

Samsung Electronics Co.

# Marketing Plan

## A Dominant Force in the Electronics Industry

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### **EXECUTIVE SUMMARY**

Samsung Electronics Co. is a renowned corporation. Samsung is one of the world's largest semiconductor manufacturers and South Korea's top electronics company making consumer devices from home appliances to handheld mobile phones. Nearly half of sales come from the Asia/Pacific region. The company is operated through independent business units: Consumer Electronics (55% of sales), IT Mobile Communications (20% of sales), Semiconductors (15% of sales) and Display Products (10% of sales). Samsung is a true vertically integrated company being a leader in producing the chips and software at the heart of its products. Furthermore, the company has been the leader in the worldwide memory market for more than a decade and has a significant share of global market for CMOS image sensors for mobile phones. All together, Samsung's offices are present in 80 countries. Outside South Korea,

Samsung has regional headquarters in the US, Europe, Asia, Brazil, Russia, South Africa, and the UAE. 40 manufacturing plants are located in countries across the world. Of markets, America is its single largest market that accounts for 30% of sales. The company enjoys steady growth in both its native and U.S. dollars. Primary growth strategies to solidify market leadership consist of focus on product differentiation in each business unit, identifying businesses of sustainable growth over long periods of time and management preparations to anticipate and respond to business risks with global market uncertainties. The company shows importance in continuing growth in key products areas that consumers desire most, such as phones, tablets, LCD panels, flat-panel TVs, system LSI chips, IT products and home appliances. Additionally, Samsung is promoting future growth around software and service opportunities continuing to lay a foundation for future business opportunities with endeavors in other fields like health and medical equipment markets. Samsung Electronics is investing in industries it is not traditionally known for with a goal to grow as a healthcare technology player. In accordance to sales and marketing, Samsung uses a direct sales approach that operates from offices located in more than 50 countries. Products for the consumer market are sold through major retailers worldwide and by e-commerce. Other products, such as the LCD and OLED panels made by Samsung Display, are sold to OEMs. Chips made by Samsung Semiconductor are sold directly as well as through distributors. Samsung is very well rounded when it comes to marketing management and nothing less would be expected from a global corporation. The company markets its products through many different mediums including billboards, television commercials, online advertisements and sweepstakes/awards allowing information about their products to reach a variety of different subsets of the public. By doing this they are able to reach

a maximum capacity of potential consumers and largest possible amounts of profits. Samsung Electronics Co. is also a leader in customer satisfaction within their market. In a survey consisting of 70,000 U.S. based consumers on a range of products and services respondents gave Samsung a respectable satisfaction rating of 81/100 points which increased five points from last year and most importantly, is two point ahead of their top competitor, Apple. Samsung shows a great understanding of offering products to meet customer needs to accomplish company goals. They know what their consumers want, they communicate the benefits, deliver products in a way that makes it available for a variety of consumers and create customer value. Samsung simply brings more to the table than the average electric company and that is very attractive to consumers. Since the company's offers a endless selection of electronic products that have demonstrated outstanding performance over the years and continue to improve, they show great value in customer satisfaction. Furthermore, Endeavoring in other industries to meet the demand in healthcare technologies shows their agility in meeting the needs of consumers well beyond their specialty. In return, customers of Samsung have become very loyal, continue purchasing a variety of their products, and chose them over other competitors. The company's marketing mix is extremely diverse in all 4P's of marketing which has resulted in a great level of competitive advantage. Samsung's strategies for growth show great attention in The Marketing Concepts Guides Ethics as they focus on future outcomes and strategies to handle any situation regarding group needs and individual needs. Samsung Electronics Co. because is very well rounded in its efforts and strategies of marketing management.

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## 1 ANALYSIS OF CURRENT MARKETING SITUATION

- Market Segments

Samsung Electronics markets in global segments based on lifestyle and demographic variables. Of its top level segment are countries like North America, Central and South America, Europe, Middle East, Southeast Asia, Southwest Asia, China and Korea. The segments differ based on lifestyle and demographics, for example cultures, but Samsung is able to segment its global segments into segments of urban and rural consumers. These segments will differ most likely in lifestyle even further, income, and needs and wants, yet they may desire technology and products that Samsung has to offer. For example, urban dwellers would most likely desire something high-tech, while rural consumers may desire basic home appliances. There is also a second level at which Samsung segments its products. Within the market segments, people prefer high quality products, athletics, technology and convenience. Business people, innovative/creative minds and high class middle aged consumers are most likely to purchase products of Samsung

- Product Environment

Samsung offers a variety of products within the market. They range from home appliances, to healthcare technologies. Some examples of what kind of products they sell are refrigerators, televisions, x-ray machines, memory disks, printers and mobile cell phones.

Collectively these products have accumulated total sales of 165,002 to 228,693 from 2011 to 2013 and profits of 15,644 to 36,785 from 2011 to 2013 in billions KRW. Product features consist of curved UHD TVs, world's largest capacity refrigerator, multifunctional Android touchscreen all-in-one printer, wireless detector and image processing engine in x-ray machines, and high quality touch display mobile devices, etc. Mobile phones generate 42% of profit, while television generates 30%. Specifically, we would like to focus on home appliances and cellular devices. For example, cell phones, computers, televisions and refrigerators. Narrowing our product environment to a smaller portion of products of Samsung will allow our company to focus more directly on specific goods and achieve greater results from our marketing to these specific product.

- **Competitive Environment**

Some major companies that are in competition with Samsung Electronics Co. in their mobile department are LG, Xiaomi, and Apple Inc.

1. **LG** - LG is an electronic company that is big on research and development; just like Samsung. Some strengths LG has is its known globally, their products are reliable, it is a leader in innovation, and it is a rapidly growing company. Weaknesses LG has is it is not as big as some of its competitors and does not have the same financial strength. LG currently also has a small market share. The market segments LG seems to focus on is the lower income and the younger generation.
2. **Xiaomi**- Xiaomi is a very new electronics company that is emerging into the market rapidly. Some strengths Xiaomi has is its ability to make high end devices and sell them at cheaper prices and its rapidly increasing into the mobile market. Right now in China they are the biggest cell phone distributor; crushing Samsung and Apple. Weaknesses Xiaomi has is it is not in the U.S. yet and seems to copy off of a lot of the other companies. This could be hindering them from entering the U.S. market. Xiaomi's target market is the lower income population. They are really big about offering high quality products for cheap prices.
3. **Apple** - Apple is an electronic/technology company that mostly focuses on products such as laptops, cellular phones, and tablets. Some strengths Apple Inc has is its total control of products, innovation, and financial strength. A weakness Apple Inc has its premium pricing for products that may not be as powerful as some competitors. Another weakness is they do not have a variety of products. Instead, they really only focus on a select few products at a time. The market segments that Apple seems to targeting is the younger generation and business professionals.

- **Distribution Environment**

Products are normally distributed to customers by retailers but start at the manufacturer. Products go from the manufacturer, to the distributor/dealer, then the retailer, and finally the customer. The distribution environment that Samsung is associated with is mostly a mix of both corporate and contractual channel systems. Most companies in the mobile department are manufacturing their own devices. Samsung deals with customers in direct sales and through retailers or franchises. Most sales from the mobile industry come from dealers who first buy their products and then resell them to the public. Examples of this are Verizon, At&t, and Sprint. The growth is selling to the dealers because it is cheaper for the companies to do so. It costs a lot to open and maintain a store so it makes more sense to have these dealers or franchisees sell products for them. These big manufacturing companies will spend less with the dealers because they are giving them incentives to do so.

- Macro Economic Environment

There are several economic factors/trends that could impact the performance. One trend is the decrease of the middle class. With the middle class diminishing it will be hard to sell higher or mid-ranged products and will drive prices lower which will create even more competition. Another economic trend is the rise of emerging markets. Some countries around the world are rapidly developing and could bring new ideas and competition to the market. This also could cause a decrease in profits.

Technological factors are the constant battle for the best and most innovative product on the market. All the electronic companies are constantly putting tons of money into the research and development areas of their company. The reason for this is because there is a lot of demand for innovative electronic products around the world. If an electronic company falls behind in the technological aspect, then they will absolutely see a decline in sales.

## **2. MARKETING OBJECTIVES**

Samsung Electronics is determined to stay ahead of the competition with innovation and expertise of the electronic industry. Samsung would like to build its brand to show people the continued excellence of these products. The objectives we may want to consider are the following:

- Generate new ideas to penetrate other markets or segments within the wireless industry. We want to achieve another 5% of the market share within the next year.
- Continue to grow and develop. We want to decrease the cost in production in the wireless industry so we can be more profitable. Although new technology costs

more money, there is always a way to be more profitable. We should be able to cut production cost by 20% in the next three years.

- Spread brand name by attending shows and sponsoring events. Marketing team needs to have an appearance at shows and events where there is a lot of people more often. We want brand new customer numbers to rise by 5% within the next two years.
- Implement surveys or other experiments to gain customer feedback and improve satisfaction. Give surveys to be filled out with every customer's purchase. We want at least a 95% satisfaction rate for the next 3 years.

### **3. MARKETING STRATEGIES**

#### *3.1 Target Market(s)*

The firm segments mainly on lifestyle and demographic variables, but we suggest laying more emphasis on the changing lifestyles of the young generation and cater for their ever changing needs as they are becoming increasingly advanced in technology. The company can segment the market into urban and then rural people to regain market share. The general targeted age is 15-30 in order to compete favorably with competitive brands in the same market segment. The targeted group of people focuses mainly on music, leisure and has a flair for new gadgets. We intend marketing to these targets because it is known that younger generations of people are more advanced with technology, therefore a twenty year old is more likely to purchase and use our product than a sixty-five year old person. By focusing on target markets where consumers are most likely to purchase our products, we can maximize our profits. Lastly, marketing to urban and rural areas will allow us to take full advantage of our consumers. We will be able to sell cheaper product to consumers in rural areas and our more expensive high quality product to consumers in urban areas. Doing this we can touch base with more of our consumers.

#### *3.2 Product Strategies*

Samsung has a combined strategy of low cost and differentiation. Although typically difficult to implement, my company's success in this strategy is due to successful customization of products around core design, large product portfolio and collection of internal conversation among engineers to decrease time to market, easy access to Asian market, talent and availability of capital. For example, from 1983 to 1985 during recession of semiconductor industry, Samsung allocated significant capital to build capacity. My company has a cost advantage with cheap labor, regulation and better sourcing and manufacturing as well as lower depreciation costs.



We will utilize these low cost and differentiation moving forward to get ahead of the competition. With the products set with these strategies we should see an increase in the market share.

### *3.3. Promotion Strategies*

Samsung has a multitude of promotion strategies. Our company likes to pull customers in with advertising and push products on customers with special sales and promotions. First of all Samsung gives offers and discounts to its trade partners to get them to push Samsung products over the competition. This helps our company get ahead of the competition in sales.

Specific promotions my company will use for our wireless devices is pull in customers with commercials, media, and publicity. The way we push products on people is to have great sales promotions; like discounted pricing and rebates.

#### *3.3.1. Customer Service*

Securing product quality is a priority task at Samsung Electronics. To promote quality awareness and instill this culture throughout our organization, we newly declared our Quality Vision and Quality Pledge in 2009. Under the slogan “Perfection in Quality beyond your Imagination,” the vision states that the company is “providing quality products which customers around the world can have faith in and take pride in, leading to ultimate satisfaction by fulfilling their immediate and potential needs.” To this end, the company implemented the five-point Code of Conduct. They are “Customer centric” “True to basics”, “Professionalism”, “Quality workmanship” and “Creating customers for life.” Through quality accountability and prompt handling of customer demands, we will cultivate lifelong customer loyalty. In 2009, we received a total of 49 million customer inquiries and grievances (Korea: 19 million, overseas: 30 million) on product purchase, repair, usage and other issues. That’s about a 10% increase from 2008 when we received 44 million inquires. Samsung Electronics takes swift action to handle inquiries through the regional contact center or website. In Korea, we obtained CCMS (Customer Complaints Management System) accreditation from the Fair Trade Commission in 2008. This has allowed us to secure a solid foundation to handle customer complaints in a prompt manner. On the global front, Samsung Electronics revamped the customer response system based on Korea’s CCMS and created a standard response system for 14 major subsidiaries. For systematic management of customer complaints and inquiries, we established an integrated VOC management system for global customers in 2009. The system will help us gain valuable insight into customer needs and offer information on product planning, development, sales and service. In addition, each subsidiary is operating a response network to address possible product safety accidents swiftly and effectively. Accidents are immediately reported to relevant departments and top executives to deliver appropriate solutions.

### *3.3.2. Advertising*

Advertising is a huge factor in our company's communication strategies. Samsung spent about \$14B in 2013 on advertising and promotions alone. This number was about 5.4% of their annual revenue and more than any of the competition. Samsung does this because they would like to be seen as a top innovator and a world known brand. Samsung uses advertising to target the tech happy people that know about all the hardware and software, as well as people who buy just for the image.

One major sales promotion we will really be focusing on his TV commercials. The reason for this is because it really reaches out to people all over the world. If we can reach more people then we can attract more. We should be able to gain a 5% market share increase after 2 years.

### *3.3.3. Personal Selling*

Personal selling is of huge importance to our company because many times, that's the main way people get Samsung products. If customers want to see the product in person or learn more about it then they have several Samsung retail stores that are stand alone stores or in giant corporate stores. Samsung even sells to dealers who also have their own salespeople. One example is Samsung phones. Samsung sells their phones to Verizon, At&t, Tmobile, etc. Then those dealers sell their phones to their customers as well. An incentive program for our salespeople is the high commissions off of the phones. Generally, Samsungs have higher commissions than iphones because Apple does not run promotions or drop the price until the next one comes out. Another incentive Samsung runs is a sales based incentive where you can get a free phone, tablet, etc.

### *3.3.4. Sales Promotion*

Sales promotion is extremely vital in my company and something that is not taken lightly. Samsung values its communication strategies spending more than \$18 billion in 2013 alone on sales promotion that include marketing activities aimed at boosting sales by the issuing of coupons and providing rebates among other financial incentives given to consumers and retailers. This total more than quadruples the combined marketing spending of Apple and Microsoft the previous year. This is the heart and soul of how sales of Samsung devices have continued to flourish among fierce competitors.

## *3.4. Distribution Strategies*

Samsung is present in various channels in the market working on the channel markings concept of three segments: Sales and service dealers, Modern retail and Distributors. Sales service dealers coordinate key accounts for Samsung involving corporate sales and also open exclusive Samsung showrooms. The Modern retail segment entails large retailers like Croma, Hypercity, Vijay sales, Vivek's and others in the modern electronic retail chain. Retailers keep Samsung as an option for their customers because it is a highly branded product. In a plethora of cities, Samsung has a single distributor who distributes throughout a specific territory. An example can be found in Mumbai where Samsung has SSK distributors distributing all Samsung products. They have a huge investment in Samsung products, hence all Samsung material is sold to a single distributor who in turn sells it forth to retailers. Furthermore, Samsung products are available by e-commerce. Other distributors include HHP Distributors, Consumer Electronics Distributors and IT Distributors. My company uses a various and interesting distribution network in order to reach its variety of customers in ways that are convenient to them. This allows for customers to obtain Samsung products in many different ways, bringing many customers and generating profit.

### 3.5. Pricing Strategies

Pricing strategies my company is using is skimming pricing and competitive pricing. Skimming pricing is when Samsung comes out with a new product it waits until a competitor comes out with a similar product to drop the price or run a promotion. We are using this because the product holds a higher value over the competitors until another company matches or defeats that which will get customers to pay for that higher price for a certain period of time and in turn, achieve more profits. The other pricing strategy is competitive pricing. In markets other than mobile phones we really need to utilize competitive pricing. The reason for this is because some companies really focus on just one certain area and at times actually have better products than Samsung. Samsung has to have prices generally lower or about equal to their competitors to keep a high share in the market.

The pricing strategy that we really should use for our company most often is competitive pricing. Our main focus is the wireless industry and there is a lot of competitors in this market. They should use higher pricing for their more innovative phones and lower prices for their general base phones; as well as the other products. This way we can increase our sales annually.

### 4. Controls

Controls we will use include customer feedback, target market sales, budgeting and market share. Since marketing is designed to persuade customers to purchase our products, the monitoring of customer feedback through polls and surveys is crucial for monitoring marketing

plan progress. Our generated profit is important and with our marketing plan we set out to determine the effect made on our target market. This can be done again through surveys or at the point of sale with the assistance of retail partners. We will compare actual sales in the target market to marketing plan projections in order to make the necessary adjustments. Next, budgeting consist of the balance between costs in generating advertisement materials and revenue created by the marketing plan. We will monitor print and multimedia advertising expenses, research and other costs to minimize spending and maximize profitability. This way we can maintain our budget and see exactly where spending increases come from. Lastly, marketing share consists of the percentage of consumer sales dominated by our products. We will monitor our place in the marketplace to make sure that we are maintaining at the top of our specific market in percentage of sales compared to our competitors.

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