**Samsung’s Strategic Plan**

**New Mexico Highlands University**

**Management 489**

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**Executive Summary**

Samsung Electronics is a huge multinational company, with a focus on the electronics industry. Founded by Lee Byung-Chul in 1969 and eventually passed on to current CEO Dr. Kwon Oh-Hyun, the company has grown into an industry leader, ranking 2nd behind Apple in terms of global market share. Samsung is ranked 13th on Fortunes Global 500 list for 2016, and has been on the list for 22 straight years.

Samsung is one of the top electronics manufactures in the world, producing the most LCD panels, televisions, and memory chips in the world to go along with their renowned smartphone lineup and many other products that they offer. Samsung’s SWOT analysis is favorable, with the company having many strengths that give them the opportunity to grow even further in the future. The company is not without their weaknesses, however, with their biggest ones being their competitors, mainly Apple, as well as the fact that Samsung does not have their own operating system for their products.

Strategies and recommendations were made for Samsung. These include topics such as the research and development team, legal team, management, advertising and marketing, global expansion, and recommendations on areas to utilize funds. The strategies and recommendations that were made for Samsung are some that can greatly help Samsung in their pursuit to surpass Apple as the number one company in the electronics industry. Samsung has all the resources, tools, and now a strategic plan to take over the electronics market, and further improve on their substantial revenue in the coming years.

**Introduction**

**Company Introduction**

Samsung Electronics is a member of the Samsung group and is the flagship division, accounting for nearly three-quarters of the groups revenue. They are one of the top electronics manufacturers in the world. Although the company is named “Samsung Electronics”, ownership and consumers alike simply refer to them as “Samsung”. The company was founded on January 13,1969 by Lee Byung-Chul, who also founded the Samsung Group thirty years earlier. The current CEO of Samsung is Dr. Kwon Oh-Hyun, and he has been the leader of the company since 2012. Samsung is a multinational company, with its headquarters in Suwon, North Korea. Their headquarters is affectionately called “Samsung Digital City”. “Samsung Digital City might as well be a city. Within 390 acres of office space, there are almost 35,000 Samsung employees, 4 landmark office towers, up to 38 floors high, 131 smaller buildings with more labs, offices, recreational facilities, and a guesthouse for visiting researchers.” (Samsung Newsroom, 2014) Additionally, Samsung is one of the largest electronics manufactures in the world and produce a variety of products. “Samsung Electronics is a global leader in semiconductors, telecommunications and digital media technologies, and one of the most valuable brands in the world…Samsung employs more than 300 thousand people worldwide and spends more than 10 billion U.S. dollars on research and development each year. This investment has paid off; in 2015, Samsung was the company with the second highest number of U.S. patents granted, just behind IBM.” (Statista, 2016)

**Vision & Mission Statements**

Samsung has some lofty goals for themselves and this is reflected in their current vision statement that was created in 2009 when the company turned forty years old. Their vision statement is as follows; “Inspire the world, create the future”. “For the uninitiated, Samsung celebrates its 40th anniversary today. And expectedly, they also announced their future strategy, which they call “Vision 2020”…Samsung plans to attain revenue of $400 billion by 2020 that will make them one of the top 10 companies in the world in terms of annual sales.” (Kanal, 2009) Additionally, Samsung’s mission statement provides a glimpse at how the company operates. Here is their mission statement; At Samsung, we follow a simple business philosophy: to devote our talent and technology to creating superior products and services that contribute to a better global society. As is seen, Samsung is dedicated to making the best possible products that they can, so that consumers can have the product that they want.

**Products**

Samsung offers a variety of products including cell phones, computers, tablets, televisions, appliances, audio, and memory devices. “Aside of having a strong presence in the mobile market, Samsung is also successful in the display, TV and semiconductors industry. Samsung has been the world's largest television manufacturer since 2008, when the company held a 20 percent share of the global LCD TV market. Samsung’s market share has stayed rather consistent in the last few years, varying between 19 and 21 percent. The South Korean giant is also the world's largest producer of LCD panels, and has the greatest share of the global market for NAND Flash memory. Lastly, Samsung has a strong presence in the global semiconductor market, as the company holds about 11 percent of the market share.” (Statista, 2016)

**Target Market**

Samsung’s target is very broad, due to the fact that electronics can meet a variety of different needs and for different purposes. The target market is very similar for most electronics companies. Samsung tends to target the middle-income class of people in a wide range of needs. This is because they offer everything from cell phones to appliances. Their products are also reasonably priced to be competitive as well, and that is why they do so well. Samsung combines great products, great prices, and a great reputation together to attract their target market.

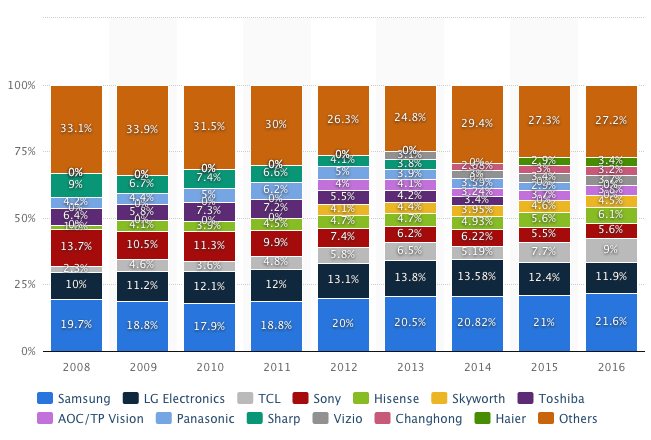
**Basic Financial Position/Statistics**

This final portion on the introduction to Samsung will be about their basic financial position and statistics. The following data was derived from *Fortune.com.* Samsung’s global revenue for 2016 was $177.37 billion USD. Their net income for 2016 was $28.88 billion USD. Samsung is also ranked #13 on Fortune’s Global 500 list, and have made this list for an astonishing 22 straight years, with no signs of coming off of the list any time soon. Furthermore, Samsung is also ranked as the 35th most admired company by Fortune. Finally, Samsung is 2nd in market share behind Apple in the electronics market. This is a statistic that Samsung is fighting to change, because of course they want to be number one.

**SWOT Analysis-Internal Environment**

**Strengths**

Every great strategic plan needs to have a SWOT analysis included. That is what will now be discussed for Samsung, starting with their internal environment. First, we will start with Samsung’s strengths. Samsung produces very innovative products and they have a large patent portfolio. The company had the second highest number of patents granted in 2015 as stated by *Statista.com* and the company’s products like their curved TV’s and cell phones are just a couple of examples of their innovative products. Samsung also has a large amount of celebrity endorsements. This helps Samsung attract consumers. Also, Samsung is one of the global leaders in electronics, which is a great strength. The company produces the most LCD screens and TV’s in the world. “Samsung held a worldwide TV market share of 18.8 percent.” (Statista, 2016) Samsung’s market share has steadily increased.



Samsung’s next strength is that they manufacture their own products. This allows the company to have decreased costs. Next, Samsung offers quality products that are competitively priced. Consumers like Samsung’s products, so the fact that their prices are comparable to others is a great strength. Then, there is the fact that Samsung has strong brand awareness and customer loyalty. Their logo and brand is extremely recognizable and consumers tend to stick to Samsung’s’ products because they are loyal to the brand. Samsung’s strong brand awareness partly comes from their great marketing campaigns. Their tag line of “the next big thing is here” is very recognizable as well. The next strength of Samsung is a big one and it is that they are in consumer’s evoked set. When consumers are thinking of electronics to buy, Samsung is usually one of the companies that consumers think about immediately. Next, Samsung has strong customer service, and they are consistently ranked on lists for customer service. Another strength is that Samsung is a large company with the resources to continue to improve. Samsung’s resources allow them to be able to adapt to the changing market at all times, and continue to develop products. Samsung’s final strength is that their products are mass distributed and are easily acquired. Consumers can easily find the Samsung products they are looking for, so this makes it easy for the company’s products to be sold.

**Weaknesses**

Although Samsung has many strengths, they are not without their weaknesses. First, Samsung lacks their own operating system and software. Whereas Apple has OS X, Samsung’s products run off of Google’s operating system, and that is a big weakness. Next, the company has a relatively low operating margin in order to maintain low prices. “During the second quarter, Apple generated a 38% operating margin on its iPhone sales…Samsung, meanwhile, was able to nab a 17% operating margin on the sale of its many smartphones” (Reisinger, 2016) Samsung is also heavily reliant on consumer electronic sales in markets with limited potential for growth, such as the United Sates and Europe, for much of their revenue. These markets are already heavily saturated, so growing room is limited. “After several years of accelerated growth, the U.S. market is feeling the effects of market saturation and smartphone ownership that's lasting longer than once expected.” (Hamblen, 2014) Samsung also operates in a huge industry, with many competitors looking to take them down. The company is a top dog in the market, so they have a target on their back at all times. Finally, a big weakness is that Samsung is seen as second best to Apple. The cell phone and computer markets are the two top electronics markets in the world and Apple is ahead of Samsung in both. This weakness of being second fiddle is not good for perception, and Samsung needs to change that.

**SWOT Analysis-External Environment**

**Opportunities**

The focus will now be shifted to Samsung’s external environment. The company has many competitors such as Apple, HTC, HP, Sony, and Lenovo just to name a few. The electronics market is extremely competitive. However, this does not mean that there are not any opportunities for Samsung. In fact there are a few opportunities that Samsung can take advantage of. There is a growing demand for smartphones around the world. More and more countries are starting to have a large demand for smartphones. This is great for Samsung because their cell phones are their best sellers, and they have the opportunity to tap into these emerging markets. Cell phones aren’t the only market growing. In fact, the whole electronic market in general is growing and that is awesome news for a company like Samsung who offers a variety of products for different needs. They have the opportunity to grow their appliance lineup, and get a greater amount of the market share in that category if they can effectively market their products and show that their appliances are just as good as their phones and TV’s. Another opportunity is that new technologies are always on the horizon. With Samsung being an electronic leader, they will have the ability to utilize or find these new technologies to be the first to use them. Also, Samsung is starting to have a greater online presence, and this is great and well timed, especially with the emergence of online shopping. Finally, there is a growing middle-class around the world in many countries. As was stated earlier, Samsung’s target market consists heavily of the middle-class, so Samsung has the opportunity to grow even further.

**Threats**

The final part of the SWOT analysis for Samsung is their threats. Of course the biggest threat is Apple. They are a dominant brand in the industry, and a major threat to Samsung. If Samsung wants to remain successful, they have to continue to keep pace with Apple. Also, Samsung needs to think about creating their own operating system. Google’s has many detractors, and they could eventually forbid Samsung from using it, especially if Google launches their own lineup of electronics. The next threat is that there are many other established competitors besides Apple. These competitors may not have the market share that Samsung or Apple currently do, but they are all aiming to become a top brand, and it could be at the expense of Samsung if they are not careful. Furthermore, all of these competitors have nearly the same target market. Not many target the upper class, only a select few “luxury” companies do. The lower class also doesn’t offer the opportunities that the middle-class does. This means that all these companies are fighting over the same target audience. The final threat, although somewhat minor, is that there is increasing competition for traditional retail space. More outlets now carry more and more brands. This means that Samsung’s display area gets smaller with more competition. Of course Samsung still has the edge, but this “retail war” can still have an effect on Samsung’s bottom line because consumers may be swayed to another product, even if they initially went for a Samsung product. All in all, Samsung’s SWOT analysis shows that the company is sitting in a pretty good position, but they need to be careful how they navigate the coming years.

**Strategies & Implementation/Recommendations**

**Research & Development**

An important part of any strategic plan is the strategy development, implementation, and recommendations. This will be the final part of Samsung’s strategic plan that is discussed. Samsung is known for its innovative products. This is something that has put the company on the map and has kept them extremely relevant. A strategy must be developed to keep Samsung’s innovation and technology as a strong point. Here is what is recommended for Samsung. Due to the influx of products on the market, as well as a growing market, Samsung will need to expand their research and development team. The following statement is directly from Samsung’s website;

“Innovation is crucial to Samsung's business…One of Samsung's strongest assets is our team of talented researchers and engineers. More than a quarter of all Samsung employees 42,000 people work at our 42 research facilities around the world…A critical way that Samsung responds to the highly uncertain business environment and the increasingly competitive marketplace is through our commitment to R&D. Each year we invest at least 9% of our sales revenue in R&D activities. Samsung is committed to leading technology standardization and securing intellectual property rights.”

The strategy that Samsung will employ will be to increase the amount of researchers they employ by 3% each year to compensate for the growing market. They will also increase their number of research facilities to 45 within the next 3 years and will up the percentage they put towards R and D to 12% of sales revenue per year. Research and development is a critical part of Samsung’s success so the increase in employees, facilities, and sales revenue is necessary and the new and improved products and technology that is discovered and created will more then make up for it.

**Legal/Law**

Samsung is continuously trying to find the next big thing and developing new products. Due to this fact, it is recommended that Samsung employ a strong legal team and employees that ensure that the R and D team is not in any violations for copyright or employee claims. The company already has a strong legal team, but due to the expected growth of the company, its resources, and the market, it is recommended that this team be built up even more. A huge company such as Samsung is always susceptible to lawsuits and other claims, so it is important that their legal team is up to the task of defending them, knowledgeable of regulations, and ready for a variety of issues. Having a strong team that knows the law is an underrated resource for a company, especially one like Samsung.

**Management**

Management will be critical for Samsung. Due to the strategy that was recommended previously, it is recommended that Samsung employ increased training for the increase of employees. The training will cover rules and regulations of the company and the industry, as well as what is expected of them. Samsung has a human resource center in Brazil to help with training, but it is recommended that another similar center be created to aide in the increase of employees, as well as to give employees more individually focused training so they grasp concepts more efficiently. Here is a description of the human resource center in Brazil; “The center will cater for Samsung employees from the Caribbean and Latin America. “As a demonstration of our commitment to Latin America, our fourth largest global operation, we are investing heavily in the infrastructure of our regional office to develop our talent. We want to offer employees an intelligent and inspiring working environment which encourages a balance between professional and personal life, and reaffirms our commitment towards our people, innovation, vision and civic responsibility”. (Avery, 2014) By creating another center in one of their larger markets, Samsung will be able to field a large group of knowledgeable employees, as well as give employees a place that can help them with issues to help keep them happy.

**Advertising/Marketing**

The next type of strategy that was developed and will be recommended for Samsung is advertising. Advertising is a critical component for any company, but it is especially important for electronics companies. A digital marketing plan will be great for Samsung to show off their products capabilities, as well as meet new standards for consumer viewing. Consumers are online more then ever now, so a digital advertising plan will work great. Traditional TV commercials are no longer as valuable as they once were because people use DVR’s to record their programs and skip commercials. Instead, Samsung will make commercials for online use such as ads for YouTube videos. The next part of the advertising strategy will be to have an expansive social media presence. There are millions of consumers who utilize social media, and it is a great place to interact with consumers. Special deals will be posted on social media, and Samsung will employ more social media managers to interact with consumers and respond to compliments as well as complaints. The goal for Samsung’s social media plan will be to become extremely interactive with consumers to build trust and show transparency. This will go a long way to continuing success. Traditional advertising still has a place and should not be avoided. It is just recommended that a digital plane be employed as well. The final part of Samsung’s advertising strategy will be endorsements. This doesn’t exactly fall in line with the digital aspect that the company is going for, but it does promote word of mouth marketing, and this marketing usually occurs online on social media sites. Samsung has a lineup of celebrity endorsers that span a variety of areas from sports to musicians. However, the company will be well served to expand their lineup to reach an even larger amount of consumers. Their target market is so large, that Samsung can employ a variety of different endorsers to reach their market. Actors, broadcasters, celebrity chefs and many other celebrities in a variety of fields can be used to endorse their products, because not everyone watches sports or is interested in music. Endorsements are a great way to help Samsung continue to be a top competitor in the electronics market.

**Global Expansion**

A company can never be content with their current market, and they have to look at ways that they can expand. For a huge company like Samsung, global expansion is a great tool to remain competitive. There are many markets that are on the rise that are looking for more electronics. It is recommended that Samsung consider having a larger presence in these expanding markets. An example would be Africa. The following quote is from *VOANews.com;*  “In a report released Wednesday, the Groupe Speciale Mobile Association (GSMA) said the continent of Africa is also the world's second largest mobile market by connections, after Asia. The GSMA said Africa outpaced all other mobile phone markets in a three-month period of this year, when it reached 649 million connections. The report said the number of mobile phone users in Africa has increased by nearly 20 percent every year for the last five years. And it predicted the robust growth to continue.”

**Funds**

What companies do with their funds is always an interesting topic. As was mentioned earlier, it is recommended that 12% of sales revenue should go to research and development. A large portion of course has to go to operating costs, manufacturing costs, and advertising, but what about the rest of the sales revenue? It is recommended that Samsung use a small portion of their funds on building their reputation through charitable contributions. Charitable contributions are a great way to attract customers, and with Samsung’s large revenue amounts, a 1.5% budget for charitable contributions can go a long way. In a competitive industry like electronics, an advertising budget of 15% to 18% is necessary to compete with others. The rest of the funds again will go to operating, manufacturing, and overhead costs.

**3 Year Outlook**

Samsung is near the top of the electronics market, and it is fully expected that the company will still be in the top two in the next three years. Samsung has all the tools necessary to stay at their current number two spot, and even make a run at the top position. Perhaps the R and D team can create other electronic products, and launch Samsung into new product markets. Some creative ideas could be creating a drone, gaming console, and online music service to compete in those respective product markets. Samsung has the resources to enter these product markets as well. Due to the fact that Samsung is a big player in the electronics market, they may be contacted about partnering. It is recommended that the company carefully consider options. A company like Microsoft may be a beneficial partner for Samsung. Microsoft may be able to aide Samsung in creating their own operating system for their products and Samsung can help Microsoft create new products as well. However, like stated previously, partnership offers need to be carefully considered because there are not many companies that can aide a giant, global company like Samsung. It is also expected that Samsung will continue to be a leader in innovation, and that they will produce products that consumers want, and even some that have never been thought about.

**Conclusion**

Samsung is a global leader in the electronics market. Their revenues and market share illustrate this. They are a company that many competitors are coming after. This means that Samsung needs to continue at their current pace. I firmly believe that they will not slow down because they have many competitors chasing them that are pushing them, but Samsung is also tired of playing second fiddle to Apple. I believe that Samsung is going to do everything that they can to catch and surpass Apple in the coming years. Their SWOT analysis showed that they are in a good position to do so, but they just have to correct a few issues. The strategies and recommendations that were made are also some that are believed to help Samsung in their goal to be number one. Even if Samsung never does take the number one spot from their biggest competitor, they are still going to be in a great financial position. Samsung has made the Global Fortune 500 list for 22 straight years. This shows just how committed the company is to what they do and meeting the goals that the company has laid out. Samsung is a well-respected company that produces innovative products that consumers love. Their innovativeness is what separates them from everyone else, and is what I believe will eventually propel them to their coveted goal of being number one in the electronics market. Hopefully this strategic plan is one that could potentially help them in their pursuit.

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