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Assignment Title: Report on International Competitiveness of Indonesia's Smartphone-Centred Consumer Electronics Industry and Its Strategic Attractiveness for Samsung Electronics

Student Name: Kamrul Islam Bayazid

Student ID: 2506580

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Lecturer: Akshay Narayanan

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Executive Summary

This report argues that Indonesia matters to Samsung Electronics for a harder reason than market size alone. Scale matters, but the decisive issue is that Indonesia combines fast digital adoption, industrial-policy leverage and a still-expanding device market, making it strategically valuable for a firm built on portfolio breadth and manufacturing discipline (International Monetary Fund, 2026; APJII, 2024; Team Counterpoint, 2025). Porter's Diamond nevertheless shows an uneven base: demand conditions are strong, rivalry is intense, and state intervention is consequential, while deeper electronics capability remains downstream-heavy and upstream-fragile (Porter, 1990; OECD, 2024; Al-Fadhat and Handana, 2023). For Samsung, that leads to a clear judgement. Indonesia is structurally attractive for scale, compliance-led localisation and channel reach, but systematically hostile to easy premium-margin expansion. Success therefore depends on regulatory adaptation, value-tier portfolio control, after-sales trust and disciplined local responsiveness rather than brand prestige alone (Samsung Newsroom Indonesia, 2025; Reuters, 2025; Blind, Jastram and Muller, 2024).

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1. Introduction

This report will make use of Indonesia's smartphone-based consumer electronics industry as a more distinct international business example than a general emerging market technology experience because it brings together the market scale, industrial policy pressure and unstable competition within one location. Therefore, the report will ask two related issues: First, how internationally competitive is Indonesia as a base for activities associated with smartphones-centered consumer electronics; Second, how attractive is that environment for Samsung Electronics as a foreign multinational whose success depends on both global scale and local execution (International Monetary Fund, 2026; OECD, 2024; Team Counterpoint, 2025)? A discussion based on an overview of the industry and country will follow, using Porter's Diamond to evaluate competitiveness. After that there will be a focus on political, economic, legal and consumer behavior elements that will lead to a dominant Samsung analysis. Finally, the report will include a reflection on the research and writing process (Dunning, 2000; Blind, Jastram and Muller, 2024; Porter, 1990).

2. Industry and Country Overview

2.1 Indonesia's Market Context and Electronics Relevance

Indonesia represents a significant player in international business due to being a mass digital market with considerable growth potential, not because it presents a friction-free path to profitability. According to the International Monetary Fund, Indonesia's economy is expected to increase by 5.0 percent in 2025 and by 5.1 percent in 2026. In addition, according to APJII data, there were approximately 221.56 million internet users in Indonesia in 2024 and a total of 79.5 percent of those individuals had access to the Internet. This indicates that Indonesia has both an enormous number of consumers and that these consumers have become progressively connected (APJII, 2024; International Monetary Fund, 2026). As shown in OECD data, Indonesia performs relatively well in terms of mobile telephone penetration; however, Indonesia's overall digital transition is irregularly developed due to the fact that the development of 5G networks has been slow and the application of digital tools by businesses is less advanced than would be suggested by the magnitude of the marketplace (OECD, 2024). This combination is critical to this study. This creates an environment where Samsung can reasonably pursue both scale and localization; nevertheless, since success is dependent upon performance inside an imperfect system rather than just on demand expansion (OECD, 2024), it is also one where success is contingent.

2.2 Size, Scope, and Economic Importance of the Industry

In comparison to other studies, which tend to consider the smartphone-centred consumer electronics industry in Indonesia as simply a narrower handset market, it is advisable to conceptualize it as an ecosystem. While smart phones represent the core of the industry; however, the surrounding economics contains the elements of component assembly, importation, compliance requirements, retail distribution channels, electronic commerce distribution channels, post-sale services and spillover effects from connected device usage into various consumer electronics product lines. Reporting from CounterPoint states that Indonesian shipments of smartphones increased by seven percent on a year-on-year basis during 2024. Furthermore, IDC reported that Q1-2024 shipments in Indonesia totaled 10 million units. Compared to Q1-2023 levels this represented an increase of 27.4 percent (Team CounterPoint, 2025; TelecomLead, 2024). These numbers demonstrate the existence of commercial depth; however, they provide no conclusive evidence that major brands may

generate high returns on their investments due to price elasticity and rate-of-share shift among competing brands (Utami and Sunarta, 2025; Kompas Tekno, 2025).

The industry's wider importance lies in the way consumer demand connects to manufacturing policy and foreign investment. Reporting from UNCTAD stated that in 2024 inbound foreign direct investment in Indonesia was valued at \$24.212 billion. Similarly reporting from OECD indicated that electronics continues to remain a primary target area for Indonesia's industrial modernization strategy (OECD, 2024; UN Trade and Development (UNCTAD), 2025). Samsung's Indonesian operations reinforce this relationship: The company states that exports of products produced by its Cikarang plant to ASEAN markets totaled 1.56 million units in 2024. This demonstrates that the industry serves as both a source for meeting demand domestically as well as providing production inputs for regional production/distribution flow chains (Samsung Newsroom Indonesia, 2025). Therefore, for Samsung, the attractiveness of the environment is clear; however, this level of scale does not inherently ensure premium margin protection nor does it assure deep local industrial capabilities.

Table 1: Indonesia smartphone-centred consumer-electronics snapshot

Indicator	Current evidence	Strategic implication
Internet users	221.56 million users and 79.5% penetration in 2024 (APJII, 2024)	Strong digital-demand base for device sales and upgrades
Smartphone market trend	Shipments rose 7% in 2024 (Team Counterpoint, 2025)	Confirms commercial recovery and continued category relevance
Short-run volume spike	Q1 2024 shipments reached 10 million units, up 27.4% YoY (TelecomLead, 2024)	Shows scale, but also a market shaped by fast tactical competition
FDI context	Inward FDI reached US\$24.212 billion in 2024 (UN Trade and Development (UNCTAD), 2025)	Supports host-market attractiveness, though not sector-specific by itself
Industrial priority	Electronics is a priority sector in Indonesian industrial policy (OECD, 2024)	Links consumer electronics to state ambition rather than private demand alone

2.3 Major Domestic and Multinational Firms and Relative Positioning

Competitive dynamics of the industry are severe. Samsung is likely to be considered one of the most significant companies involved in this space however, based on data available to date, there is no indication that Samsung is currently a clear and uncontested market leader. According to IDC's reporting for the first quarter of 2024 Samsung accounted for approximately 17.3 percent of the total share in the smartphone segment and leads within the 5G segment which suggests Samsung has real products and networking capabilities in higher specification categories (TelecomLead, 2024). However, looking at the situation over an extended time frame, it is apparent that Samsung's position is rapidly degrading. Canalsys' reporting for the first quarter of 2025 lists Samsung as number four with a 16.0 percent share with Xiaomi, Transsion and Oppo ahead of it. Reporting by Reuters regarding difficulties faced by Apple due to regulatory issues indicate that OPPO and Samsung had been the top two brands in Q1 2024 instead of one established player with several smaller rivals (Reuters, 2024; Kompas Tekno, 2025). As such, the nature of the competition appears to be far from being an orderly hierarchical structure and is in fact more akin to a revolving door competition where reach through various channels, pricing strategies and speed of new model releases are critical aspects of success.

These dynamics expose how the positioning of each of the key competitors compares to one another. The ability to compete across multiple tiers including flagships, mid-range products and mass-markets represents a unique strength for Samsung. This capability is augmented by Samsung's ability to leverage local assembly operations, their extensive service network and global brand equity (Samsung Electronics, 2025; Samsung Newsroom Indonesia, 2025). Oppo and Xiaomi have made themselves hard to disregard given their continued pressures exerted on pricing and availability via channels. Furthermore, the rise of Transsion provides additional evidence of how rapidly lower-end and cost-sensitive segments can disrupt the competitive landscape (Team Counterpoint, 2025; Kompas Tekno, 2025). Although Vivo continues to place pressure on competitors even if it may not always be the primary driver of changes in the competitive landscape. Given these factors, it is understandable why Samsung is chosen as the central company for analysis. On one hand Samsung is large enough to matter. At the same time, it has sufficient levels of insulation that it will not be immune to competitive pressures.

Table 2: Relative positioning of major smartphone competitors in Indonesia

Firm	Positioning logic	Main strength	Main pressure point
Samsung	Broad portfolio across premium and mass tiers	Local assembly, service trust, 5G credibility, global brand (Samsung Newsroom Indonesia, 2025; TelecomLead, 2024)	Premium margins are squeezed by price-led rivalry (Kompas Tekno, 2025; Utami and Sunarta, 2025)
Oppo	Mass-to-mid-market challenger with strong local presence	Offline reach and local fit (Reuters, 2024)	Faces constant pricing pressure from Xiaomi and Transsion
Xiaomi	Value-driven scale competitor	Aggressive price-performance positioning (Kompas Tekno, 2025)	Harder to sustain brand differentiation beyond value
Transsion	Fast-growing disruptor in cost-sensitive segments	Penetration of entry-level demand (Kompas Tekno, 2025)	Weaker premium legitimacy
vivo	Persistent mainstream competitor	Broad consumer appeal in crowded tiers (Team Counterpoint, 2025)	Less visible strategic separation in a saturated field

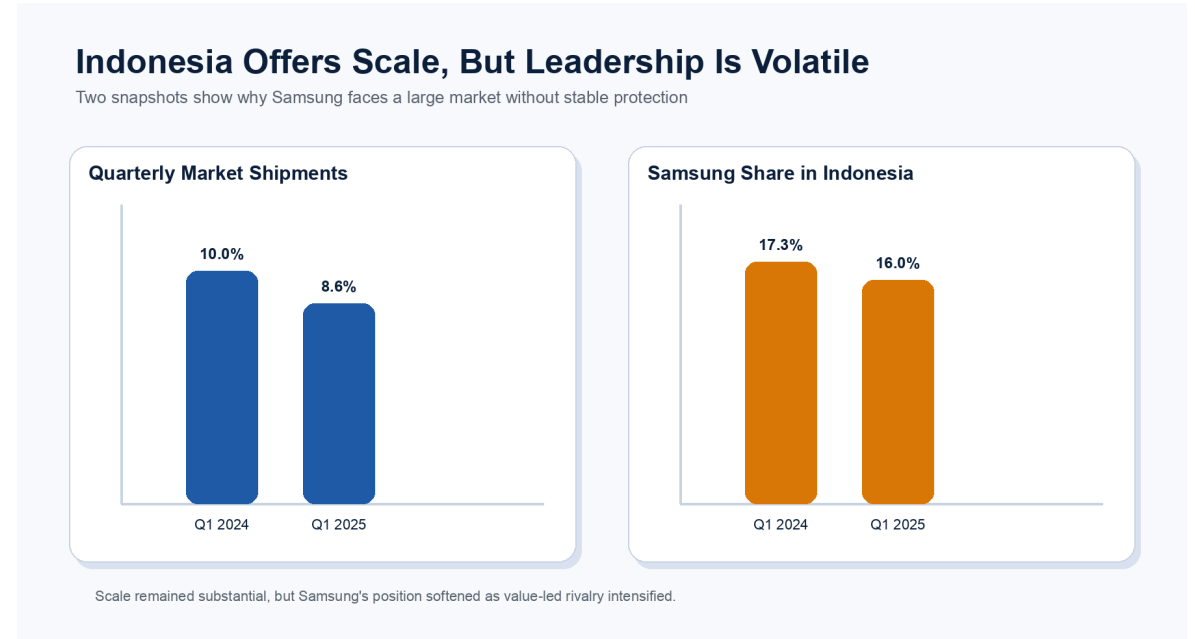


Figure 1: Market scale and Samsung share, Q1 2024 to Q1 2025.

2.4 Bridge to Competitive Analysis

Although the overview clearly demonstrates why multinationals are attracted to the Indonesian market for device production, it also illustrates why attractiveness and competitiveness do not necessarily correlate with one another. While a large market could lead to a large volume of shipments, it cannot guarantee the development of a rich and complex electronics-related industrial sector. Likewise, a large market can provide an opportunity for scale advantages while simultaneously penalizing manufacturers who pursue margins. These distinctions are particularly relevant for Samsung. Rather than asking whether Indonesia is commercially viable -- it is -- the critical question for Samsung is whether Indonesia's set of endowments, demands, supporting sectors, competition, and government interventions create a sustainable source of international competitive advantage rather than merely providing a large market that may be structurally challenging. Therefore, Porter's Diamond is the appropriate analytical framework to utilize since it enables an assessment of whether Indonesia's underlying system is capable of fostering competitive strength versus mere volume-driven competition (Porter, 1990; OECD, 2024; Kompas Tekno, 2025).

3. Porter's Diamond Analysis

According to Porter's Diamond theory, a nation's competitive advantage occurs as a result of interactions between factor conditions, domestic demand conditions, related and supporting industries, firm strategy structure and rivalry with government and chance acting as variables influencing outcomes rather than eliminating them (Porter, 1990). In this study, Porter's Diamond framework was employed to determine whether Indonesia constitutes a truly competitive base for engaging in consumer electronic activities centered around smartphones. The point is not to repeat that the market is large. The point is to judge what that largeness actually does.

Porter's Diamond Applied to Indonesia's Smartphone Industry

A downstream-heavy but strategically valuable competitiveness profile

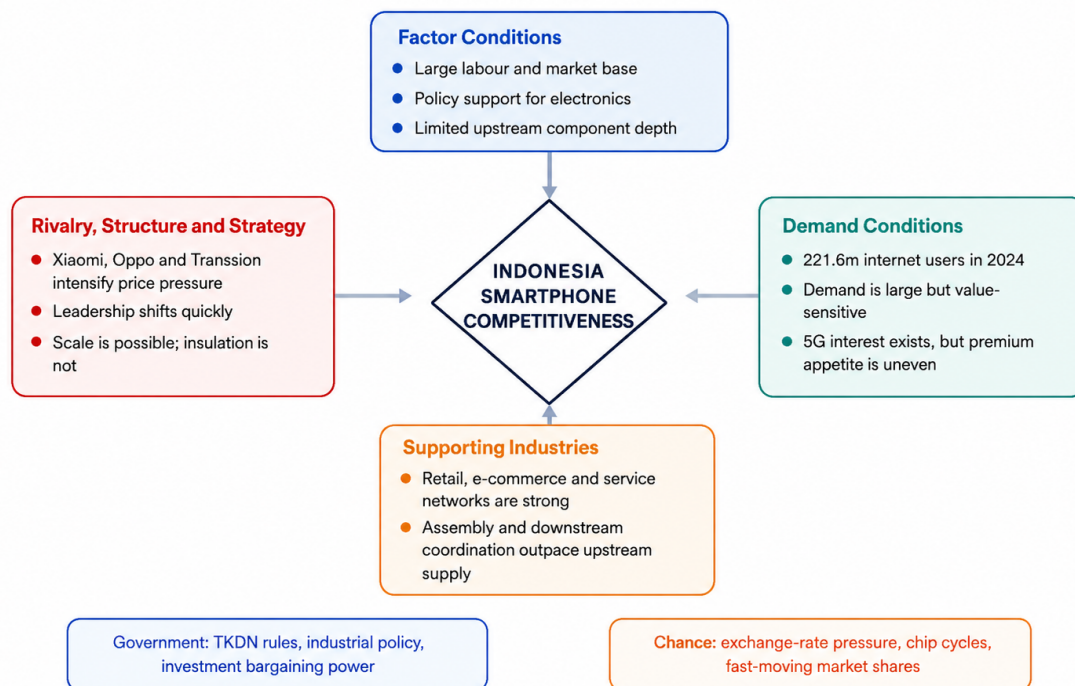


Figure 2: Diamond analysis for Indonesia's smartphone industry.

3.1 Factor Conditions

Indonesia's factor conditions represent commercially viable opportunities that are structurally imbalanced. Large-scale labor costs combined with increasing digital engagement, interest by government authorities toward electronics along with sheer market size present rationale for

multinational investment in Indonesia (UN Trade and Development (UNCTAD), 2025; International Monetary Fund, 2026; OECD, 2024). This explains why Samsung maintains manufacturing facilities in Cikarang and continuously produces TKDN-compliant devices for sale into the Indonesian market (Samsung Newsroom Indonesia, 2025). For a manufacturer desiring scale advantages, these conditions are beneficial.

However, the deeper concern is in terms of depth. OECD studies indicating limited global value chain integration coupled with research on Indonesian electronics spillover effects illustrate a base that is heavy on downstream activities but weak on upstream technology creation (Yasin and Sari, 2022; Suyanto et al., 2012). Indonesia can accommodate assembly, deployment and market capture but lacks the robustness in developing a comprehensive ecosystem of components as well as suppliers necessary to constitute a mature electronics cluster. Thus for Samsung, Indonesia represents a viable operational platform but not a self-sufficient production hub.

3.2 Demand Conditions

Demand conditions are unequivocally the strongest asset of the industry. Evidence from APJII's 2024 user base, Counterpoint's 2024 shipment growth rates and IDC's findings in terms of strong Q1 2024 volumes demonstrate a market where smartphone usage is widespread and deep with ongoing potential for expansion (IDC; TelecomLead, 2024; Team Counterpoint, 2025). Prior academic literature on smartphone usage in Indonesia supports similar assertions regarding behavior: mobile internet adoption matters because smartphones serve as vehicles for accessing information as well as performing daily digital tasks - particularly among young adults as well as those who possess higher educational attainment (Ishii & Puspitasari, 2016). Nonetheless, this demand is demanding rather than permissive. Studies regarding buyer intentions toward purchasing smartphones with 5G capabilities exhibit that consumers remain extremely responsive to pricing strategies/service quality/perceived utility - thus demonstrating that aggressive demand can increase competition rather than guaranteeing brand power (Utami & Sunarta, 2025; Fahrillah et al., 2024). For Samsung - demand is attractive because it is both large and difficult.

3.3 Related and Supporting Industries

Indonesia's supporting industries make the market sellable before they make it technologically deep. Telecom networks, e-commerce channels, retail distribution and after-sales service systems all matter because smartphone competition increasingly depends on device financing,

service accessibility and digital-channel visibility rather than hardware alone (OECD, 2024; Puspitasari and Ishii, 2016; Khairunnisa, Suhendi and Muhibuddin, 2026). Given these factors - Samsung enjoys advantages in this environment because it can integrate local manufacturing/local retail connections/credibility as a provider of servicing options into a unified value proposition (Samsung Newsroom Indonesia, 2023; Samsung Newsroom Indonesia, 2025).

Research on FDI, manufacturing exports and industrial spillovers indicates that Indonesia's support system is stronger in downstream participation than in upstream technological depth (Djulius et al., 2017; Rahmadi & Ichihashi, 2013; Dhanani & Hasnain, 2002). In other words - Indonesia assists multinationals in selling/assembling/disbursing at scale. However, Indonesia does relatively little to establish that higher-value component ecosystems have already developed a solid foundation. Consequently - for Samsung - Indonesia serves as a strong commercial node rather than an autonomous electronics cluster.

3.4 Firm Strategy, Structure, and Rivalry

Competition is not a secondary characteristic of Indonesia's market. Rather, competition is a defining feature of Indonesia's market. For example, Samsung's drop from 17.3 % of market share in Q1 2024 to fourth-place with 16.0 % of market share in Q1 2025 demonstrates how precarious leadership can be (KompasTekno, 2025; TelecomLead, 2024). Moreover, this lack of stability is consistent with the larger body of literature that characterizes the smartphone category as being one of continuous innovation rivalry and incomplete lock-in versus stable dominance (Corrocher, Cecere and Battaglia, 2015) and such pressure may enhance competitiveness by forcing companies to continuously update their offerings, improve their channel strategies and adjust their pricing architectures rapidly.

Furthermore, competition will also demonstrate the harsh economic conditions of the sector. In a sector where share can fluctuate as much as it did, there is little room for strategic complacency. Scale advantages are real but they have an expiration date. Chinese entrants can compete aggressively in low-value segments, whereas defending high-end positioning depends on maintaining sufficient levels of service quality, ecosystem integration and brand credibility to warrant a premium price. Indonesia is a competitive and unforgiving marketplace.

3.5 Government, Chance, and Competitiveness Judgement

While government intervention elevates Indonesia's strategic importance and increases the costs associated with misjudging the Indonesian market, electronics remains part of the national industrial policy efforts and local content regulations require multinationals to embed themselves locally and create greater visibility than would exist in pure import-based markets (Al-Fadhat & Handana, 2023; OECD, 2024; Reuters, 2025). Nevertheless, opportunity factors continue to possess significant influence: exchange rate pressures, disruption to global supply chains resulting from semiconductor shortages, greenfield investments volatility and changes in brand shares can all negatively impact what appear to be robust positions (IMF, 2026; UNCTAD, 2025; Kompas Tekno, 2025).

Table 3: Diamond summary for Indonesia's smartphone-centred consumer-electronics industry

Diamond dimension	Strongest point	Limiting factor	Competitiveness effect
Factor conditions	Scale, labour base, policy interest (International Monetary Fund, 2026; OECD, 2024)	Limited deeper electronics capability (Suyanto, Bloch and Salim, 2012; OECD, 2024)	Downstream-ready; upstream-fragile
Demand conditions	Large, connected user base and ongoing upgrade demand (APJII, 2024; Team Counterpoint, 2025)	High value sensitivity and uneven premium appetite (Fahrillah, Suroso and Yuliatij, 2024)	Strong for scale, harder for margin
Supporting industries	Retail, telecom, digital and service channels support access (Samsung Newsroom Indonesia, 2025; OECD, 2024)	Upstream localization remains weaker (Rahmaddi and Ichihashi, 2013; Dhanani and Hasnain, 2002)	Good market participation, weaker full-chain depth
Rivalry and state role	Rivalry pushes adaptation; state policy creates commitment pressure (Kompas Tekno, 2025; Reuters, 2025)	Intense competition and compliance burden	Dynamic but demanding

The final judgment should be made more explicitly. Indonesia is an attractive international destination for consumer electronics centered around smartphones due to the ability of companies to simultaneously capitalize on scale economies and localization opportunities. However, the country's competitive advantage lies primarily in capturing demand domestically for assembly and downstream execution rather than possessing significant upstream capabilities. Therefore, Indonesia is competitive downstream-heavy and upstream-weak. This fact is critical for Samsung because it represents a potential market entry point, not a passive base.

4. Samsung Electronics Evaluation in Indonesia

4.1 Why Samsung Is the Right Focal MNC

Samsung is the best focal multinational corporation for this study because it exists at the intersection of the two primary competing interests identified by this research. Specifically, Samsung possesses clearly identifiable ownership strength; demonstrated local commitment; and observable competitive exposure. At a global level Samsung continues to report financial results reflecting the power of its mobile business with revenues reaching KRW300.9 trillion and operating profits totaling KRW32.7 trillion during FY2024 (Samsung Electronics, 2025). On the other hand, Samsung's situation in Indonesia is more contingent upon various factors. In Indonesia Samsung has established a smartphone manufacturing facility located in Cikarang; reported TKDN (Total Local Content) of 37.5% for its Galaxy S25 series; stated that it produced 1.56 million units for export to ASEAN countries during 2024 (Samsung Newsroom Indonesia, 2025); and yet current market data indicates that Samsung currently occupies a very crowded space in Indonesia and therefore cannot claim to occupy a position of dominance (Kompas Tekno, 2025). Thus, Samsung is better suited for analysis purposes than a smaller or niche multinational corporation since it is sufficiently large to allow testing of its strategy but sufficiently vulnerable to render such tests meaningful.

4.2 Political and Legal Factors Affecting Samsung's

Success

Indonesia's political and legal environments provide Samsung with reasons to maintain a presence in Indonesia and reasons to remain vigilant regarding those environments. Electronics continues to be relevant from a policy perspective; foreign direct investment in Indonesia has been relatively resilient despite recent challenges; and local content regulations encourage multinational corporations committed to investing resources in Indonesia rather than simply relying on imports to achieve success in the Indonesian market (UNCTAD, 2025; OECD, 2024; Samsung Business Indonesia, 2024). Additionally, Samsung's history of compliance with Indonesian regulatory requirements provides further rationale for its favorable position relative to other multinational corporations seeking to enter Indonesia's electronics industry. Furthermore, while regulatory environments in Indonesia establish rules governing behavior in the market, they also allocate advantage among players in the market. As noted by Samsung Business Indonesia (2024), the regulation governing smartphones requires manufacturers to

meet a minimum of 35% TKDN under Permenkominfo No. 13/2021. Further, the existing body of literature examining local-content policy as part of a bargaining process used by governments to convert multinational corporations' presence in their respective nations into domestic industrial benefits shows that similar regulations are part of a structural framework through which the state attempts to extract benefit from the presence of multinational corporations within their respective borders (Al-Fadhat & Handana, 2023). While such frameworks reward those who are able to adapt early to changing policies, they also create barriers to future success. A multinational corporation that fails to anticipate changes in regulatory environments may experience lost time, lost product momentum and lost negotiating leverage.

Reuters' reporting on Apple's failed attempt to introduce its new iPhone 16 model in Indonesia due to localized parts availability issues and subsequent reporting indicating that even after committing substantial amounts of capital investment to facilitate expansion into Indonesia that additional permits were necessary prior to proceeding with smooth operations provides evidence supporting this increased risk for Samsung (Reuters, 2024; Reuters, 2025). While this comparison between Samsung and Apple allows readers to understand why Samsung might be viewed favorably compared to Apple relative to its experiences in Indonesia, readers should not reduce this comparison to "Samsung good / Apple bad." Rather, the takeaway message from this comparison is far more severe: Indonesia's legal environment awards regulatory adaptation as a core component of a successful strategy. According to Dunning's OLI theory, it is location specific advantages that explain why companies locate abroad (Dunning, 2000). More recently researchers have developed theoretical frameworks explaining how standards and institutional pressures positively effect subsidiary strategy choices (Blind et al., 2024). From Samsung's viewpoint regulation is not something occurring in the background. Regulation is a competitive filter. In Indonesia regulatory adaptation is not a support function. Regulatory adaptation is a strategic function.

4.3 Economic and Industry-Structure Factors Affecting

Samsung's Success

Indonesia provides Samsung economically attractive opportunities to develop at scale. Growth in shipments in 2024, good first quarter 2024 shipment levels, and a huge population provide a market space where the range of products can produce revenue from the lower end of the price tier up to the higher end of the price tier as opposed to just the upper end (Counterpoint

Team, 2025; TelecomLead, 2024; APJII, 2024) . The environment in Indonesia is one in which Samsung is well suited to compete. As such it has the global scope of devices, supply chain management capabilities, and a wide product category base that allow Samsung to spread risk across flagship, middle-of-the-road, and budget models, instead of relying on a single customer group (Samsung Electronics, 2025; Dunning, 2000).

This represents only part of the story. Economically, the structure of the market is far less conducive to generating additional margins at the high end of the market as it is for growing units. Data released in early 2025 showing Samsung ranked fourth in Indonesia with 16.0 percent of total shipments indicate that Samsung faces a competitive disadvantage in Indonesia that can be easily undercut by low-value competitors who aggressively pursue customers (Kompas Tekno, 2025). Studies on Samsung Smartphone Demand conducted in Indonesia have identified two factors related to consumer behavior that influence purchasing decisions: the perceived quality of the product purchased and price perceptions relative to other offerings. This means that when Samsung enters the Indonesian market, it will not be able to assume that it will convert purchases based solely on its brand image and reputation (Khairunnisa, Suhendi and Muhibuddin, 2026; Utami and Sunarta, 2025). Additionally, when there is an indication of interest for premium products in Indonesia, the underlying rationale is still based upon value (Fahrillah, Suroso and Yuliati, 2024; Khairunnisa, Suhendi and Muhibuddin, 2026).

In commercial reality terms, the situation facing Samsung is very clear. Indonesia is structurally attractive to Samsung's scale strategy. However, it is systematically unattractive to expanding premium margins. The size of Indonesia provides a sufficient level of rewards for offering a full line-up of products, however, it is a highly competitive marketplace characterized by extreme value-sensitivity. Therefore, achieving premium dominance is difficult. While data from IDC shows that Samsung was leading the 5G segment in Q1 2024 provides some evidence that supports Samsung's presence in Indonesia; it does nothing to eliminate the broader issues associated with maintaining competitiveness in terms of share position and maintaining consistent pressure on price and channels from competitors (Kompas Tekno, 2025; Telelead, 2024). The opportunity is certainly present for Samsung, but it is not aesthetically pleasing. Samsung may achieve volume sales, protect certain segments within the premium market area and establish credibility with respect to building ecosystems. However, Samsung should not view Indonesia as merely an extension of its existing global flagship strategy.

4.4 Cultural and Consumer-Behaviour Factors Affecting Samsung's Success

Cultural influences exist in Indonesia. However, the more relevant factor is behavioral and channel-related. Internet use data published by APJII and research studies on Indonesian consumer behavior indicate a significant relationship between smartphone usage and daily digital life activities. Therefore, companies that can localize communications, services and trust-building processes within the digital ecosystem without sacrificing operational efficiency will gain competitive advantages (Puspitasari and Ishii, 2016; Fahrillah et al., 2024; APJII, 2024).

Samsung possesses these attributes including after-sales credibility and brand recognition. However, Samsung must renew these assets rather than assuming them. Purchase intentions studies on Samsung products consistently identify three factors that contribute most significantly to purchase decision-making: product quality, price perceptions and service quality. These findings imply that Samsung's ability to demonstrate cultural relevance in Indonesia is determined through functional performance rather than marketing language or prestige (Khairunnisa et al., 2026; Utami & Sunarta, 2025). Consumers judge the culture surrounding a product based upon how they perceive they receive value for money and whether they trust the support process for the product.



Figure 3: Samsung's scale drivers and margin constraints.

The integration-responsiveness literature is more applicable to this discussion than traditional stereotypes related to national cultures. Research by Harzing regarding multinational typology development and research by Blind, Jastram and Muller regarding institutional extensions suggest that subsidiary strategy formulation is influenced by the extent to which local adaptation is needed in a particular setting (Blind et al., 2024; Harzing, 2000). Clearly local adaptation will be required for Samsung in Indonesia. The question for Samsung relates to whether it can rapidly adjust its pricing strategies, messages, services and channels of distribution to maintain global integration as beneficial. From a cultural perspective the challenge confronting Samsung relates to operational requirements versus symbolic representations.

4.5 Strategic Fit Through OLI, Integration-Responsiveness, and Value-Chain Logic

The OLI model describes why Samsung has the right to operate in Indonesia. However, the model must be utilized as a tool for analytical purposes rather than merely providing a series of labels. The ownership advantages possessed by Samsung are evident: a recognized brand name; product design/quality capabilities; integrated product/device ecosystem; global sourcing capabilities; and financial resources to support localized operations when necessary (Samsung Electronics Co Ltd., 2025; Dunning, 2000). Similarly, location advantages for Samsung in Indonesia are equally evident: a large connected market; supportive government policies for electronic manufacturing and exports; adequate production/export infrastructure for Samsung to employ a production strategy greater than purely imports (International Monetary Fund, 2026; UN Trade and Development (UNCTAD), 2025; Samsung Newsroom Indonesia); therefore internalization is critical due to the importance of product quality; product ecosystem coordination; and service delivery consistency being too important to be completely outsourced to independent third-party suppliers within such a competitive market (Dunning, 2000).

Despite this fact OLI does not represent a solution on its own. The model illustrates why commitment makes sense. The model does not illustrate why success remains dependent upon variables beyond its control. This is where integration responsibility becomes essential. Indonesia presents challenges to Samsung with respect to simply shipping a global product platform and waiting for its brand image/reputation to generate sales. Standards; TKDN; price sensitivities; expected service levels; and competitive volatility all dictate that Samsung must

respond locally to each of these factors in ways that are unique in nature both institutionally and commercially (Reuters, 2025; Blind et al., 2024; Harzing, 2000). Furthermore value chain logic adds an additional layer of complexity to this discussion. Indonesia does not require Samsung to localize all of its upstream value creation functions to become valuable to Samsung. Rather, Indonesia requires Samsung to localize select linkages: final assembly; compliance testing; distribution; and post-sale customer support. Where competitive advantages are created or destroyed depends upon successful localization of these critical linkages (Rahmadi & Ichihashi, 2013; Yasin & Sari, 2022; Dhanani & Hasnain, 2002).

Table 4: Samsung strategic-fit matrix in Indonesia

Strategic lens	What Samsung has	What Indonesia offers	Critical implication
Ownership	Brand, R&D, ecosystem, capital (Samsung Electronics, 2025; Dunning, 2000)	Large demand base and policy relevance (International Monetary Fund, 2026; OECD, 2024)	Samsung enters with real strength, not only brand familiarity
Location	Existing plant, export activity, TKDN-capable operations (Samsung Newsroom Indonesia, 2025; Samsung Business Indonesia, 2025)	Scale plus localization pressure	The location is attractive because scale and regulation interact, not because either works alone
Internalisation	Control over quality, product stack, service logic (Dunning, 2000)	Volatile rivalry and compliance-heavy setting	Keeping key activities in-house is rational where execution errors are costly
Local responsiveness	Ability to adapt portfolio and channels	Value-sensitive demand and institutional pressure (Blind, Jastram and Muller, 2024; Utami and Sunarta, 2025)	Samsung wins only if adaptation is disciplined, not cosmetic

The strongest strategic conclusion follows directly. Samsung's Indonesian success depends on treating localisation as an operating system rather than a compliance minimum. Localisation is not a cost of entry here. It is the operating model. If Samsung gets that right, the market strengthens the firm's scale logic. If it does not, Indonesia becomes a place where global strength is slowly converted into ordinary competition.

4.6 Overall Market Attractiveness and Critical Success Judgement

Samsung should remain committed to Indonesia because the market combines scale, digital demand and policy relevance in a way few regional markets can match (International Monetary Fund, 2026; APJII, 2024; UN Trade and Development (UNCTAD), 2025). But the commitment needs the right logic. Indonesia is not attractive because it offers easy premium expansion. It is attractive because it rewards firms that can combine local compliance, wide portfolio coverage, credible service and fast channel execution.

Table 5: Samsung Indonesia attractiveness matrix

Strength	Risk	What this means for Samsung
Large demand base	Price-led rivalry	Scale is achievable, but margin defence is harder
TKDN-capable local presence	Regulatory shifts and bargaining power	Compliance is a competitive capability
Strong global ownership assets	Weak automatic premium protection	Brand helps, but it does not settle the market
Service and ecosystem potential	Fast-moving share volatility	Execution must be continuous, not periodic

The final judgement is intentionally sharp. Indonesia is structurally attractive for Samsung's scale strategy but systematically hostile to premium-margin expansion. That does not weaken the case for staying. It defines the terms of success, and it makes localisation a condition of competitiveness rather than a decorative add-on.

5. Conclusion

This report has shown that Indonesia's smartphone-centred consumer electronics industry is commercially powerful but competitively uneven. Porter's Diamond suggests that demand conditions are strong, government involvement is strategic, and rivalry is intense enough to keep the industry adaptive, yet the underlying production system remains less complete than the size of the market often implies (Porter, 1990; OECD, 2024; Suyanto, Bloch and Salim, 2012). The country's advantage is strongest downstream: in demand capture, assembly, policy relevance and market scale. It is weaker upstream, where supplier depth and technological spillovers remain thinner than the headline numbers suggest.

That distinction becomes decisive when the lens shifts to Samsung. The company's ownership advantages, local presence and regulatory adaptation give it a credible route to success, but current market evidence does not support any assumption of effortless leadership (Samsung Electronics, 2025; Samsung Newsroom Indonesia, 2025; Kompas Tekno, 2025). Section 4 showed why: price pressure, volatile share positions, local-content rules and service-sensitive demand all make performance contingent on execution. The safest conclusion is also the least accurate. Indonesia is not simply "attractive but competitive". It rewards scale, compliance and execution while stripping away easy premium rents. Samsung can still win there, but only by treating localisation as strategy rather than paperwork.

6. Reflective Account: Gibbs' Reflective Cycle

6.1 Description

Gibbs' Reflective Cycle helped me reflect upon how I investigated and constructed this paper, providing a systematic way of reflecting beyond the "it was interesting" type of reflection (The University of Edinburgh, 2024). I limited my focus to Indonesia's Smartphone Centric Consumer Electronic Industry, and Samsung Electronics due to high degree of alignment among country, industry, and firm, as well as having access to a great deal of reliable and up-to-date data from International Organisations, Market Analysts, Reuters Reporting and Studies from Indonesian Academics. It is clear that the major structural choice that I made was that all of the early parts of the paper contribute directly to the analysis of Samsung versus stand-alone country reports. This has heavily influenced how I went about researching. Rather than gathering wide-ranging macro-economic information, I have selectively filtered through the sources in terms of whether they were relevant to competitiveness, competition, localisation pressures and Samsung's Strategic Position. As such, this has created a much more focused and integrated analysis.

6.2 Feelings

To begin with I was confident in the subject matter; however, I was unsure regarding the strength of my argument. Indonesia appeared to be an attractive market for obvious reasons, therefore there was a danger of creating an overly polished yet superficial analysis. I was also aware of the need to maintain originality especially since other work that I had completed prior to this study followed a structured approach. Therefore, this led to caution when creating an argument that seemed too controlled or formulaic.

6.3 Evaluation

One of the most successful decisions I made was to include Samsung at the beginning of the report as opposed to delaying firm level analysis. This greatly enhanced the coherence of the report as all sections related back to a common research focus. Using many different types of source material also increased the credibility of the analysis. For example, macro-economic and investment data was sourced from IMF and UNCTAD whilst market tracking material provided details on competitive activity (International Monetary Fund, 2026; UN Trade and Development (UNCTAD), 2025; Utami and Sunarta, 2025).

However, not all elements of the process were as successful. Over structuring the report initially presented a risk of producing an overly rigid analysis. Furthermore, analysing shipping data required careful consideration. Whilst metrics such as changes in Samsung's market share between Q1 2024 and Q1 2025 were useful indicators of changes in market share, care needed to be taken not to treat them as definitive measures of longer-term strategic strength (TelecomLead, 2024; Kompas Tekno, 2025). Continuous reflection was necessary to avoid relating market share with profitability or sustainable competitive advantage.

6.4 Analysis

When theoretical models were utilised as tools to assist analysis rather than merely as descriptive materials the overall quality of the paper increased. Porter's Diamond allowed for differentiation between demand driven attractiveness and genuine structural competitiveness (Porter, 1990). In doing so, it precluded the conclusion that market size equals competitive advantage. Likewise, Dunning's OLI framework clarified why Samsung invested in Indonesia; however, it did not provide complete explanations for performance outcomes (Dunning, 2000). To address this shortcoming, integration–responsiveness framework and institutional perspectives were combined in order to highlight the significance of local adaptation in a regulatory/price sensitive environment (Harzing, 2000; Blind, Jastram and Muller, 2024).

In addition to this stage highlighting strengths in my analytical method, it also revealed some weaknesses. One instance where I may have assumed that Samsung's local presence and compliance automatically translated into strategic superiority. Research on foreign direct investment argued against this by showing that multinational presence does not always lead to substantial industrial upgrade nor productivity growth (Suyanto, Bloch and Salim., 2012; Djulius, 2017; Dhanani & Hasnain, 2002). Therefore, this resulted in a clearer distinction between presence/contribution/competitive advantage.

Further insights emerged from evaluating consumer behaviour. Prior to this study, I viewed culture as an abstraction. Nonetheless, studies on Indonesian consumer purchasing decisions indicated that they are driven by price perceptions, service quality and perceived value as opposed to abstract cultural characteristics (Fahrillah, Suroso and Yuliati, 2024; Utami and Sunarta, 2025; Khairunnisa, Suhendi and Muhibuddin, 2026). This further substantiated the importance of identifying a precise analytical focus rather than increasing descriptive content.

6.5 Conclusion

Overall, this experience demonstrated that effective international business analysis demands a balance between theory/evidence/judgement. Porter's Diamond clarified competitiveness, OLI explained multinational commitment and integration–responsiveness highlighted the necessity of local adaptation (Porter, 1990; Dunning, 2000; Blind, Jastram and Muller, 2024). The greatest lesson learned during this experience was distinguishing between scale/profitability and market presence/competitive advantage.

6.6 Action Plan

In future projects I intend to increase efficiency by grouping sources early into market evidence/policy context/theoretical frameworks/opposite viewpoints. By grouping sources thusly will allow for greater clarity in analysis and less ambiguity. Additionally, I plan to link evidence to judgement more directly. More robust areas of this project existed when conclusions – e.g. trade-off between scale/premium margins – were identified early and consistent supporting evidence developed. Establishing these core arguments prior to writing individual sections will help establish clarity of analytical thought and overall quality.

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