

論文題目

三星電子的品牌策略:以手機行業的經驗為例

Thesis Topic

Samsung Electronics' Branding Strategy:
Experience in Mobile Industry

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Abstract

In this thesis, the author will scrutinize Samsung Electronics' corporate branding. Although there are several studies about Samsung electronics' development strategy or marketing strategy, only few studies can be found about its corporate branding strategy. Hence, in order to understand how Samsung Electronics has developed its corporate branding strategy, this study looks over its efforts by applying the VCI model and make sure whether alignment exist among company vision, corporate culture and stakeholders' images. This research's basis is on the case study with Samsung Electronics and literature analysis.

The propose of this thesis is to gain helpful insights into the corporate branding by studying the case of Samsung Electronics and to emphasize the importance of proper corporate branding in order to create brand value for corporate prosperity.

Keywords: Samsung Electronics, brand value, corporate culture, mobile industry, VCI model

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Chapter 1. Introduction

1.1 Background

When people consider the world's best IT brand, they usually think of Apple or Samsung Electronics. Few would deny the claim that Samsung Electronics, the largest South Korea conglomerate, has achieved remarkable success in the global market, and could be called one of the world's best brands. Samsung Electronics, Last year, was ranked in the top 10 of the world's most valuable Brands¹ and within the world's top 13 businesses by revenue as of 2016, according to Fortune.² Many people all over the world recognize the brand Samsung Electronics and its flagship smartphone Samsung Galaxy; some people may even know more about the brand than they do about South Korea, the country. Beside, we can easily find various marketing campaigns everywhere such as the Samsung Electronics billboard in Times Square, New York City, or TV commercials on China central television (CCTV) channel in Mainland China. Until mid-1990s, Samsung Electronics was considered as a boring, nondescript brand with low brand recognition in the world. How could Samsung Electronics achieve remarkable performance in the world within less than two decades?

1.2 Objective and Framework

Despite the successful growth of Samsung Electronics as a global brand, there has been few research of Samsung Electronics' corporate brand strategy. Accordingly, this study will focus on Samsung Electronics' corporate branding itself, and will try to carry out by narrowing the scope to mobile business.

From the perspective of branding itself, 1996 represented a turning point for Samsung Electronics when the company's executives recognized the importance of branding and made major changes in brand policy, including developing a corporate marketing strategy. Senior management of the company also began rapidly creating value, by investing in the brand, and

¹ Forbes The World's Biggest Public Companies, [accessed May 5th, 2017, https://www.forbes.com/companies/samsung-electronics/](https://www.forbes.com/companies/samsung-electronics/)

² Fortune 500, [accessed May 5th, 2017, http://beta.fortune.com/fortune500/list](http://beta.fortune.com/fortune500/list)

finding ways to increase value. As Samsung Electronics developed the latest products, they also recognized the need to develop deeper customer relationships and build the value of their brand as a whole. Through this study, I will try to elaborate how Samsung Electronics built and sustained its corporate brand value.

In the coming chapter, I will look at the business development and marketing strategy of Samsung Electronics in a chronological way and its overall business status at present. Also, this research will explore how Samsung Electronics has conducted its corporate branding and use VCI model to measure whether the strong cohesion exists among company vision, corporate culture and shareholder's image of Samsung electronics.

The basis of this research is on the case study of Samsung Electronics and literature Analysis. The objective of this study is to gain helpful insights into the corporate branding by researching branding activities of Samsung Electronics and understanding how successfully position itself as a top brand in the world. Purpose of this research will be to acknowledge Samsung's effort on corporate branding and to emphasize the importance of proper corporate branding in order to create brand value which is the essential business asset for corporate prosperity.

1.3 Brand Value

1.3.1 Strong Brands Grow Strong Businesses

Brand Value

A brand is an intangible asset – name, term, design, symbol or any other feature – identifies one product from another and is often a corporation's most valued asset. The value of brands based on the implication that a well-known brand name can generate more money than from products with a less well-known name; brand valuation is the estimation of a brands total value.¹

Strong Brands Grow Strong Businesses

Strong brand enhances business performance mostly through their influence on three key

³ Statista, "[Brand value of the 25 most valuable brands in 2017](https://www.statista.com/statistics/264875/brand-value-of-the-25-most-valuable-brands/)", accessed May 10th, 2017

stakeholder groups – customers, employees and investors. ; It influences customer’s choice and creates loyalty; it attracts, retains and motivates talented employees; it lowers the cost of financing. ¹ Ultimately, brands help to shape perceptions and purchasing behavior, making products and service less substitutable. Brands, therefore, create economic value by generating higher returns and growth.

1.3.2 The Best Global Brand of 2016, Interbrand

South Korea’s electronics company Samsung Electronics was selected as the best global brand and global top growing brand in 2016 according to the world’s leading brand consultancy, Interbrand. It was ranked as world top 7th Company and its brand value grew by 14 percent to 51,801 million U.S dollars. (refer to figure 1.1 and figure 1.2)

About two decades ago, Samsung Electronics was already a top Electronic brand in Korea, but was little famous low-end brand in other countries. When Interbrand started its brand ranking in 2000, Samsung Electronics only ranked as top 43th with USD 5,223 million. Since then the ranking has constantly risen every year, and the company value reached USD 51,808 which is the highest record ever. (refer to figure 1.3)

⁴ ADQUAN, “Interbrand Releases 2016 Best Global Brands Report, Huawei and Lenovo Enter the Top 100 Brands”, accessed May 10th, 2017, <http://en.adquan.com/post-13-1113.html>

Chapter 2. Literature Review

2.1 Stengel 50: the World's 50 Fastest Growing Brands¹

Based on 10 years empirical research involving 50,000 brands, Jim Stengel and Millward Brown developed the list of the world's 50 fastest growing brands and the study formed the backbone of the Book *GROW: How Ideals Power Growth and Profit at the World's Greatest Companies*.

'Stengel 50' – the world's 50 fastest growing brands– is the list of fifty brands, which built the deepest relationships with customers while achieving the greatest financial growth from 2001-2011. Former Procter and Gamble marketing officer Jim Stengel and brand consultants Millward Brown conducted the research and found a cause-and-effect relationship between a brand's ability to serve a higher purpose and its financial performance. The list includes numerous brands with strong reputations for sustainability like Hermès, VISA, and Samsung Electronics.

Stengel had implemented research activities over a long period of time and explained in this book about the results of the secret to grow company into a first-class.

The 4 profound finding of the Stengel's study are as below:

- Brand ideals drive the performance of the highest growth businesses.
- The highest growth businesses are run by business artists, leaders whose primary medium is brand ideals.
- Business artists excel in similar practices that constitute an operating system for generating and sustaining high growth.
- The brand ideals of the highest growth businesses center in one of five fields of fundamental human values.

The researchers found out the most successful brands were built on an ideal of improving lives in

¹ Stengel Jim. *GROW: How Ideals Power Growth and Profit at the World's Greatest Companies*, (Danvers: Crown Business, 2011).

some way, irrespective of size and category. And they also uncovered that this ideal is a source of inspiration externally among customers, as well as a guide for internal employees.

The analysis also discovered that the company centered their businesses on ideals had a growth rate triple that of competitors. In addition, investment in ‘the Stengel 50 ‘ companies over the past decade would have been 400% more profitable than an investment in the S&P 500. (refer to figure 2.1)

How Ideals Impact the Consumer Mind

According to the study, the 50 brands have ideals touch on five fundamental human values.

- **Eliciting Joy:** Activating experiences of happiness, wonder, and limitless possibility.
- **Enabling Connection:** Enhancing the ability of people to connect with each other and the world in meaningful ways.
- **Inspiring Exploration:** Helping people explore new horizons and new experiences.
- **Evoking Pride:** Giving people increased confidence, security, and vitality.
- **Impacting Society:** Affecting society broadly, from challenging the status quo to redefining categories.

Based on Stengel 50 listing, Samsung Electronics was one of the 50 companies with ideals that can be classified as a brand that “Inspiring exploration”. According to the Stengel, Samsung’s brand ideal is “exist to inspire imagination and enrich life in a world of unlimited possibilities.” The vision and business philosophy of Samsung electronics is all about inspiration and creativity, which is also in line with Stengel 50’s value classification. This will be explained in-depth in chapter 5.1. Through variety corporate branding activities, the company seems to be successfully inspiring external shareholders to join them in exploring the digital world.

2.2 Bringing the corporation into corporate branding

In the European Journal of Marketing Vol. 37(Jul. – Aug., 2003) pp.1041-1064, Mary Jo Hatch and Majken Schultz published the paper, *Bringing the corporation into corporate branding*.

The paper began with the brief introduction of transformation in marketing emphasis to corporate branding. The authors emphasized that in the era of sophisticated customers and complex markets, differentiation requires positioning the whole corporation. While arguing marketing as support for the shift to corporate branding, Ackerman(1998); Balmer (1995, 2001a); de Chernatony (1999, 2001; Ind, 1997) described that the corporate branding brings to marketing the ability to use the vision and culture of the company explicitly as part of its unique selling proposition. In addition, Balmer (2001a) noted the importance of corporate branding to a multiplicity of stakeholders such as customer attractiveness, staff motivation. Parallel to this shift, de Chernatony (2001) also argued for the importance of strategic vision to branding, as a means to integrated brand building.

Despite great emphasis on related arguments for creating a more comprehensive and coherent framework for analyzing who the company is and what it stands for to multiple stakeholders, these authors did not relate these contributions to the concept of corporate branding.

Therefore, the authors described corporate branding as an organizational tool and introduced a framework of corporate branding model – simultaneous interplay between vision, culture and image. According to the authors, this mix of underlying factors requires companies to address the organizational implications of shifting to corporate branding in an organizationally integrated, cross-functional way.



Note: The company is then built upon the key decisions these stakeholders make

Figure 2.3 Successful corporate brands tap the attractive force that draws stakeholders to the organization

Source: Mary Jo and Majken Schultz, *Bringing the corporation into corporate branding*, (European Journal of Marketing Vol. 37, Jul. – Aug. 2003) pp.1041-1064.

<https://doi.org/10.1108/03090560310477654>

The authors showed the example of use of model by examining the stages of development of British Airways in the creation of its corporate brand. The paper concluded that corporate brand management is a dynamic process with continuously adjustments of vision, culture and image. In this paper, the authors did not specifically describe how to simultaneous interplay underlying elements, but they suggested an approach to corporate branding that is organizationally integrated and cross-functional, hence the thesis that it is important to bring the corporation into corporate branding.

Chapter 3. Samsung Electronics

3.1 Company History

From its inception as a small export business in Taegu, Korea, Samsung Electronics has grown to become one of the world's leading electronics companies, specializing in digital appliances, semiconductors, memory, and system integration. Today, Samsung's innovative and top quality products and services are world recognized.

3.1.1 Early Stage (1969~1987)

Samsung Electric Industries, which later changed its name to Samsung Electronics, was established in 1969 in Suwon, South Korea. In 1970s, the early stage of business, Samsung mainly produced home appliances such as electronic clocks, black and white TVs, refrigerators, washing machines, audio and microwave ovens. In 1975, 'Econo TV', which did not require a preheating process, made a big hit, and it laid the foundation for corporate development.

Samsung Electric Industries, already a major manufacturer in the Korean market, began to export its products for the first time during this period. In 1978, Samsung Electric Industries became the world's No. 1 black-and-white TV manufacturer, and had manufactured over 10 million black-and-white televisions by 1981.

Samsung Electric Industries also acquired a 50 percent stake in Korea Semiconductor, for the purpose of further solidifying its position as a leader in semiconductor manufacturing. In February 1983, the company declared its entry into DRAM market, later dubbed as 'Tokyo declaration', Samsung Electric Industries spent only 10 months to develop the 64K DRAMS to the world market.¹

During this period, Samsung Electronics did not have a strong reputation in global market; the company was regarded as a relatively low-end product manufacturer that made cheaper alternatives to the high-end Japanese products.

¹ Wikipedia Samsung Electronics, accessed May 24th, 2017, https://en.wikipedia.org/wiki/Samsung_Electronics

3.1.2 Transform into a Global Company (1988–2008)

New Management Initiative

Lee Kun-hee, the third son of founding Chairman Lee Byung-Chull, became Chairman of Samsung Group in December 1987. And since chairman, Lee announced “New Management Initiative” In 1993, Samsung group aggressively re-aligned every aspect of Samsung’s management system to its new quality-driven goal and invest preemptively in R&D, brand marketing, and design capabilities for emerging digital products. During this period, Samsung Electronics strengthened its global management system by aggressively entering emerging markets and pursuing robust overseas business.

Becoming a Global Corporate

Samsung Electric Industries merged with Samsung Semiconductor and Communications to form Samsung Electronics in November 1988. And as a part of New Management Initiative, the company started to challenge itself to restructure old businesses and enter new ones with the aim of becoming the world's top five electronics companies.

The Asian financial crisis occurred in late 1997, caused profits to drop from 194 million dollar in 1996 to 87 million dollars in 1997. To cope with its difficulties, Samsung Electronics started a bold restructuring initiative, which aimed to restructure the company in accordance with global standards. Samsung decided to lay off its employees, and it sold or spun off unprofitable business units and manufacturing facilities. The company also shifted more resources to the Liquid Crystal Display (LCD) and mobile phone businesses in order to diversify its revenue sources, which had previously relied on the semiconductor business. Through these efforts, Samsung Electronics became more competitive in global market and became more robust in its financial structure; and swung back to profitability in 1999.

Business Performance

The company’s unyielding emphasis on quality, innovation, and globalization resulted in significant changes within the organization, became its foundation for future growth. During this

period, Samsung Electronics had a number of technological breakthroughs with its ceaseless innovation.

In 1992, DRAM ranked as No.1 in the world market share, and in 1995, SRAM topped on the list. In 1994, the company developed the world's first 256 mega-DRAM, and ranked first in the world, surpassing the US and Japanese companies in terms of technology.¹

Meanwhile, Samsung Electronics launched its first mobile phone the SCH-100, a mobile phone that weighs 450 grams and is the size of a brick, in 1988 in the South Korean market. Sales were initially poor; Samsung only held 10 percent market share by the early 1990s. Its mobile phone division struggled with poor quality issue and inferior products until the mid-1990s. In 1993, Samsung Electronics released the 'SH-700', which weighs 100g, and launched a bestseller cellular phone 'Anycall' in Korea.²

Samsung Electronics was ranked as the world's No. 1 LCD maker in 2002, and then was ranked world number one on TV in 2006. Since then, the company has become a world leader in applications such as DRAM, SRAM, flash memory, display drive chips (DDI), LCDs, TVs, computer monitors, A4 laser multifunction devices, MP3 players, smart card chips for SIM cards, and it is keeping the first place. Samsung has lead the global TV market by introducing high technology products such as OLED, UHD, SUHD, curved TV with curved display after LCD TV and PDP TV.

In 2004, Samsung Electronics developed the world's first 8Gb NAND Memory chip and a deal to supply Apple with memory chips was sealed in 2005 and, it has remained the key supplier of Apple components.

3.1.3 Pioneering the Digital Age and Searching for Growth Engines (2009–present)

This period can be described as Samsung Electronics' age of digital pioneering and it continues to strive to search for growth engines.

In 2009, Samsung Electronics overtook Hewlett-Packard and became the world largest

² Wikipedia Samsung Electronics, accessed May 24th, 2017, https://en.wikipedia.org/wiki/Samsung_Electronics

³ Wikipedia, *Ibid.*, accessed May 24th, 2017.

technology company, amassing revenues totaling USD 117.4 billion.

Since then, the business performance of Samsung Electronics has continued to perform well.

Emphasis on Insecurity and New Strategic Vision

Despite the company's consistent development, its chairman Lee Kun-hee, after returning from a two year retirement, emphasized the importance of financial stability and the potential for future crisis. Therefore, the company set an ambitious strategic goal called "the Vision 2020".

In a company statement in March 2010 he said:

"This is a time of real crisis. Global companies are crumbling. Now, we have to start a new. Let's move on, with eyes set straight ahead. Samsung Electronics' future is not guaranteed because most of our flagship products will be obsolete in 10 years from now."⁴

This statement was issued partially due to iPhone's launching in South Korea in December of 2009, which was referred to the iPhone shock.

However, with a sense of possibility of crisis and endeavoring toward continuous development, Samsung achieved record earnings in the third quarter of 2013. Their operating profit rose to about KRW 10.1 trillion. This was due to smartphones sales especially low-price cellular phone sales from emerging markets, and was boosted by memory chip sales from customers like Apple.⁵

Searching for New Growth Engines

Recently, due to heavier smartphone competition from Apple as well as a slew of Android competitors, Samsung Electronics needs to look for new growth engines for the future. The company bought two smart home appliance makers "SmartThings" and "LoopPay". These companies are magnetic secure transmission (MST) technology firms that can help Samsung Pay compete against other mobile payment services like Apple. In June 2016, Samsung Electronics

⁴ AFP, SEOUL, "Lee Kun-hee Returns to Samsung", Taipei Times, March 25th, 2010 accessed May 25th, 2017
<http://www.taipeitimes.com/News/worldbiz/archives/2010/03/25/2003468850>

⁵ Jungah Lee, Lulu Yilun Chen, "Samsung's Record Pressures Rivals as HTC Posts Loss", Bloomberg, October 5th, 2013, accessed May 26th, 2017
<https://www.bloomberg.com/news/articles/2013-10-03/samsung-profit-beats-estimates-on-cheaper-galaxy-smartphones>

announced its acquisition of the cloud-computing company “Joyent”, for the purpose of growing its cloud-based services for its smartphones and Internet-connected devices.⁶

In November 2016, Samsung Electronics also purchased American automotive equipment maker Harman for USD \$8 billion.⁷ Through these acquisitions, Samsung is expected to gain a solid footing in the automotive component business, as Harman is a Tier 1 supplier, with deep relationships with a wide range of car makers. These acquisitions will also allow Samsung Electronics to diversify their revenue source.

3.2 Overview of Samsung Electronics

3.2.1 Business Divisions of Samsung Electronics

Samsung Electronics Co., Ltd. is a South Korea-based multinational electronics and information technology company, which is the flagship affiliated company of the Samsung Group. It is also South Korea's the biggest chaebol, which is a traditional, family-run conglomerate with nearly 90 subsidiaries.

As of the end of 2015, Samsung had 325,677 employees in 80 countries and 199 worldwide operation hubs, including 15 regional head offices, 38 manufacturing subsidiaries, 34 global R&D center and 6 global design centers.⁸

Since 2013, Samsung reinforced a global management system into three key divisions; IM (IT and Mobile Communications), CE (Consumer Electronics) and DS (Device Solutions). (refer to figure 3.1 and table 3.2)

⁶ Catherine Shu, "Samsung will acquire cloud-computing company Joyent", Techcrunch, June 15th, 2016, accessed May 26th, 2017

<https://techcrunch.com/2016/06/15/samsung-joyent/>

⁷ Full Bio, “Why Samsung Is Buying Harman”, Forbes, Nov 16th, 2016, accessed May 26th, 2017

<https://www.forbes.com/sites/greatspeculations/2016/11/16/why-samsung-is-buying-harman/#31b0934352e5>

⁸ Samsung Sustainability Report 2016, p11, accessed May 26th, 2017 <http://www.samsung.com/us/>

Table 3.2 Business Divisions of Samsung Electronics

Classification	Major Products
IM	HHP (Handheld Player), network system, computer
CE	TV, monitor, refrigerator, laundry machine, Air conditioner, medical equipment
DS	DRAM, NAND Flash, mobile AP, LCD panel, OLED panel

IT and Mobile Communications Division

IT and Mobile Communications (IM) Division is divided into mobile communication business and network business.

The operation profit of IM division is about KRW10.8 trillion which is 37.0% of total operating profits in 2016, its telecommunication network business area includes multi-service DSLAMs and fax machines; cellular devices such as mobile phones, PDA phones, mobile intelligent terminals (MITs); and satellite receivers.

According to Strategy Analytics report in 2015, Samsung Electronics was ranked as No.1 vendor in both Mobile phone (21.2%) and smartphone (22.2%) market and No.2 vendor in Tablet market (15.0%). Samsung Electronics seems to firmly maintain its leader position in the global mobile business by keep providing cutting-edge innovation products. In addition, in recent year Samsung Electronics seems to constantly develop future growth engines like Samsung pay, wearable devices, and Internet of Things (IoT), while also reinforce products line not only for high-end market but also for low-end market like Galaxy A and Galaxy J series.

At the same time, Samsung Electronics seems to do great job in networks business as well. The company has played a pioneer role in the network equipment market based on its 4G LTE communications technology and now it pursues leadership position in newly emerging 5G communications technology market.

Consumer Electronics Division

Consumer Electronics (CE) Division is divided into visual display business and digital appliance business, printing solutions business and health/medical business.

The operation profit of CE division posted KRW 2.6 trillion in operating profit which accounts 8.9% of total operating profits in 2016, and its main products are TV, monitor, refrigerator, laundry machine, Air conditioner, medical equipment etc.

In the visual display business sector, Samsung TV was once again ranked as the world's No.1 with 27.6% of TV market share in 2015, and it has been for the last 11 years consecutive. Particularly, Samsung Electronics is leading company in global UHD TV market; it accounted 34.1% market share in 2015. The market of high-end TV such as UHD and curved TVs is predicted to grow continuously; the company is expected to keep its leading position in the premium TV market in the future. Even if the consumer electronics division's profit contribution is relatively low (see Figure 3.2), Samsung Electronics continues to lead in digital appliance and medical equipment sector, and business is anticipated to achieve even greater growth by combining future promising technologies like Internet of Things (IoT) and Big data technology which will also serve to strengthen the company's dominancy.

On the other hand, Samsung sold Printing solution Business to HP for \$1.05 Billion in September 2016, and the transaction including regulatory approval is expected to close within 12 months.⁹ It seems to be the part of the business portfolio slimming down, and it can be seen as an action to strengthen and concentrate on the better-performing sector.

Device Solutions Business

Device Solutions (DS) business is divided into two business units; memory business and system LSI business. And its System LSI business division is largely divided into four segments; system on chip (SoC) team which develops mobile APs, LSI development team, which designs

⁹ Clark Don and Jeong Eun-Young, "HP Agrees to Acquire Samsung Printer Business for \$1.05 Billion", The Wall Street Journal, Sept. 12, 2016, accessed May 20th, 2017
<https://www.wsj.com/articles/hp-to-acquire-samsung-printer-business-in-1-billion-deal-1473667204>

display driver chips and camera sensors, foundry team and support team.¹⁰

Samsung Electronics has lead the global memory semiconductor industry for 24 consecutive years; According to IHS research report, the company accounted 45.3% of market share in DRAM market and 39.1% market share in NAND Flash market in 2016.

3.2.2 Financial Snapshot

In recent years, the world economy showed constant uncertainties, such as changes in U.S. monetary policy, increased volatility in emerging market stock markets, fluctuating exchange rates, and a radical drop in international oil prices, and so on. At the same time, Korea's economy also had continuous difficulties such as increased household debts and the business restructuring of the shipbuilding and steel industries.

Despite such uncertain economic conditions, Samsung Electronics delivered sales of KRW 201.9 trillion and earned KRW 29.2 trillion in operating profits on a consolidated basis in 2016. (refer to figure 3.3) From the financial perspective, Samsung maintained a financial structure by recording a debt ratio of 35.87 percent, a return on asset ratio of 9.0 percent, and a return on equity ratio of 12.2 percent on a consolidated basis in 2016. (refer to figure 3.4)

3.2.3 Development of Samsung's Marketing Strategy

1990s

Samsung electronics went into the cellular phone business in 1988 – Samsung launched its first mobile phone in 1988 in South Korea.¹¹ Even though the company took full advantage of its strong manufacturing capacities, the technology was still undeveloped at that time.

The branding of Samsung was extremely fragmented. During the early 1990s, Samsung had developed numerous sub-brands to the U.S market such as Planp, Tantus and Yepp.¹²

¹⁰ Cho Jin-young , “System Semiconductor Business: Will Samsung Electronics Create Fabless, Foundry Business Divisions?”, BusinessKorea, Nov 23th, 2016, accessed May 5th, 2017
<http://www.businesskorea.co.kr/english/news/ict/16557-system-semiconductor-business-will-samsung-electronics-create-fabless-foundry>

¹¹ Michell, Tony. *Samsung Electronics: And the struggle For Leadership of the Electronics Industry*. Hoboken: John Wiley & Sons, 2010.

¹² Michell, Tony *op. cit.*, pp93-94.

1999-2004

When Samsung became the leading manufacturer of mobile phones in the Korean domestic market in 1996¹³, the chairman of the company, Gun Hee Lee, started to pay more attention to the expansion of its business into the overseas market. It was during this year that Samsung moved away from sub-brands to a single-brand strategy.

According to the press interview by Samsung's former chief marketing officer, Greg Lee, the change was made by the chairman of Samsung, because he wanted to build a brand, not just a product.¹⁴

This was the start of the Samsung making a shift to a single master brand strategy.

The company understood that the master-brand strategy was the only way to reach present day consumers and to be competitive in the global market. At that time, BMW, which was and still is a high-end, prestigious car brand, was regarded as an excellent example of a solid brand identity for Samsung Electronics to imitate.¹⁵

When Eric B. Kim joined Samsung Electronics in 1999, he was responsible for executing the master-brand strategy. In 2001, the chairman of Samsung agreed to run a test campaign in the U. S market, and based on those results, the company would decide whether to go global or not. The marketing campaign was very successful, –resulting in doubled sales, so Samsung Electronics launched its new global advertising campaign to position it as a leader in digital-convergence applications. The name of campaign was “DigitAll-Everyone’s Invited”.¹⁶ The marketing campaign focused on appealing to the emotions of consumers and changing to a premium brand strategy.

During Eric Kim’s leadership, the company also promoted the concept of “The Journey to be a Global Brand” which mean its transformation into a global leader in the consumer electronics

¹³ Lee Dongyoun, “*samsung Electronics – the Global Inc.*”, YSM, 2006.

¹⁴ Michell, Tony, *op. cit.*, p94.

¹⁵ Bloomberg BusinessWeek, “*Online Extra: Samsung’s Goal: Be Like BMW*”, August 1st, 2005, accessed May 3th, 2017. <https://www.bloomberg.com/news/articles/2005-07-31/online-extra-samsungs-goal-be-like-bmw>

¹⁶ Harvard Business Review. *Samsung Electronics Company: Global marketing Operations*, Brighton, MA: Harvard Business Review. Feb, 2005.

business. To actualize this goal, Samsung Electronics also invested heavily in the innovative design and technology.

The success of the single brand strategy was also a result of massive investment.

In 2002, Samsung's overall marketing expenses exceeded 900 million U.S dollars, of which the company spent about 20 percent of the budget on the advertisement of Samsung brand. This company spending represented an increase of more than 21 percent over the previous year.

By the end of 2004, market valuation of Samsung had risen to USD \$62 billion, and after-tax profits reached USD \$10 billion; which was the highest among electronics and hardware companies in South Korea and second globally.

Although Samsung Electronics improved its brand image as an innovative technology, high-end design, and new sensation, people still thought of the company brand as "cold".

2005-2008

In 2005, Samsung Electronics was on their way to success, indicated by the company stealing market share from Sony.

However, promotion of the company's brand in customer's mind had not run enough and as a result didn't close much of the gap between Samsung Electronics' target brand image and its status at that time.

The successor of Eric B.Kim, Gregory Lee, tried to make some changes during his tenure which included sport marketing and Entertainment marketing strategies.

In 2006, Samsung Electronics began to unveil its new storyboard "The Journey to be a Global Brand"; in which the company highlighted its transformation from market follower to global leader. Samsung Electronics used the Olympics as a great lever to establish itself as a premium global brand. Gregory Lee and top executive believed that the Olympics were a great way to be recognized as a global brand. Therefore, Samsung became sponsor of the 1988 Seoul Olympic Games, the company later on became part of TOP—The Olympic Partners— for every Olympic Games. Samsung's Olympic sponsorship and other local sports sponsorships, for sure,

could increase brand awareness by highlighting the company's name at international and local sporting competitions. However, within sport marketing it is very challenging to convey the concept of Samsung's design, technology and desire or innovation.

The entertainment marketing strategy was a concept that promoted Samsung products in collaboration with key Hollywood filmmakers. Successful examples of movie marketing were seen in "The Matrix Reloaded" in 2003 and "The Fantastic Four" in 2005.¹⁷ Award-winning marketing contributed to an increase in brand awareness and raises market position; however it didn't correspond with the goal of building brand value of Samsung Electronics.

To build a company image as one of the world's leading producers of lifestyle enhancing products; Samsung Electronics launched the first phase of a new worldwide advertising campaign, called "Imagine". It showed examples of the many ways that innovative products from Samsung Electronics could brighten lives wherever and whenever people lived, worked, or played. Each advertisement asked consumers to imagine how their world could be more fun, exciting, and productive with the creative design and technology of Samsung Electronics.¹⁸

Gregory Lee, chief marketing officer for Samsung Electronics, commented,

"With this new campaign, our aim is to expand on this recognition to build a warmer, more emotional connection with our customers. The only limit is their imagination."

2009-Present

2009 was a monumental year for Samsung Electronics' marketing strategy. The company's new vision "Vision 2020: Inspire the World, Create the Future" — emphasized new technology, innovative products and creative solutions—served as guidance for marketing strategy. At the same time, the first Samsung Galaxy (GT-I7500), flagship smartphone of Samsung electronics, was launched on June, 2009.

¹⁷ Lee Dongyoun, *Op. cit.*, pp.63-64.

¹⁸ Businesswire, "Samsung Electronics Introduces First Phase of New Global Brand Marketing Ad Campaign", Businesswire, June 9th, 2005, accessed May 15th, 2017
<http://www.businesswire.com/news/home/20050609005432/en/Samsung-Electronics-Introduces-Phase-Global-Brand-Marketing>

The company identified a clear direction and goal with tech and innovative products, the role of Younghee Lee was to shine. Younghee Lee, who used to work for cosmetic brands L’Oreal and Lancome before joining Samsung Electronics in 2007, has led the next wave of change until now. With her previous experience as an executive at a cosmetics company, she tried to reshape Samsung Electronics brand image from one of engineering based technology brand into fine and fashionable brand. She wanted consumers to start feeling something about Samsung Electronics and its products instead of just thinking about the company.¹⁹

Younghee Lee also introduced consumer-oriented strategies, understanding and conveying the story to consumers in meaningful ways; the company started to understand the needs of customers and all technologies of the company were translated into consumer language.

For instance, “A Fighting Chance” was a documentary of Samsung Electronics directed by Morgan Neville, an Academy Award-winning documentary director. The film was about having big dreams and the challenges, and converting those dreams into reality. The campaign featured the company’s philosophy of ‘inspiring the world’, by inspiring people to ‘never give up regardless of what their circumstances are, because that is the only way we progress as humans’.

The "unboxing" advertisement took viewers on a journey through Samsung Electronics' history of impacting technology and culture. The story included the first phone ever launched, the world's first commercially available watch phone, and the world's first 3G call made from Everest and so on. The featured devices were showcased for their respective contributions to everyday life and culture.

According to recent research, the top words associated with Samsung Electronics were "innovation, technology and dynamic". And the brand attitude survey showed, key attributes of Samsung Electronics were "innovative" and "fast-paced".

¹⁹ Ina Fried, “Samsung’s Marketing Chief Aims to Stir Passion for Korea’s Electronics Giant”, AllThingsD, Jan 30th, 2012, accessed May 15th, 2017
<http://allthingsd.com/20120130/samsungs-marketing-chief-aims-to-stir-passion-for-koreas-electronics-giant/>

3.2.4 Samsung Electronics' Mobile Phone Business

Due to stronger demand from the market of developing countries, global smartphone shipments grew 3 percent annually and recorded 1.49 billion units in 2016. And Samsung was again ranked as the largest manufacturer of mobile phones and smartphones in the world, thanks to the popularity of its Samsung Galaxy product line; it maintained its top position with 309.4 million unit shipments in 2016. Even though, Samsung once lost top rank to Apple in fourth quarter of 2016 smartphone market share²⁰ as a result of its Note 7 recall issue, it regained the top position in the global smartphone market in the first quarter of 2017, even before the release of its latest flagship Galaxy S8; Samsung produced 80.1 million units of smartphones in the first quarter and accounted for 26.1 percent of the global smartphone market.²¹ (refer to figure 3.2-5) Newly launched Samsung's flagship smartphone Galaxy S8 and Galaxy S8 Plus is expected to be savior of 2017 by providing state-of-the-art technology²², and Samsung seem to keep its leading position in smartphone market.

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- ²⁰ Linda Sui, "Apple iPhone Retakes 1st Place as Global Smartphone Shipments Hit 439 Million in Q4 2016", Strategy Analytics, Jan 31st, 2017, accessed May 15th,2017
<https://www.strategyanalytics.com/strategy-analytics/blogs/devices/smartphones/smart-phones/2017/01/31/global-smartphone-shipments-hit-a-record-1.5-billion-units-in-2016#.WOHwn8sVE5s>
- ²¹ Cho Jin-young, "Samsung Electronics Came Back As the First Runner in Global Smartphone Market", BusinessKorea, April 12th, 2017 accessed May 10th,2017
<http://www.businesskorea.co.kr/english/news/ict/17808-regain-1-spot-samsung-electronics-came-back-first-runner-global-smartphone-market>
- ²² Haselton Todd, "Samsung says its new phone is selling well, showing consumers have gotten over the Galaxy Note 7 disaster", CNBC, Apr.10th, 2017, accessed May 10th,2017
<http://www.cnbc.com/2017/04/10/galaxy-s8-selling-faster-than-galaxy-s7.html>

Chapter 4. Branding

4.1 Brand and Branding

4.1.1 Branding

In recent years, from marketers to business executives, from small and medium-sized businesses to global leading companies, they all emphasize the importance of branding. Then what is branding and why is it so important for the company?

Branding provides a way for a firm to differentiate its products offering from those of its competitors and can be used to represent the name of a firm and its entire products assortment, one product line or single item.¹

4.1.2 Corporate Branding

When the company reaches a certain level of success, it starts to think of corporate branding as branding strategy. Then what is corporate branding? In a narrow definition, as opposed to product branding of specific products or services, corporate branding can refer to the practice of promoting the brand name of a corporate entity which means all of the firm's products are branded with same name or at least part of name.²

Then what role does the corporate branding play in the business especially in today's highly competitive business environment?

If a company possesses strong company brand with name recognition and consumer confidence, it can facilitates to achieve positive and consistent image with consumer loyalty. Especially, important concepts of corporate brand are differentiations and belongings. Corporate brand attracts people around the recognizable values and symbols that differentiate the company.³ At the same time, if corporate branding works, it is also because it expresses the values of desire that attract stakeholders to the corporation and encourage them to feel a sense of belonging.

¹ Dhruv, Grewal and Michael, Levy. *Marketing*. New York: McGraw-Hill Education, 2013.

² Wikipedia Corporate Branding, accessed May 10th, 2017. https://en.wikipedia.org/wiki/Corporate_branding

³ Hatch, Mary Jo and Schultz, Majken. *Bringing the corporation into corporate branding*. Bingley, WY: The Emerald Research. 2001. p.6. <http://www.emeraldinsight.com/>

Moreover, corporate branding also results in significant economies of scope since an advertising campaign can be used for every product marketed by a firm.⁴ And when the company focuses all that investment into one brand like Samsung Electronics, it gets a lot of brand leverage effect. Meanwhile, if the company focuses its communication around not just the uniform brand message, but around focused products, it is called flagship products such as Samsung Galaxy.⁵ It's been about less than 20 years ago, since Samsung Electronics started to build so called corporate branding in the customer's mind. This will be explained in more detail in the next chapter.

According to the Corporate Excellence business foundation,

Corporate brand is used not only to ensure the application of business strategy but also to design it. Brands are increasingly becoming cultures, manners of seeing life and ways of doing things that have to be shared with customers, although they first have to be cultures created and defended by employees. “⁶

Therefore, the importance of corporate branding is increasing; it not only affects multiple stakeholders, which includes employees, customers, investors, etc., but also impacts many aspects of companies such as the evaluation of product and services, corporate identity and culture, sponsorship, employment applications.⁷

4.2 The VCI Alignment Model

The basic principle of the Vision - Culture - Image (VCI) Alignment Model is the greater coherence between what the company's top management seeks to accomplish, what the

⁴ Wikipedia Corporate Branding, *op. cit.*

⁵ Bloomberg BusinessWeek, “*Online Extra: Samsung's Goal: Be Like BMW*”, August 1st, 2005, Special Report, accessed May 15th, 2017.

<https://www.bloomberg.com/news/articles/2005-07-31/online-extra-samsungs-goal-be-like-bmw>

⁶ Corporate Excellence Centre for Reputation Leadership. *Linking a brand's DNA to a company's strategy: the vital role played by identity and culture*. Madrid: the Corporate Excellence Centre for Reputation Leadership, 2012.p.1.

⁷ Wikipedia Corporate Branding, *op. cit.*

company's employees know and believe, and how its external shareholders perceived the company, the stronger brand will be.



Figure 4.2 the VCI Alignment Model⁸

Source: Schultz, Majken and Hatch, Mary Jo. *Taking Brand Initiative: How Companies Can Align Their Strategy, Culture and Identity Through Corporate Branding*. San Francisco: Jossey Bass, 2008. p.11.

Figure 4.2 shows the framework of corporate branding as underpinned by processes linking strategic vision, organizational culture and corporate images. These three elements form the foundation of corporate branding. To enhance or maintain corporate brand alignment, the company must pay attention to these three elements simultaneously.

⁸ Schultz, Majken and Hatch, Mary Jo. *Taking Brand Initiative: How Companies Can Align Their Strategy, Culture and Identity Through Corporate Branding*. San Francisco: Jossey Bass, 2008. p.11.

4.2.1 Strategic Vision, Organizational Culture, Stakeholder Images

The combination of corporate vision, organizational culture, and stakeholder images should represent in one way or everything the organization is.⁹ The definitions of each element are as below.

Strategic vision

Strategic vision is the core idea of the company which expresses top management's aspiration for the company future to be.¹⁰

Organizational Culture

Organizational culture is the internal values, beliefs among employees that embody the heritage of the company and manifests in the ways employees feel about the company.¹¹

Stakeholder Images

It is views and impressions of corporation developed by its external stakeholders; includes the view of customers, shareholders, media, general publics, and so on.

Changes in stakeholder expectations cause an increasing number of corporations to integrate marketing, communications and corporate social responsibility into corporate branding.

Corporate branding needs to be managed effectively throughout the life of the company to gain stakeholders' enduring trust.¹²

The Alignment Problem and Gaps

Every corporation needs specialists and specialized functions to do business such as strategic planning, human resources, customer relations, marketing. However, when it comes to branding, integrate across functions is imperative. If different groups doing different things, they pull the brand to different directions and fail to realize synergies. Lack of integration fragments the company identity conversation and puts corporate brand at risk. VCI alignment will help the company achieve the corporate integration.

⁹ Schultz, Majken and Hatch, Mary Jo. *op. cit.*, p.13.

¹⁰ Schroeder, Jonathan E. and Salzer-Morling, Miriam. *Brand Culture*. Abingdon: Routledge, 2005. p.16.

¹¹ Schroeder, Jonathan E. and Salzer-Morling, Miriam. *op. cit.*, p.16.

¹² Schroeder, Jonathan E. and Salzer-Morling, Miriam. *op. cit.*, p.16.

According to Majken Schultz and Mary Jo Hatch, it is useful to keep addressing the three central questions of the VCI model: Who are we? What do others say about us? Who do we want to be in the future and what will our stakeholders think about us when we get there?

These questions will help the company in finding VCI gaps that threaten corporate brand.

Alignment Assessment Tools

Majken Schultz and Mary Jo Hatch found helpful tools to diagnose VCI alignment which can also be used in combination: Stakeholder surveys (survey members of organization along with other stakeholders), dialogue between middle managers from key business functions, dialogue between brand managers and stakeholders and events that connect stakeholders to each other via brand.

4.3 Summing up Branding

The corporate branding requires very complicated and sophisticated organizational practices and requires organization-wide support. It needs to be managed in relation to the interplay between vision, culture and image; and it requires effective communications among top management, members of the organization and external stakeholder.

Today, in the era of high competition, the corporate branding is getting more important. People care about the corporation itself behind the products, and their opinions about the company affect the opinions of company's products or services.

Chapter 5. The application of VCI Alignment Model to Samsung Electronics

5.1 The Strategic Vision of Samsung Electronics

5.1.1 Vision 2020 ¹

In 2009, Samsung introduced its ten-year plan known as “Vision 2020”.

Its vision for the new decade is “Inspire the World, Create the Future.”

The vision reflects Samsung’s commitment to inspiring its communities by leveraging its key strengths; new technology, innovative products and creative solutions— and to promoting new value for its core networks — industry, partners and employees. Samsung hopes to contribute to a better world and a richer experience through these efforts.



¹ Samsung US, accessed May 15th, 2017. <http://www.samsung.com/us>



Figure 5.1 Vision 2020

Source: Samsung, <http://www.samsung.com/us>

A set of specific objectives is incorporated into vision 2020. By 2020, Samsung Electronics seek to reach annual sales of 400 billion U.S dollar while becoming predominantly No.1 in the global IT industry and placing its overall brand value among the global top 5. Samsung also mapped out a qualitative plans; being the Innovative company; being the respected company;

becoming Top 10 world's best work places; being creative leader; building new markets and being global enterprise that attracts the world's best talents.² To this end, Samsung has also established three strategic approaches in its management; Creativity, Partnership and Talent.

Vision 2020 Future Business Area

Samsung Electronics has 9 tier 1 products — memory chips, LCDs, CDMA handsets, display devices, and so on — in the global electronics market. In Vision 2020, Samsung Electronics aimed to strengthen its core component businesses like memory chip and LCD, as well as focus on high valued products like system LSI, optical components. According to Samsung's announcement, the company will also focus on core components such as System On a Chip (SOC), System On a Panel (SOP) that are essential for network products based on core R&D technology and E-Process.

Next chapter will elaborate major corporate culture of Samsung Electronics and its effort to stretch the vision of corporate.

5.2 Corporate culture of Samsung Electronics

The concept of organizational culture can be divided into two; desired corporate culture and practiced corporate culture. Normally, the practitioners within a company set the desired corporate culture that matches well with its company vision and core values, and constantly persuade employees to carry out.

Organizational culture can be a source of competitive advantage, only when brand value cooperates with its organizational culture and core values. This requires careful reflection on the present organizational culture and how this culture has been expressed historically.

² Samsung UK, accessed May 12th, 2017, <http://www.samsung.com/uk/aboutsamsung/>

5.2.1 Practiced Corporate Culture

5.2.1.1 Human Talent (the Best Talent Strategy)

"Talent Management" is one of Samsung's three management philosophies that have been important from the beginning of the business and is also an important part of Samsung's corporate culture. Human resource is considered to instrumental to the success of Samsung's talent management strategy.

Samsung Electronics' business philosophy — devotes human talent and technology to create superior products and services to contribute to global society—defines that “human talent” creates the best products and services to the global society.

In terms of Human resource, the company also supports market leader strategy through securing core manpower, opening up internal labor market, globalization of manpower, market price-based annual salary system, and core talent incentive.

5.2.1.2 Be the World's Best (No.1 Policy)

Since its formation, one of Samsung Electronics' most important core values is "number one principle on crisis consciousness". The company aims to be the best company based on the crisis consciousness; which states:

“If we do not change, we will go bankrupt. If we cannot become No.1, We will go bankrupt”. If we are not creative, we will go bankrupt”.

In other words, the No.1 policy of Samsung Electronics means "The goal should be to be the best, and then the person who carries out the goal must be the best, and also give the best in performance."

Samsung Electronics' No.1 policy before the New Initiative was to expand market share in the country, but after the New Initiative, the company chose “The world's best company” as its vision with the motto "best" and "first".

Samsung Electronics' No1 policy has been developing, changing and spreading into its major corporate culture as a result of the New Initiative, major business restructuring after the

financial crisis. In recent years, Samsung Electronics has been redefining No.1 policy as not only market share, but also the culture creator and pioneer enterprise in the industry.

5.2.1.3 Effectiveness (Pursuit of Rationality)

“Pursuit of Rationality” was one of the founding ideals of Samsung. After Samsung Electronics’ New Initiative, it was related to the effectiveness of the goal being achieved. In order to implement its market pioneer strategy, the company sought to launch innovative new products that could satisfy customers ahead of competitors. Samsung Electronics' organizational culture focuses on effectiveness and includes business development based on market economy logic, responsible management, systematic education and training for employees, ability and achievement-oriented personnel management, and clean organizational culture.

5.2.2 Desired Corporate Culture

5.2.2.1 Trinity Value System

The management philosophy and spirit of Samsung Electronics has been partially amended as its vision has changed. In 1993, in celebration of the 5th anniversary of the New Initiative, the company revised its vision to a new vision - being a world-class enterprise. In 2005, Samsung reorganized its core values and management principles in addition to the management philosophy of 1993 in line with changes in external and internal environments. (refer to Figure 5.2)

In recent years, Samsung Electronics had to cultivate corporate culture to enhance its competitiveness in response to the deepened global competition. At the same time, in response to its increased social status, the company had to respond to the demands of its external stakeholders to fulfill their social responsibilities as well as respond more actively to the ethical management and environmental management required by the international community.

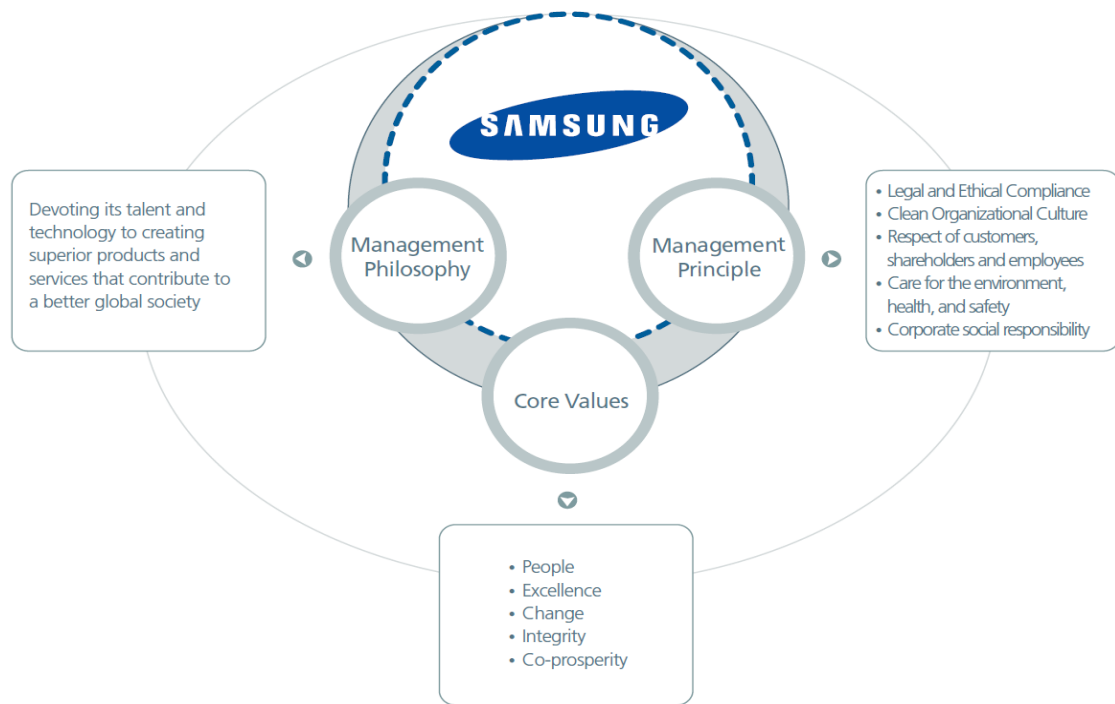


Figure 5.2 Trinity Value system of Samsung Electronics

Source: samsung.com

Business Philosophy, Core Values, Business Principals

To support its strategic vision “Inspire the World, Create the Future”, Samsung Electronics has built up its value system. The value system, consisting of management ideology, core values, and management principles, is rooted in its business philosophy; business philosophy of the company is “Devote our human resources and technology to create superior products and services, thereby contributing to a greater global society”.

Samsung Electronics has continuously strived to create superior products and services under its business philosophy that focuses on human resources and technology and contributing to humanity. Based on this philosophy, Samsung aims to fulfill its social responsibility as a global citizen as well as implement business activities to increase corporate economic value.

To this end, Samsung Electronics also established 5 business principles (Fig. 5.1-3):

- Comply with laws and ethical standards.
- Maintain a clean organizational culture.

- Respect customers, shareholders, and employees.
- Care for the environment, safety, and health.
- Be a socially responsible corporate citizen.

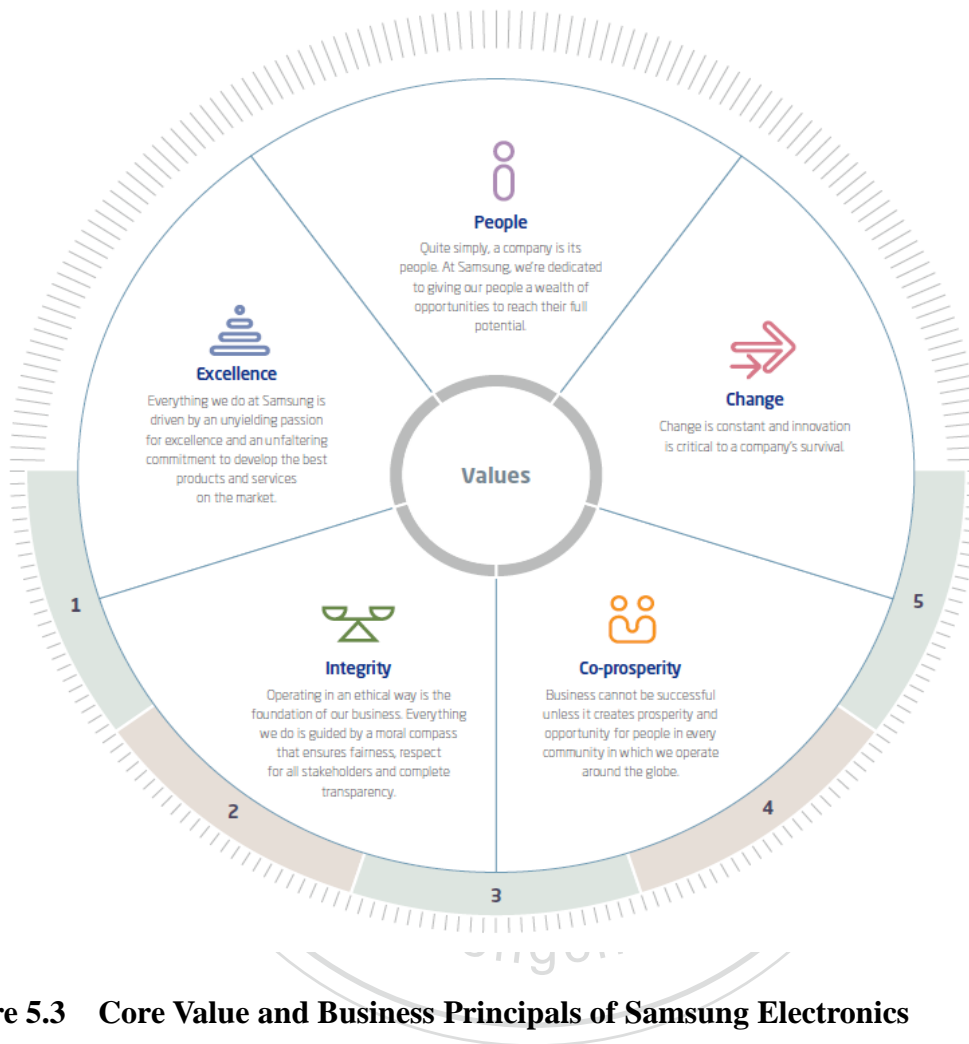


Figure 5.3 Core Value and Business Principals of Samsung Electronics

Source: Samsung Sustainability Report 2016

To implement its corporate value specifically, Samsung Electronics further established the Business Conduct Guidelines as stated in figure 5.4; it is the standards for employees to abide by while carrying out various business activities.

Business Conduct Guidelines

Based on the five core values of Samsung, the guidelines consist of 41 basic guidelines

within 14 high-level categories of items, including the preface. Beside, the company conducts various initiatives and programs through the Sustainability Management Council, which consists of 14 related departments that handle issues from 10 different areas, including society and environment.

As described above, Samsung Electronics' strategic vision is supported by its whole value system which serves as guidance for its employees to make major business decisions. Strategic vision and organizational culture are strongly linked and there is a need for perceived long-term mutual support between them.

5.2.2.2 Creative Organizational Culture

In the 2000s, Chairman Lee Kun-hee advocated creative management, and Samsung Electronics has been striving to create a creative organizational culture. To this end, Samsung Electronics has introduced and promoted various internal programs to reduce the discipline of its employees and enhance its autonomy. A great workplace program, self-discipline system, and self-attendance system are part of its effort for creating creative corporate culture.

Although this system does not directly raise the creativity of the company members, Samsung Electronics has been making efforts to change the management method by imposing autonomy on style and process of working, but control them on the basis of performance.

Moreover, Samsung Electronics strives to increase the diversity of the workforce; its organizational culture is changing to recognize diversity and utilize flexible management methods.

5.2.2.2.1 Creative Performance-based System

The concept of Samsung Electronics' performance-based philosophy is where there is performance, there is a reward. Its evaluation and reward system encourage employees to work with autonomy and achieve high performance.

Performance Evaluation

Samsung Electronics conducts achievement evaluations on the annual performance of employees according to the goals set by the employee themselves. Also, the company uses the results as the basis data of reward, promotion and leader selection.

To manage performance of employees, the company evaluates them in terms of work process and outcomes as well as competency evaluations with regarding to individual competencies and career management, which ultimately can reinforce organization competencies. Evaluation is processed through a computerized system and performance management consists of four steps; setting goals, interim and regular interviews, evaluations, interviews based on the results.

Performance-based Rewards

Award System

Through award system called as “Samsung Award of Honor, Samsung Electronics selects excellent employees who made great performance so that continuously improve individual competency and motivate other employees.

Selection & Promotion

Samsung Electronics continuously fosters its next-generation leaders by promoting talented people with great contribution to the company. Samsung particularly focuses on the fields of R&D and sales & marketing, because they think those talented employees will be the foundation for the corporate future growth.

Under the personnel management system of the company, the world-class human resources are selected regardless of the background like gender or nationality in order to achieve the very best performance results.

Career Management

Job Posting

Employees can get a chance to change their jobs through the Job Posting program and it can

be conducted anytime when there are job openings. According to Samsung, 1,700 employees in total have successfully changed their job for the past three years.

Career Consulting Center

Samsung Electronics opened the Career Consulting Center (CCC) in 2001. The CCC provides job changing education and career consulting to current employees, as well as opportunity consulting and external job matching to company retirees.

5.2.2.2 Dynamic Organizational Culture

Reinforcement of Work Engagement

A Self-regulating Work Environment

Samsung Electronics tries to support a quality-oriented work style, so that employees can focus on their job regardless of time or space. Flexible working hours—which enable employees to adjust their own working hours depending on individual situations—, remote working, working from home and mobile offices are the typical examples of the self-regulating work environment.

Access to Culture

Samsung Electronics also provide programs to encourage employees to develop their creativity through various hobby activities and cultural experiences. Concert events and In-house clubs are the examples of its efforts.

Concerts at the Samsung Electronics Leadership Center

The concert hall at the Samsung Electronics Leadership Center, a 1,200-seat performance hall exclusively for classical music, was opened in 2014. One to two concerts by famous orchestras or ensembles are held every month, and employees, families of employees, 200 non-employees including local residents can watch the concerts.

In-house Clubs

To let employees experience various aspects of culture and maintain energy through hobbies, the company supports in-house club activities. There are 1,956 in-house clubs currently, and

69,954 employees are participated in sports, leisure, art, culture, and talent sharing clubs. Also, its in-house clubs make contribution to the society by carrying out programs like Invitation Performances for local residents, sports exchange events with local sport clubs, performances at facilities for the disables.

Employee Benefits

Samsung Electronics offers a number of benefits programs based on the characteristics of the region of worksite to improve the quality of employees' lives. Total expenditures of employee benefits in 2015 was over KRW 3.48 trillion, and the benefits included health-care benefits, medical checkups, family events, educational expenses, recreational facilities and selective benefits, and so on.

Mental Fitness Management

Life Coaching Center

To reinforce employees' mental health and relieve their stress, Samsung Electronics operates 14 specialized counselling centers and eight mental fitness clinics inside of the company. (refer to figure 5.5) All staffs of the counselling centers are specialists with certified licenses, while the mental fitness clinics have full-time psychiatrists for one to one counselling and treatment of employees with marriage life issues, working stress. The company also provides healing programs for employees and operates a mediation room at each business site's counselling center for eating meditation, walking meditation and pain relief programs, etc.

Healing Campus

Samsung Electronics Leadership Center operates Healing Campus for employees and their families every weekend. The campus offers a variety of healing programs; the examples of programs are Weekend Family Outings — regain strength through freestyle meditation and strolling— and a Couple's Healing Stay — spend time for true communication over a two-day period.

5.2.2.2.3 Human Resource Management

Samsung Electronics has been focusing on training and nurturing employees since the earliest days of its foundation, because the CEO of Samsung considered people as the core value of company. The company tries to encourage employees to reach their full potential by providing self-regulating and creative environment, and all employees are required to follow 'Employee Code of Conducts' and 'Business Conduct Guidelines' at daily work.

Human Resource Management System

According to Samsung Electronics, the company believes that employees will stay with the firm as long as they feel that their contributions are valued, and they are able to do meaningful work in a stimulating and challenging environment.

Samsung Electronics operates a well-organized system with a human resource team that supports employees' growth by helping each individual attain a sense of accomplishment, also providing proper compensation for work well done. Human resource professionals are embedded within each business unit to listen to the voices of people from actual worksites. This is apparent from the establishment of HR strategies through to the execution.

5.3 Stakeholder images of Samsung Electronics

Samsung Electronics maintains a close ties with major customers through the use of CRM system, and collects information on customer-specific characteristics, so that can conducts differentiated marketing activities for each customer.

Samsung Electronics also provides activities to maximize customer satisfaction and to understand customer needs through customer satisfaction survey, customer service channel and product service center, and so on. In addition, Samsung electronics makes efforts to manage the brand image of the company through integrated employee education and training.

5.3.1 Global CRM

Samsung Electronics reinforces its customer relationship management (CRM) activities based on its understanding of customer needs. It introduced the CRM system in 2004 to

effectively respond to customer needs through product delivery and service management, and then launched the membership system in 2009 to provide variety benefits to customers according to their preferences. In 2014, Samsung expanded its CRM marketing channels to online and mobile, and adopted the Global CRM (G-CRM) system.

Now, Samsung Electronics strengthens its customer relationship management activities through the diverse channels such as online, mobile, social media and offline. Through its G-CRM system, at the same time, the company strives to secure new customers through membership-based marketing activities. (refer to figure 5.5)

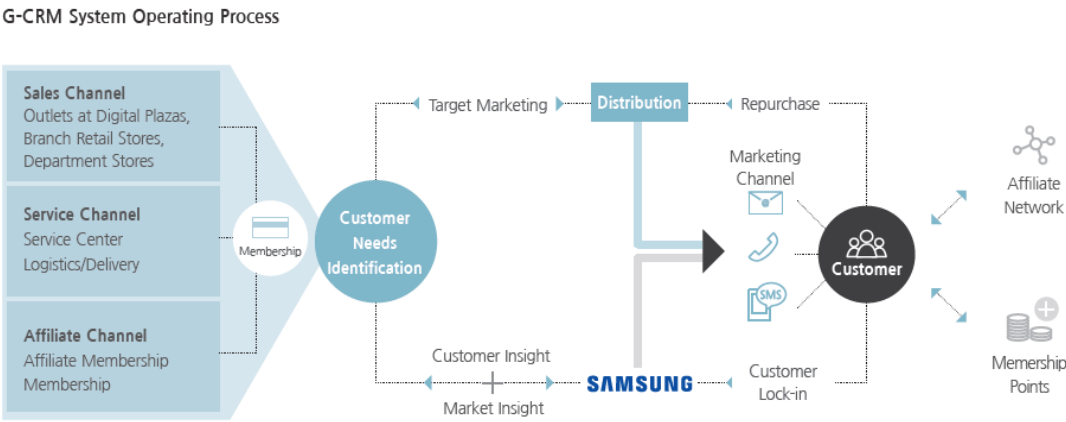


Figure 5.6 Global CRM (G-CRM) System Operating Process

Source: Samsung Sustainability Report 2016

5.3.2 Communication with Customers

To deal with customer requirement and effectively resolves customer complaints, Samsung Electronics operates customer management centers and a website. And its globally integrated Voice of Customer (VOC) management system enables the analysis of various customer needs, and shares it with employees throughout the company, and applies it for products and service improvement.

Customer Satisfaction Survey

Samsung Electronics conducts its customer satisfaction survey on a regular basis, and tries

to find out the area to improve and provide services based on customer's feedback. The results of survey are shared with relevant departments, and items with low-score of satisfaction or less competitive are improved consistently.

Through product and service quality improving activities, Samsung has received considerably positive evaluation from customers; the examples of customer satisfaction survey ranking can be seen in the Figure 5.7 below.

Customer Service Channels

About 10,000 qualified consultants reply customer's service requests or product inquiries at the Samsung contact centers. And the company websites of each countries provide customer support menu such as customer self-examination guidance and product instructions as well as online services prior to service center visiting. The variety customer support services include tele-consulting service — solve problems by remoting access of customer's product through a network —, live chat and e-mail consulting.

Product Service Center

Samsung globally operates approximately 20,000 service centers and 59 contact centers to provide fast and convenient after-sales service.

Galaxy Consultants

When smartphone sales were increased in 2014, Samsung Electronics introduced the Galaxy Consultants— smartphone-specific consultants —to provide simple repair services like software upgrades at retail stores. Due to its fast and accurate service, the Galaxy Consultant program has received very positive consumer feedback and is expanding to more countries.

Strategic Cities for Service Innovation

Furthermore, Samsung Electronics has improved their service policies and has invested in human resources and infrastructure in 30 major cities abroad, to provide repair services within one hour upon request for smartphones and within one day for large home appliances.

Product Service Standards

To provide good quality of customer services, Samsung Electronics established operational standards and guides of service process for service centers and contact centers. The standards and guides are shared by all subsidiaries through the company-wide business process standardization system, so that employees can effectively provide standardized services to customers around the world. And based on the company-wide guide, each regional subsidiary also localizes the manual accordingly, provides employee training, and shares it through the internal knowledge portal site.

In 2014, Samsung Electronics developed the action guide of customer contact points to promote ‘Empathy Service’; it is based on the understanding of customers’ emotions in order to provide proper consideration to them.

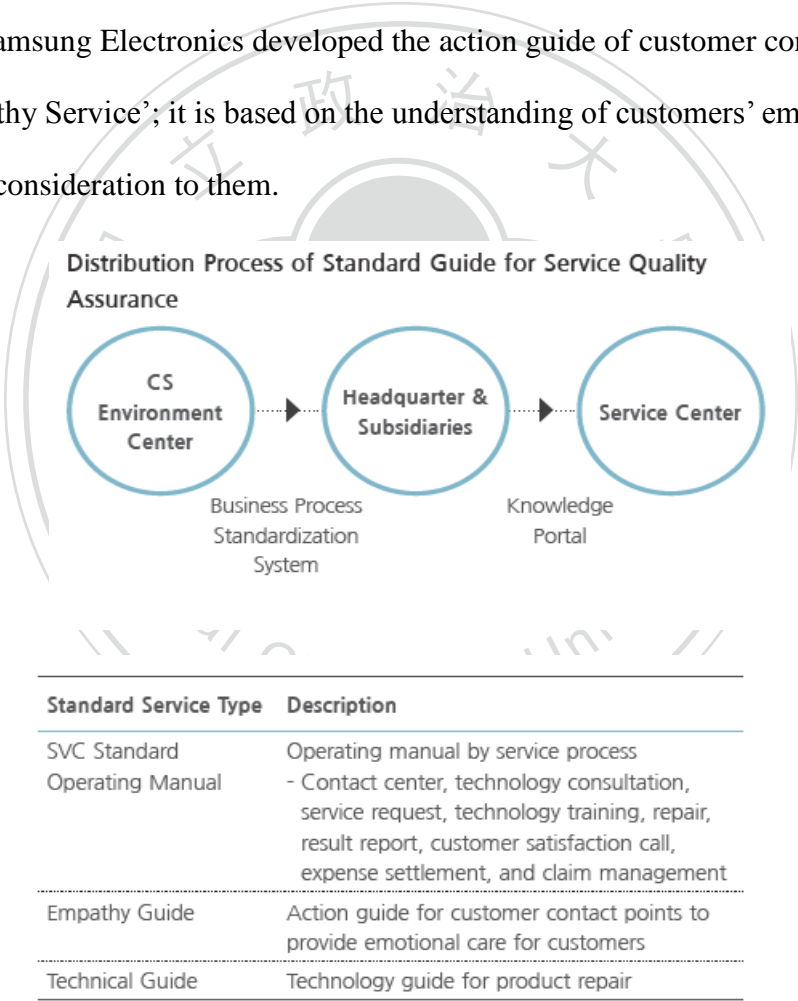


Figure 5.8 Distribution Process of Standard Guide for ‘Service Quality Assurance’

Source: Samsung Sustainability Report 2016

Product Service Management

Since 2014, Samsung electronics has conducted on-site inspection of service quality on a regular basis to make sure the application of service standards at every work place. The company establishes improvement goals, conducts regular evaluations, and provides incentives like commission raise or center award.

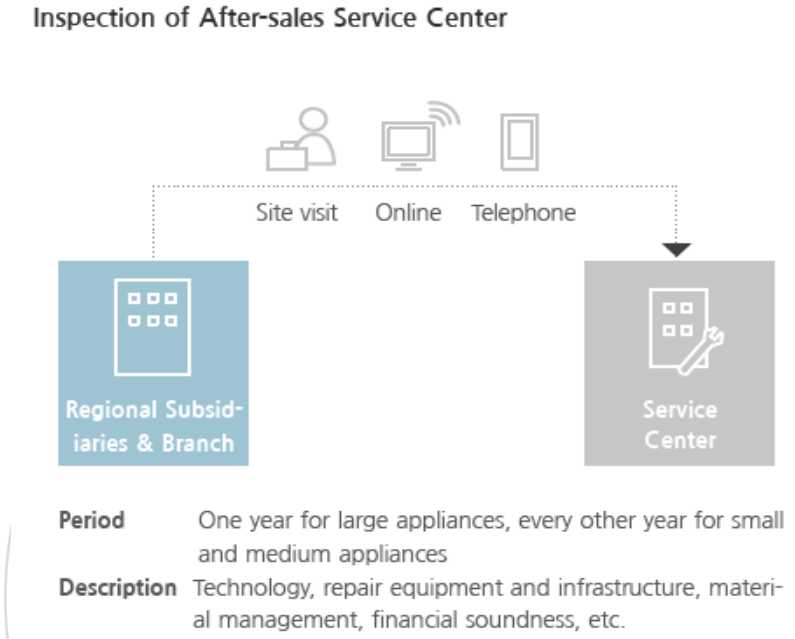


Figure 5.9 Inspection Process of After-sale Service Center

Source: Samsung Sustainability Report 2016

Service Quality Management

To provide consolidated company-wide service standards, Samsung Electronics provides training programs for service center employees on customer handling and new product repair technology. Through remote video education or in-house learning, employees can check video or acquire technology data on the internal system at any time.

Every December, the Headquarters hold a CS Strategy Workshop for the service personnel of each corporation to review the results of the year and set service strategies for the following year. And the regional headquarters like North America, Europe, and China also hold the workshops frequently in the region for service differentiation strategies of each region.

5.3.3 Customer Management System

Samsung Electronics is committed to the responsibility principles that followed in supply activities from product manufacturing and marketing to sales.

By effectively managing its customer information and identifying customer needs through the integrated global system, the company provides more customized services.

Customer Management System



Figure 5.10 Customer Management System

Source: Samsung Sustainability Report 2016

Product Quality Control

Based on its vision of ‘Global Quality Products that increase Customer Value and Happiness’, Samsung has tried to manufacture products with a focus on quality control.

Quality Control

Samsung adopted the ‘Customer Satisfaction Certification System’ to identify and solve problems that might occur with new technologies at new product development stage. The company selects the essential criteria for quality control and evaluates the degree of completion at each development stage. And the final inspection of the products is conducted by the executive council, before launching the products into the market. After product launching, Samsung analyze customer inquiries and after-sales service information to find out and solve any potential problems as early as possible.

Safety Assurance

To ensure the provision of safe products, Samsung evaluates any factors that might harm the safety of products under especially abnormal operating conditions within the user's environment. The standards laboratory at Samsung is one of the best in the world and has been certified by 29 global certification authorities.

Samsung Galaxy Note 7 Issue

Many people would consider 2016 as hard year for Samsung Electronics, because of explosion and recall issue of its flagship smartphone Galaxy Note 7. Originally, many market experts also predicted large amounts of profit loss and damage of brand credibility.³ In spite of last year's Galaxy Note 7 recall, which cost the company about USD 3 billion in losses⁴, the company's mobile division made KRW 2.5 trillion operating profit and its revenue and operating profit both rose to KRW 201.87 trillion and KRW 29.24 trillion.⁵ We can think of several reasons such as diversification of revenue stream or brand loyalty of Samsung fans. Key factors to their survival were prompt crisis handling and proper brand management.

Firstly, when the company officially announced recall of the Note 7, they did not cover up the facts but rather promised to share the details of its investigation into the cause of Note 7 explosions. Furthermore, when they made announcement, they provided all the details concerning the source of problem, as well as future plans to prevent such an issue from reoccurring. All these actions minimized the damage to their brand credibility and prevented customers from leaving.

Here are the details of press release by Samsung Electronics:

Overheat and explode problems was caused by bad battery design and a rush to release its updated version for the Galaxy Note 7. Samsung Electronics said a new eight-point battery check

³ Wikipedia Samsung Galaxy Note 7, accessed May 4th, 2017, https://en.wikipedia.org/wiki/Samsung_Galaxy_Note_7

⁴ Shukla, Vikas. "Galaxy Note 7: Samsung Earnings Prove A Loss Isn't Always Bad." Valuewalk. Jan. 9th, 2017, accessed May 4th, 2017, <http://www.valuewalk.com/2017/01/galaxy-note-7-samsung-earnings/>

⁵ Jeong, Eun-Young and Martin, Timothy W. "Samsung profit soars despite Galaxy Note 7 woes." Marketwatch. Jan 23th, 2017, accessed May 4th, 2017, <http://www.marketwatch.com/story/samsung-profit-soars-despite-galaxy-note-7-woes-2017-01-23>

procedure to make sure future devices don't suffer the same fate.(refer to Figure 5. 11) The company also formed a new group of third-party battery advisers that included professors from the top three universities—the University of Cambridge, the University of California at Berkeley, and Stanford University.

Secondly, Samsung Electronics with strong corporate brand foundation supported continuous sales of other Samsung Galaxy series smartphones. Samsung customers seemed to be loyal to the brand; instead of switching to the iPhone or another brand of smartphone, a large number of Note 7 users simply purchased the Galaxy S7. The result of their business performance can be seen in figure 3.5.

Thirdly, Samsung spent extra money on marketing to restore its brand image and its quality commitment by releasing several advertising videos. At the same time, the company spent more money promoting its other smartphones in order to make up for the lost sales of Galaxy Note 7.

Corporations make mistakes sometimes, and face problems that might damage their brand value. But how they deal with those issues are critical to survival of the corporation itself as well as its corporate branding. Samsung Electronics is a good example of the importance of brand value and brand management.

5.3.4 Advertising & Marketing

Samsung Electronics has become one of the top companies with high brand value in the world by establishing an outstanding corporate brand strategy with success of Olympic marketing, sports marketing, and entertainment marketing, etc.

The management of corporate brand image in customer's mind was made through various customer management system mentioned in previous chapter, but Samsung Electronics maximized the effect of increasing brand image and value through integrated corporate marketing.

Samsung Electronics' Marketing Spending

Samsung Electronics' corporate marketing integrates various forms of advertising, events and experiences, public relations, direct marketing and personal selling and so on. Samsung has relatively large marketing budget and this not only explains the company's devotion to marketing but also the leadership position of the business in terms of market share.

In 2016, Samsung Electronics spent KRW 11.5 trillion on marketing its brand and products to consumers all over the world. The company spent KRW 4.4 trillion of its marketing budget on advertisements, which is 15 percent more compared to the year before.⁶ (see table 5.1)

Samsung Electronics made a major marketing effort to take the lead in the market ahead of the launch of the Galaxy S7 in the first half year and Galaxy Note 7 in the second half of 2016. Accordingly, the volume of advertisements and the events like freebies also increased. Even after Galaxy 7 note discontinuance, Samsung retained its existing advertising channels to maintain its brand image and reform its damaged brand image. In addition, Samsung could expand its scope of marketing management because its overall earnings last year was good.

Table 5.1 Samsung Electronics' Advertising& Promotion Spending¹³(Unit: KRW 100million)

	2016		2015		2014		2013	
	spending	YoY	spending	YoY	spending	YoY	Spending	YoY
advertising	44,321	15.1%	38,525	2.1%	37,736	-9.4%	41,653	-14.8%
promotion	70,806	0.3%	71,019	-8.5%	77,606	-3.2%	80,195	32.4%
Total	115,127	5.1%	109,544	-5%	115,343	-5.3%	121,848	11.4%

Source: Yonhap News

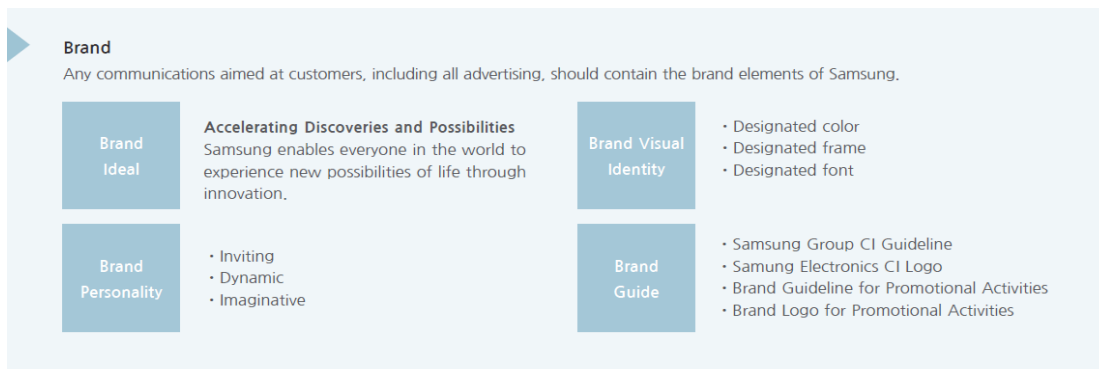
<http://www.yonhapnews.co.kr/bulletin/2017/04/04/0200000000AKR20170404170200003.HTML?input=1179m>

⁶ Rutnik, Mitja. "Here's how much Samsung and LG spent on marketing in 2016." Android Authority. April 5th, 2017. accessed April 25th, 2017, <http://www.androidauthority.com/samsung-lg-marketing-budget-2016-761744/>

⁷ Yonhap News. accessed May 12th, 2017, <http://www.yonhapnews.co.kr/bulletin/2017/04/04/0200000000AKR20170404170200003.HTML?input=1179m>

Responsible Advertising & Marketing

Samsung comply with the code of conduct for labeling and advertising, and the checklist for responsible online marketing activities. Also, the company distributes the guidelines of advertising and marketing activities for its employees to prevent the infringement of intellectual property rights and copyrights. Moreover, Samsung checks its marketing in all channels whether advertising agencies have any compliance risks and ensures the guidelines on the use of Samsung Corporate Identity, logo, and brand are followed well.



Source: Samsung Sustainability Report 2016

Marketing and Advertising Contents

According to Samsung, all of Samsung's advertising and marketing campaigns should reflect the corporate brand value and philosophy to deliver value in keeping with its global brand status in a consistent manner.

As in Figure 5.12 below, Samsung marketing communication strategy comprises two steps and each step involves a set of separate activities. The legal review is an important element of marketing communication process in Samsung, so it is presented in both steps – production and execution. This is because neglecting legal implications can cause considerable damage to the brand image with severe financial implications.⁸

⁸ Dudovskiy, John. "Samsung Marketing Strategy." Research-methodology. Oct. 5th, 2015, accessed May 15th, http://research-methodology.net/samsung-marketing-strategy/#_ftn1

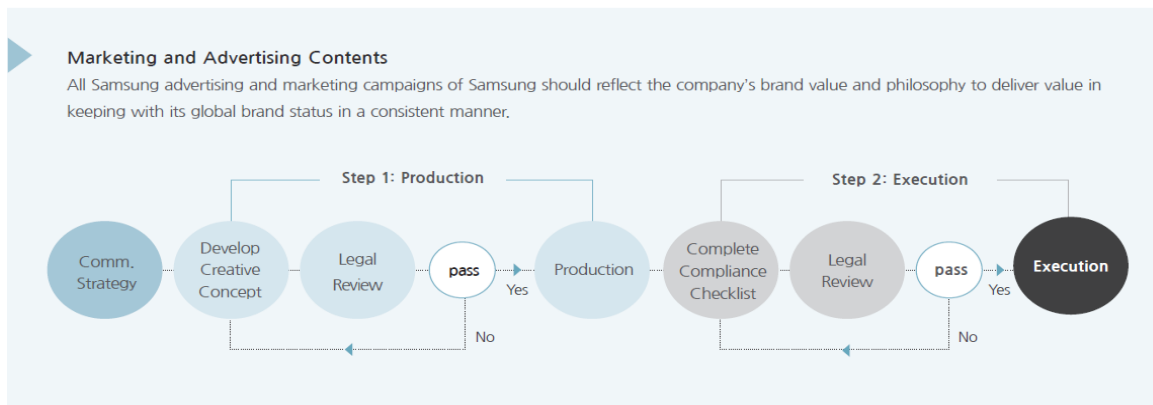


Figure 5.12 Marketing Communication Process

Source: Samsung Sustainability Report 2016

5.3.5 Process of Establishing Corporate Branding (in Stakeholder's Mind)

5.3.5.1 The Restructuring Headquarters' Top-down Strategy

In May 1996, Samsung Chairman Lee Kun-hee ordered "Take the measures to boost the image of the current class C Samsung to class A Samsung". The leader of Samsung understood that branding is not an exercise in vanity, but a keen tool for business growth. Until then, Samsung merely advertised and promoted for selling individual products and also differed by region. At that time, there were 55 advertising agencies used by overseas subsidiaries, and the image of Samsung was fragmented. And it was in September 1997 that the corporate-level brand strategy was established and in December 1997 the implementation guidelines were established.

The Restructuring Headquarters (gujobon, 1998-2006)—centric professional management division for corporate strategic business and corporate branding—played major role for Samsung's corporate branding. The Restructuring Headquarters established a group brand marketing fund with a 100 million U.S dollar annually.⁹ Affiliates other than Samsung Electronics were prohibited the use of Samsung brand name in overseas market without prior approval of the Group "Brand Committee".

The Restructuring Headquarters later changed its name to the Strategic Planning Office

⁹ Hankyung Special Report Team. *Samsung rising: Why is Samsung Strong?*(삼성 전자 왜 강한가?) Seoul: Hankyung, 2002, p.132.

from 2006 to 2008, and the Samsung Group Future Strategy Department from 2010 to 2017.

Two non-standing organizations, the Investment Coordination Committee and the Brand Management Committee, Human Resources Management Committee under the council coordinated decision-making of the company.¹⁰ (refer to the figure 5.13)

5.3.5.2 Consolidation of Ad Agency and Cohesive Brand Strategy

Samsung Electronics changed its marketing strategy towards a more holistic approach since Mr. Eric. B. Kim joined Samsung as executive VP-global marketing operation in 1999. Mr. Kim established a single brand strategy for the company with a long-term perspective. Samsung consolidated Advertising agent from 55 agencies to one— Interpublic Group of Cos.' Foote Cone & Belding worldwide — for consistent brand image. FCB works with Samsung Electronics' in-house agency, Cheil Communications, to handle the company's \$400 million ad budget and focused spending on flagship products.

Samsung Electronics launched international marketing campaign aimed at boosting Samsung's entire reputation, rather than specific product itself.¹¹ Its new integrated marketing campaign was called as "Samsung DIGITall — everyone's invited (by 2002)"¹²; the company launched new brand slogan and had successfully promoted its digital credentials in four big divisions—home appliances, telecommunications, digital media and semiconductors— through a massive advertising campaign in the U.S and Europe.

Due to successful global marketing strategy, Samsung experienced marked increases in its global brand equity. In 2002, the company's brand value increased 30% to \$8.3 billion, from 42nd to 34th worldwide; it ranked as the fastest-growing global brand by marketing consultancy Interbrand.¹³ Samsung's revenue also rose 7.9% in 2003 to \$36.7 billion; the company became

¹⁰ Herh ,Michael. "How Will Samsung's Emergency Management System Operate amid Owner Risk?" Business korea. Jan.20th,2017, accessed April 20th, 2017, <http://www.businesskorea.co.kr/english/news/management/17096-emergency-management-how-will-samsung%E2%80%99s-emergency-management-system-operate>

¹¹ Haig, Matt. *Brand Royalty: How the World's Top 100 Brands Thrive & Survive*. London: Kogan page Limited, 2006, 305p.

¹² Saumsung US, accessed April 21th, 2017, http://www.samsung.com/us/news/newsRead.do?news_seq=388

¹³ Hbr Optimal Marketing, accessed April 21th, 2017, <https://hbr.org/2003/10/optimal-marketing>

the world's third-largest cellular phone manufacturer with a 13% market share, and was a leading player in fast-growing refrigerator sales.¹⁴

Mr. Eric. B. Kim further raised Samsung's profile by sponsoring the Olympics and connecting the Samsung brand with films like the "Matrix" trilogy.

Mr. Eric. B. Kim stated in the interview:

"Global branding requires huge amounts of money, so I focused on key leverage points such as the Olympics. We were nobody on the global brand stage before 1998, but being on the same platform as Coca-Cola and other Olympic brands helped us drive our message."

5.4 Major Examples of Corporate Marketing

Support for the corporate branding often comes from marketing. Samsung Electronics conducted several marketing campaigns such as strategic sponsorships of the Olympic Games, sporting events, and entertainment marketing.

5.4.1 Strategic Sponsorships

To ensure global audience affinity, Samsung conducts global strategic sponsorship by globally and locally. The Examples of strategic sponsorship of Samsung are sport marketing, global and local exclusive sponsorship for the wireless communications equipment category, art sponsor of and philanthropic Initiative activity sponsorship, etc.

Olympic Game Sponsorship

Samsung put many efforts to sponsor the Olympics, so it can strengthen its global corporate image and corporate brand value. It has been carrying out a global marketing campaign in a single theme.¹⁵

Samsung began its Olympic Game sponsorship as local sponsor in a Wireless Communications Equipment category since 1988 Seoul Olympic Games.

Since 1998 Nagano Olympic Winter Games, Samsung extended its partnership as

¹⁴ Madden, Normandy. "Eric Kim." Ad Age. Jan. 26th, 2004. accessed April 21th, 2017, <http://adage.com/article/special-report-global-players/eric-kim/97503/>

¹⁵ Davis, John A. *The Olympic Games Effect: How Sports Marketing Builds Strong Brands*. Singapore: John Wiley & Son Singapore Pte Ltd, 2012. Chapter 14.

worldwide sponsor by providing proprietary wireless communications platform, called as ‘WOW’ (Wireless Olympic Works) and mobile phones; it provided the real-time, user location-based information service and interactive communications. Furthermore, Samsung hosted variety digital marketing campaigns about the Olympic Games to the people around the world.¹⁶

The lists of Olympics that Samsung participated as TOP sponsors are as below:

2000 Sydney Olympic Games, 2002 Salt Lake City Winter Olympics, 2004 Athens Olympics, 2006 Torino Winter Olympics, 2008 Beijing Olympics, 2010 Vancouver Winter Olympics, 2012 London Olympics, 2014 Sochi Winter Olympics and 2016 Rio de Janeiro Olympics games

Samsung’s participation as the official Olympic sponsor has been remarkable results of brand awareness. During the 2002 Sydney Olympics, Samsung’s brand awareness increased from 5 % to 16.2 %; Awareness grew again during the 2004 Athens Summer Olympics from 57% to 62%.¹⁷ Samsung’s top management seems to believe its association with the Olympics has been an important part of its marketing strategy to build the image of Samsung Electronics.

2016 Rio de Janeiro Olympic Games

Samsung presented 12,500 Galaxy S7 edge for Olympic Games Limited Edition mobile phones to the Olympic Games Rio 2016 athletes, helping them to communicate with family and friends from around the world more easily.

Samsung partnered development of the official Rio 2016 application, a range of features helping users enjoy the Olympic Games such as the competition schedule, event information and real-time updates, etc.

Throughout the Olympic, the Samsung Galaxy Studio — its corporate showcase pavilion— also offered various entertainment space for consumers, athletes and fans experience through the latest mobile products and Gear VR technology, etc.

As part of its commitment to spread the Olympic spirit ahead of the Olympic Games Rio

¹⁶ Olympic Sponsors, accessed April 28th, 2017, <https://www.olympic.org/sponsors/samsung>

¹⁷ John A. and Hilbert, Jessica Zutz. *Sports Marketing: Creating Long Term Value*. Cheltenham. Cheltenham: Edward Elgar Publishing. 2013. p130.

2016, Samsung also created ‘A Fighting Chance – a short documentary that tells the untold stories of four athletes on their quest to overcome remarkable odds to compete at the Olympic Games Rio 2016. Samsung also released two stories; ‘The Chant’ is a story of personal progress and celebration of a nation’s first Olympic; the ‘International Anthem’ is a story about the collective progress celebration of break down boundaries to express unity and harmony. ¹⁸

Samsung “Most Trustworthy Olympics Sponsor Brand”- Survey

Samsung Electronics Rio Olympics sponsorship was considered as one of the most successful Olympic campaign that the company ever had. Samsung Electronics made use of its real-life brand advocates through campaigns of ‘Launching People’ which put the spotlight on people who used its technology to turn their dreams into reality, which led a positive effect on how authentic consumers perceived the brand to be. Due to its successful marketing campaign, Samsung was selected as the most trusted Olympic sponsor brand among UK consumers. (see figure 5.14) ¹⁹

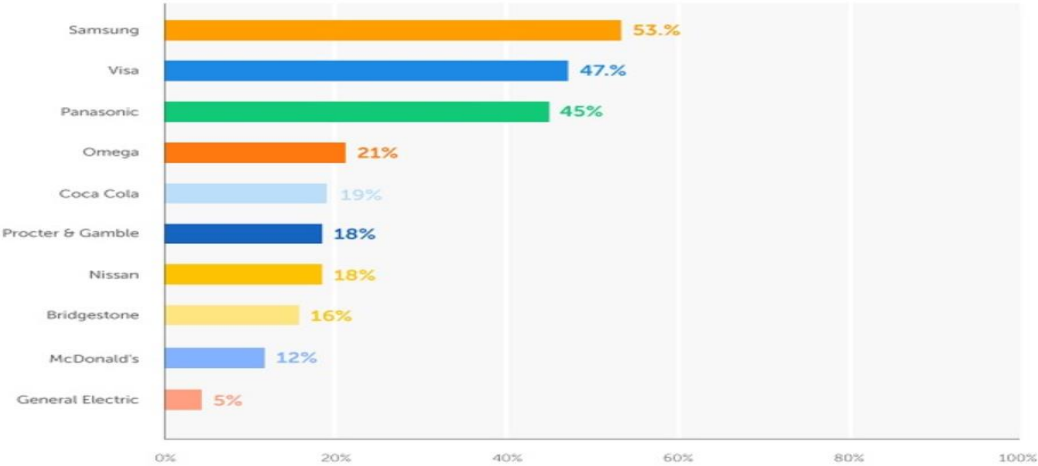


Figure 5.14 The Most Trusted Olympic Sponsor

Source: user generated content platform Reevoo

¹⁸ Olympic News, accessed May 26th, 2017, <https://www.olympic.org/news/samsung-helping-to-make-rio-2016-the-most-connected-olympic-games-ever>

¹⁹ Digital Training Academy, accessed May 25th, 2017. http://www.digitaltrainingacademy.com/casestudies/2016/09/samsung_most_trustworthy_olympics_sponsor_brand_survey.php

Samsung Extend Worldwide TOP Partnership through to 2020

Samsung and IOC decided to extend worldwide partnership through to 2020; the extension includes the 2018 PyeongChang Olympic Winter Games and 2020 Tokyo Olympiad as well as the Youth Olympic Games till 2020. ²⁰

Other Sports Marketing Activities

Beginning with the Olympics, Samsung Electronics' sports marketing has now expanded its scope to international competitions such as the Asian Games, Paralympics and Youth Olympics and to several International Athletic Federations in athletics, hockey and soccer. Additionally, Samsung has also sponsored sports teams in different countries such as Chelsea football team in England which has made huge contributions to raise the brand image and to increase sales in the European market. They were Official Chelsea's shirt sponsor since 2005, and that agreement lasted until 2015.

Major Sports Sponsorship:

- Asian Games (since 1986)
- World Hockey (since 2003)
- Hansol Korea Open, a WTA event (since 2005)
- Chelsea FC, a Premier League team (since 2005)
- Asian Football Confederation (since 2006)
- Korean Football Association (since 2006)
- International Association of Athletics Federations (IAAF) (since 2009)
- Confederation of African Football (CAF) (since 2010)
- Asian Amateur Championship, for young professional golfers (since 2010)

Other Football Sponsorship:

- Olympiacos FC
- Inter Milan

²⁰ Olympic News, accessed May 25th, 2017.

<https://www.olympic.org/news/ioc-and-samsung-extend-worldwide-top-partnership-through-to-2020>

- Chivas FC Mexico
- Real Madrid
- Spain National Team
- Palmieras FC Brasil
- Bolivar FC Bolivia
- Romania National Team
- Portugal National Team
- Universitari Peru

Social Contribution Activities

Samsung Electronics strives to promote the company's world-class image but also accepts social responsibility as a member of global society. For example, the company maintained a human personality Entertainment Headline sponsor. In their 2010 Tour Marketing Philanthropic Initiative announced and reinforced that Samsung was dedicated to helping children live, learn and thrive.

5.4.2 Entertainment Marketing (PPL and Celebrity Endorser)

Through entertainment marketing, company can utilize the world of entertainment to popularize its brand like displaying a product in a film, featuring a brand in a talk show.²¹ The advantage of entertainment marketing is that the products are displayed as part of scene that will be naturally noticed by the general public.

Movie Matrix²²

Samsung Electronics put the efforts to improve brand value through entertainment marketing such as product placement (PPL) in popular movies like Matrix.

The DigitAll Matrix Campaign was a part of entertainment marketing by Samsung; it was a

²¹ AMW, accessed May 26th, 2017.

<http://www.amworldgroup.com/blog/entertainment-marketing-a-proven-way-of-advertising-and-product-branding>

²² Samsung Electronics. "The DigitAll Matrix Campaign of Samsung Electronics has Won the 'Super Reggie Award' from the 2004 Reggie Awards." Businesswire, Mar. 24th, 2004. accessed May 27th, 2017.

<http://www.businesswire.com/news/home/20040324005447/en/DigitAll-Matrix-Campaign-Samsung-Electronics-Won-Super>

worldwide campaign that was undertaken simultaneously with worldwide blockbuster movie ‘The Matrix Reloaded’.

Along with PPL, Samsung also implemented the advertisements and commercials on TV, newspapers and magazines, dealer promotions, PR events, online promotions in a unified brand image with consistent marketing concept throughout the world. This marketing campaign made a great contribution to increasing brand value as well as to sales of Samsung products.

2014 Oscars

Using famous and admired people to promote brand or products can lead useful associations. Celebrity not only can draw attention to a brand, but also shape the perceptions of the brand in virtue of famous person –credibility, expertise, trustworthiness, likability or attractiveness.²³

A good example of celebrity endorsement and social media marketing of Samsung Electronics was the 2014 Oscars. Samsung spent an estimated \$20 million dollar on ads during breaks of Oscars broadcast; and when it combined with product placement of live broadcast of Oscar, it helped viewers better remember the products being promoted.

Ms. DeGeneres' tweeting of the selfie from the Oscars received 1 million retweets in 45 minutes. Even if the tweet didn't mention Samsung, the selfie taken by a Samsung smart phone was clear on the TV screen.

5.4.3 PR and publicity

Public Relations

Public Relations (PR) can be any form of unpaid exposure for the company or the brand in mass media such as press, radio, TV and internet. If the product category is big, PR is usually planned for, but it has to enforce all together.

Publicity

Publicity refers to non-personal communications that include media interviews, press conferences, press release, articles, newsletters, photographs, films, tapes, etc. Public relations

²³ Keller, Kevin Lane. Strategic brand management: building, measuring, and managing brand equity. New Jersey: Prentice Hall, 2003. p. 294.

may include annual reports, fund-raising, lobbying, special event management, public affairs, etc.

Social Media Marketing

It's important for company to share stories with consumers, and social media is a new and popular media these days. Consumers talk freely and share value about specific products, brands, and services through social media.

Since 2010, Samsung has focused on its social media marketing through running social media news release (SMNB) website and hiring blogger. The company talks on the social media how the products of Samsung make people's lives better and more valuable. And people can only leave the comments; some people criticize it, praise it, or just like it. It seems that a series of these processes have helped to elevate the brand value of Samsung; the SMNB of Samsung Electronics was ranked as the most popular social-media brand worldwide in 2013, according to Starcount.²⁴

The case of exclusive social marketing of the company was 'Launching People #Be Fearless', which was conducted by Samsung Electronics in collaboration with Facebook.²⁵ When consumers uploaded their own story of unleash their full potential with Samsung Electronics products to 'Launching People', Facebook users selected the best story by clicking "Likes" or sharing with others. In just five weeks, over 2,000 stories had been uploaded and 500,000 share and thumbs clicks had occurred. Through this social media marketing, Samsung Electronics was able to promote Samsung brand to region like France. Thanks to this marketing campaign, the people of France who did not know Samsung brand came to know Samsung.

²⁴ Starcount, accessed May 27th, 2017.
<http://www.starcount.com/>

²⁵ Samsung Canada, accessed May 20th, 2017.
<https://pages.samsung.com/ca/launchingpeople/English/>

Chapter 6. Conclusion

6.1 Aligning Vision, Culture, and Stakeholder's Images

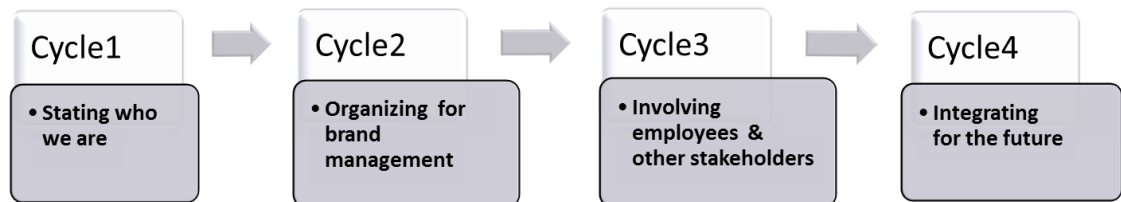


Figure 6.1 Aligning vision, Culture, and Images

Source: MJ Hatch, M Schultz. "Taking Brand Initiative"

Cycle 1: State Who We are

The New Management Initiative in 1993 can be seen as the first step of VCI alignment of Samsung Electronics. At the time, the Chairman of Samsung Electronics was very concerned about its lack of competitiveness in the global marketplace. The emerging trends in the 1990s such as South Korea's democratization, globalization, and digitization encouraged top management to take a bold transformation initiative.

Initially, most employees did not understand why the company had to change so radically, but Chairman Lee persistently pushed them towards massive changes throughout the 1990s and re-aligned the value system to its new quality-driven goals and invested preemptively in R&D, brand marketing, and design capabilities for emerging digital products.

Thanks to continuous seminars and workshops about the New Management Initiative, employees could make associations between existing core values and future aspirations for Samsung Electronics brand. Based firmly on the company's new management philosophy, this process helped them translate original brand values of Samsung Electronics into the one of the world's images of quality-oriented, world best products and service company.

Cycle 2: Organizing for Brand Management

In 2005, in line with changes in the external and internal environment, Samsung Electronics restructured core values and management principles in addition to its established management philosophy in 1993. (refer to figure 5.2)

Externally, it was necessary to respond to deepening global infinite competition, meet the demands of social stakeholders, and actively participate in ethical management and environmental management. Internally, there were concerns that the increased number of new employees at home and abroad had weakened cohesiveness due to intensified self-management. Accordingly, Samsung Electronics revised its new core values and management principles, and declared them to the inside and outside of the company, and operated the business based on the new value system and demanded its employees act accordingly. In 2006, The Restructuring Headquarters (called Gujobon in Korean) changed its name to the Strategic Planning Office, and took charge of strategic business and corporate branding. The head of the division reported to the executive office and was given responsibility both for the internal execution of the new brand values (brand integration) and for the involvement of external stakeholders (brand relations). In particular, the Strategic Planning Office collaborated with global marketing office for corporate communication, marketing, and global business support. In the same year, as I described in chapter 3.2.3, Samsung Electronics began its new storyboard “The Journey to be a Global Brand” by highlighting its transformation to global leader.

Cycle 3: Involving Employees & Other Stakeholders

Samsung Electronics introduced open innovation in the late 2000s, which enabled the company to grasp external knowledge and consumer demand. To gain a better understanding of changing customer needs, Samsung Electronics began to emphasize prosumer concepts or user-based innovations. Recently, it has been developed into a form like crowd sourcing, which is a way to innovate based on ideas and solutions provided by external experts or general

customers in the process of product or technology development. Samsung Electronics encourages active participation of customers by sharing revenue with participants.

Cycle 4: Integrating Behind Focused Vision

Since 2014, Samsung Electronics adopted the Global CRM (G-CRM) system, and expanded its CRM marketing channels to online and mobile. Now, Samsung Electronics implements its customer relationship management activities through the diverse channels like online, mobile, social media and offline. (refer to chapter 5.3.1)

At the same time, by operating integrated Voice of Customer (VOC) management system, Samsung also analyzes various customer needs, and shares it with organizational members. (refer to chapter 5.3.2)

User involvement has paved the way for an integration cycle through the VCI Alignment Model. It was precipitated by the strategic goal of shared Vision: “Inspire the World, Create the future”.

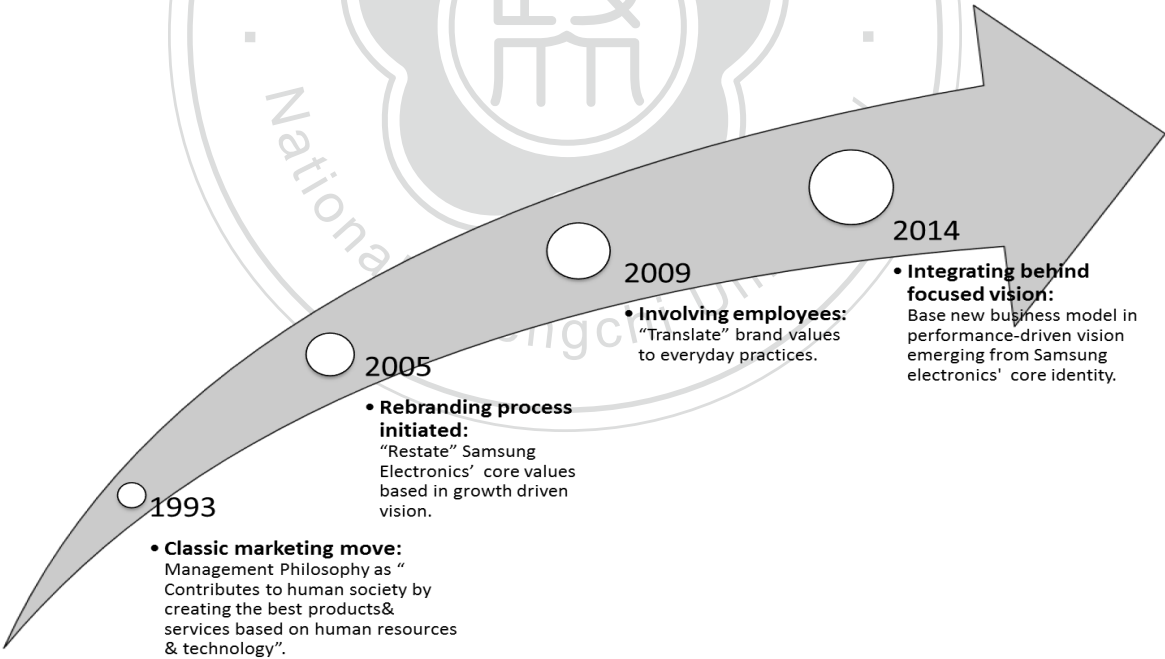


Figure 6.2 Samsung Electronics’ Successive Approximations to the Goal of VCI Alignment

Source: by author

Reference: MJ Hatch, M Schultz. “Taking Brand Initiative”

6.2 Conclusion and Suggestion

The corporate branding methods of Samsung Electronics have display that it requires enterprise-wide efforts, as well as constant evolution and development. Samsung Electronics top management personnel were continually focused on the brand's future; therefore they guided the company and facilitated its employees staying on track.

Concurrently, its branding process indicates that the corporate branding demands continuous realignment of vision, culture, and images; and hence taking corporate brand initiative requires extensive organizational change and requires constant attention. The executives and employees of Samsung Electronics have learned over time how to simultaneously adjust the VCI elements (refer to figure 6.1 and 6.2). Samsung Electronics is expected to keep working on aligning vision, corporate culture and shareholder's image of company.

Recently, Samsung Electronics has been experiencing some changes and are facing both internal and external challenges. As the company continues to face difficult circumstance, Samsung Electronics will be forced to tweak their corporate brand management methods as well as their VCI elements.

Chairman Lee Kun-hee, demonstrated strategic insight and strong leadership skills. Consequently, Samsung Electronics have become one of the premier global Electronics company and it has achieved this through a corporate system based on a transformational vision and a strong corporate value system.

Over the past few years, Samsung Electronics' managerial control has been inherited by President Lee Jae-yong; son of Lee Kun-hee. Samsung Electronics' leap forward was fuel by building strong corporate brand value and changes in management style envisioned by a next generation business leader. At the same time, Samsung Electronics faces criticism from the stakeholders and must find ways to overcome the negative image of its corporation.

Furthermore, Samsung Electronics is presently entering an era of stakeholder capitalism. There are new business rules being written by suppliers, investors, employees, communities, and

therefore the company can't ignore their influence on corporate businesses. Stakeholders make stronger claims on the company than ever before, and their influence affects the identities of the corporation. Only through mutual communication among executives, employees, and all other stakeholders, can the elements of VCI align to give corporate brand the foundation of sustainable development. Still, some stakeholders complain about Samsung Electronics' insufficient communication, which means that executives of the company will need to pay more attention to ideas and comments from stakeholders and try to implement the full range of suggestions into their corporate branding.

Samsung Electronics' provides a valuable example of how a corporation needs to constantly keep their VCI alignment, so that the task of managing a corporate brand will always be a work in progress. If companies can properly keep their VCI array in line within a challenging business environment, it is expected to have a very successful corporate brand for many years to come.



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Appendix

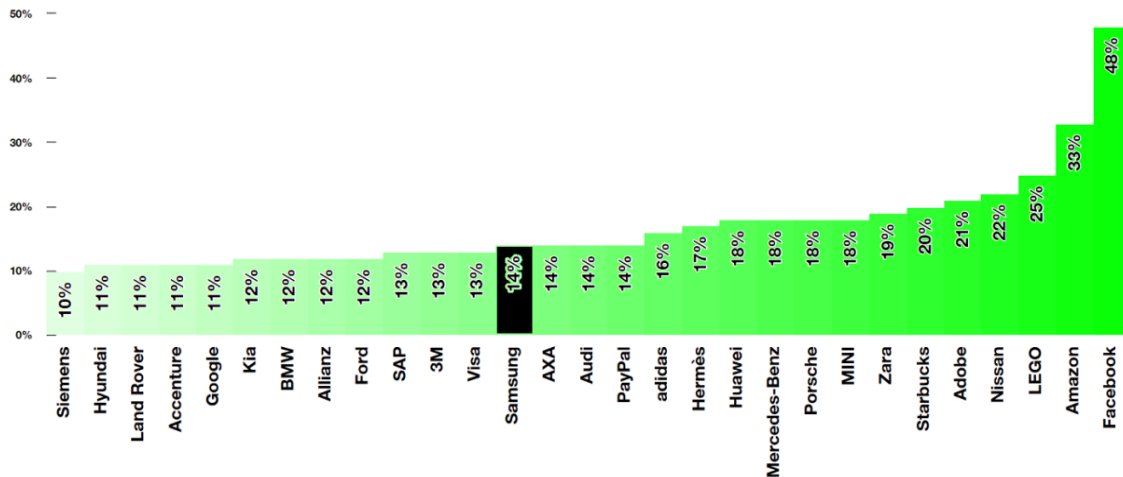
Top 100

01 Apple -20% 178,919 \$m	02 Google +18% 152,252 \$m	03 Coca-Cola -7% 74,202 \$m	04 Microsoft -2% 72,795 \$m	05 Toyota -2% 53,269 \$m	06 IBM -18% 52,406 \$m	07 Samsung +14% 51,908 \$m	08 Amazon +20% 50,268 \$m	09 Mercedes-Benz +19% 49,490 \$m	10 GE +2% 48,190 \$m	11 BMW -10% 47,516 \$m	12 McDonald's -1% 39,381 \$m	13 Disney -6% 39,799 \$m	14 Intel +1% 36,952 \$m	15 Facebook +8% 32,598 \$m
16 Cisco +4% 30,949 \$m	17 Oracle -2% 26,552 \$m	18 Nike +8% 25,024 \$m	19 Louis Vuitton +2% 23,999 \$m	20 H&M -2% 22,881 \$m	21 Honda -4% 22,006 \$m	22 SAP +12% 21,293 \$m	23 PepsiCo +2% 20,265 \$m	24 Gillette -10% 19,950 \$m	25 Intel -2% 18,358 \$m	26 IKEA +5% 17,834 \$m	27 ZARA +19% 16,799 \$m	28 Pampers +4% 16,154 \$m	29 UPS +4% 15,523 \$m	30 Bayer -3% 15,089 \$m
31 J.P.Morgan -3% 14,527 \$m	32 eBay -4% 13,590 \$m	33 Ford +12% 12,962 \$m	34 Hermès +17% 12,829 \$m	35 Hyundai +15% 12,547 \$m	36 Nescafé +2% 12,017 \$m	37 Accenture +11% 12,029 \$m	38 Audi +14% 11,789 \$m	39 Kellogg's -7% 11,711 \$m	40 VW -9% 11,436 \$m	41 Pepsi +4% 11,316 \$m	42 Canon -2% 11,006 \$m	43 Nissan -22% 11,027 \$m	44 Hewlett-Packard Enterprise New 11,027 \$m	45 L'Oréal +1% 10,950 \$m
46 AIA +14% 10,579 \$m	47 HSBC -10% 10,452 \$m	48 HP New 10,380 \$m	49 Citi +2% 10,278 \$m	50 Acer +19% 10,207 \$m	51 Allianz +2% 10,528 \$m	52 Siemens +9% 9,415 \$m	53 Gucci +6% 9,385 \$m	54 Johnson & Johnson -2% 9,378 \$m	55 Danone +7% 9,197 \$m	56 Nestlé +1% 8,736 \$m	57 Colgate -1% 8,412 \$m	58 Sony -8% 8,165 \$m	59 3M +10% 8,199 \$m	60 Adidas +9% 7,865 \$m
61 Visa +10% 7,747 \$m	62 Cartier -2% 7,738 \$m	63 Adobe +1% 7,696 \$m	64 Starbucks +20% 7,690 \$m	65 Morgan Stanley -2% 7,600 \$m	66 Procter & Gamble -4% 7,528 \$m	67 LEGO -25% 6,891 \$m	68 Panasonic -1% 6,385 \$m	69 Kia +12% 6,225 \$m	70 Santander -2% 6,223 \$m	71 SpaceX -9% 5,944 \$m	72 Huawei +10% 5,935 \$m	73 Johnson & Johnson -1% 5,790 \$m	74 Tiffany & Co. -8% 5,791 \$m	75 KFC -2% 5,742 \$m
76 Mastercard -2% 5,736 \$m	77 DHL -4% 5,708 \$m	78 Land Rover +11% 5,696 \$m	79 FedEx +9% 5,579 \$m	80 Harley-Davidson +1% 5,527 \$m	81 Prada -12% 5,504 \$m	82 Caterpillar -9% 5,425 \$m	83 Burberry -9% 5,362 \$m	84 Xerox -12% 5,290 \$m	85 Walmart +1% 5,193 \$m	86 Wendy's -4% 5,149 \$m	87 Sprinkles +6% 5,123 \$m	88 Baskin-Robbins +18% 4,996 \$m	89 Dior New 4,909 \$m	90 PayPal +14% 4,809 \$m
91 John Deere -6% 4,815 \$m	92 Shell +17% 4,699 \$m	93 Coca-Cola +1% 4,599 \$m	94 MLA -9% 4,520 \$m	95 Jaguar -5% 4,517 \$m	96 Smirnoff -4% 4,252 \$m	97 Hilton -10% 4,119 \$m	98 Ralph Lauren -12% 4,092 \$m	99 Lenovo -2% 4,046 \$m	100 Tesla New 4,011 \$m					

Figures 1.1 the List of the Best Global Brands of 2016, Interbrand

Source: Interbrand, accessed April 16th, <http://interbrand.com/>

Top Growing Brands



Figures 1.2 the List of the Global Top Growing Brands of 2016, Interbrand

Source: <http://interbrand.com/>

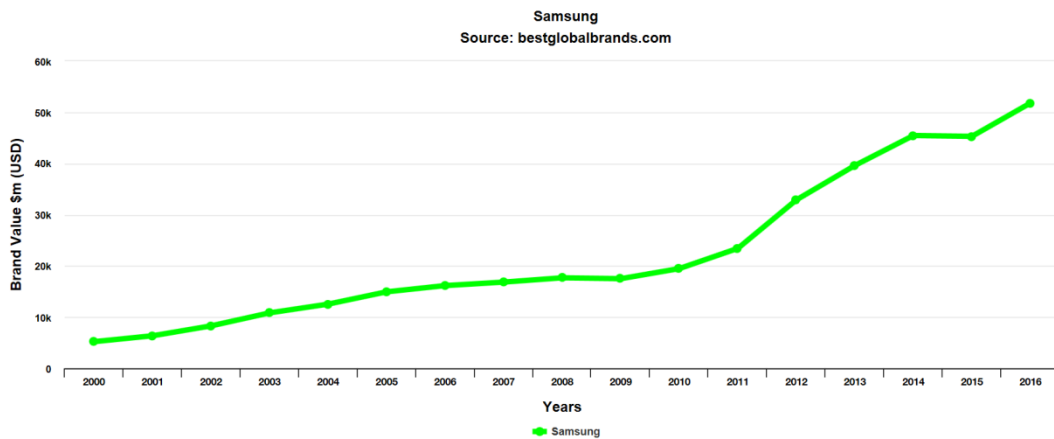


Figure 1.3 Historical Trend of Brand value of Samsung Electronics

Source: <http://bestglobalbrands.com>



The Best Brands outperform the market

The top brands collectively outperformed the S&P 500 by almost 400%



Figures 2.1 the Stengel 50 VS S&P 500

Source: http://www.sustainablebrands.com/news_and_views/articles/50-fastest-growing-brands-serve-%E2%80%99higher-purpose%E2%80%99

Notes: The Standard & Poor's 500, often abbreviated as the S&P 500, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The National Bureau of Economic Research has classified common stocks as a leading indicator of business cycles.

Company	Brand contribution in 2001	Brand contribution in 2010
Samsung Electronics	12%	42%

Figure 2.2 Stangel 50 Corporate’s Brand Contribution 2001~2010

Source: Jim Stengel,” op. cit., p. 293.

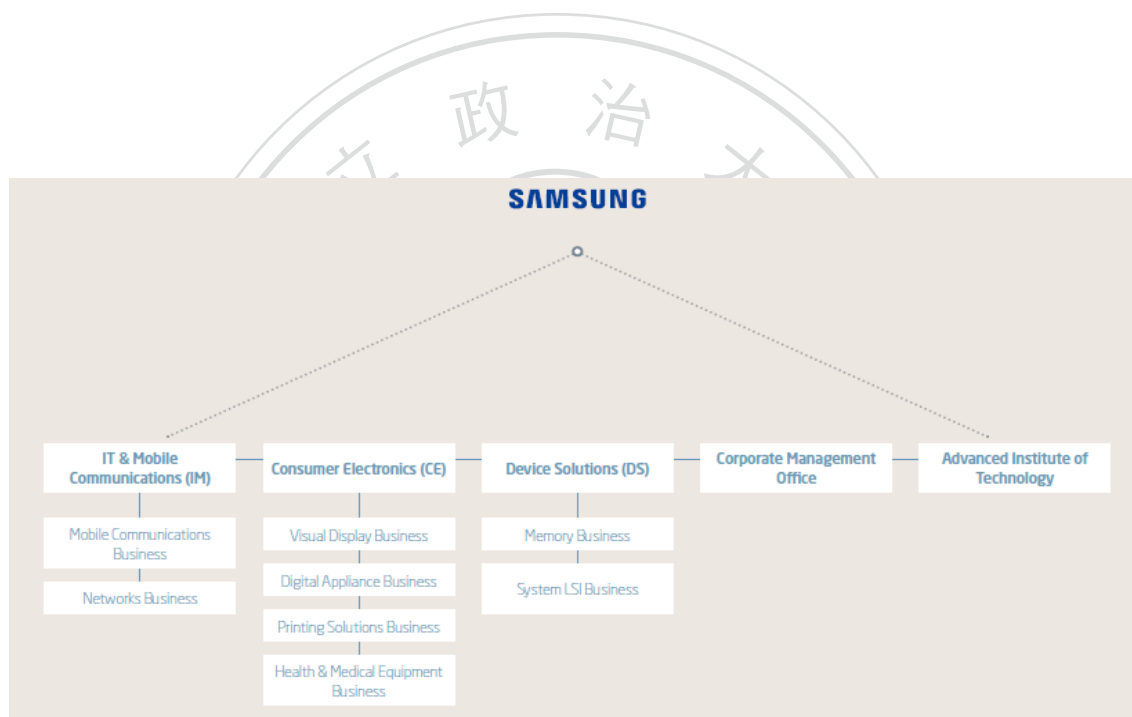
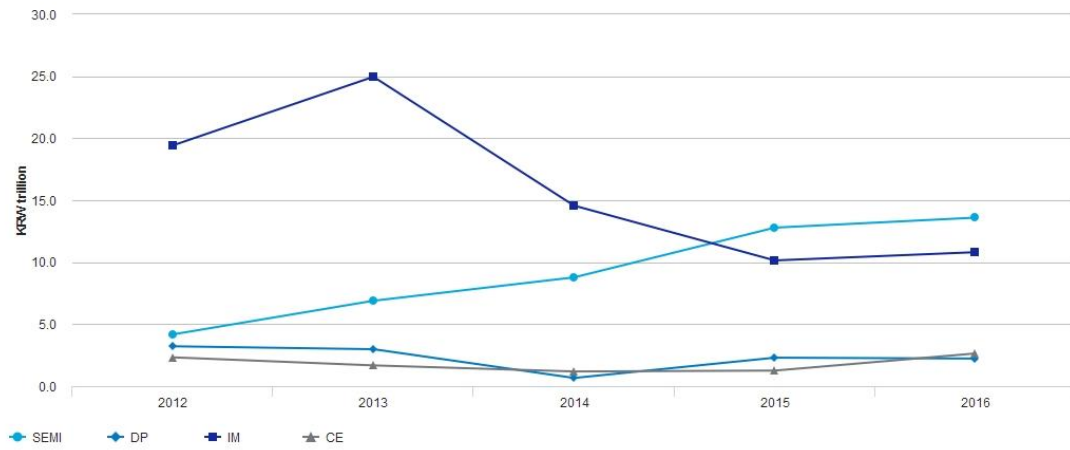


Figure 3.1 Organizational Chart of Samsung Electronics

Source: Samsung Sustainability Report 2016, *op. cit.*

Operating profit by Segment



		2012	2013	2014	2015	2016
SEMI	KRW trillion	4.2	6.9	8.8	12.8	13.6
DP	KRW trillion	3.2	3.0	0.7	2.3	2.2
IM	KRW trillion	19.4	25.0	14.6	10.1	10.8
CE	KRW trillion	2.3	1.7	1.2	1.3	2.6

Notes

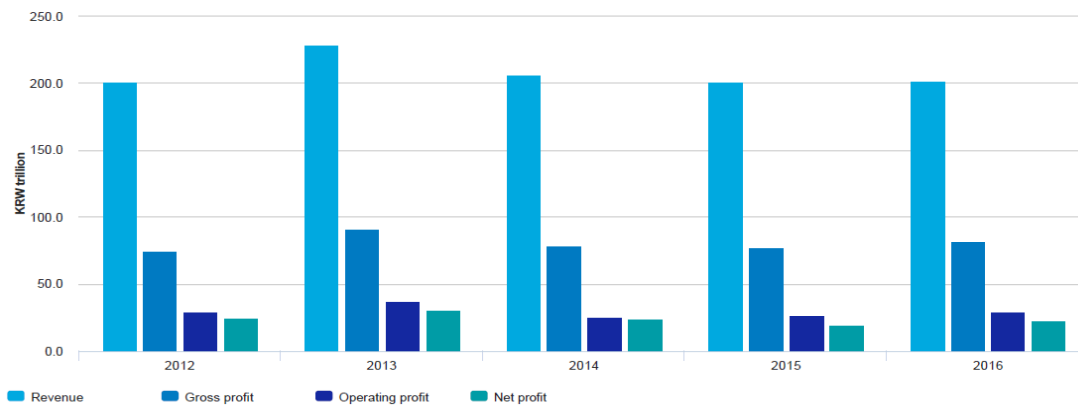
1. Figures are K-IFRS based
2. Segment revenue/operation profit includes Intersegment revenue/operation profit

Supplied by © Euroland.com

Figure 3.2 Operating Profit by Segment

Source: IR Samsung website, accessed May 5th, <http://www.samsung.com>

Income Statement



		2012	2013	2014	2015	2016
Revenue	KRW trillion	201.1	228.7	206.2	200.7	201.9
Gross profit	KRW trillion	74.5	91.0	77.9	77.2	81.6
Operating profit	KRW trillion	29.0	36.8	25.0	26.4	29.2
Net profit	KRW trillion	23.8	30.5	23.4	19.1	22.7

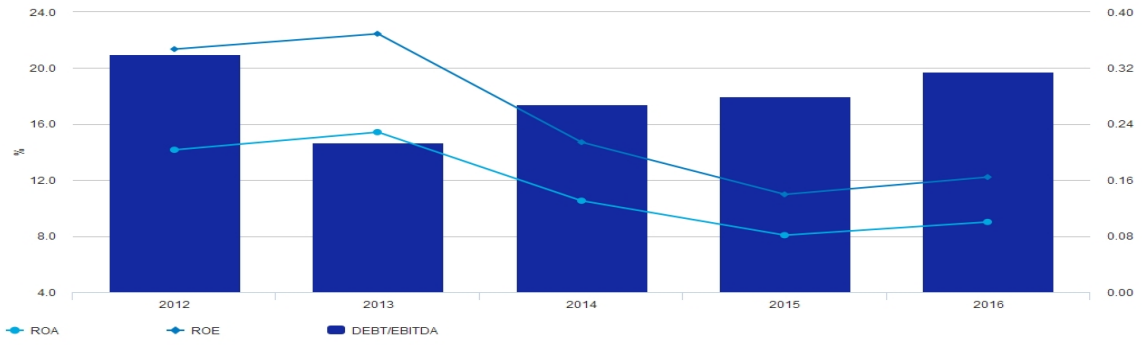
Notes

1. Figures are K-IFRS based
2. Segment revenue/operation profit includes Intersegment revenue/operation profit

Figure 3.3 Income Statement

Source: IR Samsung website, *op. cit.*

Key Ratios



		2012	2013	2014	2015	2016
ROA	%	14.2	15.4	10.5	8.1	9.0
ROE	%	21.4	22.4	14.7	11.0	12.2
DEBT/EBITDA		0.34	0.21	0.27	0.28	0.31

Notes
 1. Debt= total borrowings
 2. EBITDA= Operating Profit + Depreciation

Figure 3.4 Financial Key Ratios

Source: IR Samsung website, op. cit.

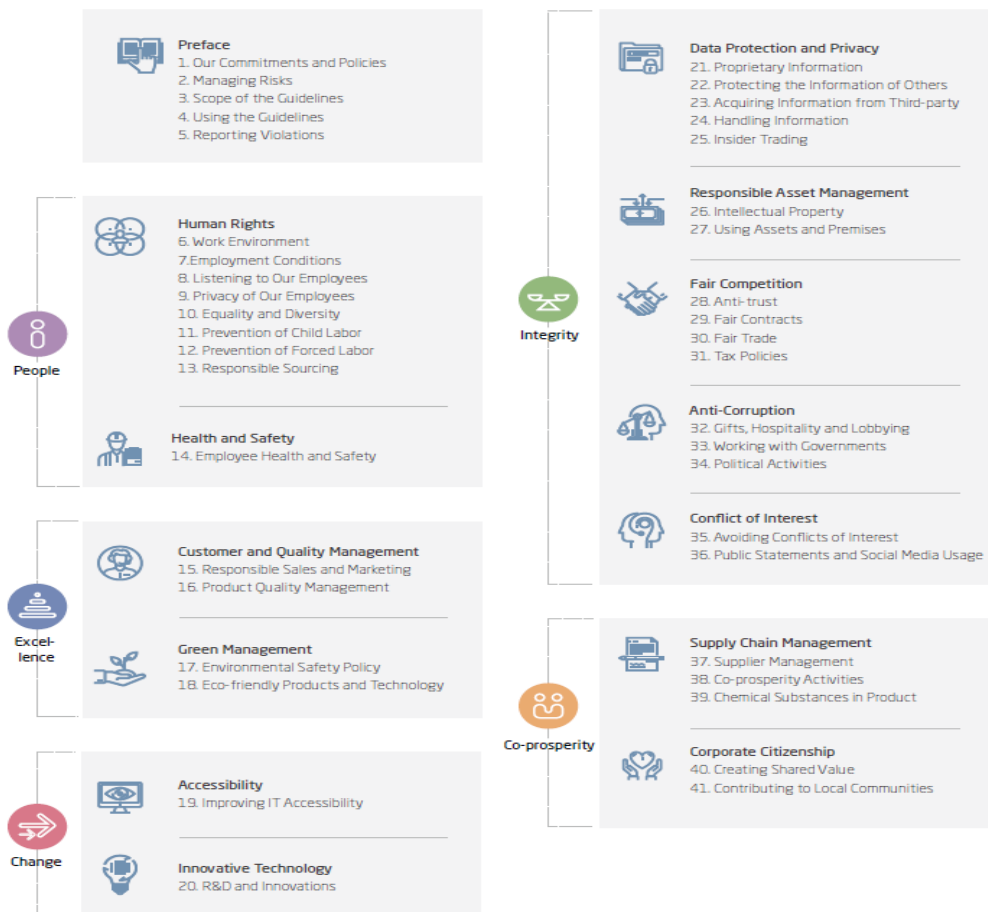


Figure 5.4 the Structure of Business Conduct Guideline

Source: Samsung Sustainability Report 2016, op. cit.

Samsung Electronics Counselling Centers & Psychiatric Clinics

	Counselling centers (places)	Professional counsel- ors (persons)	Psychiatric clinics (places)	Psychiatrists (persons)
Suwon	3	14	1	2
Gumi	2	5	1	1
Gwangju	2	3	1	1
Seoul	2	3	1	1
Giheung	1	4	1	1
Hwaseong	3	10	2	3
Onyang	1	2	1	1
Total	14	41	8	10

Customer Satisfaction Survey Results in 2015

Korea

Korea Management Association Con- sulting (KMAC)	Korean Standards Association (KSA)	Korea Productivity Center (KPC)
1st in the Korean Customer Satisfaction Index (KCSI) ¹⁾	1st in the Korean Standard Quality Excellence Index (KS-QEI) ⁴⁾	1st in the National Customer Satisfaction Index (NCSI) ³⁾
TVs, refrigerators, washing machines, air conditioners, kimchi refrigerators, smartphones, tablets, PCs, multipliers	TVs, refrigerators, washer dryer combos, air conditioners, kimchi refrigerators, smartphones, tablets, PCs, laser printers	TVs, kimchi refrigerators, air conditioners, smartphones, tablets, PCs
1st in the Korean Service Quality Index (KSQI) ²⁾	1st in the Korean Standard Service Quality Index (KS-SQI) ⁵⁾	
Call center, Indoor & Outdoor Service (cellphones, home appliances)	Home appliances, PCs, smartphone services	
	1st in the Korean Standard Contact Service Quality Index (KS-CQI) ⁶⁾	
	Call center	

1) Korean Customer Satisfaction Index
 2) Korean Service Quality Index
 3) National Customer Satisfaction Index
 4) Korean Standard Quality Excellence Index
 5) Korean Standard Service Quality Index
 6) Korean Standard Contact Service Quality Index

Figure 5.5 Counselling Centers and Psychiatric Clinics

Source: Samsung Sustainability Report 2016, *op. cit.*

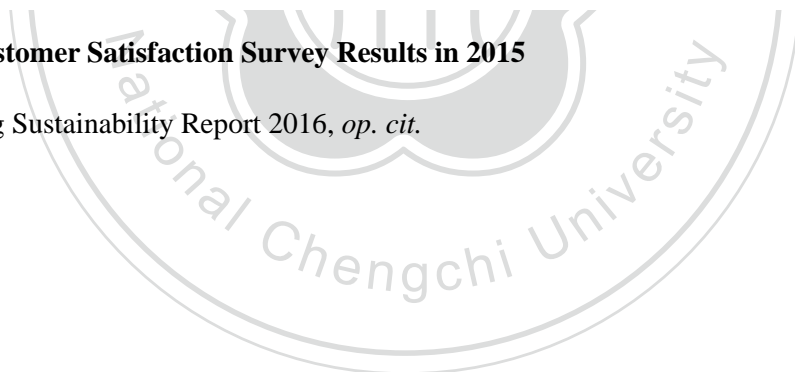
Overseas



Country	Organizer	Result	Target Products/Services
United States	Consumer Report magazine	1st in customer satisfaction	20 products
U.K.	Which magazine	1st in customer satisfaction	10 products
Germany	TEST magazine	1st in customer satisfaction	10 products
	Finanzen	1st in service evaluation	Service evaluation on smartphone manufacturers
France	Que Choisir magazine	1st in customer satisfaction	7 products
Poland	Three organizations, including Jakosci Obslugi	Grand prize at the Customer Satisfaction Awards	Electronics industry category
Columbia	Latin America Call Center Association	Bronze Medal at the Call Center Awards	Only one recipient among all electronics manufacturers

Figure 5.7 Customer Satisfaction Survey Results in 2015

Source: Samsung Sustainability Report 2016, *op. cit.*



8-Point Battery Safety Check Test

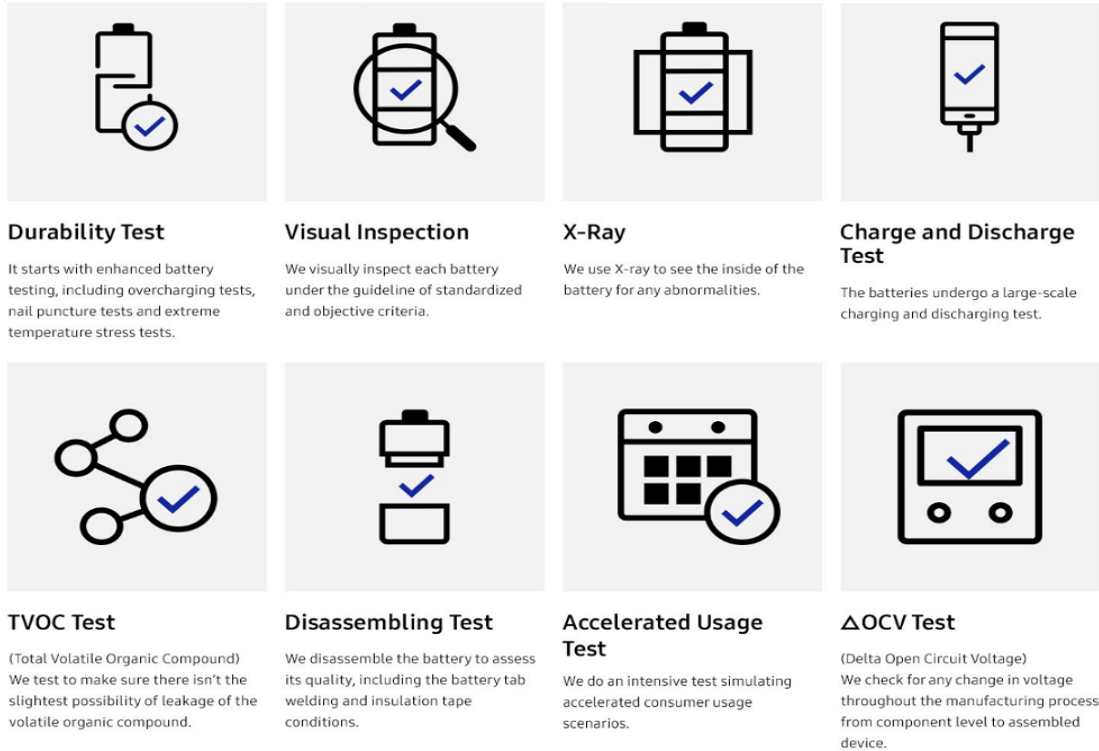


Figure 5. 11 Eight-Point Battery Safety Check Test

Source: <http://www.businessinsider.com/samsung-issues-galaxy-note-7-battery-report-2017-1>

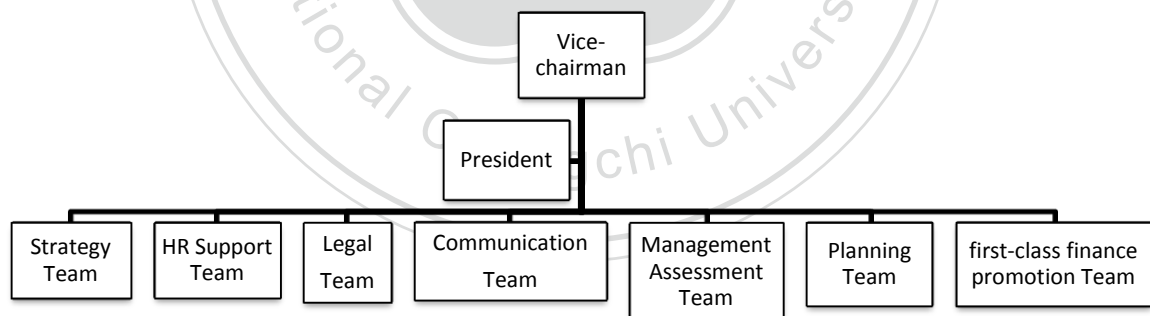


Figure 5.13 structure of Future Strategy Department

Source: Zhang Yejin reporter. Yonhap News, Dec 7th, 2016, <http://www.yonhapnews.co.kr/>