Case study
Dipping revenues – Will Samsung Electronics reposition its brand

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Lee Byung Chul, in 1938, started Samsung as a small trading company with just 40 workersand indulging mainly in production and distribution of groceries. In a matter of 10 years, the company grew in size and diversified into sugar refinery, woollen mill, insurance, retail and securities. It tasted success in everything and soon, by the year 1960, the electronics story had begun with a bang. From the black and white television to semiconductors, telecommunications and hardware, Samsung took the world by storm and today is a multinational corporation with a true global presence.

Along the way, it has acquired many companies and expanded to the world of telephone, fax machines and other electronic gadgets. Nothing deterred the company from marching forward and innovation and research became the core and cardinal principles of the group. Even the founder's death did not affectits undying philosophy in realizing the company's mission and vision. It is indeed fascinating to read its branching out saga to the field of construction and made its noteworthy presence in that competitive sector by successfully implementing two major projects; the Burj Khalifa and Petronas towers.

The heterogeneity of this massive and mammoth conglomerate is reflected in the product line and mix comprising of electronics, construction, heavy industries,information technology and many more.

The South Korean manufacturing giant which makes its presence felt in the field of consumer electronics such as washing machines, Televisions, refrigerators and kitchen appliances had whopping revenue earnings of nearly 60 billion US dollars in the year 2013-14.

It has taken the smart mobile world by storm and notched huge sales in this segment giving its competitors such as Apple, Nokia, Google and other big players, a run for their money. With its enviable array of gadgets ranging from the normal low priced phones to smart phones, notes and tablets it has catered to every class and strata of society. The enviable collection of Galaxy note and edge makes every head turn and is the most sold mobile in many parts of the world.

Innovation has been its forte and Samsung comes up with newer and improved versions of smart phones every other day thus making its research department an incubator for ideas. Flaunting a Samsung phone has become the order of the day with the youth of the world, due to the sheer standards of technology with quality and ably backed up by an excellent support

and service system. The networking and assistance has been immaculate and easy availability of spare parts also aids in the process.

It has always been positioned as a brand that has style and technology incorporated seamlessly in their smart mobiles and 2014 was the best year as it ranked 3rd in the top 10 innovative companies and has been ranked 7th 'Best Global Brand' (Source Boston Consultancy Group)

The tag line "the next best thing is here" has had a very positive connect with its customers and they have identified the products under the umbrella brand positioning concept.

But, every peak has a trough and the last quarter ending 31st December 2016 was a bolt from the blue for the appliances giant, with dipping revenues mainly due to safety issues concerning its flagship product – the mobile. The company posted a mobile division operating profit of $1.8 billion in the fourth quarter, down 64 percent from $5 billion in the same quarter the previous year. The company also suffered a 27 percent drop in overall fourth-quarter earnings of $4.9 billion vs. last year's fourth quarter.

Safety concerns had raised its ugly head and it reflected on the company's performance. For the conglomerate, it was time to sit up and notice and take remedial actions to rectify the flaws and get back the customers' confidence. There were several cases of battery bursts, mobiles catching fire and--- which created a flutter among the public and even panic in certain markets. Statistics from various sources reveal that the diverse products across different markets were subject to lot of shortcomings.

There was a massive recall of 1, 44,000 washing machines from the Australian market owing to a faulty circuitry with the threat of fire in the appliance and in the USA too, many defective units were withdrawn.

Earlier, in the year 2003, about 1, 84,000 microwave ovens in the USA were found to be defective again with safety concerns and were immediately recalled. Adding to their cup of woes, was the recall of 2, 10,000 refrigerators from its home market in the year 2009.

There were other smaller cases of potential shock hazards in some of the microwave ovens sold in the United States and had to be promptly recalled.

A company which apart from its profits and revenues, was also known for its congenial working environment and a robust corporate social responsibility supporting lot of worthy causes and ably giving back to the society seems to be heading towards more trouble with the safety issues. Adding fuel to fire is the latest IDC study that has revealed that in the fourth quarter, Apple's I phone had alm ost surpassed long time mobile leader Samsung's 75.1 million.

The company's top brass and the think tank is analysing the causes for concern and dipping revenues and reworking their strategy to bring it back on course. The analysts have narrowed down on certain key areas that may be the reasons and the first and foremost is the surge of cheap Chinese alternatives which are flooding the world market in the form of Xiaomi and

Huawei. Not only are they low priced with similar features, they are targeting the same markets in which Samsung was dominating. However, the top honchos in the mobile communication business feel that they need to be so bogged down by this influx of cheap brands as they have the vital advantage of brand awareness and channel relationship. The chinks in the armour are to be overcome with an improvement in the features in the phones of the mid and low sized segments at lower prices along with key elements that are trademarks of the higher end models and this reworked action will surely make it a cut above the rest.

The massive strides of Apple in a burgeoning market such as China with the release of iPhone 6 plus and iPhone 7 in the fourth quarter of 2014made a huge dent on Samsung's models and the think tank in Samsung has attributed the success of iPhone to its larger screen of 5.5" and although Samsung was the pioneer in introducing the bigger screen to the world, it failed to latch on to the head start and China bit on to the Apple. Now analysts feel that Samsung has to move to newer unexplored territories to get back the lost charm. The footprints have to grow in other markets such as Indonesia, Brazil and to a certain extent India that have huge potential and opportunities for the player to become the market leader once again.

Experts also feel that Samsung has reached a flash point or the tipping point and they sincerely need to reposition itself not just in devices but exclusive in the smart phone category.

Efforts are on in making a very innovative product in the large screen segment which will be a new high end product using innovative materials and creative displays.

And so the brand strategy to re position continues in the form of creation and innovation to re-emerge as the top player once again. The continuous effort to differentiate from its competitors is the key to its success.

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Questions:

1) What is the key ingredient in the positioning strategy of Samsung electronics?
2) Trace the growth of Samsung
3) What are the diverse fields of activities for the company?
4) Dipping revenues-summarize the causes for this based on your observations from the case.