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Samsung Electronics Company: Global Marketing Operations

In August 2003, Eric Kim, executive vice president for global marketing operations at Samsung Electronics Company (SEC), was delighted about Samsung's latest position in *BusinessWeek's* annual ranking of the world's most valuable brands: "We are number 25 this year with an estimated valuation of \$10.8 billion, up from number 34 and \$8.3 billion last year. We are the only Korean brand on the top 100 list, we were the fastest-growing of all 100 brands in 2002, and we're closing in on Sony, which is ranked at 20 this year with a \$13.2 billion valuation compared to 21 and \$13.9 billion last year."

When Kim became the head of marketing in 2000, Samsung was not even ranked. "Ten years ago, Samsung was a third-tier commodity brand with very little product differentiation," noted Kim. "Now, we're knocking on the door of the premier league, earlier than I ever thought possible." Kim and the top management of Samsung would be meeting soon to discuss how Samsung could reach the top 10 by 2005, completing the company's transformation from an also-ran into a blockbuster brand. Kim's job was to lead Samsung's global-marketing and brand-building efforts in order to achieve this goal. As Kim explained: "Achieving a high level of awareness is the first step. We have done this. But becoming a truly preferred brand is a whole different challenge."¹

Company Background and Strategy

The Samsung conglomerate's roots dated back to 1938 when the company produced agricultural products. In the 1970s, the company focused on shipbuilding, chemicals, and textiles.

Samsung Electronics Company (SEC)² was founded in 1969, primarily as a low-cost manufacturer of black and white televisions. In the 1970s, Samsung acquired a semiconductor business, thereby setting the stage for future growth in electronics. Throughout the 1980s, SEC supplied global markets with massive quantities of commodity products such as televisions, VCRs, and microwave ovens. The company sold its products to original equipment manufacturers (OEMs) that resold them under their

¹ "Samsung Electronics Marketing Special: Brand Reloaded—analyzing the world's fastest growing brand," CLSA Emerging Markets, May 2003.

² All references to Samsung or SEC refer to Samsung Electronics Company and not to other affiliate companies or the Samsung conglomerate.

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own, better-known brand names. During this time, the company's mission increasingly emphasized manufacturing quality and technical leadership, especially leadership among consumer electronics companies. Profits from these activities were reinvested in research and development (R&D) and in state-of-the-art manufacturing and supply-chain activities.

In 1997, in the wake of the Asian financial crisis, SEC sales were \$16 billion with negative net profits. At this time, the very survival of the company seemed in jeopardy, prompting major restructuring efforts. Samsung's debt of \$15 billion in 1997 had been dramatically reduced to \$4.6 billion by 2002. In this period, net margins rose from -3% to 13%.

In fact, the Asian financial crisis provided the impetus necessary for change, forcing company executives to dismiss 29,000 workers and to sell off \$2 billion worth of corporate assets. As Kim explained, "The economic crisis, in my view, impressed upon people the need for a system that could create a resilient and enduring value proposition unique to Samsung—products that would distinguish us from our competitors."³

In 2002, Samsung recorded net profits of \$5.9 billion on sales of \$44.6 billion, compared with \$2.8 billion and \$28 billion in 1999. (Exhibit 1 shows the growth in revenues and profits between 1997 and 2002.)

By 2003, Samsung was the most widely held stock among all emerging market companies due in part to relatively transparent disclosure practices. Over half of Samsung shares were held outside Korea, and the stock price had increased tenfold between 1997 and 2002. The company had a market capitalization of \$41 billion in 2002, making it the largest Asian electronics company by this measure.

SEC Chairman Kun Hee Lee led the transformation. In 1993, Lee launched the "new management initiative," which set out to remake Samsung as a global business leader. It was the changes that followed from this initiative that saved the company during the Asian financial crisis and streamlined the company into a profitable enterprise. Throughout the 1990s, Lee demanded the rethinking of key fundamentals and set the stage for long-term commitment to investment in innovative, premium products and brand value. Following the chairman's new management initiative and the appointment of Yun Jong Yong as vice chairman in 1997, the company pursued a bold combination of strategies, many of which seemingly contradicted conventional wisdom.

Vertical Integration

Instead of outsourcing production to external suppliers and thereby transferring the capital investment and inventory risk, Samsung remained committed to manufacturing as a core competence. "If we get out of manufacturing, we will lose," Yun stated. "Everyone can get the same technology now. But that doesn't mean they can make an advanced product."⁴

Between 1998 and 2003, Samsung invested \$19 billion in new chip factories. In June 2003, the company unveiled plans to invest \$17 billion in manufacturing facilities for TFT-LCDs (used in products such as flat-screen TVs and computer screens) over the next 10 years. Samsung ensured that its plants remained competitive by forcing them to compete with outside companies for internal business. For example, an internal manufacturing group competed with Sumitomo Chemical Company of Japan to supply the company with its color filters.

³ "Samsung Electronics Marketing Special: Brand Reloaded—analyzing the world's fastest growing brand," CLSA Emerging Markets, May 2003.

⁴ Quoted in Cliff Edwards et al., "The Samsung Way," *BusinessWeek*, June 16, 2003, pp. 56–64.

Samsung was also flexible in its choice of plant locations. For example, to keep costs low, the company operated 12 manufacturing plants in China by 2003. Similarly, R&D facilities were set up in India to take advantage of the country's abundance of relatively low-cost human capital, especially in the technology sector.

Commoditization and downward pressure on prices and margins argued against vertical integration. To avoid the commoditization trap, Samsung customized as much production as possible. For example, over half of its memory chips were special orders for Dell, Microsoft, and even Nokia. As a result of customization and reliable, timely supply of chips, Samsung's average prices were 17% above industry levels. The mobile telephone market was another category in which Samsung prices were higher than the industry average.

Samsung viewed vertical integration and the investment in manufacturing facilities and research and development not as a fixed cost but rather as a source of flexibility and control over the entire production process. While the typical model was to outsource manufacturing and focus on core competencies, Samsung emphasized manufacturing as a core competency in its own right.

Hardware Focus

Unlike rivals such as Sony and Apple, Samsung decided not to develop proprietary software and content such as music, movies, and video games. Industry experts contended that, because hardware life cycles were becoming even shorter, content offered higher margins. Samsung's strategy, however, was to focus on hardware and devices and to collaborate with content providers when appropriate. Samsung executives argued that this "open architecture" approach resulted in customers being able to access more software through its devices than its competitors' products. In addition, they pointed to the increasing challenges associated with protecting proprietary content from piracy.

By 2000, Samsung's top executives contended that they wanted to be as strong as Sony by 2005. Software was becoming an increasing part of Sony's overall business, differentiating it from Samsung. Kim commented on Sony's strategy as follows:

Sony has had 20 years more than Samsung to build its global brand and spends three times as much as us on advertising each year. But, make no mistake, they have done a great job. We all remember the Sony Trinitron TV and the Sony Walkman as great, consumer-driven innovations. At Samsung, we see no reason why we can't have as strong a brand as Sony's. We're more diversified technologically than Sony, which gives us a better chance to exploit digital convergence. Sony makes as many of its products in China as Samsung does. On the other hand we have not invested in software and entertainment content, and we are not involved in computer games, which, through PlayStation, represent one of Sony's most profitable categories. Perhaps as a result, Sony has more of a hip image than Samsung and a stronger appeal to the youth market.

Product Breadth

Samsung's product diversification differentiated the company from its competitors, many of which focused on a single category. Nokia, for example, specialized in cell phones and was the worldwide share leader. Sony was known best for consumer electronics, and Intel focused on chip production. By contrast, Samsung R&D and manufacturing spanned multiple categories, as indicated by the breakdown of sales and profits in **Table A**.

Table A Breakdown of Samsung Sales and Operating Profits, 2002

	Sales	Operating Profits
Semiconductors	\$ 11 B	\$ 3.1 B
Telecommunications	\$ 11 B	\$ 2.5 B
Digital Media	\$13.9 B	\$ 0.6 B
Digital Appliances	\$ 3.8 B	\$ 0.2 B
Other	\$ 4.8 B	\$ 0.4 B

Source: Samsung Electronics Company.

The company had come a long way from the mid-1980s when it made cheap home appliances including televisions, microwaves, and VCRs. Following SEC Chairman Lee's 1993 new management initiative, Yun refocused the company on innovation of higher-quality products across all categories in 1997. This paid off. By 2003, the company was associated with the latest products, such as LCD televisions and video cell phones. In 2002, the company received five awards for industrial design excellence, tying for first place in number of awards. In all of its major product categories, Samsung was one of the top three brands by market share (see **Table B**).

Table B Samsung Market Position by Category

Category	Global Market Share	Samsung Rank	Key Competitors
Big-Screen TVs	32%	1	Sony (25%), Mitsubishi (25%)
Cell Phones	10%	3	Nokia (36%), Motorola (15%)
Flash Memory	14%	2	Intel (27%), Toshiba (11%), Advanced Micro (10%)
LCD Displays	18%	1	LG Philips (17%)
MP3 Players	13%	3	Sonicblue (18%), Apple (17%), Creative (12%)
DRAM Chips	32%	1	Micron (19%)
DVD Players	11%	3	Toshiba (15%), Sony (14%), Panasonic (10%)
Microwave Ovens	25%	1	LG (22%), Galanz (19%)

Source: Adapted from "The Samsung Way," *BusinessWeek*, June 2003, pp. 56–64.

Samsung was the number one global manufacturer of DRAM (the semiconductor chips primarily used in PCs), SRAM (used in cell phones and handhelds), and NAND flash chips (used in products such as digital cameras and MP3 players). This diversity enabled Samsung to ride out chip cycles. NAND chips produced by Samsung were increasingly preferred over the NOR chips produced by Intel because they could store three times the information for the same price. Samsung already controlled over half of the NAND market, which was projected to reach sales of \$7 billion by 2005. Due to the increasing popularity of NAND technology, Samsung was closing in on Intel in terms of flash chip revenues (see **Exhibit 2**).

In the telecommunications arena, Samsung was the leading provider of the newest CDMA⁵ digital phones and of thin-film LCD displays, preferred for PCs, cell phones, and televisions. As a result, Samsung became the preferred provider of cell phones to Sprint. In 1997, Sprint began selling SEC phones carrying the Samsung brand name, like the SCH-3500, an extremely popular, silver clamshell model.

In the \$60 billion cellular phone industry, Samsung was a strong number three, closing in on Motorola at number two. Samsung held 10% of the global market in 2002 (versus 2.7% in 1999). Unlike other major cell phone manufacturers, Samsung was growing rapidly despite its higher prices. Samsung produced only midrange and high-end cell phones, enabling the company to command higher-than-average prices (approximately 20% higher) than either of the top two players, Nokia and Motorola. Samsung was the first to introduce color-screen phones into the United States, in 2002. While Samsung sales grew 51% in 2002, Motorola's grew a meager 4%, and Nokia's sales flat-lined. Furthermore, while Samsung was number three in terms of handsets sold, it had recently surpassed Motorola in terms of revenue. Mobile phones accounted for an increasing share of Samsung's overall sales.

Samsung had been a long-standing leader in liquid crystal display (LCD) televisions due to its ability to mass-produce them at low cost. In 2003, Sony, the global share leader in televisions for decades, entered into a joint venture with Samsung to produce LCDs to avoid the extra capital outlays needed to do its own LCD manufacturing. As **Exhibit 3** demonstrates, high-end LCD televisions were a growth category, and Samsung was reaping the benefits of its decision to mass-produce them. In 2003, Samsung unveiled a groundbreaking 57-inch LCD television, a size previously untouched by this technology.

Digital Product Innovation

Under the guidance of the chairman, Lee, SEC management decided in the late 1990s that the expected transition from analog to digital technology gave Samsung a once-in-a-lifetime chance to catch its better-known rivals. He and his colleagues all but bet the company on digital technology. Six years later, this resulted in a relentless flow of new digital products from the 17,000 scientists, engineers, and designers who worked in Samsung's R&D centers, an effort that cost \$2.45 billion annually. The investment in digital technologies through attracting and retaining top scientific talent paved the way for Samsung's focus on premium products.

The most promising four or five new products in any year were designated pillar products and received incremental marketing support. There were usually around 20 candidates for pillar-product status. Developing a pillar product was a badge of honor for Samsung designers and engineers. According to Lee, "In the past year alone, Samsung has brought to market a dazzling array of products that represent 'world-firsts' in their respective industries. In addition to leading the way technologically, Samsung products are also setting new standards for quality performance and award-winning design."⁶

⁵ Code division multiple access (CDMA) was the leading digital wireless technology offered for cell phones in the U.S., South Korea, Japan, and China. CDMA technology offered users several advantages including clearer voice communication and more traffic on the network at higher speeds. Estimates indicated that over 100 million customers worldwide already used CDMA technology on mobile devices.

⁶ Samsung Annual Report 2002.

Thanks to the multiple technology capabilities of its many designers and engineers, speedier decision-making processes, and fewer levels of organizational bureaucracy, Samsung could move a concept from drawing board to commercialization in five months (compared with 14 months five years earlier), twice as fast as its Japanese rivals. As a result, Samsung could refresh its product line twice as often. Product life cycles shortened, and prices quickly fell as competitive products caught up with the innovator. Yun labeled this the “Sashimi theory,” likening new technology products to fish; they sell at high prices on the first day when they are fresh, but prices decline dramatically thereafter.⁷

Yun explained: “In the analog era, it was hard enough for the latecomer to catch up.” Now, in the digital era, “If you are two months late, you’re dead. So speed and intelligence are what matter. The jury is still out as to who the winners in the digital era will be.”⁸

Digital Convergence

Due to its focus on digital products across multiple categories, Samsung stood poised to become a leader in the era of digital convergence.

The concept of digital convergence referred to two trends: the merging of different technologies into one major product, and multiple technologies linked by one major network. Examples of the former included the Palm OS-based Smart Phone, combining features of a cellular telephone and Palm pilot, the “Dick Tracy” Watch Phone, and the SPH-i700 Camera Phone. Camera phones were projected to reach 14% of the global cellular phone market by year-end 2003. The wireless handset was thus becoming much more than a phone, and Samsung envisioned countless applications. In front of the television, the device could function as a remote control and be used for programming. Outside the home, the device could be used as a road map.

By 2003, Samsung had already brought a degree of convergence to many of its products, providing groundbreaking innovations in many areas. The Wireless Home AV center allowed consumers to surf the Web from their television screens. The “Systems-in-Package” semiconductor combined a mobile central processing unit (CPU) NAND flash memory, and SDRAM for use in mobile products. (A Samsung presentation on how digital convergence could impact consumers’ lives is reproduced in **Exhibit 4**.)

On a broader scale, Samsung envisioned a future when a single device could control all the electronic devices in a household. To this end, Seoul’s Tower Place apartment complex was created to demonstrate the possibilities of the digital household of the future. “We’re making the Jetsons a reality,”⁹ boasted Kim. Among many electronic amenities, the digital apartment complex offered touch-pad recognition screens instead of keys and a remote-control Home PAD operating all electronic devices within the home.

Samsung envisioned that digital devices would themselves converge, as networks and services had done. Single devices integrating multiple services would replace multiple devices. In addition, digital convergence would lead to increasing connectivity of devices through wired and wireless

⁷ Pete Engardio and Moon Ihlwan, “Samsung’s ‘Sashimi Theory’ of Success,” *BusinessWeek*, June 11, 2003.

⁸ Quoted in Cliff Edwards et al., “The Samsung Way,” *BusinessWeek*, June 16, 2003, pp. 56–64.

⁹ Quoted in Hae Won Choi, “Samsung is Aiming to Make the Jetsons’ World a Reality—Electronics Maker’s Big Push in Home-Networking Market is a Bold Gamble to Beat Rivals,” *The Wall Street Journal*, September 16, 2003, p. B1.

networks such as broadband. As a result, the number of services available to each user and, consequently, potential revenue streams would both expand.

As Yun stated:

Digital convergence will lead to the ubiquitous network. Computing power will be transplanted into devices we use personally and be applied to virtually everything we encounter in our day-to-day lives. Samsung is uniquely positioned to exploit the potential synergy that comes from being a leader in memory and displays, components, and wireless and consumer electronics. We intend to be squarely at the center of this future society.

At this time, Samsung believed it was in a crucial race to capture the digital home.

Nevertheless, several challenges existed before digital convergence could become a reality including product standardization and simplification as well as customer education on the benefits of convergence. Additionally, digital convergence might render obsolete many existing Samsung products, while others might well be cannibalized.

Marketing at Samsung

Historically, Samsung had been a product-driven company that focused on manufacturing existing products at lower cost than competitors and thereby built market share through scale economies. In the early 1990s, the Samsung brand was not widely known outside of Korea; the company sold its products primarily to OEMs rather than to consumers. At this time, there was only nominal interest in developing the Samsung brand image globally. Around the world, Samsung's brand message was fragmented, and its logo and presentation were inconsistent. Marketing budgets, controlled by product managers, tended to be allocated to "below-the-line" price promotions designed to meet short-term sales targets, rather than to long-term "above-the-line" brand building.

This changed with the 1993 "new management initiative" issued by the chairman, Lee. To transform Samsung from a "cheap OEM" to a "high value-added products provider," Samsung had to develop strong brand power. Once costs were brought under control and new products began to flow out of Samsung's R&D pipeline, it became evident that Samsung could extract higher margins by going to market under its own brand name, just as Sony had done. After his appointment in 1997, Vice Chairman Yun led the companywide effort to convert the company's product line from an emphasis on low-end commodities to high-end premium goods.

To be recognized as a premium brand required repositioning through an increased emphasis on marketing. In 1999, Yun therefore recruited an accomplished Korean-born general manager, Eric Kim, as executive vice president of global marketing. Kim was born in Korea but had pursued a successful business career in the United States in the technology sector, most recently as CEO of Pilot Software.

Kim's mission was to build the corporate brand image across 200 country markets and SEC's 17 product-focused business units worldwide. Kim stressed the importance of viewing the brand as a core strategic asset, "one that needs to be thought of strategically and built over time." The objective was to create a global brand; the Korean origin of the brand was not emphasized.

Top executives' support for brand building was critical to Kim's success. Kim stated: "There was a clear conviction, from the very top, that the brand was one of the most important assets in the company and that they were prepared to support someone like me to make it grow."¹⁰

Nevertheless, Kim faced major internal challenges. Despite prior efforts to emphasize the importance of branding, the true value of marketing was not widely appreciated at Samsung when Kim arrived. Kim realized that internal education about marketing would be fundamental to achieving change:

Our managers believed that good products sell themselves, that marketing was nothing more than selling, and that selling was only needed when you had a me-too or weak product. I have worked hard for four years to educate our divisional managers on the role of marketing and the value of developing and communicating superior solutions for our target customers.

We have made progress, but many Samsung managers responded initially with a "show me" attitude. Not only have we had to develop marketing planning and budgeting processes from scratch for both new and existing products, for headquarters and field operations, we have had to show the divisions that following these new approaches impacts the effectiveness of their marketing expenditures especially because, as manufacturing costs have gone down, marketing has become, next to R&D, the largest expense on their books.

At the same time, we have had to elevate the perceived professional stature of marketing within Samsung and develop a marketing career path to attract, train, and retain top-quality marketers who can make the case for marketing expenditures to our general managers, many of whom still remain skeptical.

Kim believed that everyone inside the organization had to understand the essence of the Samsung brand name before it could be sensibly promoted externally. Translating internal education into a communicable message was in part captured by the use of three words: "wow," "simple," and "inclusive." "Wow" referred to groundbreaking innovations that intrigued consumers. They represented key features of any pillar product. There were, in fact, targets for the number of wow products each business unit had to launch each year. "Simple" and "inclusive" referred to the ease of use and accessibility along with ubiquity, availability, and affordability of Samsung's products to the consumer. Samsung designers emphasized visual simplicity as well as functional performance in arriving at new product designs.

Marketing Organization

Kim headed the corporate Global Marketing Operations (GMO) unit, established in 1999 and based at world headquarters in Seoul. Comprising around 90 staff, the GMO coordinated Samsung's marketing efforts and was responsible for developing the corporate marketing program for the Samsung brand outside Korea (a separate group was responsible for brand building in Samsung's home market). There were three major teams in the GMO, the Marketing Strategy Team, the Regional Strategy Team, and the Product Strategy Team, each with different responsibilities.

Marketing Strategy Team

- Developed global marketing strategy

¹⁰ Majja Pesola, "From microwaves to The Matrix," *The Financial Times*, September 11, 2003, p. 8.

- Controlled the GMO budget
- Controlled the global brand campaign, in coordination with Samsung's in-house agency (Cheil) and its outside advertising agency (Foote, Cone & Belding)
- Controlled the Samsung.com Web site and developed Internet-related partnerships with service providers and other corporations
- Oversaw global customer relationship management (CRM) strategies and shared marketing best practices across subsidiaries

Regional Strategy Team

- Planned strategic direction for regional markets
- Interfaced with line managers to set the marketing budgets by region

Product Strategy Team

- Conducted market research and gathered and analyzed information on competitors
- Planned corporate marketing exhibits at trade shows
- Conceived and implemented strategic marketing alliances and "killer" new product concepts

In 2001, under Kim's leadership, the GMO implemented the initiative to consolidate SEC advertising with a single agency to deliver a consistent brand message worldwide. Previously, various units of SEC were using more than 55 advertising agencies worldwide, and Samsung products were advertised using 20 different slogans. Kim explained:

We consolidated our advertising with a single global agency, Foote, Cone & Belding [FCB]. We developed worldwide guidelines for our logo and for its presentation in all SEC communications from letterheads to product packaging to billboards. FCB also developed a unique brand essence for Samsung to differentiate us in the marketplace and boost internal morale. Consolidating agencies has also helped us to gradually strip away sub-brands, which had distracted management and diverted resources.

Allocation of Marketing Resources

In addition to improving marketing education and organization, the GMO changed the way marketing budgets were set. As of 2003, marketing funds were available from the GMO (around \$400 million in 2003) and from each of SEC's 17 worldwide business units (around \$600 million). GMO funds could only be used for advertising and other brand franchise-building activities. Business-unit funds were mainly used for temporary price promotions directed at consumers and the trade. The GMO recommended to SEC's regional headquarters how to prioritize and allocate its funds and those of the business units by country and by product category. Under Kim, the GMO allocated 70% of its funds in this fashion, reserving 30% to support opportunities as they emerged during the year.

Historically, marketing budgets at Samsung were set as a percentage of current sales rather than in relationship to growth potential. Kim accomplished substantial budget reallocations by deploying a computer program, M-Net, to help determine where funds could reap the highest returns. Eighteen months were spent gathering data on Samsung sales, margins, market shares, and marketing expenditures by country and by product category into a central database. The M-Net program analyzed the results of past marketing plans to recommend where marketing dollars should be spent by country and by category. Pricing adjustments were also recommended.

Kim explained the value of the program:

It was clear from our analyses that we could no longer allocate marketing resources the way we had in the past. We needed a more systematic approach to ensure that our marketing investments were targeted at the highest return opportunities. The entire, approximately \$1 billion budget may sound like a lot of money, but it's spread across multiple countries and products.

The M-Net program revealed three opportunities for improvement:

1. SEC was overspending in regions like North America and Russia that did not have high growth potential. While 45% of the current budget was spent in these areas, spending should have been closer to 35%.
2. Some regions with high growth potential were correspondingly receiving less investment than appropriate. In particular, Europe and China were receiving 31% of the marketing budget but should have been allocated more like 42%.
3. Similar misallocations existed at the product level: Mobile phones, vacuum cleaners, and air conditioners were receiving more than their share of the marketing budget, while camcorders, DVD players, televisions, PC monitors, and refrigerators were not getting enough.

These changes recommended by M-Net—if followed in their entirety—amounted to a \$150 million reallocation in the marketing budget. M-Net allowed GMO staff to analyze different scenarios for marketing budget allocation; see **Exhibit 5** for an example.¹¹

Despite initial resistance from regional and product managers to major changes in the allocation of marketing funds, the positive results achieved on measures such as brand preference, market share, and operating profit showed that marketing dollars could be spent better. To complement the new system, Kim also backed changes in management incentives to ensure that line managers were rewarded in part for global performance rather than just their own region-specific or product-specific results.

Market-Driven Change

Kim's marketing initiatives complemented a sweeping set of companywide changes collectively referred to as market-driven change (MDC). MDC helped Samsung managers view marketing as an important business function rather than as a series of one-off advertising campaigns and promotions. Kim commented:

¹¹ Marcel Corstjens and Jeffrey Merrihue, "Optimal Marketing," *Harvard Business Review*, October 2003. For full discussion of M-Net and related changes, see this article.

MDC is injecting a much greater focus on customer insight into the new-product development process. Rather than merely imitating competitive products or going with an engineer's gut feel, we set out to identify customer segments that are willing to pay higher prices for particular functional or aesthetic innovations. For example, in 2001, we launched the world's first dual-screen folder handset. It was designed to be very compact and targeted the female/fashion-oriented segment of the cell phone market. We sold \$750 million worth in nine months.

Research for the MDC initiative revealed that the Samsung brand lacked stature and that the brand image lacked emotion and a human face. With FCB's help, a new umbrella campaign was launched in 2002 and backed by a new emphasis on the use of "DigitAll—Everyone's Invited" in brand campaigns. Kim explained:

Samsung is generating tremendous brand visibility worldwide with its DigitAll campaign. The rationale behind DigitAll is simple: It says that Samsung is uniquely positioned to bring together communication, entertainment, and information in easy-to-use digital devices. Through digital convergence and simple practical design, Samsung products can empower people from all walks of life to enjoy a better experience.¹²

Exhibit 6 shows examples of cooperative advertisements with Samsung customers for the DigitAll campaign. See **Exhibit 7** for product-specific advertisements under the DigitAll umbrella. **Exhibit 8** summarizes the reactions from consumer focus groups of "mobile professionals" and "Generation Y" (in their 20s) consumers to the DigitAll campaign.

After the successful launch of the DigitAll campaign, Samsung took its branding activities to the next level by launching a comarketing campaign with the Warner Brothers blockbuster movie *The Matrix Reloaded*, a science fiction thriller that opened in May 2003. A Samsung phone played a key role in the movie as the gateway between the physical and virtual worlds.¹³ Samsung arranged to produce the phone designed by the Wachowski Brothers for the Matrix sequel and sold the phone from the movie in limited quantities in selected markets. Several other new Samsung products were promoted in a billboard and print-advertising campaign as depicted in **Exhibit 9**. Featured products included a flat-screen computer monitor, a digital camcorder, a flat-screen TV, and a rotating camera phone. This sponsorship was designed to promote the Samsung brand among the 20- to 30-year-old-segment, who were important consumers of new electronic products and whose brand preferences were not yet solidified. The campaign video game, "Enter the Matrix," included over 200 impressions of the Samsung brand. Samsung's Matrix microsite increased traffic to the Samsung.com Web site by 65%.

In addition, Samsung signed an agreement with the International Olympic Committee (IOC) in 1997 to be a worldwide Olympic sponsor in the wireless equipment category. Samsung was an official Olympic sponsor for the 2000 Sydney Olympic Games and leveraged this sponsorship internally as well, inviting senior executives from its operating units and key distributors from around the world. Sponsorship of the 2002 Winter Olympic Games in Salt Lake City continued the effort. The company had already agreed to sponsor the 2004 Summer Games in Athens, the 2006 Winter Games in Torino, and the 2008 Summer Games in Beijing.

¹² Samsung Annual Report 2002.

¹³ A Nokia cell phone was featured in the original Matrix movie.

Samsung's Market Position

Domestic Market Dominance

Samsung dominated the South Korean market with over 50% share in almost all its product markets and high repeat-purchase rates. Although only 15% of total Samsung sales were in South Korea, the country offered two special advantages as a launch market for new products. First, as a mountainous country, South Korea presented a tough challenge for cell phone usage, forcing development of more sensitive wireless technology. Second, partly because almost three-quarters of South Koreans lived in urban areas, 70% of South Korean households were already wired for broadband by 2003 (compared with 15% of households in the United States and 8% in Europe).

The brand was almost 40 years old in Korea and was well-known, thanks to its widespread presence on home appliances. In this respect, it was comparable to the GE brand in the United States.

Samsung's market penetration in Korea permitted it to launch sub-brands for specific segments of the domestic market. In other markets where the Samsung brand was less developed, a focus on the corporate brand image was deemed paramount. As Kim explained: "Given our high market share in Korea, we have to address all age groups, so we implement a multibrand, multisegment strategy. We've been able to launch sub-brands without compromising the master brand."

International Expansion

Kim recognized that the Samsung brand was at different stages of development in different country markets. Managers disagreed, however, about how much local adaptation of marketing and brand-building communications strategies and tactics was necessary. All agreed, however, that country markets could be grouped into three categories (see **Exhibit 10** for more details):

1. **Accelerator:** Markets where the main objective was to build Samsung brand awareness, both aided and unaided
2. **Turning point:** Markets where awareness was good, generating significant demand in some product categories, but where the brand image had to be reinforced to improve repeat-purchase probabilities
3. **Advanced:** Markets where Samsung's unaided brand awareness and brand reputation were strong across all categories and where loyalty needed to be reinforced further

Kim described the position of the Samsung brand in various country markets as follows:

In the U.S., the Samsung brand is at the turning-point stage. We've made good progress, but our unaided awareness and brand loyalty are still below those of first-tier brands like Sony. We have added new partnerships with chains like Best Buy and Circuit City to supplement our earlier relationships with Wal-Mart and Target. Although we are still seen by many consumers as a value brand, we're increasingly viewed by consumers and trade partners alike as reliable, up-and-coming, and credible, given the breadth of our product line and our flow of new products. We're working heavily in the U.S. on customer relationship management to strengthen our partnerships with the channel leaders, especially since the top 10 chains account for 60% of consumer electronics sales nationwide.

In Europe, the Samsung brand is stronger in the southern countries like Spain and Italy than in northern Europe. Consumers in these countries don't have such entrenched brand preferences as they do in northern Europe. The Germans in particular are fiercely loyal to German brands, and the fragmentation of retail distribution makes it harder for us to enter with sufficient sales volume to make the market attractive.

The Samsung brand was stronger in emerging than in developed markets. In Russia, for example, Samsung had been voted the "people's brand" several years in a row. Kim explained:

Our success stems from the late 1980s and early 1990s when we continued to supply Russia from warehouses in Finland with value-priced products which weren't the most technologically advanced but which matched the market's needs at the time and consumers' ability to pay. Samsung is now moving beyond the turning-point stage. We need to upgrade our image and be recognized for product leadership and innovation. That's why we've just opened a showcase retail outlet on Red Square.

The Samsung brand had made even more progress in China, which was transitioning from the turning-point stage to the advanced stage. Kim said:

We cannot make any profit at the low end in China, but between a quarter and a third of the Chinese market [in value terms] is available to us. Chinese consumers value quality brands, and purchasing power at our end of the market is concentrated conveniently in major cities. We have a national marketing coordinator in Beijing with regional sales and marketing teams in Beijing, Guangzhou, and Shanghai.

In China, an estimated 5 million new customers signed up for cellular telephone service each month in 2002. In Latin America, mobile Internet usage was projected to increase to include 47 million people by 2005. India represented another major market opportunity, as Kim explained: "In India, we found that value-added resellers are very important in putting together personal computer packages for consumers. India is an increasingly sophisticated and fast-growing information technology market. Samsung has become a major supplier of computer peripherals, and our brand recognition is actually greater than that of Intel or Microsoft."

Consumer Research

FCB began working with SEC in 1999 to understand the company's brand image. To this end, FCB had developed a proprietary model, the "relationship monitor," which identified: (1) 13 relational dimensions through which customers connected, to a greater or lesser extent, with a brand; and (2) seven relationship styles that described, in summary form, different types of customer-brand relationships (which each implied different levels of brand loyalty). The dimensions and associated styles are summarized in **Exhibits 11a through 11c**. The relationship monitor study involved asking consumers to rate one or more brands on a battery of attitude and opinion statements associated with each of the 13 dimensions.

In 2000, FCB examined consumers' relationships with Samsung and key competitive brands in six country markets: Brazil, China, Germany, Hong Kong, the United Kingdom, and the United States. In China, Hong Kong, and the United States, Samsung cell phones were rated separately, in addition to the Samsung brand as a whole. The index scores for each of the six country markets (see **Exhibits 12a through 12c**) show Samsung's relationship profile versus the all-brand average.

The results indicated that the Samsung brand was at different degrees of development in different countries. In China, for example, the Samsung brand was strong on “delights me” but not on “perfect fit,” except in the case of cell phones. In contrast, in the United States, the overall brand was more “price based,” though, once again, Samsung cell phones had developed a stronger position, for example, in the “delights me” category.

FCB executives advised that Samsung should focus in weaker markets on establishing the brand’s leadership credentials through new-product development, since perceived category leadership gave consumers a reason to buy into the franchise. In stronger Samsung markets, where the customer base was already significant, the focus of marketing communications should be, it was argued, on moving more consumers into the “delights me” and “perfect fit” relationship categories. However, questions lingered about the communications strategies that could move consumers from one stage to another on the relationship style ladder.

In addition to country comparisons, the FCB analysis compared Samsung to its major competitors. **Exhibit 13** summarizes consumer perceptions of the brand personalities of five companies along with the implications for Samsung’s strategy. Furthermore, competing companies were compared on the basis of the seven relationship styles used in the country analysis. (See **Exhibits 14a** through **14d**.) The strong performance of Samsung cell phones gave the brand a promising starting point from which to build brand leadership.

Taking the analysis a step further, Samsung executives were determined that the brand image be shaped in light of future consumer trends rather than merely respond to those currently in vogue. They wanted Samsung to be the brand of choice among “vanguard consumers,” young opinion leaders around the world. A 2002 series of interviews with industry experts in 11 countries identified the following six consumer trends:

- Living on demand and in control
- From consumers to “experiences”
- Technology has gone from “wow” to “oh”
- Living the converged life
- Milking the moment
- Moving by instinct

Exhibit 15 details each of these trends and the implications for Samsung’s future efforts to build its brand image. For example, “living on demand and in control” implied tailoring services to meet personal preferences, perhaps through a personal preference chip or code to transfer voice and data between devices. This further implied a higher degree of customer segmentation to accommodate variations in consumer preferences than Samsung had been used to in the past. Meanwhile, the shift in technology from “wow” to “oh” emphasized that digital devices should not become mundane but had to retain their “delight factor,” while also fitting into everyday life.

Conclusion

Kim was encouraged by positive consumer response to the global DigitAll advertising campaign. He planned to run this campaign through the end of 2004, but he wondered whether it would be

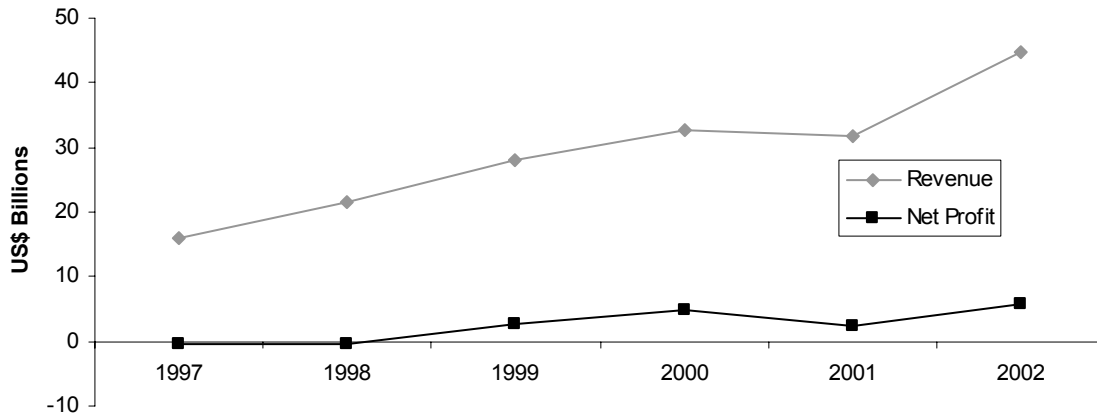
enough to propel Samsung into the premier league of global brands. He recalled some of the comments he had heard from Samsung line managers in his travels during 2003:

- “There is no substitute for a constant stream of bigger and better new products. Money spent on R&D is always a better investment than money spent on advertising.”
- “Samsung’s consumers in my country are pretty mainstream, satisfied, and ready to repurchase. Too much emphasis on youth and creativity is inappropriate.”
- “Let’s not overspend on advertising and promotion just for the sake of beating Sony in some *BusinessWeek* ranking. The brand will gain consumer credibility naturally, at its own pace. You can’t force it.”
- “The global image campaign is only useful if it helps move products at retail next Monday morning. I’m not convinced that it does.”
- “Even if we have the best product, say in LCD televisions, the shelf space is so cluttered with options that we need the strong brand to break through.”

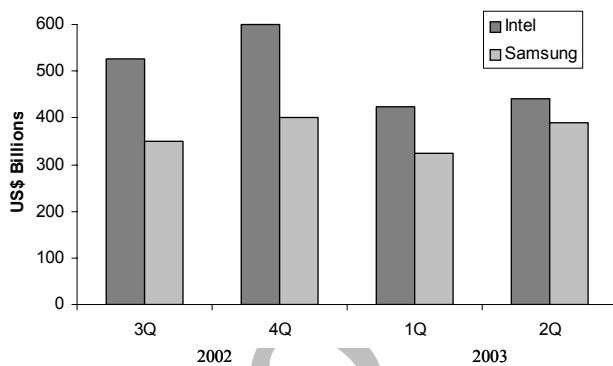
In addition to pondering these views, Kim worried about whether Samsung needed to embrace a more complex customer segmentation in its marketing planning. Samsung had, up to this point, used a “one-size-fits-all” approach, advertising broadly to “the sensible brand buyer.” But market research pointed toward increasing demand for personalized, customized devices and, therefore, for more segmentation. This might call for new sub-brands beyond the Samsung name targeted at premium-value segments in one or more categories and for segmented advertising campaigns. However, such initiatives would be hard to justify if they reduced the cost efficiency of current marketing expenditures.

Kim had a week to consolidate his thoughts before presenting to Samsung’s top management his plan for how Samsung could become a blockbuster brand by 2005. He mused: “To be number one, it’s not enough just to be known, you have to be loved.”¹⁴

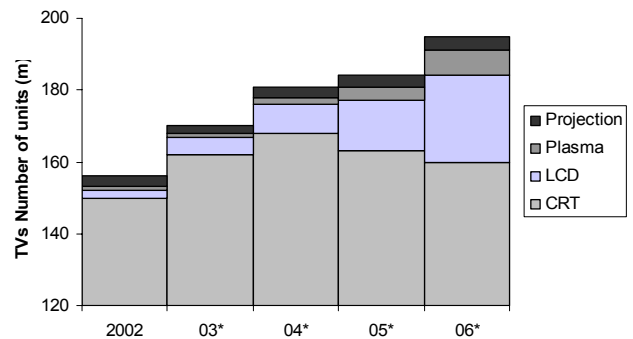
¹⁴ Majja Pesola, “From microwaves to The Matrix,” *The Financial Times*, September 11, 2003, p. 8.

Exhibit 1 Samsung Revenue and Profit Growth, 1997–2002

Source: Samsung company records.

Exhibit 2 Revenue in the Flash Market

Source: Adapted from Don Clark, "Samsung Closes Flash-Chip Gap on Intel," *The Wall Street Journal*, September 11, 2003, p. B6.

Exhibit 3 LCDs Increasing Share of Television Market

Source: Adapted from Richard Waters, "Converging on the living room: digital technology's rise breaks down barriers between PC's and consumer electronics," *The Financial Times*, October 3, 2003, p. 11.

SAMSUNG Digital: Making digital convergence come alive

There's a party going on with every wireless phone we make. Want to know the host? It's you—and every time you pick up a Samsung phone, you're joining the party. So join the Digital celebration: Everyone's invited!

Here's the thing about life today: total unpredictability. What—and who—can you really count on? The most important thing is to keep your connection to the people who matter most.

Frankly, there's only one way to do that. Now that the world's one giant global party, you've got to make your digital tools dance and shout and sing your song from your PC to your mobile phone and TV, even your washing machine and refrigerator. Make sure you're never out of the party. To survive. To like your life with all the passion you bring to it.

That's what Samsung does for me. Samsung Digital is all about making the promise of digital convergence come alive no matter where you are, who you are, or what you do. It's TVs made for websurfing (as well as watching hot episodes of your favorite TV shows). Refrigerators that keep your food cool (and let you watch a spicy cooking DVD wirelessly from your DVD player while standing at the stove.) Phones that let you see as well as talk and listen (and make it seem so easy you'll wonder why phones weren't always like this.)

"The Samsung SPH-A600 isn't just for talking—it's for seeing!"



Want to know how Digital works for me? Let me tell you what happened last week at work...

Even before I began working for the Company, I'd heard about Marvin Derwish, its CEO. It's hard not to. Marvin is everywhere—on all the TV news and chat shows and on magazine covers. Last week, I even saw his face plastered on the side of a bus, advertising his latest book. Marvin is about as rich and famous as a CEO can be—and about as demanding as you might imagine.

Marvin takes being connected to new heights. The day I joined the company,

Naturally, it's also fun to play with the 300,000 pixel camera. (Marvin always pushes us to take pictures of our products anywhere we go: \$100 to anyone who finds our displays out of order.) Likewise, the dial-your-number-by-voice feature comes in handy a lot: now my wife lets me drive and talk on the phone at the same time. But you haven't really lived until the boss sends you an instant message while your three-year-old is pitching a tantrum in the supermarket (that would be the ice-cream aisle).

Yet no matter how connected Marvin wants us to be, there's one place we're supposed to be offline—when we're meeting with Marvin. Turn on your job and turn off your phone. Is the first thing you hear when you meet Marvin.

At least that was the law until last week when I got a call from his assistant asking me to step into his office. As soon as I walked in I saw Marvin's new Samsung SPH-A600 lying on his spotless desk.



Advertisement

just then I saw my wife's picture on the phone's amazing 65,000 color screen. I thought I was hallucinating. For one thing the screen was so big! (Two full inches, 12 lines of text, I learned later). For another, my wife looked like she was on the cover of a magazine. "Happy birthday, you big dope," I saw her message as I looked at her huge smile. "my three-year-old beaming from her lap. "you were working so hard, I didn't know if I was going to see you, so when I ran into Mr. Derwish last week, we cooked up this little surprise."

I looked at Marvin's phone, looked at my wife, and realized there was only one thing to do. Luckily, the A600—with its 180-degree pivoting LCD and rotating camera—was just the phone to make it happen. "Thanks Marvin," I said, pivoting the camera around to him so I could take a photograph of this momentous (and rather silly) moment. "Now I'm gonna be in big trouble."

"You don't know just how much trouble," said the big man. "If you think you're in trouble now, just wait till you see what happens when you get home!"

It suddenly occurred to me that my wife and I do not own a digital camera—at least, we hadn't when I left home this morning. And yet here she was, live and in color, on every single pixel of Marvin's phone.

"Honey, this is all wonderful, but can you tell me how you're taking pictures of yourself on a camera phone?"

"Better come home soon, tiger," she said. "You don't want me to tell all my tricks in public do you?"

It was time to thank Marvin and get home. The real party was just about to begin.

So do like I did: grab a cool drink, turn up the music, and join the Digital party—everyone's invited to share our vision of tomorrow's mobile phones right now!



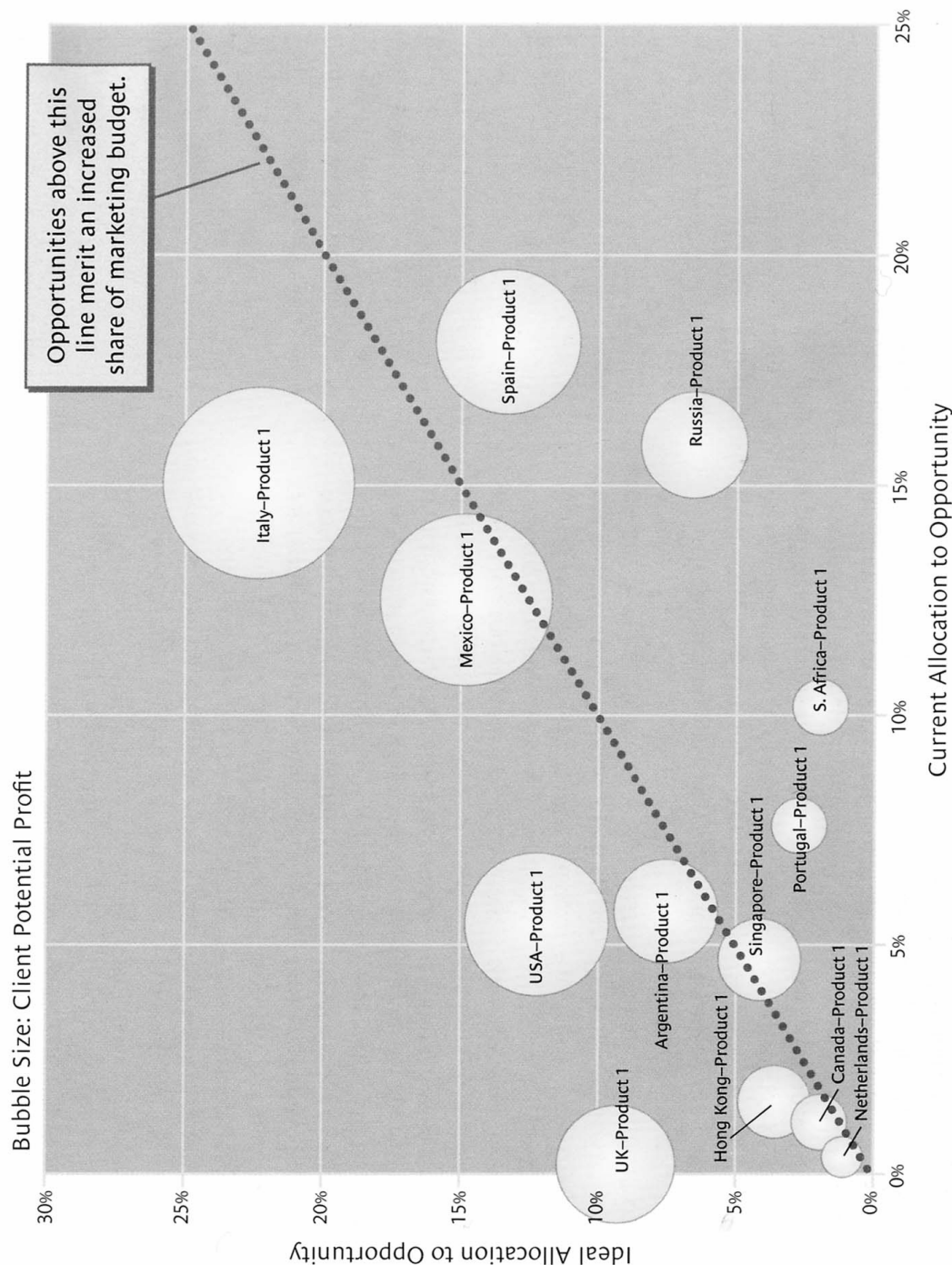
SAMSUNG

SPH-A600

SPH-E700

SPH-I700

Exhibit 5 M-Net Analysis



Misallocations Revealed: Samsung's M-Net system produces graphical depictions of the company's allocation challenges. In this chart, we see the total marketing budget for "Product 1." The horizontal axis shows how Samsung had planned to divide its investment in that product category across the countries in which it is sold. For example, 15% was to be devoted to marketing in Italy. The vertical axis represents M-Net's recommendations—for instance, that 22% of these dollars should go to the Italian market. (Bubble size reflects M-Net calculations of a market's relative profit potential.) Every bubble above the dotted line, like the one for Italy, represents an area where Samsung should devote more resources than it planned to. Opportunities below the line should have their budgets cut. Charts like this one helped Samsung identify misallocations and convince affected managers to accept change.

Source: Marcel Corsijens and Jeffrey Merrihue, "Optimal Marketing," *Harvard Business Review*, October 2003, p. 117.

Exhibit 6 DigitAll Ad Campaign: Cooperative Advertisements with Samsung Customers

SAMSUNG DigitalAll
everyone's invited.

Bank One sees a bright future with Samsung.



- Super-bright, razor-sharp 15" analog/digital TFT-PA display
- Unique dual-rings base allows up to 90° tilt for optimal ergonomics
- 1280 x 1024, 16:10 "WUXGA" viewing angle, 16:9 "WXGA" wide-screen format
- World's leading manufacturer of TFT-LCD displays

Visit www.samsungusa.com

©2002 Samsung Electronics America, Inc. Screen images are simulated.

That's DigitAll vision.
BANK ONE How has Bank One become a leader in banking while showing its nearly 500,000 small business clients the path to a bigger, brighter future? With unparalleled vision and absolute clarity. That's why Bank One chooses Samsung — the world's leading manufacturer of TFT-LCD displays. And now Samsung's commitment to the big picture continues with the innovative display technology found in the SyncMaster 150T, giving you the opportunity to visualize a future just as bright.

Add vision. Add possibility. Add Samsung.

SAMSUNG

SAMSUNG DigitalAll
everyone's invited.

Bloomberg gets its vision from Samsung.



- Super-bright, razor-sharp 15" analog/digital TFT-PA display
- Unique dual-rings base allows up to 90° tilt for optimal ergonomics
- 1280 x 1024, 16:10 "WUXGA" viewing angle, 16:9 "WXGA" wide-screen format
- World's leading manufacturer of TFT-LCD displays

Visit www.samsungusa.com

That's DigitAll vision.
Bloomberg When it comes to the market, Bloomberg isn't afraid to take a unique perspective. That's why, everywhere you look, Bloomberg's corporate offices are filled with stunning financial news on displays from Samsung — the world's leading manufacturer of TFT-LCD displays. From courtyards on the wall to displays in the floor, Samsung monitors and themselves apart by delivering superior technology and stylish design. And the new SyncMaster 150T is no exception. With that kind of outlook, it's easy to be bullish about Samsung.

Add vision. Add possibility. Add Samsung.

SAMSUNG

Source: Samsung company records.

Exhibit 7 DigitAll Ad Campaign: Product-Specific Advertisements



Source: Samsung company records.

Exhibit 8 Consumer Reactions to DigitAll Campaign Concept and to “Everyone’s Invited” Television Advertising Campaign*DigitAll Concept:*

- “I think it’s a great name. I think it really encompasses what they are trying to do, which is combining different tech gadgets into one piece of equipment.”
- “It means all digital. Digital to everybody and all digital, I think it has these two meanings.”
- “To me it means whatever the product is, we can make it digital, we can make it compact, we can advance the technology, we are a company you can trust—so one day when you can afford the product, we are the company to turn to.”
- “Everybody is included, you know from the poor to the richer. All products are digital.”
- “It all comes together in one place, both on a level of the technology itself, but in another way it is quite clever, the way that even in my mind, as cynical as I am, it all comes under one roof—Samsung’s roof.”

Everyone’s Invited Campaign:

- “I’m usually intimidated by technology, but when I see different people using it, I think it may be easier to use. And the fact that they admit there is confusion, they make it easier. I thought that was appealing.”
- “It’s available to everybody, it is easy to get. Diverse products for diverse people. There is sort of an international feel about it . . . you can see that it is from the east and trying to marry the east and west together—it’s a fast-moving thing.”
- “High tech with ordinary people.”
- “Everyone is equal, in a digital world, everyone is equal.”
- “Fusion, integration, convenience, and well-being. Integration means state of the art, but they have to deliver.”
- “Puts Samsung in a new light—lively, high tech, in the top league.”
- “It’s telling you that you just wanted simple things, simple improvements in life from technology, but it got so complex that now you’re sitting in your chair and don’t know which way to turn, and Samsung is gonna make it so simple that people all over the world with very different cultures can benefit.”

Source: FCB future-focus consumer interviews for Samsung, 2002.

Exhibit 9 Matrix Ad Campaign

SAMSUNG

> A VISUALLY STUNNING MASTERPIECE UNLIKE ANY OTHER <
 > Sleek and mesmerizing- An absolute triumph! <
 > AFTER THE FIRST GLANCE, IT IS IMPOSSIBLE TO TURN AWAY <



SLEEK DIMENSIONS

STEERING THE SAMSUNG SYNCMASTER 1027/1027T MONITOR- FEATURING SLIM, LIGHTWEIGHT DESIGN WITH DUAL INTERFACE CAPABILITY AND ADJUSTABLE HEIGHT AND TILT- THIS VALUABLE DESKTOP SPACE ALSO UTILIZES LESS ENERGY

DigitAll Matrix www.samsung.com/matrix

MATRIX RELOADED in Consumer IT

SAMSUNG DIGITAll everyone's favorite.

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SAMSUNG

> SPECTACULAR PICTURES BY BOTH CAMERA AND CAMCORDER <
 > Camcorder and camera come together for one masterful performance <
 > STUNNING COLORFUL IMAGES EXUDE FROM BOTH INNOVATIVE WORLD <



DUAL IDENTITIES

FEATURING THE SAMSUNG DIGITAL DUO CAM- FEATURING HIGH QUALITY VIDEO AND STILL IMAGES WITH ROTATING LENS- OFFERS MINI DV CAMCORDER (60FPS) 10X LENS (100X CROP) AND CAMERA- 3X LENS (4.3X MEGA PIXEL) 16 MB MEMORY STICK

DigitAll Matrix www.samsung.com/matrix

MATRIX RELOADED in Consumer IT

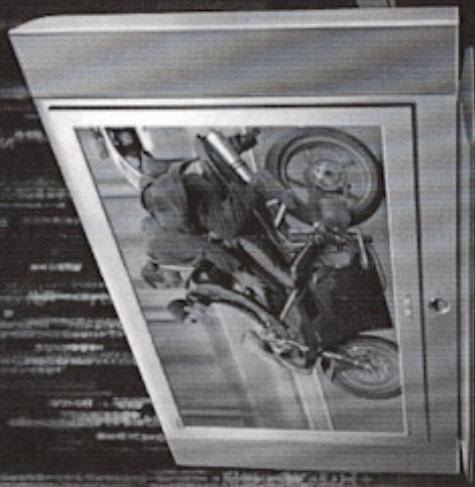
SAMSUNG DIGITAll everyone's favorite.

TM & © Warner Bros. (R), © 2003 Samsung Electronics Co., Ltd. Screen images are simulated.

Exhibit 9 (continued)

SAMSUNG

> IN A WORD: SPELLBINDING <
> It's a thrill ride for the senses <
> AN ASTONISHING VISUAL MASTERPIECE <



ENTRANCED

EXPERIENCE THE SAMSUNG 40" LCD FLAT PANEL TV FEATURING DMB™ PICTURE ENHANCING TECHNOLOGY AND HIGH RESOLUTION QUALITY (OVER 1700) SLIM, LIGHTWEIGHT DESIGN WITH 5.1-CANAL DOLBY™ DIGITAL SOUND AND HDTV/PC COMPATIBILITY

DigitAll Matrix
www.samsung.com/usa/tv

MATRIX RELOADED
IN CINEMAS MAY 16

SAMSUNG DIGITAL
everyone's invited.

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SAMSUNG

> OUT OF THIS WORLD COLOR IMAGES <
> Twisted and sleek, a stunning display <
> THIS ROTATING LENS IS SURE TO TURN HEADS <



REVOLVING REALITIES

STARTING THE SAMSUNG CAMERA PHONE SGH-P400 FEATURING 180° ROTATING CAMERA LENS AND TWISTING VIEWFINDER PRESENTING DIGITAL PHOTO ALBUM WITH 65K TFD COLOR SCREEN AND 40 POLYPHONIC RINGTONES

DigitAll Matrix
www.samsung.com/mobile

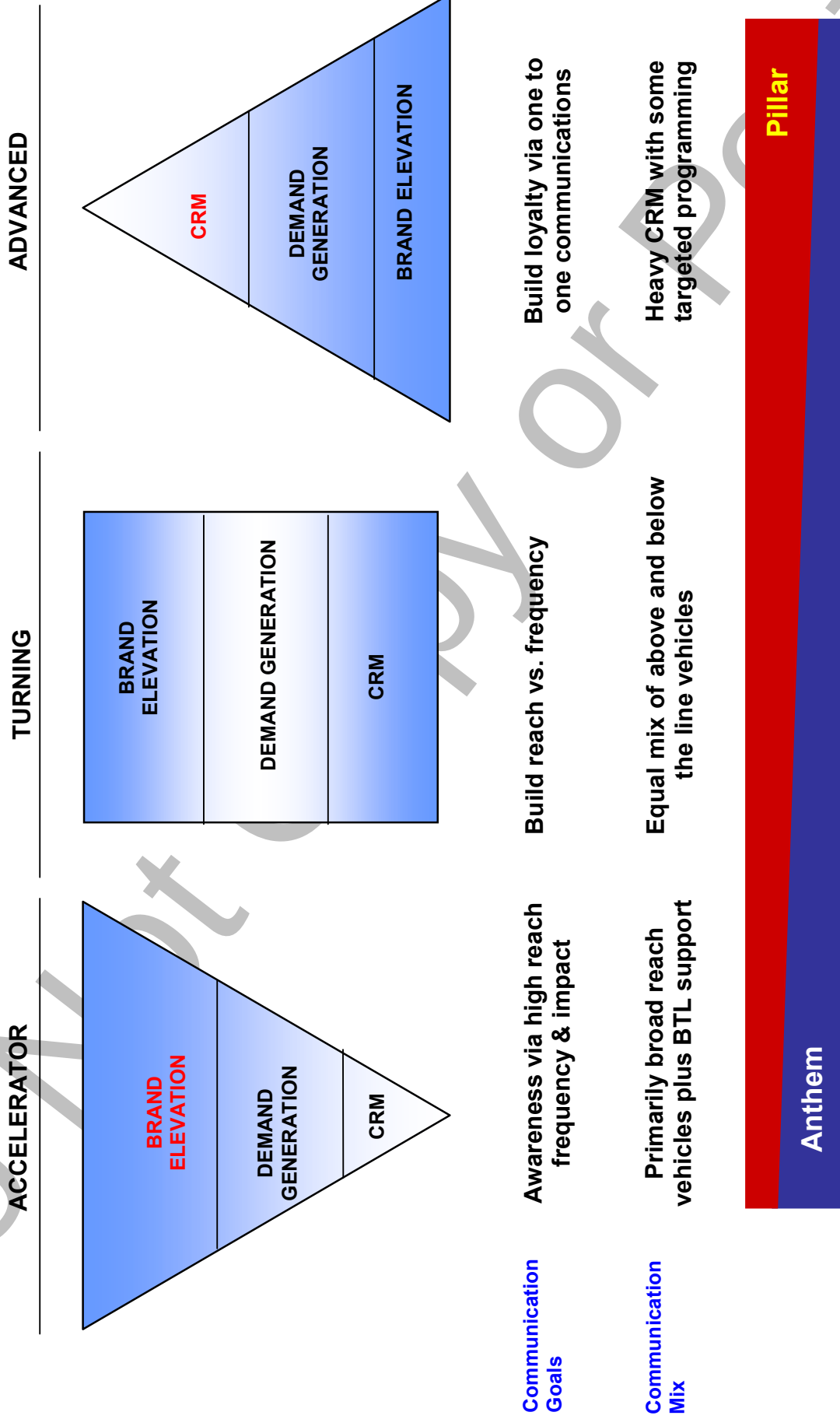
MATRIX RELOADED
IN CINEMAS MAY 16

SAMSUNG DIGITAL
everyone's invited.

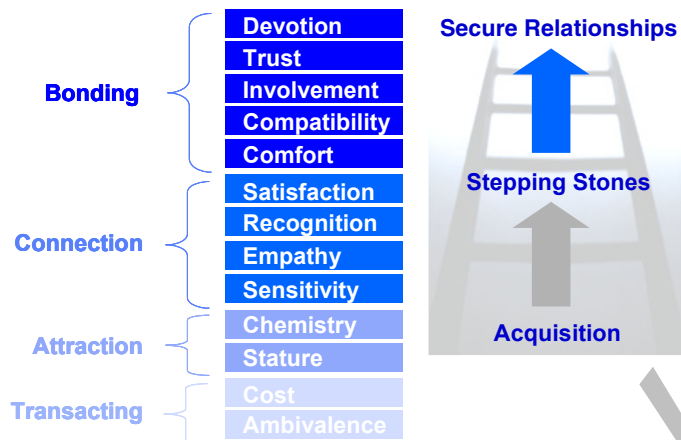
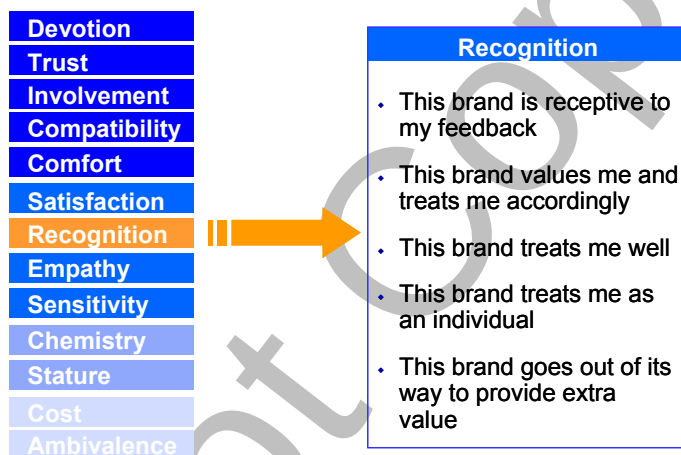
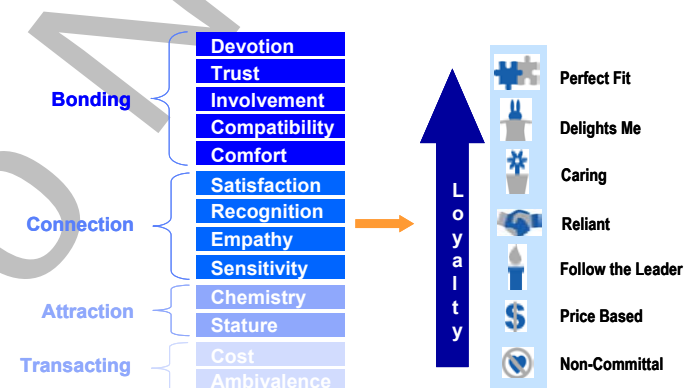
TM & © Samsung Electronics Co., Ltd. Screen images are simulated.

Source: Samsung company records.

Exhibit 10 Country Market Clusters and Marketing Communications



Source: Samsung company records.

Exhibit 11 Design of FCB Relationship Monitor Survey**Exhibit 11a** 13 Dimensions that Build Stronger Consumer Relationships**Exhibit 11b** Example of Detailed Opinion Statements for Each Dimension**Exhibit 11c** Seven Relationship Styles Derived from 13 Dimensions

Source: Samsung Relationship Monitor, 2000.

Exhibits 12a-12c Results of FCB Relationship Monitor Study

12A: Percent of Consumers Exhibiting Each Relational Style by Country



12B: Representation of Each Relational Style Among Samsung Consumers, Indexed to the Country Average

	Brazil	China	Germany	Hong Kong	U.K.	U.S.A.
Perfect Fit	95	109	35	84	40	71
Delights Me	102	150	96	72	65	56
Caring	103	79	43	84	65	91
Reliant	127	86	91	74	75	126
Follow the Leader	100	67	220	128	224	17
Priced-Based	86	98	29	60	76	204
Non-Committal	101	131	150	146	166	169

12C: Representation of Each Relational Style Among Samsung Cell Phone Consumers, Indexed to the Country Average

	China	Hong Kong	U.S.A.
Perfect Fit	169	83	73
Delights Me	143	115	327
Caring	92	63	40
Reliant	26	113	71
Follow the Leader	92	70	32
Priced-Based	50	126	120
Non-Committal	83	116	93

Source: Samsung Relationship Monitor, 2000.

Note: Over 100 means Samsung representation is high relative to the country norm.

Exhibit 13 Brand Profiles and Implications for Samsung

Samsung			
Nokia	Sony	Panasonic	Motorola
Personality: Curious Classic Down-to-earth Trustworthy Simple Straightforward Colorful Competitive	Personality: Visionary Popular Mature Confident Sleek/Style Trend setter Adorable Smart Fashionable Cool Determined Friendly Up-to-date Affluent Chic Aggressive	Personality: Popular Older Wiser Reserved but capable Comfortable	Personality: Boring Well-known Popular Sophisticated Cultured Strong
Product/Co.: Innovative Easy to use Specialized Asian	Product/Co.: Breadth of line Quality Good functionality Leader Forward-thinking Dependable Cutting edge Resources Japanese	Product/Co.: Stable Reliable TV's & stereos Imitating Not consistent	Product/Co.: Star Tac Good design Good technology Huge, clunky phones

- **Samsung Implications**
 - Has the beginnings of a technology and design story
 - However it is more cold and aloof than human and personal
 - Doesn't have as much personality or image
 - Not always perceived as a serious player
 - Needs to tell its story in a compelling (emotional/personal) way to entice consumers to bring Samsung into their family
 - More than what you say about quality, digital, technology...it's about how you behave in the marketplace
 - As a personal companion
 - As a brand that understands life facilitation
 - As a brand that supports innovation and style
 - Samsung's vision must differentiate it from the competition

Source: Samsung vanguard consumers study.

Exhibits 14a-14d Samsung Relational Style by Country Compared to Selected Competitors

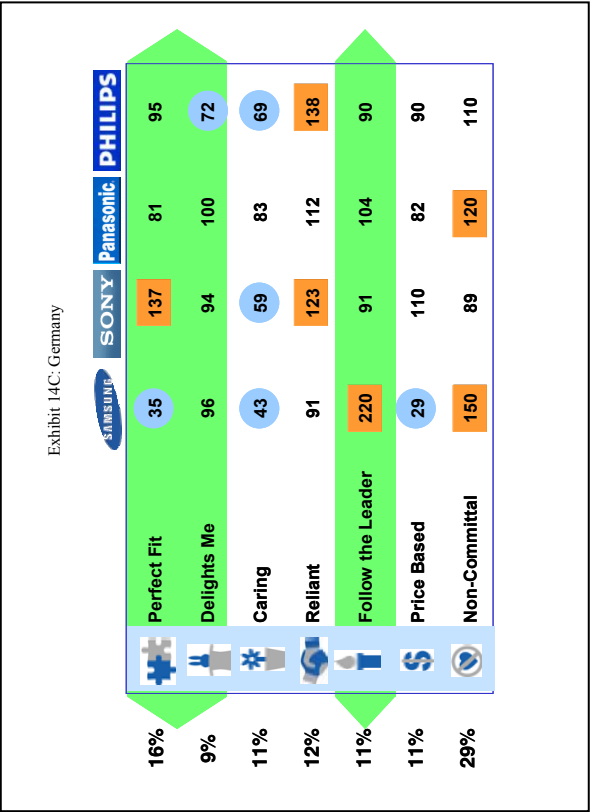
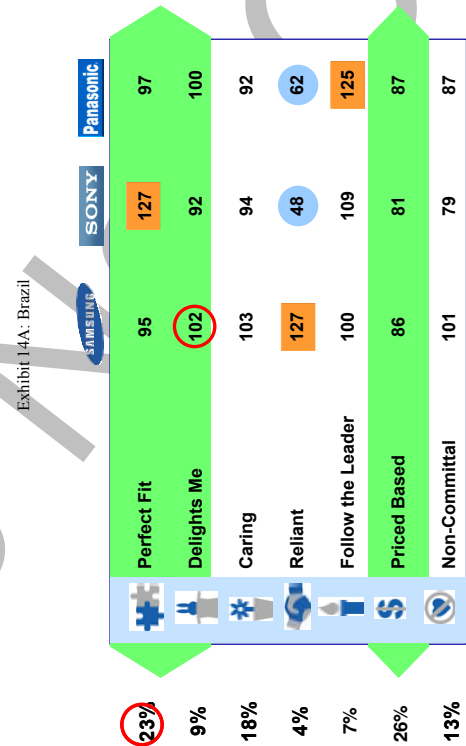
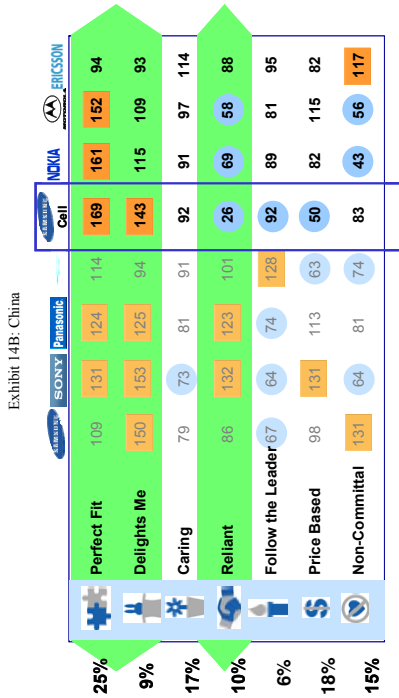
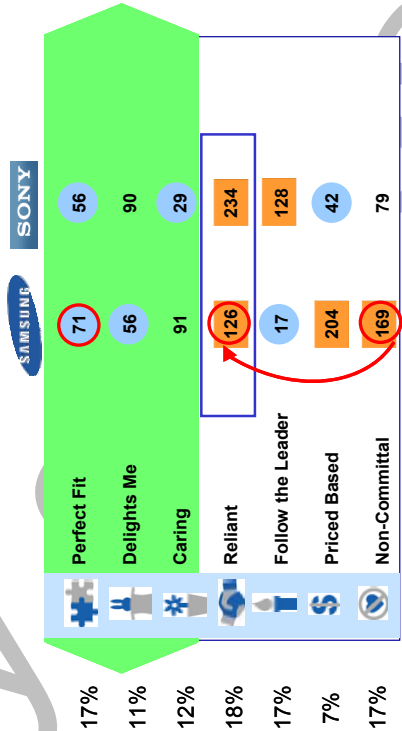


Exhibit 14D: USA



Source: Samsung Relationship Monitor, 2000.

Note: Numbers in left column of each chart reproduce data from Exhibit 12a.

Exhibit 15 Key Findings of FCB Study on Samsung's Future Focus

2002 Key Findings: Samsung's Future Focus

Living On Demand and In Control

- Consumers want everything on their terms
 - Focus on controlling and managing the increased amount of available information and data due to technology
 - The magic of the "off" button
 - Self-programming of media
 - Filters and synthesizers of information
 - Cliff notes learning
 - Quality shortcuts
 - "I want what I want when I want it."

2002 Key Findings: Samsung's Future Focus

From Consumers to "Experiencers"

- Consumers have become acquirers of experiences or "experiencers"
 - The acquisition of experiences is as important as the acquisition of things
- Experiences come in a variety of forms
 - Virtual or real, owned or borrowed, created or purchased
 - Always non-routine (using a mobile phone is routine, using a mobile phone to send a video is non-routine...for awhile)
 - Simulated experience is expected to provide the exact same benefit as real
 - Invites you in and involves you
 - Is embedded in emotion and senses



2002 Key Findings: Samsung's Future Focus

Living On Demand and In Control

- Speeding up to slow down
 - New life balance based on feeling that what I want to do is okay
- DIY/DMW (Do-it-yourself and Do-it-My-Way) mentality in all areas of life
 - No waiting, do it now
 - Feel a sense of accomplishment and pride
 - All about creating their own reality/space on their own timetable
- Consumers continue to segment into smaller target niches due to plethora of options in manufacturers and retail outlets
 - Preference for aligning themselves with what they want when they want it, not for following the masses



2002 Key Findings: Samsung's Future Focus

From Consumers to "Experiencers"

- Owning a brand or product is considered an experience if it resonates with your life
 - Provides an emotional response/feeling or visceral benefit
 - Is a manifestation of expertise or knowledge
 - Helps to define or convey your personality, image or lifestyle
- Consumers don't buy technology they buy experiences
 - Technology behind the experience has been eclipsed by the experience
 - The brand point of view becomes a key point of differentiation

2002 Key Findings: Samsung's Future Focus

Living On Demand and In Control

SAMSUNG IMPLICATION

- Development of personal "preference" chips/cards that move between devices and screen "my" world for "my" information and communication
- Incorporate DIY/DMW design/programming opportunities
- Communicate a personal vision of technology that simplifies rather than overwhelms, and clarifies rather than confuses

2002 Key Findings: Samsung's Future Focus

From Consumers to "Experiencers"

SAMSUNG IMPLICATION

- Differentiate the brand with the Samsung experience of technology
 - Create a Samsung "flavor" with a fully developed personality, attitude, and vision
 - Create a lifestyle community, e.g., Harley Davidson, Apple
- Leverage all parts of the purchase and usage cycle where you can develop a Samsung brand experience, e.g.,
 - Augment usage of product
 - Create retail centers of experience
 - Develop branded experience experts
 - Create a no-regrets experience



2002 Key Findings: Samsung's Future Focus

Technology Has Gone From "Wow" to "Oh"

- The "wow" is gone
 - "Wow" is about features and everyone has them
 - Push a button and it works
 - Not interested in how it works
- Digital technology is not innovative
 - It's not what consumers expect innovation to look/feel like...it's like an appliance
 - Gone from contributing to my life to woven into my life...seamlessly integrated and wireless
- Constant, consistent innovation fuels a personal technology evolution and expectation
 - Consumers expect personal technology to change little by little
 - Only medical science technology may see revolutionary change



2002 Key Findings: Samsung's Future Focus

Technology Has Gone From "Wow" to "Oh"

- Technological parity results in "me-too" market saturation
 - Digital is a cost of entry, a non-differentiator
 - Plentitude of options, in many different bundles, is causing some consumer confusion and dissatisfaction
 - "Power" users want all options in one device...seems as if one key feature is always missing
 - Most (mass) users want to know they have all the options
 - Some say they want to build their own options bundle
 - A few on the fringe say they want a no-frills choice...but probably really just want something easy to operate

2002 Key Findings: Samsung's Future Focus

Technology Has Gone From "Wow" to "Oh"

- Consumers seek the "delight factor" in what digital technology brings to their lives
 - Design and style
 - Consumers increasingly focus on design and aesthetics, devices must fit a decorating scheme, style becomes a deciding factor for the mass market
 - Image and attention
 - Consumers delight in expressing themselves with mobile devices and in getting attention from others for what they carry
 - Experiences
 - Consumers expect to be delighted by how the total brand experience enhances their lives

2002 Key Findings: Samsung's Future Focus

Technology Has Gone From "Wow" to "Oh"

SAMSUNG IMPLICATION

- Incumbent that the brand carry the delight since technology cannot deliver the "wow" and that the brand stays relevant in the "oh" environment
 - Place less focus on the details of the technology inside and more on what the technology produces on the outside...the experience
 - Entice a consumer's "want" versus try to fill a need
- Develop and communicate a brand personality and vision as way of enriching the technology experience
 - Evolve from high-tech to personal-tech

2002 Key Findings: Samsung's Future Focus

Technology Has Gone From "Wow" to "Oh"

SAMSUNG IMPLICATION

- Continue focus on style and ergonomics
 - Integrate more personality than pure-technology into design and aesthetics
- In essence: think like the automotive industry
 - Devices that transport differentiate themselves based on a branded integration of performance, design, image and lifestyle...based on perceptions and experience



Exhibit 15 (continued)

2002 Key Findings: Samsung's Future Focus

Living the Converged Life

- Convergence means blended life experiences not combined product features/services
 - It's about what I do with it not what options or features it has
 - If it's not seamless in operation it's not converged

CONVERGENCE IS:

Enjoying the movie theater experience in home



Suspending belief in reality

Being in two places at one time when something cool happens by sharing images

Being an original music video producer

Making social commentary

CONVERGENCE IS NOT:

Integration of surround sound with HDTV with flat panel monitor

Compatibility of DVD player with latest Dolby or dts standard

Taking a picture on a camera with my mobile phone and sending it to someone

Downloading, infrared beeping, editing, compatibility and distribution

Sending photos and movies of international travel to friends imbedded in email



2002 Key Findings: Samsung's Future Focus

Living the Converged Life

- A converged life requires reconfigured personal "spaces"
 - Consumers actively rearranging personal "space" to:
 - Support their multi-tasking and multiple roles
 - Support their mobility
 - Support their desire to "be" in multiple places at one time, e.g., movie theater at home, on vacation and at home
 - Deliver real emotional benefits



2002 Key Findings: Samsung's Future Focus

Living the Converged Life

SAMSUNG IMPLICATION

- Facilitate and enable the converged life experience via:
 - Development and marketing of the first personal experience mobile device
 - A data transmission and sharing device that carries voice versus a voice transmission device that also carries data
 - Docking stations in stationary spaces: cars, homes, office, etc.
 - Multiple preference chips/cards for customization



Offer customizing features/services that will put a unique personal brand on the blended life experience

2002 Key Findings: Samsung's Future Focus

Milking the Moment

- Consumers live in the moment
 - Instantaneous life...short attention span
 - Seek maximization of every moment
- Consumers live on a moment's notice due to technology
 - Instant gratification expectation
 - Less long-term planning, increased value in spontaneity
- Efficient mobility maximizes the moments
 - Increased pressure to keep on the move and up to date
 - Increased focus on working smarter not harder via technology
 - Desire for never-fail memory and battery charge



2002 Key Findings: Samsung's Future Focus

Milking the Moment

- Moments and experiences are increasingly created virtually
 - More virtual connections create a desire for more real connections...natural law of paradoxes
 - Consumers desire visceral and tactile experiences, seeking intimacy and reality
 - Virtual reality experiences expected to deliver real stimulation and emotions
- Technology, especially the personal mobile device, is a vital lifeline
 - Seeking relief from more of the "need to do" events in life so there are more moments for the "want to do"
 - Push towards pervasive wireless connection



2002 Key Findings: Samsung's Future Focus

Milking the Moment

SAMSUNG IMPLICATION

- Fuel this living in the moment lifestyle by providing products and features that deliver intensified moments
 - Multi-sensory experiences
 - Multi-location experiences
 - Increased quantity opportunities, e.g., communicating with IM, SMS, and land line concurrently
 - Tailored programming, e.g., make it as loud or scary as you want
- Facilitate intimate and instantaneous connections with mobile personal device experiences
 - Capture, store and share life's moments in real time

Exhibit 15 (continued)

2002 Key Findings: Samsung's Future Focus

Moving by Instinct

- Consumers move without thinking, rely on second nature to get through the day
 - Intuiting patterns
 - Interacting with machines with ease
 - Facilitating their style/personality with design
- Technology drives this second nature
 - New languages and interfaces developed
 - Quality short cuts employed



2002 Key Findings: Samsung's Future Focus

Moving by Instinct

- They develop loyalty to brand protocols, patterns and designs
 - One time only learning curving; easy adoption by following accepted or known protocol
 - Feeling of expertise and comfort developed with a specific "system"
 - Specific design/style expresses personal style
- Technology must keep up with consumer second nature versus consumers keeping up with technology
 - Technology taking cues from the consumer...senses how the consumer thinks, operates...and then adapts itself
 - Smarter AI
 - Second nature includes integration of voice commands into technology

2002 Key Findings: Samsung's Future Focus

Moving by Instinct

SAMSUNG IMPLICATION

- Develop Samsung brand protocol that facilitates adoption, while simplifying and differentiating the experience
 - Consider this part of the Samsung "flavor" or brand experience
- Opportunities with consumer/device interaction using voice recognition

Source: FCB future-focus study, 2002.