Group member: Le Thi Tuong Vi - To Thi Hue
Le Phuong Ngoc - Dang Kim Ngoc

a better life
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Part 1: Background to Samsung’s road to Internationalization:

Introduction:

In the era of modern technology and innovation, for over 70 years, Samsung has been dedicated to making a better world through diverse business that today span advanced technology, semiconductors, skyscraper and plant construction, petrochemicals, fashion, medicine, finance, hotels and more. Samsung Electronics leads the global market in high-tech electronics manufacturing and digital media.

Samsung Electronics is one of the world's largest semiconductor manufacturers; Samsung Electronics is also South Korea's top electronics company. It makes many kinds of consumer devices, including DVD players, digital TVs, and computers, color monitors, LCD panels, and printers; semiconductors such as DRAMs, static RAMs, flash memory, and display drivers; and communications devices ranging from wireless handsets and smart phones to networking gear. The company, which is the flagship member of Samsung Group, also makes microwave ovens, refrigerators, air conditioners, and washing machines. Nearly half of sales come from the Asia/Pacific region. Top industries for Samsung Electronics Co. are memory chip and module manufacturing, communications chip manufacturing, wireless telephone handset manufacturing.

Though innovative, reliable products and services, talented people, a responsible approach to business and global citizenship, and a collaboration with their partners and customers, Samsung is taking the world in imaginative new directions.

In our group assignment, we will focus on Samsung Electronics Company- a flagship subsidiary of Samsung Group, as the most successful and renowned representatives of the giant. It aims to help others have a closer look to Samsung business, especially in Vietnam market.
1. Brief History:

Unlike other electronic companies Samsung origins were not involving electronics but other products.

In 1938 Samsung was founded by Byung-Chull Lee in 1938 in Taegu, Korea. The company started as a food exporter in Korea and shipped items like dried fish and flour to China. Within a decade Samsung had flour mills and confectionary machines and became a co-operation in 1951.

![Taegu, Korea. Source: Official Samsung Company History](image)

From 1958 onwards Samsung began to expand into other industries such as financial, media, chemicals and ship building throughout the 1970's. In 1969, Samsung Electronics was established producing what Samsung is most famous for, Televisions, Mobile Phones (throughout 90's), Radio's, Computer components and other electronics devices.
Samsung got into other businesses throughout the 1950s and 1960s, including life insurance and textiles.

1987 founder and chairman, Byung-Chull Lee passed away and Kun-Hee Lee took over as chairman. In the 1990's Samsung began to expand globally building factories in the US, Britain, Germany, Thailand, Mexico, Spain and China until 1997.

In 1997 nearly all Korean businesses shrunk in size and Samsung was no exception. They sold businesses to relieve debt and cut employees down lowering personnel by 50,000. But thanks to the electronic industry they managed to curb this and continue to grow.

The history of Samsung and mobile phones stretches back to over 10 years. In 1993 Samsung developed the 'lightest' mobile phone of its era. The SCH-800 and it was available on CDMA networks.

Then they developed smart phones and a phone combined mp3 player in the end of the 20th century. To this date Samsung are dedicated to the 3G industry. Making video, camera phones at a speed to keep up with consumer demand. Samsung has made steady growth in the mobile industry and are currently second but competitor Nokia is
ahead with more than 100% increase in shares.

2. The Samsung philosophy: “to devote our talent and technology to creating superior products and services that contribute to a better global society”.
The company Values:
At Samsung, a rigorous code of conduct and these core values are at the heart of every decision it makes.

People: At Samsung, it’s dedicated to giving people a wealth of opportunities to reach their full potential.

Excellence: Everything done at Samsung is driven by an unyielding passion for excellence—to develop the best products and services on the market.

Change: In today’s fast-paced global economy, change is constant and innovation is critical to a company’s survival. They set their sights on the future, anticipating market needs and demands.

Integrity: Operating in an ethical way is the foundation of the business.

Co-prosperity: Samsung is dedicated to being a socially and environmentally responsible corporate citizen in every community.

3. Vision 2020:
Samsung motto: “Inspire the World, Create the Future”.
The company looks forward to exploring new territories, including health, medicine, and
biotechnology. Samsung is committed to being a creative leader in new markets and becoming a truly No. 1 business going forward.

4. Samsung major sectors of operation:
Samsung is comprised of companies that are setting new standards in a wide range of businesses, from consumer electronics to petrochemicals, from advertising to life insurance. They share a commitment to creating innovative, high quality products that are relied on every day by millions of people and businesses around the world.

a. Electronics Industries:
Samsung Electronics Company is the flagship subsidiary of the Samsung Group and has been the world's largest information technology company by revenues since 2009. Samsung Electronics has assembly plants and sales networks in 61 countries and employs around 221,000 people.

Samsung Electronics is the world's largest mobile phone maker by 2011 unit sales and world's second-largest semiconductor chip maker by 2011 revenues (after Intel Corporation). It has been the world's largest television manufacturer since 2006 and the world's largest maker of LCD panels for eight consecutive years. It has the largest market share worldwide in memory chips. The company is the world's largest vendor of smartphones since 2011. Samsung has also established a prominent position in the tablet computer market, with the release of the Android-powered Samsung Galaxy Tab.

The company focuses on four areas: digital media, semiconductor, telecommunication network, and LCD digital appliances, with the worldwide famous products: televisions and mobile phones.

a.1 Samsung televisions:
In 2009, Samsung sold around 31 million flat-panel televisions, enabling it to maintain the world's largest market share for a fourth consecutive year. Samsung sold more than one million 3D televisions within six months of its launch. Samsung became the first company in the industry to have the full line of 3D offerings, including 3D television, 3D Blu-ray player, 3D content, and 3D glasses.

In 2007, Samsung introduced the Internet TV, enabling the viewer to receive information from the Internet while at the same time watching conventional television programming. Samsung's range of Smart TVs has many exclusive applications which can't
be found on any other Smart TV.

**a.2 Mobile phones:**

Samsung's flagship mobile handset line is the Samsung Galaxy S, which many consider a direct competitor of the Apple iPhone. While many other handset makers tend to focus on supporting one (or at most two) operating system, Samsung has kept supporting a wide range of operating systems in the market: Google Android, Symbian, Microsoft Windows Phone, Linux-based LiMo, and Samsung's proprietary Bada. Samsung sold 235 million mobile handsets in the year 2009. At the end of the third quarter of 2010, the company had surpassed the 70 million unit mark in shipped phones, giving it a global market share of 22 percent, trailing Nokia by 12 percent. Overall, the company sold 280 million mobile phones in 2010, corresponding to a market share of 20.2 percent. Partially owing to strong sales of the Samsung Galaxy range of smartphones, the company overtook Apple in worldwide smartphone sales during the third quarter 2011, with a total market share of 23.8 percent, compared to Apple's 14.6-percent share. Samsung became the world's largest cellphone maker in 2012, with the sales of 45 million smart phones in the first quarter.

**b. Machinery and Heavy Industries**
**c. Chemical Industries**
**d. Financial Services**
**e. Other Affiliated Companies**
5. Business Profile:

### Income Statements

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>136,324</td>
<td>154,630</td>
<td>165,002</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>10,925</td>
<td>17,297</td>
<td>16,250</td>
</tr>
<tr>
<td>Net Income</td>
<td>9,761</td>
<td>16,147</td>
<td>13,734</td>
</tr>
</tbody>
</table>

### Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>112,180</td>
<td>134,289</td>
<td>155,631</td>
</tr>
<tr>
<td>Liabilities</td>
<td>39,135</td>
<td>44,940</td>
<td>53,786</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>73,045</td>
<td>89,349</td>
<td>101,846</td>
</tr>
</tbody>
</table>

### Balance Sheets

<table>
<thead>
<tr>
<th>Cash flows from Operating activities</th>
<th>18,522</th>
<th>23,827</th>
<th>22,918</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>(14,177)</td>
<td>(23,985)</td>
<td>(21,113)</td>
</tr>
<tr>
<td>Cash Flows from Financing Activities</td>
<td>(1,364)</td>
<td>(152)</td>
<td>3,110</td>
</tr>
</tbody>
</table>

In 2011, Samsung achieved sales revenue of KRW 165 trillion with an operating income of KRW 16 trillion, an increase of 6.7% in sales over 2010. The company financial structure remains robust, with 32.1% liability ratio, 75.7% capital adequacy ratio and KRW 10 trillion in cash after deducting outstanding loans.

At the end of 2011, Samsung Electronics recorded a rise in share price of 11%, or KRW 1,058,000, compared to 2010, exceeding the market return. Shareholders were paid an interim dividend of KRW 500 per share and a year-end dividend of KRW 5,000 per share.

Investment in facilities totaled KRW 20.9 trillion in 2011 and is expected to increase to KRW 24.2 trillion in 2012.

Samsung Electronics ranked 17th on the Interbrand Best 100 Global Brands 2011, with an estimated brand value of USD 23.4 billion, a 20% increase over 2010.
The corporate profile in 2011:

<table>
<thead>
<tr>
<th>Amounts in Billions</th>
<th>Won</th>
<th>Dollars</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>254,561.5</td>
<td>220.1</td>
<td>165.9</td>
</tr>
<tr>
<td>Total Assets</td>
<td>391,391.9</td>
<td>343.7</td>
<td>258.7</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>230,688.5</td>
<td>202.6</td>
<td>152.5</td>
</tr>
<tr>
<td>Total Stockholders’ Equity</td>
<td>160,693.5</td>
<td>141.1</td>
<td>106.2</td>
</tr>
<tr>
<td>Net Income</td>
<td>24,497.9</td>
<td>21.2</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Financial Highlights in 2011:

<table>
<thead>
<tr>
<th>Companies</th>
<th>Employees</th>
<th>Net sales (billions dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics Co.</td>
<td>190,500</td>
<td>135.8</td>
</tr>
<tr>
<td>Samsung Electro-Mechanics Co., Ltd.</td>
<td>24,738</td>
<td>6.12</td>
</tr>
<tr>
<td>Samsung LED Co., Ltd.</td>
<td>4,852</td>
<td>1.2</td>
</tr>
<tr>
<td>Samsung SDS Co., Ltd.</td>
<td>12,365</td>
<td>3.8</td>
</tr>
<tr>
<td>Samsung Heavy Industries Co., Ltd.</td>
<td>13,371</td>
<td>11.3</td>
</tr>
<tr>
<td>Samsung Total Petrochemicals Co., Ltd.</td>
<td>1,100</td>
<td>4.9</td>
</tr>
<tr>
<td>Samsung Techwin Co., Ltd.</td>
<td>5,372</td>
<td>2.7</td>
</tr>
<tr>
<td>Samsung Fire &amp; Marine Insurance Co., Ltd.</td>
<td>5,395</td>
<td>11.7</td>
</tr>
<tr>
<td>Samsung C&amp;T Corporation</td>
<td>8,430</td>
<td>19.75</td>
</tr>
<tr>
<td>Samsung Cheil Industries Inc.</td>
<td>3,896</td>
<td>4.3</td>
</tr>
<tr>
<td>Hotel Shilla Co., Ltd.</td>
<td>1,892</td>
<td>1.26</td>
</tr>
<tr>
<td>Samsung Group</td>
<td>271,911</td>
<td>202.83</td>
</tr>
</tbody>
</table>
The majority of Samsung Net sales comes from Samsung Electronics Co.

6. Analysis of the choice of foreign markets:
Samsung sells its products in the world. It not only sells to cities but also rural areas. In order to privilege consumers, Samsung holds promotional events to attract shoppers. Now we will focus both on the forces driving Samsung to develop offshore networks and on the struggle to adapt the nature of its networks to its capabilities. Particular attention will be placed on the networks connecting its offshore affiliates in the US and Asia.

In the USA
Samsung focus on the Psychological Innovators, or the Demographic High Income segment. As we can see in the chart, Samsung has the highest share of mobile subscribers while the US giant-Apple, has taken the second place spot overall.
Samsung is still the market's dominant player, and held well over one-fourth of all U.S. mobile users with 26.3 percent, Samsung Smartphones such as Galaxy S are the most popular.

In Asia
Asia has been an important destination for Samsung’s direct investment for a number of reasons. In addition to the company’s interest in recovering cost competitiveness by utilizing the low-cost resources available in South East Asia, it was also pursuing some of the major customers for its components as well as some of the world’s most dynamic markets.

Samsung’s production presence in Asia is increasingly connected to marketing objectives. To that end, the firm has established ties with mainland and overseas Chinese partners, typically as a pre-requisite for market entry, in addition to establishing its own distribution channels.

Let us take a closer look to Samsung business in Asian market. In Asia, Samsung focus on both high-income and low-income customers, with the wide range of products from expensive smartphones to cheap mobile phones.

Though Apple recently began selling the iPhone, Apple’s share of the smartphone market in China still lags behind Samsung whose share is surprisingly 3 times as large as Apple’s. All told, Apple’s share of the Chinese smartphone market is 7.5% while Samsung’s is 24.3%.
Part 2: Business strategies of Samsung in Vietnam

In Vietnam, Samsung Electronics Co. is the most renowned representatives of Samsung Group. They are one of the main mobile phone sellers in Vietnam, along with household appliances and electronics equipment.

1. External analysis:

a. Macro-environment analysis:

PEST analysis:

Policy

- Vietnam is one of the countries whose political stability and security is appreciated in the region. According to Thompson G (2009), the policies of the current government operate under the name of communist, however, country’s government has a very positive attitude towards welcoming foreign direct investment (FDI) and developing trade relations which are the opposite of the whole Communist systems.
- Diplomacy develops positive.
- The Government has adopted a lot of policies to facilitate foreign firms enter the domestic market, such as:
  + Vietnam government launched “DOI MOI”, economic reforming polices in 1986. In January 11th 2007, Vietnam nominated as the 150th member of World Trade organization. Judging from this statement, Vietnamese government seems to devote to enhance the country’s economy and foreign direct investment.
  + From 01/07/2006, the Enterprise Law 2005 (applicable to both domestic and foreign investment) has come into force, promising the growth of the business by the equality of rights and responsibilities of the enterprise, regardless of the form of ownership.
  + Vietnam also provides a lot of incentive issues to attract FDI flow such as reducing the import-export tariff, reducing the poverty rate, encouraging foreign invested sector and private invested sectors, lowering foreign-currency surrender rate, lowering the restriction barriers and some other guarantees from the government.

Vietnam is more likely to have an increasingly higher political stability (political stability and absence of violence/terrorism -0.32-ranked 92th in the world – encyclopedia of the nations).

According to Deputy Minister of Industry and Trade Le Danh Vinh, from 1/2009, Vietnam is open for the distribution market. The retail market is not only the playing field for domestic and foreign businesses, but also become an attractive market for multinational corporations.

Vietnam has created a competitive and dynamic market economy with attractive investment incentives.

Economic

- Vietnam's real GDP had been growing faster than other countries, with an average growth of 7.32% from 1990 through 2009. In 2009, Vietnam was classified into one of 20 countries whose economy is growing fastest worldwide with GDP growth of 5.3%. World Bank reported that Vietnam's GDP growth reached 6.9% in the fourth quarter of 2009. In 2010, the results in the third quarter showed GDP growth in 2010 so far is 6.52% with a total GDP about $104.6 billion,
equivalent to nominal GDP per capita is $1,218.
- The income per capital is increasing, in which groups of incomes between 500-$1,000/month increase fastest; consumption rate on income of local residents belong highest level in Southeast Asia (about 70% of monthly income).
- Consumption is also proportional to income, creating the high demand for the market.
- FDI (2012 increase 4.3%). Korea stands at top 4 in FDI in Vietnam (1.2 bil $)
- According to a recent report on the 2012 Global Retail Development Index (GRDI) by A. T. Kearney, a US-based global management consulting firm, Vietnam has fallen from its top position in 2008 to 23rd last year, and now out of the 30 most favored retail markets. But the company said Vietnam’s retail market is still attractive, with an expected market size of US$113 billion by 2012 and a growing population of 88.9 million
- Inflation rate: decreasing significantly in the recent year (2009-24.4%; 2010: 11.75%; 2011 – 18.58%; 2012- 6.81%). The inflation rate in Vietnam was recorded at 6.64 percent in March of 2013
- Interest rate: was 2-3 times higher in comparison with others in the same area. However, in recent year, SBV has followed the lowering interest rates policy, which is a positive action to help enterprises overcome difficulties.
In May 10, 2012, the State Bank of Vietnam (SBV) continued to reduce its benchmark interest rates by 1 percentage point p.a on June 11, 2012. (sbv.gov.vn).
- According to a recent report on the 2012 Global Retail Development Index (GRDI) by A. T. Kearney, a US-based global management consulting firm, Vietnam has fallen from its top position in 2008 to 23rd last year, and now out of the 30 most favored retail markets. But the company said Vietnam’s retail market is still attractive, with an expected market size of US$113 billion by 2012 and a growing population of 88.9 million.
All of the elements above proves that Vietnam is still one of the most profitable retailing market in the world and a really attractive market for foreign retailer to invest.

**Social**
- Population:
Vietnam is a populated country, ranking third in South East Asia and 13th in the world. Population is young (the age under 40 accounted for 78%). Each year, there are about 1.5 million people entering the working age. In addition, the human development index in Vietnam increased in three factors: income per capital, life expectancy and education.
- The labor force: Vietnam has a large contingent of workers in the electronics industry. Vietnam’s workforce is estimated at around 42 million of which around 45% are younger than 35 years of age. The labor force is growing an average of 3.5 - 4% a year – faster than the average population growth of 1.4%. Every year, 1.3-1.5 million new workers enter the market. The trend of shifting labor from agriculture to industry and service continues although the pace remains slow. According to statistics of Vinasa on 25/08/2009, the total manpower of information technology Vietnam about 250,000 people, with 50000 in the field of software and digital content.
The e-business, computer hardware: about 100 thousand people with nearly 90% have expertise in electronics, telecommunications, or IT.
The business of software: there are about 35 thousand employees, with 80% IT professionals
The labor force growth in the software and content industry is about 35-40% / year, in the electronics telecommunications industry is 10-15% / year.
Vietnam is well-known for a disciplined, hard-working, and fast-learning labor. Traditions emphasizing learning and respect for authority as well as low wages and a high adult literacy rate are often cited by investors as among one of the most attractive aspects of the country’s investment environment.

- Since Vietnam as a part of Asia with sharing some similarities in social- culture factors with its neighbors like Thailand and Malaysia, so Samsung should consider about how they has been successful in those countries and used it to apply into Vietnam.
- **Customer:**
  + **Shift in consumer demographics:** Some industry insiders said Vietnamese consumers’ shopping habits are changing, with more spending on modern retail outlets due to convenience and health-related issues. 
  + Shift in consumer demographics: Some industry insiders said Vietnamese consumers’ shopping habits are changing, with more spending on modern retail outlets due to convenience and health-related issues. Consumer Spending in Vietnam increased to 1630143 VND Billion in 2011 from 1317588 VND Billion in 2010. Consumer Spending in Vietnam is reported by the General Statistics Office of Vietnam.
  + Vietnamese consumer is sensitive to new applications of technology. Technology product is updated regularly and quickly.
  + Consumers prefer psychological experience, not completely trust the advertising.
  + However, customers are still subject to mass psychology, preferred hot and fashionable products.

**Technology**

According to the Viet Nam Internet Network Information Centre (VNNIC), by the end of June 2012, the number of internet users reached a whopping 31 million (35.40 per cent of the population), of which 4.3 million are landline broadband subscribers.

Meanwhile, Vietnam takes the 18th place in the world's top 20 countries, 8th place in Asia and 3rd place in Southeast Asia Nations (ASEAN)

In term of telecommunication, in 2012, Vietnam ranked top 7 in the world in telephone-mobile cellular (154 mil)

+ Facilities for Research and Development in Vietnam is still poor in comparison with other countries in the area. The budget for R&D in 2012 was 653 mil USD (0.27% GDP). This is much lower than that of other countries in the area (Thailand- 0.3% GDP; Malaysia: 0.5% GDP; Singapore -2.2% GDP).

+ New discoveries/development is very small due to inefficiency in using R&D budget.

Technology of Vietnam is setting at low level. Besides, the auxiliary industry producing spare parts and accessories go to support the domestic electronics industry is growing slowly and do not meet the demand for manufacturers, prompting the international manufacturers to invest in
Vietnam are considering, or has been accompanied by the auxiliary enterprise technology investment, or imported from external markets.

Infrastructure in Vietnam is developing very fast to attract FDI. Road and rail infrastructure is well-developed.

+ Universities in Vietnam is pushing for the training of senior mechatronics to serve the needs of industry development of electrical and electronic products in the country.

**b. Industry analysis (5 forces)**

*The Five Forces That Shape Industry Competition*

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*Rivalry among existed competitor: Strong*

- Vietnam is a potential and attractive market, that’s reason why Samsung have to face a lot of competitors. However, according to the leaderships of Samsung, the company does not care how many competitors, the enterprise know clearly about their advantages.

- In the field of consumer electronics is a race between the major brands such as Sony, LG, Sharp, Panasonic. However, Samsung is gradually asserted their dominance in this market. Report from market research firm GFK Vietnam in the second quarter of 2011 shows that, Korean TV company Samsung have been leading position in the domestic TV market with sales accounting for 30.2% of market share. Compete with Samsung, Sony came in second place with 25.5%. LG, despite being the second position and stick to Samsung in the world but in Vietnam market, manufacturers are only the third position with a market share of TV accounts for 14%.

Meanwhile, a market survey by Neilsen Vietnam has shown that, 93 percent Vietnamese customer choose the Samsung-branded TV model because of displaying the best picture quality, especially with the line size of 40 inches or more. Nielsen’s survey also showed trends of consumers in Vietnam is gradually more interested in high level and expensive television with many modern features. It can be seen that many users
showed special love and attention to the line HDTV 40 inch, 55 inch or the line 3D LED TV, Smart TV Samsung's new generation.

- In late 2011, the board Samsung set a target market leader in refrigerator.
- On the mobile phone sector is fierce competition of the big brands like Apple, Nokia, HTC. In particular, Nokia accounted for 50% of segment basic phone, and Samsung dominates the smartphone market.

**Threat of new entrance: Weak**

Electronics industry in Vietnam is a race of large companies, mostly foreign firms. It is a large scale industry with high-tech requirements, the brands have created trust and a certain position for the consumer. All these things create a very high barrier to entry for new companies established.

Therefore, large companies such as Samsung do not need to worry about new competitors. However, in the mobile phone market, according to the results of the latest survey of IDC Asia-Pacific region indicated that Vinaphone enterprise has run for the top 3, with the introduction of a large number of new phones, to promote strongly dominate the market in the areas where they already dominate the Vietnamese market. This may be one threat to Samsung, when Vinaphone is one of the big names in the Vietnamese market.

**Threat of Supplier: Strong**

Now, Samsung Electronics is the largest smartphone manufacturer and Android. But for some people, that's the problem. Because that Samsung has not resolved the contradictions of the production equipment's operating system. With Google's free Android, Samsung has saved millions of dollars in research and development costs, permits, forcing companies dependent on Google.

Consequences with Samsung and other Android manufacturers is very clear. They have customized Android interface, and when Google released an update for the new operating system, manufacturers must first test before application to the machine. This slow process of upgrading and user trapped in last versions Android will weaken the efforts of Samsung to differentiate its product, the difference lies simply in the design and hardware features. Perhaps that's why many people are saying that the Android models are akin to each other. Samsung is not just phone manufacturers like HTC so it is potential to create the content delivery platform and web services to TV, PC, phone, and connect them. This is the competitive advantage of Samsung.

**Threat of Buyer: Strong**

Loyalty of customers with products of Samsung is not high. Samsung cannot be created effects "Samsung- holic" like Apple. In addition, as mentioned, Vietnamese consumers tend to prefer new products, fashion items, class. So, as long as Samsung keeps its reputation, its innovative
products, the customers will choose Samsung product, and vice versa, they will be easy to choose one other new products more, are considered class.

Substitute: Weak
Mobile phone market is very diverse in types. So, any new products that appear likely to become substitutes for the current phone products in the domestic market. Even within the industry with the development of technology can create substitutes for the industry. Mobile is a substitute for landline and upcoming VOIP will replace both the old product
In addition, the cost of switching between products is negligible, customers can replace their brand easily.

2. Analysis of the strategic issues of Samsung Electronics Co. in Vietnam:
   a. International strategies of Samsung in Vietnam
General analysis:
Cost reduction pressure
+ major competitors have low cost structure
+ contraband goods and counterfeit goods
+ intense competitive rivalry from other competitors: Apple, Nokia, HTC
Pressure for local responsiveness
+ developing Vietnamese language operating system and applications
+ tend to produce more no-cap mobile phone instead of slider mobile phone flip phone
+ growing customer expectation without willing to pay more.
+improved but still poor transportation infrastructure.
+regulatory requirements is cut down but still complicated
⇒ High pressure
In fact, after five years of presence in Vietnam, Vietnam Co., Ltd. Samsung Electronics (Samsung Electronics Vietnam Company Limited - SEV) has marked the spectacular growth, contributes significantly to exportation of Vietnam and makes Vietnam contributed to an important link in the global supply chain of Samsung. Following this success, dated 25-3-2013, SEV set up construction of second mobile and high-tech components factory in Yen Binh Industrial Park, Pho Yen ,Thai Nguyen province, Vietnam.

The investment project in Thai Nguyen province has a total investment of 2 billion U.S. dollars, the total area of the whole project is 100 hectares, of which the area of factory 67ha and 33ha for public works. It will focus on phone manufacturers, product lines, high-tech electronic components. The factory capacity is expected from 10 million to 15 million units / month. According to the plan, by 10-2013 the factories will complete the construction and in 11-2013 will officially go into production. The project is expected to attract 10,000 workers in the first year in operation and can be increased to 30,000 employees in the next year.
The investment projects in Thai Nguyen lies in the investment strategy of the Samsung Group in Vietnam, to bring Vietnam become a manufacturing center of the world's leading mobile phone and Samsung has also become enterprises with 100% foreign capital in Vietnam operations in type of export processing enterprises to implement the production, processing and assembly of mobile phones and other high-tech products, especially the next-generation products line, high-tech applications, commercial value and key products of Samsung like Galaxy S III, Galaxy Tab, Galaxy Note...

In parallel with the investment project in Taiyuan, SEV well prepared to complete a components factory in Yen Phong Industrial Zone (this is the 4th factory located in the industrial zone). 4th factory in Yen Phong Industrial Zone will produce components to help Samsung take control of components and devices for production and restrict the import of components. It is known that mobile phone factory in Yen Phong is now stable in operation with a capacity from 13 million to 15 million units/month, and in 2013, the plant is expected to export its production products worth around 15 billion USD.

According to the latest statistics of GFK, Samsung now accounts for 34.2% market share in the mobile market and a 47% market share in the global smart phone market. The Samsung electronics Vietnam in Bac Ninh and high-tech combination Samsung Thai Nguyen SEVT are typical examples of foreign investment projects in Vietnam, make Vietnam along with South Korea, China, India and Brazil become a strategic link in the global supply chain of Samsung.

⇒ Samsung is using adaption strategy to bring its product as well as its brand close to Vietnamese customers.

b. Business strategies of Samsung in Vietnam
b.1. Corporate-level strategy
Full Vertical integration
Samsung Electronics is an electronics and information technology giant based in South Korea. It “operates using a vertical integration model which leverages all aspects of the manufacturing process from raw materials to electronics components to fully-assembled products” (Eisenberger, Li, Mitrenko, Vajrapu and Xu, 2003).
Samsung Electronics is also one of the world’s largest suppliers of electronic components, and a top supplier of Sony, Apple, Dell and Hewlet-Packard (Yoo-chul, 2010). It is interesting to note that while it is a specialized supplier of electronic parts and components, about a third of its revenue “comes from companies that compete with it in producing the TVs, cell phones, computers, printers and cameras where it gets the rest of its money” (Ramstad, 2009).
"People look at our businesses and see vertical integration. It really isn't," says David Steel, a Samsung senior vice president and marketing strategist. "It's a portfolio of component businesses and consumer-product businesses and, within that, we don't compromise on the idea that each business is charged with its own success." Of course, it is vertical integration, but what Mr. Steel is saying is that they treat each business as a stand-alone entity that must show it can compete effectively... no guarantees that a component production unit will be able to operate at capacity.
simply because the company could use all those components in finished products. The components unit must prove it's doing a better job than external players that could be suppliers to the finished product divisions at Samsung.

⇒ vertical integration is biggest strength of Samsung.

_Diversification_

The global strength of Samsung provides flexibility – being a global organization enables it to find the best sources of raw materials, together with the best locations in which to manufacture and assemble its products. Samsung has 26 factories across the world, therefore its global nature has also resulted in an internationally recognizable brand name. Because Samsung operates in so many product and market areas, it combines all its expertise, technology and facilities in order to improve product development. This is known as ‘synergy’.

Samsung first started moving into businesses such as insurance, securities and retail. Later, upon borrowed foreign investments, Samsung ventured into the telecommunications industry with Samsung Electronics. With the support of South Korean President; Samsung developed the first dynamic random access memory chip. Most importantly Samsung are leading in the production of memory chips, chipmakers and liquid-crystal display panels. Considered as a strong competitor in the world of electronics, Samsung highlighted innovative strategy and expanded production rapidly to become the worlds' largest producers of DRAM chips, flash memory, optical storage and recently liquid crystal displays. In addition Samsung strives to improve by delivering innovative products such as the TV and monitor industry's thinnest LED TV's and most compact color laser printers and multifunctional devices. Being a global leader in telecommunications equipment; Samsung plays the role in development of the next generation of 4G-network.

San Francisco Chronicle on Thursday reported that the first quarter of this 2012, South Korea's Samsung Electronics succeeded beyond Apple to become the world's largest shipper of smart phones, Samsung overtook Apple's secret weapon is the diversification of product specifications. Samsung's only Galaxy Note branded smart phone in the sale of the species up to 13 screen size from 2.8 inches to 5.3 inches, covering almost the entire size range of smart handheld mobile terminals. In contrast, Apple iPhones mobile phone screen size is only 3.5 inches of a specification.

The article said that the diversification strategy has become Samsung beyond Apple's holy grail. Neil Mawston, an analyst at the Institute of Strategic Analysis (Strategy Analytics), headquartered in London, said that Apple must broaden their product line, or face the risk of market share decline.

The statistics show that , Samsung Electronics is not only beyond the Apple become the world's first smart phone shipments, but also beyond the Nokia become the world's largest mobile phone terminal shippers. The first quarter of Samsung Galaxy series phones shipped 93.5 million
compared with last year surged 36 percent, mobile phones Nokia shipped 82.7 million, down 24 percent compared with last year.

Neil Mawston said: "Samsung to launch new products very quickly, only mobile phones a year, there are more than a dozen products to market," he said: "Almost all types of consumers can pick in the Samsung mobile phones to their own satisfaction.

Hong Kong consulting firm Sanford C. Bernstein & Co. analyst Mark Newman said: "The variety of product specifications Samsung to win the market." He said: "The Samsung mobile phones is not only the technical specifications and more kind and a wide price range, different income groups consumers can find an affordable products in the Samsung mobile phones. While Vietnam is still a developing country, standard of life is only at medium level, this is a really huge advantage of Samsung over other competitors in Vietnam market. From our point of view, we recommend Samsung to develop forward vertical integration as well as develop backward integration

b.2. Business-level strategy:
Building blocks of competitive advantage

Against powerful forces:
- Competitive rivalry: Samsung has heavy investment in R&D while Apple has high price,long innovation cycle and simple product line.
- Bargain power of customers: The company has short innovation cycle -3 months. The capabilities are not limited to phone at premium price. It has broader product line with the famous motto- ‘‘ smartphone is for everyone’’
- Risks of differentiation strategy: There has been a continuing format war between Android,iOS,RIM ,Wins 7/8. That means the company must spend heavy investment in R&D
- Brand power, logistics, IP:
  - High-margin products
  - Create value chain that integrates competencies of all areas
  - Customer and market oriented

- Digital Vision:
  - Innovation, meeting challenges and creativity
  - Target debt-to-equity ratio: 50%
  - R&D: 7% of total revenues
  - Overseas partners:
    - Joint R&D projects
    - Technology transfer arrangements
    - Joint investments

c. Organizational structure of Samsung in Vietnam in 2012

As can be seen from the chart, Samsung Electronics Co. applies a centralized and flat structure. Also, they have multidivisional structure with several features: each divisions is operated as a separate business, greater control at each division, strategic business-unit form (SBUs), decreased coordination needed between SBUs. Additionally, they have global product group structure so they must apply well the global standardization strategy.
d. Modes of entry market of Samsung in Vietnam

Samsung Electronics has conducted market branches expansion all over the world, including Vietnam. In 1996, Samsung Electronics Co., the Samsung Vina, a joint venture between the Company the TIE and Samsung Electronics (South Korea) was established. Vietnam is a potential market for foreign companies. Especially in the 1990s, electronic items were becoming more and more important in Vietnamese people’s lives. They have set goals for themselves as expanding and becoming the leader of market share, world-class products and brands. However, at that time, Japanese electronic products such as Toshiba, Sony… dominated almost Vietnam market and persuading consumers to accept their products is the first challenge for Samsung Vina. More difficulties as the time Vietnamese appreciated products from Japan for quality. They just preferred Korean products for low price, while Samsung did not want to lower their values by selling products at lower prices than Japan's products. Quality problems could be solved through technological solutions and management techniques, but how to give consumers information and products’ acceptance is not simple. Youl Eom, general director of Samsung Vina decided to bring the latest models in accordance with the tastes of Vietnam which were really suitable for Vietnamese. Meanwhile, to reduce price, many companies launched products which appeared in Thailand, Malaysia 3 or 4 years ago. The proposal of Mr. Eom helped Samsung Vina have new product with excellent design, integrated steam technology and new features in the market, thereby they have attracted the attention of customers. Based on their researches, the company found that each family owns only one color TV, it serves several generations of the family, even for neighbors so they need a big TV with the built-in speaker. Samsung Vina has produced and marketed product lines "Super Horn” with five times the capacity of conventional television. This product quickly creates a turning point, making TV Samsung become one of the leading brands in terms of market share in Vietnam. By 2005 Samsung Vina manufactured and consumed 1.5 million dollars with total revenue of $ 317 million (of which exports $ 63 million) increased 35 % compared with 1996. Samsung knew that Vietnam was a young developing country as the GDP of Vietnam has been increasing quickly in recent years. Vietnamese has higher requirements of a product that can support their works and improve their appearances. Besides, they also want products that have a reasonable price . By 2000s, Samsung developed their products to be smarter, cheaper and more fashionable. They have invested to produce products having some unique features and helping people a comfortable life at a acceptable price. Now, Samsung could be consider to be the leader of smart electronics devices market who always break normal standards by launching Samsung LCD, Samsung 3D ,smart TV , refrigerator connecting cell phone, super smart skinny phone, ….

The preparing for business of Samsung into Vietnam can be divided into 4 steps
- researching customer habits, comparing their competitors
- concluding, identifying their visions and aims.
- making a specific plans and modes
-giving specific steps for each modes

By that steps, Samsung get into Vietnam easily.
They based on a detail analysis about Vietnam market, economy of Vietnam in 1996 ( when Vietnam was highly appreciate in potential ), they have suitable modes/ plans for each period when the economy/ political/ competitor/ technology in Vietnam changes.
Samsung products are not only superior products but also the popular products. For example, recently, some Vietnamese people prefer some smart phone to show their styles and enjoy the highest technologies, Samsung immediately launches Samsung Galaxy series. However, some others do not have much money but they also have demand for a smart fashionable phone and of course, it must be cheap. Samsung shows their Samsung galaxy X, Y… which can be satisfied customers. They make smart products but not forget their aim: raise their share market in all field, make Samsung the most popular brand. Almost Vietnamese people’s houses do not have one Samsung product: tivi, refrigerator, washing machine, air condition, printer, laptop, cell phone… from the lowest to highest prices. Step by step, Samsung make Vietnamese believe and account for a huge market share of electronic appliances in Vietnam.

They now become one of the biggest producer by seeing these charts below, we would know how much Samsung develop their values.

e.1. Financial statements
These financial statements are the responsibility of the Company’s management which is given by Samsung at the end of each year. Now, let’s take a closer look

e.1.1. Consolidated statements of financial position: from our group research, the total asset of company has been increasing incredibly from $90,231,919,000 in 2009 to $134,944,294,000 in 2011. It means after only 2 years, the total asset of Samsung rises nearly 2 times. The most important part is cash and cash equivalents has gone up to $12,738,889 from 8,912,047 in 2009 that Samsung makes more profit and they has quick payment capability. They always try to maintain a stable business structure with a nearly 50% liability ratio and over 65% capital adequacy ratio and around 20% return on equity. Doing forward, they is predicted to improve.

e.1.2 Financial statement:
As the reported of Financial times, Samsung electronics ranks 17th on the Interbrand best 100 global Brands 2011 ,with an estimated brand value of USD 23.4 billion, a 20% increase over 2010. So how did they do to increase their values?
Here, we have Samsung’s income statement, balance sheets as well cash flow statement. (the number is shown in billions of KRW)

<table>
<thead>
<tr>
<th>Income Statements</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>136,324</td>
<td>154,630</td>
<td>165,002</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>10,925</td>
<td>17,297</td>
<td>16,250</td>
</tr>
</tbody>
</table>
As we can see, although operating profit come from business activities of Samsung is decreasing in 2011 but this number is quite high compared to revenue of company which accounts for nearly 10% of sales. Moreover, Operating activities bring Samsung a huge profit.

e.2. General view about other Samsung businesses:

* Visual Display Sector:
By developing technological excellence and superior design, Samsung Electronics has earned the No. 1 global market share across all TV product lines every year since 2006, including flat-panel TVs, LCD, smart TVs and 3D TVs. Last year they continued that blistering pace. In 2011, they achieved sales of 47.69 million TV units, a 5.7% increase over 2010 and 25% over 2009.

2011

* Digital appliance sector:

In this field Samsung got a very good result when are developing innovative products and advanced features that add immediate value to everyday life. Their smart appliances include air conditioners that can detect weather forecasts and then recommend efficient operating modes, as well as refrigerators that can shop online. For a typical example, thanks to these innovation, Samsung is going to becoming a leader of the world who has the more than 14% refrigerator market share all over the world.
*Mobile communication sector:

Samsung believes that “Smart devices, making a life extraordinary”. Thus, they focus to develop their products that are smatter, nicer and reasonable at price. This can be considered as succeed key for the future of Samsung. Over 3 years, Samsung launched Samsung galaxy series, notes and tabs. As reported Worldwide demand for mobile phones was a staggering 1.5 billion units in 2011.

Samsung Electronics accounted for 330 million of those units, far exceeding our target. We realized impressive growth in smartphone sales as well. The bestselling Galaxy S II sold more than 20 million units since its launch in April 2011. The strength of the Galaxy brand further lifted sales for the mass- market Galaxy Ace and Galaxy mini. In 2009, Samsung Electronics recorded robust sales of only 227 million units but in 2010, the number rose up to 280 million units and reached a 327.4 million units by 2011. That was really incredible growth!

In this March, they introduced their newest smart phone: Samsung galaxy IV- which has been waited for new smart phone generation. Although galaxy S IV does not meet up people hope enough, this smart phone is still a mile stone of Samsung and brings them a lot of profits.
* Office equipment sector: Laptop, copier, printer are becoming more and more important to our life, especially people who work in office. Samsung understand that mobile PC market was plug, they have sustained growth by focusing on must- have technological innovations and distinctive premium design. In the first half of 2011, they entered the premium PC market with the Notebook Series 9. In the latter half, they released more innovative products, including the upgraded Series 7 Chronos and the high-performance portable Slate PC, achieving sales increases of 28% compared to 2010.

Moreover, in the printer sector, they are concentrating on the consumer market with a full line of eco-friendly and cost-effective mono-laser printers and multifunctional copiers.

* Digital imagining sector:
At Samsung Electronics, they are elevating our brand image and recognition by increased offerings of premium digital cameras and digital camcorders. Via the NX 111, NX 10. WB550, Samsung since 2010, has achieved the largest share in digital sector.
*Memory and semiconductor sector:

In these fields, Samsung intend to play a major role in the growth of the green IT industry as they implement our Green Memory strategy, which emphasizes high-performance memory products with lower power consumption. Their differentiated product competitiveness has awarded them the No.1 position in the worldwide memory market for 18 years in a row. They consistently lead the industry, and began the world’s first mass production of 30nm-class 2Gb DDR3 DRAM, 30nm-class 4Gb LPDDR2 DRAM, 20nm-class NAND flash memory, 512GB SSD and more.
e.3 The Samsung stock price:
As the chart shows, the stock price of Samsung trends to increase rapidly. Over 3 years, the price of Samsung stock rose double times from 0.8M on 11n January 2010 to nearly 1.6M on the beginning days of 2013 despite the price was lowest at 0.7M on August 2012. This was results of various big productions launched in 2012 such as Samsung galaxy S II, III, Note II, etc. On the day Samsung galaxy S IV was introduced, the number went down. However, On 22 March 2013, the price stock is $40,000.00 increased 2.75% compare to previous day. From our point of view, the stock price is anticipated to increase, without significant rise.
Part 3:

Generally speaking, the company not would have survived and grown to such colossal size unless it had a unique and effective corporate culture, values, and goals. Samsung is devoted to its customers, as well as human resource and up-to-date technology. As the company has always been growing since its inception, the mission statement of the company has been somewhat unique because it “responds both to its own change, and to new development in the world: Economic contribution to the nation; priority to human resources; pursuit of rationalism.” This compound statement reflects exactly Samsung’s corporate values, goals, and mission. In global scope, Samsung has made splendid leap from a Korean local mite to a multinational giant. Samsung has become one of the biggest mobile phones sellers in Vietnam, along with other competitors namely Apple, HTC, Nokia and Sony Ericsson.

As for harsh competition, surely Samsung is currently marketing its products in a very competitive market as Vietnam, with tens if not hundreds of brands competing for market share. Samsung, however, has secured its share in Vietnam market by implementing various strategies, from business-level strategies to corporate-level strategies. These strategies not only involve marketing decisions, but production and operations as well.

To improve the competitiveness of Samsung in Vietnam market, the company has a simple term to keep the pace, and do not stop the development and growth. In conjunction with effective advertising campaigns and high quality products, company’s publicity induces Vietnamese customers to purchase, purchase, and purchase more. The company’s publicity is good; people simply trust Samsung. In addition, because of Vietnamese people’s increasing awareness of the Green industry, Samsung had better take the leading position in delivering innovative eco-friendly products to consumers and are committed to product stewardship throughout the entire life cycle of their products. The green management policy is likely to guide and support the continuous enhancement of greener environment through all of business activities including product design, manufacturing process and workplace operations.
Appendix:


3. Samsung official website: www.samsung.com/uk


