differentiation for their products to obtain a competitive advantage in the smartphone market, providing customers with cutting-edge smartphones. It is evident that Samsung has extensive investment in Research and development (R&D) as it has tried to fulfill customers' needs all of the time. Samsung has substantially delivered unique products to customers regarding product features and performance, technology embodied, and intensity of marketing activities.

Samsung has delivered user experiences. Samsung offers a larger touchscreen display with better photos, video records, and functionalities. The Galaxy S and Note are totally different in many features, hence their prices are high. Before long, it launched the latest technology, the foldable smartphone. Samsung's foldable smartphone is an innovative design produced using advanced technology and materials. Samsung's tablet, too, the model is user-friendly and can

enable consumers to enjoy their internet browsing experience. For instance, the Samsung Galaxy tablet has a more comprehensive screen, allowing users to perform multiple tasks. In addition, the Samsung Galaxy tablet is portable. This strategy enabled Samsung to hold on to the number one spot for market share through the popularization of foldable phones with exteriors that go beyond existing smartphones.

Marketing intensity, too, when it is marketing a new product, Samsung has spent a lot of money advertising the company's campaigns. For example, Samsung used $401 million to present its Android commodities in 2012. This advertisement was higher than rival companies.

- *Device solutions (DS) division*

Integrated Cost leadership and Differentiation strategy.

The DS division focuses mainly on four business categories: Memory business, system large-scale integration business (LSI), founding business, and Display Panel. According to the Semiconductor Memory Market Size, Share, Analysis Report (2021), the memory business is broadly divided into two categories: non-volatile Read-Only Memory (ROM) and volatile Random-Access Memory (RAM). Sony Samsung Electronics Co., Ltd. is listed as significant participants in the memory business (Semiconductor Memory Market 2020-2025 | COVID-19 Analysis, Drivers, Restraints, Opportunities, 2021).

The responsibility of this division are manufacturing and sales of DRAM and NAND. DRAM or Dynamic Random-Access Memory is one of many semiconductor memory products generally used for data or program code for computer processing functions. RAM or the broader branch of Random-Access Memory type allows the computer to access data from storage instead of working in sequence from the starting point. At the same time, NAND refers to a memory storage unit without a power supply. NAND could be found in daily electronic products such as mobile phones,

portable USB drives, Flashcards, etc. The division is continuously improving and enhancing the performance of the DRAM and NAND. In terms of the memory business, Samsung appeared to maintain a high position among competitors by being the mass producer and leading technological developer.

The System LSI business focuses on designing and selling mobile application processors and camera sensor chips. The mobile application processor is s a system on a chip or (SoC) designed for the mobile application operation. As the smartphone market expands, the company is most likely to continue on its production and possibly expand accordingly to the product's demands. Furthermore, the company has expanded its business to supply automotive chips. The company can maintain its position at the top of LSI business due to the variety of products it provides. The product used in the automotive industry can vary from Aps for electronic devices embedded in automotive parts or Contact Image Sensor or CIS for automotive collision sensors and cameras.

Due to its size and main products being semiconductors and electronics parts producers, the company also handles its foundry business operation. Due to the immense production size, it is presumably that the company benefits from the economy of scale. The company is focusing on the fundamental core of manufacturing operations. It continues to improve technologies and infrastructures to advance its capability and increase the variety of products. It also focuses on intellectual property protection and customer support, and satisfaction.

The display division is responsible for the development and sale of display technology. The company focuses on its mobile panel and elaborates on the business. The company prides itself on adopting OLED panels, which allowed it to provide more advanced products and resolutions. OLED or Organic Light-Emitting Diode, also known as Organic Electroluminescent diode or Organic EL) is a Light-emitting diode that has been modified to reach a higher optical combination

rate. OLED then can provide wider ranges of visual colors than LED lights due to the omit of backlights. It can also offer higher contrast in a low ambient light environment. With an LED screen, the panel will have limited elasticity unless it has an individual-led projection which could occupy more space and is mainly used in television. The OLED emits its lights, freeing it from panels and enabling high elasticity. This adoption of OLED screens allows Samsung to produce foldable smartphones, rollable devices, and other automotive-related products. The company's technological advancement in display panels also enables it to compete in the Television screen. It aims to provide high-definition, ultra large screen and QD TVs, further solidifying its place among the front runners in the display business. For the DS division responsible for manufacturing, the large scale of operation appeared to focus on the cost leadership strategy. In contrast, the display panels and semiconductor development appeared to proceed toward the more innovative and revolutionary products. Hence, it led to the conclusion of integrated strategies between cost leadership and differentiation.

Harman International and subsidiaries (Harman) Division

Focused Differentiation strategy

Harman Division specializes in connected products and supplies to multiple businesses. The division designs and develops products for automotive industries and to direct customers. The corresponding product system could be used in an automotive vehicle, visual and audio effects, automation, and the Internet of Things. Harman is one of the leading suppliers in the related product industries, with products embedded in vehicles. Harman has committed to a partnership such as Toyota, Fiat, Chrysler, Audi, BMW, and Motor Harley-Davidson Company. Harman also has its subsidiaries such as AKG, JBL, Martin, Lexicon, and DigiTech (Harman, n.d.).

Harman is unique in comparison to other divisions as the division used to be an independent

company but was bought by Samsung Electronics in 2017, and now one of the divisions of Samsung. The devising is focusing on improving the connected system and audios technology development.

Harman aims to provide specific products for multiple industries. The audio and visual effects aim for musicians, stage production, and individuals. However, aside from audio and visual quality, the company seeks to specify connected products to differentiate their product from others further. However, the corresponding product became more mainstream in the past few years, and wireless connection appeared to be a primary function.

Harman expanded its connected products to the automotive vehicles company to branch its products. The company provides corresponding audio and visual effects for vehicles and remotely controlled devices. The expansion into the automotive-related part gave access to the market that other companies could not penetrate. Partnership with a major automotive brand also helps the company solidify its position as a connected product supplier to the automotive industry. According to Harman (Harman, n.d.), the company supplies its audio and related car products to more than 50 million automotive vehicles. It also provides connected products software for billions of devices, from homing devices to automotive vehicles. The company specificity in market shares and products provided led to the conclusion that the division adopts the focused differentiation strategy as its primary tactic.

Functional level strategy

Product Development & Design

Region	Operations	Location
Korea (12)	Suwon	Suwon
	Seocho	Seoul
	Woomyeon	Seoul
	Giheung	Yongin
	Hwaseong	Hwaseong
	Pyeongtaek	Pyeongtaek
	Cheonan	Cheonan
	Onyang	Onyang
	Asan	Asan
	Gumi1	Gumi
	Gumi2	Gumi
	Gwangju	Gwangju
Overseas (CE and IM Divisions - nine regional headquarters)	North America	New Jersey, US
	Europe	Surrey, UK
	China	Beijing, China
	Southeast Asia	Singapore, Singapore
	Southwest Asia	Haryana, India
	CIS	Moscow, Russia
	Middle East	Dubai, UAE
	Africa	Johannesburg, South Africa
	Latin America	Sao Paolo, Brazil
Overseas (DS Division - five regional headquarters)	Americas	San Jose, US
	Europe	Eschborn, Germany
	China	Shanghai, China
	Southeast Asia	Singapore, Singapore
	Japan	Tokyo, Japan
Harman	North America HQ	Connecticut, US

Table 1 Product Development & Design office locations

Understanding that cutting-edge technology does not always guarantee market success, Samsung Electronics Co. Ltd also focused on product development and design. Their goal was to create products that deliver benefits that some consumers will consider to be worth the price. Since many product benefits may be subjective – attractive styling, say, or an excellent image, or maybe the quality of camera - new product development at Samsung Electronics Co. Ltd usually involves a team of designers who collaborate closely with the firm's engineers manufacturing teams, and marketers.

Brand Building Campaigns

Last and certainly not least, Samsung Electronics Co. Ltd's marketing strategy focused on creating a promotional campaign to build Samsung Electronics Co. Ltd's brand image. Revamping their marketing efforts was just as critical to the success of a new competitive strategy because even the most technically sophisticated and well-designed products are likely to fail unless customers know they exist, can acquire them quickly, and think they're worth the money.

Manufacturing

Samsung's operational activities include manufacturing, development, marketing, and sales. In Korea, operations are located in Suwon, Gumi, Gwangju, Hwaseong, Pyeongtaek, and Asan. The key materials is supplied by AUO in CE Division. For the IM Division of materials which is supplied by Semco, Qualcomm. The essential materials for DS Division include Wafer, chemicals, FPCAs, windows, POL that their suppliers are SK Siltron, Soulbrain, BH, Apple, DongWoo Fine-Chem.

(KRW 100 mil)

Division		Item	Specific usage	Purchase price	Portion[1)]	Main supplier(s)
CE		Display panel	Color picture signaler for TV, Monitor	54,483	23.7%	AUO, CSOT, etc.
		Others	-	175,127	76.3%	
		Division total		229,610	100.0%	
IM		Camera module	Camera for Mobile	59,091	17.2%	Semco, MCNEX, etc.
		Mobile AP	CPU	56,356	16.4%	Qualcomm, MediaTek, etc.
		Display panel	Color picture signaler for Mobile	18,785	5.5%	BOE, CSOT, etc.
		Others	-	208,497	60.9%	
		Division total		342,729	100.0%	
DS	Semiconductor	Wafer	Semiconductor disk	20,314	8.1%	SK Siltron, SUMCO etc.
		Chemical	Disk processing	15,306	6.1%	Soulbrain, DongWoo Fine-Chem, etc.
		Others	-	83,032	33.3%	
		Business Total		118,652	47.5%	
	DP	FPCA	Circuit	21,900	8.8%	BH, Union, etc.
		Window	Tempered glass	20,265	8.1%	Apple, Biel, etc.
		POL	Polarizer plate	13,702	5.5%	Dongwoo Fine-Chem, Samsung SDI, etc.
		Others	-	72,514	29.0%	
		Business Total		128,381	51.4%	
	Others	-	-	2,580	1.1%	
	Division Total			249,613	100.0%	
Harman		SoC	Chips for vehicles	4,043	8.1%	Nvidia, Renesas, etc.
		Automotive memory chip	Chips for vehicles	3,152	6.3%	Avnet, Microchip, etc.
		Others	-	42,842	85.6%	
		Division total		50,037	100.0%	
Others		-	-	581	-	
Total				872,570	-	

Etc.

Table 2 Manufacturing plants and products

Human Resources

For human resources, there are three parts in Samsung. First is their human resource cycle.

Samsung has open recruiting effort and balanced HR cycle. Samsung's recruiting strategy chooses globally and recruit direction to those who doesn't have any Korean background. There are some step changes within the HR cycle's appraisal, compensation, promotion, and development. Second is their practices and its performance. 69% of respondents in the Samsung Economic Research Institute survey said performance-based Human Resource systems in the Korean corporate environment improved the financial performance and productivity (Kho 2008).

The flexibility of practices, for instance, team-based job designs, quality improvement practices, and employee empowerment has led to better corporate performance. kept the limited resources from flowing into the areas that did not desperately need them. Moreover, Samsung recruited highly qualified personnel. Samsung was able to train the employees into competent people who have strengthened the global competitiveness. Last but not the least is environmental adaptability. Samsung’s salary and welfare are higher than the market which can enhance the loyalty to the company. Through cooperative management, they have been able to increase workers' commitment and improve the Organization's performance.

Finance

For Samsung's consolidated statements of profit and loss from 2019 to 2020, we can see that although financial expenses in 2020 cost more than 2019 about 3 million, financial income in 2020 earned more than 2019 about 2 million. So, the operating profit is made more 8 million than in 2019.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

In millions of Korean won, in thousands of US dollars (Note 2.29))

	For the years ended December 31,			
	2020	2019	2020	2019
	KRW	KRW	USD	USD
Revenue	236,806,988	230,400,881	200,606,179	195,179,376
Cost of sales	144,488,296	147,239,549	122,400,294	124,730,961
Gross profit	**92,318,692**	**83,161,332**	**78,205,885**	**70,448,415**
Selling and administrative expenses	56,324,816	55,392,823	47,714,412	46,924,893
Operating profit	**35,993,876**	**27,768,509**	**30,491,473**	**23,523,522**
Other non-operating income	1,384,068	1,778,666	1,172,485	1,506,760
Other non-operating expense	2,488,902	1,414,707	2,108,422	1,198,440
Share of net profit of associates and joint ventures	506,530	412,960	429,096	349,831
Financial income	12,267,600	10,161,632	10,392,246	8,608,218
Financial expense	11,318,055	8,274,871	9,587,858	7,009,887
Profit before income tax	**36,345,117**	**30,432,189**	**30,789,020**	**25,780,004**
Income tax expense	9,937,285	8,693,324	8,418,167	7,364,371
Profit for the year	**26,407,832**	**21,738,865**	**22,370,853**	**18,415,633**
Profit attributable to				
Owners of the Company	26,090,846	21,505,054	22,102,325	18,217,565
Non-controlling interests	316,986	233,811	268,528	198,068
Earnings per share (in Korean won, in US dollars)				
- Basic	3,841	3,166	3.25	2.68
- Diluted	3,841	3,166	3.25	2.68

Table 3 Consolidated statement of profit or loss

Summary

Samsung corporate level aims to increase market shares and overall profits to benefit the firm and shareholders by providing goods to the extremely high quality of electronic products to international consumers. Samsung electronics' subdivisions are divided into four main divisions, according to Samsung report which are Consumer Electronics (CE), Information technology and Mobile Communication (IM), Device solutions (DS), and Harman international industry, Inc. and subsidiaries (Harman). CE, IM, and DS adopt integrated cost leader and differentiation strategies to develop their products further while maximizing profits and minimizing production costs. On the other hand, Harman solely focuses on differentiation to produce unique and high-quality

products for specific markets. In terms of functional level, the company exercises its R&D, product development, and manufacturing to the optimal level to support business strategies. The company maximizes its human resources to the optimal extent in the hope of improving production by enhancing performance and training, human resources allocation and cycles, and developing sustainable systems. To achieve higher overall incomes, Samsung also exercises its marketing and brand-building strategy to solidify its market position. This incorporated strategy from all levels proved effective in the financial report, which shows income surplus, though the operational cost slightly increased compared with the 2019 expenses.

Chapter 3 Strategic map

Samsung Electronics Co. Ltd.'s financial goal is to increase its profit. The company has multiple aspects of improving the financial gain from its operation. This analysis focuses mainly on two different tactics: Lowering production costs and increasing sales.

Lowering Production Cost

The common tactic of large corporations to achieve higher financial gain is to lower the production cost to obtain a more considerable profit margin. The company has reached the international level of production and positioned itself as a supplier as well. With its clientele and its own product lines, the expansion will allow the company to grow further. The company decided to expand its manufacturing plants and develop sophisticated manufacturing lines. The company's recent plans are primarily concerning the allocation of the manufacturing expansion and R&D plans. With the development of the manufacturing plants, the company will benefit from the economies of scale. The expansion of the plants will increase its capacity to produce a larger volume of products for the company and supplies to others, resulting in higher sales and cheaper costs of production per unit.

Increasing production will affect labor as well. However, manufacturing plants require a prestigious production line; hence, the application is highly probable. The substitution of human workers with automation will likely increase the production volume, improve quality and decrease error significantly. With the expansion of the plants and possible substitution of industrialization, the company will have purchased advantage as it could purchase automation machines in bulk. The facility design and establishment cost will also be lower than establishing multiple small to medium plants.

Furthermore, the company has manufacturing plants on most continents. Commonly, the

company will allocate the manufacturing plants to suitable countries and provide financial advantages such as developing countries, countries with cheap labor costs, and weak policies regarding waste, carbon emission, labor protections, and a labor union. Currently, Samsung's largest production plant is allocated in Noida, India (Galea-Pace, 2020), which provides cheap labor for manual labor and is well known for its skilled workers.

The company also handles most of its procurement. The company expressed in its business report that most of its operations are under the control and supervision of Samsung Electronics. The company handles everything from foundry to sales. The areas of raw materials are unidentified in their report. However, Samsung electronics' Responsible Minera Report (2020) implies outsources its raw mineral suppliers. Hence, the company only relies on the raw material of suppliers, lessening the procurement cost and excess financial cost from supplies procurements. By being self-reliable, the company could eliminate factors that could delay production or shortage of foundation products, leading to minimal financial spare for covering errors.

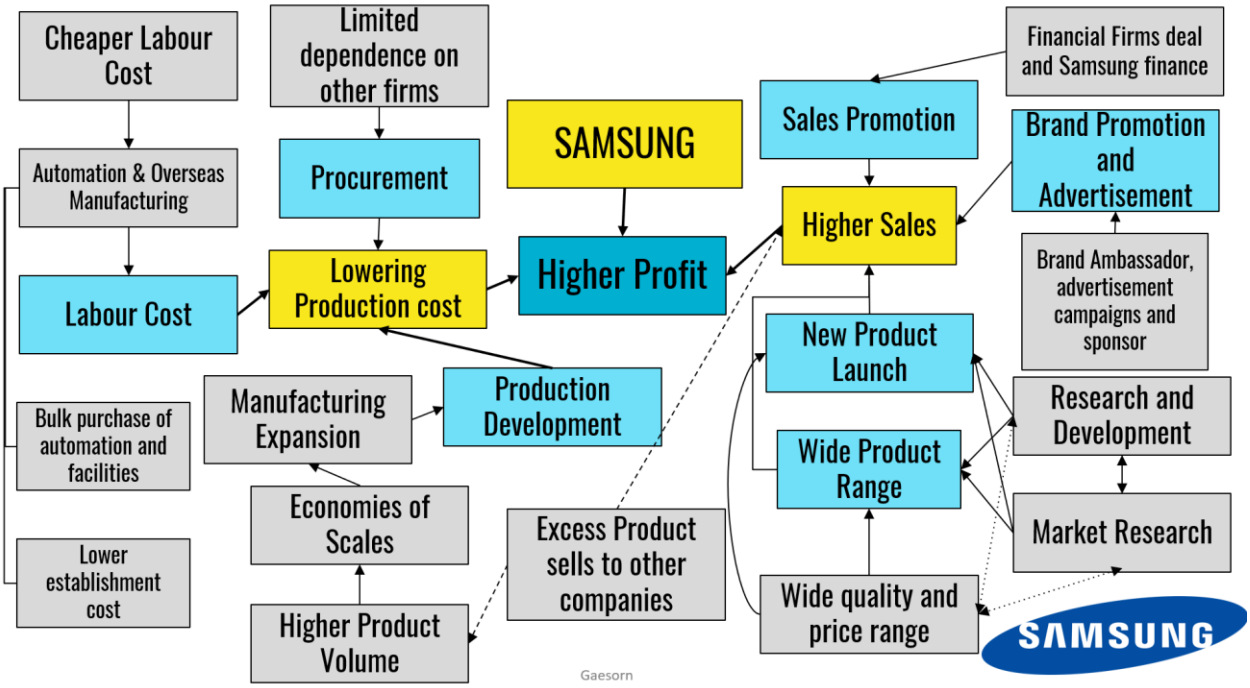


Figure1 Samsung Strategic Map (High Profit Motive)

Because Samsung has multiple products that need to be manufactured, it allocates manufacturing plants internationally to seek optimal productions while minimizing cost. For example, India is the manufactured smartphone, while other accessories are from Vietnam. This allocation based on productions could assist the company in lessening its expenses.

Increasing Sales

To increase sales of its products, this analysis mainly focuses on three main strategies that the company appeared to adopt: New Product Launch, Wide Product Range, Sales Promotion, Brand promotion, and advertisement.

The company continuously introduces new products frequently to attract more customers. To persuade customers to update or change to more current devices, the company has to work on the

research development and market research to understand the customers' needs. The company also provides a wide range of electronic products, from portable to household products. The wide array

of product lines allows access to different consumer segments. The company prides itself as an innovative, high-quality products provider. However, the company provides a mixture of product quality from mediocre to high-end. With that aspect, the product price range appeared to vary as well. The wide array of prices and quality allows the company to access different consumers instead of focusing solely on luxury. By logic, the company has comprehensive access to different product segments and consumer segments. The company could have higher sales. However, with a wide array of product ranges and continuous launch of new products, the company required coordination between research and development and market research to fully understand their customers and provide precise products that resonate with their customers' needs.

Samsung has various agreements with financial firms that allow customers to pay installments to obtain higher sales. The company itself also has Samsung Financial that behaves as a third-party lender to the customers who may not have access or decline to utilize financial credits to purchase their products. Samsung Finance has extended services and could substitute financial firms in multiple ways; however, it provides installation payment for customers in this context. The service may increase customer convenience financially.

The company also utilizes brand promotion and advertisement to reach larger markets to obtain more significant sales. Samsung endorses multiple celebrities in different countries to increase brand awareness and persuade higher customers to transition and adopt from other brands or previous models to more current ones. Furthermore, the company also adopts multiple forms of advertisement. It sponsors sports events such as the Olympics and sports teams such as Chelsea to increase its brand awareness and possibly increase the product adoption from the audience by supporting these mentioned samples.

Learning and Growth

Learning and growth is the strategy for Samsung Electronics, focusing on its employees and the company's system.

- *Increase employee expertise*

Samsung believes that each employee is talented and has competencies. Each one can be a driving force to move the company. Therefore, Samsung has an effort to develop and expertise its employees in several skills to raise company growth by supporting and giving opportunities to train Samsung's employees. Therefore, the company emphasizes Human resources.

- *Reinforcement of general primary education*

Samsung always provides several programs to stimulate the development of employees' professional capabilities. As for programs that reinforce essential job professionalism, the company also operates a capability diagnosis, Learning Cell, and in-house technology seminars. Likewise, Samsung works an academic training program to complete well-structured training and thus develop skills that are ever more essential to the Organization.

- *Nurturing global specialist*

Samsung also focuses on boosting its employee's global competence by providing education programs on language and global cultures and operates an international standard system to communicate without any misunderstanding among its employees. Samsung offers foreign language courses and a cross-culture understanding program for domestic employees. In addition, the company will have performance assessments, language proficiency, and contribution every

year. As Samsung has many employees working at the overseas subsidiaries, the type of manufactured products is diversifying. So, Samsung provides local lecturers at its overseas subsidiary.

- *Leader nurturing*

Samsung has leadership development programs to support the next generation of leaders. Associates and Assistant Managers who are eligible can apply to the MBA Program, and Managers who are eligible for an EMBA Program provided by Korean Universities.

Optimize technology

- Securing data analysis infrastructure

Owing to the digital era, Samsung has applied and built an infrastructure for effective collection, analysis, and process of data, which is a critical asset in this time. Moreover, the company has tried to establish standards for quality control of structured and unstructured data from different sources.

- Data-based client service

Samsung also built data analysis of personalized marketing and sophisticated CRM activities. This analysis method can categorize and model a client's behavioral cycle.

- Utilization of internal data

As Samsung is one of the innovative companies, it has tried to establish a data utilization culture. The BI Portal has been renewed, and visual materials and online training contents are

provided for employees. In the meantime, Samsung will improve work efficiency by utilizing data and continuously monitoring for timely decision making.

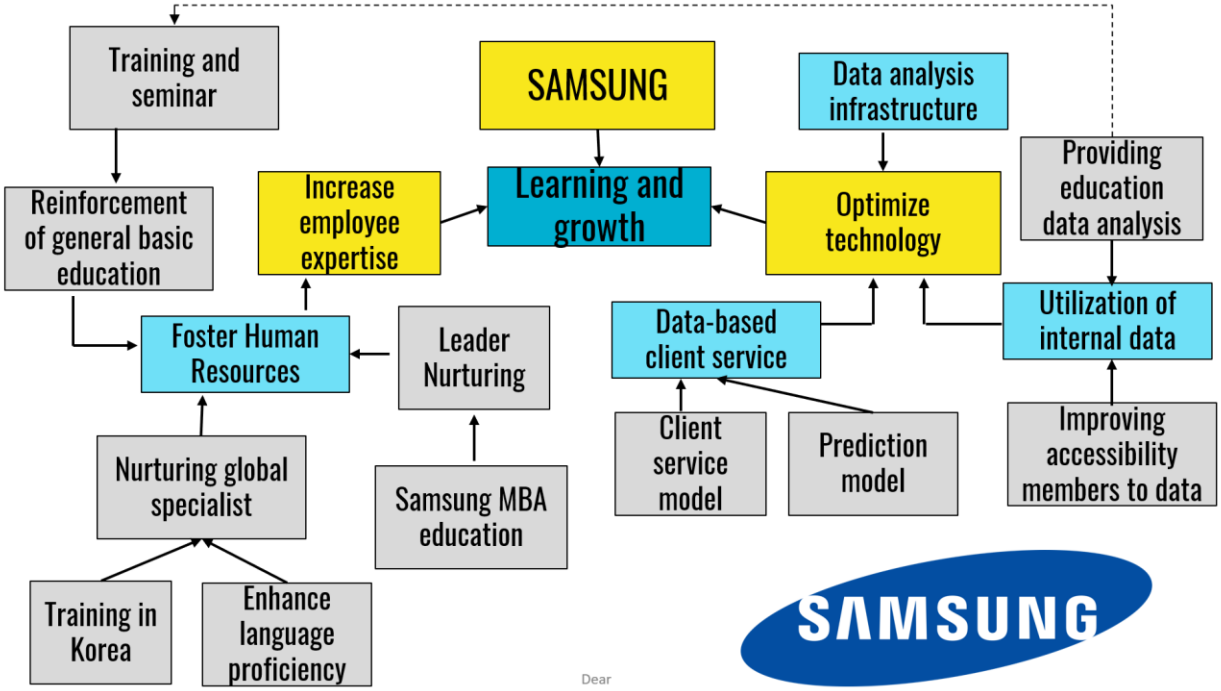


Figure 2 Samsung Strategic Map (Learning and Growth Motive)

Management

Samsung has what is called a product-type division organizational structure. This type of structure utilizes product categorization as the defining block to determine which resources and operations belong to a specific part or division, like Samsung's Device Solution division.

Samsung's organizational structures for product type divisions are consumer electronics, device solutions, information technology, and mobile communications. Samsung's headquarters is the notable appearance of this pyramid. That is a part of the organizational design to ensure that these massive operations are unified and working together towards growth and operational effectiveness.

Such a structure involves centralizing the strategic planning, besides vertical lines of command and authority, which relay strategic directions from the headquarter until it reaches the daily operations in the consumer electronics, device solution, and information technology and communications divisions.

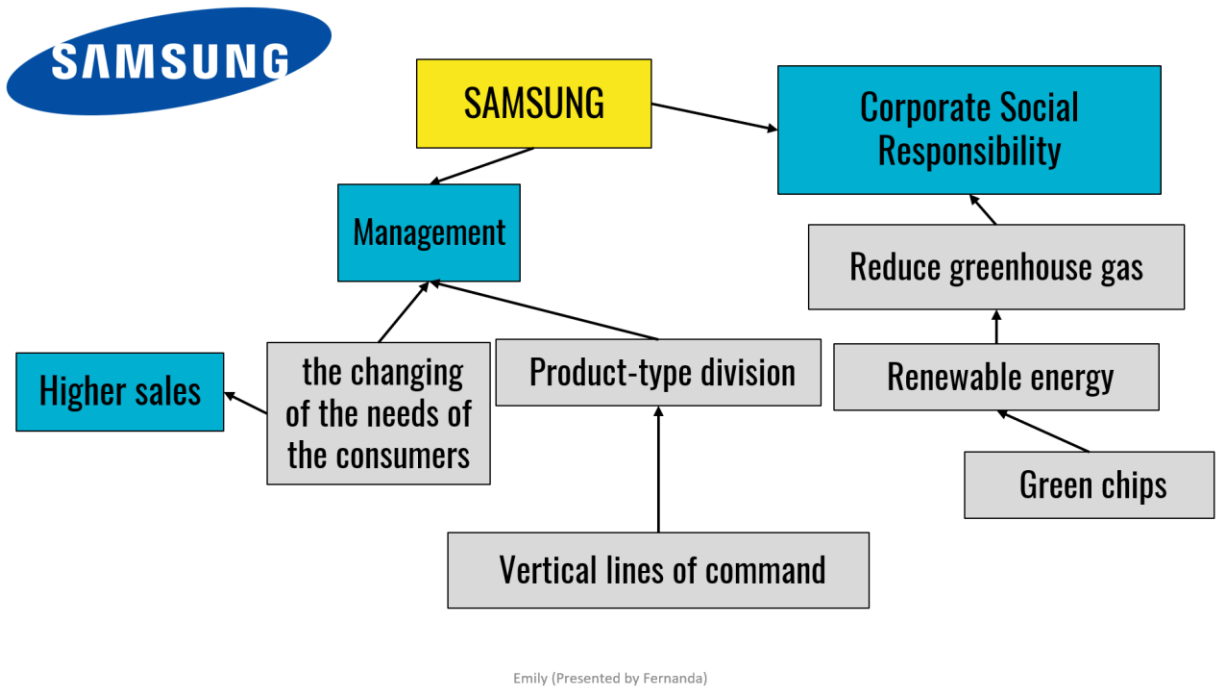


Figure 3 Samsung Strategic Map (Management and CSR Motive)

Corporate Social Responsibility

The reason for expanding renewable energy use is to reduce greenhouse gases, and Samsung believes in addressing and reducing carbon emissions. To protect the earth, Samsung made the goal called "Green Process," and announced its goal to use 100% renewable energy for all sites in the U.S. and China by 2020. For Green Chips, Samsung used 3D stack packaging technology X-Cube on system semiconductors for the first time in the industry. X-Cube allows you to vertically stack multiple wafers into a single chip. It not only increases data processing speeds

and enhances performance but also lowers the effect of energy on the environment.

Customer loyalty

Samsung has always been an effort on the customer loyalty for its product. There are two main reasons that they have high loyalty.

High product quality

Samsung's quality policy statement: "We deliver, based on an efficient quality system, the best products, and services which conform to our customer requirements and expectations."
The quality objectives of Samsung are measurable and consistent with quality policies. Quality objectives include key performance indicators by processes and joint quality improvement projects with customers and suppliers. There are four main reasons that they have high product quality:

- *Mature department of productivity*
- *Strictly internal management*
- *Components guarantee strictly control on products*
- *After-sales customer service*

Components from Samsung's products are highly selected before manufacturing. Also, they have strict control over their production line, which makes their product high quality.

Another main reason for customer loyalty is the after-sale service Samsung supplies are very mature. They have a tracking system on all their sold-out products, including when they were sold, whether they were repaired before, etc. If your product has any problem, plenty of service centers may help you figure it out. Also, all of the products Samsung sells to provide a full

guarantee warranty, any risk of your product Samsung will be responsible for the after-sale service.

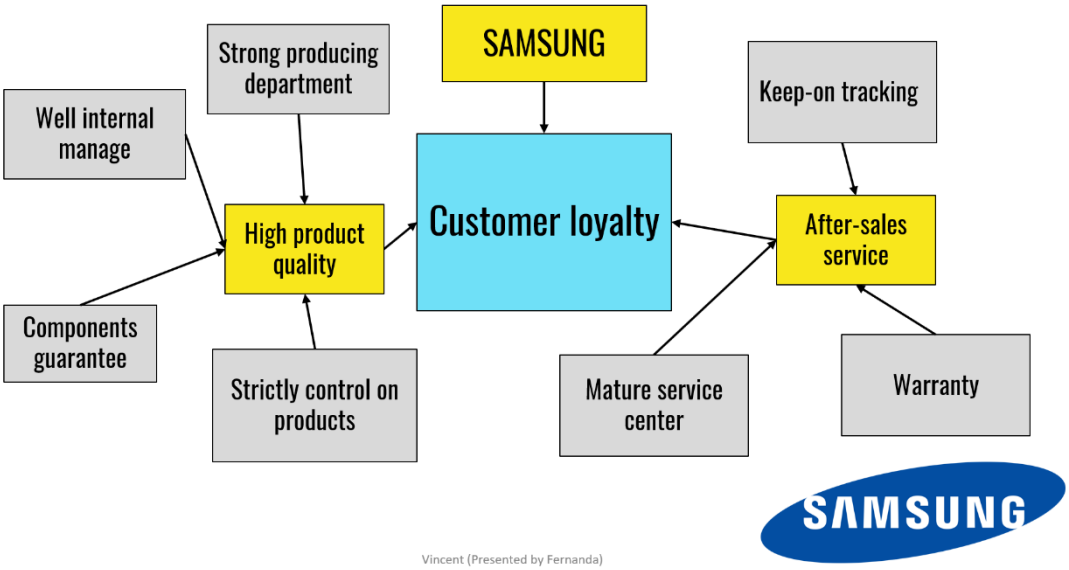


Figure 4 Samsung Strategic Map (Customer's loyalty Motive)

Summary

In the strategic map, this report selected a few of the company's motives to trace the actions. The selected motives are Higher profit, learning, growth, corporate social responsibility, and management. The higher profit motive focuses on lowering production costs by various means while maximizing sales and production. Learning and growth focus on improving human resources via training and internal management cultures. Customer loyalty is achieved by nurturing customers via services and product satisfaction. CSR is achieved by being responsible for environmental issues. Management optimized by dividing division based on the function to assist the workflow and incorporated flexible organization structure to serve the changing need of customers better.

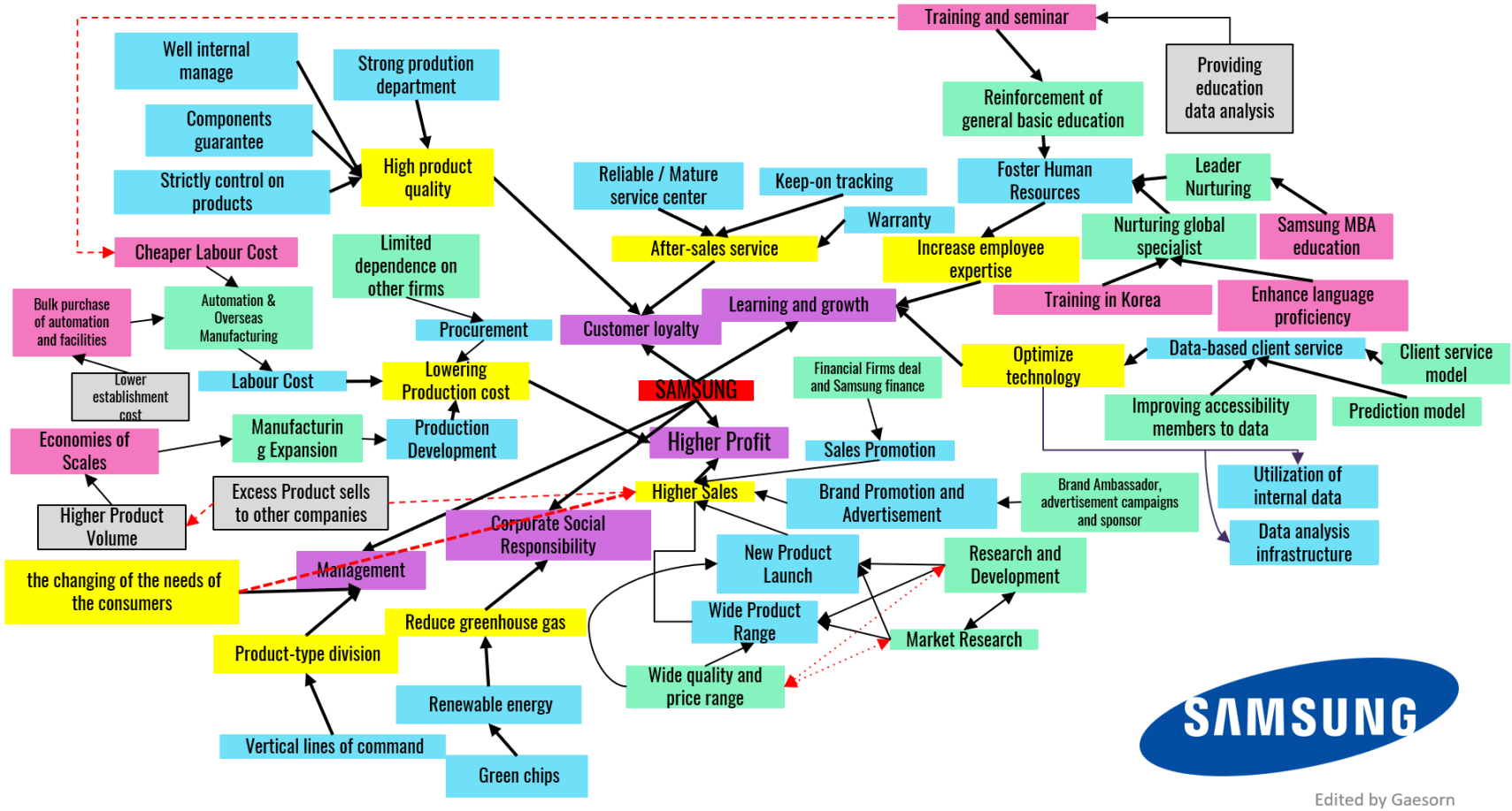


Figure 5 Samsung Strategic Map Overall

Chapter 4 Porter's 5 forces

Bargaining power of buyers

Samsung has a wide product line. The bargaining power of buyers are high because there are so many homogeneity brands and products they could choose. Assume that today I want to buy a 5G smartphone with Android system, if I think the price of a Samsung smartphone is too high for me, it's absolutely okay for me to choose either Xiaomi or Huawei, maybe the price is much lower than Samsung's smartphone.

Potential new market entrants

Samsung electronics is present in a highly competitive industry where companies compete against each other for the lowest prices and innovation and uniqueness. We can say that the threat of companies entering this market would be medium-low because of many factors; New entrants in this market would need to develop a very strong and quick customer knowledge and branding because the current brands in the market are already very well-known and recognized, some examples of such companies are apple, Xiaomi, LG, etc.

Companies such as Samsung and Apple produce products that are perceived to be premium and top in the markets, while the ones from the new company could be seen as a copy or a cheaper version of such products.

The largest threat for Samsung would be a new company that has the potential to

develop products substantially different from those already offered in the market, something that has never been done.

The entry barriers are high when entering the market, including developing a strong customer base and brand recognition—consumers in this industry show extreme brand loyalty. Samsung offers a function within their electronics to connect them and let them work together as one. An example of this could be the Samsung smartwatch and fitness tracker. It connects the data collected from the watch and sends it to the phone creating charts and important content in order to improve users' overall health. In this market, we can also find legal and regulatory pressures that raise entry barriers.

Bargaining power of suppliers

Because there are many suppliers in this industry, it is profitable for Samsung to change from one supplier to another if the products' prices are getting too high. This enables the bargaining power of suppliers to be low. Moreover, it allows Samsung Electronics not to be forced by the supplier demands. There are several essential factors that indicate why the bargaining power of suppliers is low for Samsung electronics. The first important factor is the smaller size of its suppliers, owing to which their bargaining strength is low. Samsung contacts 579 global suppliers. Its supply chain is related to more than 2700 suppliers in different countries such as the US, China, Vietnam, Japan, Korea, Hong Kong, Taiwan, and the UK. These suppliers do not have as much

negotiating power as Samsung because of Samsung's volume, so they can benefit from extracting the high process from Samsung. It is possible to say that Samsung is a significant source of suppliers' income, so they cannot easily switch from Samsung.

Owing to Samsung Electronics' advancement, the company has contributed to management innovation and technology improvement of its suppliers. For example, MELFAS has achieved management innovation because it can produce the important components of touch screens. Consequently, MELFAS became a crucial player in the industry. Along these lines, Samsung and its suppliers can develop through communication and technological exchange. The company has also started several innovations in order to engage its suppliers and drive innovation. In addition, Samsung's supplier partnership has increased job creation. For example, during the expansion of Samsung Electronics' overseas into Vietnam. That made 25% of all raw materials and components supplied by its suppliers. Therefore, it can raise employment from 544 in 2009 to 10,077 in 2012.

Additionally, Samsung Electronics is a vertical integration company. That makes Samsung Electronics become a supplier itself to its largest competitor. Therefore, Samsung Electronics can supply several components without depending on a supplier.

There are many benefits from being Samsung's suppliers from the above

discussion. It is not easy to switch to other brands that can provide opportunities like Samsung, so the suppliers still depend on Samsung. It is obvious to say that all these factors enable Samsung's bargaining power of suppliers to be minimized.

Competitive Rivalry

The electronic appliances industry has a broad definition. It could refer to the purpose of the products, e.g., audio, visual, communication, personal care, etc., or dive by the product's portability. To access Samsung industrial rivalry, Samsung electronics products will be divided into three main categories: consumer electronic devices, domestic electronic appliance devices, and semiconductor products.

Rivalry in the consumers' electronic devices is considerably high and the demand in the market. Consumer electronic devices in this regard will include but are not limited to smartphones, cellphones, headphones, earbuds, laptops, tablets, smartwatches. Along with the internet expansion, the popularity of social media, and online media entertainment, it coexisted with the portable devices industry as it expanded. The domestic electronic appliance segment appeared to experience moderate growth without significant or sudden market movement. According to the Global Consumer Electronics and Appliances Report 2021 (2021), the overall estimation of the entire electronics industry was around USD 940 billion in 2020. It further suggests the potential growth of the industry. It proposed that the industry value in 2026 will be

approximately around USD 1.3 trillion, around a 4 billion increase within the seven years (2020-2026). Combining these two markets that are performing well and the prediction of the market estimated value, the semiconductors industry that heavily intertwines with the mentioned segments will, by logic, experience growth. Although growing industries may attract more competitors as it suggests the higher profit for harvesting, the entry into these industries is extremely high, hence minimizing the potential entry of newcomers.

However, the potential rivalry among firms that are able to penetrate the market is considerably high due to the products' similarities and resources of each participant. The industry concentration in the consumer electronic devices industry has several prominent participants and a low share of minor companies. Hence, it led to condensed concentration conditions. According to Vailshery (2021), Apple appeared to have the highest sales income. The second is Samsung. Sony, Panasonic, Lenovo, LG, and Xiaomi are in descending order. However, the difference between the leading two firms and the rest is very different. Apple and Samsung Electronics earned over USD 200 billion, but Sony, the third-ranked company, reached USD 79.9 billion. It makes the two leaders able to manipulate easily and control the market, even with other giants.

Domestic electronics appliances industries have been suggested to have less concentration (Global Consumer Electronics and Appliances Report 2021, 2021;

Mordorr intelligence, 2021). The domestic appliance market shares appeared to scatter. The leading key companies are estimated to be Electrolux, BSH, Whirlpool, Midea Group, and Samsung. Another poll ranking is Whirlpool, Haier, Samsung Electronics, LG electronics, and Bosch. The two rankings are in descending order (Global Consumer Electronics and Appliances Report 2021, 2021; Mordorr intelligence, 2021). This provides opportunities for small companies to enter this segment of the electronic industry.

According to Alsop (2021), during the years 2019 to 2021, the top ten semiconductor largest companies generated more than USD 24 billion in the second quarter. The industry market share is dominated by TSMC, obtaining 53 percent of the foundry market. Samsung ranked second, receiving around 17 percent of the market. Hence, the industry's concentration for semiconductors could be considered high due to the limited numbers of competitors and the share division between companies.

The product quality in these industries varies because the product's function is wide, and the products' sophistication is the same. This paper will consider quality in two terms: quality as build and quality of operation. In the mentioned industries, the quality as-built depends on the material. In the mentioned industries, the choice of material is wide, so do the quality of each material as well. The company is able to select material and material grades depending on the requirement, expected profit

margin, and final product price. This allows companies to exercise their resources for optimum profit generation depending on the quality of material used.

The product's quality as operated has a similar premise to the quality built. The operation quality could be the promised functions and additional functions such as software embedded, reliability of software, or technological sophistication/ advancement of the product. The quality ranged from mediocre to supremely sophisticated with the best technology available. Hence, the product quality as of operation also varies.

In terms of brand loyalty, electronic customers, at present, have less intention of switching product providers. The current electronic products' technologies usually allow users to create an "ecosystem" of connected products. However, the connection usually operates smoothly within one product brand. Electronic products such as smartphones, laptops, and tablets have generally purchased extended functions or software that increase the switching cost and inevitably force customers to conform to certain brands. Furthermore, according to Sharma (2018), customers tend to have less intention of switching to other brands when the electronic products have high switch costs, high brand equity, and high satisfaction. Hence, it is concluded that customers' loyalty toward the brand is moderate to high.

The capacity of production in electronics industries and semiconductor

industries is overcapacity. The companies usually have more than requiring an extension of production.

The exit barrier of companies participating in the industries is considerably high, so does the switching cost. Electronic appliances and semiconductor products rely on the scales of production, sophisticated technology, including copyrights, patents, intellectual property, know-how, professional personals, and physical infrastructure and facilities. These resources are of specific use and may not be flexible to adapt to different industries, and the cost of the mentioned acquired resources is exceptionally high. These factors cause the industry's switching to be an inefficient choice and increase the exit cost. However, the company could liquidate its assets. However, due to the high competition, it is not sure that the company could recover its expenses from asset liquidation.

Furthermore, suppose the company possesses advanced technology that others do not have access to. In that case, the company will likely remain the leader of the bunch, and there will not be a requirement of switching industry or exiting the industry. Hence, the line of leader and followers is very prominent, and those who cannot keep up with the pace may have been forced out with a severe financial loss.

Threat of Substitutes

The threat of Substitutes is high because Samsung's electronic category is diversified, including refrigerators, mobile, smartphones, etc. Besides, the brand has many competitors in the market, for instance, LG and Apple. When customers have several substitutes brands and products, the switching costs would be low. For Samsung, almost any smartphone that performs the same functions is considered to be a substitute. The previously stated condition for a substitute essentially includes the entire smartphone market. Samsung does not make any device running on the Android, such as the Motorola Droid series, which is a potential substitute for a Samsung phone. Beyond smartphones running on Android, the Apple iPhone, all of which run on different operating systems in iOS, are also direct substitutes because the phones' functionalities are almost the same as Samsung smartphones. Outside of the smartphone market, the industry threat of substitutes is minimal. Potential replacements to a smartphone include tablets, PDAs, and laptops. However, tablets are lack the traditional mobile phone calling functionality, making them an insufficient substitute and laptops realize the same problems as tablets. Thus, there is no proper substitute for smartphones, causing buyers' propensity to switch relatively low.

Summary

Samsung participates in two main industries. Electronic appliances and semiconductors. In terms of these industries' bargaining power, there are multiple brands and products for customers to choose from, increasing buyers' bargaining power. However, the market entrance possibility is moderate to low. Both industries required high knowledge and facility to enter and take the market shares. The established brands are well-known and have a large capital net worth. They could intimidate small newcomers. The power suppliers in the two mentioned industries are relatively low, as multiple anonymous suppliers are supplying to large corporations. It is highly-priced competitive in terms of production cost hence forcing the power of suppliers to be low or moderate. The rivalry among existing firms is intense. The market concentration in the electronic appliance industry is lower than in the semiconductor industry. However, both still have a high rivalry as the global demands for both sectors expand. The substitution threats are high in both industries as the products could be perceived, based on the basic function, to be generic. The numerous providers could compete with different aspects, whether the upfront cost, quality, esthetic, designs or technological advancement.

The power of the buyers is very low and limited for different instants like being the greatest in innovation and leading the market. The threat of new entrants is

considered medium to low because to penetrate the market successfully, new companies or starters need to have a strong consumer base and brand recognition, something that is not easy to conquer, and Samsung successfully did it throughout the years. The only threat Samsung would face is if some new company develops a new technology different from those already offered in the market. Saying this, we can conclude that the entry barriers are high in this market.

The suppliers that Samsung requires are many, so it's very easy for them to switch among them. This makes the supplier's power lower than Samsung's demand. But not everything is terrible for the suppliers. Samsung gives them a level of recognition and helps them to be more innovative within the technology.

Talking about the rivalry, we can say this market is high because of the similarities we can find in the products offered in the market, but on the other side, the demand in the market is also high.

Consumers ask for a variety of electronic products. With the expansion of social media and online media entertainment, there has been reported growth without significant movement on the market. Although growing industries may attract more competitors, the entree barriers in these markets are very high and hard to penetrate. The concentration of the industry for semiconductors could be considered as high due to the number of competitors. The exit barrier is also increased so are the switching costs. The

threat of substitutes is low outside the smartphone market, meaning that the market is very high due to the number of competitors and product similarities.

Chapter 5 Strategic group map

Household Appliance

Whirlpool is an American multinational enterprise of household appliances. Amana is an American brand of household appliances and was purchased by Whirlpool. The company is doing great in terms of innovation and their brands are being served in many regions of the world. Miele is a German company whose products carry a reliable automatic program to make life easier for a customer. Frigidaire is a US commercial household appliances brand and its subsidiary of Electrolux that is a European parent company. These company's products are in a high geographic and at a high price in the strategic group. LG is a South Korean company which serves the products are televisions, mobile devices, and home appliances. Similar to Samsung, their products of LG target multiple priced from low to high end segments to people . Also, Hitachi is a Japan electronic company that also has a wide price on their product. However, their product is focusing on Asian. Taitung, Sampo, Teco are Taiwan's companies and their products are selling to Taiwanese people at a low price compare to above companies.

Figure 6 Strategy group map of household appliance

Smartphone

The smartphone market consists of all firms worldwide that manufacture and sell smartphones. Today, the significant participants in the global market are Samsung, Apple, Lenovo, Huawei, LG, Xiaomi Oneplus, Google, Blackberry, Nokia, Sony, HTC, Motorola, Vivo, Oppo. Therefore, these brands of smartphones and tablets are analyzed and grouped in a strategy group map.

The strategy group of smartphones includes two dimensions: price and model varieties launched in a year. Price is an essential factor in the smartphone and tablet industry. Consumers use this variable to decide whether they will purchase a product or not. That said, price is a majority concern to consumers as this determines product choices and buying abilities. Moreover, the price of smartphones and tablets varies according to the perceived quality and material that the companies use. Another dimension is model verities. The different phone models have other specifications.

Consumers with a specific budget can pick a phone model belonging to that particular price margin and satisfy the product

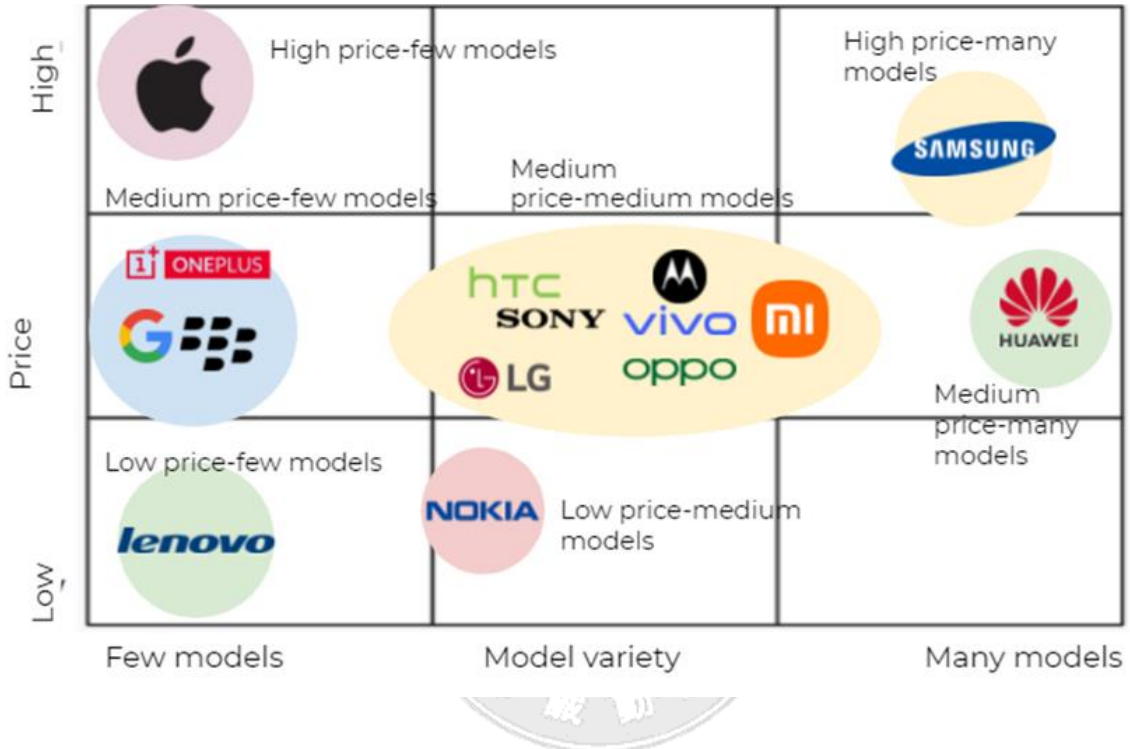


Figure 7 Strategy group map of smartphone

For the high price – few models, Apple is high price products and has a few models because the company focuses on the high-end segment of the market while Samsung releases several new models each year. Moreover, the Galaxy S, The Galaxy Z, and Galaxy Note models compete with Apple for the premium segment. The different models of Samsung smartphone are outstanding in different functions. For instant. The Galaxy Z series which are folding smartphones of Samsung provide customers with a vertical fold. That enables customers to access the large screen and separate screen to work on it. While Samsung galaxy S focuses on high-definition of camera with Triple

camera and 8K UHD for recording videos. Moreover, it comes with several colors, therefor consumers can choose the color that is most suitable for them. Samsung also has cheaper models to compete with Chinese brands but those models might be not as outstanding as the premium one. Thereby, Samsung can be grouped into the high price – many models. Both Samsung and Apply can be identified on its cluster without internal competitors. It is possible that which approach is the right one, as both Samsung and Apple are exceptionally successful in what they're doing.

Figure 8 Samsung smartphone models 2021

For medium price-many models, there is only HUAWEI in this group. HUAWEI launched approximately 25 models in 2017 that are higher than Samsung. But the price for the most expensive of the brands is lower than Samsung and Apple. So, customers are given a chance to choose a model that is appropriate with a medium price.

The group of medium price-medium models consists of several smartphone

brands, i.e., HTC, Sony, LG, Vivo, Oppo, Motorola, and Xiaomi. These brands do not focus on all customer segments like HUAWEI or Samsung, so the models are less than HUAWEI and Samsung. Also, target customers are young people such as students or even people who enjoy taking photos, entertaining, and socializing. Therefore, the price of them is not that high.

Moreover, One plus, Blackberry, and Google phones are grouped into the medium price and few models. For One plus, this brand is still new in the smartphone industry, so it has a few models. Blackberry lacks innovation of the touch screen. In the past, many customers enjoyed using their keyboards. But now it is not popular any longer. This might be why we do not see Blackberry in the smartphone industry that much.

Nokia and Lenovo are brands that focus on low price products. Nokia is also divided into medium models while Lenovo is divided into few models. Although the innovation of both is not competent compared with other smartphone brands, some customers still prefer to buy them because they are durable. So, these brands are cheaper than others.

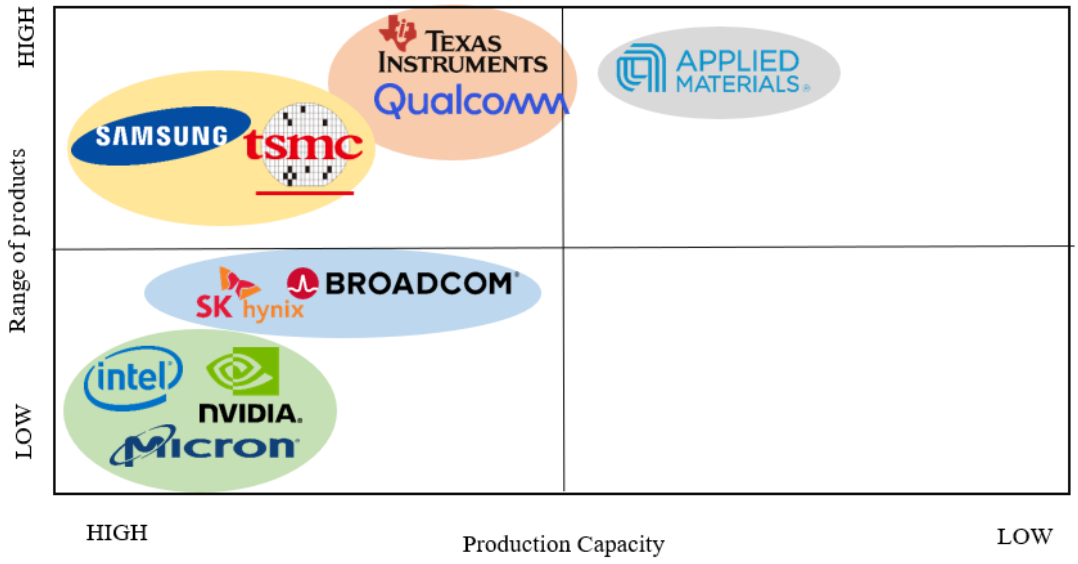


Figure 10 Strategic Group Map: Semiconductor

Semiconductor

To assess the products strategic group in semiconductor business, the aspect of production capability has been taken into consideration. Among the 10 largest semiconductors based on market shares and sales suggests the probable gauge among the large participants to be the capacity of production and the range of its production.

The assessment identified these participants into five groups based on the dimensions which are: High production capacity- high range of product, High pro

duction capacity- low range of products, High-to-moderate production capacity-high range of product, High-to-moderate production capacity-Moderate range of products, and Moderate-to-low production capacity-high range of products.

High production capacity- high range of product

Samsung Electronics and TSMC are in this group. Samsung Electronics manufacturing chips for its own electronic products as well as for other clients such as Apple and Sony. The chips are used for multiple function in electronic devices. The products could be utilized for functioning, processing, sensors for image, sensor for cameras and DRAM and RAM for memories chips as well. Samsung expands into multiple countries with the large production capability as they expand.

TSMC (Taiwan Semiconductor Manufacturing Co.) is the largest non-contract semiconductors providers. TSMC products usually being used in telecommunication devices, personal computers, smart watches, electronic appliances, and automobiles. The products of TSMC are varies that serve different purpose similar to Samsung. However, the company size is relatively smaller than Samsung, and less manufacturing plants. Despite the size of the company, it appeared that TSMC maximized its product capability and able to produces large quantity of products to the market.

These company appeared to utilize it production and its research and development to access to wider market by providing variety of products that serves different purpose and could be utilize universally or at least in multiple application.

High production capacity- low range of products

The following companies are companies with high production capability, but

limited range of product types. The companies that are listed in this category are Intel, NVIDA and Micron. Intel company based in California and have branches in multiple countries benefit solely from semiconduction, especially for the parts that being used in the laptop and personal computers. The company clienteles of the company are major personal computers and laptop company such as Lenovo, HP, and DELL. The company mainly produced parts that being used in computers such as motherboard ships, memories, graphics chips, and other sensors chip. The company specialized itself and does not diversify its product portfolios and rely on the demands of personal computers and laptop.

Nvidia also adopting similar strategy as Intel as it specialized in manufacturing parts that being used in specific electronic devices. Nvidia is specialized in producing graphic processing units (GPU) which largely used in the computer gaming. However, the company provide other products but still most reliable of the GPU as its most valuable products.

Micron Technology has high production capacity similar to many major players in the semiconductors. However, the company specialized in manufacturing memory chips and data storage. The company specialized and able to be the first in producing largest storage of SSD in 2020.

These company adopting specification in manufacturing certain semiconductor

products and obtain large market shares in the specific subcategories of semiconductors markets. The company investing its resources to produce and sales only selective range of products that mostly can be used in certain manners and not versatile.

High-to-moderate production capacity-high range of product

The company in this category have moderate to high production capability, and variety of product ranges. Texas instruments Inc. was established in 1930, and was mainly produced chips for integrated circuits, silicon transistor and calculator chips. However, currently the company expands into manufacturing multiple semiconductors products and manage to capitalize in multiple electronic devices compartments.

Qualcomm original products are wireless and software. However, the company entering semiconductors manufacturing industry and able to achieve wide range of semiconductors products producers. The company supplies semiconductor products to different electronic devices such as electronic suppliance, electronic gadget, automobile, laptops.

The companies' capabilities are not significantly large, but the production ability has been exercised to the greatest extent as it could. The companies diversify its products into multiple subcategories to reach larger markets.

High-to-moderate production capacity-Moderate range of products

Broadcom Corporation and SK Hynix Inc have been categorized in this

category as its product capability and its products range are in the middle range among other groups. SK Hynix is specialized mainly in memory cards and other electronics components that are being used in other electronics such as DVD players and smartphone. Broadcom Corporation has variety of products, but mostly manufactured as computers and smartphones parts. Hence, these companies show the limited production capability, but the products are shown to have more versatile usage or variety of products.

Moderate-to-low production capacity-high range of products.

The last group being moderate to low production capability with variety of products. Applied Materials provides different semiconductors products for different electronics such as computers, smartphones, electronic appliances, and solar energy products. The company diversified it manufacturing capability into multiple subcategories, but due to the merge with Tokyo Electron, the company capability was lessened due to the lack of good management. Furthermore, the company also branched out from manufacturing the semiconductor products and providing the coating services for semiconductor products.

Chapter 6 Resources and capabilities

This section explains resources and capability analysis. The resources that are affecting strategic management are financial resources (assets management, investment and diversification, and investors and shareholders), land acquisition, manufacturing plants, technological advancement, Know-how, reputation, and human resources.

The capability that has been selected are distribution capability, new product development, customer service, product innovation and designs, and operation system

Resources analysis

Tangible Resources

Financial resources

Assets management and conversion

Samsung finance as evidently found in Samsung financial repost shows positive gain from operation. Fund being one of the strong resourced of the company. Samsung has fast assets conversion is one of the characteristics of the company. The company within span of one consecutive year shows high adaptability in conversion of non-current asset to current asset. The non-current asset decline in 2021 compared to the 2020 and increase in current assets, and current liability decreased from 1,817 in 2020 to 1,988 in 2021. The company also shown higher revenue compared to the 2020. This suggests

efficient conversion and efficient inflow of assets without heavily depends on financial firms, other businesses, or investors contribution.

Investment and diversification

The company investment venture portfolio shows that the company, apart from electronic and semiconductor investments also invested in telecommunication, software, internet, bio-engineering and medical industry. The company diversified their investment to various company sizes that are publicly traded. Moreover, the company still hold 100 percent shares on most of their vertically integrated subsidiaries, keeping their profit solely to the company.

Investors and shareholders

Investors who hold Samsung electronics shares are Samsung electronics (19.58%), National pension service of Korea (8.53%), and Blackrock fund advisors holds (5.01%) the rest distributed on individual entity (foreign investors 45.7%, domestic investors 16.3%, Retail investors 12.7% and Korean treasury 4.8%) This led to the Samsung still have highest authority to manage its company as assets as they see fit.

Physical resource

Land acquisition

Samsung also holds a large manufacturing plant, and land. The company has been purchasing land to expand its manufacturing plants internationally from developing

countries to developed countries. Leading to increase in land property. The company is also being proposed by Texas to purchase land and established manufacturing plants with property tax break in 2021 (Texas city to offer Samsung large property tax breaks to build $17bln chip plant, 2021). The company will likely have advantage in the land and property holding in the long term. The land acquired by the company may be profitable than leasing as it serves as a convertible asset. However, other firms able to obtain profit with less purchase of land. This put the land property between strength and superfluous strength.

Manufacturing plants

The size of the company's manufacturing suggests larger manufacturing plants and equipment and potentially means larger capability of production. However, The equipment will be depreciated in value as manufacturing progressed and the salvage value will not compensate to the purchased value. The maintenance cost will likely increase. The fast technological development will likely force the machine to be dated relatively quick or required constant update in models or software which infer more expenses. This could be the weakness of the company. However, through managing the problem or expenses could be minimized though not eliminate.

Intangible Resources

Technology

Technological advancement

The advanced technology of the firm will likely have crucial role in the company capacity and competitive advantages. The company is highly valued its technology regarding the production. The company that participating in semiconductor industry and electronic industry are likely to utilized sophisticated technological reliance of production. The company with the immense size with multiple clients is likely have sophisticated technology to supports its production which will be the strength of the firm.

Know-how

Samsung has international operation in both managerial and production departments, the company will likely have model or know how to establish physical and nonphysical workflow, which eliminates unpreferable obstacles in daily operation as much as possible. Without unwanted obstruction to delay the workflow, the company will likely experience productive workflow environment with less unfruitful resources spent.

Research and development department

The company highly value R&D department as it will set apart the company from other competitors. The company invests their assets in R&D in search for developed technology to be used in their products. It proved fruitful as the company are able to produce innovative and pioneered products that differentiate the brand from others and gaining wide attention from the general public.

Reputation

Samsung has been perceived as a successful business as it ranked as top five in Interbrand's best global brand in 2020, despite the pandemic and obtained 2 percent growth in brand value, which accumulated to 60 billion USD, approximately (Samsung Electronics Becomes Top Five in Interbrand's Best Global Brands 2020, 2020[蔡同盛 1]). In 2021, the company was ranked top-five in the same prize, with the brand value worth of 74.6 billion USD (Samsung Electronics Solidifies Its Brand Value With Top-Five Ranking in Interbrand's Best Global Brands 2021[蔡同盛 2]

, 2021). The boost of growth may attract more investors and increase shares price and further secured higher brand value in the future.

According to Lennighan (2021[蔡同盛 3]), Samsung American customers were very satisfied with Samsung products and services. This

suggests positive reputation toward their customers and the survey done shows satisfaction of customers toward both products and services of Samsung. This could lead to higher word of mouth and recommendation between customers. However, the reputation of the company is to be maintain and improved through services and products, which will be by product of delivering products that serves customers need, high quality with worthy price. Hence, compare to other aspects this will be less directly controllable than other factors which shifted to superfluous strength.

Human resources

The company pride itself in excellent in operation. The company operated in multiple countries internationally and appeared to be highly successful based on the performance of the company. This suggest that the company has adaptable framework and work cultures that are flexible to adapt to local cultures but remain effective and fruitful. The company also promotes that their employees are highly skilled and received training to operate efficiently in the firm. The company value their customers highly and rewarded their employees with fair wages and paid including unionized labor profit. This suggests that the company has authority but could be question and/or negotiated by their employees to a certain degree.

Capabilities analysis

Distribution

Distribution channels play a very efficient role for businesses as it has removed all distance barriers while performing their operations. A good distribution strategy will improve profits of companies. Still, an imperfect distribution strategy causes losses and gives rivals the advantage in the market that the company built.

Samsung Electronics Company keeps developing its distribution channels. Samsung's distribution system consists of several different distribution channels and are also owned and controlled by the company. Therefore, Samsung can sell their products anywhere if retailers intend to take stock. Further compared to Apple, Samsung can quickly expand and lead their products to saturate the market. Moreover, the company also has many existing distribution networks from their existing companies. This is of huge value compared with their rivals, such as Apple.

Worldwide Smartphone Shipments, Market Share, and Year-Over-Year Growth, Q3 2021 (shipments in millions of units)

Company	3Q21 Shipments	3Q21 Market Share	3Q20 Shipments	3Q20 Market Share	Year-Over-Year Change
1. Samsung	69.0	20.8%	80.4	22.7%	-14.2%
2. Apple	50.4	15.2%	41.7	11.7%	20.8%
3. Xiaomi	44.3	13.4%	46.5	13.1%	-4.6%
4T. vivo*	33.3	10.1%	31.5	8.9%	5.8%
4T. OPPO*	33.2	10.0%	30.6	8.6%	8.6%
Others	101.1	30.5%	124.3	35.0%	-18.7%
Total	**331.2**	**100.0%**	**354.9**	**100.0%**	**-6.7%**

Source: IDC Worldwide Quarterly Mobile Phone Tracker, October 28, 2021

Figure 11 Worldwide smartphone shipment

New product development

The investment in the R & D division causes new products to be released quickly in the market. Samsung can gain higher ROI returns because he faster innovation led to multiple product availability, raising the gap between the company and the rivals.

Product development enables Samsung as a global brand. Samsung keeps developing new products which target its existing market segments. The company combines its current products and improves to launch a new product. For instance, Samsung is a famous brand in the smartphone industry because it kept developing many various models of smartphones for different market segments.

Customer service

Customer service is essential for business because it can represent a brand image,

mission, and values. According to The Microsoft 2017 State of Global Customer Service survey, they mentioned that 96% of respondents mention that customer service is a crucial choice. There is a relationship between customer service and customer's brand loyalty. If the company lacks customer service, it has no means of direct communication. Due to this, the customer service team is essential in communicating to customers.

Samsung realizes the importance of the support, so it provides customers with three support mechanisms that consumers can ask for help. Firstly, Samsung has Remote Service for consumers who bought TVs and digital appliances. The customers access the application on their devices and call Samsung's customer service. Then, their customer services can view and remotely control the device to fix it. Secondly, the company also provides customers with Live Chat. So, customers can use the live chat feature on the website to ask a customer service staff anytime, anywhere. Last, Samsung also offers a variety of after-sales services. For instance, the company has a nationwide service network.

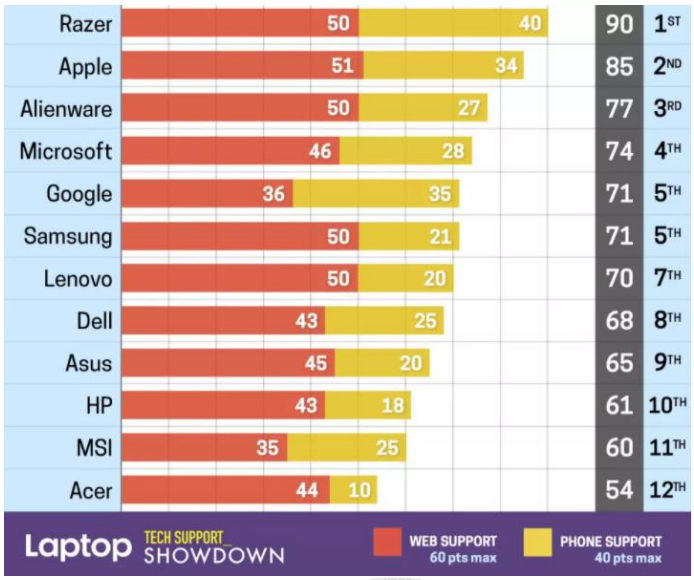


Figure 12 Customer service ranking

Product innovation and design

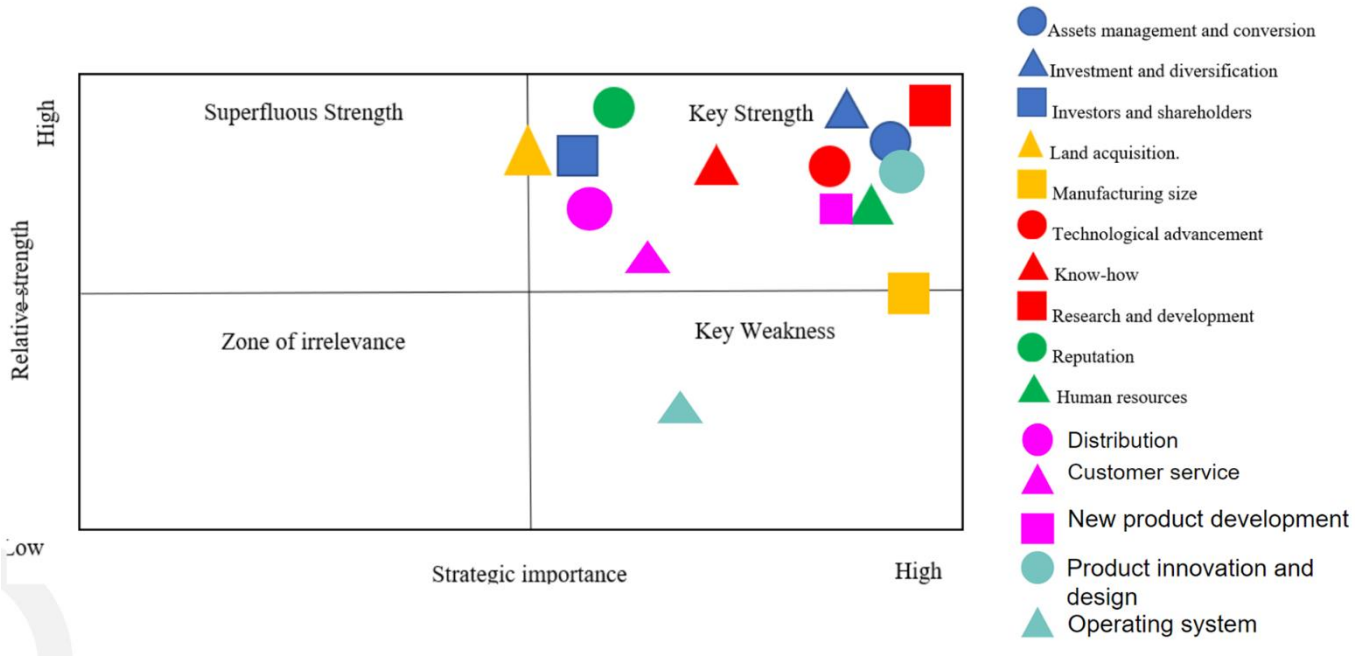
The research and development makes Samsung a leader in the market. Samsung spent approximately $33 million on research and development. Moreover, they focus on Data Intelligent, Artificial Intelligent, and Smart Machine, collaborating with many universities and research institutions in the world.

The company has been considered an innovative company because it can produce ecologically friendly and well-designed products. There are many awards that prove this. For example, the prestigious Consumer Electronics Show (CES) awarded Samsung for its innovation and product design for 14 years. Samsung also ranked at No. 9 onto the EPA's 2016 Green Power Partner. This can increase the reputation, brand awareness and sales of Samsung.

Operating system

An Operating System (OS) is important because every computer consists of at least one operating system to run programs. The OS helps people communicate with a computer. OS is important for companies because it can build customer loyalty. Some consumers buy most products because of their inter compatibility as well. For example, Apple's Mac OS and iOS are incompatible with other bands.

Samsung's devices have Google Android, which is the open-source operating



system. Most of the time, consumers think that Android is a lower product than Apple's iOS because Samsung is a hardware company. In short, Samsung manufactures while Apple can outsource its manufacturing from Samsung. Therefore, other companies can purchase Samsung's hardware, such as display and memory cards, but Samsung cannot purchase Apple software. Apple will never sell its operating system to other companies.

Figure 13 Resources and capacities analysis

Chapter 7 VRIS

VRIS capability analysis

Following is the chart of VRIS for Samsung's capability. From the distribution, a company deploys a distribution strategy to ensure the product and service can reach the maximum potential customers at minimal or optimal distribution costs. It has value. Samsung Electronics Company controls the development of distribution channels. The company's distribution system and the supply chain are also owned and controlled by the company. Therefore, Samsung can sell their product anywhere. It is

non-substitutable.

From the new product development, Samsung uses a combination of enhancing its current products to launch a new product. For instance, Samsung in the smartphone industry has developed different types of smartphones for various segments and launched these new products in its markets.

From customer service, it is essential for business because it can represent a brand image, mission, and values. Samsung recognizes the importance of having reliable support for its devices, so the consumers can solve when their devices need troubleshooting. However, most companies also have customer service. Although it is valuable and non-substitutable for Samsung, it is easy to imitate and common.

From product innovation and design, Samsung has done a lot of research to identify new future growth areas for the company, creating new value to improve people's lives including Artificial Intelligent, Data Intelligent, and Smart Machine. It has value. Moreover, the company received 36 CES 2018 innovation awards, including 2 Best of Innovation' awards and more than 400 awards over the last 14 years. Samsung also ranked at nine on the EPA's 2016 Green Power Partner list for Top 30 Tech and Telecom companies recognized for significant renewable energy investments. It is rare, costly imitate and non-substitutable because few companies have received as many awards for innovation and eco-friendly design as Samsung..

From the operating system, the user can't use any computer or mobile device without having an operating system. It is valuable for companies because it can build customer loyalty. Samsung's devices use the Google Android operating system. It is easy to imitate, common, and would be substitutable for the competitors because almost all companies except Apple use the Google Android operating system.

According to VRIS analysis, we can see distribution, new product development and product innovation and design in Samsung's capability has the most sustainable competitive advantage and has the most average returns in performance implications.

Capability						
	V	R	I	S	Competitive Consequences	Performance Implications
Distribution	✓	✓	✓	✓	Sustainable Competitive Advantage	Above Average Returns
New Product Development	✓	✓	✓	✓	Sustainable Competitive Advantage	Above Average Returns
Customer Service	✓	✗	✗	✓	Competitive Parity	Average Returns
Product Innovation & Design	✓	✓	✓	✓	Sustainable Competitive Advantage	Above Average Returns
Operation System	✓	✗	✗	✗	Competitive Parity	Average Returns

Figure 14 VRIS Capability analysis

VRIS resource analysis

Resources						
	V	R	I	S	Competitive Consequences	Performance Implications
Financial Resources	✓	✗	✓	✓	Temporary Competitive Advantage	Above average to average returns
Land acquisition	✓	✗	✓	✓	Sustainable Competitive Advantage	Above average returns
Technology	✓	✗	✓	✗	Competitive parity	Above average to average returns
Reputation	✓	✓	✓	✗	Competitive parity	Average returns

Figure 15 VRIS Resource analysis

Value & Imperfect imitability

The value of financial resources is high because Samsung has a highly-trained finance department. Most of the international big sized companies also have a high value of financial resources. Samsung has kept buying land all around the world, due to their wide product line, this is necessary, it not only makes their land acquisition high value but also more international. Technology and reputation of Samsung are unique, the technique owner must belong to themselves, and also the reputation too.

Rareness

Most of the big sized companies are mature in their own financial resources, they have their own land and factories too, also they must have exclusive techniques of their own. We don't think Samsung is rare in this three field. Except reputation, a company's reputation is totally built by themselves, no one could duplicate.

Non-substitutability

For financial resources and the land that they own, these are definitely non-substitutability. But for the technology and reputation, we think that technology are too maure in these years. Samsung's technology isn't so unique nowadays, which reflects to their reputation. Common technique makes their reputation more and more similar with other tech companies, which means it’s not special anymore.

Chapter 8 Value Chain

Samsung primary activities

Inbound logistics

It refers to the inflow of goods and services into business operations. Samsung has more than 2500 supply chain partners around the world. For a company of the size of Samsung, it is essential to manage logistics strategically, since it is the backbone of their supply chain. The biggest part of the supply chain in Samsung is located in Asia. Apart from that, suppliers are also located in the U.S. and the U.K.

Samsung manages logistics very strongly; it has subsidiaries like Samsung SDS

and Samsung electronics Logitech. Samsung SDS was founded as an arm for ICT in 1985. Samsung principally sources raw materials and the subsidiaries bring the raw materials into its manufacturing and R&D locations. Both of them also have very strong capabilities and logistics to keep everything managed and make all the process in an efficient way.

Operations

Samsung started business as a trading company in 1938 and it has found growth throughout diversification. Samsung now is Korea's largest company and it has its HQ in Seoul, South Korea. Now it has expanded from its home market into the US and several more regions.

It runs several manufacturing centers located in:

- Giheung
- Hwaseong
- Pyeongtaek
- Onyang
- Xi'an
- Suzhou
- Austin

Apart from these, it also has R&D centers at:

- Hwaseong
- SanJose
- Bengaluru
- Xian
- Suzhou
- Hangzhou
- Hsinchu
- Austin
- TelAviv
- Cambridge
- Aalborg

All of these divisions are operating independently from each other.

Outbound logistics

It refers to the outflow of goods and services into the market. Samsung makes a wide range of products, it goes from smartphones to consumer electronics, semiconductors, NAND flash memory and television as well as displays.

Since Samsung is a global brand, the products are manufactured in its manufacturing and assembly locations and then they are delivered from there to different markets throughout the world.

Samsung now has integrated subsidiaries to take care of the entire logistics function. Apart from bringing raw materials from the suppliers, they also transport the finished goods to distributors and resellers throughout the world.

Marketing and sales

Marketing is a vital part of the industry. They experience intense competition and Samsung is competing against some of the leading smartphone brands like Apple. As a result, the focus in marketing is crucial to maintain demands and sales worldwide.

Moreover, brand image is before everything else now. Customers consider many things now like brand image and sustainability before buying a product. Companies should be wanting to build stronger and long-lasting relationships with their customers, so they can get some trust.

The company has also established a strong global distribution network. It utilizes both online and offline channels for the sales of its smartphones and other electronics products. With time as e-commerce trends have continued to grow stronger, more and more people are buying through online channels. Samsung has also grown its dependence on e-commerce channels for the sales and distribution of its products worldwide.

Service

Samsung has a global network of distributors and resellers that apart from sales

and marketing also provides after-sales support to customers. The quality of customer service can have a direct effect on brand image. Samsung has maintained a remarkable focus on customer service in every market region. It has a very large network of service centers, in India only, it has more than 3000 Samsung service centers.

Samsung support activities

Procurement

Samsung maintains 216 global bases in 74 countries. These offices employ the services of 2,389 suppliers. The company has established an IPC that acts central for managing these relationships. The IPC with the Global supplier relationship management system accepts submissions from those companies that want to become a part of Samsung's supplier management program. IPC's are located in different strategic locations. On one hand, it ensures that the supply chain of Samsung is competitive, on the other it also ensures a continuous and uninterrupted supply of good quality raw material.

HRM

For every large technology brand, it is essential to maintain a strategic focus on HRM. They require talented engineers and managers. People are the core source of competitive advantage in this market. Samsung cares a lot about its employees, it not

only attracts the best of them but also maintains them motivated and with space for growth and job satisfaction.

Technology

It is the most critical driver into business growth. In recent years it was driven by technology-based differentiation. The company invests a large sum of money into research and development. In 2020 they invested more than 20 trillion KRW.

Infrastructure

The company has divided its business into four main divisions that operate independently from each other.

Chapter 9 BCG analysis and synergy

BCG Matric

Cash Cow

Samsung's home appliances have become a household name and stand for quality because the company first start with home appliances. Also, the semiconductors under the company premises assist the requirement of the chips and wafers which are used in the home electronic appliance and smart phone. In order to provide financial supports, the company established financial institution that provides divesting of

investment so that Samsung could be better off by lending money or giving credits to the public, instead of storing it in the bank. Moreover, Samsung heavy industry is one of the largest shipyards. The transportation provided the company to utilize its own service to lower the cost in comparison of utilizing other firms' services.

Stars

The electronic appliances include mobile phones and Samsung TV. Mobile phones that Samsung Galaxy and Note Series made their own base of loyal customers. In order to maintain the market share, Samsung launches the mobile phone with new features and design. Moreover, TV that LED and OLED TV from Samsung are also attracted from the global market. The company comes up with new TV's with technological features to gain customers.

Question Marks

In the future, artificial intelligent is emerging, Samsung approach NEON which is Samsung's new artificial intelligence platform, developed Samsung Technology and Advanced Research Lab.

Dogs

In the need of the digital world, Samsung launched Samsung Smartwatch but

the product failed to achieve and led to the downfall of the product because of the tough competition from competitors like Apple watch and Xiaomi. For the performance of all the products in Samsung, Samsung Printer is a fail product because there is a high competition like Epson, HP and has a small market share in the industry. The eco-friendly thought is emerging and nowadays the email is more convenience and less paper instead.

Synergy

Samsung electrics main products are home electronic appliances, smart phone and semiconductors. The company first start with home appliances. The company slowly divesting into other electronic related appliances. The company entering foundry in 2007 (Business Overview, n.d.) and became independent operation in 2017. Since, then the company utilize the opportunity to enter the semiconductors.

The establishment of the semiconductors under the company premises assist the requirement of the chips and wafers which are used in the home electronic appliance and smart phone. The synergized of these allowed the company to establish the

sustainable supplies of semiconductors products. Furthermore, semiconductors research and development of the byproducts will be the property of the company that possibly put the company among the top players in the electronic industries. The company continues to expand into further smart gadgets that used the products of the semiconductors as the main components. Apart from being beneficial for its own company, semiconductors products are being supplied to other companies that increase the company's revenue. From this synergy, the company able to reach the new height of products expansion, more services to be supplied for other companies.

The company also have other new business in the umbrella of Samsung that benefits Samsung electronics. The company established ship company. The company provide transportation overseas. The transportation services benefit the company itself and its subsidiaries. Samsung heavy industry is one of the largest shipyards. The transportation provided allowed the company to utilize its own service, which lower the cost in comparison of utilizing other firms' services. Samsung heavy industry is successful on its owns, but also supporting other Samsung groups services, hence further enhanced the group functions and benefits including Samsung electronics.

Samsung recently provide financial supports, bank, and insurance to the public. The company established financial institution that provide supports to their customers for loans and credits. The financial institution also provides divesting of investment.

The company could be better off by lending money or giving credits to the public, instead of storing it in the bank. Becoming financial institute allow the company to collect interests, and possibly collateral assets. The synergy of Samsung financial institution provides mild supports to other Samsung subsidiaries, nor highly successful. However, the company able to keep minimum reserve in their financial institute without possible taxation. The synergy provides a better situation for the Samsung group financial situation, but not toward any particular entity.

Chapter 10 National Diamond

Firm Strategy, Structure & Rivalry

For firm strategy and structure, Samsung is the Korean model of Chaebols and their cultural influence is in a family conglomerate. The culture just like Japan that getting hard work can get the team highly competitiveness. The firm strategy is winning leadership with a quality strategy which is in a hierarchy just like a pyramid the operator made the decision to their employees. For rivalry, there is a beneficial rivalry in domestic market because they have IT cluster in Korea. For instance, LG and SK innovation has the joint venture with Samsung in the battery production in 2021. Also,

Samsung has high investment in R&D for instance their green power project because it is few companies to do that. However, there is a highly competitor in global market. Take mobile phone industry for example, Apple, Xiaomi because the technology is getting mature.

Demand conditions

South Korean culture

Technology oriented country

In the 90s, South Korea became stronger in technology, i.e., cell phones, high-speed Internet, and technological device exports. It is possible to say that South Korean technology culture is ahead of the West regarding recognizing the outcomes of technology culture. For example, Korean people are crazy about playing video games, so internet cafés are trendy in Korea. Most of the time, people spend their time using the high-speed connection to play video games. Korean people also do not go home immediately after work, but they like to have dinner, karaoke, or bar. That means they have those activities while using their cell phone.

In addition, Korea has the highest levels of broadband penetration. According to the statistic, 97% of the population can access broadband Internet, and Wi-fi covers 95% of the country. Also, Korea has the fastest Internet, up to 50 megabits per second. That said, it is faster than the average American household's Internet.

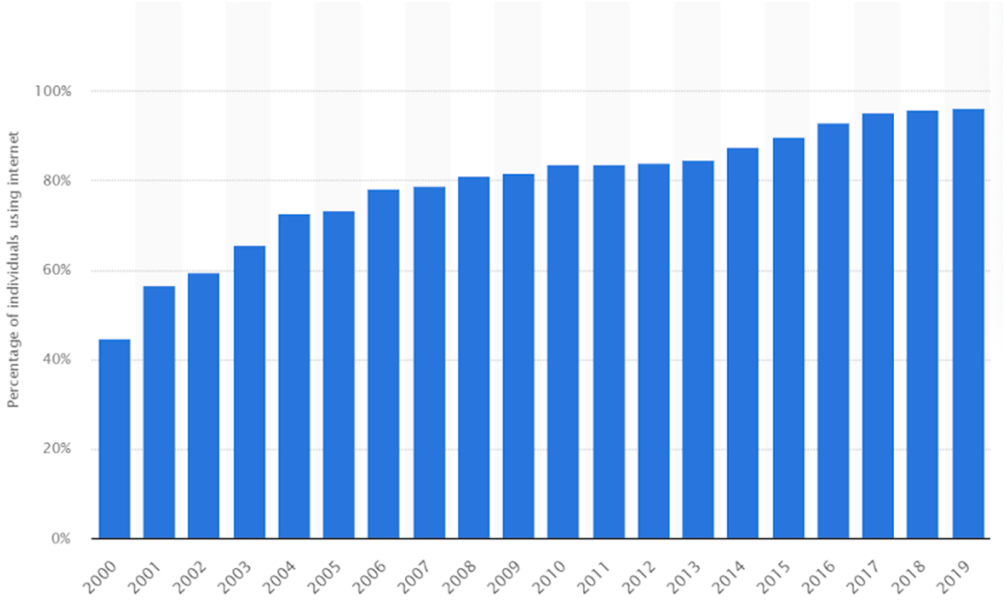


Figure 16 Korea Internet usage rate

Early adopters

Korea is also defined as a wired-in country because several new technologies are occasionally tested in this country before anywhere else. In addition, Koreans are known to be early adopters because they keep updating with the latest technology.

Silicon Valley companies consider South Korea a time machine when trying broadband applications because Korea's like a place where they can see what Americans will use in the future. Thereby, Samsung tries its new products in Korea first to collect feedback before introducing them worldwide. Many U.S. companies do the same as Samsung. For instance, Microsoft launched MSN Mobile in Korea two years

ago before submitting this service in the U.S six months later.

Education and Technology devices

Many countries have used computers or tablets to take notes in the classroom instant of paper because they are portable and practical. That is pretty common in developed countries like South Korea. South Korea changed all school paper textbooks to electronic tablets by 2014. Moreover, The South Korean government invested over $2 billion to give all elementary school children a tablet. This transformation is helpful for the students because they do not have to spend money printing out learning material any longer.

Additionally, technologies can make learning more effective and fun. For some schools in the U.S, students are given iPad for education purposes. On the other hand, Korean students prefer to use the Samsung Galaxy Tab Android tablet instead.

Factor conditions

South Korea dominating industries are electronics, automobiles manufacturing, telecommunication, shipyard, synthetic compounds, and iron ore base material. The country harboring multiple international company such as Samsung Electronics Co. Ltd. or Semiconductor such as Samsung, and Hynix, automobile manufacturers such as KIA and Hyundai.

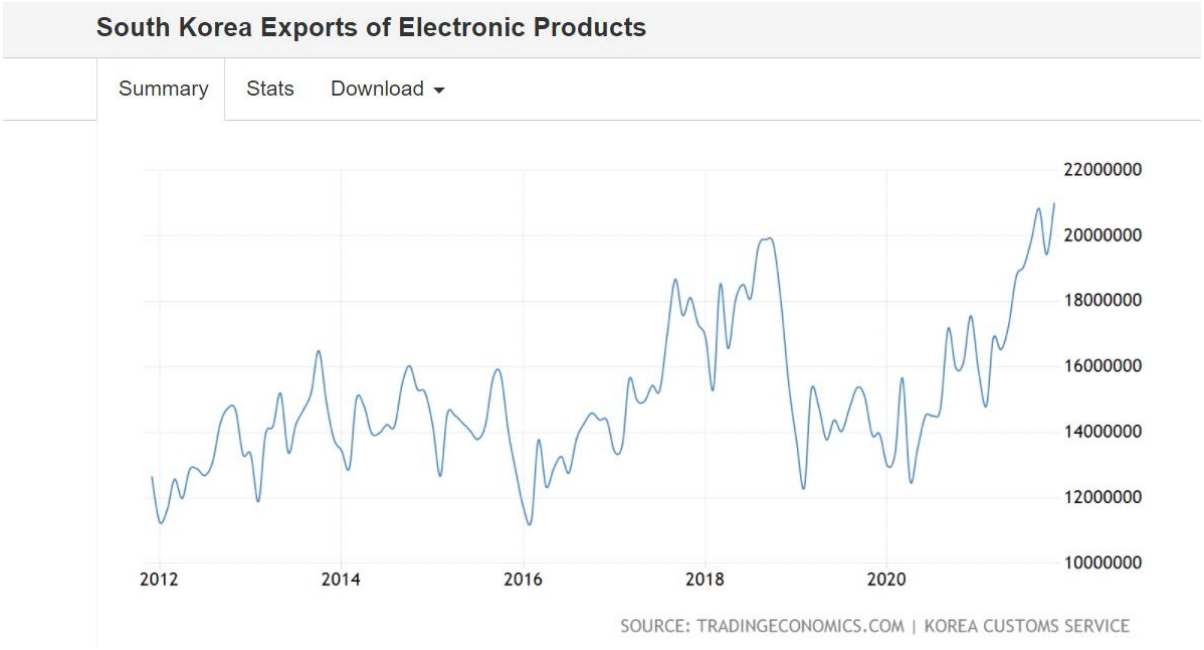


Figure 21: South Korea Exports Electronic Products

The electronic industry appeared to be in the growing pace. South Korea export of heavy machinery and electronics products was inclining until 2019, slumped in 2020, but shows signs of recovery in 2021 (South Korea Exports of Electronics Products, 2021). The 10 years of exporting data suggests the fast and rapid growth of the industry at large and South Korea partaken in the new wave of business boom.

According to Lee (2021), semiconductors in South Korea remains its growth and

appeared to be in the upward trajectory still. Lee, further states that the semiconductor industry is likely to be led by Taiwan, South Korea, and China.

The country possession and mining of mineral ores allows the country to proceed forward in the mentioned industries. Local government also endorses in policies making to facilitate the electronic industry and semiconductors. According to Jaewon (2021), South Korean government announced the intention of investing $451 billion USD in multiple semiconductors and provide more tax benefits to assist the companies' growths.

Despite the growing of electronics and semiconductors, South Korea could also be perceived as a banana republic. Electronic products and semiconductors fuel the country GDP and wealth of the nation. The country has been investing and utilizing resources to great extent to support and nourish the industries. However, in the long-term perspective the strategy might not be sustainable if the international need of electronics and semiconductors products dissipate.

However, the country, currently, benefits from the partake of the industrial boom as the semiconductors and the electronics are maintaining it rapid growth. The country GDP during the pandemic slightly decline due to the first adjustment to the new crisis but recovered fast and projecting incline after the crisis became more stable and the need of virtual reality services and products increases (Seul- gi, 2021).

Government

The government should encourage and push companies to raise their aspirations in oprder to increase competitiviness and a better performance.

Government regulations and policies

Sansung is constantly changing according to the government regulations. In 2016 there was a campaign to reach more voters in the USA. The problem was the government was afraid the votes could get manipulated or leaked. Samsung came up and presented a new system that did not need the use of the internet in order to avoid greater risks.

The newest technology trends will have a strong impact on the 2016 election results by making it easier than ever to capture data and reach voters.

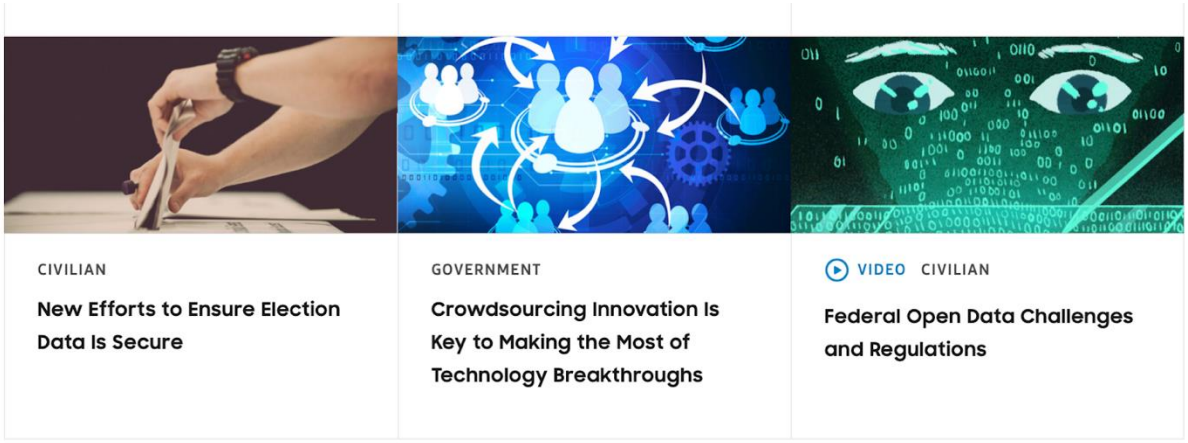


Figure 17 Government regulations and policies

Industry regulations

Samsung has gone to great lengths to achieve and maintain compliance with standards and regulations such as CE marking or CB not only on a national level, but all around the world. By complying with industry standards, Samsung is able to quickly adapt to changes in the industry for customers.

Category	Certifications	Location
EMC	CE	E.U. (Europe)
	UKCA	U.K.
	FCC	U.S.
	ICES	Canada
	RCM	Austrailia
	KC	Korea
	EAC	Russia(Brand only)
	VCCI	Japan
	Morocco	Morocco
	BSMI	Taiwan
Safety	c-UL-us	U.S., Canada
	CE	E.U. (Europe)
	CB	World Wide
	BIS	India(PSSD Only)
RoHS	CE	E.U. (Europe)
	BSMI	Taiwan

Figure 18 SSD

Category	Certifications	Location
EMC	CE	E.U. (Europe)
	UKCA	U.K.
	FCC	U.S.
	KC	Korea
	BSMI	Taiwan
RoHS	CE	E.U. (Europe)
	BSMI	Taiwan

Figure 19 USB flash drive

- Memory Card

Category	Certifications	Location
EMC	CE	E.U. (Europe)
	UKCA	U.K.
	FCC	U.S.
	RCM	Austrailia
	VCCI	Japan
RoHS	CE	E.U. (Europe)

- DRAM Module

Category	Certifications	Location
RoHS	CE	E.U. (Europe)
	UKCA	U.K.

Figure 20 Memory card and dream module

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