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SKU: 9780134149530-SOLUTIONS

Company Case 2

Samsung: A Strategic Plan for Success

Synopsis

In less than two decades, Samsung has gone from a little-known copycat consumer electronics brand to the largest consumer electronics company in the world by a wide margin. It accomplished this by setting lofty goals and by creating a culture of innovation. Samsung didn't just think outside the box. It broke the box wide open by bringing outsiders in and sending insiders abroad, resulting in one of the freshest thinking work forces. With an investment budget that far exceeds the competition, these folks are charged with creating products that it calls "lifestyle works of art"—products that must pass a "Wow!" test during market testing. As a result, Samsung is near the top of almost every consumer electronics category. And more than just big, Samsung is recognized worldwide as one of the most innovative companies.

Teaching Objectives

The teaching objectives for this case are to:

1. Introduce students to the concepts of business and marketing strategy.
2. Highlight the difference between a mission statement and a market-oriented mission statement.
3. Establish the role of goals and objectives in marketing strategy.
4. Help students understand the importance of the business portfolio in growing a business.
5. Introduce the marketing mix as a core concept of marketing.

Discussion Questions

1. How was Samsung able to go from a copycat brand to an innovation leader?
   Samsung had a visionary leader. Lee Kun-hee, Fortune's CEO of the decade, was ahead of his time. He was not content to remain the best of the knock-off brands. Rather, he set high goals (to become the biggest consumer electronics company and to surpass Sony) and established a strategic plan to accomplish those goals. Samsung accomplished its goals in less than two decades.

2. In recent years, how has Samsung achieved its goals in markets where it had little presence, such as smartphones?
   Samsung has been able to penetrate markets with its strategy of creating "Wow!" designs. With cutting edge designs to rival or even surpass those of Apple, customers are quick to crave them. Even today, the only smartphone company to truly rival Apple in terms of "must have" gadgets is Samsung.

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3. What challenges does Samsung face with such a diverse product portfolio? What benefits?
The primary benefit of a diverse product portfolio is not suffering downturns in any one product category. When a company has all its eggs in one or few baskets, then it will have trouble when the market slows down or when there are internal issues or competitive issues that affect sales in that category. By having multiple divisions and product lines, there is also the opportunity for cost savings through the sharing of knowledge, experience, and resources where there are needs that overlap from one product line to another. Another benefit of a diverse portfolio is that it creates opportunities for growth and expansion into even more categories.

Concerning challenges, the complexities created by multiple product lines require expansive resources. It is far more difficult to be the best in many different areas than it is to be the best in just one. Samsung's focus on design, R&D, and creating "Wow!" products, have allowed it to overcome this challenge.

4. Is Samsung's current and future strategy customer focused? Why or why not?
There is a fair amount of evidence in this case to support a strong customer-centered marketing strategy on Samsung's part. The case points out that Samsung went from a little-known copycat brand to the cutting edge market leader by focusing on the customer needs. But the case also cites Samsung's chief marketing officer as evidence that this company has a customer-centered strategy. "Put simply, our differentiation is centered on producing innovative technology that brings genuine change to people's lives. We do this by bringing a relentless focus on consumer experience and product innovation in everything we do."

5. Will Samsung be successful in achieving its goal of becoming a leader in the Internet of Things market?
It would be easy to say yes. However, any response to this question must recognize the complexities of this market. It is not a product line, like smartphones or refrigerators. It requires the convergence of many industries and players. So, not only is Samsung entering uncharted territory concerning new products, but it is treading on ground that no company has been able to crack yet. And, there is plenty of speculation that it may never come together.

On the other hand, it seems that based on market needs, it is only a matter of time before there is a solid Internet of Things market. Given that, it is not hard to argue that Samsung will be on top. It not only has the strategy and the track record, it is investing massive amounts to develop an infrastructure that is necessary for success.

Teaching Suggestions

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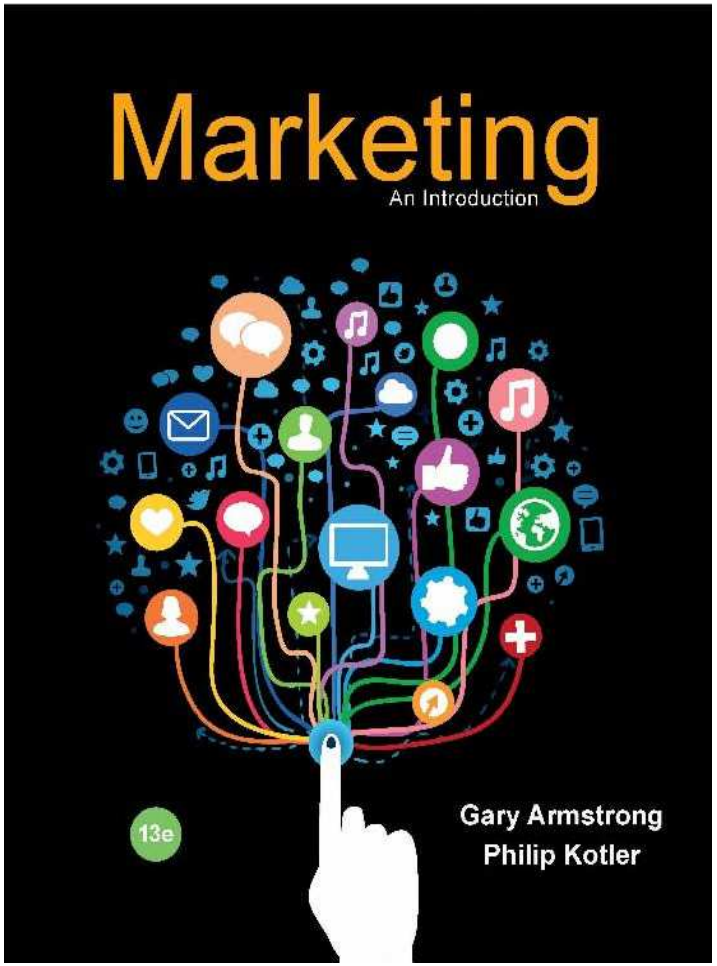
To illustrate just how dynamic consumer electronics markets are, create a list of the most popular consumer electronics products with the help of students. Once a list has been generated, ask students to consider just how long each product has been around (or at least how long they have been around in their current form). For products like smartphones or tablets, the product lines do not go back very far. Provide some pictures of early models up through today to illustrate just how drastically this product has evolved. Consider TVs. What is state of the art? Less than ten years ago, most people still had the CRT type of TVs in their homes. Now, most have flat screen high-definition models. And those models are rapidly changing (from plasma to LCD to LED to the ultra-smart models of today). After discussing this case, ask students to suggest what they think the hot products will be in 10 years.

This case was developed for use with Chapter 2. This case also works well with the product development chapter (Chapter 8).

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Marketing: An Introduction

Thirteenth Edition



Chapter 2

Company and Marketing Strategy: Partnering to Build Customer Engagement, Value, and Relationships

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Learning Objectives (1 of 4)

2-1. Explain company-wide strategic planning and its four steps.

2-2. Discuss how to design business portfolios and develop growth strategies.

2-3. Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

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Learning Objectives (2 of 4)

2-4. Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence it.

2-5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

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First Stop: Starbuck's Customer Value-Driven Marketing Strategy

More than just coffee, Starbucks sells the Starbucks Experience, one that "enriches people's lives one moment, one human being, one extraordinary cup of coffee at a time."



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Learning Objective 2-1

- Explain company-wide strategic planning and its four steps.

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Strategic Planning

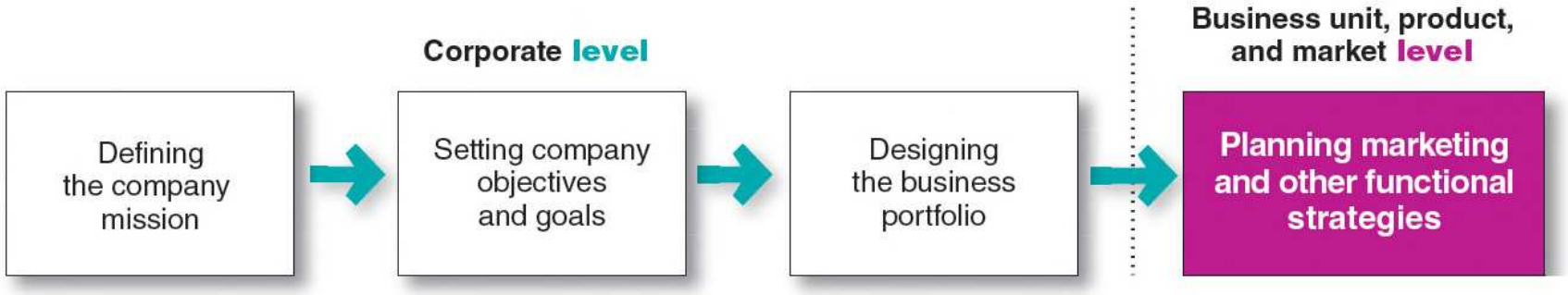
- Game plan for long-run survival and growth
- Helps to maintain a strategic fit between its goals and capabilities and changing marketing opportunities.

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Figure 2.1 - Steps in Strategic Planning



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Mission Statement

- Statement of the organization's purpose
- Market oriented - defined in terms of satisfying basic customer needs
- Emphasize the company's strengths
- Focus on customers and the customer experience

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Setting Company Objectives and Goals (1 of 2)

- Detailed supporting objectives for each level of management
- Setting a hierarchy of objectives
  - Business objectives
  - Marketing objectives

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Setting Company Objectives and Goals (2 of 2)



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Learning Objective 2-1 Summary

- Strategic planning
  - Defining the company's mission
  - Setting objectives and goals
  - Designing a business portfolio
  - Developing functional plans
- Company mission statement
  - Market oriented, realistic, specific
  - Motivating, consistent with market environment

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Learning Objective 2-2

- Discuss how to design business portfolios and develop growth strategies.

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Business Portfolio (1 of 2)

- Collection of businesses and products that make up the company
- Steps in business portfolio planning:
  - Analyze the firm's **current** business portfolio
  - Develop strategies to shape the **future** portfolio

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Business Portfolio (2 of 2)

Disney has become a sprawling collection of media and entertainment businesses.



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Portfolio Analysis

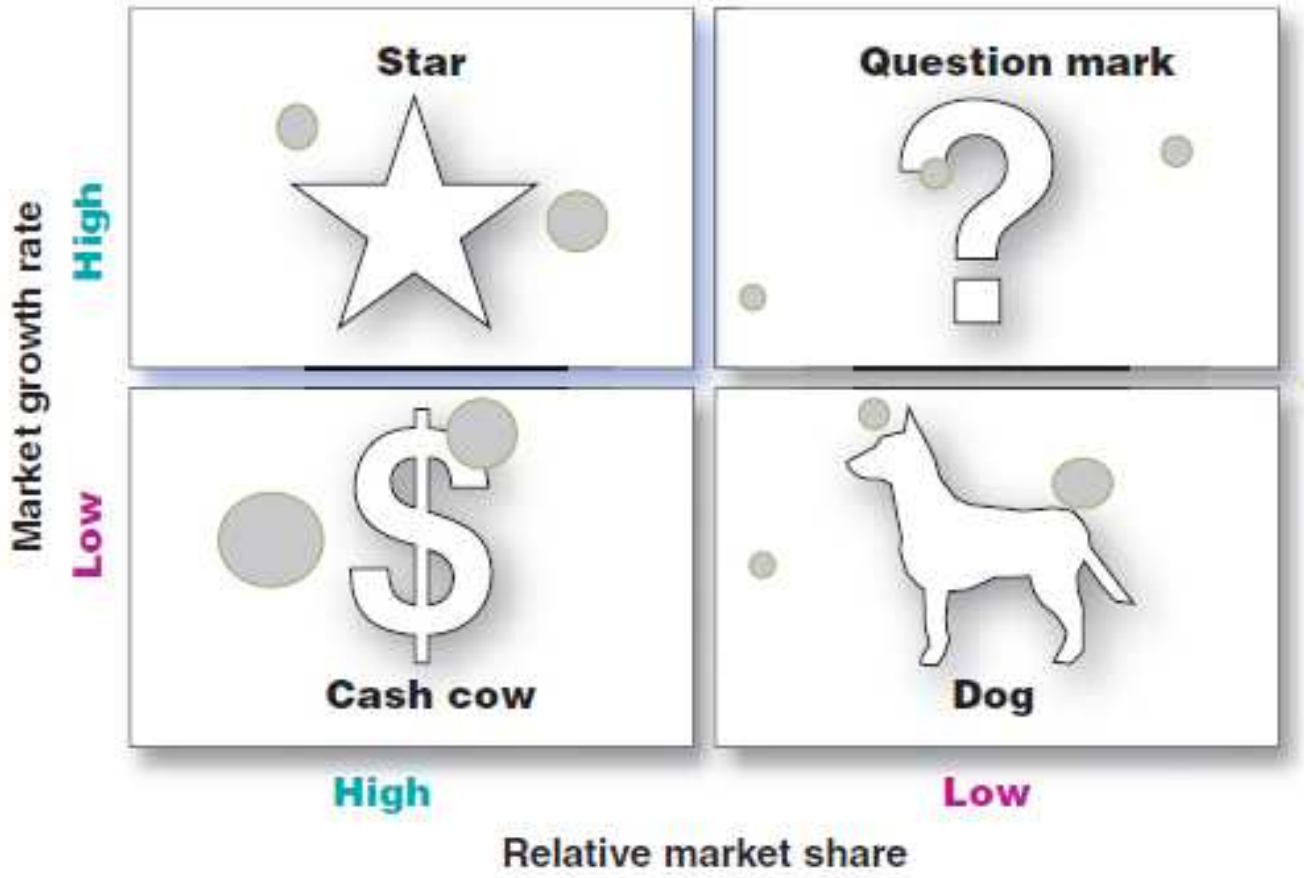
- Management's evaluation of the products and businesses that make up the company
  - Identify the strategic business units (SBUs)
  - Assess SBUs' attractiveness and decide on the level of support SBU deserves
- Direct resources toward more profitable businesses and phase down or drop its weaker ones

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Figure 2.2 - The BCG Growth-Share Matrix



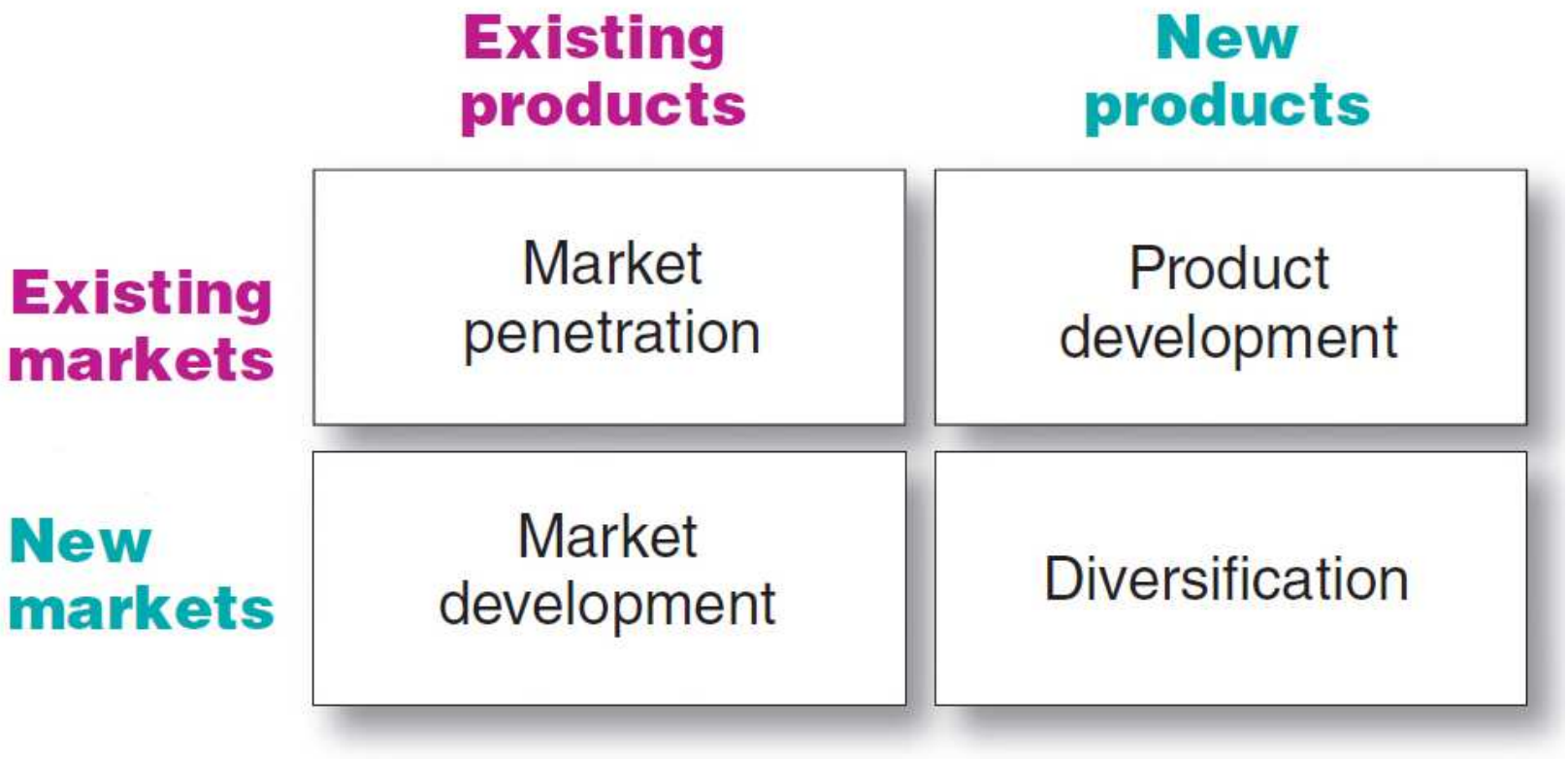
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Growth-Share Matrix

- Evaluates a company's SBUs in terms of market growth rate and relative market share
- Problems with Growth-Share Matrix
  - Difficult, time consuming, and costly
  - Difficult to define and measure
  - Provides little advice for future planning

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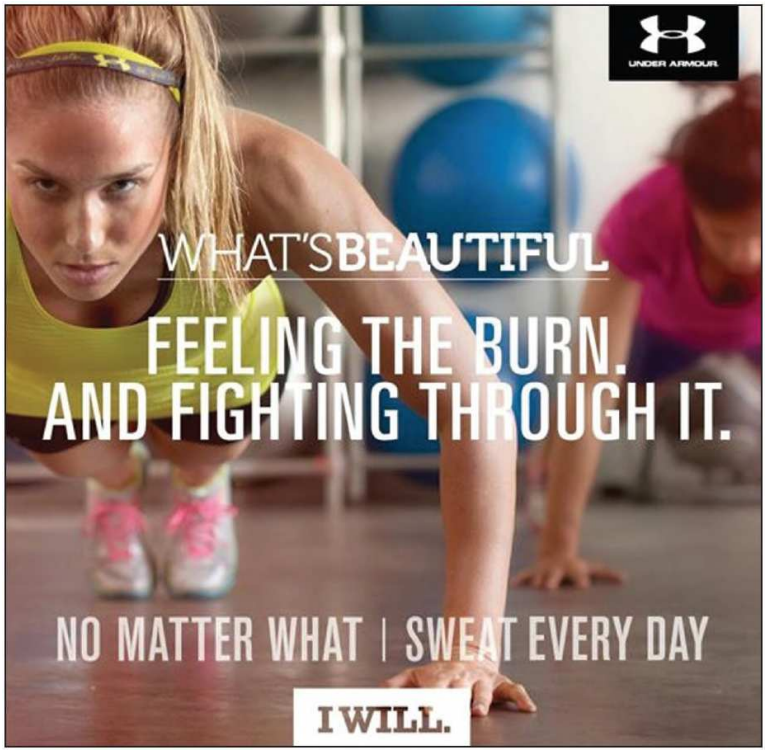
Figure 2.3 - The Product/Market Expansion Grid



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Developing Strategies for Growth

Under Armour has grown at a blistering rate under its multipronged growth strategy.



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Downsizing

- Products or business units that are unprofitable or no longer fit the company's overall strategy
- Reasons to abandon products or markets
  - Rapid growth of the company
  - Lack of experience in a market
  - Change in market environment
  - Decline of a particular product

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Learning Objective 2-2 Summary

- Portfolio analysis
- BCG Growth-Share Matrix
- Product market expansion grid
- Strategies for growth and downsizing

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Learning Objective 2-3

- Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

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Planning Marketing: Partnering to Build Customer Relationships

- Provides a guiding philosophy
  - Marketing concept—company strategy should create customer value and build profitable relationships
- Provides inputs to strategic planners
  - Identify market opportunities and potential to take advantage of them
- Designs strategies for reaching the business unit's objectives

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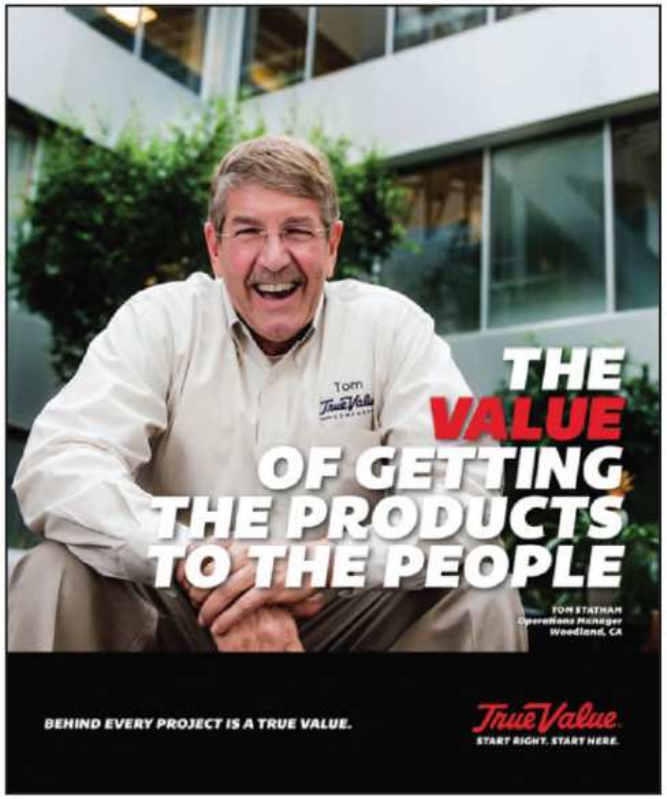
Partnering with Other Company Departments (1 of 2)

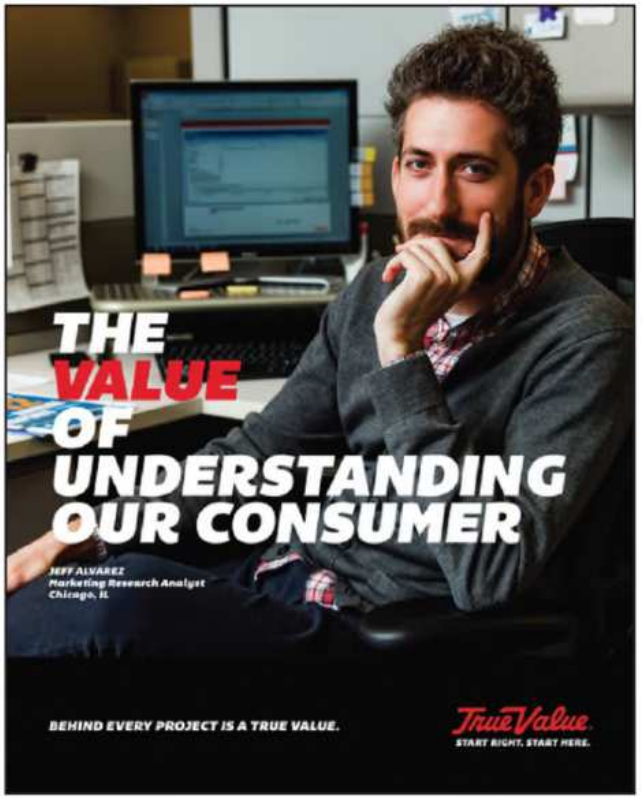
- Company departments are links in the company's internal **value chain**.
- Firm's success depends on how well the various departments coordinate their activities.
- Marketers should ensure all the departments are customer-focused and develop a smooth functioning value chain.

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Partnering with Other Company Departments (2 of 2)

True Value's Internal Value Chain.





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Partnering with Others in the Marketing System

- Companies should assess value chains
  - Internal departments
  - External: suppliers, distributors and customers
- **Value delivery network** is composed of the company, its suppliers, its distributors, and its customers

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Learning Objective 2-3 Summary

- Planning Marketing
- Partnering to build customer relationships
- Partnering with other company departments
- Partnering with suppliers, distributors and customers
- Value delivery network

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Learning Objective 2-4

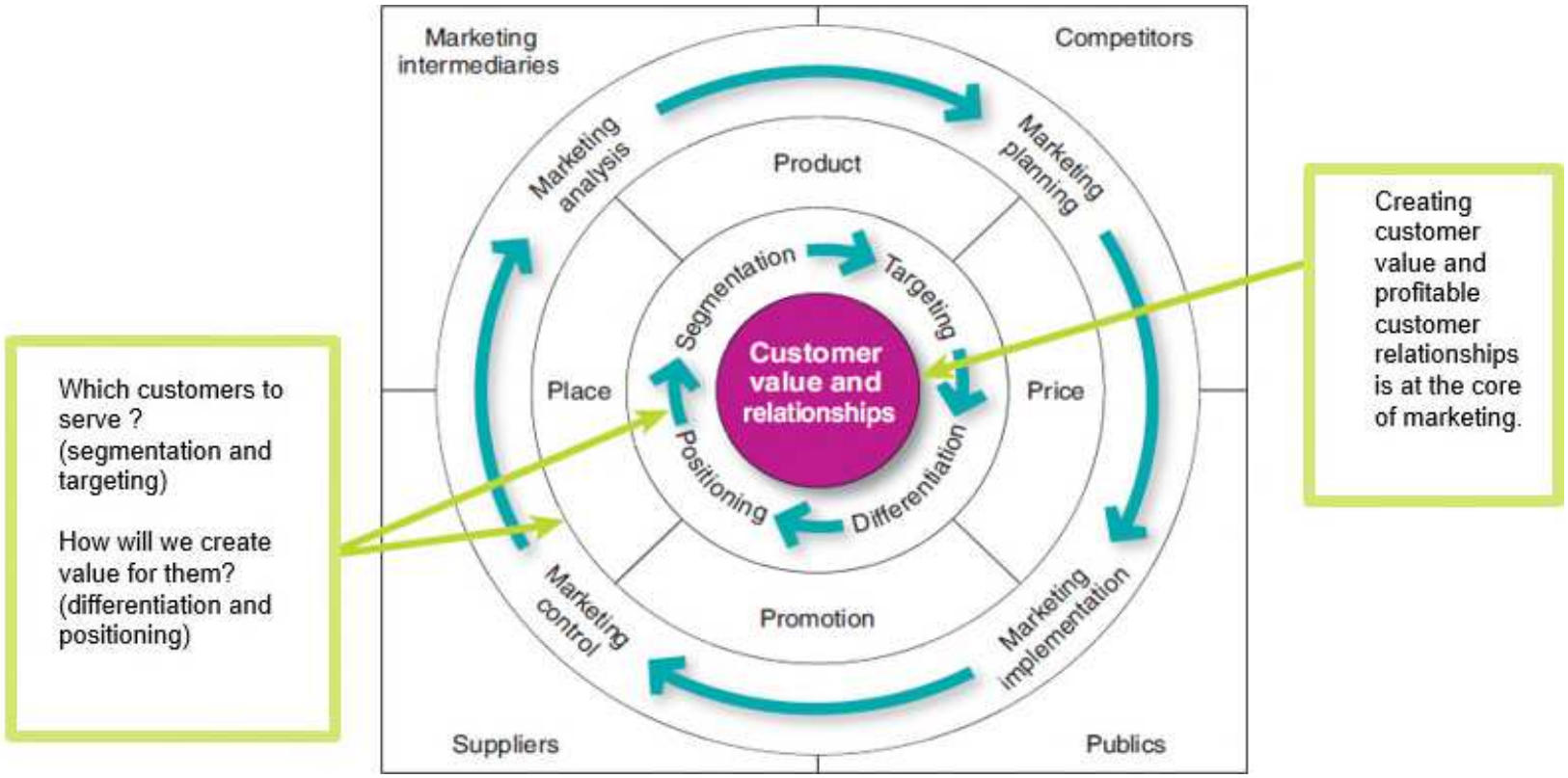
- Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence it.

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Figure 2.5 Managing Marketing Strategy and the Marketing Mix



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Customer Value-Driven Marketing Strategy

- Marketing logic by which the company creates customer value and achieves profitable customer relationships
- Integrated marketing mix: product, price, place, and promotion
- Activities for best marketing strategy and mix
  - Marketing analysis
  - Planning, implementation, and control

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Market Segmentation and Market Targeting

Market segmentation

- Dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs

Market segment

- Group of consumers who respond in a similar way to a given set of marketing efforts

Market targeting

- Evaluating each market segment's attractiveness and selecting one or more segments to enter

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Positioning (1 of 2)

- **Positioning** the product to occupy a clear, distinctive, and desirable place relative to competing products
- **Differentiating** the market offering to create superior customer value
- The entire marketing program should support the chosen positioning strategy.

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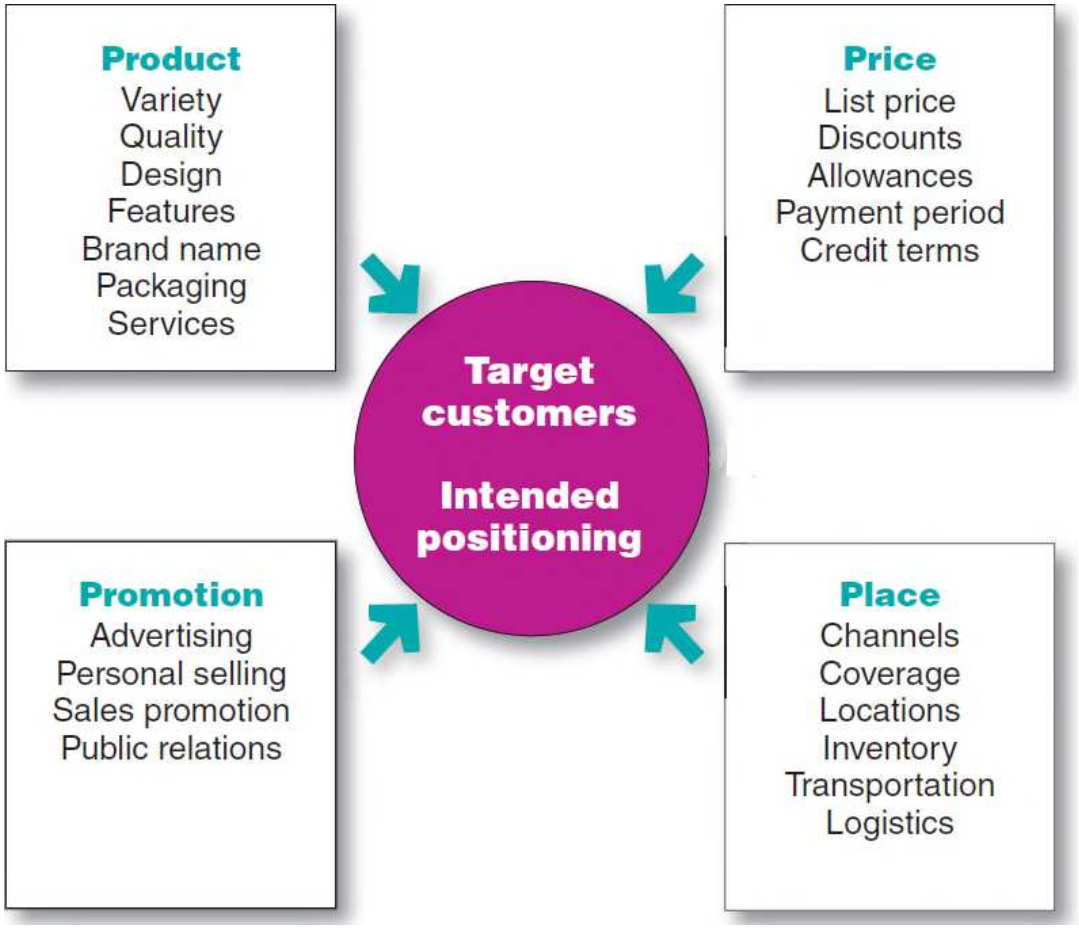
Positioning (2 of 2)

Southwest's positioning as "The LUV Airline" is reinforced by the colorful heart in its new logo and plane graphics design.



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Figure 2.5 - The Four Ps of the Marketing Mix



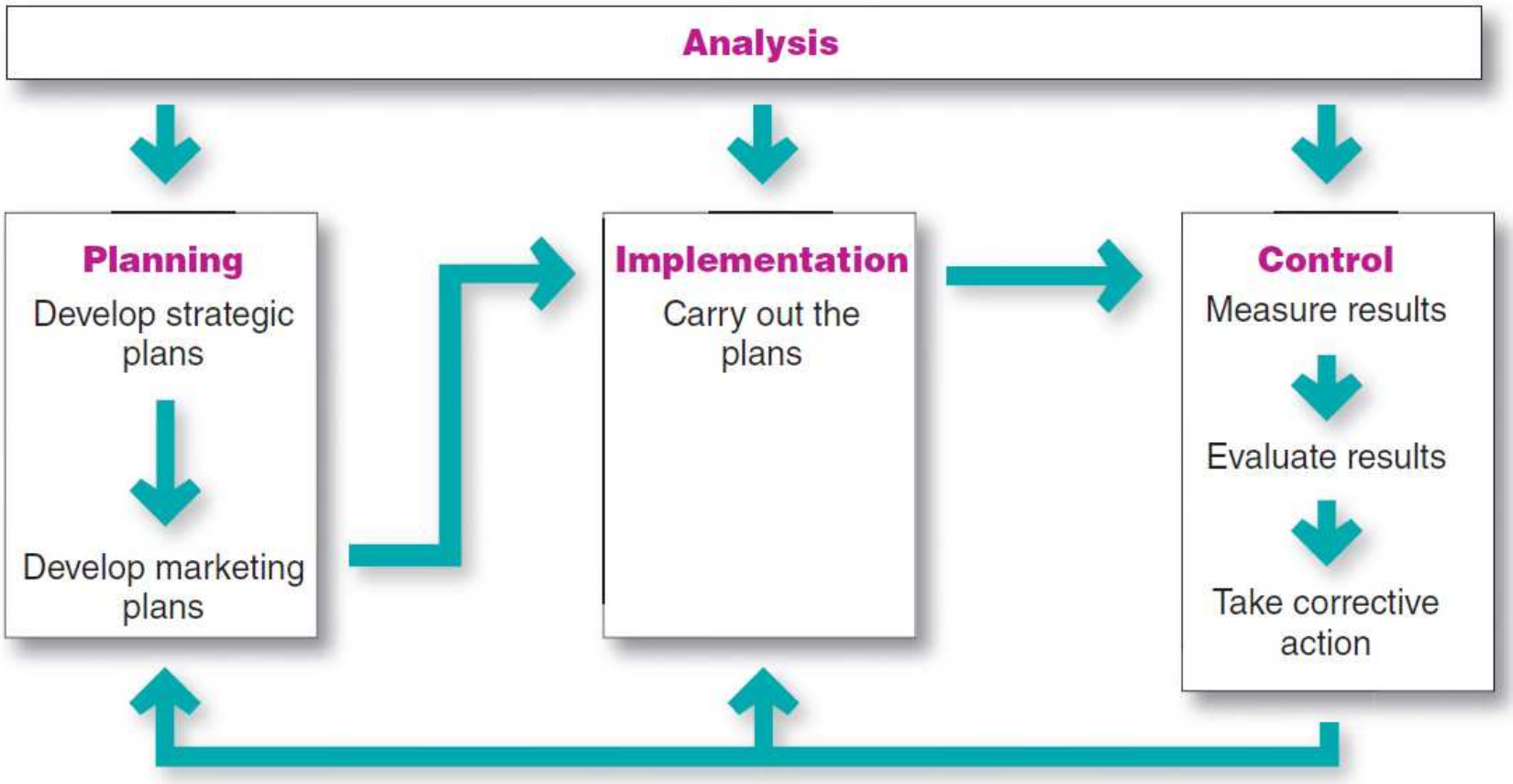
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Criticisms of the Four Ps

- Omits or underemphasizes service products
- Needs to include packaging as a product decision
- Buyer's perspective would emphasize the four **A** s:
  - Acceptability
  - Affordability
  - Accessibility
  - Awareness

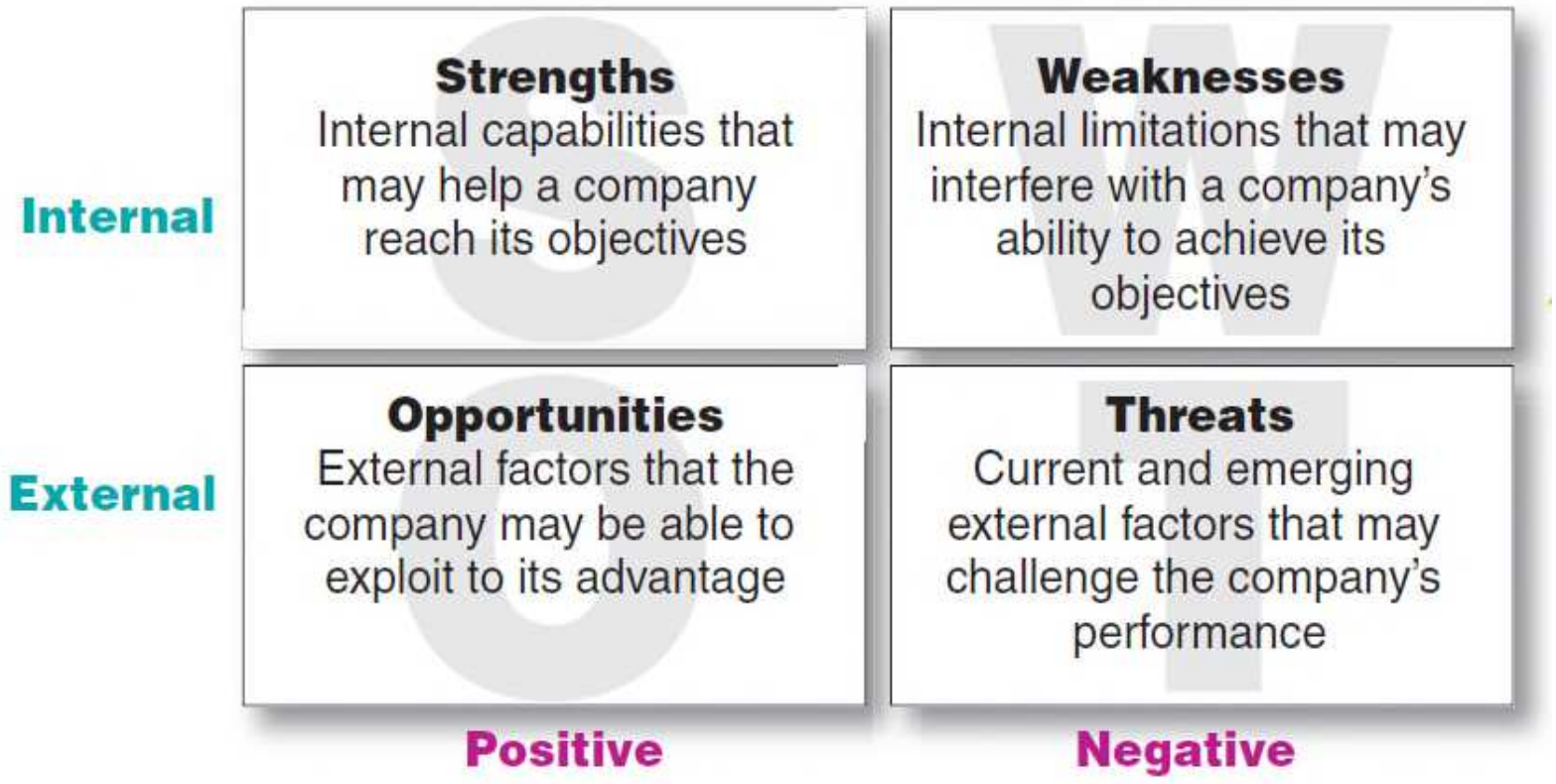
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Figure 2.6 - Managing Marketing: Analysis, Planning, Implementation, and Control



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Figure 2.7 - SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T)



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Learning Objective 2-4 Summary

- Customer value-driven marketing strategy
- Market segmentation and market segment
- Market targeting
- Positioning and differentiating
- Four Ps of the marketing mix
- Analysis, planning implementation and control
- SWOT analysis

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Learning Objective 2-5 (1 of 2)

- List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

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Contents of a Marketing Plan (1 of 2)

Section	Purpose
Executive summary	Brief summary of the main goals and recommendations
Current marketing situation	Gives the market description and the product, competition, and distribution review
Threats and opportunities analysis	Helps management to anticipate important positive or negative developments
Objectives and issues	States and discusses marketing objectives and key issues

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Contents of a Marketing Plan (2 of 2)

Section	Purpose
Marketing strategy	Outlines the broad marketing logic and the specifics of target markets, positioning, marketing expenditure levels, and strategies for each marketing mix element
Action programs	Spells out how marketing strategies will be turned into specific action programs
Budgets	Details a supporting marketing budget that is a projected profit-and-loss statement
Controls	Outlines the controls that will be used to monitor progress, allow management to review implementation results, and spot products that are not meeting their goals

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Market Implementation

- Turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
- Addresses the who, where, when, and how of the marketing activities

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Marketing Department Organization

- Functional organization
- Geographic organization
- Product management organization
- Market or customer management organization
- Combination organization

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Marketing Control

- Measuring and evaluating the results of marketing strategies and plans
- Operating control ensures that the company achieves its sales, profits, and other goals.
- Strategic control involves looking at whether the company's basic strategies are well matched to its opportunities.

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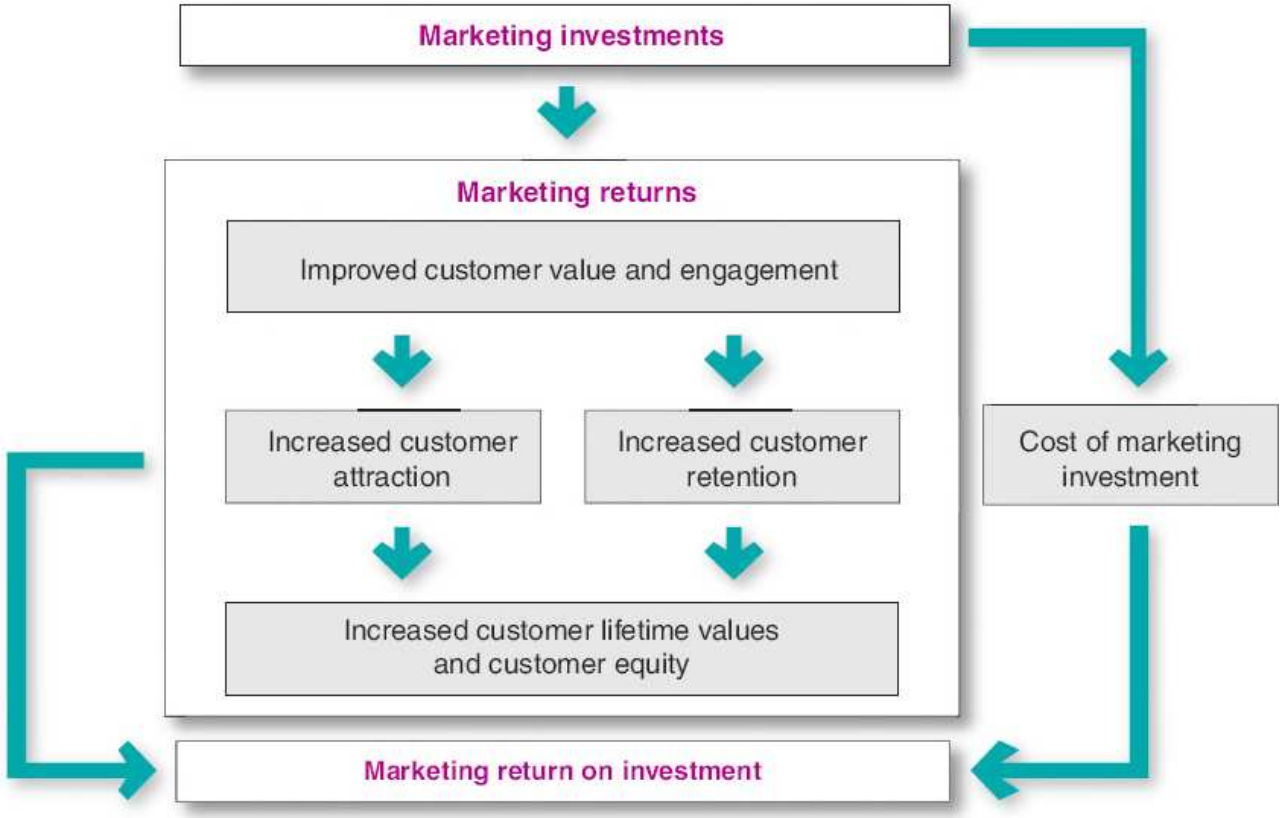
Marketing Return on Investment (ROI)

- Net return from a marketing investment divided by the costs of the marketing investment
- Assessment measures
  - Standard marketing performance measures
  - Customer-centered measures

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Figure 2.8 - Marketing Return on Investment



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Learning Objective 2-5 (2 of 2)

- Contents of a marketing plan
- Analysis, planning and implementation
- Operating and strategic marketing control
- Marketing department organization
- Marketing return on investment

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Learning Objectives (3 of 4)

2-1. Explain company-wide strategic planning and its four steps.

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Learning Objectives (4 of 4)

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