Analysis of Samsung's internationalization process and the strategies implemented to generate an effective positioning of its brand and products in foreign markets.

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AIBPM
Association of International Business & Professional Management
2018
Abstract

Samsung is a leading technology company worldwide. Its activities focus on innovative product designs that contribute to people's lives and generate substantial progress in them, through social prosperity. It is also a company established since its inception in the idea of combining creativity, partnership and great people to strategically address their work. Likewise, it wants its brand to be loved around the world, to be an innovative company and to be admired. For this reason, it promotes the value shared with its partners and collaborators, as well as with its own employees.

Nowadays, Samsung is a company that is found in most countries and, therefore, despite not having a business center in all countries, its products are in every corner of the world. However, even though it is currently a multinational company and a leader in the technology sector; This company started like any other, as a business idea and progressing in small steps. In this way, the present work aims to identify and analyze all these small but significant steps that allowed Samsung to become the company that it is today and the way in which it has been possible to reach so many countries.

In other words, the purpose of this paper is oriented towards the study of the internationalization processes carried out by the company to reach the different countries. In this way, variables such as: industry and competition analysis, company’s challenges, entry mode to different countries, promotional channels, prices, logistics, finance, human resources and product design will be included. Likewise, the way in which the company has managed the competition with other large technology companies in the world and what barriers it has overcome to get ahead of these will be investigated.

Key Words

Introduction

Samsung is a conglomerate of technology companies with headquarters in Seoul, Korea and is known for being one of the largest companies in the country. It is a company that has had great success worldwide for the sale of its electronic products and is among the top 10 brands in the world. According to several opinions within the companies that have grown the most you can find Samsung, since his philosophy has always been oriented to the idea of offering a wide range of electronic devices that adapt to each person.

However, it is difficult for a company to try to satisfy all the consumers of the world, aspect that has not limited Samsung as it also aims to challenge its competitors. Despite this, it could be considered that its success is not only due to its varied portfolio, but it has built a market strategy and a positive policy that allows it to reach further and further away. Today, thanks to its internationalization strategy, Samsung forms a multinational conglomerate that is made up of subsidiaries and affiliated companies. In this way, the company is in prominent sectors such as: financial services, heavy industry, chemical services, etc.
In this way, its internationalization strategy has been based on investments aimed at the creation of design, research and development centers. In this way, the company leads the world market with technology of great progress and quality, an aspect that catches the attention of the consumer since its products manage to differentiate themselves in a market with a lot of competition. For these reasons, in the present study various analysis variables are presented that allow us to deal more deeply with Samsung's actions when reaching other markets and present at the end a significant contribution of the steps followed by the company that can help other companies to expand their horizons.

**Background**

Currently, Samsung is one of the largest companies in the world specialized in technology, which not only promotes innovation in technological products but pretends to improve the quality of people’s life. In its beginnings, the company was founded with the name of "Samsung-Sanyo Electronics" in 1969; however, later it changes to "Samsung Electronics Industry Co Ltda". Its first activities are oriented to the production and export of televisions, as well as washing machines and refrigerators even though these last products were not the best sellers.

From the decade of the 80s, the company begins the production of what would be other products for the home such as microwave oven, computers and video recorders among them. In this way, the main lines of the company were electrical appliances, telecommunications and semiconductors. At the beginning of the 90’s Samsung was making inroads into color televisions, as well as developing and producing mobile phones and the first digital video recorder with the help of industrial robots that had been produced for mass production purposes. Likewise, it offered the world new technological concepts in the telephone and television products, launching the first LCD screen and the wireless telephone for the Internet.

From the decade of 2000, the company managed to produce all its products on a large scale through the construction of new factories. It also highlights the progressive innovation in its products and services in the following years and its foray into the global semiconductor and process technology markets. In this way, Samsung will become a leading company in technology for the dedication and application of its products to everyday life. Currently, it has various business lines and services oriented to them. The big categories that make up its business are: products, solutions for businesses and global sites.

In this way, with all the products and services that the company has developed throughout history, its internationalization process was mainly highlighted by direct foreign investment. In this way, the investment of the company is very high when it comes to reaching new countries. According to this, the first internationalization processes carried out by Samsung focused on the export and marketing of televisions to Panama. Likewise, in 1978 it establishes its first foreign branch located in the United States and in 1982 it establishes its first subsidiary manufacturing plant abroad in Portugal. In the following years, after their first productions abroad and expanding their sales, they managed to reach more countries and position their brand as one of the best in the world.
Methodology

The methodology proposed in this study is composed of completely qualitative elements, based on bibliographic tools as implementation of secondary sources. In this way, the information that is intended to be shown in the following analysis comprises a search for information on the Internet, whose component corresponds mainly to the company's website, magazine and news, as well as articles. Likewise, the interview is used as another qualitative tool that allows identifying specific data of the company and its process of expansion to other countries. In this way, it seeks to identify the most appropriate and profitable forms of internationalization for the company.

Findings

1. Industry and Competition Analysis

Samsung is mainly in the technology market, where its main industrial components are semiconductors, compressors, LED optical fibers and ODD. Likewise, its products and services cover several activities that can be developed in different sectors of the industry such as: education, health care, finance, logistics and transportation, government, entertainment, hospitality and sale to retail. According to these sectors, the company develops various products and services that adapt to what each industry needs, developing each of these below:

- **Education**: The solutions for education are divided into three main categories: integrated solutions, support for BYOD environments and collaboration tools. These categories respond to the general idea that all products respond to the ease of management of the artifacts, the tactile and technical functions are collaborative for the student and the participation of the students is encouraged.

- **Health Care**: Health care solutions are aimed at improving the lifestyle of the elderly, as well as their care, improving the patient's experience on health issues, diagnosing visually and optimizing workflow in medical facilities.

- **Finance**: Technology in finance is responsible for providing easy banking, wealth management and insurance with the purpose of optimizing resources and time for both companies and customers. Likewise, the technological devices propose a conception of a solid hardware, security of superior level and easy transfer of data on a safe form.

- **Logistics and Transportation**: The electronic devices offered by Samsung respond to the need to optimize transportation and energy expenditure. In this way, it promotes efficiency through fleet management, real-time information on the transport system and management of logistics changes.

- **Government**: The main objectives of Samsung products propose security in mobile devices with a very high quality. In this way, the management of confidential information is promoted through governmental certifications. All of this is done through plans that lead to independent control of zones and easy adaptation and management of them.

- **Hospitality**: With the purpose of improving the customer experience, Samsung develops technologies that allow tourism companies to describe in a simple way the needs of the customer, speed and agility in the check-in as well as a premium experience in their services.

- **Retail**: The technologies offered to this sector promise the optimization in the experience in the point of sale, digital transformation in the means of payment and the attraction of
clients with digital billboards. This is done through personalized experiences, new
information tools and mobile management for employees to make strategic decisions.

In this way, with the number of sectors that require innovative technologies and processes as
shown above, Samsung competes with other brands that manage to surpass it in many aspects.
Among the brands that generate most competition for Samsung are Apple, Huawei, LG, Motorola,
Sony and Lenovo. In this way, being companies with large market share generally compete with
Samsung aggressively for the acquisition of new customers.

2. Samsung’s Challenges

Samsung laid bare its smartphone strategy amidst its fourth quarter earnings report. The world's
largest maker of smartphones by volume essentially plans to reverse the course it set a couple of
years ago. The company said it will diversify its handset portfolio and improve its software. If we
look back to the 2012 and 2013 era Samsung, we see a different company than the one we know
today. Samsung blitzed the smartphone market with dozens of models, ranging from miniscule to
ginormous. The company made devices with screen sizes ranging from 2.8 inches to 6+ inches.
These smartphones covered every price point imaginable. They all ran Android with Samsung's
TouchWiz UI on board. TouchWiz has always been a rather heavy user interface skin, but at least
it was manageable back then. These devices were sold like gangbusters.

There are many disadvantages of using a Samsung phone, let's start from where it hurts the most:

- **The Price:** A typical Samsung smartphone may be anywhere from 1.5 to 2 times the price
  of the phone being offered by a cheaper brand with very similar specifications. This one
does hurt a lot, to some at least, comparing specifications and performance you would
realize that the phones are being really overpriced as compared to the other phones. Other
brands also tend to do this, but it hits Samsung the most, and once the price falls, it falls
like Niagara Falls, it literally flows down like cash through the drain and hence just to
adopt the early technology, you are left with a past generation experience.

- **Performance:** The Touchwiz UI on every Samsung smartphone is draining so much of
  resources of any phone, that it just can't keep up and hence is either bogged down by a
bug in the apps or the UI itself and doesn’t recover easily from them.

- **No Innovation:** This is a more common issue and Samsung is not entirely to blame for
  this, but still, copying design of the phone from others is just another way to go entirely.

- **Slowing Down:** This is not experienced in many of the other Android devices, especially
  Nexus ones with pure Android. Over time, Samsung phones tend to slow down
considerably from where they start and hence sometimes benchmark lower than average,
so very bad UI decisions at play.

3. Entry Mode to Different Markets

Samsung is a company that is characterized by its strategic geocentric orientation in external
markets. This means that being a global company perceives the world as a market in constant
growth and great potential, which requires high investment in global marketing, basing its
development on three concepts: expansion, creation and adaptation. The purpose of this strategy
is that the consumer located anywhere in the world has the same idea of the company and its
products. However, although there is a standardization of products marketed around the world, Samsung like other companies makes some modifications in order to satisfy the customer of a country. In this way, despite having physical stores in the countries, it also has a website and online stores in more than one hundred countries.

On the other hand, Samsung is in a stage of global rationalization where companies have the purpose of improving their efficiency and concentrate their approaches in the geocentric. Likewise, strategic decisions at this point are: centralize and coordinate efficiency, and develop a global strategy. In relation to this, Samsung has a standardization of its marketing strategy in order to achieve economies of scale and reduce the costs incurred by what the packaging of their devices is standardized as well. In this way their smartphones are packed in plain boxes, with the name and image of the product, with specifications of the same and has the written warranty inside the box.

Likewise, the macro segmentation strategy adopted by Samsung corresponds to diversification. However, Samsung began with a strategy of concentration with its international expansion in the late 70's entering markets such as Canada and Germany. Subsequently, it increases its expansion, so it reaches more markets simultaneously and achieves a diversification strategy. In this way, all the insights made by Samsung are carried out by means of exports, which allows the use of fewer resources, since they are standardized products and processes.

In this way, Samsung has penetrated the markets in three ways: direct export, concerted export and manufacturing in foreign markets. In this sense, the direct export has consisted in the direct sale of its products from the national market or a subsidiary that is in foreign markets. Within this type of export, the company has implemented mechanisms such as: direct sales, agents and distributors, subsidiaries or sales commercial.

The concerted export has been based on the commercialization of products in the foreign market with the help of a third party. In this case, the contracts that can be given are: Piggyback, export consortium, joint-ventures, European Economic Interest Grouping, franchises or strategic alliances. This is how Samsung uses a concerted export through Joint-ventures to enter countries that require it such as China or India.

Finally, the manufacturing in the external markets in three methods: manufacturing contract, Licenses and establishment of a production center. Example of Samsung is the use of own production centers in China that currently moves to Vietnam. Likewise, the company granted a manufacturing license to its subsidiary Samsung Spain.

4. Promotional Channels

Samsung struggled a lot to keep their products on the top of the market, specially the smartphones. Samsung has progressed so much to be the top competitor of Apple in terms of smartphones through the way of Advertising, Branding, Marketing, Sales Promotion, Personal Sales, Publicity, Sponsorship and by developing new technologies on the prior basis. Samsung is considered as the largest tech business by revenue and seventh most valuable brand today. The main reason for Samsung to become an industry tech leader is through the promotional channels they applied.
The first marketing strategy applied by Samsung was most effective because it helped the cost driven company changed its structure and it became an authority manufacturer. While considering smartphones, the taste of consumers usually changes on the technological basis, the company must follow the rapid progress to evolve such kind of gadgets to the customers. So, Samsung also had to change in order to be the top hand of the market and its promotional channels were the keys to evolution.

Samsung has never failed to satisfy their customer in terms of evolving new gadgets, services, retaining customers, brand addiction and manufacturing new technologies to be the upper hand of the market and used the best marketing strategies to retain customers as well as to switch customers from the other brand. That is the reason Samsung said that to be the master brand of marketing strategies. Samsung has always sparked in terms on innovation. An advertisement for the new innovations usually drags the customer to go for this brand and the product.

Samsung persuade that advertising is one of the best ways of promotion. Samsung marketing strategy can be considered as a perfect example for marketers to progress and grow.

5. Pricing Strategy

Pricing strategy is one of the ways to seek a good competitive advantage compare with competitors. Pricing decisions are difficult and complicated because it affects on sales and revenues. There are some factors affecting on price: quantity sold, profit margin, taxes and shipping, marketing costs, production, storage, raw materials, packaging and packaging costs, offers and discounts. Samsung use 2 pricing strategies, one of them is Skimming price which the company sell the product in highest possible price that customers can pay. Then, after a period the company decrease the prices over the time and offer it to general market. The advantage of this method is achieving high profit margin and cost recover as faster as can. Also using this strategy can build a high-quality image for its products. The disadvantages are that competitors will challenging the sellers extreme price point with lower price offerings. Also, if high prices point remain very high for too long, it may be not accepted for the general market. The other strategy is competitive pricing strategy. this strategy is to put prices based on competition. It allows companies to set prices quickly with little effort. Samsung is good in this strategy comparing with Apples prices. The price of Galaxy N9 128 GB is 1,000 $ but the price of IPhone X 128 GB is 1,173$ which is good and consider as competitive advantage.

6. Logistics

Samsung is the king of technology in Korea (Asia), it has a business that is closely related to supply chain management under Samsung SDS. The company has a core business in the form of logistics and distribution of devices, where its business value reaches billions of dollars. Song Kwang-woo, the leader of the blockchain division on Samsung SDS said that blockchain technology can revolutionize the industry, not only in the financial sector but also in other fields such as supply chain management. It will have an enormous impact on the supply chains of manufacturing industries. Blockchain is a core platform to fuel our digital transformation.

Blockchain will help increase efficiency by eliminating paper usage, by recording all transactions
electronically on blockchain. Because, according to IBM, this paper document costs are quite high in a business that must prioritize efficiency and cut unnecessary costs. Samsung SDS make a predicts that the use of blockchain technology in the supply chain management industry will be able to cut costs up to 20% because Blockchain can cuts overhead and eliminates buildup of goods. And all of This is about maximizing efficiency and supply visibility. It doesn’t have just an impact on business efficiency, blockchain technology will also increase customer satisfaction, because the transaction speed will be increased, including the acceleration of production and distribution time with blockchain technology.

7. **Finance**

Samsung’s finance is good at all. With all the electronic goods that they sell they already have been the king of electronic products in Asia till 2017. The results of 2018 are not already posted by Samsung, but the analysis will be taken data from 2017 and the years before. The Annexe 1 shows a graph with the prices of 2016 and 2017.

Operating profit jumped from KRW 6.68 trillion to KRW 9.9 trillion (different Rp. 116.7 trillion), in the first three months of 2017 the second most successful quarter in Samsung's history. This is also the most profitable first quarter, giving high hopes to the South Korean company. The Mobile Division provides sales results like the Christmas holiday period, namely KRW 2.07 trillion or around Rp. 24.4 trillion. However, when it is compared with the results of the first quarter of 2016, this result fell 47%.

Results in the second quarter of 2017 should improve due to the launch of the Galaxy S8 and Galaxy S8+. Both smartphones are the most pre-ordered smartphones in South Korea with orders of more than 1 million. In addition, Samsung also has plans to sell refurbished Samsung Galaxy Note 7 products to cover the loss that happened last year when their product got pull because of disability.

8. **Human Resources**

Samsung introduced a management system called "Management Seek". The point is that Samsung must find geniuses to work with Samsung. This departs from the realization that the decline in Japanese companies’ performance is partly due to the inability to hunt down talents. The genius category that Samsung is looking for is, first, not looking at the person's nationality. Second, they have strong intellectual abilities globally. Third, prioritizing Engineering students or exact sciences. Samsung made several levels of genius levels, namely levels S, H and A. Genius level S (Super), has super hidden abilities and can complete the work with amazing results and is a prospective person who will lead Samsung in the future. Level H (High Potential), which is not enough to be judged based on work but has hidden talent that shows super probability. Level A is not as good as S level but must show the possibility of super hidden ability level.

T-type quality human resources that Samsung wants can be formed with the development of HR in Samsung's Master of Business Administration system. Samsung promotes and explores the quality talent of its next generation among its own employees. The Samsung MBA system is carried out by selecting employees from the ranks of division heads and deputy heads, then building them into leaders or CEOs of the Company. For new employees, Samsung also makes
education through a four-week training camp. Learning materials are varied, including education for SVP (Samsung Shared Value Program), SLP (high-level manager development program) and SGP (global HR development program).

One of the Corporate Culture developed by Samsung is about Staff. Samsung appreciates humans with all their thoughts so that they always strive to improve the quality of their workers by creating a conducive situation so that workers feel working at Samsung is a job for life. This will create employee loyalty and care for the company. They are also actively seeking solutions to company problems. By working for a lifetime, the quality of life of the workers is also strived to increase. They get old age insurance, so they can enjoy their old age with their families.

We strive to improve the 'quality of life' of our employees that they will provide equal opportunities for all employees and treat them according to their abilities and performance. We recommend continuous employee development and support for the improvements needed to carry out the task. In addition, we create an environment that can work autonomously and creatively. We can make a conclusion that Samsung has a lot of natural resources, it's natural to see the size of the company. And of course, it is very difficult in managing such natural resources. Samsung has a way to manage it. With this we have understood that Samsung employs its employees to the maximum to provide benefits to the company. The Samsung company also has a way to make its employees comfortable in their work so that they can serve the company by providing guarantees, compensation, insurance, bonuses and others to their employees. Samsung also provides special training for employees who want to get promoted or new people who want to work at Samsung (Samsung, 2018).

**Diversity at Samsung:** Diverse employees at Samsung score the company a 61/100 across various culture categories, placing Samsung in the Bottom 35% of companies in the United States with 10,000+ Employees for Comparably diversity score. The Diversity score provides insights into how diverse employees feel and rate their work experience at Samsung across various culture dimensions.

**Samsung Diversity at a Glance:** Samsung employees rate their Diversity score a "C-". Samsung's Diversity score ranks 4th place compared to its competitors Apple, Sony, Nokia, Qualcomm, and Motorola. Compared to 317 nearby companies in New York, Samsung is in the Bottom 30%. At Samsung, African American employees and employees with Entry Level experience gave the best feedback on the company culture for diverse employees unlike employees who have been at the company 1 to 2 Years and the Product department who provided the lowest ratings. Samsung's Diversity score remains steady over the last 90 days.

9. **Product Design**

Samsung is very interested in research and development making it a leader in this field. The progress achieved by Samsung is an important point to highlight the company globally. Samsung has spent nearly $ 33 million in research and development. Samsung has about 70,000 research and development engineers, 22 centers worldwide and 1700 designers working to achieve the company's vision in the field of research.
According to Samsung, “the Research actively conducts research to identify new future growth areas for the company, creating new value to improve people's lives”. They specially search on artificial Intelligent, Data Intelligent, and Smart Machine all with collaboration with worldwide universities, research institutions, and partner companies. The new generation of mobile technology is 5G that will be used by Samsung during 2019. 5G performance targets high data rate, reduced latency, energy saving, cost reduction, higher system capacity, and massive device connectivity.

At the level of mobile phones, Samsung recently announced its Galaxy Note 9. It features a large 6.4 "screen and high-resolution clarity. The device is also characterized by its ideal design with soft edges and harmonic size for flexible and smooth use. In this way, it can be seen in Annexe 2 Some of the characteristics of Samsung mobile phones, which are the best known worldwide.

Interview

Unfortunately, the interview that was planned to be carried out could not be carried out because the company protects its information a lot. In this way, when looking for various media and different people we could address, they told us that due to security issues, the company did not allow them to give information about it. In this way, the questions that were wanted to be answered by the company are presented:

1. How has Samsung's process been to reach other markets?
2. What are the most important aspects that Samsung considers establishing a subsidiary or production and distribution center in other countries?
3. What is the key of Samsung to be successful in the process of internationalization in the foreign markets?
4. What is Samsung's competitive strategy?
5. What is the pricing strategy used in Samsung?
6. How does Samsung differentiate itself from other brands in foreign markets and how does it manage to position this difference in the mind of the foreign consumer?
7. What is the method used in the development of devices or in the production of a new one?
8. How does Samsung respond to the criticism it receives regarding copying apple products?
9. What are the management systems used in human resources?
10. What does Samsung's own systems promote the company's success in financial and human resources issues?

Conclusions

In conclusion, much of Samsung's success has been due to the correct selection of strategies that direct the activities to the desired goals. In this way, the strategic decisions taken by the company to address the international market has ensured a good positioning of the company's brand, policies and practices. Likewise, through the study addressed, it is possible to get to know Samsung from a purely managerial perspective, which allows evaluating its versatility to reach new markets and guarantee an increase in revenues during the last years.
Although the company has presented moments of difficulty, the most important factor has been its constant reading of the environment that surrounds them to improve their practices and revolutionize the market. This is how the internationalization strategies addressed by Samsung allow an adequate coupling for all types of companies; However, the important thing is to have a complete knowledge of the industry to know how to act at each stage of the process.

Recommendations

It is important to know that the processes tackled by Samsung to achieve success has been constant; that during the time it has been in the market it has looked for the best practices to present to the world a unique and outstanding performance. In this way, the process of internationalization of Samsung can present an effective guide for those companies that initiate their processes in external markets or that wish to expand their reach.

Although Samsung is a company that is in the technology sector, other companies that are not in the same industry can support their activities in the strategies chosen by Samsung to penetrate new markets. Related to this, it is important to clarify that the guidelines outlined in this study can also serve as a guide for other companies to carry out in-depth analyzes of the general market based on information collected and existing, with the purpose of continuously improving processes.

In this way, it is recommended that companies carefully analyze each point in order to adequately understand Samsung's actions and effectively follow its steps towards success. The strategies addressed by Samsung in each of the points discussed above can be evaluated and copied by other companies that wish to achieve success as has one of the largest companies in the world.

References


Annexes

Annexe 1. Prices of 2016 and 2017
Annexe 2. Characteristics of some of Samsung's technological devices

Does Samsung make too many phones and tablets?
