

Analysis of Samsung Notebook Strategy

Case study for Samsung Notebook

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1.Introduction

Since late 2002, with downward price and longing battery usage, plus the newly Wireless connection, Notebook became the mainstream in the PC industry. From the global market perspective, the sales of notebook increases rapidly and gradually overwhelm the sale of desktop. The Chinese market is the most dynamic and fast-growing market in the world, due to the huge potential, it is considered among the most markets for all PC makers. Consequently, the market competition is more and more fierce.

Samsung is one of the most diversified conglomerates in the world, the Samsung notebook is ranked the No.1 in South Korea, and has broad presence all over the world. Facing the competition, Samsung hopes that with its technology and brand advantage, the Samsung notebook could become a successful player in the Chinese market.

1.1 Background

The thesis will take Samsung's notebook division as an example, to make research on its marketing strategy, to find out the correct direction to expand its market share in China. As a relatively new player in this market, Samsung faces very challengeable environment, and the experience or strategy Samsung adopts will be helpful for other companies which want to build up their own competitiveness, including the branding, distribution building etc, in Chinese market.

1.2 The Purpose and rationale of the paper

I want to take a thorough review of Samsung's marketing strategy, to find out a sustainable strategy for the company's continuous growth, to improve its market share in Chinese market.

1.3 Methodology of Case Study

I will use PEST model, Port's Five Force model to analyze the internal and external environment, find out the factors affecting the company's performance. Then I will use SWOT matrix to analyze the opportunities, threats, advantages and threats for Samsung, combined with the analysis on questionnaires, to set up a suitable marketing strategy and the detailed enforcement instructions for Samsung

1.4 Disposition

Based on the challenges Samsung Notebook division faces, I will make a deep research and analysis on each relevant factor, and propose advises from marketing strategy's perspective for Samsung.

According to the structure, the detailed content includes:

The first part (Chapter 1 and 2): Propose the background and meaning for this thesis, point out the research purpose and methods of it.

The Second Part (Chapter 3): Make a deep research on Samsung's external environment, especially for the developing trend perspective to analyze the industry environment; and the competition environment for Samsung.

The Third part (Chapter 4 and 5): Introduce Samsung's background, the current situation, and its performance in Chinese market. Analyze the weakness and strength, point out the potential challenges for its marketing strategy. Meanwhile, based on survey conducted with Samsung China, make a deep analysis on the customers and grasp the characters of potential Samsung's buyers.

The Third part (Chapter 6,7 and 8): Use SWOT, SPACE model to make quantity analysis, set up the marketing goal and competitive strategy for company's further development, then give advises and recommendation via 4P model to Samsung based on my understanding on the industry as well as the company which I work with.

The fourth part (Chapter 9 and 10): Summarize the thesis and acknowledgement.

The survey questionnaire is attached also.

2. Theory

2.1 PEST Model

The PEST Model refers to political, economic, socio-cultural, and technological sectors of the macro-environment. Some business strategists argue that these sectors need to be analyzed before a firm develops a strategy. Below is given examples of items that should be considered in each sector.

- Political - Changes in regulations, taxes, or the political party in power.
- Economic- Changes in national and global growth, interest rates, and employment.
- Socio-Cultural - Age distribution of population, education levels, and life-styles.
- Technological - New technologies being developed outside of the firm's home industry.

2.2 SWOT Analysis

SWOT Analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective.

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's

unique value chain. SWOT analysis groups key pieces of information into two main categories:

- Internal factors – The strengths and weaknesses internal to the organization.
- External factors – The opportunities and threats presented by the external environment to the organization.

2.3 4P's Mix

A "Marketing Mix" is the set of controllable, tactical marketing tools that work together to achieve company's objectives, they are: product, price, promotion and place. Although some marketers have added other P's, such as personnel, packaging and physical evidence, the fundamentals of marketing typically identifies the four P's of the marketing mix as referring to:

- Product - A tangible object or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units. Intangible products are often service based like the tourism industry & the hotel industry. Typical examples of a mass produced tangible object are the motor car and the disposable razor. A less obvious but ubiquitous mass produced service is a computer operating system.
- Price – The price is the amount a customer pays for the product. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product. The business may increase or decrease the price of product if other stores have the same product.
- Place – Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It can include any physical store as well as virtual stores on the Internet.

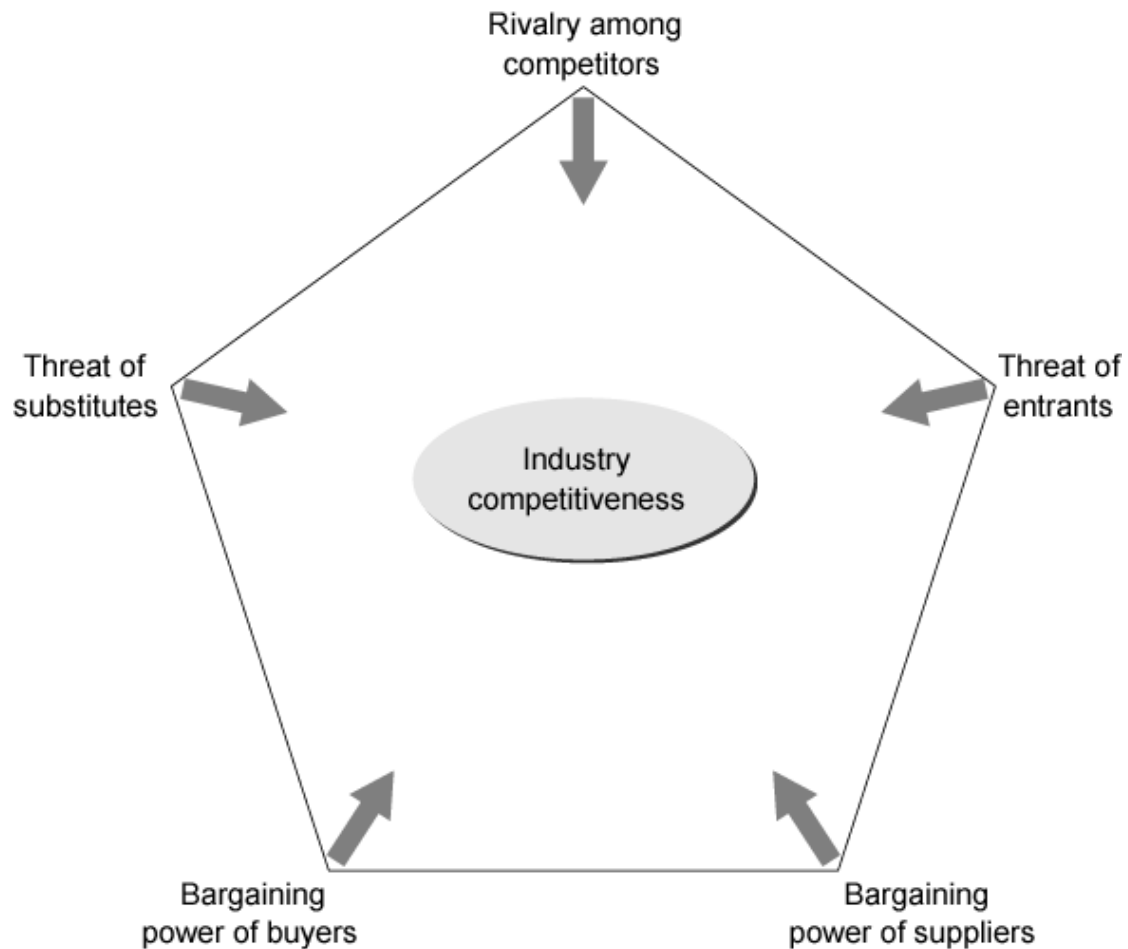
- Promotion – Promotion represents all of the communications that a marketer may use in the marketplace. Promotion has four distinct elements - advertising, public relations, word of mouth and point of sale. A certain amount of crossover occurs when promotion uses the four principal elements together, which is common in film promotion. Advertising covers any communication that is paid for, from and cinema commercials, radio and Internet adverts through print media and billboards. One of the most notable means of promotion today is the Promotional Product, as in useful items distributed to targeted audiences with no obligation attached. This category has grown each year for the past decade while most other forms have suffered. It is the only form of advertising that targets all five senses and has the recipient thanking the giver. Public relations are where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word of mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and Public Relations

2.4 Porter's five forces

The industry-based view of strategy is underpinned by the five forces framework, first advocated by Michael Porter. This model consists of five forces, which are (1) the intensity of rivalry among competitors, (2) the threat of potential entry, (3) the bargaining power of suppliers, (4) the bargaining power of buyers, and (5) the threat of substitutes. A key proposition is that firm performance critically depends on the degree of competitiveness these five forces have within an industry. The stronger and more competitive the five forces are, the less likely that firms in an industry are able to earn above-average returns, and vice versa (Mike W.Peng,2006)

Figure 1: The Five Forces

Framework



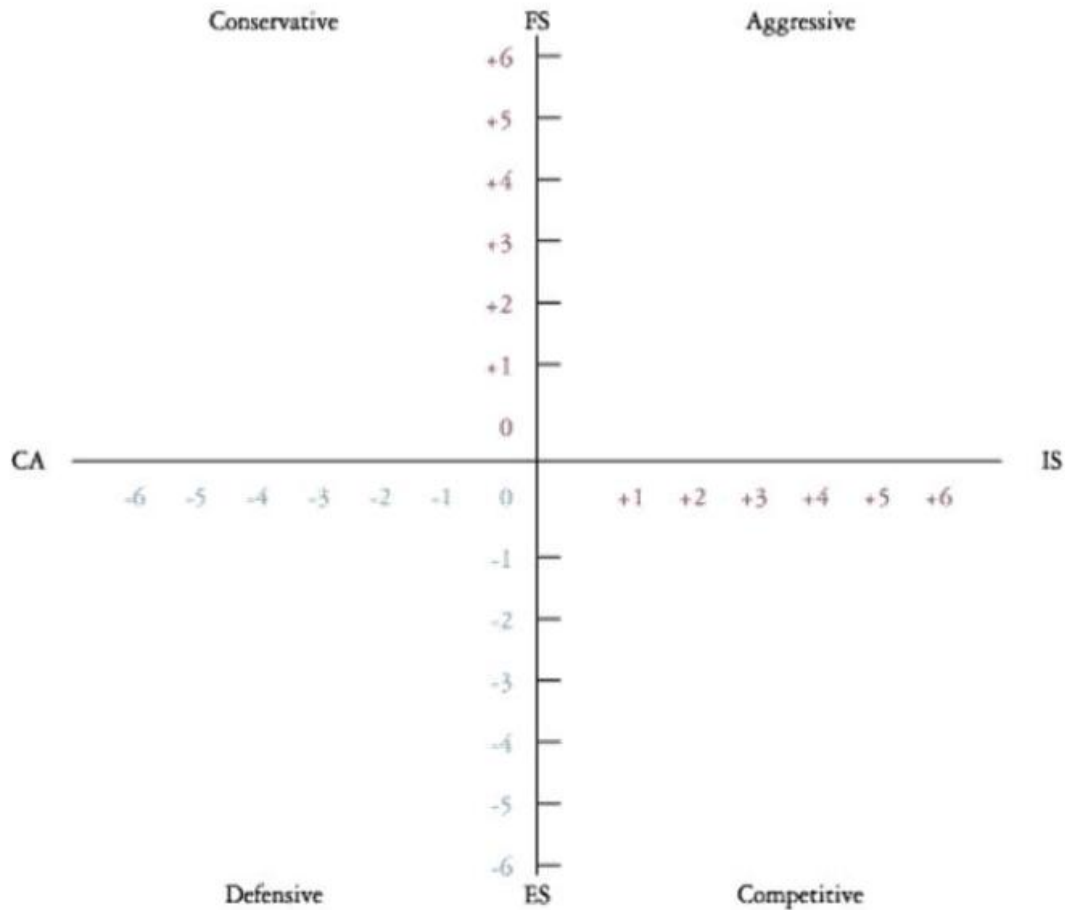
- **Rivalry among competitors:** There are at least six sets of conditions that will cause intense rivalry. They are 1) A big number of competitors 2) Similar size of competitors 3) Infrequently purchases 4) A high increasing margin of new unit capacity 5) Slow industry growth
- **Threat of potential entry:** The incumbent's primary weapons are entry barriers. There are at least 5 attributes associated with high entry barriers. 1) The scale-based low cost advantages. 2) The non-scale-based low cost advantages. 3) Product differentiations 4) Excess capacity 5) Government policy banning or discouraging entries.

- Bargaining power of suppliers: There are four conditions that lead to strong bargaining power for suppliers. 1) Only few firms dominate the supply industry. 2) Suppliers provide unique, differentiated products with few or no substitutes. 3) The focal firm is not an important customer for suppliers 4) Suppliers can enter the focal industry by forward integration.
- Bargaining power of buyers: There are four conditions that can give strong bargaining power to the buyers 1) A small number of buyers leads to strong bargaining power 2) The products do not clearly produce cost savings or add value for buyers 3) The products are standard, undifferentiated commodities 4) The buyers have economic difficulties 5) The buyers can enter the focal industry through backward integration.
- Threat of substitutes: Two areas of substitutes are particularly threatening. 1) The substitutes have superior quality and function when compared to existing products. 2) The switching costs are low.

2.6 SPACE Matrix

The Strategic Position and Action Evaluation or the SPACE Matrix is a four-quadrant framework which indicates whether aggressive, conservative, defensive, or competitive strategies are most appropriate for a given enterprise or company. The SPACE Matrix Analysis is most often employed during professional market analysis of a firm. The axes of the SPACE Matrix represent the two internal dimensions of a competitive firm which are its financial strength or FS and its competitive advantage or CA] and two external dimensions which are environmental stability ES and industry strength or IS. These four factors are the most important determinants of an

enterprise's overall strategic position in the marketplace. A generic SPACE matrix is detailed below:



Depending upon the type of firm and its industry, a number of variables could make up each of the dimensions represented on the axes of the typical SPACE Matrix. Factors that are typically included are those found in the firm's External Factor Analysis and its Internal Factor Analysis (EFA & IFA) and these should be considered in developing a SPACE Matrix. Other important variables that can be included in a SPACE Matrix examination are a firm's financial performance such as return on investment, leverage, liquidity, working capital, and cash flow commonly are considered determining factors of an organization's financial strength.

The steps required to develop a SPACE Matrix are listed as below:

1. Select a set of variables to define financial strength (FS), competitive advantage (CA), environmental stability (ES), and industry strength (IS)
2. Assign a numerical value ranging from +1 (worst) to +6 (best) to each of the variables that make up the FS and IS dimensions. Assign a numerical value ranging from -1 (best) to -6 (worst) to each of the variables that make up the ES and CA dimensions.
3. Compute an average score for FS, CA, IS, and ES by summing the values given to the variables of each dimension and dividing by the number of variables included in the respective dimension.
4. Plot the average scores for FS, IS, ES, and CA on the appropriate axis in the SPACE Matrix.
5. Add the two scores on the x-axis and plot the resultant point on X. Add the two scores on they-axis and plot the resultant point on Y. Plot the intersection of the new xy point.
6. Draw a directional vector from the origin of the SPACE Matrix through the new intersection point. This vector reveals the type of strategies recommended for the organization: aggressive, competitive, defensive, or conservative.

3. External Environment Analysis

3.1 Industry-based analysis

3.1.1 The review of market development for notebook industry

Since the birth of first Personal Computer with apparent notebook characteristics--Toshiba T1100, Laptop computer so far has 20 years development history. However due to the technological limits, people always struggled to find out a good balance between mobility, computer capacity and energy saving. This situation lasts since the birth of the first laptop till 2003 when Centrino CPU which designed totally differently from the structure of desktop-used CPU. Centrino CPU is excellent in the calculation capacity, and the low energy-consuming design resolves the long-last problem faced by the notebook industry. With the development of other technologies, notebook industry found a good solution between mobility and capability. Since then, the notebook industry became more and more strategically important in PC makers' mind, and they are eager to develop more and more multimedia-functioned notebook products to satisfy the increasing demand in the market.

3.1.2 The global market volume and developing trend

1. The global market volume

According to the report from IDC, the reputable marketing research agency, in 2007, the amount of shipment of notebook mounts to 271.2 million units, increased by 13.4% from 2006. In the global PC industry, including desktop and notebook, HP enforced its leading position as the No.1 PC maker in the world, with market share

from 15.9% in 2006 to 18.2% in 2007. Dell, another American vendor, ranked No.2 in the global market with decreasing market share down to 14.3%. Acer, the Taiwanese PC maker, poised as No.3 with 8.9% market share. Lenovo, the Chinese PC maker is No.4 with 7.4% market share and Toshiba from Japan ranked No.5 grapping 4% market share.

As per Mikko Kitagawa, the PC industry analyst, Europe, Middle East and Africa is the most fast-growing market in 2007. The data also reveals that the growth rate of US market slumps whilst Asian-pacific market still keeps a strong performance.

2. The global market developing trend

Report from IDC says that over the last 3 years, the amount of global notebook shipment increased by as much as 25%, compared to only 10% increase in the desktop industry. IDC predicts that in 2007 the global shipment of notebook amount will increase by 20% to 25% and desktop shipment will increase by 5%. In the mature market such as U.S and West Europe, the sales of new notebook will overwhelm the sales of new desktop between end of 2007 and beginning of 2008.

3.1.3 Chinese market volume and developing trend

1. Chinese market volume:

According to the reports of IDC, by the end of 2009, the whole market size of Chinese PC industry is expected to achieve 30 million:

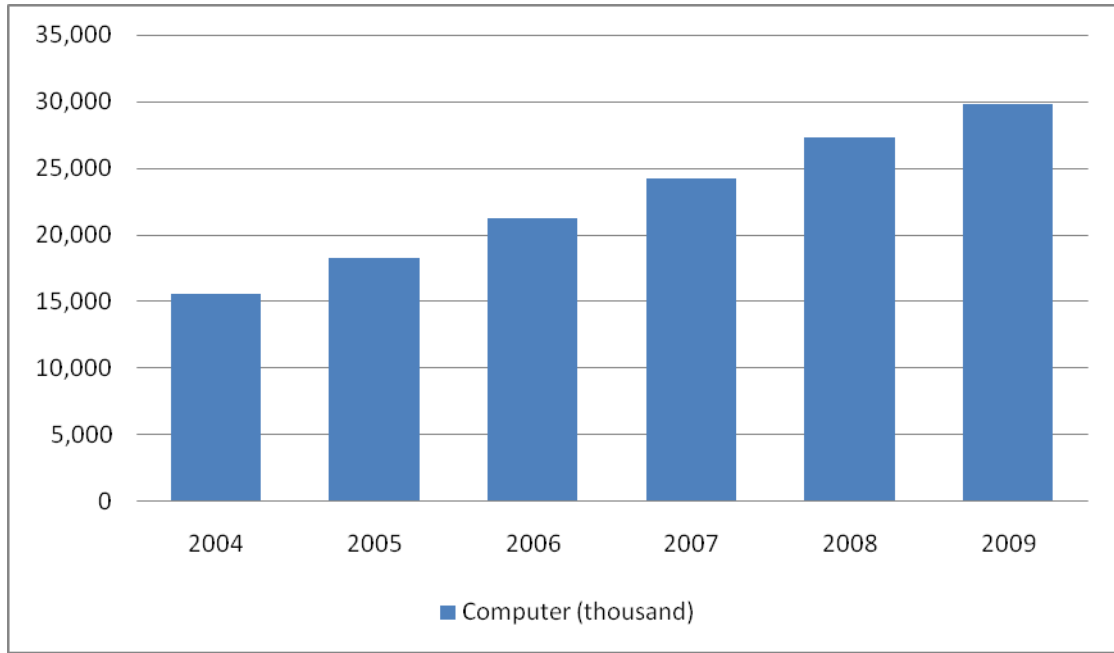


Figure 3-1 Chinese market developing trend

Source from: IDC,2008

Among them, notebook sales will achieve 10 million units, and desktop sales will hit 20 million units.

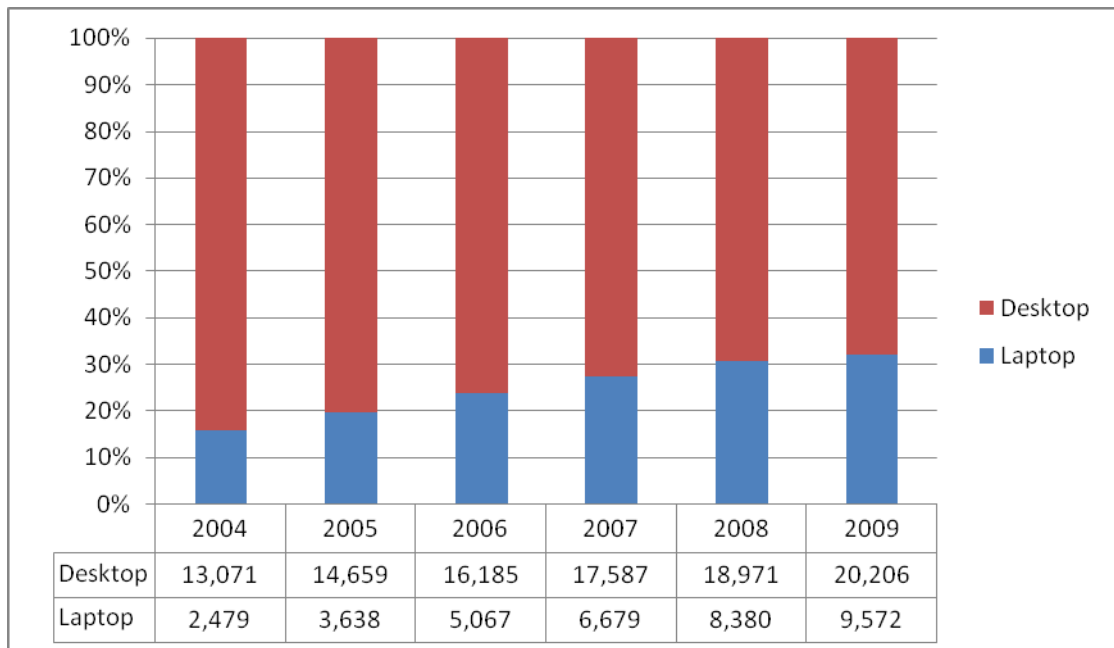


Figure 3-2

Chinese Desktop and notebook market trend

Source from: IDC, 2008

2. Chinese market developing trend

The market share of notebook will increase steadily, in 2009, it is expected to count around 1/3 of the whole PC sales, the trend that notebook will replace desktop is irreversible.

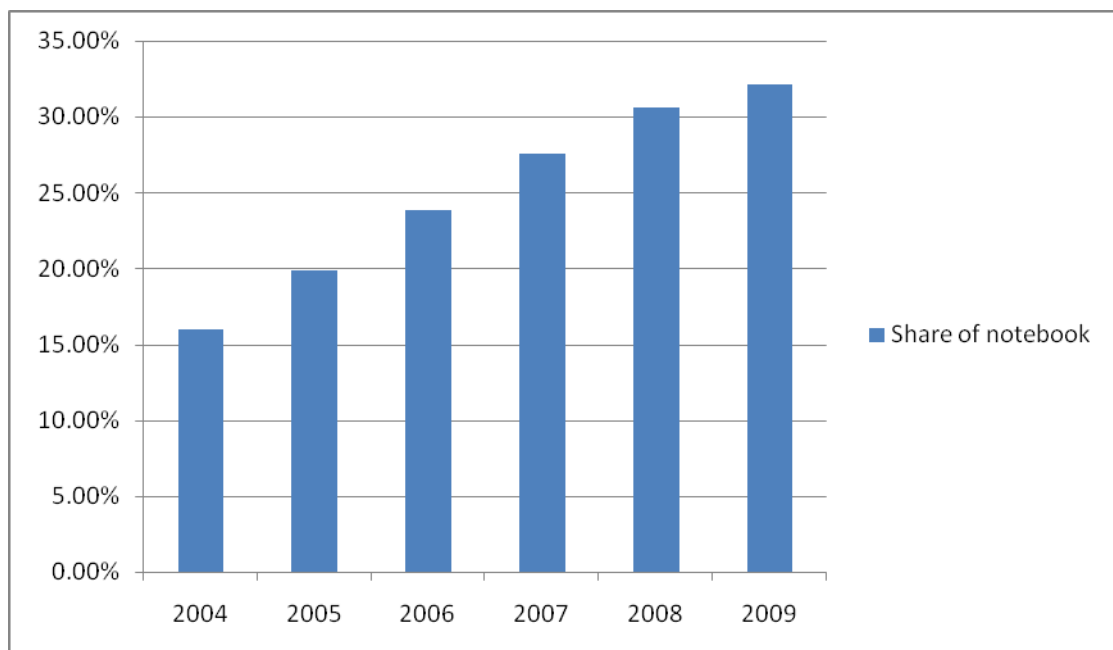


Figure 3-3 1 Chinese notebook market trend

Source: IDC, 2008

Meanwhile, cited from the same resource of IDC, in terms of real sales prices, the top niche market, pricing over RMB 9,000 (1 USD=6.8 RMB) continues to sharply narrow down from more 70% in 2003 to around 20% in 2007. Comparatively, the sales of notebooks under RMB 6,000 increase dramatically, from 2% in 2003 to 38%

in 2007. The market between RMB 6,000 and RMB 9,000 keeps a steady increasing trend, from 26% in 2003 to 42% in 2007.

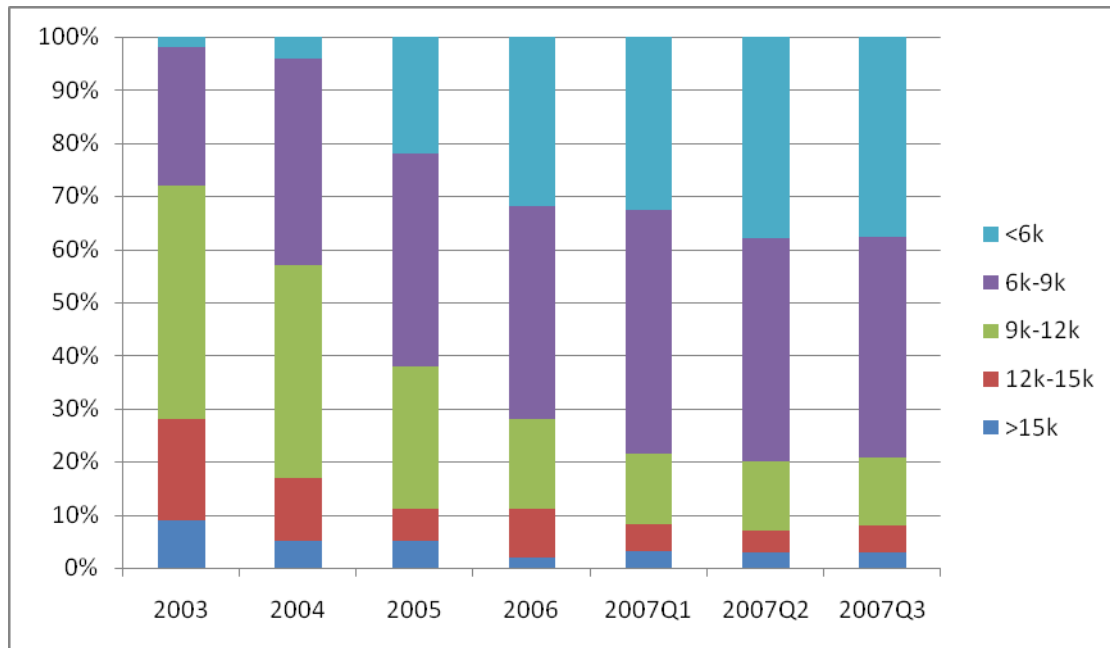


Figure 3-4 Chinese notebook pricing trend

Source from: IDC, 2008

3.2 Macro-environment analysis

3.2.1 International economic environment

Year 2008 is a quite hard time for global economy. The financial crisis triggered by U.S mortgage crisis has plagued the whole world. The global economy will contract sharply in 2009 and will recover only sluggishly in 2010, the International Monetary Fund said on one report calling on governments to sustain or even increase fiscal stimulus next year. The IMF said that world output would contract by 1.3 per cent in 2009 and grow by just 1.9 per cent in 2010 which is a quite pessimistic forecast. The demands from developed countries slumps and consumers are even more conservative

towards purchase in the emerging countries. The crisis not only plagued in the financial sectors, but also affected consequently the real economies.

However, the world realized the problem and started to solve it proactively and initiatively. All the major countries announced huge economic stimulus package to boost the sluggish consumption. The authorities are determined to overhaul the loophole and to assure a more effective and efficient supervision system. The London G20 summit and all other summits reveals positive beacon that the world is working hands on hands to fight against recession, protectism and financial crisis. Emerging market will have take more responsibility and have more rights in the global arena.

3.2.2 Chinese economic environment

In Year 2008, the Chinese GDP achieves 24661.9 billion Yuan, increased by 11.1%. In terms of different industries, the First industry increased by 3.7% to RMB 2391 billion. The second industry increased by 13.4% to RMB 9632.8 billion. The share of first industry in whole GDP is 11.7% which is constant compared to the previous year. The second industry counts 49.2% in whole GDP up by 0.3% and the third industry slides in terms of shares by 0.3% to 39.1% of total GDP.

The foreign exchange reserve hits USD 1528.2 billion increasing by USD 461.9 billion. The RMB currency ratio to USD increased by 6.9% to 1USD equals to 7.3 RMB by end of 2007. The whole tax income is RMB 4944.9 billion excluded the custom tax. The disposable income for urban residents is RMB 13786, increased by 12.2% from last year.

The domestic economy faces lots challenges also. The financial crisis is the key factor. Chinese economy is dependent on exports too much and ignored the domestic consumption for quite a long time, so it need to deal with challenges both from

financial sector and real economy sectors due to the market turmoil and sliding demands from western countries. Meanwhile, lacking technological innovation and creativeness is still a problem for Chinese companies.

3.2.3 Industry environment

PC industry is among the fast growing industries in the IT sector. With increasing computing competency, decreasing pricing, notebook will no longer be the supplement to desktop, and has already challenged the position of desktop. In the US market, the sales of notebook has already overwhelmed the sales of desktop, and in the rest part of world, the growth rate of notebook sales is much higher than the rate of sale for desktop.

The Chinese government enacts one policy that intends to realize nationwide industrialization by realizing informationization first. This policy has been an important factor to sustain the constant growth in IT field. Government and academic institute have huge appetites on IT products, which give strong and sustainable support to the fast growing notebook industry. At the same time, the technical development and fierce competition push the prices downward, gradually releasing the potential consuming demands barred by expensive prices. The fast tapping up of more-sensitive consumer-oriented market gives the Chinese market a new growing point. Last but not least, the accelerated upgrading and replacement of notebook over desktop also play an important role in the market.

The suppliers in the laptop market is a apparent pushing force in the market, in Year 2007, especially the first half, the Chinese IT market appears a very dynamic scenario. As more and more PC makers promote the higher capable, more functional and more customized products, especially with the announce of Centrino IV platform-Santa

Rosa by Intel, by the second half of 2007, Centrino IV platform products have already become the mainstream in the market, and the sales of this high-performed notebooks hit a new record high but with much reasonable prices.

3.2.4 Technology environment

Year 2007 is a special year for laptop industry, which is marked by two issues, first, Microsoft announced the newest operation system, second, Intel promote the fourth generation of Centrino platform- Santa Rosa, these two forces stimulate the development of laptop industry.

The announcement of Forth Generation of Centrino platform has an important influence on the laptop market. Compared to previous version, the Fourth Generation has much better performance. Several months after the first announcement, prices of some of laptops equipped with Forth Generation Centrino Platform decreased, and narrowed the gap between the expectation and real pricing, and more focus was paid to it, pushing the previous platform- the second generation out of the mainstream.

January, 2008, Microsoft announced that the sales of Vista globally has hit 0.1 billion. Although this new version of Windows operation system received many critics and even Microsoft allows the user to downgrade from Vista to Windows XP, It couldn't ignore the towing force from Vista system, the great sales record is believed to have huge impact on the sales of products from PC makers.

The performance of hard disk is always a big challenge for laptop makers, it became one of the most important factors restricting the performance of laptops. In 2007, Hitachi, West data, Samsung announce their new products with two disks of 125GB amount per disk. Laptops equipped with these new products could keep a average reading speech at 45MB/s, it effectively decreases the possibility that the amount of

hard disk becomes the bottleneck for whole performance of laptop. More excitingly, Hitachi's new product, 5K500 with even better capability will come out soon, which gives a positive beacon for the whole laptop industry. Another trend in the hard disk industry is the fast growth of SSD (Solid State Disk), which is using FLASH or DRAM as material. This type of hard disk is even faster in reading and writing, and more flexible in tough working environment. With total different principle in storing, this SSD has very broad market prospective.

3.2.5 Policy environment

In Year 2008, although the Chinese economy faces the financial crisis challenges, it still keeps a relative high growing speech than any other big economies. The authoritarian capitalism makes China easier to weather the financial crisis. The China Communist Party guide the country into a scientific growing path, and with further economic and political reform, the system becomes more and more efficient and optimized. The country now puts more and more emphasis on how to tap up the domestic demand, which will keep the fast growing pace sustainable.

China is among the first countries to announce the RMB 4 trillion (1 USD=6.8 RMB) huge economic stimulus package. Besides some newly announced decrees, the government aims to tap specially the domestic market; it announced a scheme called 'house wares into rural parts' in order to increase the domestic consumption. It subsidizes the good companies, including the PC/Notebook makers to dig out the rural market.

China nowadays has become the producing center for most multinational companies; meanwhile, it becomes the research center for some MNC also. With the opening in financial, retailing industries, China could become the operation center for some

MNCs. China is involving the globalization trend and integrating with world closely. It rectifies some policies and rules towards foreign investment, which improve the legal and administrative environment for all investors. Although facing the economic downturn, lots MNC still list China as one of the most important producing and consuming market, and will keep investing inward.

3.3 Competitive analysis

“The Five Forces” model is proposed by Mike Porter, it is used to check the competition environment which the organization is in. I will use the model here to analyze the laptop industry’s situation. This model consists of five forces, which are (1) the intensity of rivalry among competitors, (2) the threat of potential entry, (3) the bargaining power of suppliers, (4) the bargaining power of buyers, and (5) the threat of substitutes.

To these laptop makers in the industry, the most important issue is to set down a competitive strategy which is based on the understanding of the sources of each force, to point out the strength and weakness on its own organization, to posit itself in an advantageous position in the industry, and grasp the market opportunities.

According the “Five Forces model”, I will analyze the competition situation in the laptop industry, so to find out the resource of competitiveness and to realize Lenovo’s weakness and advantages.

3.3.1 Intensity of Rivalry among Competitors,

The end of the technological boom has left behind a saturated personal computer (PC) industry with increasingly narrow profit margins. Because the rate of technology innovations has greatly slowed, the opportunity for companies to compete on the basis

of rapid, significant changes has almost been eliminated. In the industry there are five comparatively Giants like Dell, Hewlett-Packard, Lenovo and Acer, occupying 13.2%, 19.1%, 12.3% and 7.1% of global market respectively (Gartner, 2008). These big five together share almost half of the global market, and are followed by a countless lists of small or medium sized PC makers. The average selling price of a PC has fallen from around \$1,700 in 1999 to under \$1,000 in 2006, and projections are that in may continue to fall.

The reasons why it is highly competitive for PC industry from technology perspective are, firstly the architecture of PC is quite open, and the key components of PC are mainly standardized and could be purchased in the open market. So it makes the industry like an easy assembling line. The requirement to entry this industry is very low regarding the capital and technical skill although in order to achieve scale economies is another story.

Secondly according to Moors's law, derived from an observation made in 1965 by Gordon Moore, a co-founder of Intel, now the world's biggest chipmaker, the cost of a given amount of computing power falls by half roughly every 18 months, so the amount of computing power available at a particular price doubles over the same period. It doesn't merely mean a geometric increase in the processing power of PC and so forth, in nowadays market which is maturing and recessing, the Law could results more ever-lower price and fierce price war for less demanding on performance of PC from consumer's side.

In the Chinese laptop industry, the competition situation is quite complicated, more than 20 brands are competing in the country, from the Top liar brand such as HP, Lenovo, Dell as I mentioned above, to some local brands which I heard for the first time. The competition is apparently obvious.

Competition between brands: All the top brands global have already entered Chinese market, and the local Chinese brands show their own competitiveness again the international brands. According to the survey by ZDC, one internet survey agency, the Chinese laptop markets are occupied mainly for three forces: American brands, Chinese brands and Korean/Japanese brands. Among them, the Chinese brands have the best performance in terms of brand recognition. The Top 8 brands counts 54.7% of whole attention. The American brands, including Dell, Hp, and Apple, clutch 33% of attention, the Korean/Japanese brands carried only 15% of attention. Hp and Dell are the best brands among foreign brands, clutching 21% and 10.4% share respectively. The Korean/Japanese brands seems haven't been into business, the top one, SONY and Samsung, both counts less than 5% of attentions.

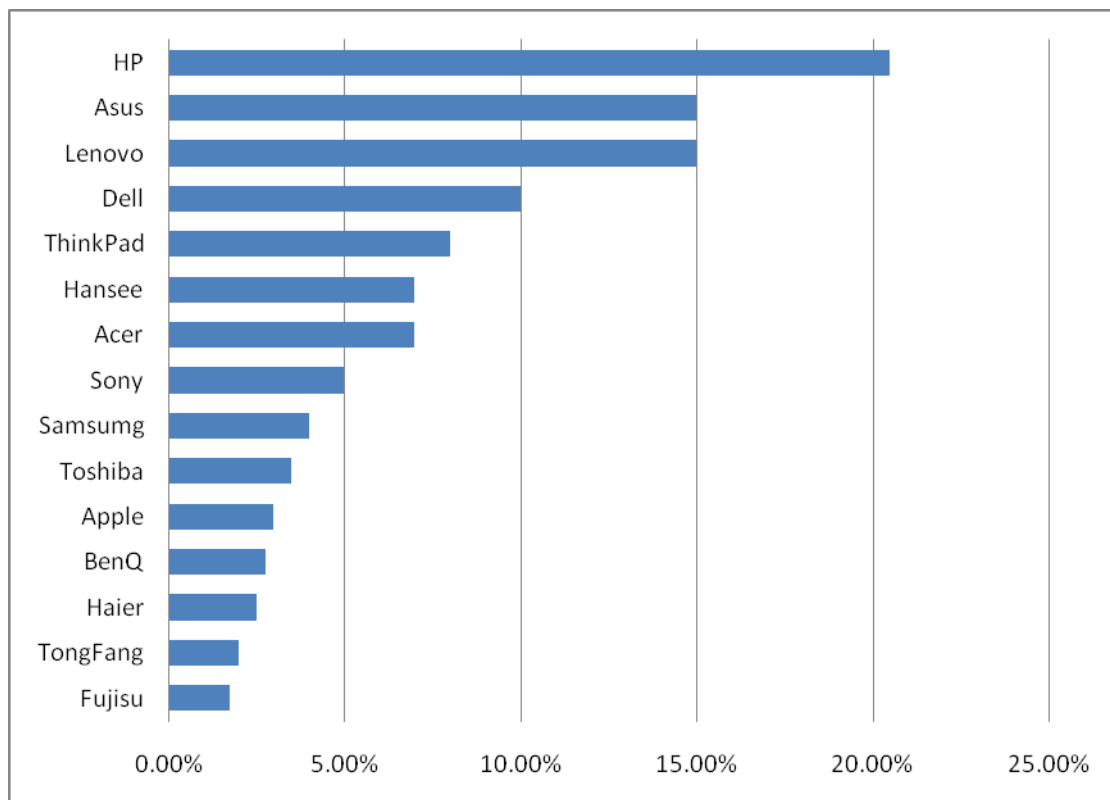


Figure 3-5 China Top 15 Laptop Vendor 2008

Source from: ZDC

Competition between products: Every company has more than dozens of laptop types, so all have more than hundreds types in total. So the competition between different types are very complicated, in order to grasp the customer, the product should be excel in capability, service and pricing to find out the suitable target group.

Competition between services: With more and more products becoming similar, in order to grasp the customers, companies invest more and more into improving the service quality including longer warranty period, longer serving hours per day, shorter responding time, and free toll service call.

Competition in distribution channel: Chinese market is bit different from other countries. Due to limited capacity most PC makers would outsource most of their sales target to distributors. What the distributors do is to cultivate, establish and develop the sales channels. The distribution channels do not only cover the First Tier, Second Tier cities, but also are encouraged to cover other Third, Fourth Tier, even Fifth and Sixth Tier cities. Only if products have an enormous presence, the sales could increase. In order to achieve a good performance, the PC vendors need to reply on the distributors a lot. To some extent, they are not only a simple sales-buyer relation, they are more like shareholders. Sometimes competition between different vendors could be described as the competition between different distributors. Some companies, such as Dell which is famous for its direct sales model, adapted the Chinese circumstance and started to diversify its distribution channels.

3.3.2 Threat of entrants

For most laptop makers, they outsource their products and research, and focus on marketing and distribution channel management. So there is strong threat from potential entrants. To some extent, any company which is with strong competence

want to grasp a spoon from the annual growing rate at 50% Chinese market, the only thing they need do is to find an outsourcing factory and to label its own brand on it. Like TCL, one big Chinese house ware maker, use this strategy to enter the market.

Meanwhile, the outsourcing companies, which are mainly focus on manufacturing, are willing to move up along the value chain and establish their own brand. Like Asus, a Taiwanese company, sells its own branded laptop meanwhile acts as the outsourcing maker for SONY. Another sample, MSI, which is a professional main board maker, announce its own low-priced branded laptop using its experience and advantages in main board industry and low cost control.

The upstream supplier, such as Intel, in order to control the bargain power of Hp, Dell, is helping the local brand to grow as long as they are using Intel's CPU. Furthermore, sometimes they are even close one eye off to encourage distributors to sell the 'Blank' notebooks without brand at very low price.

3.3.3 Threat of substitutes

The threat of substitutes comes from:

1) PDA, Palm or any other multimedia cellular phone. They are quite neat and integrated with some notebook's functions. However it is far away from substituting the notebook. From the technical perspective, due to the storing space and battery capacity constraints, these products are better to be considered as the complements for PC.

2) iMac from Apple Inc. Since 2005, Apple began to use Intel's chips, which made its machines Windows-compatible. So for normal notebook vendors was now feeling the heat on Apple. And the sleek design for Apple and good graphic processing capacity

attract some trendy users, especially those in the graphic design industry. The disadvantages for iMac are apparent, the different operating system is difficult for people who are used to Windows system, a lot of software is not compatible to MacOSX, although Apple always boast of its excellence in graphic function, under the help of individual graphic board, other PC are not able to achieve the similar level. And under the same price, Apple's PC is worse equipped and performing compared to peers, this is quite bad news especially in a bleak economic background. Despite the fact that iMac is considered more fashionable, the switching cost are too high for normal users, so the iMac will still focus on a niche market and won't bring too much threats to normal PC industry.

3) the semi-notebook called 'Netbook'. As the society develops, people have much more mobility requirement for notebook. Several years ago, the standard weight for Laptop is 2-3 kilogram, but nowadays, most of laptop weighs below 1kg. The Netbook, which is even weighs around 500g, becomes very popular. Although in terms of computing competence, it is relatively low, but with strong performance in weigh, it grasps lots customers from notebook. Because for most of normal consumers, the only things they do is to listen the music, surf the internet and do the office job, and Netbook is definitely enough for these functions.

3.3.4 Bargaining power of suppliers

The notebook industry has many suppliers, for the non-core component, the power of suppliers are quite low, due to fierce competition in the standardized component industry. However when it comes to suppliers of key items, this industry is an example where companies are dependent on a powerful supplier.

Totally monopolized suppliers: PC firms are heavily dependent on Intel, the world's largest supplier of microprocessors. Other CPU producers, such as Advanced Micro Devices (AMD), must develop and supply chips that are compatible with Intel's standard. Although AMD has developed competing CPU, Intel still supplies about 85% of the chips/CPU used in PCs primarily because only Intel has the manufacturing capacity required to serve the large market. It is beyond the financial capacity of Intel's competitor AMD, to match the scale and efficiency of Intel's manufacturing systems. Thus while PC manufacturers can buy some microprocessor from Intel's rivals, notably AMD, they still have to turn to Intel anyway. Due to the powerful bargaining position of Intel it can charge higher prices for its microprocessors than what their rivals would charge even if they were more numerous and stronger.

Partially monopolized suppliers: The LED screen industry is partially monopolized. The more luxurious it is, the fewer suppliers there are. For some extreme slim LED screen which only few suppliers are able to produce, are quite expensive and have a huge bargain power from suppliers.

Non-monopolized suppliers but few choices: The hard disk industry, although is not monopolized, only have 3-5 players in the industry after competition and merger& acquisition. There is no monopoly in the market but choices are quite limited.

3.3.5 Bargaining power of buyers

In the notebook industry there are dozens of brands and hundreds of types competing. The bargaining power of buyers is high. They have enough space to pick up the favorite one with comparatively low price.

For individual buyers:

Customers could choose their favorite products from varied brands. And within the same 3C mall, there are different booths for the same brand. In order to achieve the sale target, the sale could need compromise in terms of prices.

Most customers could find the product information and public pricing easily online, meanwhile there are lots forums in which customers post their purchasing experiences online to make a reference for others. Customers could more easily access the information than before.

For group buyers:

Group buyers are less price-sensitive and more quality-sensitive and service-oriented. Due to these characteristics and the decreasing profits from individual buyers, more notebook makers flock to the more lucrative enterprise customers. Hence more and more computer makers put effort into persuading and establishing a long-term relationship with enterprise-level users. Normally group buyers need a thorough IT solution from IT companies; however the number of competent PC/Notebook makers is limited.

In total, according to my analysis, the notebook industry is full of competition. These competitions are not only from the industry itself, also from suppliers, potential rivals and substitute, even include our customers. It's a competitive industry, also a dynamic industry.

4 Internal environment analysis

4.1 Review of Samsung

Samsung electronics, is the world's largest electronic company, headquartered in Seoul, South Korea, it is the largest South Korean company and the flagship subsidiary of the Samsung Group, which is one of the world's largest conglomerates.

Samsung Electronics is the global market leader in more than 60 products, including Semiconductors such as DRAM, SDRAM, Flash Memory and Hard Drives, Digital Displays such as LCD Displays, Plasma Displays and OLED Displays, Home Electronics such as TVs, DVD Players, Blu-ray Players, Home Cinema Systems, Set-Top Boxes and Projectors, Mobile Devices such as Mobile Phones, MP3 Players, Digital Cameras and Camcorders, Computing Products such as Monitors, Laptops, UMPCs, CD and DVD Drives, Laser Printers and Fax Machines and Home Appliances such as Refrigerators, Washing Machines, Microwaves, Ovens, Vacuum Cleaners and Air Conditioners.

In 2005, Samsung surpassed Japanese rival Sony for the first time to be rated as the new leading and most popular consumer electronics brand in the world by Interbrand. In 2007, Samsung Electronics' handset division overtook American rival Motorola, making it the world's second largest mobile phone maker. At the end of 2007, Samsung Electronics exceeded the \$100 billion mark in annual sales for the first time in its history. This achievement places the company, along with Siemens of Germany and Hewlett-Packard of the U.S., among the world's top three companies in the electric appliances and electronics industry.

4.2 Samsung notebook in China

Although established in 1988 in Korea and ranked No.1 notebook in Korea since 1994, Samsung notebook officially announce its debut with product NV 5000, the thinnest notebook by then in China, and starts its exploring in notebook industry in China.

After only 4 years, Samsung started to move all its production line from Korea to Suzhou, China, it was planning to close all the factories in Korea only leaving the research and marketing department there. The cheap labor is the key attraction for Samsung, but meanwhile, it reveals Samsung's Chinese ambition and the importance Samsung electronics put into the Chinese market in terms of Notebook industry.

2001. 10- 2003 .10 High key entering into Chinese market

Facing the fierce competition from either large foreign player such as IBM, HP, or the strong domestic competitors like Lenovo, Samsung found a unique theme for its products, 'Neatness and Fashion'. The first hit, NV500 invaded the rivals' market and got quite good performance in the high-end laptop market Then the Q series, which is characterized by extreme fashion and neatness, enforce Samsung's leading position in the high-end market. Compared to other notebook makers, Samsung offers extended service called 'Green and concernless service', including three years quality warranty without paying extra labor and material cost. So just in one year, with extensive market promotion, Samsung became a incredible brand in the notebook industry as a new player in the market.

In March 2003 Intel announced the new mobile technology-Centrino, which is quite meaningful to the whole industry. Only one day later, Samsung announce the first type with Centrino technology X10, which is also the first Centrino-based notebook in

Chinese market. The fast responsiveness indicates that Samsung's capacity of innovation and creativeness.

2004.1-2007.10 Volatile growing period

Year 2004 is remarkable for notebook industry; all the brands are competition fiercely in the 'Centrino' battle. In order to keep a high growing rate, Samsung could only compete hard on the price. However, due to fierce competition, Samsung's performance dimmed, and slid into a trough. Combining the restructure of distribution channel, Samsung needs to deal with more and more challengeable tasks. However, in 2007, with the announcement of Sonoma platform-based notebook, X20, X30, P40, Samsung's profit finally slightly recovered in the first quarter in 2007

2007-Present: Opportunities and challenges together

Over the last 4 years growing, Samsung, as a late-comer to Chinese market, has created an impressive performance and already became an important player.

With its fashionable design and apparent characteristic, Samsung attracts lots attention from the critical Chinese consumers. However, in order to achieve the long-term goal: the No.1 in Chinese laptop market, Samsung still has too many things to do. Nevertheless based on Samsung's competence and determine attitude, Samsung will keep giving us surprises in the notebook industry.

4.3 The main strengths of Samsung

1) Samsung is originated from South Korea, and quite famous and successful in its domestic market. In South Korea, it is considered that the quality of the service is as important as the quality of products. That's why the big names such as IBM and Dell don't achieve great success there. The Korean customers cannot agree with the

indifferent servicing attitude of IBM in spite of the good quality of products, nor agree with comparatively low quality of Dell. With a combination of good quality product and service, Samsung achieve its marketing position in South Korea.

2) In nowadays IT industry, cost control becomes more and more important for manufacturer. For the cost's sake, most of the famous brands outsource their design as well as manufacturing to some companies in Taiwan or East China. Some companies even just set up the orders and brand it with its own logo. That's why there are more and more similar products in the market.

For Samsung, they use a unique strategy: Samsung stop its notebook factories in Korea and moved everything except marketing and research department to China. So Samsung design the product in Korea, and produce in their own factories in Suzhou, East China in order to keep a high quality and high level of control. Meanwhile, Samsung introduces some automatic producing lines to increase the precision and efficiency of producing.

3) Samsung Electronics is the global market leader in more than 60 products, including Semiconductors such as DRAM, SDRAM, Flash Memory and Hard Drives, Samsung itself is an important supplier of Memory stick and Hard disk. The affiliated research centers constantly focus on the new technology development. Based on these unique resources, Samsung notebook could compensate some high cost in producing and make a good balance between price and quality.

4.4 The main weaknesses of Samsung

1) Not a strong brand in notebook industry:

With a high key profile into Chinese market in 2001, Samsung hasn't yet promoted many gaze-attractive products. Facing the experienced rivals such as HP, Dell, Lenovo, Samsung still has long way to go.

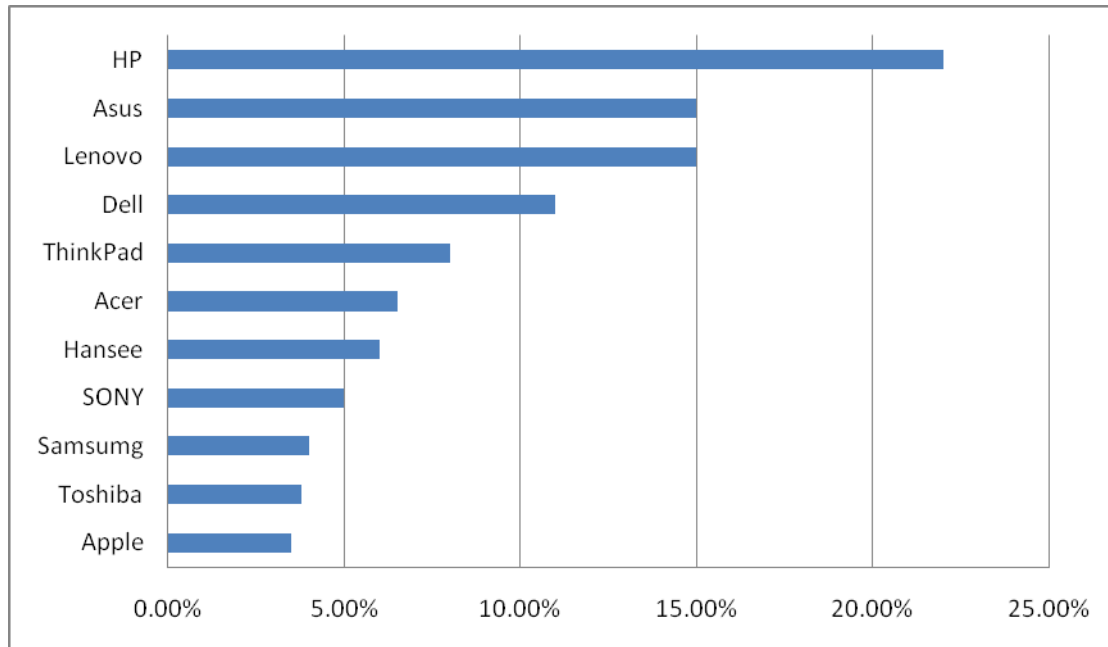


Figure 4-1 China Top 11 Attractive Notebook Vendor

Source:ZDC

2) If we divided the attraction index into two sub-market survey. Samsung has a slightly better performance in the home based market than the commercial market, clutching around 3% in the home-based notebook filed, and only 1% in the commercial field. We will discuss the potential marketing improvement strategy in details.

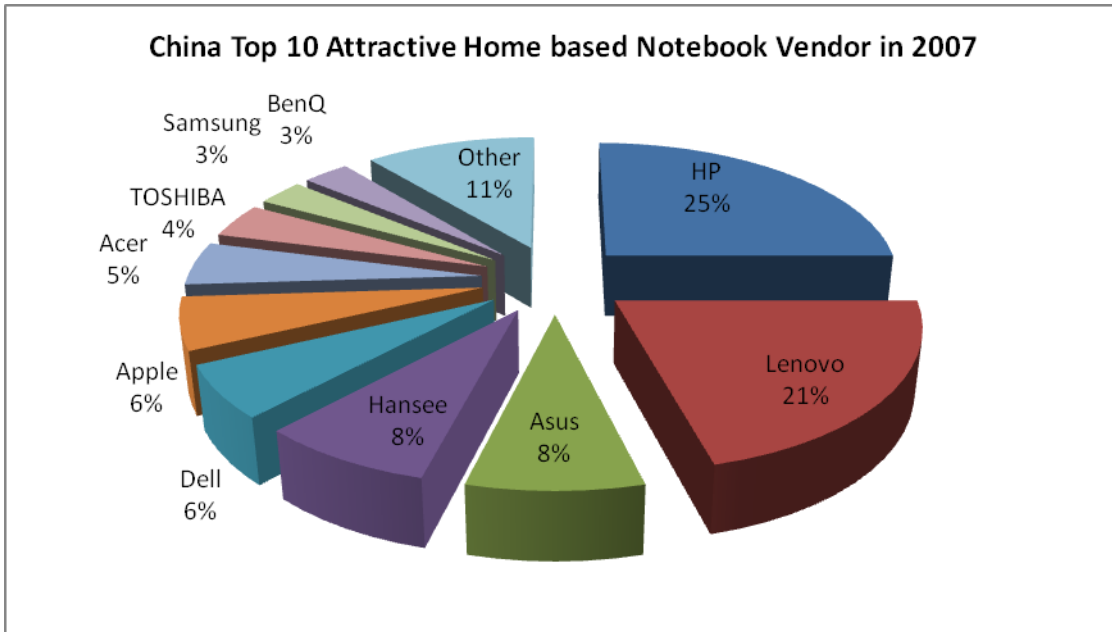


Figure 4-2: China Top 10 Attractive Home based Notebook Vendor in 2007 Source: ZDC

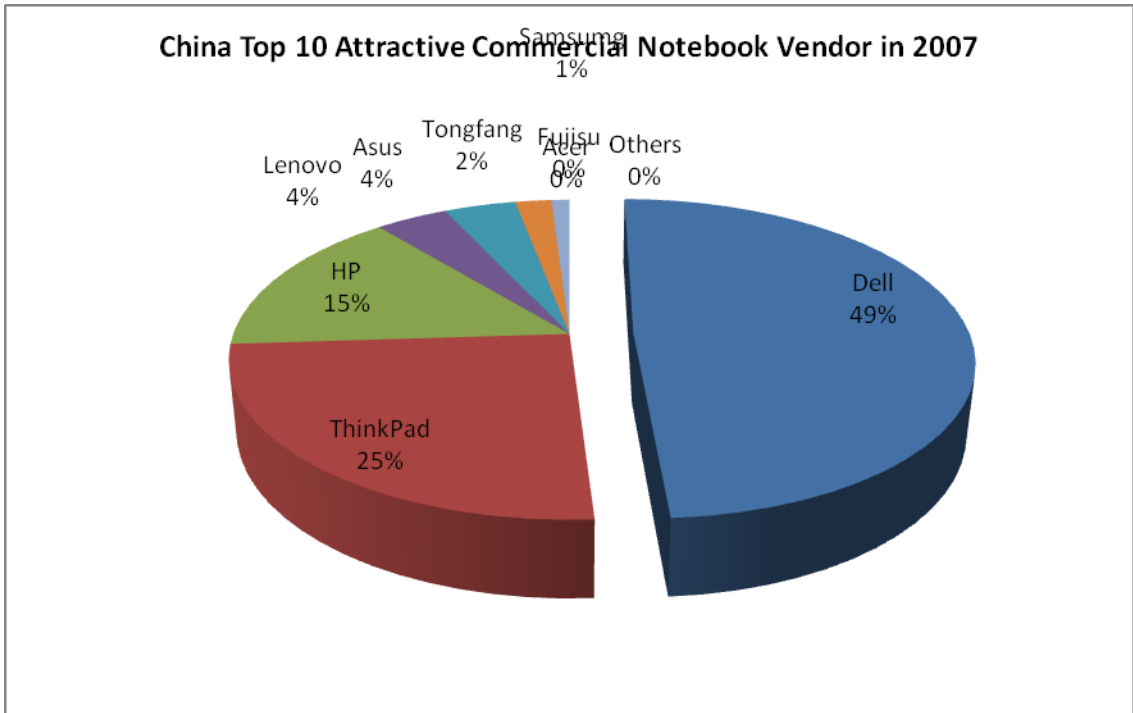
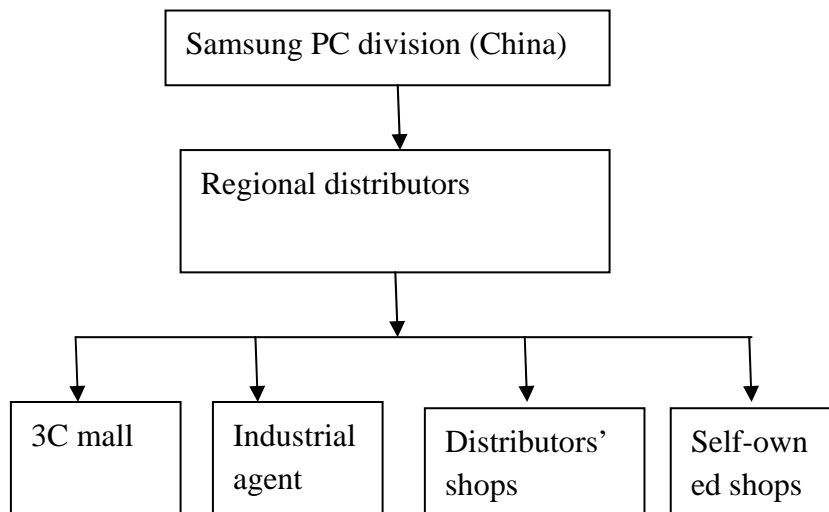


Figure 4-3: China Top 10 Attractive Commercial Notebook Vendor in 2007

Source: ZDC

3) Internal distribution management is not effective:

The current distribution channels structure of Samsung is like:



Since first entering into Chinese market in September, 2001, Samsung became the Top 6 Vendors in 2003 under a distribution model called 'General distributing'.. However then Samsung withdrew from it in which case Samsung will select less than 4 general distributors countrywide to grant them the solo sales right, into 'regional model' which means Samsung divided the market into 10 regions and Samsung will centralize the controlling power. Nevertheless this restructure doesn't bring the benefits as Samsung expected. The advantages of structure are 1) the regional distributors could expand their channels into quite small niche market as well as the Tier 5 or 6 cities. Concerning the market situation that the differentiation demand is strong, the flat structure could give Samsung shorter responsive route, and make Samsung to adapt the market change more rapidly. However, the disadvantages are obvious. Because regional distributors have absolute control on the products within

specific region, Samsung need to develop a quite good supervision mechanism to monitor and control the distributors, and need to design a good incentive mechanism to encourage the performance. Meanwhile, granting too much decisive power to distributors will cause the potential conflicts, and weaken the controlling power of Samsung China in terms of strategy stipulating and implementing. So an improvement plan is needed for Samsung.

4.5 the current marketing strategy

With more and more competition in the market, Samsung now is moving even faster. The announcement of new Centrino IV platform gives Samsung a chance to catch up with market leaders, Samsung is determined to keep its 'fashion and neat' status, to make a best product for consumers. In terms of pricing, Samsung starts to approach to average prices, decreases some high-end products' price in order to expand the market. In terms to distribution channel and marketing, Samsung expands its channels to some new field, such as introducint the 3C mall as distribution channel. Meanwhile, Samsung organizes more road show to attract attentions from potential customers.

5 Consumer analysis

In order to understand the consumers of Samsung better, I will go through the analysis on consumer's behavior first to find out whether Samsung has some mismatches between strategy and consumer perception. All the survey is conducted with the supports from Samsung China.

5.1 The analysis of Samsung's consumers

The survey is conducted by phone interview. Because the time limitation for phone call, I normally ask two questions, first is about the buyer's channel, second is about the reason to buy. The number of interviewees is 3284.

1. Consumer buying channel

Buying channel	Number	%
Friend's recommendation	909	27.7%
Dealer's recommendation	868	26.4%
Website introduction	376	11.4%
Company's purchase	269	8.2%
Old consumers of Samsung	167	5.1%
Advertisement in the shop	63	1.9%

Advertisement in the newspaper or magazine	54	1.6%
Others.	276	8.4%
Not sure	294	9.0%
Sum up:	3284	100%

Figure 5-1 Consumer Buying Channel

It is quite interesting to observe that most of the customers are connected by friends' introduction, which means that Samsung has a good reputation in Chinese existing clients. Dealer's recommendation ranked as second most important factor, which indicates the importance of end-sales points. Few customers are from company purchase, which reveals that in commercial used notebook field, Samsung could have huge space to grow. Website introduction and advertisement are important incentives for Samsung to promote the sales.

2. Purchasing factors consideration

Purchasing reasons	Number	%
Fashionable design	778	23.7%
Good quality	676	20.6%
Good capacity and price balance	259	7.9%
Guarantee policy	152	4.6%

Special functions	123	3.7%
Low price	4	0.1%
Good function integration	63	1.9%
Others	819	24.9%
Not sure	346	10.5%
Sum Up:	100	100%

Figure 5-2 Consumer Buying factor

From these data, we could find out that neat, fashionable design is the biggest attractions for customers, which is also and should be the long-term promoted theme for Samsung notebook. The perception from customers is matched with the image Samsung wants to present.

5.2 The analysis on the potential consumers for Samsung

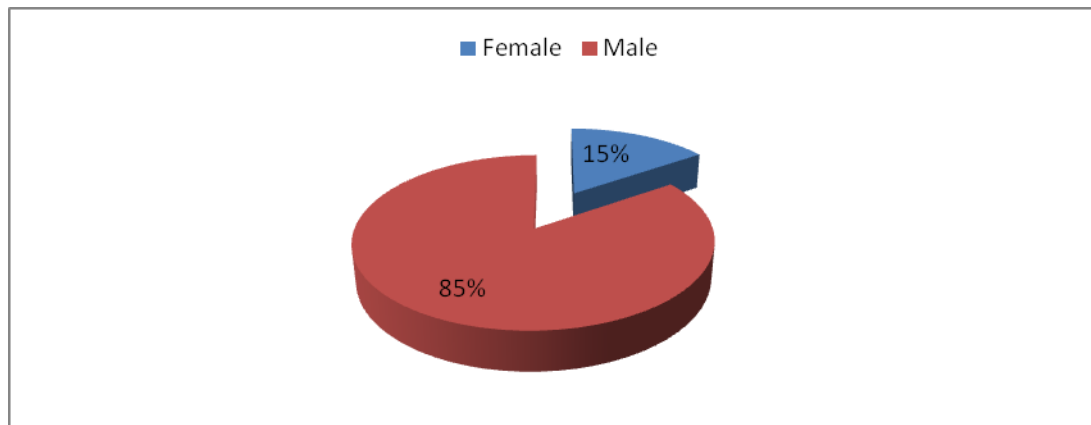
5.2.1 Introduction on the survey

The survey is conducted with the support from Samsung Electronic China, and the survey are distributed on the Samsung official website. The period is 2009-1-21 to 2009-2-21 and we collect 2387 surveys in total.

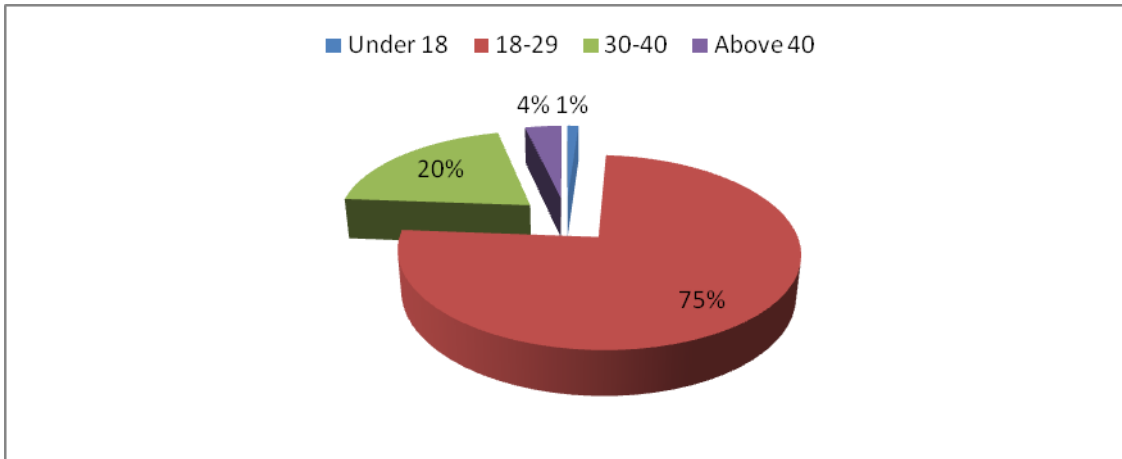
In order to secure the fairness and justice, Samsung first makes filtering on the collected data based on the IP address and interviewees' contact way. The total number of effective samples is 2302, the effectiveness of the survey is 96.4%. Considering the widely spreading potential customers distribution, the survey is reliable and significant.

5.2.2 Content of survey

1. Gender

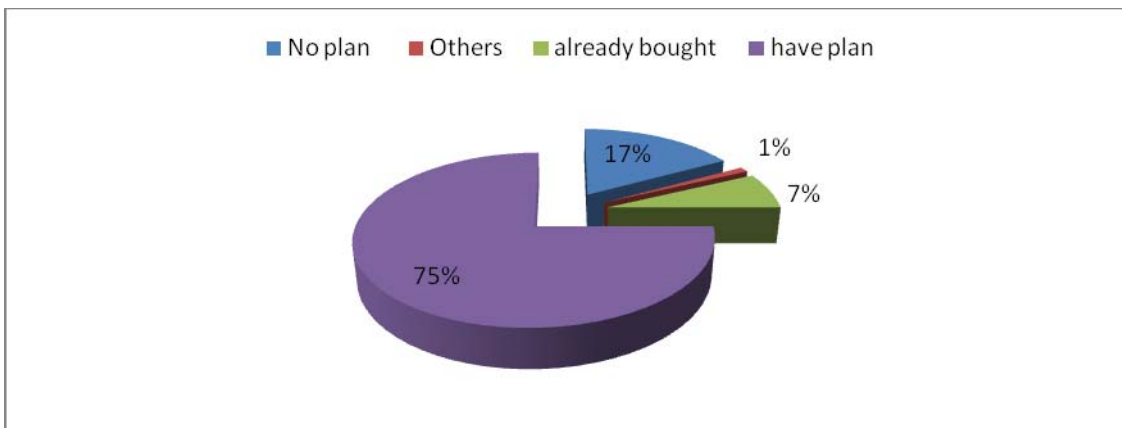


The data reveals that more male participate the survey. The gender ratio is around 6:1 between men and women. This is relevant to the different living habits and internet usage ratio between different genders.



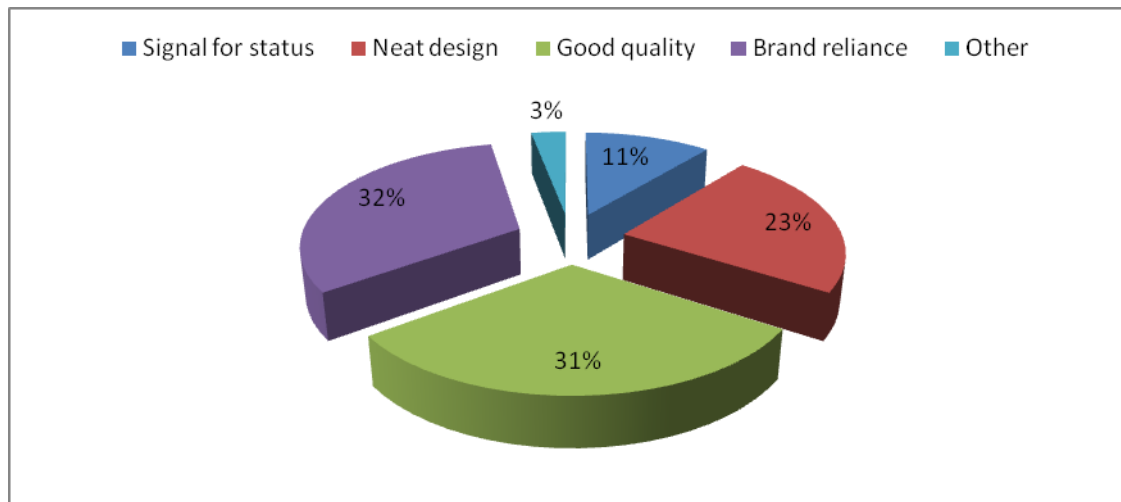
Data reveals that the age span is concentrated between 18 to 40 years old. The sample of 18 to 29 and 30 to 40 count 75.1% and 20.2% of total samples respectively, which indicates that young people are the biggest potential customers for notebooks. Due to the comparatively high price of notebook products, the 18-29 years old group which is normally considered as financially healthy could be considered as the biggest buyer group of IT products.

3. Whether you have bought Samsung Notebook before?



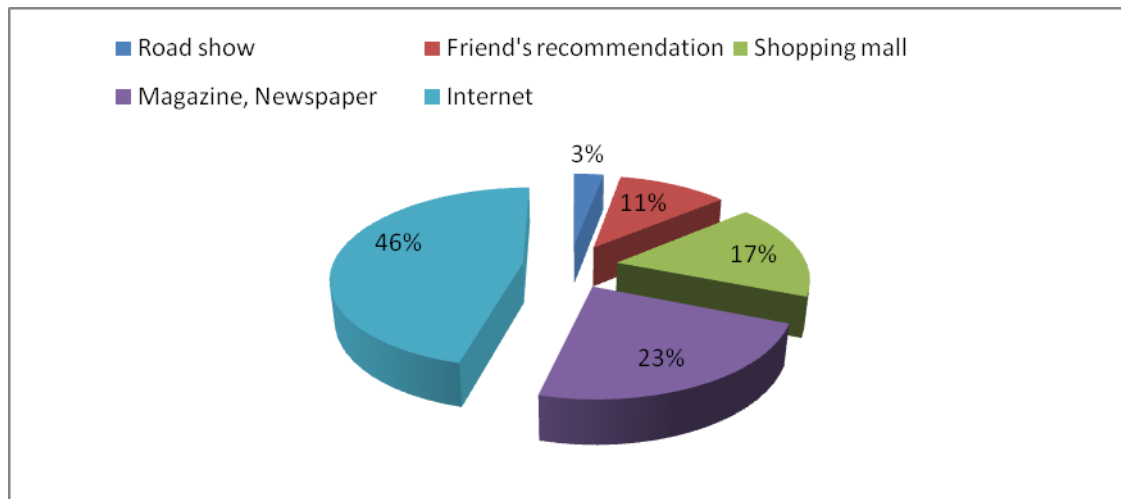
Because the survey is conducted in the Samsung's official website, 75% of them have the plan to purchase Samsung notebook, and 7% have already bought. Only 17% haven't the plan of purchasing. However, this data should be exaggerated compared the normal survey on randomly selected samples.

4 The biggest advantage for Samsung compared to other brands (Multi choices)



Since notebooks are meant to be more mobile and portable, neat design becomes an important factor for purchasing. Samsung has a good reputation on quality, which is reflected also from the data.

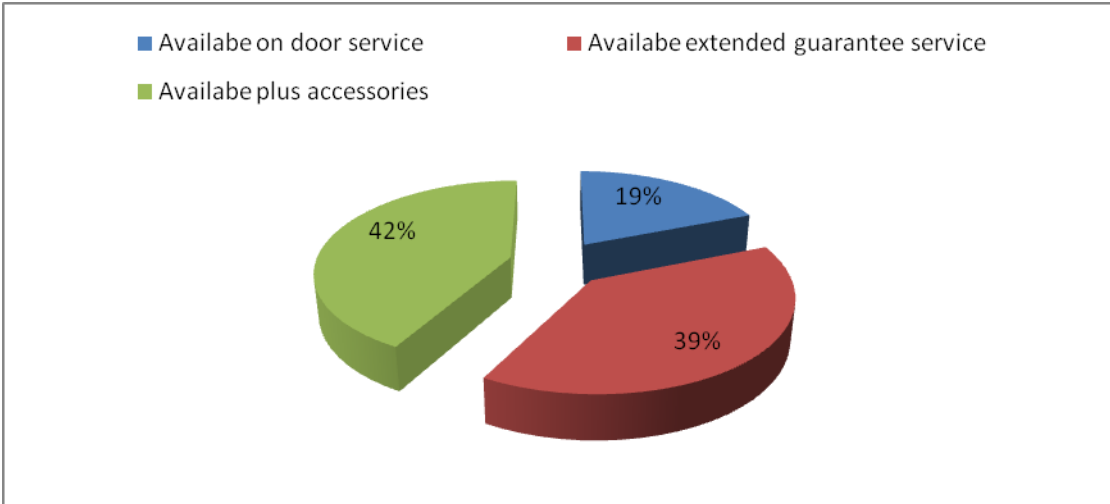
5. Where will you see the information on Samsung (multichoices)



Most of people get acquaintance with Samsung notebook via internet, which counts 46% of whole. 23% of customers are via newspaper and magazine and 17% of them are through shopping mall.

6. Which kind of service you want Samsung to add (multi choices)

More than 40% of customers want plus accessories; this tells us that Chinese customers are normally quite canny in purchasing. 39% of them want to buy extended guarantee service and 19% of them want on door service.



6. Marketing strategy analysis

After we have done the internal and external environment analysis, and the customer analysis, we need to do further analysis on the potential market opportunities. Through the analysis of SWOT, we could get a better understanding of the situation Samsung faces.

6.1 Marketing Strategy analysis

SWOT analysis

As we have done the analysis on company's internal and external environment, we will use the SWOT analysis for the further environment of the company from strength, weakness, opportunity and threat perspective.

(1) Strength

1. The Most of Samsung products are designed in Korea and produced in China. Backed by the strong research capacity in headquarter, Samsung could achieve quite high level in terms of design. And the localization production policy gives Samsung some advantage in the pricing battle.

2. Very high brand reputation. Samsung is Fortune 500 Company, Olympic Global Partner, the group brand Samsung enjoys high brand reputation in China. Although it is not a leading notebook producer in Chinese market, it ranks No.1 in South Korea.

3. High integrated research and development capability. As a huge conglomerate company, Samsung could integrate in the long value chain in terms of R&D and design, and could provide the customers a long product line.

4. Extended guarantee service. Except the power charge and battery which enjoy 2 and 1 year warranty respectively, all other major component could have 3 years guarantee, one year longer than what required by Chinese rules.

Chart 6-1 Samsung Notebook Computer Service Content

Component	Samsung (years)	Warranty Cost	Country Standard (years)
Main board	3	Free	2
CPU	3	Free	2
Memory	3	Free	2
LCD screen	3	Free	2
Hard disk	3	Free	2
Keyboard	3	Free	2
CD Rom	3	Free	1
AC adapter	2	Free	2
Battery	1	Free	1

5. High loyalty and reputation. According to the survey, 27.7% of customers are introduced by their friends. And according to the PC magazine in US, Samsung is among the most welcomed brands worldwide.

6. Unique Healthy theme: Samsung notebook has one unique character compared to other products: healthy which is derived from its cutting-edge technology advantage. All the products comply with the European Union RoHS certificate and Eco certificate. The unique Silver-ion keyboard design could kill almost all the bacteria and protect the health. This concept is quite leading and drives Samsung's product crowds.

(2) Weakness

1. The price of Samsung is not cheap compared to some domestic competitors. In the Chinese market, normal consumers are more pricing sensitive than their peers abroad. Samsung's PC production is not huge, so the economy of scale is not obvious.

2. Samsung Entered Chinese market bit late, and the current markets are mainly in the big cities. The sales or distribution channels network is still undeveloped and instable; the marketing exploration ability is limited.

3. Lacking market control skill, because of the scale and market position, Samsung cannot control the price on the major component, and doesn't have much bargain power to key suppliers.

4. Marketing tactic is normal, so far there hasn't any 'bombing marketing events of Samsung' happened in China. Consumers normally don't have enough brand association between laptop and Samsung.

5. The network of service is mainly located in the big cities. In order to build a stronger network Samsung needs to expand.

(3) Opportunities

1. The notebook industry is a fast-growing industry. According to the report from IDC, in 2007, the worldwide shipment of PC achieved 271 million, increased by 13.4% from Year 2006.

2. Chinese market is expected to grow more than 40%, and much higher compared to global speed 13%.

3. The consumer's attitude changed: According the survey by IDC, the price of notebook decreased dramatically, till the last quarter in 2007, the average price for notebook has hit USD 1000, which is around RMB 7000. In Chinese market, the cheapest price is even as low as RMB 3999. For most consumers who were willing to buy the desktop may change to notebook.

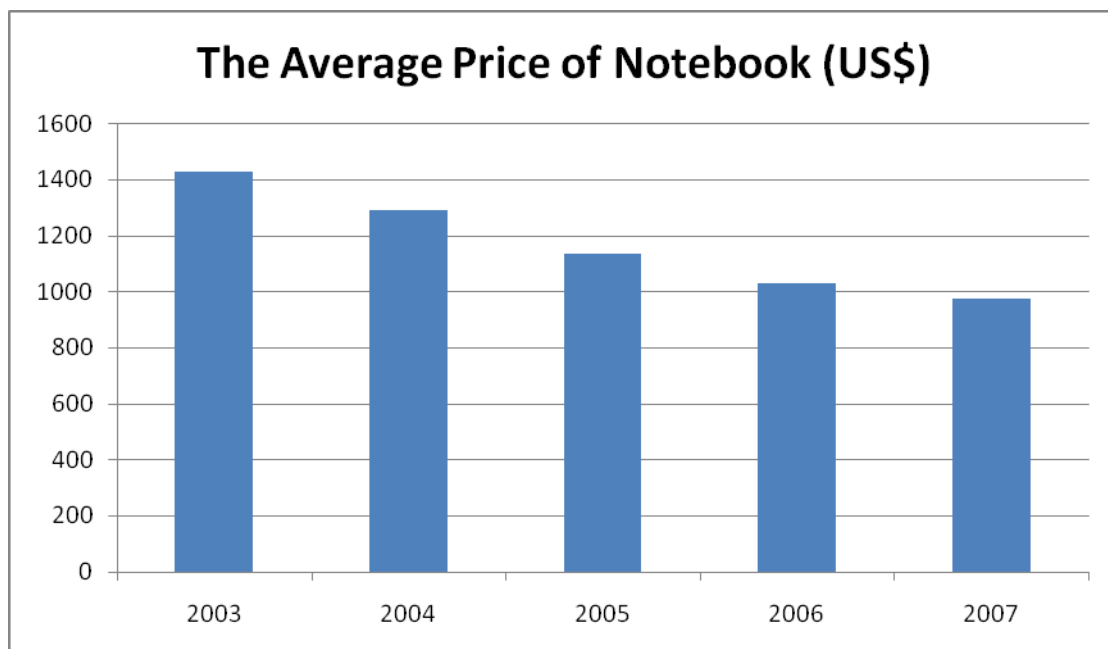


Figure 6-2: The Average Notebook Price in China by year

Source from: IDC

4. The support from government. The government itself is the biggest customers in the industry. Due to the increasing demand from OA update, more and more government purchasing prefers to choose notebooks.

(4) Threat

1. The competition in the industry becomes more and more fierce and rigorous. In Chinese market, there are more than twenty brands presenting. For some important component producer, such as Intel, in order to control the bargaining power of HP, Dell and Lenovo, constantly encourage and help some Second Tier brands even local brands in the industry. So the competition is intensified.

2. The profit ratio decrease too fast. Due to the fast decline on unit price, the profit is compressed when cost is comparatively stable. For some vendor, they even just sell notebook without profit, just in order to gain the market share.

3. The speed of innovation is quite fast, to the most conservative estimate the turnover period is only 6 month. If taking the components updating into consideration, there will be new products coming out every one or two months.

4. Some key components always face supplying constraints. For example, the short supplies of LCD screen will influence the production of notebook, and brings the potential risk to notebook vendors.

5. The outsourcing companies' ambition into market: Some outsourcing companies, after accumulating enough experience and capital, would like to gain more profits from their own brands. The cost advantage for them is apparent, and they attract some clients from traditional vendors.

	<p>Strength</p> <ol style="list-style-type: none"> 1. Designed in Korea 2. Very high brand reputation. 3. High integrated research and development capability. 4. Extended guarantee service. 5. High loyalty and reputation. 6. Unique Healthy theme 	<p>Weakness</p> <ol style="list-style-type: none"> 1. Expensive 2. The sales network is still undeveloped and instable 3. Lacking market control skill 4. Marketing tactic is normal. 5. The network of service is mainly located in the big cities.
<p>Opportunity</p> <ol style="list-style-type: none"> 1. The notebook industry is among the fast-growing industry. 2. Chinese market is expected to grow 3. The consumer's attitude changed: 4. The support from government. 	<p>SO (Use the internal advantage and external opportunity)</p> <ol style="list-style-type: none"> 1. Keep the market penetrating ability, increase market share. 2. Promote tech-leading products. 3. Using the synergy of Samsung brand to expand market 	<p>WO (Use the external opportunity to overcome the weakness)</p> <ol style="list-style-type: none"> 1. Increase the turnover rate, decrease prices. 2. Explore new sales channel, increase coverage
<p>Threat:</p> <ol style="list-style-type: none"> 1. The fierce competition in the industry 2. The profit ratio decrease too fast.. 	<p>ST (Use the internal advantage to overcome threat)</p> <ol style="list-style-type: none"> 1. Increase the uniqueness and rarity of brand, increase 	<p>WT (overcome the internal weakness, decrease the external threat)</p> <ol style="list-style-type: none"> 1. Decrease the complication/lays of sales

<p>3. The speed of innovation is quite fast</p> <p>4. Some key components always face supplying constraints.</p> <p>5. The outsourcing companies' ambition into market:</p>	<p>brand value.</p> <p>2. Use the synergy of Samsung in the IT industry chain.</p> <p>3. Use the R&D advantage,</p>	<p>network.</p> <p>2. Enforce the capacity of service and sales network.</p>
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6.2 Strategy position

Based on the SWOT analysis, I have already given Samsung the different strategies upon different scenario. However, we need to give Samsung a more precise strategy based on their current situation.

Here I go through another matrix- SPACE (Strategic position and Action Evaluation Matrix) to ensure the most suitable strategy for Samsung.

There are four steps to ensure a SPACE matrix:

1) Evaluate the key factors that influence the environment stability, financial performance, company competitiveness and industry attractiveness. Each category includes several factors.

2) Rate each category: The financial advantage and industrial attractiveness rate from +1(worst) to +6 (best). Competitive advantage and environment stability rates from -1(Best) to -6(worst).

3) Compute the average rate in each category.

4) Calculate the total rate of environment stability and financial strength, competitive attractiveness and industrial strength.

	Rate		Rate
Financial Strength(FS)		Industrial strength (IS)	
Investment return ratio	2	Growth potential	4
Cash Liquidity	3	Financial stability	5
Business risk	3	Unique technological knowledge	6
Convenience to withdraw from the market	3	Convenience to enter the market	3
		Efficiency of producing	4
Average FS	3	Average IS	4.4
Environment Stability(ES)		Competitive advantage (CA)	
Technology changing	-3	Market share	-6
Demand volatility	-3	Product life cycle	-5
Price elastic	-3	Competitiveness utility	-3
Inflation ratio	-5	Control on supplier and	-3

		distributors	
Price span of competitive products	-1	Product quality	-1
Competitive pressure	-1	Customer Loyalty	-2
		Unique technology and knowledge	-3
Average ES	-2.6	Average CA	-3

Based on the SPACE analysis, the final rate of Samsung of SPACE analysis is (1.4, 0.4), which drop down a vector in the first quadrant. This indicates that the industrial attractiveness is comparatively high, and uncertainty of environment is low. Company has some competitive advantage, and could have strong financial support. So the Samsung could choose an **aggressive market expanding strategy**.

Combined with the SWTO analysis, we believe that the possible aggressive strategies include:

- 1) Marketing penetrating
- 2) Marketing developing
- 3) Product developing

Among these three options, we believe that Samsung should choose marketing developing strategy because:

- 1) Using the aggressive market expanding strategy could reform the existing sales network, to amend the ineffective distribution channel and to gain a new, reliable and

high quality one. Samsung doesn't have a quite big distribution network, so marketing developing is more important than just penetrating using the existed network.

2) There are still potentials in digging out the market in existing important cities to improve the sales and benefits. Comparatively, the notebook products become more and more similar, which added big difficulties to develop genuinely new products.

3) The brand itself has a high reputation which to some extent gives confidence to use such aggressive strategy.

4) The company is competent in terms of capital and R&D to expand.

5) The notebook market potential is huge.

7 Marketing strategy implementation

7.1 Marketing goal

There are three tiers of goals, the whole company goal, financial goal and the marketing goal. Whole company goal means under the guide of Samsung group, via different pipeline such as marketing etc to deliver the company's value, mission and social status. Financial goal means in order to support the marketing approach, what kind of financial structure or tools are suitable for company, it included two key concept, revenue and profit. Marketing goal means that the detailed marketing implementation strategy in order to gain the clients. The first two goals are less obvious than the last one. However, they are all integrated as well as conflicted with each. For example if one company concentrated too much on market expanding, could harm the short term profit for companies; the improper marketing approach could increase the profit in short term but may harm the marketing position for the company. So to achieve good company governance, companies should consider a good balance between different points.

For Samsung, in terms of market goal, we want it to increase its market share to 1%, and enter the Top ten vendors in China in middle and long term.

2. Target group

1) Short term group:

Target region: Central cities such as Beijing, Shanghai, Guangzhou, and some Tier 1 cities such as the capital in each province.

Target group: The middle or high-end consumers, few low-end consumers

2) Long term group: Tier 1, 2 cities, some Tier 3 or 4 cities.

Target region: Mainly the middle or high-end consumers, but increase the share of low-end consumers.

3. Marketing position:

From the price's perspective, the main strategy includes:

1) Short term:

Enhance the product line 12000-15000, expand the product line 8000-12000, promote the product line 6000-8000, and still don't promote any products below 6000 in order to keep a elite imagine of Samsung.

2) Middle and long term:

Enhance the product line 11000-25000, expand the product line 7000-11000, promote the product line 5000-9000, and try product line 4000-5000. Considering the declining pricing trend, the middle and long term pricing is bitter lower than the short term one.

4. Summary of marketing goal:

	Marketing goal	Targeting goal	Marketing position
Short term	Market share 1%, ranked top 10 vendor in China	Target region: Central cities such as Beijing, Shanghai, Guangzhou, and some Tier 1 cities such as the capital	Keep the high quality, diversified product line imagine, keep its leading position in the high-end

		in each province. Target group: The middle or high-end consumers, few low-end consumers	market
Middle/Long term	Market share 2%, ranked Top 8 vendors in China	Long term group: Tier 1, 2 cities, some Tier 3 or 4 cities. Target region: Mainly the middle or high-end consumers, but increase the share of low-end consumers.	Keep its leading position in the high and middle end market; try to grasp some low-end market.

7.2 Competitive strategy choosing

7.2.1 Three different competitive strategies and their links

After setting up the marketing goal, we need to choose an applicable competitive strategy under the guide of aggressive expanding strategy. There are three basic competitive strategies: Cost leading, Differentiation, Focus.

We believe Samsung couldn't adopt the Cost leadership strategy because

- 1) In order to keep a constant high quality, some of the components are imported; also the design team is based in Korea where the labor cost is much higher compared to China, so the bare cost for Samsung is comparatively high.
- 2) The sale of Samsung notebook is not big, even is excluded from the Top 10 Vendors, the scale of economics is not obvious.
- 3) The sales network for Samsung is not flat, besides the main distributors, Samsung has several regional distributors also, including some local dealers. The cost of distribution channel is relatively high. However I expect a reform in this field.
- 4) The products is still under promoting process in China, in order to shape a strong product imagine, Samsung need to invest hugely in commercials.
- 5) Samsung is also keep the brand imagines as 'most suitable' brand for business people, so in order to keep the quality the cost is hard to decrease.
- 6) In order to keep a leading position in the market, Samsung need to accelerate the speed to promote new products. The cost for leading the market is high also.

The differentiation strategy is not suitable also because:

- 1) The similarity is the main characters in the notebook industry, the core component for all products are the same; the unique characteristic is not obvious.
- 2) The Samsung notebook products are designed in Korea, and they may not totally match the need and characters of Chinese consumer, which makes differentiation harder.

We recommend Samsung to use focus strategy because:

1) Focus strategy is suitable for the company which doesn't have much resource to implement, and could serve the specific market better, which matches Samsung's current situation.

2) When company concentrates in one segment, it will put more effort into research, technologies, market and customers related to the segment. For Samsung, as it targets the high-end group, it could invest more in how to improve the cutting –edge characters or customer-friendly design for notebook. For example, Samsung's notebook keyboard has Silver-ion treatment offering users more hygienic protection, and this becomes a stunt for Samsung in the market.

3) The focus strategy is easy to enforce, easy to evaluate the effect and could be easy to be managed also.

7.2.2 Implementation of focus strategy:

The detailed procedures include three steps:

1. **Product-line differentiation:** (1) Samsung has high reputation concerning the product quality and technology. Most Samsung notebooks are designed by their own team instead of outsourcing, Samsung need to cultivate the customers that Samsung's notebook is not only a working auxiliary tool; it is more like a representative for status of clients, especially the middle or high-end clients. Samsung must utilize this resource to achieve a unique character, (2) Samsung's technology is considered as leading in the periphery component, to use its own cutting-edge components not only could keep Samsung Notebook in a leading position, but also decrease the total cost for Samsung and make product-line differentiation feasible, (3) Samsung's guarantee warranty is the longest in the industry, which makes the products more reliable and safer.

2. Markets focus:

Although the company wants to promote its products into broader regions, due to the limited distribution channels and marketing capability, companies should more focus on the following segments:

A: Enhance the marketing penetrate into Big cities such as Beijing, Shanghai, and Guangzhou.

B: Expand the sales in the first line cities such as Shenzhen, Fuzhou, Nanjing, Shenyang, and Chengdu.

C: increase the first line cities inland such as Changsha, Wuhan, and some costal second line cities such as Xiamen, Qingdao and Dalian.

3. Target group focus; Grasp the key customers.

The target group for Samsung is clear and stable, mainly positioned as the following:

1) The high-end consumers: according to the sales data dated from Q3 2007, Samsung has very obvious advantage in the high-end product line. Even could hit Top 3 vendors. So for the high-end customers, Samsung need to keep them stable and loyal.

The China top laptop vendors market share by price in 2008

	<RMB 6k	RMB 6k~9K	RMB 9k~12k	RMB 12k~15k	>RMB 15k
1	Lenovo	Lenovo	Lenovo	Lenovo	Lenovo
2	HP	Hp	HP	SONY	SONY

3	Acer	Asus	Dell	Samsung	Samsung
4	Haier	Dell	Toshiba	HP	Dell
5	Asus	Acer	Samsung	Fujitsu	App
6.	Asus	Acer	Fujitsu	Fujitsu	Apple
		Samsung (No.8)			

(2) We recommend Samsung to expand the consumer base for middle-end products aggressively. Samsung is considered as elite product, so the middle-level consumers are willing to have one to brand themselves, considering the decreasing price trend and most of middle-end customers aged from 20-30 have huge potential to grow up to high-end consumers, Samsung need to take this group more seriously.

(3) Try to attract some low-end consumers, but just target some potential one in order to improve Samsung's brand recognition.

8. Marketing tactic design and implementation

After stipulating the focus strategy, I will use 4P model to design the marketing tactics.

8.1 Product strategy

The products are the goods which are provided to the market, and could satisfy people's need and demand, including the material product, service, the places, the organization and concepts. From the product's perspective, the product should meet the need from market; Samsung's notebooks target the high-end consumers, so the biggest characters of products are broad product line, outstanding quality and fashionable design. In order to give them a feeling of elite, Samsung usually choose the best place in the shopping mall, and the internal décor will appear and consistent to the marketing position. Samsung offers a broad line of products, from mini-sized netbook to wide-screen one, gives customers diversified choices. In terms of warranty, Samsung provide the three year warranty for free, which is almost the longest warranty in the industry.

8.2 Pricing strategy

1. Purpose of pricing

To find a correct purpose of pricing is the key to choose a suitable pricing method and strategy. Normally there are four approaches to make the pricing: profit oriented, competition oriented, survival oriented and sales oriented. By reason of the company's marketing environment and company's strategy, Samsung should use the

profit oriented pricing approach. It will be helpful for the company's further development and will develop the channel for more market shares.

2. Pricing strategy and pricing protect.

Because Samsung focus on the high-middle end products, in order to keep its profits, it needs to avoid the pricing battle. Facing the fierce competition in the low-end product line, Samsung could give the distributors more profits to encourage them to feed themselves, and to expand their own channel.

In order to keep the market stable and protect distributors profits, the pricing protect is quite important also. The public price is settled by both company and general distributors, so it could reflect the product market position, as well as to protect the profits for distributors. Meanwhile, this method could also prevent either too high pricing hurt the sales of product, or too low price hindering the development of distributors. In order to encourage the distributors, the company could also give rebate to reward the good performance distributors.

8.3 Distribution channel strategy

As we describe the current distribution structure of Samsung aforementioned, there are two approaches to improve the distribution capability:

1) Improvement on Key employee (or Marketer)

Key employees here normally are the General Manager in different distributors of Samsung. In order to keep a strong control on distributor, we strongly recommend Samsung to cultivate the learning oriented character among these Key employees, making them more communicative, sensitive toward the market changes, and choose qualified Key employees based on characters includes:

A: Leadership personality:

The Key employee shouldn't only act as sale for their products, but also should take at least two responsibilities. On one hand, he is the representative of the distributor, and need to build a good external relation with outsiders. For example, In terms of company's reputation, the Key employees' behavior will be interpreted by outsiders as the company's characters. So the key employees shape the company's recognition, and play an important role to build up a friendly and positive environment for company's further development. On the other hand, the personality of Key figures is quite important from internal perspective, because the normal employees will be highly influenced by the style of key employee.

B: Clear mindset

The mindset is quite important for Key employees. There are two criteria to evaluate whether or not the Key employee has clear mindset. Firstly, key employees enjoy the same developing strategy with Headquarter of Samsung, agree with the culture and developing plan of Samsung, Secondly, The Key people have clear understanding on the current marketing situation and trends, as well as on how to manage the distribution channel, capital and human resources etc.

C: Strong enforcing capability.

Samsung defines the enforcing capability as the ability to operate one distributor efficiently and effectively, to ensure a strong market-exploring performance, good management in capital, material, information, human resource etc. For example, if the inventory turnover is low in distributor, successfully managing it upward is a good reflection on Key employee's enforcing capability.

From Samsung's side, we recommend that Samsung needs to set up make itself as a study-organization, encourage study and innovation within the company especially among these Key employees, and increase the communication and control on these Key employees. Samsung could use different way such as seminar, distant internet training etc to educate Key employees through its internal training system regularly, ensuring they are updated and always in the same line as Samsung. Meanwhile, Samsung could offer different tailored education to Key employees, for example, offering material management courses for big Distributor Key employees while offering courses on Public Relation or CRM to Key employees from Industrial distributors. Only in this way, Samsung could alleviate the organization and culture hindrance and achieve a good increasing on Key employees' performance.

2) Enhance the distribution channels' management

a. Restructuring the distribution channels

We recommend Samsung to adapt two different models for different customers as Lenovo does, the core reasons to implement so called 'Dual-model strategy' is that it could make a reasonable differentiation and integration of each process in value chain, and balance the benefits of all parties and blur the process where conflicts on interests may happen.

Reasonable differentiation: We believe that consumer customers will more concern about price and appearance, and need more instruction and help at the purchasing moment, and would like to experience it by person and buy it instantly if they are satisfied. Meanwhile, the business clients concern more about the security, tailored version of PC, stability and special requirement of service, and would like to negotiate directly with PC vendor. Samsung takes mass production and distribution channels to

serve its consumer client and use small-batch production and client representative to serve the business client. Besides, Samsung differentiates the product design, marketing service approach, and human resources management. For example, For consumer clients, Samsung mainly went through the flyers, brochures via distributor, for business clients, Samsung invites them to visit the companies, using telephone sales, direct mails, let clients feel Samsung's management level and service quality, in order to trust Samsung. From the Human Resource perspective, Samsung could use individual and team performance to motivate staff in T-model, and mainly only consider individual performance under R-model concerning the fairness factors.

Efficient integration: In order to achieve the synergy and improve the efficiency, Samsung also converge the two models in lots process to some extents. For example, except few special gadgets, R-model and T-model will use the same approach of purchasing and the inventory is managed by suppliers. This could bestow Samsung more purchasing power and diminish R-model's inventory risk in regard of its small-batch production. In the service and sales field, Big Clients Department is in charge of establishing relation but lots supporting business is done by distributor. Meanwhile the Big Clients Department will cooperate with distributor to dig out new clients. In order to blur the potential conflicting field, especially to smooth the interest conflicts between external channels and sales in Big Clients Department, we recommend Samsung to adapt a very strict rule and definition on big and SME clients. And when it comes to interest distributing, Samsung need to divide benefits based on 'deals', Distribution channels and Big clients Department share it according to their contribution.

b. Extra support to emerging channels.

Recently, the emerging distribution's importance becomes more and more obvious, especially the one line B2C channels. We recommend Samsung to pay extra attention to it based on the following reasons:

1) As a late comer, Samsung doesn't own traditional channels as strong as other competitors. It's Samsung's disadvantage. However, it also makes Samsung avoid able lots potential conflicts and more flexible when it comes to use the emerging channels.

2) Samsung's products are considered 'neat and fashionable'. To some extent, it matches the innovative characters of emerging channels. For most Samsung's potential customers, they are also the pioneers to try the 'new and fashionable' online purchasing way.

c: loosen the credit policy towards distributors

Samsung is quite good at cost control and very cautious about the credit policy towards distributors. However, if Samsung wants to cooperate with more distributors or grasp distributors from rivals, it needs to give benefits back to distributors in return. A friendly credit policy is quite attractive for distributors as we interviewed with several big ones. We calculate the inventory turnover ratio as well as the operation cycle and find they are strong enough to implement a loose credit policy. The whole size of Samsung Notebook division is still comparatively small and as we stipulate the aggressive expanding strategy as a whole, Samsung must take some financial risk to gain more market shares.

9. Summary

Under the fast growing background, Notebook industry draws lots attention from IT companies. It is expected that by 2010, the sales of notebook will overrun the sales of desktop. After the SWOT and SPACE analysis, we recommend Samsung to improve from two different perspectives, first, set up a clear and detailed marketing goal and plan, and ensure the enforcing of such strategies. Secondly, manage the distribution channels effectively and efficiently. There are two trends Samsung need to be aware

- 1) As customers requires thinner and thinner notebook, the netbook, which is simplified version of notebook will be another profit point.
- 2) Distribution channels will play more and more important role in this industry. Finding a most suitable distribution channel management solution is among the priorities for Samsung.

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Questionnaire

1. Your age:

'18-29'

'30-40'

'Above 40'

'Below 18'

2. Your gender

'Male'

'Female'

3. What do you think are the most important advantage(s) for Samsung Notebook?

Signal for status

Neat design

Good quality

Brand reliance

Other

4. Have you bought Samsung Notebook already?

Already bought

Plan to buy

No plan

Others

5. Where can you see the news on Samsung Notebook?

Internet

Magazine, Newspaper

Shopping Mall

Friend's recommendation

Road Show

6. What do you want the most extra service from Samsung Notebook?

Plus accessories

Extended guarantee service

On-door service