

SAMSUNG: REDEFINING A BRAND

Fan Ye and Christian Kim prepared this case under the supervision of Professor Robin Ritchie solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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J. S. Park sat back in his chair and contemplated the challenge ahead. As president of Mississauga, Ontario-based Samsung Electronics Canada (SECA), he had been charged with developing a strategy for managing the evolution of the Samsung brand in the Canadian market. Initially, he had felt that this would be little more than a matter of reallocating promotional dollars and updating the company's advertising messages. Recently, however, he had begun to wonder whether changes might also be needed to the company's product line, pricing levels and distribution strategy. It was late October 2003, and the December fiscal year-end was fast approaching. Park knew he would need to have a complete plan in place well before then.

SAMSUNG: A VALUABLE BRAND

Samsung's emergence as a leading global consumer brand was regarded as one of the great success stories of the past decade. Samsung had been named the world's fastest growing brand by consulting firm Interbrand in each of the last two years. During that period, the estimated value of the Samsung brand had risen from US\$6.37 billion in 2001 to US\$10.85 billion in 2003 (see Exhibit 1).

A major factor behind this impressive growth had been Samsung's effort to redefine itself as a vendor of cutting-edge, "gee whiz" consumer technology. This

brand repositioning was seen as vital to the company's future success, and remained a key corporate objective.

Despite this success, senior executives in Samsung's head office in Seoul, Korea, believed that much work remained to be done in their effort to redefine their brand. While the Samsung name had become more familiar and more favorably regarded among consumers, it still carried many strong associations with the company's past, when Samsung's consumer product line consisted primarily of low- to mid-range products sold at affordable prices via a hodgepodge of retail channels. Largely for this reason, many North American and European consumers still saw the company as a follower rather than a leader in bringing new consumer technologies to market.

To overcome this problem, Samsung executives had directed country managers, such as Park, to "take the necessary steps to establish Samsung as a premier consumer brand" in each of their respective markets. Park knew that there would be many obstacles to achieving this, and was concerned about a number of issues: How much would this brand repositioning cost? What changes should be made to Samsung's marketing mix? How might Samsung's distributors, competitors and existing customers react to this attempt to move the brand further upscale?

THE SAMSUNG GROUP OF COMPANIES

Samsung Electronics Canada was a wholly owned operating subsidiary of Samsung Electronics, which was itself part of the Samsung Group, one of Korea's largest and most respected "chaebols," or industrial conglomerates. Founded in 1938 as a small trading company, Samsung had been a key player in the industrial transformation of Korea in the 1970s and 1980s, eventually evolving into an economic powerhouse that boasted 175,000 employees worldwide and operations in 67 countries. With 2002 sales of \$116.8 billion (see Exhibit 2), it had surpassed its former rival, Hyundai, to become the leading business group in South Korea. By 2003, Samsung was ranked 59th in *Fortune* magazine's list of the world's 500 largest companies, and 15th in its Asia Top 50.

The Samsung Group operated a broad range of businesses, but emphasized three core activities: electronics, finance, and trade and services. Among its diverse operating units were Samsung Credit Card, Samsung General Chemicals and Samsung Life Insurance (see Exhibit 3 for a complete list). With 2002 sales of almost US\$50 billion, however, Samsung Electronics was the company's flagship and by far its largest business unit.

Samsung Electronics was South Korea's largest electronics company. It manufactured a wide variety of consumer devices that were either produced under contract for other electronics firms or marketed directly under the Samsung name.

The company took great pride in both its production and its research and development capabilities. As Pat Button, vice-president, sales and marketing for SECA, put it:

We have a very strong production base in Korea, employing over 50,000 employees in six production facilities. Our research and development division employs 17,000 researchers. In 2002 alone, we invested US\$2.4 billion, or seven per cent of our revenue in R&D. This dedication to research and development has enabled us to develop leading technologies and capture opportunities created through the evolution of consumer electronics. It is ultimately what helped to establish Samsung as one of the world's premium electronics manufacturers.

THE GLOBAL CONSUMER ELECTRONICS INDUSTRY

From the 1960s until the early 1990s, consumer electronics were generally analog, a mature technology that was characterized by a steady flow of minor, incremental innovations. These were usually introduced by Japanese companies, such as Matsushita Electric (Panasonic), Sony Corporation, Toshiba Corporation, Japan Victor Corporation (JVC) and Hitachi. Of these, Sony was generally viewed as the most successful, and was recognized as having the most valuable consumer electronics brand in the world. Although the company sold a full line of audio and video products, it was best known for its Trinitron line of color television sets and its Walkman portable audiocassette player, first introduced in 1979.

Over the same period, Samsung Electronics had focused primarily on contract production of consumer electronics for the more established brands. Simultaneously, the company had expanded aggressively into the semiconductor industry, where it led the development of the world's first 256K dynamic random access memory (DRAM) computer chip and a VLSI (very large scale integration) version of the 64K DRAM chip that incorporated more than 100,000 transistors. Thanks to this latter experience, Samsung had established extensive research and development capabilities.

In the 1990s, the consumer electronics industry was rapidly and dramatically transformed by the emergence of digital technology. Among other things, digital products tended to produce higher quality sound and pictures and enabled convenient interfacing with personal computers and the Internet. By the turn of the millennium, a barrage of digital consumer products were being introduced, including MP3 audio players, digital cameras, personal digital assistants (PDAs), digital mobile telephones, high-definition television (HDTV) sets, digital video recorders (DVRs) and liquid crystal display (LCD) computer monitors.

Traditional consumer electronics manufacturers had been stymied in their attempts to dominate these new markets. In addition to lacking a strong competitive edge in designing and manufacturing digital products, these firms also lacked some usual marketing advantages. Most early adopters of digital products were teenagers and young adults in their 20s — a group that was often skeptical of large corporations and receptive to products from nontraditional brands. Samsung management, which had first begun to market consumer electronics under its own brand in the mid-1990s, perceived a golden opportunity, and resolved to become the leading global provider of next-generation consumer electronics products.

SAMSUNG ELECTRONICS COMES OF AGE

As recently as the late 1980s, the Samsung name had been virtually unknown outside Korea, at least among end-consumers. By 2000, however, the company's successful introduction of leading-edge products, such as mobile phones, MP3 players, digital televisions and personal digital assistants (PDAs), had established Samsung as a credible player. That year, Samsung was the only non-Japanese Asian brand in Interbrand's Top 100. By 2003, Samsung had achieved market leadership across a wide range of digital consumer electronic products (see Exhibit 4 for global market share data for Samsung's key products).

Louis Kim, SECA's corporate marketing manager, explained the company's success:

Samsung's success is built on many fundamental elements. It is a combination of our product innovation, our market acceptance, our leadership in key digital technologies and, finally, successful execution of brilliant marketing strategies.

Since 1997, Samsung had introduced a series of innovative consumer offerings that were "world's firsts," including a mobile telephone handset with voice-activated dialing, an Internet-enabled handset, a wireless telephone that incorporated an MP3 player, a wireless telephone with a built-in global positioning system and a fully integrated PDA-mobile telephone device. The company was also the first to launch a consumer version of the digital light processing (DLP) television set — a widescreen display that used thousands of tiny mirrors to create a high-definition picture with unparalleled contrast and color reproduction. While some of these products did not achieve impressive sales volumes, management felt that they helped to position the brand as a provider of cutting-edge innovation.

Memory chips and visual displays accounted for approximately 90 per cent of the cost of most digital devices, and both of these were areas in which Samsung had unique expertise. The company was the world's leading producer of static random access memory (SRAM), and controlled 55 per cent of the market for NAND flash

memory (a technology used in removable cards which stored music for MP3 players and image files for digital cameras). Samsung also led the world in the manufacture of thin-film liquid crystal displays (LCDs), which were rapidly becoming the favored format for personal computer monitors, smaller television sets and virtually all mobile devices. Market dominance in these areas had already begun to pay some unexpected dividends: In 2002, Samsung signed a US\$2 billion joint venture with Sony to jointly develop liquid crystal displays for flat-screen televisions.

Samsung was also skilled at bringing new technologies to market quickly. In 2003, it launched 95 new products in the United States, including 42 different television sets. This was partly thanks to the company's impressive R&D capabilities, but was also a consequence of its lean organizational structure: Samsung's decision-making process required fewer steps than its competitors to approve new products, budgets and marketing plans. According to Foster Research, for instance, Motorola completely changed its mobile telephone product line every 12 to 18 months, while Samsung did so every nine months.

Samsung was also helped by certain characteristics of its home market of South Korea, which had served as a fertile testing ground for many of the company's new products. Nearly 70 per cent of Korean homes were wired for broadband Internet access, and 20 per cent of the population purchased a new cell phone in any given six month period. In a convergence of good fortune and good planning, Korea had adopted code division multiple access (CDMA) technology as the basis for its cellular network — widely regarded as the most likely contender for the global standard for wireless communication technology.

Redefining the Samsung Brand

Samsung had taken a number of concrete steps to enhance its brand awareness and move its image upscale. In 1999, the company launched a worldwide campaign using the tag line "SAMSUNG DIGITall – everyone's invited" (see Exhibit 5) to position the company as a provider of innovative digital consumer electronics that were also easy to use. Rollout of the new campaign coincided with consolidation of responsibility for Samsung's global advertising from 54 different ad agencies to a single agency of record: Foote, Cone & Belding. Samsung also moved into high profile sponsorship beginning with 2000 Sydney Olympic Games. This was followed by a 35 per cent increase its global advertising budget in 2001 (to US\$400 million), despite slowing global economic growth. In 2002, the company paid to have its mobile phones prominently featured in two popular science fiction films, *The Matrix: Reloaded* and *The Matrix: Revolutions*.

Changes were also being made to the company's distribution strategy in order to ensure consistency with the company's new brand image. As part of its upscale

push in the United States, for instance, Samsung Electronics had redirected its focus away from mass merchants and toward specialty retailers, such as Best Buy, Circuit City and CompUSA, reasoning that the discount image of mass merchandisers was incompatible with its new premium positioning.

THE CANADIAN ELECTRONICS MARKET

In 2003, sales of consumer electronics in Canada were estimated at Cdn\$2.3 billion (Cdn\$1=US\$0.75). The market was highly fragmented, with dozens of multinational firms competing for market share. Despite this, Sony boasted a strong brand presence across Canada, and was the clear leader in terms of both brand recognition and sales.

While average per capita income in Canada was lower than in the United States, Canadian electronics buyers were less price sensitive and placed a great deal of emphasis on good customer service and favorable return policies. They were also highly technically savvy and quick to adopt new technologies. Canada boasted the third highest penetration of high-speed (broadband) Internet access in the world, after South Korea and Hong Kong. By comparison, the United States ranked 11th.

Market Segments

Samsung management divided the Canadian consumer electronics market into four segments: high-income families, the young generation, business users and hobbyists. Of these, high-income families usually yielded the highest margins and thus constituted the primary target for most major brands. Sales to this segment were estimated to be growing faster than the 20 per cent average annual growth rate experienced by SECA in recent years, and generally consisted of large, one-time purchases of durable goods such as high quality TVs. Brand image played a critical role in their purchase decision, as consumers in this segment were known to favor well-known, established brands.

A second high-growth segment was the so-called “young generation” — consumers in their teens and 20s who were highly interested in, and knowledgeable about, digital technology. These individuals were generally not brand loyal and were open to trying new products, although financial constraints meant that they tended to buy smaller “gadgets” rather than more expensive purchases, such as large-screen televisions. Due to the technical savvy of this segment, high-tech digital products such as hand-held devices and MP3 players were enormously popular.

The business user segment was unique in that its main purchasing criteria were reliability and the ability of the product to satisfy a specific set of needs. For instance, major Canadian banks had recently replaced thousands of bulky CRT

monitors in their branches with thin LCD monitors in order to increase workspace and convey a high-tech image. Customer support and service were also major factors in their purchase decision, since products purchased in large volumes typically required ongoing service.

Hobbyists were a relatively small niche market of technology enthusiasts who enjoyed building their own electronics using off-the-shelf components. Sales to this segment were modest and, because these consumers, were usually price sensitive, the market was characterized by extremely low margins.

Retail

The majority of consumer electronics in Canada were sold through large specialty stores, such as Future Shop, 2001 Audio Video, A&B Sound and London Drugs (a retailer that, despite its name, sold a wide variety of merchandise). Significant sales also occurred through traditional department stores such as The Bay, Sears and Wal-Mart, and various medium- to small-sized chain and independent electronics retailers. Certain products with business applications, such as computers, digital cameras, cellular telephones and PDAs, were also sold in office supply superstores such as Staples and Office Depot.

Future Shop, based in Burnaby, British Columbia, was the undisputed king of consumer electronics retailing in Canada. With a nationwide presence and annual sales estimated at 26 per cent of the total market at the end of 2002, the chain outpaced its next largest competitor by a significant margin. In a move that caught some industry analysts by surprise, Future Shop had been acquired by U.S. electronics giant Best Buy, Inc. in late 2001. Since making the acquisition, Best Buy had launched a second chain of superstores across Canada, which it operated under its own name.

Two other major electronics vendors, A&B Sound and London Drugs, were based in Western Canada (population: nine million). Despite being important regional players, they had no presence in the two largest markets of Ontario (population: 12 million) or Quebec (population: seven million), or in the eastern part of the country (population: three million).

Traditional Canadian department stores such as Sears and The Bay were national players who operated electronics departments in most of their stores. However, sales through these channels had declined steadily over the past 15 years, due primarily to competition from specialty retailers. Sales at Wal-Mart and Zellers had respectable numbers. However, their market share was clearly behind those of large specialty stores such as Future Shop and Best Buy.

The typical retail margin on consumer electronics in Canada was 20 per cent, although this varied by retailer. Large chain stores enjoyed a number of significant advantages over smaller competitors. Greater floor space allowed them to offer a wider selection of products, while larger overall sales volumes made it possible to offer lower prices due to economies of scale.

Canadian consumers had also begun to shop for electronics online. A few vendors — most notably Future Shop and Staples — had responded by establishing a retail presence on the Internet. However, online sales still represented only a small portion of the total market, and remained partly dependent on conventional channels. In 2001, online consumer purchases of computer hardware and consumer electronics by Canadians reached \$950 million and \$525 million (6.4 and 6.7 per cent of total sales) respectively.¹ Despite the popular notion of the web as a way to shop without leaving home or office, many online shoppers actually visited conventional bricks-and-mortar stores to ask questions and inspect products before buying online — particularly for larger purchases.

SAMSUNG ELECTRONICS CANADA

Samsung Electronics Canada (SECA) was the Canadian subsidiary of Samsung Electronics. Headquartered in Mississauga, Ontario, it had gained independence from the company's U.S. operations in 1987. SECA's scope of responsibilities included sales force management, customer service, advertising and promotion. Products marketed by SECA were developed and manufactured in either Korea or the United States: With consumer tastes and government standards similar to those in the United States, Samsung saw little need to develop products specifically for the Canadian market.

Products and Pricing

Products marketed by SECA fell into two broad categories: consumer electronics and appliances, and information technology (see Exhibit 6). Samsung's highly successful CDMA mobile phone products were also sold in Canada, but were marketed by Samsung Telecommunications America (STA), a subsidiary of Samsung Electronics America. SECA acquired its products at a pre-arranged factory transfer price that was intended to ensure a healthy profit margin for the Korean parent company. As a result, its marketing objective had always been to maximize sales volumes rather than margins.

SECA's market position varied greatly across the different product categories in which it had a presence. The company sold value-priced VCRs, conventional televisions and appliances, but premium-priced high definition televisions. Its

¹"Consumer Spending on the Web," [www.idc.ca/media/press_releases/press release Jul30-2-2002](http://www.idc.ca/media/press_releases/press_release_Jul30-2-2002).

remaining products were generally priced and positioned as mid-range offerings (see Exhibit 7).

In the consumer electronics division, high-end televisions, such as plasma and digital light processing (DLP) HDTVs, enjoyed healthy contribution margins and a strong outlook for growth. The company's MP3 players and DVD players were somewhat less profitable, but also produced good margins and had good growth potential. Older products such as VCRs, conventional TVs and kitchen appliances had lower margins due to strong competition and the commodity-like nature of the products. However, sales volumes for these products were good, research and development costs were virtually zero, and the lines were all profitable for SECA. Conventional curved (i.e. non-flat) screen TVs, for example, produced \$11 million in sales in 2002, with a profit margin of approximately five per cent. Recently, SECA had also introduced a line of premium-priced, Internet-enabled home appliances that included its HomePAD refrigerators and microwave ovens.

In the Information Technology Division, Samsung's LCD computer monitor was rapidly becoming a star performer for the company. A combination of a strong market position and rapidly expanding demand had resulted in impressive profits. The company's laser printers had also begun to establish strong market share in Canada, and were moderately profitable. Due to the commodity-like nature of the computer industry, however, the company's other IT products, including its conventional CRT monitors, hard disk drives, and optical (CD/DVD) disk drives were sold at a considerably lower margin. While available in major retail chains, many of the company's IT products were sold primarily through smaller computer stores and chains, whose customers were more likely to be cost-conscious.

Distribution

Most of SECA's products were sold to end-consumers via retailers, so the company's sales efforts focused on the retail trade. Due to the relatively small size of its sales and marketing force, SECA concentrated its sales efforts on selling high-end electronics products to the major chains. Over the past few years, however, the number of corporate customers purchasing LCD monitors and laser printers directly from SECA had risen substantially, and direct sales now accounted for half of all revenues in these two categories. This was generally attributed to a combination of growing business demand for LCD monitors and laser printers, and Samsung's strong brand reputation in these categories.

In general, however, Samsung products were sold primarily via specialty stores such as Future Shop and Best Buy, as well as mass merchants like Wal-Mart and office supply stores like Staples (see Exhibit 8). SECA's strategy had been to focus on building sales through electronics specialty chains, with which it sought to develop partner-like relationships by involving them in product development.

The company had also worked with retailers to develop a demand forecasting and sell-through data exchange system as a means of optimizing inventory levels and enhancing distribution efficiency. SECA also had a strong track record of using feedback from retailers to adjust its product lineups — a practice that was widely credited with increasing the company's sales.

Recently, the suggestion had also been made that the company consider withdrawing from mass merchants on the grounds that their discount image could hinder Samsung's aspirations for a premium brand positioning. Park appreciated the logic behind this proposal, but noted that these retailers generated significant sales volume for SECA. Overall, he felt that loss of these sales would not be well received in Seoul.

The wholesale price charged by SECA depended on the volume being purchased and the overall size of the retailer. For major chains such as Future Shop/Best Buy, price and volume were negotiated during an annual sales meeting. Traditionally, Future Shop had operated from a position of strength in such meetings, and exerted heavy influence on Samsung's retail pricing strategies. This was expected to become even more pronounced with its acquisition by Best Buy, which had a tradition of squeezing suppliers for added discounts, and whose share of the Canadian market would almost certainly increase with the addition of Best Buy branded stores.

Advertising and Promotion

Like many other electronics multinationals, Samsung's advertising and promotion was driven primarily by the company's activities in the United States. This had both positive and negative implications for SECA: While the company had access to promotional materials developed and intended for U.S. consumers, it was limited in its ability to develop promotional campaigns tailored specifically to the Canadian market.

Despite these limitations, SECA had developed several of its own promotions, including sponsorship of high-definition television programming on Canada's broadcast and specialty cable networks. HDTV was a flagship product for Samsung because it represented a "cutting-edge" technology on which Samsung was technically equal or superior to its major competitors. It was also seen as a market with high long-term profit potential: Approximately 800,000 (6.6 per cent) of households in Canada had purchased HDTV-capable sets by November 2003, and it was projected that the technology would reach 2.85 million Canadian households (23.4 per cent of the market) by 2006.²

² *Electro Federation Canada (Consumer Electronics Marketers of Canada)*

SECA was also responsible for managing Samsung's global campaigns within Canada. As part of Samsung's sponsorship of the 2004 Olympic Games torch relay, for instance, SECA was planning to conduct a nationwide search for "Team Samsung" torch bearers to participate in the Montreal portion of the relay.

CHALLENGES

Park faced a number of challenges when setting a strategy for the Samsung brand in Canada. Most obviously, he had to decide whether to increase his promotional budget and, if so, by what amount. For 2003, the company had allocated approximately \$15 million to advertising and promotion with slightly more than half of the total used for promotion. This spending had remained relatively flat for the past five years, and Park wondered if these amounts — especially the advertising spending — needed to be increased in light of head office's new brand-building objectives. On the other hand, SECA benefited greatly from spillover of U.S. and global branding efforts, and Samsung Electronics America (SEA) had boosted its expenditure on television advertising to US\$100 million in 2003. Moreover, Samsung's Korean head office had set aside a significant budget to sponsor such prestigious global events as the Olympics, with the express goal of supporting the brand-building efforts of its subsidiaries around the world.

Another issue had to do with product and distribution. Samsung sold a number of low-end items that were not especially compatible with the company's new positioning. However, these were profitable lines and had been a mainstay of Samsung's operations in Canada. Park knew that eliminating some or all of these product lines would have serious consequences for SECA's bottom line.

Some senior managers at SECA had suggested that the company needed to expand its distribution. They argued that Samsung should follow the example of Sony, which ran its own nationwide retail channel in Canada under the Sony Store banner, along with the sonystyle.ca website. In addition to giving the company a reliable distribution channel over which it would have complete control, it would also give Samsung the chance to showcase its leading-edge products in an ideal retail setting. It would also give the company greater leverage when dealing with the increasingly powerful Best Buy/Future Shop retail chain. However, it was also a risky proposition: No other brand besides Sony operated such a store, and consumers seemed to prefer buying their electronics from big box retailers.

Then there was the matter of pricing. Experience had shown that the low prices being charged for some Samsung products were undermining the company's efforts to reposition the brand, and a number of senior SECA managers favored raising retail prices across the board. Others countered that the Canadian consumer electronics market was highly price sensitive and that raising prices on the company's lower end offerings would drive consumers to other brands. Rough

estimates had been made of the drop in sales volume that might result from higher retail prices (see Exhibit 9), but the accuracy of these figures was difficult to gauge. In addition, retail pricing of consumer electronics in Canada was largely dictated by specialty chains, such as Future Shop, who would assess a new product against offerings from rival brands, suggest an appropriate retail price and offer to pay a wholesale price consistent with their usual margin. Exceptions to this arrangement occurred only when a manufacturer offered an innovative new product for which there were no direct substitutes. Park expected retailers to resist any effort to raise prices because of the negative impact on sales, and felt that they would only do so if the arrangement improved their own margins. In fact, he estimated that at least half of any additional unit revenue stemming from higher retail prices would go directly to retailers.

Even as Samsung formulated its plans to wrest leadership of the consumer electronics market from Sony, management in Seoul had made it clear that they were also concerned about maintaining this position once achieved. Sony had dominated the consumer electronics market for more than two decades, and Samsung intended to lead the market for at least that long. However, many lesser known companies were intent on moving their brands upscale in order to grab a larger slice of the global consumer electronics pie. Among them was Samsung's hometown rival, Seoul-based LG Electronics (formerly Lucky Goldstar). Also waiting in the wings were Chinese firms that, like Samsung two decades earlier, were producing vast quantities of consumer electronics under contract for other companies. Finally, it seemed clear that the Japanese and European electronics giants would not give up easily: Their brands were well known and trusted by consumers, and many were rededicating a substantial portion of their vast financial resources to research and development.

THE DECISION

Like his counterparts in other parts of the world, Park understood the strategic importance of successfully repositioning Samsung's brand. However, he also knew that he would need to be cautious in making changes. Brand-building efforts could have a serious impact on SECA's profitability in terms of both increased promotional costs and decreased revenues if certain product lines were sacrificed.

"With the digital revolution that is taking place, we have a window of opportunity to dominate the consumer electronics market," Park thought. Yet he knew that doing so would not be an easy task, and that any missteps could cause the company irreparable harm. The sun was setting outside his window as he pondered the various alternatives. He knew that he had a long night ahead of him.

Exhibit 1

VALUATIONS FOR SELECT ELECTRONICS BRANDS
(US\$ billions)

		Approximate Brand Value		
		2003 Ranking	2003	2002
Nokia	6	29.44	29.97	35.00
Sony	20	13.15	13.90	15.00
Samsung	25	10.85	8.31	6.37
Philips	59	4.46	4.56	4.90
Panasonic	79	3.26	3.14	3.49
Motorola	81	3.10	3.41	3.76

Source: "The Top 100 Brands," *Business Week*, August 4, 2003, pp. 72-78.

Exhibit 2

SAMSUNG GROUP FINANCIAL OVERVIEW
(US\$ billions)

	2002	2001
Net Sales	116.8	98.7
Total Assets	156.1	124.3
Total Liabilities	110.3	88.8
Total Shareholders' Equity	45.8	35.5
Net Income	8.9	4.5

Average exchange rate: US\$1=1,250.80 Korean Won

Source: Company files.

Exhibit 3**SAMSUNG GROUP BUSINESS ENTITIES****Electronics**

Samsung's electronics subsidiaries include: Samsung Electronics, Samsung Electro-Mechanics, Samsung Display Interface, Samsung Corning, Samsung Data Systems, Samsung Networks and Samsung Corning Precision Glass. These affiliates produce, market, and sell a wide variety of electronic parts and components such as next generation memory chips, computer and telecommunications equipment, color TV picture tubes, and glass bulbs. They also develop computer systems and produce general electronics and precision machines

Machinery & Heavy Industry

Machinery-related businesses include: Samsung Heavy Industries, and Samsung Techwin, a maker of optics and digital imaging products. Samsung is currently expanding its capabilities in shipbuilding, plant installation, construction, airplane engine manufacturing, and the defense, optical digital, and semiconductor industries

Chemical Industries

Samsung operates five chemical subsidiaries: Samsung ATOFINA, Samsung Petrochemicals, Samsung BP Chemicals, Samsung Fine Chemicals, and Cheil Industries. These units manufacture advanced high macromolecule and engineering plastics and special chemical products. They have recently begun to place a heavy emphasis on the development and marketing of high value-added products.

Financial Services

Samsung's financial services subsidiaries have traditionally included Samsung Life Insurance (Korea), Samsung Fire & Marine Insurance, Samsung Card, Samsung Securities, Samsung Capital, Samsung Investment Trust Management, and Samsung Venture Investment. In 2000, these businesses were integrated under the name Samsung Finance. The new company aims to become a leading global financial group and one of the world's 100 largest financial services firms.

Other Affiliated Companies

Other Samsung-owned companies include Samsung Corporation, Samsung Engineering, Cheil Industries, Samsung Everland, Shilla Hotels and Resorts, Cheil Communications, S1 Corporation, Samsung Lions, Samsung Medical Center, Samsung Economic Research Institute, Samsung Foundation of Culture, Samsung Welfare Foundation, The Ho-Am Foundation, and Samsung Press Foundation. Samsung also contributes to a number of academic foundations and educational organizations, including: Samsung Human Resources Development Center, which handles the training and education of Samsung Employees; Samsung Advanced Institute of Technology, a technology research institute; the Innovative Design Lab of Samsung (IDS), a new product design incubator; the Samsung Art and Design Institute (SADI); and the Samsung Fashion Institute.

Exhibit 4

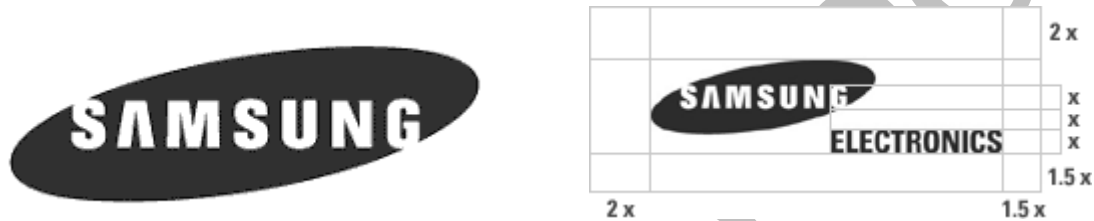
GLOBAL MARKET SHARES FOR VARIOUS ELECTRONICS PRODUCTS

Large-Screen Television Sets		Mobile Telephones	
<i>Company</i>	<i>Global Market Share</i>	<i>Company</i>	<i>Global Market Share</i>
1 Samsung	32%	1 Nokia	36%
2 Sony	25%	2 Motorola	15%
3 Mitsubishi	25%	3 Samsung	10%
4 Hitachi	11%	4 Siemens	8%
Liquid Crystal Computer Displays		Flash Memory	
<i>Company</i>	<i>Global Market Share</i>	<i>Company</i>	<i>Global Market Share</i>
1 Samsung	18%	1 Intel	27%
2 LG Philips	17%	2 Samsung	14%
3 AU Optronics	12%	3 Toshiba	11%
4 Sharp	9%	4 Advanced Micro	10%
MP3 Players		DRAM Computer Chips	
<i>Company</i>	<i>Global Market Share</i>	<i>Company</i>	<i>Global Market Share</i>
1 Sonic Blue	18%	1 Samsung	32%
2 Apple	17%	2 Micron	19%
3 Samsung	13%	3 Hynix	13%
4 Creative	12%	4 Infineon	12%
DVD Players		Microwave Ovens	
<i>Company</i>	<i>Global Market Share</i>	<i>Company</i>	<i>Global Market Share</i>
1 Toshiba	15%	1 Samsung	25%
2 Sony	14%	2 LG	22%
3 Samsung	11%	3 Galanz	19%
4 Panasonic	10%	4 Sharp	15%

Source: "The Samsung Way," *Business Week*, June 16, 2003, pp. 56-59

Exhibit 5

SAMSUNG REBRANDING INFORMATION



In 1993, Samsung introduced a new corporate identity program in honor of its 55th anniversary. It was aimed to strengthen competitiveness by bringing the attitudes and behavior of all employees in line with Samsung's desired perception by the public. Samsung's corporate logo was redefined to project Samsung's firm determination to become a world leader.

The Samsung name is now always written in English, expanding its global presence throughout the world. The name is superimposed over a dynamic, new logo design, giving an overall image of dynamic enterprise. The elliptical shape symbolizes the world moving through space, conveying a distinctive image of innovation and change. The first letter, "S," and the last letter, "G," partially break out of the oval to connect the interior with the exterior, showing Samsung's desire to be one with the world and to serve society as a whole.

The strong blue color (Pantone 286: M80% + C100%) suggests stability and reliability, and exudes a warm and intimate feeling.



Samsung Electronics, being reborn as the company responsible for the world's most innovative digital convergence in the 21st century, has adopted a new corporate brand slogan "SAMSUNG DIGITall, everyone's invited."

This new brand slogan conveys Samsung Electronics' desire to make everyone's life more convenient, abundant and more enjoyable through the development of innovative and multi-functional products.

"Samsung DIGITall" means: For all generations,
For all customers,
For all products,

This describes the philosophy of Samsung Electronics' digital technology.

Source: [www.samsung.com/About SAMSUNG/CompanyProfile/CorporateIdentity/index.htm](http://www.samsung.com/About%20SAMSUNG/CompanyProfile/CorporateIdentity/index.htm), accessed April 22, 2004.

Exhibit 5 (continued)

EXAMPLES OF SAMSUNG ADVERTISING MATERIAL

■ SHOWCASE > HT-DB660 < PREVIOUS | NEXT



Party Down!

Are you ready for the HT-DB660? It's a party-in-a-box, and it's going down now! A 5.1 channel home theater system with 500 watts of power, the DB660 provides virtual 3D sound using Samsung's own Rear Reflecting technology and Super Digital Sound Master to create a high-quality surround sound experience. Now put on some Grandmaster Flash!



Source: www.samsung.com/DigitAll/BrandCampaign/magazinedigital/2003_winter/showcase_06.htm, accessed April 22, 2004)



Source: Company files.

Exhibit 6

PRODUCTS MARKETED BY SAMSUNG ELECTRONICS CANADA (SECA)

Total 2002 annual sales (wholesale): Cdn\$550 million

Digital Television*Approximate share of total dollar sales: 25%**Average SECA margin: 10-20%*

- Plasma HDTV
- Liquid crystal HDTV
- Digital light projection HDTV
- Direct view CRT HDTV
- Rear projection CRT HDTV

Conventional Television*Approximate share of total dollar sales: 5%**Average SECA margin: 5-10%*

- Conventional flat-screen TV
- Conventional curved-screen TV

Digital Players / Recorders*Approximate share of total dollar sales: 7%**Average SECA margin: 5-10%*

- MP3 personal audio players
- DVD players

Other Audio/Video*Approximate share of total dollar sales: 4%**Average SECA margin: 4-6%*

- VCRs
- Home theatre systems
- Camcorders

Computer Monitors*Approximate share of total dollar sales: 36%**Average SECA margin: 10-15%*

- CRT Monitors
- LCD monitors

Laser Printers*Approximate share of total dollar sales: 6%**Average SECA margin: 5-10%*

- Black & white
- Color

Data Storage*Approximate share of total dollar sales: 7%**Average SECA margin: 2-5%*

- Hard Disk Drives
- Optical Disk Drives (CD/DVD)

Appliances*Approximate share of total dollar sales: 10%**Average SECA margin: 2-5%*

- Refrigerators
- Microwave ovens
- Air conditioners
- Washers & dryers

Source: Company files.

Exhibit 7

**SURVEY OF CANADIAN RETAIL PRICES
(Select Products)**

17" LCD Television Displays

Samsung LTN1785W	\$1,599.99
Panasonic TC17LA1	\$1,499.99
Gateway 17M103	\$999.99

17" CRT Computer Monitors

Hewlett-Packard MX703	\$314.99
Compaq FS7550	\$314.99
Samsung 763MB	\$229.99

MP3 Players

RCA RD1071	\$179.99
Samsung YP 35H	\$149.99
MPIO DMC	\$129.99

15" LCD Computer Monitors

Sony	\$599.99
Hewlett-Packard	\$564.99
NEC	\$549.99
Samsung	\$499.99

DVD Players

Sony DVPN725P	\$199.99
RCA DRC230N	\$139.99
Panasonic S35S	\$139.97
Toshiba SD3860	\$129.99
Samsung P231	\$124.99

Laser Printers

Hewlett-Packard LJ1012	\$299.00
Brother HL1435	\$269.00
Samsung ML1710	\$199.00

Mobile Phones

Samsung A460	\$249.00
Nokia 3586i	\$179.00
Audiovox CDM8450	\$150.00
Motorola V120	\$49.99

Source: FutureShop.ca, February 2004.

Exhibit 8**SAMSUNG RETAILERS IN CANADA**

Retail Store	% of Samsung 2003 Dollar Sales (wholesale)
Future Shop	28
Best Buy	6
The Bay	5
Sears	10
Radio Shack	2
Staples / Business Depot	5
Office Depot	5
Wal-Mart	15
A/V Specialty Stores	17
Others	7

Source: Company files.

Exhibit 9**ESTIMATED CHANGE IN SALES VOLUME RESULTING FROM AN INCREASE IN RETAIL PRICE**

Product	5%	10%
Digital Televisions	-5	-15
Conventional Televisions	-10	-25
MP3 / DVD Players	-15	-30
Other Audio-Video	-15	-35
Appliances	-25	-40
Computer Monitors	-10	-30
Laser Printers	-15	-35
Data Storage	-30	-60

Source: Company files.