

SAMSUNG ELECTRONICS (B): IN INDIA¹

Sumit Chakraborty, Associate Professor Sushil K. Sharma and Associate Professor Sougata Ray prepared this case 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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Version: (A) 2007-12-07

In late 2001, after a very successful three-year stint as the managing director of Samsung's Indian operation, K.S. Kim was ready to relinquish the position to S.S. Lee. Kim was leaving India as a very satisfied man, not only because he had been promoted to vice-president of global sales and marketing of Samsung's display products, but also because he had set Samsung India on a firm foundation.

Samsung India had just completed another year of stupendous progress. It closed the calendar year 2000 with a turnover of Rs1,950 crores,^{2,3} up 44 per cent from last year's turnover of Rs1,350 crores. Net profit during the year was up from Rs32 crores to Rs50 crores. In 2001, Samsung India projected a turnover of Rs2,850 crores with a net profit of Rs80 crores. By 2003, Samsung aimed to become "one of the top three" electronics companies in India with a turnover of Rs5,000 crores (two per cent of Samsung Electronics global turnover). Understandably, Lee was quite upbeat as he took over the mantle of Samsung's Indian operations, heading both Samsung Electronics India Limited (SEIL) and Samsung Electronics India Information and Telecommunications Limited (SEIIT).⁴

All these achievements and targets were to take place in a market that had not been looking particularly attractive. The consumer durables market was going through a rough patch with slower sales, general price erosion and tough competition. Sluggish domestic demand and a slowing global economy coupled with slower exports, lack of spending on infrastructure and political uncertainty affected overall industrial growth. The economic forecast was not very encouraging, and there was unlikely to be any upturn soon. Then why was Lee setting such ambitious targets and looking very confident?

¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Samsung Electronics or any of its employees.

² Rs = Indian rupees.

³ crore = a unit used in the traditional Indian number system to represent 10 million.

⁴ Lee Takes Charge of Samsung's India Operations, *The Economic Times*, April 16, 2001.

SAMSUNG'S POSITION IN THE INDIAN MARKET

By 2001, Samsung Electronics had emerged as a truly global company, with 25 production bases, 36 marketing subsidiaries and 23 overseas offices in 46 countries around the world. Samsung's global strategy involved seven main regions: North America, Europe, Southeast Asia, Central Asia, China, the CIS and Latin America. Samsung launched its operations in India as a consumer electronics and home appliances company under the name of Samsung India Electronics Ltd. (SIEL) in 1995. Since then Samsung had set up a number of operations such as the R&D Center in Bangalore in 1996, the Samsung India Software Operations unit (SISO), and finally, Samsung Electronics India Information and Telecommunications (SEIIT), the company's wholly owned subsidiary for information technology (IT) and Telecom products, which was formed in May 2000.⁵

The flagship company of Samsung in India, SIEL, was a leading provider of high-tech, consumer electronics products in India, enjoying leadership in several product categories (see Table 1). The Samsung product portfolio comprised both consumer electronics and home appliance products, including audio-video and home appliances products; color televisions in the 14-inch to 53-inch screen size segment; refrigerators in the 170 litre to 230 litre direct cool and 250 litre to 680 litre frost-free segment; microwave ovens in the 20 litre to 37 litre capacity segment; air-conditioners in the range 0.75 tons to 2.3 tons package unit, including both window and split type, and VCR/DVD players.

TABLE 1: PRODUCT PORTFOLIO

TV & Video	Home appliances	Telecom products	IT products
<ul style="list-style-type: none"> • Televisions • DVD players • Set top boxes 	<ul style="list-style-type: none"> • Microwave ovens • Refrigerators • Air conditioners • Washing machines 	Mobile phones <ul style="list-style-type: none"> • GSM • CDMA Fax machines	<ul style="list-style-type: none"> • Hard disk drives • CD/DVD drives • CD Read/ Write • PC monitors • Laser printers

SEIIT, which was positioned as an "IT essentials company," had a product portfolio that constituted 70 per cent of the value of a standard PC. The product portfolio comprised Samtron and Sync Master branded color monitors, around 19 models ranging from 14-inch to 21-inch sizes, TFT LCD monitors, storage products, optical disk drives (ODDs), multimedia kits and laser printers. Samsung Telecom products included mobile phones and fax machines.

Samsung started its Indian operations with color televisions (CTVs) in December 1995. In 2001, the company had a market share of 11 per cent. Major competitors were BPL, Onida, Sony, Philips, LG, Sharp, Akai and Aiwa. The company took quite a while to make a dent in the Indian CTV market, primarily because it had initially neglected the mass market of the base line 21-inch CTV. Later, the specific range was launched in the form of the Metallica series, available in 20-inch and 21-inch screen sizes and quickly captured a large share of the market. Samsung also started exporting 14-inch CTVs to the Western European market from August 2000. With the capacity of the Noida manufacturing plant increased to one million in 2001, Samsung India expected to become an export base for supplying CTVs to neighboring countries like Sri Lanka, Thailand, the Philippines, Indonesia and Maldives, as well as to the European market.⁶ The company was targeting exports of 0.2 million units by 2001.

⁵ <http://www.samsungindia.com>, accessed June 14, 2002.

⁶ T.V. Sriram, "Samsung to Make India Export Hub; Eyes \$58 Billion Sales," *Financial Express*, November 29, 1999.

After testing the Indian market with CTVs, in 1999, Samsung decided to expand its range of product categories. Subsequently it introduced almost all the products belonging to its global product portfolio.

THE AIR CONDITIONER SEGMENT

Growing industrialization and an expanding middle class with higher disposable incomes led to a growth in air-conditioner (AC) demand. With the environmental conditions deteriorating in many Indian cities due to an increase in traffic density, population growth and reduction in foliage cover, the consumer demand for ACs registered a substantial increase. Second, with heavy investments coming in from the information technology and telecom sectors and a renewed governmental initiative on strengthening the agricultural infrastructure (cold storage), institutional demand for ACs also increased. The Rs12 billion AC industry in India could be classified into three broad segments — unitary products, packaged air-conditioners (PAC) and ducted splits and central plants. The domestic demand for ACs was largely met by window ACs, and the Indian AC market was dominated by 11 players: Bluestar, Carrier, Godrej, Hitachi, Kenstar, LG, National, Videocon, Voltas, Whirlpool and Samsung. Samsung India launched its AC business in 1999. Samsung started selling both split and window type ACs with and without remote control operation in the range of 0.75 tons to 2.3 tons. Samsung was operating in the high end of the market (prices in the range of Rs25,000 to 35,000). The company recorded growth of 117 per cent in AC sales with a 15 per cent market share.

THE MICROWAVE OVEN SEGMENT

Samsung entered the microwave oven market in 1999, selling ovens with a grill and micro-type (compact / family size, analog/digital controlled). Major competitors included Bajaj, BPL, Daewoo, IFB, Kenstar, LG, Sharp and Whirlpool. Samsung was operating in the medium (Rs10,000 to 15,000) and high priced (greater than Rs15,000) segment of the market. In 2001, Samsung was the leader in microwave oven segment with 22 per cent market share.⁷

THE WASHING MACHINE SEGMENT

Samsung produced all types of washing machines (Semiautomatic/ automatic, top/front loading, medium capacity with pulsating mechanism) in the range of low, medium and high price segment. The consumer electronics and home appliances division had embarked on a new product extension to its existing product line of semi-automatic washing machines under the Karisma umbrella brand. In 2000, Samsung launched Karisma single tub semi-automatic washing machines, whereas in July 2001, the company had introduced the six kilogram Karisma twin tub semi-automatic washing machines. The move to launch twin tub semi-automatic washing machines was aimed at the premium segment of the one million units market. Samsung was competing with 11 major players: BPL, Daewoo, Electrolux, Godrej, IFB, LG, National, Siemens, Videocon, Voltas and Whirlpool. Samsung was the market leader in the washing machine segment with a market share of 15.5 per cent. The company projected its market share to touch 10 per cent in semi-automatic washing machines and a nine per cent share in its fully automatic models.⁸

⁷ <http://www.financialexpress.com/fe/daily/20010206/fst06019.html>, June 14, 2002.

⁸ <http://www.financialexpress.com/fe20010726/stra5.html>, June 14, 2002.

THE REFRIGERATOR SEGMENT

In 2001, Samsung was the market leader in the frost-free biofresh segment. The company had a target market share gain of 45 per cent in frost-free over 310 litre segment and a 14 per cent share in the entire frost-free market. Within the refrigerator segment, the company had strengthened its Bio Fresh line by launching two new premium frost-free refrigerators — the side-by-side refrigerator in 570 litre capacity and the 610 litre door-in-door model, both equipped with Samsung's patented twin cooling system.

TELECOM AND INFORMATION TECHNOLOGY PRODUCTS

Samsung Electronics India Information & Telecommunication Ltd. (SEIIT) was the 100 per cent subsidiary of the Korean electronics company. Samsung Electronics Co. SEIIT was targeting a sales turnover of Rs800 crores in 2001 and was the market leader in IT Peripherals Company in India. SEIIT was positioned as an "IT essentials company," having a product portfolio that constituted 70 per cent of the value of a standard PC. In 2000, Samsung planned to enter into the low-price segment of the mobile phone market. Major competitors were Alcatel, Ericsson, Motorola, Nokia, Siemens and TCL. Flat CTV and color monitor and mobile phone sectors were becoming an emerging market for India and other South Asian countries (see Exhibit 1).

SCRIPTING THE SUCCESS

Marketing Strategy

Samsung chose to go the extra mile in the detail and depth of market segmentation for its products. It looked at features in its products and tried to match them to the customer need-gap with existing brands. The marketing strategy focused on brand differentiation. From the beginning, the company positioned itself as a high-technology brand in medium and premium price segments. In an environment where their customers were given various exchange offers, Samsung differentiated its products on the basis of technology, distribution and excellent after-sales service. The company realized that Indian customers were not price conscious but they *were* value conscious.

Distribution and Customer Service

One of the key reasons for Samsung's success was the company's distribution network in India. Samsung India established an extensive network comprising 18 branch offices, over 3,900 dealers and around 400 service centres to reach customers. The company had a two-tier distribution structure wherein national distributors would bill the dealer channel.⁹ SEITL was operating through four distributors in India — Tech Pacific India Limited, Redington India, Ingram Micro and Savex Computers. Those four distributors covered the entire breadth of the country with more than 84 sales offices in over 25 cities. Each of the distributors had key competencies in certain product lines or geographical belts, which, on the whole, gave Samsung enormous channel strength. Tech Pacific and Redington gave Samsung much-needed channel width. Ingram Micro did very well in developing new products such as CDRW range and new multimedia monitor. Savex was a niche distributor that specialized in sales of high-end products such as TFT LCD monitors.

⁹ Sonal Anand, Country Product Manager (Display), Samsung India, "The Key Reason for Our Success is the Distribution Network," www.dqchannelsindia.com/content/channelchief/101050701.asp, May 7, 2001.

The channel partners were the actual product champions of Samsung as they were the link with the end customers. The company's expectations also revolved around the channel partners adding value to customer sales guiding them to the right purchase decision at a fair price. All channel partners were registered in the company's database, and Samsung introduced various schemes to help them earn more through higher sales and incentive programs. Samsung had very strong personal relations with key channel partners. All new schemes revolved around increasing sell-out and rewarding performance. For corporate deals, Samsung actually went out with the channel partners and promoted sales on their behalf. The company provided sales training to the staff, extended support on corporate mailings, classified advertising and made demo samples available to partners. Given the competitive nature of the industry, channels had complaints of inadequate margins and profitability in business. Samsung was very sensitive about the issue and took measures to improve the condition of the partners. All promotions and programs were aimed at increasing channel margins. The innovative coupon scheme was one such initiative, which increased the sell-out of the partners and reduced the inventory cost, thus increasing margins. By constantly upgrading the market and launching technology products, the company tried to ensure healthy margins for the channel.

To increase demand at the end-customer level, Samsung launched an annual "Value++" program. Under the program, end customers could get free bundled products. For example, last year, with every monitor and hard disk drive, Samsung offered a value booklet that included discounts of Samsung Home Electronics products, subscriptions to IT magazines, discount coupons for NIIT and a free Sony music CD. Samsung also made PC purchasing a more enjoyable experience by bundling free essentials like computer training, multimedia titles, games and Internet hours.

To service its customers more effectively and promptly, Samsung linked a majority of its authorized service centres with the head office through the Focus 21 Programme. As part of this system, the company owned service centres, also termed as FSCs, the national spares warehouse and head office were all networked with following basic objectives:

- Better service management by integrating customer call handling and product quality feedback
- Online connectivity between FSCs, the spares warehouse and the head office
- Better spares inventory management since spares planning was done on the basis of failing to meet the service requirements

Samsung firmly believed that its relationship with customers continued well beyond the purchase of a product. Hence, all concerted efforts in networking and automation were ultimately geared to improve customer service offers, thereby increasing customer satisfaction. Some of the unique service offers from Samsung included prompt on-site service, seven-days-a-week service, mobile vans and pagers for service staff. In January 2001, the company launched Samsungmart, the online buying process through www.samsungindia.com.

Promotion and Advertising

India was the second-largest emerging market after China for the Korean electronics major. In a bid to reduce its inventory, Samsung chalked out an aggressive marketing campaign to push secondary sales (dealer-to-consumer) across all product categories in India. It also hiked its advertising and promotion budget for 2001 by 15 per cent to Rs85 crores. In fact, Samsung was launching new advertising campaigns for all of its product categories. Print advertising for Plano CTVs and direct cool refrigerators was followed by TV commercials for Metallica CTVS and air conditioners. While the Plano brand proposition was 'true

life-like images' targeting customers ready to pay a little extra for technology, the Bio Fresh fridges were positioned on the freshness plank. Samsung signed on popular film actress Tabu as the star endorser for its range of home appliances. The company, for the first time in 2001, was sponsoring a music channel, Channel V, and road shows across eight cities, featuring popular music artists like Sukhbir, Euphoria, Shaan and Mehnaaz. "We decided to sponsor Channel V road shows because the concept and audience fit in well with our overall communication strategy," said R. Zutshi, vice-president, sales. The company also sponsored Samsung Adventure One with the National Geographic Channel. The theme of the company's marketing communication was "Samsung products make your life more enjoyable."

In 2001, Samsung was also getting into ground promotions targeted at mass consumers for the first time. The company was targeting an awareness level of 95 per cent. A survey by Research International put Samsung's current awareness levels at 93 per cent. Samsung had drawn up a blueprint to expand its penetration in India with a focus on rural markets, and was expanding its dealer network to 2,500 from 1,750, having earmarked a separate ad budget branch-wise, specifically for rural promotion. Lee was expecting more than 10 per cent of sales to come from rural markets. The company was working on products specially prepared for rural markets such as the economy version CTVs in the 14-inch and 20-inch categories, semi-automatic washing machines and direct cool refrigerators in the 170-litre, 190-litre and 230-litre range. All products had been priced below the psychological price barrier of Rs 10,000.

After a limited burst of online advertising (mainly the sponsoring of sites) in 2000, the company was expanding the same activity, mainly targeting the non-resident Indian (NRI) audience. It had identified portals for women, sports and youth for banner advertising. "We were not expecting large returns from online advertising, but we want to use it to direct traffic to the Samsung e-mart site," said the company spokesperson. In 2001, the focus of the advertising moved from educating customers on digital technology to communicating the benefits of that technology. Thus, Samsung's advertising was becoming more product-specific.

Manufacturing Facilities

CTV Manufacturing

Samsung India had a manufacturing facility for color televisions and microwave ovens at Greater Noida, Uttar Pradesh. With an investment of Rs90 crores, the highly automated CTV plant had a manufacturing capacity of 600,000 units (14-inch to 30-inch) per annum. With the latest, most advanced manufacturing equipment, the CTV facility was fully geared for high-speed, high-volume and high-quality production. In September 2000, Samsung set up a new production line for projection televisions with screen sizes of 43 inches and 53 inches.

Microwave Oven Manufacturing

Realizing the high potential for the product category, Samsung set up a production line for microwave ovens at Noida in March 1999. Samsung was manufacturing all the currently available microwave oven models in the market. The plant had a production capacity of 100,000 units (20 to 37 litres) per annum.

Air Conditioners Manufacturing

Samsung planned to invest Rs20 crores for manufacturing air conditioners with an initial capacity of 100,000 units per annum. Said Lee,

Based on the success that we received for our air conditioner business in India and looking at the high sales potential of this product category, we had decided to go ahead with our manufacturing plans for air conditioners. Both window and split air conditioners will be manufactured at this plant.

Production Strategy

Robots or flesh-and-blood — what should be the strategy for production? Samsung installed two auto-insertion machines that accounted for 95 per cent of the six hundred odd components going into the circuitry of a CTV. The collective investment for those two machines was Rs14 crores. To ensure the same speed of output — without considering the consistency — the company would have to use 220 workers. Thus, the auto-machines helped the company to save 33 per cent of its costs over a period of 10 years. “Automation enables us to produce faster with lesser manpower. This had helped us reduce our manufacturing costs,” said Kim. The manufacturing processes were fine-tuned to such an extent that the “tact time,” i.e., the time to manufacture a color television set, from the assembly of the circuit board to the finished product packed and sealed for shipping, was taking just 9.6 seconds.

Commencing production in June 1997, Samsung India had quadrupled its productivity levels in a span of just three years. The “Challenge 3000 Campaigns” resulted in the highest productivity level of 44 sets per person per day; it was the best productivity score among all Samsung subsidiaries outside Korea. In January 2001, Samsung India CTV launched “Challenge 4000 — TGV” (Tez Gati Vali) productivity campaign to achieve a production capacity of 800,000 CTV units per annum. Mr. Saini, manager, production engineering, stated:

This goal derives from the overall vision of the company to attain productivity and quality improvements. As the color television market was very price-competitive, we had to ensure that manufacturing costs and quality costs were reduced so that our margins were not squeezed.

The CTV facility received ISO 9002 Certification from BSI, UK and STQC, DoE within 11 months of commencing production, faster than any other Samsung subsidiary. The Quality Circle activity was initiated in September 1997. Through proper standardization of work procedures, daily production time loss was brought down to 12 minutes from 63 minutes. In a span of only six months, Samsung had become one of the few companies in India to successfully implement a Six Sigma management tool in production to improve efficiency, quality, cost and saving. The Six Sigma project reduced the operation loss and balancing loss of the CTV production line by over 60 per cent and reduced the defect rate of the auto insertion machines by over 80 per cent, measured in parts per million (ppm). Y.B. Yoo, vice-president, manufacturing, commented:

We were applying Six Sigma methodologies to improve our existing processes and practices in production and achieving even higher quality levels in our manufacturing processes. Thus, for better quality management of our systems and processes, choosing the

right operating mechanism and applying the right tool was the key to our success in implementation of the Six Sigma principle.

Research and Development

Samsung advanced rapidly to establish a global manufacturing network. Along with manufacturing operations, a global research and development (R&D) network was set up to utilize the best brains and resources that the world had to offer. Main tasks of Samsung's overseas R&D centres included gathering information related to new technologies and developing products that best satisfy local market requirements. In February, 2000, Samsung set up an R&D centre for color television at Noida with an investment of US\$5 million. Making an announcement in Delhi, Kim said:

Our R&D vision entails giving Indian customers color televisions designed and developed to meet their specific requirements. We are looking at the Samsung India R&D centre supporting the design requirements not only for India but also for neighboring countries in South East Asia and the Middle East.

The key direction given to all the regional R&D heads was to focus on meeting the expectations and requirements of local customers and to develop customized models in terms of design and features and be first in developing them. The achievements of the Samsung India R&D team included conceptualization and development of the Metallica series of CTVs launched last year and the TV net appliance. The Samsung India R&D centre hosted the first ever-global R&D meeting of the company outside Korea and kicked off its global R&D campaign — “Be First” — for the year 2001.¹⁰

Information Technology and Supply Chain Management

As much as 68 per cent of the components used in the manufacturing of the color televisions were sourced from local vendors. Samsung India adopted the most advanced computer networking system that promised to give a fighting edge to its marketing strategies. Called SAP R/3, the facility, acquired from Germany, helped integration of sales, manufacturing, procurement and financial functions of the organization by linking all of its 14 branches nationwide, including its three locations in Delhi. Samsung became the first company in India to implement six modules: production planning, materials management, controlling, financial accounts, sales and distribution. Samsung began its business-to-business initiatives with the launch of Glonets (linking its key vendors through its global logistics network system) and Ascnet (linking its authorized service centres (ASCs) with the head office) (see Exhibit 2). Glonets was used to facilitate efficient purchase of requirements from international procurement offices and vendors in India, resulting in shorter business cycles and optimizing logistics processes. With Ascnet, the entire supply chain process became automated. It allowed ASCs to be in touch with the company on a real-time basis. Besides ordering spare parts online the ASC could know the stock position and order status of the spares at any point of time. For consumers, Samsung launched its e-business site, Samsung e-mart, in February 2000, which allowed online purchase of products. The company adopted a two-price online pricing strategy by clubbing various regions for standardized prices. The company also had a business-to-consumer application for service needs. Customers could use the online call logging application on the company site,

¹⁰ Shubham Mukherjee, “Samsung India's R&D Centre Hosts First Global Meet, New Delhi,” *The Economic Times*, January 27, 2001.

samsungindia.com, for registering their service complaints, which were then followed up by the company and referred to the relevant regional service centre.

Driving forward its e-business strategy, Samsung India launched its third business-to-business initiative, Hello Samsung, linking its dealers through the Internet with the company's supply chain. The project completed the loop as far as real time communication with its business partners was concerned. Hello Samsung facilitated online ordering of products by dealers. It also provided them with information regarding total sales, credit availability, inventory levels, etc., thus allowing them to measure their own performance. It also had a feedback feature that allowed dealers to give feedback to the company on product quality, delivery and related issues. In the next stage, information regarding special support schemes was also communicated on the Internet. Thus, branch managers were able to communicate regional discounts and other schemes to dealers online, cutting down communication time. The company had earmarked Rs6 crores for the entire digital e-company initiative to automate its work processes. The end target was to achieve the company's initiative of becoming a digital e-company, with a digital range of products and e-management processes (see Exhibit 3).

Human Resources Policy

The work culture at SIEL was based on the fundamental belief that employees were the most important assets of Samsung. The human resources (HR) system paid considerable attention to the salary structure, administration, working conditions, rewards, recognition, training and development, and recruitment. The ultimate goal of the HR policy was to harness the potential of employees to the fullest extent so that they became excellent employees giving quality performances. Samsung was continuously trying to establish a respectable company image in Indian the market through various social and cultural activities.

FUTURE STRATEGY

Though Samsung arrived a little late to the electronics market in India, the company had a big plan for India. So far, Samsung had achieved good results for aggressive marketing, increasing product portfolio, use of information technology in logistics and customer service, enhanced productivity and efficient risk management (see Exhibit 4). The primary reason for this success was that Samsung always tried to provide Indian consumers with contemporary, top quality, differentiated products backed by superior after-sales service. In fact, Samsung was highly successful in adapting its products to recognize and serve the actual needs of its Indian customers. The unique, advanced, consumer-friendly features of their products were at the heart of the company's communication strategy. The advertising strategy had been technology-led because Samsung believed in using technology to provide its customers with unique customer benefits. To maintain and further strengthen its position in the market, Samsung corporate management initiated a "3S:3E" campaign to incorporate a digital culture wherein the 3S stood for speed, simplicity and self confidence, and the 3E stood for engagement, empowerment and encouragement.

The basic philosophy behind the rapid expansions was very clear from Samsung's future vision. With respect to market shares, by 2002, Samsung India was looking at maintaining its position in some segments and in other cases acquiring the market leadership for product categories like color monitors, hard disk drives, global system for mobile communication (GSM), microwave ovens and DVD players. In the CTV segment, the company was looking at becoming one of the top three players in the Indian market by 2002 and was also expecting to acquire leadership position in other home appliance products. In the future, the

company planned to focus on introducing new models in every category of a product line, some of them with a unique selling proposition. But was this too ambitious?

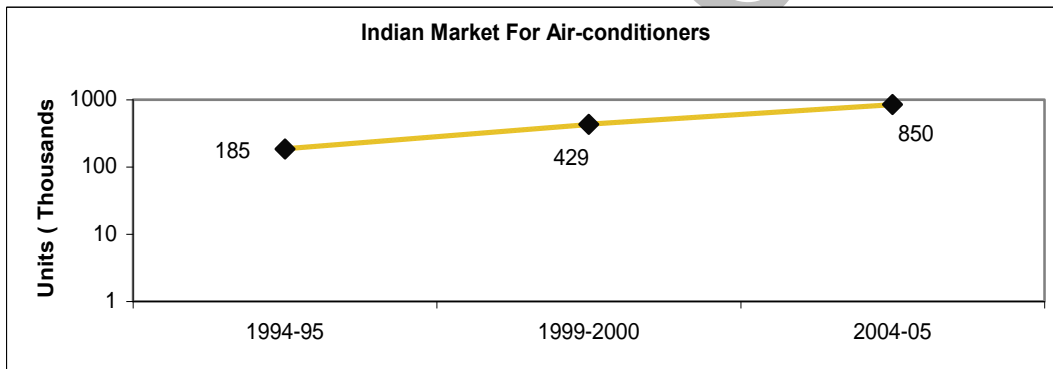
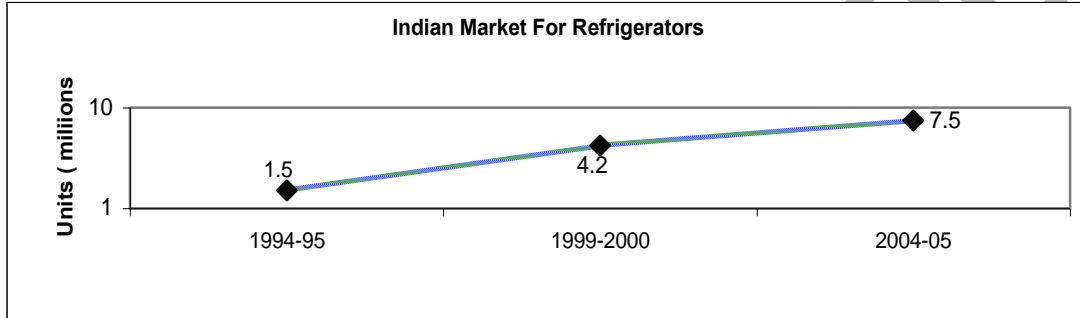
The South Korean economy was showing signs of recovery after a crisis of over two years, but the consumer durables and electronic industry had one of the lowest penetration levels in the world (see Exhibit 5). Samsung headquarters was recasting its investment plans taking into account the latest global developments. By 2005, the company was planning to invest \$215 million in India. A \$10 million color monitor plant, Samsung's seventh worldwide, was expected to open in Noida with an annual production capacity of one million units. "India was an emerging market," said K.S. Kim¹¹, senior vice-president of Samsung Electronics Co. Ltd., "We will contribute to India's economic development by continuous investment and market development" (see Exhibits 6 and 7). In fact, Samsung planned to triple its turnover to \$15 billion in the next five years. Samsung adopted a prudent two-pronged strategy: expand abroad and equip overseas units with the skills and resources to be self-sufficient. Was this the right policy for operations in India?

Samsung must quickly move on to the next stage since the key to survival in a competitive marketplace is the ability to launch new models with innovative features at regular intervals. Since digital connectivity was the future of technology, Samsung shifted its focus to become a leader in the digital convergence revolution, as indicated by the company's slogan: Samsung DIGITall — everyone's invited. Samsung India expected to become an export base for supplying consumer electronics and home appliance products to neighboring countries like Sri Lanka, Thailand, the Philippines, Indonesia and Maldives, Gulf countries as well as the European and African markets. Should Samsung wage a war with local players in the low and medium segment of the Indian market? Or should it develop products aiming at the higher end? Should the company look for investment opportunities in new business areas, such as mobile phones, exploiting its existing competencies? On what basis should Samsung judge the new business opportunities? Lee wondered.

¹¹ Nitya Chakraborty, "India Is a Priority Market for Samsung Electronics — Why Samsung Is Expanding," *The Hindustan Times*, May 14, 2000, www.the-week.com/21jun10/biz2.htm, accessed June 14, 2002.

Exhibit 1

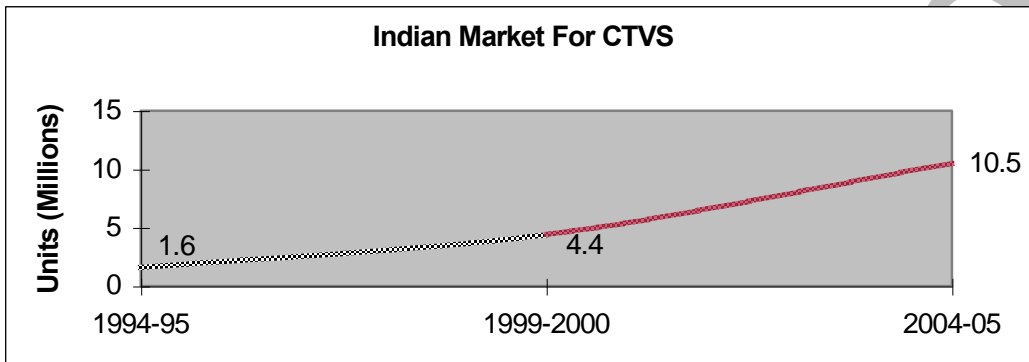
INDIAN MARKET POTENTIAL



Source: A&M, December 31, 2000

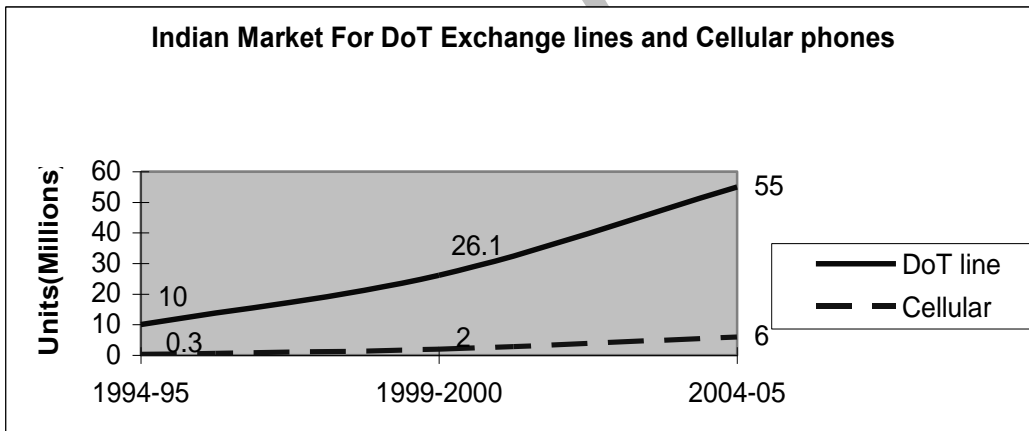
Note: actual CAGR: 29%, projected CAGR: 12%, expected margin of error: ±1.0

Exhibit 1 (continued)



Source : A&M, December 31, 2000

Note: actual CAGR: 23%, projected CAGR: 19%, expected margin of error: ± 5



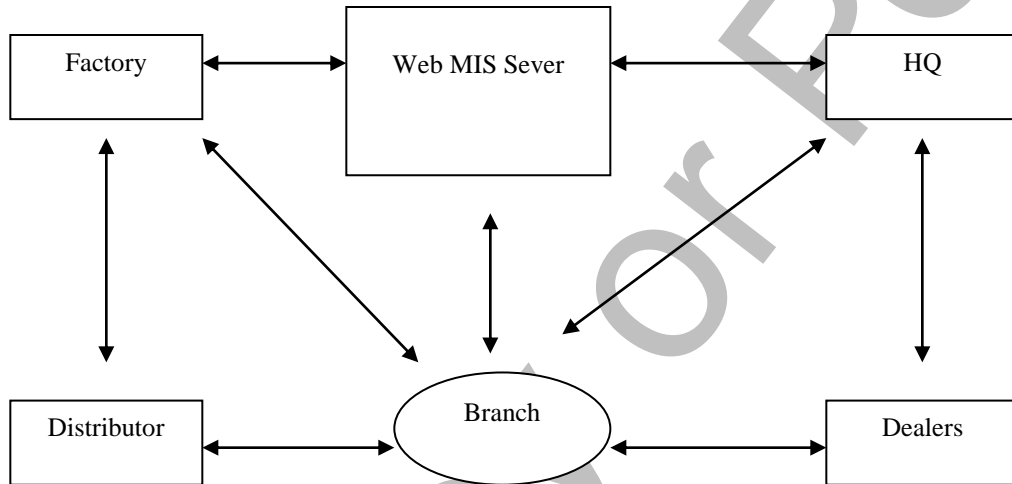
Source : DoT COAI

Note: Cellular: actual CAGR: 90%, projected CAGR: 25%, expected margin of error: ± 7

Land Lines: actual CAGR: 21%, projected CAGR: 16%, expected margin of error: ± 3.0

Exhibit 2

SUPPLY CHAIN MANAGEMENT OF SAMSUNG THROUGH MODERN IT



Source: created by author.

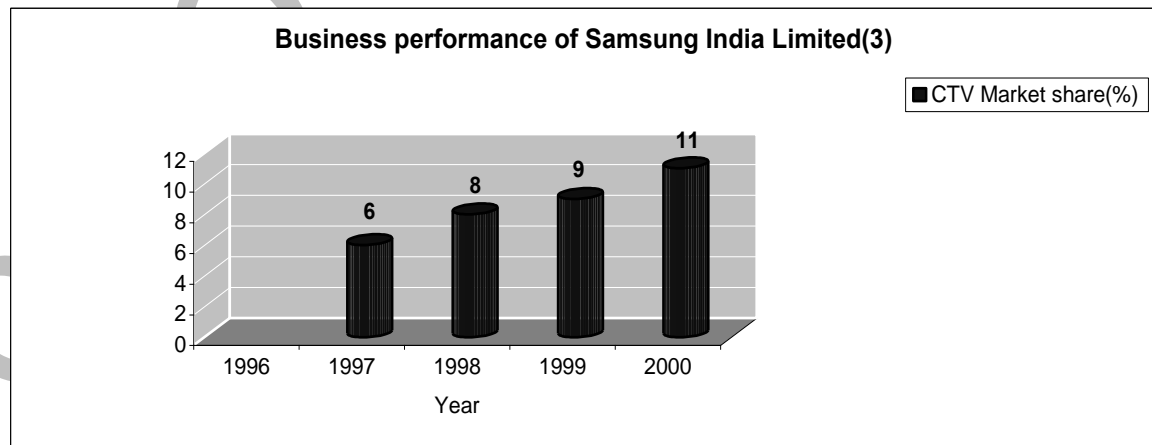
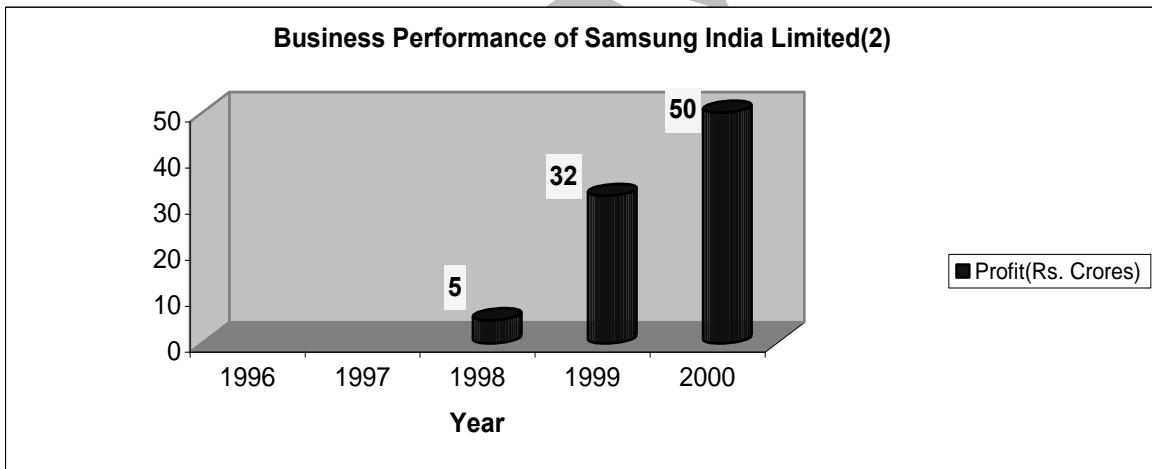
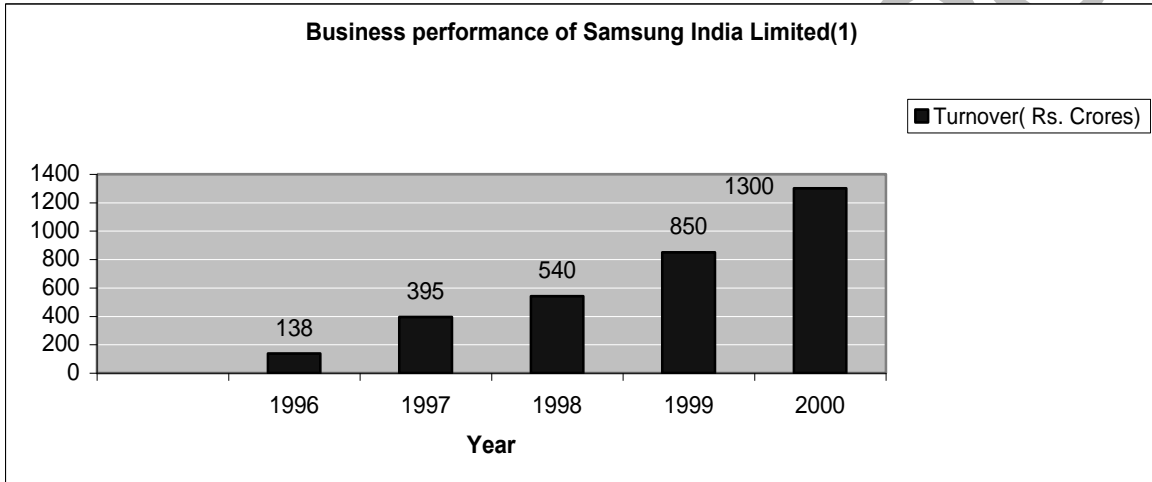
Exhibit 3**MAJOR EVENTS OF SAMSUNG IN INDIA**

- August 1995 — Certificate for commencement of business in India received by Samsung
- December 1995 — Samsung launched operations in North India
- May 1996 — Launched operations in South. Home Appliances launched in India
- June 1996 — Foundation Stone laid for CTV plant at Noida, UP
- October 1996 — Launched operation in West
- June 1997 — CTV plant inaugurated with plant capacity of 400,000 units pa
- January 1998 — All India operations with launch in East
- May 1998 — New white goods launched
- Double productivity award from SEC — ISO 9002
- September 1998 K.S. Kim appointed as the new M.D. of Samsung India.
- Samsung awarded 'SAP Star Award' by SAP AG
- March 1999 — Started manufacturing microwave ovens at Noida plant with capacity of 50,000 units pa
- September 1999 — Millennium Digital Campaign from Samsung, launch of digital products
- February 2000 — Launch of Bio range of Products; 'Bio Ceramic' Microwave Ovens, 'Bio Fresh' refrigerator and Insta—Chill Air Conditioners.
- March,2000 — Sets up an R&D centre as the regional hub, catering to design requirements in India, Middle East and South east Asia for CTV at Noida, investment : US\$5 million
- May 2000 — Launch of Samsung's 100 per cent subsidiary for IT and Telecom products in the country
- July 2000 — Samsung India produces its millionth CTV in India — The first MNC to achieve
- September 2000 — Export of 'Made in India' CTVs to Western Europe
- Second Production Line set up at Noida for the manufacture of Projection TVs in India
- January 2001 — Samsung India announced its corporate initiative to be a Digital E-Company
- April 2001 — S. S. Lee took over charge as M.D
- July 2001 — Samsung's seventh Color Monitor Plant in the world and the first color monitor plant in India commenced production, plant capacity: 1.5 million units.
- November 2001 — Samsung India started the domestic production of fully automatic washing machines at its 1 lac capacity per annum unit at Noida.
- January 2002 — Samsung launches MDC or Market Driven Change Initiative
- February 2002 — Started domestic production of AC, plant capacity: 1 lac units per annum.

Source: www.samsungindia.com/who_are/company/highlights.asp, accessed June 14, 2002.

Exhibit 4

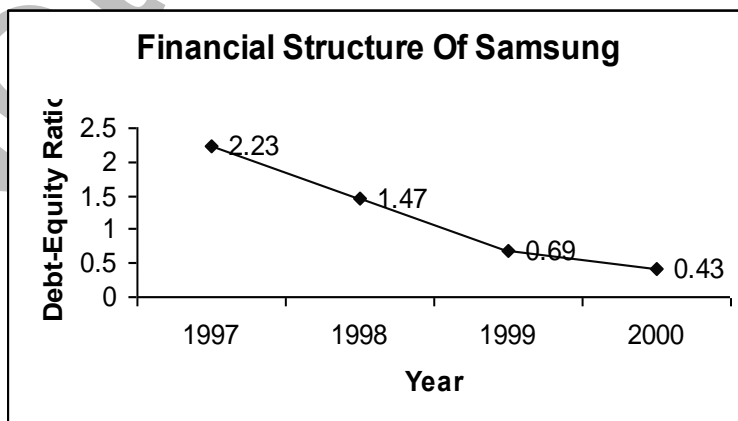
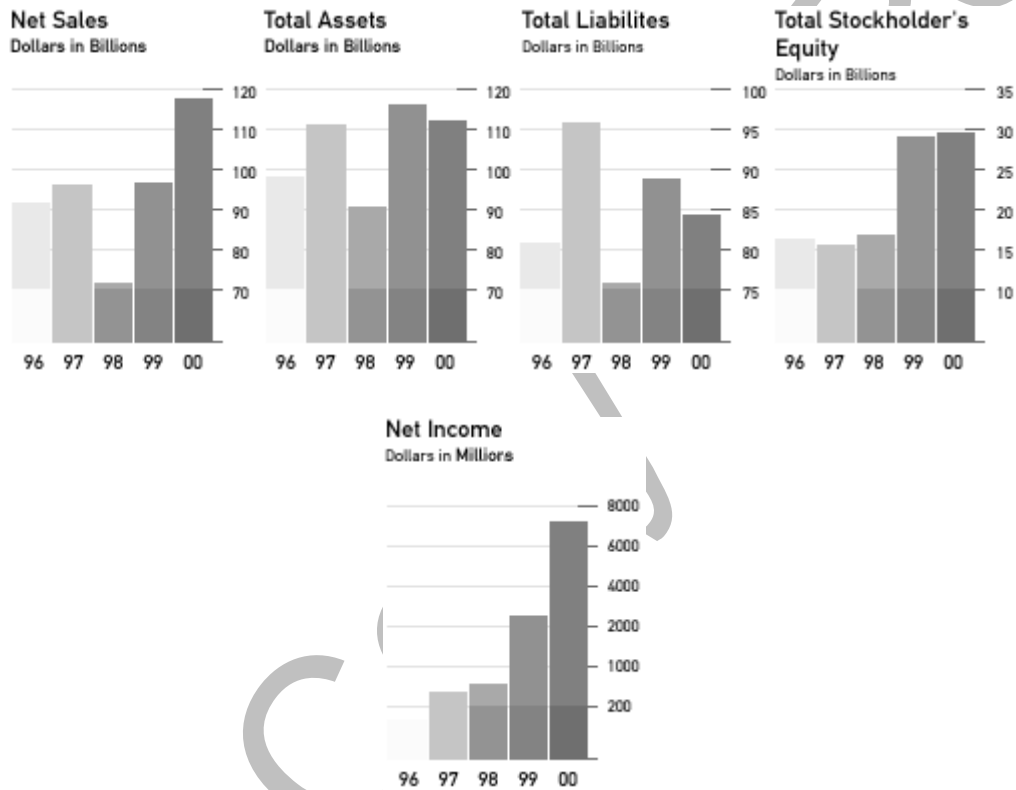
BUSINESS PERFORMANCE OF SAMSUNG INDIA LIMITED



Source: www.samsungindia.com, accessed June 14, 2002.

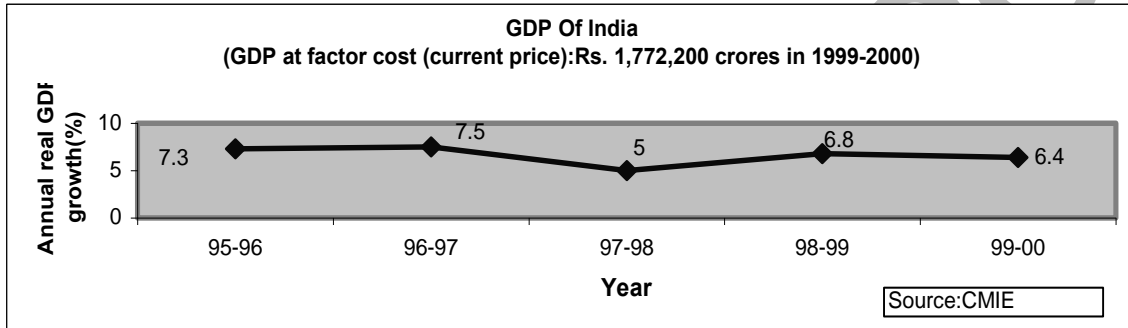
Exhibit 5

FINANCIAL PERFORMANCE OF SAMSUNG (WWW.SAMSUNG.COM)

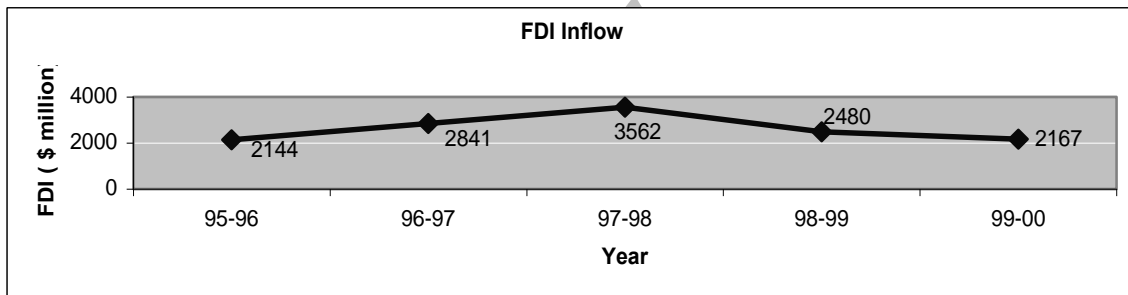


Source: www.samsung.com, accessed on June 14, 2002.

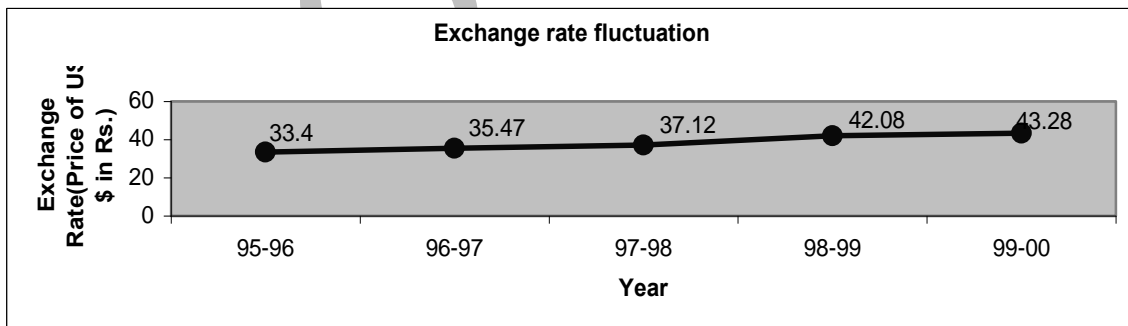
Exhibit 6
ECONOMIC DEVELOPMENT



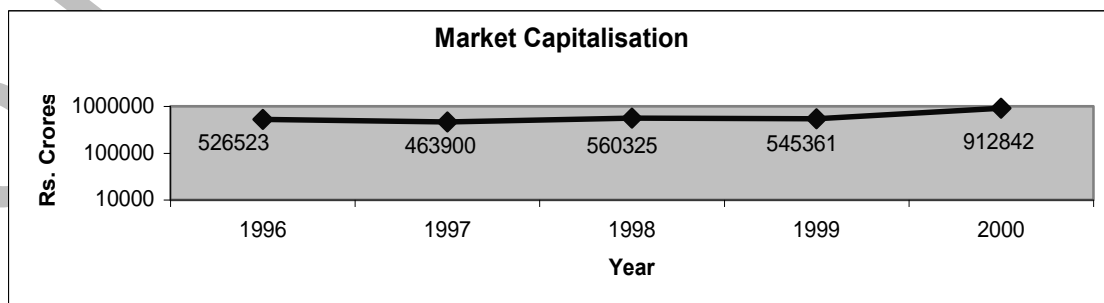
Source: CMIE



Source: World Economic Forum



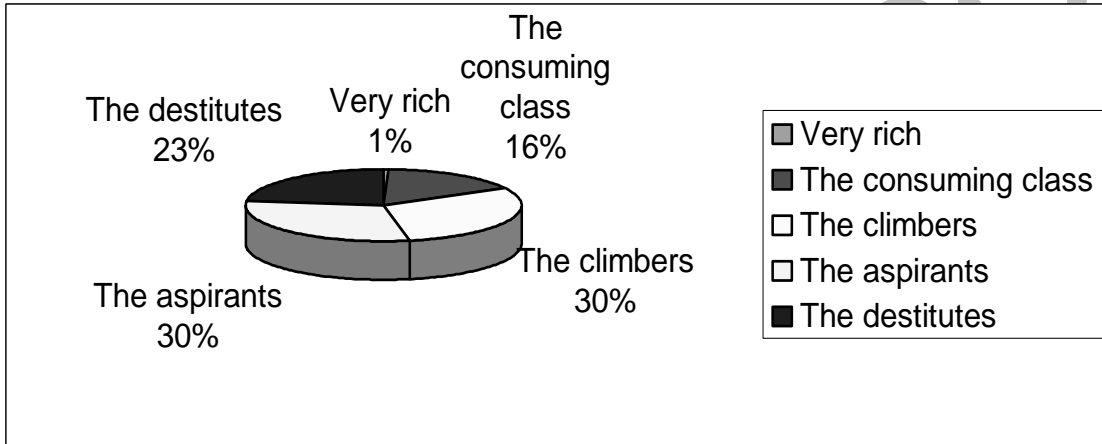
Source: RBI



Source: BSE

Exhibit 7

MARKET DEMOGRAPHICS



Source: NCAER