



EXAMINING THE DIFFERENCES OF THE INTERNATIONALIZATION  
STRATEGIES OF TWO OF THE MAJOR BRANDS IN THE SMARTPHONE  
INDUSTRY - APPLE INC. VERSUS SAMSUNG ELECTRONICS

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## **RESUMO**

Esta dissertação irá consistir na análise do êxito da internacionalização das duas grandes empresas na indústria de *smartphones*: nomeadamente a Apple Inc. E a Samsung Electronics.

A importância deste estudo consiste no fato de que estas duas grandes empresas foram construídas em dois países diferentes com estratégias de ação distintas. Ambas as empresas, aplicam diferentes abordagens no seu processo de internacionalização. No entanto, hoje em dia as duas empresas são líderes do mercado.

Esta dissertação tem como objetivo determinar as estratégias das duas empresas, avaliando a sua interligação e a razão do seu sucesso/insucesso em diferentes países.

## **ABSTRACT**

This dissertation will consist on the analysis of the success of the internationalization of two major companies in the smartphone industry: namely the industry leaders: Apple Inc. and Samsung Electronics.

The importance of this study consist in the fact that these two major companies were built in two distinctive countries, cultures, segments and are both based on different decision making. Both companies, applied different strategies and approaches to their internationalization process as well as, different market selection. However, nowadays both are bumping heads trying to reach the number one spot in the market.

Therefore, the analysis made will determine both companies' strategies and entry decisions to then conclude the major differences between two companies that sell the same type of product. Where and why they are successful or unsuccessful in different countries, the hostility between both companies and finally how they are intertwined and need each other.

**Keywords: Internationalization, Strategy, Market Entry, Segmentation, International approach.**

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## **Executive Summary**

As well all know the world is becoming “smaller”. Countries tastes in style, food and technology is becoming more in sync as time goes by. The reason as to why is known by all; globalization and internationalization. Globalization has always existed, however, it is becoming vaster and more powerful in today’s world. The same movies made and shown in Hollywood can be found in the most remote parts of the world. No longer, is there a need to visit a country for its cuisine, restaurants of all types of food, from all over the world is found in any country. The fast growth of technology and communication has allowed the world to intertwine with ease. Yet, there are many businesses that are not too keen on this era and not always know exactly how and what to do to save their national businesses. This thesis has the purpose to better understand in which circumstances companies must change their strategies in order to be successful abroad and in national territory. In this case, an analysis will be made to two major international businesses; Apple Inc. And Samsung Electronics.

Throughout this work, topics such as market entries, culture, entry strategies and models will be studied and analyzed. The firm objective of this study is to monitor these businesses strategies from a success and failure in their internationalization processes.

Markets nowadays are saturated, and there is nothing to stop it, that is why markets are in a way forced to go international. Many companies have succeeded and many have failed. Some reasons can be complex, for example market entry strategies and some might be simple, for example culture and language barriers.

In the case of Apple Inc., a study in its attempt to penetrate the Asian market versus Samsung’s existing presence. This will allow the study to better determine how each company’s strategies differ from each other and why sometime one strategy is stronger than the other in certain markets. To better understand this, in conclusion to the research made on this subtopic, an Integration-responsiveness framework was conducted. This helps us better understand that in the case of Apple Inc. it’s low local response therefore, it has a more standardized strategy to its products throughout the world. Whereas, Samsung Electronics has a very high local responsiveness and adapts to market needs and desires.

This study, has in fact shown that the planning, research and strategies that are organized in conducting a company's internationalization, does influence whether the company will be successful or unsuccessful. In order to be successful they need to be cautious while planning their expansion. A company's internationalization means change, and change leads to the breakage of centuries of customs and ways of doing business.

### **Literature Review**

In this study various articles were researched and studied in order to have a better performance of the explanation of each segment and chapter detailed.

In the chapter concerning the segmentation strategies of each company, the study showed that Apple Inc. and Samsung Electronics were once partners and that the Apple Inc. iPhones were actually made with a majority of Samsung Electronics input, before they became rivals. The article from The Economist, concerning this information, even refers to a diagram that details how much of Samsung Electronics input actually made up the final product of Apple Inc.; iPhone (which may be observed in **annex 18**).

Another imperative research that was studied in the process of this dissertation was both company's websites. Both Apple Inc. and Samsung Electronics websites are filled with very important information concerning history, values, visions and what the company's will be up to next.

### **Methodology**

Throughout this research various tools will be used in order to confirm the study's importance to be met. Most of the search will be made through the study of articles concerning the subject and sub questions of each chapter, concentrating specifically and detailed on each one of them. This will be done by search from articles on previous studies and articles concerning the theme itself. This thesis concerns evolution, therefore, it seems proper to have an explanation of the occurrence of internationalization and its impacts on the companies' sectors of management strategies. This will concern not only the changes that are obvious to respect but also the reason as to why they exist. Many articles that will be studied will come from different universities' studies and various articles from well-known political and academic magazines such as Time, The Economist and The Harvard

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Review. There is also an importance of a more practical approach as to show which strategies in fact lead to failure or success. In this manner, the study is able to have a more complete and detailed matter in a survey that was directed towards individuals from different countries in order to better understand, between Apple Inc. and Samsung Electronics, which brand is preferred by costumers.

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## **CHAPTER I: Apple Inc.**

### **1.1 Brief History and Background of Apple Inc.**

Apple Inc. was created in a garage in California, USA in 1976. The Company and brand was created by Steve Jobs and Steven Wozniak. The two founder were both college drop-outs that were searching for jobs, namely in the Silicon Valley (**Woz for Hewlett - Packgrad, jobs for atria**).

As of 2000, Steve Jobs was Apple Inc.'s CEO and began to make Apple Inc. a more focused brand. In 2001, the iPod was released and alongside it iTunes was ventured into the market of downloading legal music through the iTunes Store, this new and exciting phenomena allowed users a wide range of variety of music. (**Chapman & Hakisson**) Apple Inc. made a profit of estimably 5.615Million USD from the iPod alone in 2002. (**APPLE INC., 2012**) The company became more international over the years, opening stores in Europe and Japan (2003).

It was not until 2007, that Apple Inc. hit the bullseye, with an amazing never-seen before product - the iPhone. The iPhone combined three major gadgets: a cell phone, a video iPod and internet access. Apple Inc. pioneered in such advanced technology and design, with its multi-touch screen and software. The device offered its users, its own internet browser (Safari), something that had yet to be made in a phone. Apple Inc. was able to sell over 1Million iPhone, in a time range of less than three months. . (**Chapman & Hakisson**)

Today, Apple Inc. is an American multinational corporation that develops electronics, servers, computer hardware, and consumer electronics and is also a digital distributor of media. Apple Inc. has a chain of retail stores known as Apple Inc. Stores. Even though the company maybe known for the products and services it provides the consumers, it is main product lines consists of the smartphone- iPhone, iPad, and iPod and Macintosh computers. (**Chapman & Hakisson**).

### **1.2 Apple Inc.'s Management philosophies**

The values of the company consists of five different aspects that Apple Inc. takes very much into consideration, which are as follows: the environment, Supplier responsibility, accessibility, customer privacy, incision and diversity. (**Apple.com**)

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The first value is the Environment, “*Our planet deserve our best thinking*”, Apple Inc. believes that it shows respect to the world by creating innovative products, studies are being made in order to develop products will be able to function powered by solar energy, with the objective of reducing carbon footprint. The company is also, starting to take on a greener approach with the purpose of developing safer products as well as safer manufacturing processes. This is possible by following a sustainable management organization in which devices are re-used. (**Apple.com**)

Apple Inc.’s second value regards supplier responsibility, “*There’s the right way to make products. It starts with the rights of the people who make them*”. Given the fact that Apple Inc. has a gross amount of suppliers (nearly 1.5Million people in 20 different countries), it strongly believes that those people deserve to be treated with dignity and respect. Apple Inc. presents an annual supplier responsibility report which include the latest actions that have been made in order to manage fairness and safety in the workplace and the necessary conditions to have a controlled and well-working supply chain. (**Apple.com**)

The third value existing in the company is accessibility, “*We’ve done everything possible to make anything possible*”. One of the features, which will later be discussed in a more detail matter, is the fact that all of Apple Inc.’s device as well as their software, are intuitive for users. (**Apple.com**)

Privacy is Apple Inc.’s fourth value, customer privacy is of great importance to the company. Each users’ personal data is protected by a strong encryption and strict polices, which allow data to be handed safely. iCloud is an example of the value, the applications is constantly undergoing improvements, updates and certifications which protects all of the users data. iCloud along with all other Apple Inc. software is easy to use, therefore the user is able to change any of the sharing settings they require. It has been understood, that Apple Inc.’s business model is straight to the point and even though it sells high quality products, it does not search the user’s web browsing habits or e-mails in order to sell its products. (**Apple.com**)

Inclusion and diversity are also valued within the Apple Inc. Company, it is believe within the company that inclusion inspires innovation. The fact that Apple Inc. alone comes from a country where each person has a different background, its globalization has also combined different cultures to the way the company is driven. Therefore, the company depends on

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employees from various types of backgrounds to fund innovation. Hence, Apple Inc. looks for people who are different and at the same time are creating opportunities for the next generations. **(Apple.com)**

Apple Inc. has always been seen as being particular and unique. It is undoubtedly, a different kind of company that has completely different views of the world when in comparison to more generic companies. *“It’s a special place where we have the opportunity to create the best products on earth — products that change lives and help shape the future. It’s a privilege we hold dear.”* **(Apple.com)**

Diversity however is also seen as critical in the process of innovation, and consequently essential in Apple Inc.’s future. *“We aspire to do more than just make our company as diverse as the talent available to hire. We must address the broad underlying challenges, offer new opportunities, and create a future generation of employees as diverse as the world around us. We also aspire to make a difference beyond Apple Inc.”* **(Apple.com)**

Inside Apple Inc. walls you may find a large array of people working there. In 2015 Apple Inc. stores had 35% women (global), 69% men (global), 19% Asian (In the USA alone), 13% Hispanic (In the USA alone), 11% Black (In the USA alone), 54% White (global), 2% Multiracial (global) and 6% that was undeclared. *“We believe in equality for everyone, regardless of race, age, gender, gender identity, ethnicity, religion, or sexual orientation. That applies throughout our company, around the world with no exceptions”.* **(Apple.com)**

### 1.2.1 Apple Inc. vision statement is as follows:

*“Apple Inc.’s commitment to deliver the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and internet offerings”.* **(Investor Relation: Apple.com).**

Apple Inc. mainly focuses on providing user friendly devices and efficient software systems. One of the most important factors for Apple Inc. and its mission statement is Focus. Apple Inc. aims its focus on aspects like the company’s management philosophy, concepts and of course an up to date technology. It is possible to conclude that these milestone missions are what made Apple Inc. what it is today. This may explain why Apple Inc.’s mission statement exclusively features descriptions of products and services of past and present technologies. **(Apple.com)**

### **1.3 Strategies adopted by Apple Inc.**

In order to evaluate Apple Inc.'s success and evolution a search was made on Apple Inc.'s strategies that were pinpointed in the early 2000s. Apple Inc. concentrated on providing an experience to students, educators, creative professionals and consumers all around the world through the innovative devices and new generation offerings. (Akan, O., Allen, R. S., Helms, M. M., & Spralls III, S. A. (2006).

In the past Apple Inc. focused on strategies that took different approaches such as high growth in the personal computer industry it was a leader from 1976 up to 1982. I was able to hold its spot as leader in the industry by introducing new business lines such as mobile phone and consumer electronics. (Apple Inc.Info.com))

Apple Inc. adopted strategies at a more corporate and business level. Apple Inc. was a full integration company that concentrated on the company's designs, having developed its own operating system (iOS), hardware, applications and services. However, these strategies have changed in many ways, one of them is that the company depended on a limited number of suppliers for each of its components. In this early stage, Apple Inc. also adopted a differentiation strategy therefore, Apple Inc. aimed to develop and send to market various types of products that only they could provide. (Apple Inc.Info.com)

Apple Inc. also invested duly in research and development (hereby designated as R&D). Apple Inc. began to expand its distribution networks and distributed itself into third party sellers, which were known as "Apple Inc. Prime Resellers". In this period of time, Apple Inc. was forming alliances which later became very successful, as with Disney (2014).. This strategic alliances, allowed Apple Inc.to a more expanded range of products based specifically on Apple Inc.'s top selling devices - The iPhone and iPod. (Apple Inc. Info.com)

After analyzing all the strategies that were developed, altered, and updated, it is possible to settle that Apple Inc. has become more concentrated and focused on the smartphone development - the iPhone. This is also visible in the alteration of the companies 'name given that it started off as Apple Inc. computers Inc. And is now known as Apple Inc. Trefis Team (2015, June 12). (Forbes.com)

Therefore, its mission also changed in the past Apple Inc. concentrated "*to bring the best personal computer experience to consumers around the world through its innovative hardware and software*" and now its mission consists on "*Apple Inc.is committed to*



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*bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and internet offerings". (Apple Inc.Info.com)*

#### **1.4 Integration strategy**

Before presenting the dual integration categories of integration used by Apple Inc., a search was made on what each integration consists of, to best qualify and understand the integration adopted by Apple Inc. A Vertical integration exists when a merger between two businesses that are at different stages of production. **(The Economist, March, 2009)** A horizontal integration consist on companies purchasing supplementary business activities. **(Investopedia.com)**

Apple Inc. was capable of performing this integration by contacting with the end customer in different ways, such as online or through the Apple Inc. store (App/iTunes) or through one of their many Apple Inc. retail stores. The retail stores allowed Apple Inc.to reach the final customer and it also allowed its unique customer care and support services to be know. **(Annex3)**

Apple Inc. also adopted a Horizontal integration in which new products and new areas of creativity were researched. It was also a stage and integration, in which Apple Inc. began to exist in different regions and countries. **(Time Magazine)**

#### **1.5 SWOT Analysis of Apple Inc.**

In order to set goals and having an in depth research on Apple Inc., a SWOT analysis will be conducted. Firstly, a prominent strength and weakness evaluation will be identified and a search will be matched with the company's political, social and environmental factors. **(Pretorius, M. (2008)**

##### **i. Strengths**

Apple Inc.'s main strength is universally its well-known brand, which began a revolution in the smartphone industry (Annex4). Another strength applied in Apple Inc.is the fact that the company employs only the best in the industry, Apple Inc. has high technologies that offer unique features which have two purposes: price discrimination and luxury customer satisfaction. According to a survey made, which will later be analyzed in a more

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detailed matter, states that Apple Inc.'s iPhone is known for the ease of use and user friendly in both its hardware and software. (Guennette, 2012) Another strong aspect of Apple Inc., is its former CEO Steve Jobs which had an incredible role in positioning Apple Inc. and its famous iPhone in the lead in today's market. However, Apple Inc.'s strengths are not only based on how well individuals know the brand or how loyal they are to it or whether they believe it to be easy to use, it is also due to Apple Inc.'s strategic agreements with many known mobile carriers such as T-Mobile and AT&T in the USA, but other mobile carriers such as Vodafone in Europe. (Forbes.com)

Apple Inc.'s design and brand also provide it with a very good reputation, thus a good name in the industry. This brings Apple Inc. benefits such as, recognition in the international market. The brand and name recognition did not only start from the global brand Apple Inc. is today. Of course some of the credit, if not the majority, comes from what Apple Inc. was able to accomplish after the years with its unique and diverse products. Apple Inc. has always been considered unique, the name of the brand itself, is not related to the creators name like some products we know and use such as Heinz or M&Ms which is the last name of the founders, but it is in fact named after its CEO's favorite fruit, the Apple Inc.. (Lu, C. (2014))

Apple Inc. manufactures hardware and software that no other company offers in the industry. Once again Steve Jobs began something new and innovative by combining these two elements. The fact that Apple Inc. manufactures both hardware and software, allows it to be in control of the design. An example of this, is that Apple Inc. creates its products according to what its clients need, so if you are a web designer or an architect, Apple Inc. designs personal computers that include hardware and software that answer to those specific needs. Apple Inc.'s products accommodate clients with this worry free factor, in which all the tools that the individuals might need are all included in one single device. By providing this easy factor to its customers and at an affordable price considering all the technology that is included makes Apple Inc. a very reliable brand. (Lu, C. (2014))

### ii. Weaknesses

Like all companies in this industry, Apple Inc. may have many strength, but it also has its weaknesses. Apple Inc. is very well known in the technology industry, which along with it brings a great deal of a reputation and responsibility. Therefore, Apple Inc. has to bring forth obligation and readiness for its company, products and its clients. One aspect that

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may contradict Apple Inc.'s strengths is applications, such as Maps, that may create problems and customer frustration, because they are as easy to maneuver. **(Savov, V. 2016)**

Some people purchase smartphone such as iPhone because economically they are able to, however, there are some individual who are unable or don't agree that such devices are worthy of spending their hard earned salaries. Thus, there are some individuals who have an anti-capitalism point of view on the devices like iPhone and do not view it as a luxury. The fact that Apple Inc.'s products are seen by most people as expensive or as a luxury product also have an impact in a more economic uncertainty level. This means that due to budget cuts some schools are not able to purchase Apple Inc.'s products for their communities due to its price. This not only impact Apple Inc., but every company and its suppliers and makes competition very slow. **(Risen, T. (2015)**

Apple Inc. uses high level technology and high quality hardware component which makes Apple Inc.'s iPhone a very costly product, this meaning that many potential clients are unable to afford the price.

The fact that Apple Inc. has its own operating system iOS may be of value to the company as it has monopolized in a way the industry and therefore might have a strong point in the industry, yet it may also become a weakness, this is because Apps which work with iOS can only be downloaded from the Apple Inc. App store, Other rivals such as Android provide more distribution channels. **(Edwards, J. (2014)**

The fact that Steve Jobs created and revolutionized the industry in this sector gave Apple Inc. a head up in the game, however, with his death in October of 2011, many believed that his work and ideas would be lost and damage the company. **(Forbes.com)**

Even though Apple Inc. produces its hardware and software and has control of its design, it actually depends on third parties for things such as music and construction (Annex5). Since the launch of iTunes, Apple Inc. has had an enormous profit, but since this is intact controlled not only by Apple Inc. but also by other representatives, this might have an impact on the product's price on the long run. For example, the access granted for Apple Inc. to the materials may be expensive or in other cases might even become restricted from providing a certain type of content. This is where licensing agreements come in, and are not always reliable and there is not telling for which period of time the material will be available. This creates uncertainty for the Apple Inc. brand and reputation. **(The**

**Economist, 2011)**

Apple Inc. outsources most of its transportation and logistics for its products is another weakness because Apple Inc. does not have complete control over the risks that may appear. Apple Inc. relies on third parties for its quantity and quality, however, Apple Inc. is in fact held responsible if anything goes on in the long run if anything is wrong with the products, which is again, another risk that Apple Inc. faces and is out of its reach to control. **(Forbes.com)**

iii. Opportunities

The opportunities that are available to Apple Inc. are for one, its operating system. Vulnerabilities such as computer viruses or hackers are more likely to be unsuccessful within the iOS system. Microsoft likes to point out that Apple Inc.'s operating system is not vulnerable to any type of exploit, because it is seen as stable and secure, as well as, very easy to use. **(Bradley, 2004).**

The fact that Music is taking turn on how it is being purchased, may be a very big opportunity for Apple Inc. already is a major reseller for the music industry with iTunes, which in only 16 days resulted in 2 million downloads. Apple Inc. would have another opportunity if it were to open its own music store. **(Bradley, 2004).**

Apple Inc. not only provides its clients with easy to use devices, it also provides a continuous free of charge update of its software which normally occur bimonthly. Therefore, Apple Inc. not only provides its clients with the latest updates available, but it also provides it free of charge. This may be seen as an opportunity, due to the fact that some Windows users are not too keen on spending money for each of their updates, which often come with faults and later oblige the user to update the software once more. **(Bradley, 2004).**

iv. Threats

Along with, strength, weaknesses and opportunities also come threats.. The fact that the world is evolving and technology is growing, with each day that passes advances are being made not only by Apple Inc. but by its competitors. Price, seems to be the biggest concern for Apple Inc. As some competitors are promising to provide the same level of technology or even better than Apple Inc. at lower prices. This subject also leads to another topic that concerns competitors copying Apple Inc.'s products, and sometimes

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taking those ideas, improving them and making profit out of them. **(Forbes.com)**

Even though Apple Inc. has become a key player in the industry, there is still a great dominance by Microsoft in the Market. More than 90% of computers around the world are using the Microsoft operating system, this is a major threat for Apple Inc. Which brings us to a threat which is engaged by this, global competition. Global competition is here to stay, and increase by the day. Unfortunately, countries are entering the flow of manufacturing as the expansions of companies occur, this means that those companies look for the best prices to build their products on order to sell them at the best price possible at market. Which mean that by not having as much production costs, the companies are able to make a larger profit and become more competitive. Making a profit by lowering production costs is not the only thing that concerns companies, variation is hitting the roof, therefore companies are always looking for the most innovative products and not spending too much time while searching for the ideas. In the event that companies are not able to deliver their clients with innovation, low prices and low time frames, this will lead to unsatisfied costumers and a drop in sales. **(TheEconomist.com)**

#### **1.6 PESTLE (Analysis Political, economic, social technological, legal and environmental factors):**

In order to have a clearer understanding of the factors that influence each company's market entry in different countries, a PESTLE analysis was conducted.

The first factor to be analyzed in the PESTLE analysis is the Political factors. Apple Inc. products supply and manufacturing is done by outsourced partners within the United States of America, Europe and Asia. The final assembly of Apple Inc. hardware products is generally done in Asia. The logistics of Apple Inc.'s products are at risk of being disturbed by many circumstances that may be caused by natural events, man-made disasters, and system failures, economic or political issues. **(Apple Inc., 2012).**

Issues that may cause these disruptions may include events such as wars and business interruptions that may or have caused damage to the international market. The economy itself, being internal for companies such as Apple Inc., could affect the company, the suppliers, providers, customers and even its partners **(Apple Inc., 2012)**

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The second factor to be analyzed are the economic factors. The global crisis that has been at large since 2009 has had a serious impact on company's retail performance, Apple Inc. Inc. is no different. The effects from an economic failure gone global may lead to suppliers being unable to attain the necessary pieces, this may have impact on the company being subject to risks of lack of supply that will impact prices. **(Apple Inc., 2012).**

The third factor to be analyzed is the Social point. Apple Inc. like any other multinational business requires to use and search employee or a business partners personal information, more commonly known as PII ("Personally identifiable information"). Which include common information such as name and contacts. This type of information may be subject to attacks in order for other companies to have access to client information or logistics information on how the company is doing and exactly what it is doing. Apple Inc. is a rather large business with numerous clients and partners, this make it more legible to being a target. **(Apple.com)**

The fourth point to be analyzed in this research is the technological factors, which in this specific company will be aimed to Apple Inc.'s R&D. Apple Inc.'s is spending more money on R&D per year, estimably \$1.8 billion in 2010 and \$3.4 billion. These numbers are proof that Apple Inc. is indeed investing for information that is considered extremely necessary in today's competition. **(Apple Inc., 2012)**

The fifth factor to be analyzed is the environmental factor. Apart from hardware and software products being sold regular customers and stores, Apple Inc. also sells to government customers throughout its segments around the world, therefore Apple Inc.'s products are often compatible with third-party business services and its tools allow a for more secure distribution of custom applications and device administration. **(Apple Inc., 2012)**

The sixth and final factor is aimed towards legal aspects. Apple Inc. like any other company is conditioned to specific laws and regulations that must be followed, that eventually may backwash on international and domestic operations. Laws that are made for domestic or international operations may affect advertising, communication, data privacy requirements, health and safety. **(Apple Inc., 2012)**

### **1.7 The Five forces Model of Competition (Porter's Five forces) (Annex13)**

#### **i. Threat of new Entrants:**

Economies of Scale:

Apple's economies of scale give it a clear advantage over its competitors in the same industry. These advantages can be broken down into external or internal economies of scale. Apple Inc.'s internal economies of scale were analyzed through a study done on its learning curve and volume of production. Apple Inc. has been in the industry for a long time, so it holds the upper hand on competitors such as Samsung Electronics by figuring out how to lower their production costs and analyzing their market better. Apple Inc.'s external economies of scale give them an advantage because of where they are located. California is the center for the computer industry in the U.S, suppliers naturally flock there and computer workers easily share their ideas and build off of another. Therefore, Apple Inc. gains a significant advantage of lower supply costs and a more intelligent labor pool. **(Investopedia.com)**

High barriers of entry:

Apple Inc.'s economies of scale give it a clear competitive advantage over their competitors. They know their market, have access to reduced input prices, and figure out production processes to lower costs in producing their goods. As such it will be extremely hard for competitors to enter the company industry market given the advantages Apple Inc. has created for itself. **(Investopedia.com)**

Product differentiation-High barriers to entry:

The technology sector is a tough market to enter, regarding product differentiation, because of the innovative powerhouses currently there, such as Apple Inc., Google and Microsoft. When there are companies already present and that have already matured and gone through the learning curve, it is hard to match their prices. And all their expenses are much lower compared to others. These high barriers give the companies like Apple Inc. an advantage and form of protection against new up and coming companies who try to compete. Trying to beat the innovative nature of companies releasing the iPhone, iTV, Android, and other highly differentiated products is a tough task. **(Investopedia.com)**

Capital requirements – High barriers to entry:

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Most capital requirements needed to start a new business or compete in a particular sector are normally fairly high, but it is especially high in the technology sector. There is a need for a lot of capital because of technological products are not cheap, human highly skilled capital is additionally needed. High R&D costs to innovate. Compared to other factors regarding potential new entrants this factor is much lower. But it does change, how this occurs is based on what industry the new computer is emerging from. If it is coming from a similar background to technology the switching costs are not big. It may be more challenging if the switch is from a completely different industry. If different, the former low cost industry company may find changes in adapting to the high cost tech industry. The reasons behind classifying this factor as lower barriers are as follows, the company already works in a high cost industry, Switching costs may be worth the future returns, and Lower regulations present in the tech industry, benefits outweigh switching costs. **(Investopedia.com)**

### Access to distribution channels – high barriers to entry

Another high barrier to entry due to bigger companies already locking down the major suppliers in the region, this occurs due to the presence of more mature companies. Companies like Apple Inc. and Microsoft forming contract with big suppliers, not being able to match what other companies currently pay and higher costs associated with premium suppliers. **(Investopedia.com)**

### Cost disadvantages independent of scale – high barriers to entry

As mentioned before these costs deal with the learning curve. Other companies already present in the industry have an advantage over potential enters are as follows the learning curve, lower costs per product, favorable government support or subsidies, connections with suppliers providing favorable prices, locations better suited for business than what the entrant may be able to obtain. **(Investopedia.com)**

### Government policy –high/low barriers to entry:

This factor is varied by specific industry, the reason for a high/low rank is due to constant changes governments can implement and make. Government policies can make entry completely impossible or favorable limits to raw material suppliers could also be put into place to protect the industry. **(Investopedia.com)**



Expected retaliation- High barriers to entry due to companies that are large and experienced high barriers to new entrants are expected to come, they take the form of large companies with excess cash flow can hinder new companies, distribution channel leverage of present companies, excess capacity to produce more goods, higher market share and if truly threatened, buyouts early or could emerge. **(Investopedia.com)**

**ii. Bargaining power of suppliers:**

There are no satisfactory substitutes, if you take a look at the big time companies such as Apple Inc., Google, Microsoft you will find that they have a lot of exposure to the worldwide supply market. This fact gives suppliers to these big tech industry leaders very low if any bargaining power. The reasons why includes, many other potential suppliers, the conduct business with big global market leaders, not well leveraged because these are the reasons why they have no power in this respect, the big conglomerates have many substitutes. **(Investopedia.com)**

Industry firms not significant customer to supplier group.

For smaller firms, the supplier may have more leverage and power here, but when doing business with big multinational companies it is most likely as big as they come. They have some of the largest market capitals/market shares/consumer appeal. This is why suppliers cannot bargain with these companies, for most them they make up most of their business. **(Investopedia.com)**

Supplier goods critical to success

It all comes back to control the buyers possess over the suppliers. In a sense the answer is yes that the suppliers goods are critical to their success except there are few other factors that work against them, some are buyer market share, Multiple potential business partners and everyone wants to be a supplier to a company like Apple Inc.. **(Investopedia.com)**

High switching costs due to supplier effectiveness

Switching costs are not such a big expense to firms such as Apple Inc. The reason these expenses do not break the bank is due to their large amounts of cash and market presence. Another reason suppliers do not have much to say is because there are a lot of suppliers

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who are effective and can minimize these costs for their buyers. **(Investopedia.com)**

Threat of forward integration:

Apple Inc. has many different suppliers, they have multiple semiconductors who specialize in different forms of tech, holding companies and electrical companies. Some of Apple Inc.'s suppliers include, Analog devices, Amperex technology Ltd., Arvato Digital, Asahi Glass. These are only 4 of the suppliers that work for Apple Inc. (there are many more). The reason for labeling some of these companies is to show their size and power vs the powerhouse buyers. A lot of these companies are very small, and because of this the threat of forward integration is low. While it is possible to use this method it is not practical and smart. The lost profits 'suppliers would lose from using this method would be huge, and Apple Inc. knows this. That is why there is no bargaining power here. **(Investopedia.com)**

**iii. Bargaining Power of Buyers:**

Purchase large portion of industry's output

Apple Inc. is a MNE and has substantial ties worldwide. Due to the fact that they are present in multiple markets and have a wide variety of customers it is safe to say that the company's product output is fairly distributed across many buyers. This lower amount of bargaining power among buyers is common in these attractive industries. **(Investopedia.com)**

Product sales accounts for significant seller annual revenue.

With the amount of product sales: comes the seller's annual revenue they make off these products. Apple Inc. is a large company and very profitable due to highly differentiated products. When a company has this advantage and many buyers it results in lower bargaining power for the buyers. **(Investopedia.com)**

Low switching costs:

The reason for this yes/no explanation is due to the fact that a part of this issue is dependent on different consumer behavior. Some buyers do not mind switching from an iPhone to a Google android because they do not see the switching costs as substantial but other customers may see these costs as big enough to decide not to switch. Switching costs would include new phone/plan, new charger, apps that will not transfer, and possible cancellation fees. **(Investopedia.com)**

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### Industry products are undifferentiated or standardized

Due to the type of industry and company that Apple Inc. is there is no contention when determining their products as not being standardized. The ways this gives buyers no power is by differentiated products and since differentiated you can't get close substitutes. **(Investopedia.com)**

### Threat of backward integration:

Due to the big MNE Apple Inc. is there is not much of a chance this can happen. Apple Inc. enjoys advantages in relation to this idea such as Economies of scale, a great reputation and access to major distributors. These are the reasons that if buyers try and backward integrate the strategy will most likely fail. **(Investopedia.com)**

#### **iv. Threat of substitute of products:**

Examples of Apple Inc. substitute products are Walkie talkie and letters. This may be considered as a joke, but truthfully these are the only substitutes other than what the rivals are offering the public.

### Switching costs

The costs associated with switching from Apple Inc. products to one of its competitors is very high. Apple Inc. products like the iPhone, run on their own operating system called iOS which means that iCloud, iPhoto, and all the other apps will not be compatible with other competitor's operating system. This increases the customer's perceived costs of switching products because of the hassle of not being able to use their favorite apps. Also, the more Apple Inc. devices a consumer has the like hood these switching costs will increase. **(Investopedia.com)**

### Price comparison

Apple Inc. is a market leader, thus many competitors will emulate them by offering similar products at reduced prices or with unique features. This competition can get so heated that Apple Inc. will sue its competitors for copyright. In Apple Inc. Samsung. Samsung Electronics had to pay Apple Inc. \$1 billion dollars for copyright infringement in its iPhone. **(Investopedia.com)**

### Equal quality/performance

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In the technology world assessing the performance of two similar products can be difficult to archive. Each product has their own unique designs yet they all accomplish the same tasks. Benchmark tests could be used as a measure but they are unreliable because companies can inflate the results to make their products seem more applying. Therefore, the true performance of a product depends on the needs of the user and how much they are willing to pay for a few extra RAMs or memory space. **(Investopedia.com)**

### v. **Intensity of Rivalry among Competitors:**

#### Numerous or equally balanced competitors.

Apple Inc. produces a variety of products to penetrate many markets, which creates many different competitors. Apple Inc.'s top competitors are: Microsoft, Google and Samsung. These three contain technology, supply chain and funds to be equally balanced with Apple Inc. One reason why Apple Inc. is ahead is because they were the first to revolutionize the consumer markets with their products. This helped them establish a large share of the markets early on and create loyal consumers. **(Investopedia.com)**

#### Slow industry growth

In developed economies the industry growth for smartphones has slowed down considerable. However, emerging economies are compensating for this slow growth by exhibiting high volume of sales. This is important because Apple Inc.'s iPhone sales were 52% of their total revenue from their last fourth quarter. Therefore, if Apple Inc. wants to continue its growth they must focus on penetrating other countries markets besides the US. **(Investopedia.com)**

#### High fixed or storage costs

Apple Inc.'s fixed costs for producing its products are relatively high because of the numerous individual parts it has to create to make one whole product. In addition, Apple Inc. is currently building a campus in California, This project costs about \$5 billion dollars, which significantly raise its fixed costs. **(Investopedia.com)**

#### Low differentiation

Apple Inc. is a highly innovative company that produces unique products that revolutionize their target markets. As a result, competitors copy Apple Inc.'s products and designs to

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reduce the differentiation status they hold over them. This forces Apple Inc. to come up with more innovative ideas to remain ahead of their competitors and retain their market share. As such, Apple Inc. holds a high product differentiation in their markets until technology diffusion makes their products available to their competitors to copy. **(Investopedia.com)**

#### Low switching costs

The overall intensity for switching costs is relatively high because each competitor has introduced numerous products that offer unique features compared to their competitors and previous models. These features lure consumers to buy the new more expensive models, which raise the level of switching costs in the industry. In addition, accessories change only to be compatible with newer models to further switch. For example: phone chargers, cases, services. **(Investopedia.com)**

#### High strategic stakes

Competitive rivalry in Apple Inc.'s chosen markets have become so fierce that Apple Inc. has to look elsewhere to continue growing. This is brought on by Apple Inc.'s competitors gaining ground and selling more units in the domestic market. Therefore, Apple Inc. has the potential for great gains within the global market by focusing on emerging economies such as China. **(Investopedia.com)**

#### High exit barriers

Apple Inc. has recently been investigating huge amounts of money into their supply chain management. Over the year they plan to invest "\$10.5 billion in supply chain robots and machinery". These high investment costs contribute to high exit barriers because it places such a high cost on abandoning its products that uses this supply chain system. **(Investopedia.com)**

### **1.8 Asnoff Matrix Analysis**

The Asnoff Matrix is used to show four types of different growth strategies that result from the merger of existing and new products with existing and new markets. These type of growth strategies are categorized by market penetration, market development product development and diversification. **(Comaford, 2008).**

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The first strategy that is analyzed in the Asnoff matrix and applied to Apple Inc. is market penetration, which means that the existing market should be at a more abundant level, in what concerns selling more Apple Inc. products in a market that already exists. Therefore, Apple Inc. should convince its customers to buy more of its products, especially those potential clients that are currently purchasing products from Apple Inc.'s competition. Apple Inc. would be able to penetrate the market by using strategies on their prices and set out information to the public about what the company offers and at what price. Another strategy that should be kept in mind when attempting to collect new clients is to put aside the competition. In the special case of this research we will be using Apple Inc.'s main competitor Samsung Electronics as an example. Obviously, Samsung Electronics cannot be put completely aside by Apple Inc., because it is also a market leader in this Industry. **(ONKVIS, S. – SHAW, J. J. 2004)** What can be done by Apple Inc. is promote its products as much as possible and join this strategy with the pricing strategy mentioned above. This would allow Apple Inc. to promote good products at reasonable prices that will eventually drive the competition out. Apple Inc. may also adapt a diversification strategy alongside these two strategies, which Apple Inc. has gotten right since it first entered the market. By offering new and innovative products into a new market, this will allow Apple Inc. to have an advantage over its competitors. **(Annex6)**

Concerning Product development, Apple Inc. launches new products into already penetrated markets. This not only allows the company to build a reputation but it will also allow Apple Inc. to have loyal clients awaiting for its new products to be launched thus increasing its chances of being successful in that market. **(David Mercer, 1996)**

### **1.9 Apple Inc.'s main advantages**

As of May 2016 Apple Inc.'s advantages have been updated and studied. The Brand Apple Inc., is one of the company's main advantages. According to an article written in Forbes, the Apple Inc. brand is valued at approximately \$151 billion (Annex1), the fact that Apple Inc. is considered to be simple, and it is able to make something that by many is seen as complex to be simple. Apple Inc.'s design is also considered to be one of its main advantages, which consequently links with simplicity. Another Apple Inc. advantage is the amount of profit it has per year **(Annex 7)**. Estimably \$10 billion per quarter **(David Mercer, 1996)**

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Apple Inc.'s vertical integration can be an advantage, as it designs its own products as a whole from its software to its services. This factor allows Apple Inc. to experience their own products before they go to market. However, it may also be a threat as they are not able to analyze the competitor's technologies. Apple Inc.'s products are all linked to each other. If users want to download a specific application they must use the Apple Inc. App store or iTunes. Thus, creating a level of dependence from the users to the product itself. **(Csaszar, F. A. (2013))**

One of Apple Inc.'s main competitive advantages consist in its variation of products that are available in the market. These products are built on quality, unique design and customer service. Apple Inc. has its products outsourced as well as its manufacturing process to entrusted third party manufactures. **(Heracleous, L. 2013; 92-99.)**

We are able to conclude that Apple Inc. is concentrated mainly on high quality products, high prices and it values the customer by offering its clients the best experience through quality products and expert client services. **(Heracleous, L. 2013; 92-99.)**

Apple Inc. Also has strategic alliances with mobile carriers that are re-sellers who created added value to Apple Inc. As it allows customers to purchase the devices through their already existing contracts with the carries, so it allows the customers to have an easy change process of devices whilst maintaining their carrier services. **(Lehman, G., & Haslam, C. 2013, Vol. 37, No. 4, pp. 245-248).**

This factor adds to Apple Inc. strong customer loyalty, because it allows Apple Inc. to meet their customers' needs it also provides customers the ability to buy its new products and updates of existing devices. **(Lehman, G., & Haslam, C. 2013, Vol. 37, No. 4, pp. 245-248).**

Apple Inc.'s vertical integration may also add value to its competitive advantage. Apple Inc. focuses on having complete control of its own operating systems, hardware, application software and services. Apple Inc. does not only practice a vertical integration. In fact it combines both integration strategies (Vertical and Horizontal), which allowed Apple Inc. to obtain advantages through both strategies, one result of this is the reduction of costs as well as the ability to create its own proprietary designs. **(Lehman, G., & Haslam, C. 2013, Vol. 37, No. 4, pp. 245-248).**

The advantages that the vertical integration provides Apple Inc. is the control over the

entire user and provides lock in, which means that customers are in a way “locked” into Apple Inc. products in order to use on products they already own. An example of this is the iWatch, the customer is only able to use this device if an iPhone is already owned. Apple Inc.’s makes share is connected to its successful linkage between its devices to each other or the exclusive process from hardware to software which facilitates higher customer loyalty. (Marengo, L., & Pasquali, C. 2012, 1298-1310.)

## **CHAPTER II: Samsung Electronics**

### **2.1 Samsung Electronics: A brief history**

Samsung Electronics is a Korean Company, meaning three stars. It was founded in 1938 by Chairman Byung-Chll Lee in Taegu Korea. It began as a small export business company dealing with mainly fish, vegetable and fruits. During the companies’ first thirty years, Samsung’s main focus was in export and insurance business. In 1969, Samsung Electronics established- Samsung-Sanyo electronics which later became Samsung Electronics Electro-Mechanics. In 1977 it merged with Samsung Electronics and gained a new focus added to the Sam-sung. The success of the smartphone business is part of one of the seven business units of Samsung Electronics Co., Ltd, the mobile communications business unit (Samsung Electronics 2013). (Samsung.com) Samsung’s offices include a gross number of 164,600 people in 179 offices around the world, which include 61 different countries. Samsung Electronics had in vision to become a top 5 global brand (Data Monitor, 2013) Samsung Electronics is the brand representing Korea and it changed the whole status of Korea in a global context. (Data Monitor, 2013).

Since the 1990s, Samsung’s has increasingly globalized its activities and electronics, particularly mobile phones and semiconductors, have become its most importance source of income. (Samsung.com)

Samsung’s electronics is the world’s largest information technology company measured in 2012 revenues and 4th in market value. (Dhaka and Shibaloy, 2012)

Samsung Electronics is a family business that has undergone serious transformation. Under Mr. Lee Kun-hee’s rule Samsung Electronics has many alterations, one of them included was the “Frankfurt Declaration in 1993, when Chairman Lee declared to all of his employees to “change everything but your wives and children”. The objective of this



alteration was to concentrate on organizational inertia. This meant that some changes made in the organization took place in three different strategic matters: 1), Quality-oriented growth; 2), Internationalization; 3), multifaceted integration. The last strategic matter envisions promotion and cooperation improvement between affiliated companies. In consequence to this major organization alteration, efficiency was strong in the necessary circumstances within the Samsung Electronics group, this led to the acceleration of the investment made overseas to speed up ( **Kim, 1998 :87 & 88;www.Samsung.com**) Samsung Electronics meaning “three stars” is a Korean Company, which was created in 1938 by chairman by Chairman Byung-Chil Lee in a town called Taegu. It is now located in the town of Seoul. The company began as being a small scale export business which dealt with mainly food products such as fish, vegetable and fruits. For a 30 year period Samsung’s main focus was in export and insurance business. Today it is the biggest Korean conglomerate. (**Kahn, 2014**).

## **2.2 Samsung’s achievements and the company today**

In 1969, the company, Samsung-Sanyo electronics was established, this company later became, Samsung Electronics Electro-Mechanics. In March 1977, merged with Samsung Electronics and gained a new focus added to the Samsung. The success of the smartphone business is part of one of the seven business units of Samsung Electronics Co., Ltd, the mobile communications business unit (**Samsung Electronics 2013**).

Samsung Electronics as a company has a team of estimated 164,600 people in 179 different offices, throughout 61 countries. Samsung Electronics main vision was to become a top 5 global brand (**Data Monitor, 2013**)

Samsung Electronics has become, throughout the years, the brand that represents Korea and with it changed the whole status of the country in a global context. (**Business Insider**).

Today the chairman of the company is Lee Kun-hee he took after his father (Lee Byung-chull) shortly after his death in 1987. Since Lee has been in charge, Samsung Electronics has undergone a significant transformation, one of the major transformations include the world wide tour Lee had made in order to verify how his business was doing globally. This takes us to Germany, which was one of the countries that underwent this “check tour” and where a speech lasted for a three days, and today is known in the witting of Samsung Electronics circle as the ”Frankfurt Declaration of 1993”, when chairman Lee told the

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employees to “*change everything but your wives and children*” (**Business Insider**).

This speech and its willingness was keen on addressing passivity within the organization. The importance making these organizational changes has an input amongst three important strategic concerns, which are as follows: Firstly, quality-oriented growth, Secondly, internationalization; and lastly, a multifaceted integration. This multifaceted integration concentrates on promotion and improvement among the cooperation between affiliated companies. Subsequently, the alteration made within the organization, there was a pronounced development, the efficiency increased immensely in necessary circumstances within Samsung Electronics group. This transformation and its consequences, resulted in the vast investments made overseas. (**Kim, 1998:87 & 88; www.Samsung.com; Business Insider**)

The year, 1987 marked a critical turning point in Korean history. The democratization movement and its consolidation resulted in the establishment of radical democratic labor union and also led to increased employment rights and wage. Thus, firms would suffer from high labor costs if they continuously invest in the domestic market. As a result they began to invest in other countries with cheap local labors (**Hoesel, 1998; 110**).

Samsung Electronics has a powerful influence on South Korea’s economic development, politics, media and culture and has been a major driving force behind the “Miracle on the Han river” a period of rapid economic growth in South Korea, its affiliate companies produce around a 5th of South Korea’s total exports. (**Hutson, Graham; Richards, Jonathan, 2008**) Samsung’s revenues was equal to 17% of South Korea’s \$1,082 billion GDP (**Annex8**). (**Shell, Glencore, 2013**)

### **2.3 Samsung Electronics: Management philosophy**

Samsung Electronics is guided by a simple philosophy, strong values and high ethical standards that inform work every day. In everything that is done, the company strives to help people live better lives. Samsung, is devoted in using its talent and technology to create superior products and services that contribute to a better global society. (**Samsung.com**)

*“Every day, our people bring this philosophy to life. Our leaders search for the brightest talent from around the world and give them the resources they need to be the best at what they do. The result is that all of our products—from memory chips that help businesses*

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*store vital knowledge to mobile phones that connect people across continents— have the power to enrich lives. And that's what making a better global society is all about".*

**(Samsung.com)**

- Vision:

Samsung Electronics is dedicated to developing innovative technologies and efficient process that create new markets, enrich people's lives and continue to make Samsung Electronics a digital leader. **(Viardot, 2004)**

- Values:

*"We believe that living by strong values is the key to good business. That's why, along with a rigorous code of conduct, are at the heart of every decision we make".* **(Samsung.com)**

- People:

Samsung Electronics believes that the company visits people. The company is dedicated to assuring that people have a wide range of variety and opportunities in order to reach their full potential. **(Viardot, 2004)**

- Excellence:

Everything done at Samsung Electronics is driven by an unyielding passion for excellence and commitment to develop the best products and services on the market. **(Viardot, 2004)**

- Change:

In today's fast-paced global economy, change is constant and innovation is critical to a company's survival. As Samsung Electronics has done for 70 years, it set their sights on the future, anticipating market need and demands so we can steer our company toward long-term success. **(Viardot, 2004)**

- Integrity:

Operating in an ethical way is the foundation of Samsung's business. Everything done by Samsung Electronics is guided by a moral compass that ensures fairness, respect for all stakeholders and complete transparency. **(Viardot, 2004)**

- Co-prosperity:

A business cannot be successful unless it creates prosperity and opportunity for other. Samsung Electronics is dedicated to being a socially and environmentally responsible

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corporate citizen in every community where they operate around the globe. **(Drucker, 1973, 57)**

✓ Vision for 2020

Samsung Electronics vision for the new decade is to “*inspire the World, create the future*”. **(Samsung.com)**

Samsung Electronics has created three strategic approaches in their management which include: Creativity, partnership and talent. **(Viardot, 2004)**

They look forward to exploring new territories, including health, medicine and biotechnology. They are committed to being a creative leader in new markets and becoming truly no.1 business going forward. **(Samsung.com)**

## **2.4 Samsung Electronics SWOT analysis**

### **i. Strengths**

Samsung Electronics has a strong market position as well as it has expanded its business portfolio in an internationalized matter. Its devices unlike Apple Inc. are able to connect to most of the available software such as Android, which gives them an upper hand on competition like Apple Inc. that are closed to only one operating system and software. Samsung Electronics is currently one of the market leaders, it sells a large number of smartphones in a global scale. Although innovation is not Samsung's strongest points, however, most of its products are seen as the best smartphones in the market. **(Eadicco, 2013)**. Hardware may be one of Samsung's strengths but were it really hits off its popularity is by its software. Android is easily customized by its users unlike Apple Inc.'s iOS. Samsung Electronics has manufacture locations around the global namely in lower cost countries, which allow Samsung Electronics to also sell their products at a lower price. **(Eadicco, 2013)**

Samsung Electronics invests large amounts on R&D, currently one fourth of its global workforce is engaged in new product development. **(Annex9)** This investment may allow the company to continue with the development of new products. **(Samsung.com)**

Samsung Electronics was considered by Interbrand's The Best 100 Global Brands 2015 ranked Samsung Electronics the 7<sup>th</sup> best brand **(Annex10)**. It's well positioned brand is mostly due to customer loyalty which consequently has a positive effect on the long-term

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growth of the business. **(Samsung.com)**

Samsung Electronics has been considered as the best company in smartphone sales in the global market. In 2015, the company possessed approximately 21.4% of global market share on smartphones alone and an estimated 22.1% on global market shares for mobile phones **(Annex11)**. Due to the fact that Samsung Electronics is the leader of sales in the global market, Samsung Electronics is able to have revenues to fund its high R&D, in order to keep its number 1 position. **(<http://www.businessinsider.com/interbrand-2015-best-global-brands-report-2015-10>)**

Samsung Electronics has strong relationships with retailers in the USA and Europe which help provide its products with steady sales channel. **(Samsung.partnerportal.com)**

### ii. Weaknesses

Samsung Electronics has been engaged in many lawsuits with its competitor Apple Inc. Samsung Electronics was accused of infringing copy right and patents from other competitors, this had a downfall on the company's reputation and name across the globe. **(Eadicicco, 2013)**

Samsung's main competitor Apple Inc. is one of Samsung's biggest weakness. Samsung Electronics is unable to reach or even match Apple Inc.'s marketing abilities for smartphones. Samsung Electronics market share fell by 2.3% between 2014 and 2015. Apple Inc.'s market shares increased by 34.9%. **(Annex 12) (Statista.com)**

Chinese brands are beginning to catch up to Samsung's success in the smartphone market. An example is Huawei, which's share grew approximately 48%.

Samsung's main operating system Android is seen by many as an inferior product, therefore some customer's preference is still very much on other operating systems such as Apple Inc. **(CNN.com)**

### iii. Opportunities

The fact that Samsung Electronics offers a wide range of smartphones allows the company to attract many different countries and clients. Samsung Electronics is the main producers of applications for smartphones, which gives them an advantage towards their competitors. The demand by the market for smartphones require high quality processors which can only be provided by Samsung. **(Eadicicco, 2013)**. The smartphone and mobile devices market is

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ever growing and evolving every day. The middle class in developing countries has been increasing in the developing world, which will increase the market for consumers. **(Eadicicco, 2013)**

### iv. Threats

Samsung's biggest competitor Apple Inc. is also seen as its biggest threat. With the launch of the iPhone 5C, Samsung Electronics faced a serious threat if in fact the smartphone would have reached its potential lower price and caught the eye and trust of potential clients that before were only able to purchase a lower priced phone. Fortunately for Samsung, Apple Inc. was not successful in the Chinese market with this product. **(Eadicicco, 2013)**

Samsung Electronics is unable to match Apple Inc.'s reputation for reliability and quality. Actually, Apple Inc.'s reputation has been increasing substantially. The Google Android operating system, is still unpopular for some individuals. **(globalsamsungtomorrow.com)**

In North America and USA, the middle class has reached stagnated or declining levels, which may ultimately result in individuals to not spend money on this market. **(idc.com)**

The Chinese brands are competing in the market and are already beginning to be a threat to Samsung, because of their rapid growth. Sooner or later, those brands might become Samsung's major competitors. This is due to the fact that brands such as Huawei and Xiaomi are becoming very popular in China and their market is growing whilst Samsung's is decreasing. **(idc.com)**

### **2.5 Samsung Electronics: Vertical Integration and Product Volume**

Samsung's integration consists on a vertical integration and high volume of products. Samsung Electronics has its presence in many products with a wide range of products from personal computers to home appliances. **(Forbes.com)**

Samsung Electronics spends a large amount of money in R&D investments, which allow Samsung Electronics to have an advantage in mid and low end markets, however the high end market belongs for the most part to Apple Inc. **(Samsung.com)**

Samsung Electronics relies on vertical integration as a chief competitive advantage. While Apple Inc. imports billions of dollars' worth of components from its rival every year, Samsung Electronics is not linked to anyone. Samsung Electronics has the ability to control

logistical certainty that Apple Inc. is unable to, due to its dependence of suppliers. **(Forbes.com)**

## **2.6 PESTLE Analysis**

### **a) Political**

Samsung's is present in various countries, where political factors make part of the market in which Samsung Electronics operates. South Korean being Samsung's home country has suffered severe tensions between their own government and the North Korean government. These tension are not only political because they can be on the verge of war due to North Korea's Political instability, which can diverge into a series of events in various perspectives of social and economic factors. The South American market has also show signs of political instability which are lead to variation in the governmental structures. **(The Economist, 2015)**

### **b) Economic**

The economic factor that is imperative to be analyzed carefully. The world is evolving and globalization is arising, with this new markets are born and therefore there is more territory for Samsung Electronics to explore. Nonetheless, this may also have consequences such as the global economic crisis which has a negative effect on costumer's purchasing power. Samsung Electronics may find a solution for this effect by creating new ventures. Samsung Electronics has also strived through its global operations through uncertainty, by updating its strategies alongside the evolving state of the market economy. **(The Economist, 2015)**

#### **a) Socio-Cultural**

Even though Samsung Electronics began its course as a family owned company from South Korea and is now a well-known international brand, it still has the bases that were created in its home country. Samsung Electronics adapts itself to the markets local conditions, therefore it acts locally and adopts its global strategy in many developing markets. **(The New Economy, 2014)**

Besides acting locally and adapting its strategies to different types of market, Samsung Electronics also considers what the customer wants and needs according to each countries lifestyles, culture and purchasing power. **(The New Economy, 2014)**

#### **b) Technological**

Samsung Electronics is known for its innovative technologies, it invested greatly in R&D in

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

order to achieve what it has achieved today. It strives to be a leader in technology and innovations and persists to beat its competitors in presenting new and unique, never seen before products to the market. **(The New Economy, 2014)**

### c) Legal

There have been various times where Samsung Electronics struggled with legal matters against its competitors. It was sued by Apple Inc. for its patent license and has also faced lawsuits from other competitors. This theme will be covered in a Chapter later on in the project. **(The New Economy, 2014)**

### d) Environmental

Samsung Electronics will need to prove to its concerned environmentalist consumer that it will agree to working conditions that are ethically correct for those who in the production of the final products. **(Shaughnessy, H. 2013)**

## **2.7 The Five forces Model of Competition-Porter's Five forces (Annex 13)**

### 1. Threat of new entrants

The threat of new entrants for Samsung Electronics is low, not only for Samsung Electronics but in the industry itself. This is due to the fact that in the past designers were able to use their ideas and skills in order to build a new company that was able to compete with already existing companies, and at the same time have profits. This is no longer possible as the competition is very aggressive and customers are very loyal to certain brands. Nowadays, new entrants will have to invest a large amount in money and R&D, which makes it impossible for startups to compete in this market. **(Stonehouse & Campbell 2004, p.120).**

### 2. Power of Suppliers

The power of suppliers includes the possibility for suppliers to raise input prices or to raise the cost of the industry. For Samsung's many suppliers this power is considered low as suppliers depend on Samsung Electronics for contract sales. Given the fact that Samsung Electronics suppliers tend to be at a small scale and large in numbers, Samsung Electronics group will have even more bargaining power due to the fact that small suppliers would have to compete amongst themselves to supply Samsung Electronics and if in the case Samsung Electronics is unsatisfied with their services, it has the possibility to revert to other



supplier's services that offer lower costs. **(Hill & Jones 2008, p.54).**

### 3. Power of Buyers

Bargaining power of buyers details the company's prices and revenue. There are many people but their bargaining power is small and the business buyers because of their large volume of purchasing will have bigger power to influence to price of the deals. Hence we have come to the conclusion that the buyer power is in a medium level. **(Reynolds 2009, p.37).**

### 4. Availability of substitutes

A substitute is an alternative that is able to perform the same functions to its users. For Samsung, this threat is very high. Customers search for products that are more cost effective and functional. Which results in a high threat for substitutes from within the Industry, Apple Inc. is Samsung's main threat in this factor. **(Pressman 2011).**

### 5. Competitive Rivalry

Competition amongst rivals is actually need to access the threat that exists between competitors.

In this industry the threat is very high, the competitive level within this industry is also one of the reason as to why new entrants are unable to succeed. **(Graham & Allan 2008, p.51).**

In conclusion, this industry is growing but does not allow entrance for new comers, for the insiders there is a high level of rivalry which results in a decrease of profit for the existing companies. Samsung Electronics should focus on lower prices from suppliers by being able to bargain the price of inputs and compare it to the bargaining power of suppliers which is considered low. Due to the high level of substitutes the company should continue to invest in R&D in order to create its own substitutes and replace the products that already exist. **(The New Economy, 2014)**

## **2.8 Asnoff Matrix analysis (Annex14)**

Samsung Electronics has adopted a diversification strategy in order to maintain and increase growth. Samsung Electronics invests immensely on R& in order to keep up with the fast paced adjustments that occur in the market and industry. Therefore, Samsung Electronics used this strategy to generate value by developing new products and entering new markets.

## **2.9 Samsung Electronics competitive advantage and competitive strategy**

Samsung Electronics Group's advantages is known as the *red ocean* strategy. It consists in gaining advantage by dealing in an existing market and bettering its competitor's weaknesses. Apple Inc. Practically coined the production of Smartphones. Thus it is now one of the largest cell phone company if the world. Samsung's main competitive advantage of Samsung Electronics is that it enters the market and provides it with as much products as possible and in a short time frame. This is a different strategy from Apple Inc., as it takes a longer time before it launches a new product. Samsung Electronics is able to present markets with new devices because Samsung Electronics develops man of its own pieces that are used in the process of building smartphones. With this strategy Samsung Electronics has an enormous cost advantage when compared to Apple Inc., which relies on external suppliers. However, Samsung Electronics Group's *red ocean* strategy may also cause disadvantages because the company becomes vulnerable to the Porter's five forces which were mentioned above and detail Samsung's threats and weaknesses. **(Forbes, 2013).**

Samsung Electronics Group allows its customers to have the support they need and when and where they most need it. Samsung Electronics Groups' products and services are available in almost every country and dispersed on a base of direct dealers and indirect partners in order to provide as much support in its product lines. Thus, giving the opportunity, that even though Samsung Electronics is located in one location, customers benefit from having the company's partners in their precise location. **(BusinessInsider, 2013)**

Samsung Electronics commits strongly to investment in R&D, it is unlike any of its competitors. Samsung Electronics does this in order to better understand what costumers need and to have a head start from its competitors. Samsung's engineers adapt their ideas in order to develop an original product that will meet its clients need along with the best innovative products in the market. Samsung Electronics offers its clients technology that is affordable yet innovative. **(Dewimiran, 2012)**

## **CHAPTER III: Comparison between Apple Inc. and Samsung Electronics Group**

### **3.1 Comparison between vulnerabilities**

Samsung's weaknesses include lack of innovation in its products. As mentioned in the topic above, Samsung Electronics is able to penetrate existing markets and study their competitor's weaknesses and make them better in their own products in order to provide the customer with the best product and services. Even though it may be of an advantage to Samsung Electronics it may also generate disadvantages, Samsung Electronics has been viewed as the company that copies its competitors. This industry is made up of a high competitive level and customers are loyal to those which generate innovation in comparison to that that improve that which already exists. **(Powell, 2001).**

This does not mean that Samsung Electronics is not independently innovative, it means that Samsung Electronics is slower at producing new products. Samsung's strategy also consists in providing the customers with high end products at a more affordable prices if it were to produce new high end devices, it most probably would not be able to maintain its low and affordable prices. However, Samsung's low prices may also cause the company to be vulnerable because in its logic, low prices usually mean low quality products to some customers. **(Haydn, 2013)**

Another factor that may be seen as a vulnerability for Samsung Electronics is the fact that its products are not user friendly when compared to its competitors. Therefore, it may obligate Samsung Electronics to decrease its prices that will result in effect of the profitability of the company. **(John Wiley & Sons, Gustin, Sam 2012.)**

Apple Inc. is not present in a mass market but in a slot market. Its products are amuse for the upscale part of the society. Thus, being a vulnerability for Apple Inc. the lack of diversity in its products, since it only on product line, the iPhone. Today it is seen as an advantage, however, the market might grow to be saturated also, and its strategy in segmentation is not very powerful which makes it vulnerable in the market. Most companies include products that are available for all of the classes in society. **(TIME, 25 Apr. 2012.)**

### **3.2 Internationalization strategies**

Many theories of internationalization strategies have been made and studied. An accord has yet to be made and questions on today's global and technological economy have yet to be

answered, meaning that these theories are viewed through many perspectives.

In order to study and analyze each companies (Apple Inc. and Samsung) international theories and the process that had to be made to become international, a theoretical background research has been made for each company. **(Rask et (2008) Morten Rask, Jesper Strandskov & Dorthe Døjbak Håkonsson )**

Morten Rask, believed that internationalization theories should be grouped into four different perspectives and attempted to create an integrated framework of each theory.

Based on the article written by Morten Rask, Strandskov's framework (created in 1995) defends that the internationalization theories are divided into two scopes: drivers and nature of decision. Drivers are features that began and started off the internationalization process at a firm, and the reason behind entering international markets. Drivers can either be internal (example: economies of scale) or external (example: market opportunities). The nature of decision normally indicates whether making the decision for internationalization was planned or emergent. However, Henry Mintzberg's (1985) concludes a study on what type of decision process is made when grouping whether a strategy is deliberate or emergent. **(Axinn, C. and Matthyssens, P. (2002) 436-449.)**

The four groups of two dimensions result in a matrix in which the internalization process can be analyzed **(Annex14)**.

The first, Institutional-economic Perspective, consists on junction between a planned and internal drivers. The theories behind this perspective are concentrated on the transaction cost of the process of internalization. Which will consists in searching and hiring which take place beforehand and monitoring and control that will take effect once the internationalization has been made. **(Duerr, E. and Strandskov, J. 2005)**

*The goal of traditional economic theories is to maximize economic efficiency choosing between internationalization and externalization.*

Regarding the strategy of internationalization, it is in fact concentrated on transaction costs. Therefore, companies internationalize operations whether the cost of monitoring external transactions is higher than integrating it in the hierarchical system of the firm. Most strategic decision are based on economic measures which are mainly transaction costs and are cautiously planned. **(Hollensen, 2011)**.

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

The second, Strategic competition perspective, includes a junction between external drivers and a planned decision making. This perspective is mainly applied to industrial economic theories and strategic management. This perspective aims for the firm's competitive advantages and how those advantages are managed in international markets, in comparison to the advantages that each country has. The objective of any company that is via of internationalization or not is, firstly, survive in the new market and this is requires a prepared and planned strategy which is made by studying the new environment and conditions it will face and secondly, to make profit. The internationalization process is generally planned regarding the company's advantages and comparing those advantages to the host country's advantages. The development of strategies are made according to the firm's environment. **(Duerr, E. and Strandskov, J. 2005)**

The third, called the learning perspective, embraces internal drivers and emergent decision making. This perspective is embedded in the behavioral theory. Which states that behaviorists view psychology as a purely objective experimental branch of natural science. Its main objective to predict and control behavior. **(Psychology as the Behaviorist Views It Watson (1913, p. 158)**. The learning perspective concentrates on market selection and selects the entry mode choice of the internationalization process. What this perspective delegates is that, you will only learn how to do certain things, if you actually do it which denotes to experimental knowledge. This knowledge is based on the company's experience. Experience, which is valuable in selecting markets and which entry mode to use **(Johanson&Vahine 1977)**.

The fourth and final stage is termed the inter-organizational perspective, which includes external drives and emergent decision making. The main objective of this perspective is the relationships made between companies. Relationships are imperative when it comes to making decisions on the internationalization process, because it helps to lower uncertainty and risk. When companies select their countries, they first examine countries in which they might have presence already. **(Albaum, G., Duerr, E. and Strandskov, J. 2005)**

These Perspectives are of theoretical matter, there has still not been any case of a company that has correctly applied these perspectives. They do however, assist companies in decision making and which strategies must be analyzed when entering a new market. **(Albaum, G., Duerr, E. and Strandskov, J. 2005)**

Therefore, we are able to conclude that according to the information that was examined, that

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Apple Inc. has a more theoretical perspective which includes both learning perspectives and strategic competition perspectives. The Perspectives that apply to Samsung Electronics Group are the inter-organizational perspective and the strategical competition perspective.

### **3.3 The Uppsala-model:**

The Uppsala model was coined by two Swedish researcher named Jan Johanson and Jan-Erik Vahlne. A study has been made based on their article: *The internationalization process of the firm- a model of knowledge development and increasing foreign market commitments* (**Johanson&Vahlne 1977**), in attempt to integrate Apple Inc. and Samsung Electronics strategies into the model.

The basis of their study consisted on a research done by **Johanson&Wiedersheim-Paul (1975)**. Which observed and analyzed four Swedish manufacturing companies' internationalization. Four stages were created based on their internationalization process that followed continually throughout the progression of the internationalization. The four stages included no regular export activities, export via independent representatives, sales subsidiary and Production/ Manufacturing.

With each stage a higher level of commitment to the market is applied. Companies increase their contribution throughout the stages, which allow the company to be cautious of the risk level. According to Johansson and Vahlne (1977) companies also select the markets they want to enter based on psychic distance; they start with the countries with the lowest psychic distance compared to the home country and slowly move towards countries with a higher level. (**Annex15**).

In the specific case of Apple Inc., its market strategy that include market knowledge and commitment take effect on current activities and commitment decisions. (**The Economist, 2014**).

A company attempts to increase its profit, which is also tied to its growth. As **Alian (2008)** states that, the former CEO of Apple Inc. Steve Jobs' main concentration on the products was worked alongside its design team and development team in order to improve the company's process. (**Albaum, G. 1989**)

This model describes two different patterns set at the operational level. The first pattern consists of the firm being in a participation in the home country in order to be able to construct a chain (**Johanson & Weidersheim, 1975**) that will indicate the enduring commitment of resources to the entire market. Apple Inc. Also participates in many markets

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of different countries with the increasing combination of developing countries into global markets. (Albaum, G. 1989)

The second pattern describes a company that is entering a new market with a larger psychic distance to that which was considered differently in the business planning. This has occurred in Apple Inc., as norms, values languages and development were prepared differently to that which was deliberated. (Axinn, C. and Matthyssens, P. (2002) 436-449.)

In Samsung's case, it always concentrated its target to be close to home therefore, it is in contrast to the Uppsala model as it did not follow a linear investment process from close countries in Asia to overseas. Samsung Electronics began its expansion to the International market and began in 1988 to South America namely to Brazil. In 1995, it established a semi-conductor plant in the United States of America. By 1996, Samsung Electronics shifted its attention to the Asian market namely in South Korea and China. However, the Samsung Electronics group is focused on committing to the establishment of foreign operations in each continent to accelerate the access to regional markets. (Mario Glowik, 2016)

In the case of Samsung Electronics business, the company has adopted a diversification strategic option to maintain the growth. On one hand, with the rapid technological changes and also the short product life cycle of the semiconductor products, it is understandable that the company has invested greatly in the new product development and technology research; on the other hand, the current semiconductor product also could find new markets to expand the business scale and bring revenue to the company as a result. Hence the company has used a diversification strategy featured by sourcing growth momentum via developing new products and also new markets. (Samsung.com 2011)

### **3.4 Domestic versus International companies.**

The aim of this paper is to understand how and why two major companies that have completely different backgrounds, history, strategy and culture are neck and neck on the top of the best smartphone industry. To understand this concept better, it is imperative to better understand how each became international, or if they were ever domestic to begin with. Therefore, a brief description on what exactly are domestic and international companies is the main focus at this point.

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It is not relevant whether the company is Domestic or international, both types of companies desire is to find the adequate means to operate in best conditions as to obtain the best possible profits. **(Punnett, B.J., and D.Ricks, 1997).**

Most if not all companies being as domestic companies, not all the same processes, many undertake various responsibilities, proceed until a given time and some may reach the final stage called the global stage. Normally, a domestic company focuses on the domestic market, and does not have the preoccupation or having the interest in extending its business abroad. **(Punnett, B.J., and D.Ricks, 1997)**

A domestic company offers products and services that are specifically developed for the internal customers, without having any concern of other markets. Besides, all marketing decisions of a domestic company are made inside its own headquarters. **(Investopedia.com)**

When a company begins to export its products or services it automatically enters the export stage. In this stage there is no significant difference in what concerns the company, however, the company's main focus is still to satisfy the needs of its domestic customers. **(bbamantra.com)**

The second step consists of the companies entering the international stage. What the companies should do at this stage is to try to enter other countries and act locally as they would in their home country. This stage includes that companies build facilities in the host countries, this step may be difficult that may have certain efforts to apply, the companies may choose to buy companies already in the location in foreign countries, and this will lead to the advantage of the existing relationships and personnel. The stores that are already installed in foreign countries continue to receive orders and report the information to the home company headquarters. The decision making however is practiced the offices so installed in foreign countries continue to receive indications and report facts to the home market company headquarters, but most of the decisions are made according to the marketing mix (the 4 Ps: Price, Product, Promotion, Place) and made locally, a strong aspect that will add to the decision making being more powerful is the knowledge and experience that the local staff has of the local market. **(Pucik Von (1988): 77-93)**

The third stage is referred to as the multi-national stage, in this stage the company begins to concentrate on marketing its products and services in many countries throughout the world and begins to feel the need of benefiting from economies of scale. In this stage, it is vital



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for companies to become more aware own research and development (R&D), developing and producing its products and creating its strategies at a regional local level. The moment the company begins to slowly organize itself with its strategies and marketing, efficiency will take place and results will be noticed by beginning to standardize across one region at a time. **(Pucik Von (1988): 77-93)**

The fourth stage is called the Global stage, in this level of internationalization the domestic market that once was the main concern, ceases to be the core of interest, the home country is no longer the company's main location center. In this stage decisions are made by firstly consulting various factors before entering a target company. The Goal for companies that reach this stage is to sell the same products, using the same strategies in every country in which they enter, only then will a company will be truly considered as a global company, as is the case of Apple Inc.. **(Oana Simona HUDEA, Razvan-Mihail PAPUC). (Annex 16)**

## CHAPTER IV

### **International Business expansion (The case of the Chinese market)**

As mentioned before, Samsung Electronics has always concentrated its main focus to its home market and regions close by. Samsung Electronics first entered the Chinese market in 1993, at the time there was not a difference between Samsung's strategies and the strategies of its competitors in the market. Samsung Electronics adjusted its strategy toward the Chinese market specifically, which gave it an advantage in relation to its competitors. China is Samsung's most important international business. **(IDG News Service)**

Samsung's main investments in China were upgraded from a pure production premises to investment including R&D and market developing. Samsung Electronics currently has one of the world's most advanced semiconductor product line set up in Suzhou, and also various R&D centers which represent Samsung's corporation in the Chinese market. This shift of investment enabled Samsung Electronics to be recognized and be in favor of the local Chinese government and consumers and has firmly established a favorable environment for Samsung's investment. **(Jordan Crook 4 March 2014)**

Samsung's well-known Brand allowed it to deliver its publicity and market through sports, for example, Samsung Electronics is the main sponsor of the annual Beijing International Marathon. **(CBSnews.com)**

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Samsung Electronics always gave a great importance to being a local company in China and has actively trying to make a base in China and develop within the Chinese economy. Samsung Electronics requires its employees Korean and English but they are not mandatory. This is also different from American, European or Japanese companies in China, as they require their employees to be familiar with foreign languages. In localization of its production, Samsung Electronics is now actively promoting local-finish management, which includes that the whole process of production including R&D, production and sales be done and conducted in China. **(Gil Kim, Keon Han, Minseok Sinn, Hyung Cho, Ray Kim June 2014p. 36.)**

Samsung's innovative strategies in China have earned itself enormous profits. Samsung Electronics has an enormous workforce in China, which resulted in making China the biggest host country of overseas investments of the world. **(businessinsider.com)**

Even though Apple Inc. iPhones became very popular in China, the majority of the Chinese population found the products to be very expensive. For example, on its release the iPhone5S was priced at around 864 USD, which is higher than the average Chinese salary obtained in Beijing per month.

It was later leaked that Apple Inc. was going to release a cheaper iPhone version, the iPhone5C in order to allow fans to afford Apple Inc.'s products. There was however a mishap, because the iPhone 5C was only about 17% cheaper than the iPhone5S. This meant that like before, the Apple Inc. product was out of the price range for the most part of China's population. In consequence, potential clients were left unsatisfied. The South China Morning post, quoted a SinaWeibo user as feeling "cheated". Thus this had a negative effect on Apple Inc.'s stock price, which decreased nearly 16%. **(Forbes.com)**

Based on the company's business model, *"Apple Inc. Is not just trying to sell phones to as many different people as possible. In fact, avoiding this strategy has been instrumental in its success in China"*. **(Apple.com)**

China's population is massive, roughly over 1.35 billion people, in may do not have age buying power now, but eventually will **(worldometers.info)**. Many believed this to be the solution, but the truth is that Apple Inc. is unable to compete with China's prices. Apple Inc.'s iPhones are subject to tariffs that make its prices higher and therefore unable to match prices with the domestic manufactures such as Xiaomi, that sell smartphones for as low as

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100 USD. Even if Apple Inc. was able to lower its prices, the consumers will always go for the cheapest buy. This will eventually go sour, because Apple Inc. is known for luxury products, which reflects its brand identity and as for China, Apple Inc. still has this claim on status for its customers. **(The Atlantic, 2013)**

Apple Inc.'s attempt to create a cheaper phone aimed mostly to the Chinese market but it was also successful in other markets due to clients brand loyalty. Certain people will buy Apple Inc.'s products no matter the price, they will buy the latest Apple Inc. products. To Apple Inc. Inc. What truly matters is *“banking that type of customer, rather than the number of them, is what truly matters”*. **(The Atlantic, 2013)**

## **CHAPTER V: Market selection**

After analyzing all the possible theories on strategies and the market selection is next in line for the important decision making that companies have to make before going abroad.

According to the research performed by **Anderson and Buvik in 2002** stages model for internationalization consist in three main approaches.

The first being a systematic approach, in which the international market selection (IMS) is considered to be an independent decision made and where market potential and competitive advantages are analyzed in order to find the optimal market to enter. **(Gerald S. Albaum, Gerald Albaum, Edwin Duerr, 2008)**.

The second approach, the non-systematic approach, is applied when a company enters a market based mainly on psychic distance, as referred to previously by Johanson & Vahlne (1977) whom included it in the Uppsala model. In this approach experimental learning is imperative to allow the company to have more commitment and afterwards enter a market where the psychic distance is higher.

The Third approach consists in Relationships. The market selection is based on relationships, which allows companies to avoid uncertainty. The selected partner country determines the market as well as the entry mode that will be used. **(Gerald S. Albaum, Gerald Albaum, Edwin Duerr, 2008)**

## **CHAPTER VI**

## **6.1 Market entry**

A new market entry is a way for a company to expand its business. It can be defined as follows; “*a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e. via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)*” (Sharma and Erramili, 2004, p.2).

Various types of expansions exist, expansions can concentrate on geographical factors or product expansion. A company can geographically expand in the domestic market as well as into foreign markets, it is not locked into either. An expansion may occur the moment a company wants to sell its product that is unknown previously for that specific company since they have not been working with that kind of products before, (Johnson et al.208)

According to Greening et al. (1996) expansion into market in foreign countries is the best possible way for companies to increase their growth. According to Yip and Hult (2012), it has been proven that companies that have applied a global strategy and have become international have gained competitive and financial benefits from it. This allows companies to have the choice to work with foreign markets and increase their growth whilst becoming more successful, if the decisions are taken wisely. (Gerald S. Albaum, Gerald Albaum, Edwin Duerr, 2008)

Entry modes are divided into three separate selections: Export entry modes, contractual entry modes and investment entry modes. (CULLEN, J. B. – PARBOEEAH, K. P. 2010)

Export entry modes consists in direct exporting or indirect exporting. A company that chooses to be an indirect exporter, consists in selling its products in a foreign market and the operation is conducted by a different company and the company itself does not take part of the process. When a company selects the direct exporting the opposite occurs, in this selection the company carries out the exporting and is in charge of building the process of operation themselves (Young et al 1989; Root, 1994).

When companies use contracts, the company admits another company to assume control over decision such as finances, production and marketing management. A way that contracts are made in internationalization methods is by franchisees or licensing (Young et al.1989; Root, 1994) Zahra et al (2000) states that a company must first obtain a certain amount of knowledge and better its organization and develop the company in an effective manner,

rather than creating outsources. **(HOLLENSSEN, S. 2007)**

In the case a company chooses an investment entry mode, it should bear in mind that it must contain models such as: Joint ventures (“JV”), new establishment and solos acquisition. A JV is when two companies come together to work in the entrance into a foreign market. These two companies must focus their attention on the fact that the two companies will share both the risk and revenue. A new establishment occurs when a company purchases an already existing company. **(Young et al.1989; Root, 1994).**

When a company wants to venture into new markets and with that process also obtain knowledge and skills of the market, the best choice for that company is to invest in an acquisition. **(Lee and Lieberman, 2009)**. Sanchez-Peinado et al. 2006 argues that this is not reliable, Sanchez believes that companies should share risk and control over the company when companies enter markets with the specific goal to search for assets and potential clients. **(HOLLENSSEN, S. 2007)**

When a company does not want to settle in a new location and hires another company to sell its products, we are dealing with indirect entry. This is considered to be the least risky mode of entry for a company that wants to begin its internationalization process. **(Grönroos (1999)**

According to **Brouthers and Brouthers (2003)** companies that offer not only products but services as well seem likely to aim mostly for high levels behavioral uncertainty in the target market and tend to prefer joint ventures as an entry mode, rather than wholly owned modes of entry. However, **Grönroos (1999)** states that companies that will likely have problems in foreign markets are mostly related to government and local customers that are a result of complications with a Foreign Service company’s entrance on the market, and therefore in the case that these types of mishaps occur the importance of the decision on the entry mode is null. **(HOLLENSSEN, S. 2007)**

According to **Blomstermo and Sharma (2005)** the higher the cultural distance between the investing company and the country that is being entered, will almost always choose a high control entry mode over a low control entry mode. In addition, **Sanchez-Peinado et al. (2006)** also argues that companies that offer services tend to enter markets with a high level of control. However, high level control modes are likely to be applied by companies that are interested in adopting an international strategy or are looking to enter a foreign market in order to search for either assets or new clients. When companies search for complementary

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assets they usually adopt a low control mode. (**Kramer, Roland Laird 1970**)

## **6.2 Market segmentation.**

Market segmentation consist in three levels which include, strategic segmentation which applies strategic intent and product benefits; Managerial segmentation which include resource allocation , alignment and planning; And an operational segmentation which include marketing programs which apply advertising, sales and distribution channels.(Luthans,Fred1995)

Companies mainly use demographic aspect whilst segmenting their market. Samsung Electronics divides its market into segments and offers each segment a different product that is based on its characteristics. (**Annex 17**)

### **6.2.1 Apple Inc. segmentation strategy**

Apple Inc. ´s Strategy reflects a dispute between two market outlets. Apple Inc.´s focus on one hand is to produce products that are able to join in a large number of functions aimed for a large scale market. According to **Kobayashi and Sculley utopian visions**, this market outlet the perfect smartphone would be able to deliver to its clients all the functions possible such as computing, communications, entertainment content, information management and any other function that could be offered in a portable device. Apple Inc.´s strategy on is iPhone allows for a device that is able to connect to the internet without the need to use other users applications, and it is obviously not used as a computer. According to **Paul Kedrosky**, a venture capitalist believes that this has condemned the iPhone and he wrote the following in the matter: *Is Apple Inc. serious that it won't let third-party developers build software for the thing? If so, and put simply, the device will fail. A closed-box consumer electronics mentality will work in music players, but the future of mobile devices is as a platform, and that requires developers.* (**SONE, A. – McCALL, J. B. 2004**).

The Samsung Electronics market for its products is divided by using segmentation variables which consists of geographical, demographic, behavioral and psychographic characteristics. The geographical segmentation of Samsung´s market is aimed at a regional focus, Samsung Electronics divided the Asian market into different regions also it targets different Asian countries in a different way by diving the markets. Samsung´s Demographic segmentation consists in groups such as age which is not an important factor for Samsung Electronics however, Samsung´s main costumers are adults. Samsung Electronics offers its users

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products that are appropriate for families and the family's size. Samsung's products do not aim specifically to a certain gender. Samsung's products aim to the society as a whole, and does not determine its products to high end or low end of the societies, it allows anyone to purchase its products range prices that are appropriate for buyers with a high purchasing power and also to buyers with low purchasing power. Nevertheless, Samsung Electronics has divided its consumer market into categories based on the customer's occupation. In addition, Samsung Electronics has acquired awareness on its customer's level of knowledge of its target market. (**Academic.brooklyn.cuny.edu.**)

### **6.2.2 Samsung Electronics psychographic segmentation**

Samsung Electronics also has segmented its market in reference to its consumer's lifestyle and personality. This details in Samsung's behavioral segmentation which may generate benefits for Samsung Electronics users, which are targeted differently based on the benefits that they look to acquire from Samsung's products. Samsung's loyalty status is also important to consider, as it will allow Samsung Electronics to have a better perception on which customers will continue to buy their products and which will switch to the competition's products and services. (**Horrigan, J. B. (2012)**)

Apple Inc.'s market segmentation is different from Samsung Electronics as it divides its segmentation into criteria and target segments. Concerning Apple Inc.'s Geographical segmentation is divided by regional in which devices are mainly within the United States of America and in an International markets, mainly in urban areas. Apple Inc.'s demographic segmentation consist in ages that are mainly aimed from 20-45 year olds. It is not however aimed for a specific gender. Apple Inc. aims its products into its customer's life stage, whether they are single or married, and its products are aimed toward customers that have high purchasing powers. It also aims towards the customer's professional occupation namely to executive professionals. In a behavioral segmentation, Apple Inc. aims for "hard core loyal" these are the loyal customers that will not only continue to purchase Apple Inc. products but will actually buy everything and anything Apple Inc. launches. Apple Inc. targets ambitious and successful customers. (**Comaford, C. 2007**)

In a psychographic segment, Apple Inc. aims its segments into social classes namely the middle and upper class of society, which also determine that Apple Inc.'s consumers also have a high-end lifestyle. (**TheEconomist.com2009**)

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

We can conclude that Apple Inc. and Samsung's market segmentation differs in many ways, Apple Inc. prefers design to function and it aims towards a controlled user experience Samsung Electronics however prefers a more functional character and it allows customer to customize its products. (Parmerlee, David 1993) Samsung Electronics provides its customers with a wider range of products than Apple Inc., and allows its customers to connect its devices to home appliance without mandatorily locking costumers to their products like Apple Inc.'s narrow product line does. Samsung Electronics strategy consists in better the devices and services of its competitors while Apple Inc. provides the market with innovation. (Chapman, R., & Haskisson, R. e. (n.d.). Case 14)

### **6.2.3 The Integration – Responsiveness Framework (Annex 18)**

A global Integration and Local responsiveness strategy framework has been conducted in order to better analyze in which strategy each company is integrated. Companies that are usually locally responsive, the company adjust its management structure in order to better fit the circumstances of each market. Therefore, the company adapts to the costumers needs, the competition and the local distribution channels. In this strategy language and cultural differences strong influence the behavioral factor of buyers. (Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)

Global integration is different as it pursues economic effectiveness on an international level, and not to a specific market. Companies usually do this by promoting their characteristics through the spread of a global brand in a uniform matter and they do this successfully by carefully observing their competitors. Companies that are integrated in this strategy usually do not produce various products for specific markets, as this will increase cost. (Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)

Some aspects that influence a company to become locally responsive in the market they enter, include the diversity of needs of that market, the variation of distribution, local competition, cultural competition influence the costumers buying decisions, and the local governmental requirements such as trade barriers or laws. (Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)

Some aspects regarding global integration in order to process its activities on a global level effectively include, economies of scale, in which the companies should concentrate production lines in selected locations, Standardization of its products throughout the globe



## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

as well as its services, global competitors, this meaning that companies that integrate on a global integration strategy tend to threaten those already existing companies in the domestic market. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)**

After an extensive analysis we can conclude that Samsung Electronics takes part of a local responsive strategy and Apple Inc. is part of a global integration strategy.

These two strategies take part of a framework consisting of four different strategies that allow companies to define their strategies in an international level whether having a high or low responsive or global integration. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)**

The first strategy results from a strong pressure for global integration and a weak pressure for local responsiveness, it's known as the Global (standardization) strategy. In this strategy the main points that make part of it are the following, the influence of economies of scales and location economies and implementing a high end product in a market at the lowest cost possible. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50).**

The second strategy is made from a strong pressure from both global integration and local responsiveness, called the transnational strategy. This strategy results from a blend of high responsiveness and the global strategy, which consists of the lowest cost possible of production. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)**

The third strategy consists of low integration pressure and weak local responsiveness integration. In this strategy companies design its products and services towards their domestic users and only see an internationalization as a strategy to increase its product life cycle. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)**

The fourth and final strategy is called the Multi-domestic strategy, in which a weak integration pressures and a strong local responsiveness pressure exists. In this strategy, companies normally authorizes it's international companies to make decisions on their own. Therefore, the local companies are in charge and have the benefit to be able to answer to consumer needs in that specific market. Nonetheless, these companies are more likely to become independent from the home-company. This strategy may bring many disadvantages to companies, as directors and staff have a free will to implement their visions, cultures and ideas, which results the company to no longer have any attachment to its headquarters. As they are independent, the communication between each concerning information and reduction of economies of scale may result in the lack of information and knowledge

acquired from both sides. **(Dirk Morschett, Hanna Schramm-Klein, Joachim Zentes, pg 29-50)**

Apple Inc. has a global strategy therefore it is included in the Global standardization strategy in the framework, the company consists of a strong pressure for global integration but a low pressure for local responsiveness. The only alteration that Apple Inc. applies to its products in order to adopt internationally, is its power source. Apple Inc.'s design and productions are extremely controlled and managed by only one source. This strategy has brought Apple Inc. many advantages because it allows Apple Inc. to enter different countries without having to change anything in their management or operation organization internationally, therefore it has lower costs. Apple Inc. does not require adaptations to a country's culture or lifestyle because Apple Inc. itself provides those same things to its customers. **(Hovivian, Françoise)**

Samsung Electronics on the other hand adapts its products and services to each country's needs. As seen before in its segmentation analysis, Samsung Electronics enters a market and researches the customer needs and purchasing power, thus producing products that are available to all of the classes in society of each country. Hence, we can conclude that Samsung Electronics adopts to a translation strategy. Because it does offer its brand in an international level, thus the global strategy, however it also includes a concentration and adaptation to local responsiveness. **(Mawson, James 2011)**

## **CHAPTER VII: Apple Inc. and Samsung Electronics**

### **7.1 Past partnerships**

Before 2010, Samsung Electronics was Apple Inc.'s main supplier, this meaning that the iPhone was not produced entirely by Apple Inc. The production and final assembly was done by its third party suppliers that included Foxconn and Samsung. Samsung Electronics provided Apple Inc. with its most important components such as flash memory and applications processor. **(Annex 19)** In a total amount Samsung Electronics was responsible for 25% of the iPhone. For some period of time, Samsung Electronics used the fact that Apple Inc. was one of its biggest client, in its business model, the fact that Samsung Electronics was producing components for other companies allowed it to produce its products at a lower cost. Apple Inc. entrusts its suppliers to manufacture and assemble its products in order to allow room to concentrate in their strongest aspects which is design a luxury

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

product, software and hardware. The image below details how much an iPhone is actually manufactured by supplier components, note that this relates to the iPhone4 in 2011. (**The Economist, August, 2011.**)

### **7.2 Legal mishaps**

There is a great conflict between the smartphone industries' top selling companies Apple Inc. and Samsung. The companies have been competing in a worldwide battle for the past six years (since 2010) to hit number one in the charts. This conflict began when in 2010, Samsung Electronics which at the time was actually a supplier for Apple Inc., debuted a smartphone that was esthetically identical to the Apple Inc. iPhone, the two companies have been in court for copy rights and plagiarism for years. (**Investopedia.com**)

Samsung, some might say "looked up" to the Apple Inc. Business model, as it was striving in the market and having a successful journey to the top ( In 2011, Apple Inc. was able to surpass a giant corporation - Exxon Mobil Corporation which at the time was the world's most valuable company). (**Investopedia.com**)

The legal battle between Apple Inc. and Samsung Electronics took place in four different continents and spread billions of dollars in awarded damages. As research has been made, when considering this situation from a business model perspective, the two companies are constantly converging and modifying, however, similarities are still obvious. Samsung Electronics has been a global company longer than Apple Inc. has and because of that it has more entries in various industries. Even though it might be a younger company Apple Inc. has risen in the market in a very focused and unique manner. (**Investopedia.com**)

Samsung Electronics adopted the same Integration strategy as Apple Inc., it also concentrates on a Vertical integration, and however, it also concentrates on product volume. (**Investopedia.com**)

Samsung Electronics has the upper hand due to the fact that it has been "in the game" for a longer period of time, it has been able to enter many and a large variety of markets( including flat panels, sensors, LED lights, batteries, gaming systems, cameras, TVs, appliances, cellphone carriers, tablets, smartphones and even medical electronics) (**Investopedia.com**).

Apple Inc. has since continuously sued Samsung Electronics for patent infringement.

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Lawsuits seem to be a common strategy for Apple Inc., which is one of the most legally aggressive firms in the world, but the focus on Samsung Electronics is particularly repetitive and intense. Apple Inc. is known for defending its brand and products in 2011, it had already been in court with Motorola and then merged to Samsung Electronics for infringement of its tablet and smartphone designs. **(Investopedia.com)**

The first accusation done by Apple Inc. towards Samsung Electronics was in the beginning of 2011, by mid-year there had been already reported 19 different cases taking place in 9 different countries, in which each company claimed billions of dollars in damages. Each firm won multiple decisions against the other between 2012 and 2015, often in conflicting rulings from German, Japanese, South Korean, American, French, Italian, Dutch, British and Australian courts. **(Investopedia.com)**

Apple Inc. won an initial ruling in 2012 that targeted more than a dozen Samsung Electronics phones, but the appeals and countersuit process dragged out until 2014, which took place when every single target model was out of production. For this reason, the real damage is not in the production line, but rather in the mountain of legal costs incurred by Samsung Electronics and Apple Inc. around the world.

**(Investopedia.com)**

### **7.3 Apple. Inc. and Samsung's probable teamwork**

According to Forbes, Apple Inc. and Samsung Electronics will once more join forces for the new release of the iPhone7 in September 2016. Information was leaked that Samsung's was manufacturing system on chips for the new iPhone7, and it is said that Samsung Electronics would be the lead manufacturer –supplier for all of Apple Inc.'s future A9 chips under Tim Cook's rule.. As mentioned before Apple Inc. does in fact rely on third party suppliers to manufacture some components, whilst Apple Inc. concentrated on designing the device's hardware and chips, however they do not produce them, and rely on semi-conductor manufactures such as Samsung Electronics to do so. Samsung Electronics has two main plants located in South Korea and in Texas, USA. The leaked information states that the A9 chips are being fabricated within the United States which allows Apple Inc. to argue that its product are being made in America, which is an advantage for their North American market. **(Forbes.com)**

## **CHAPTER VIII: Research Conducted (Annex20)**

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

A survey was conducted to better analyze the market of both Apple Inc. and Samsung. In this survey individuals were asked what factors more important when are purchasing their smartphone and what they perceive understand what smartphone user prefer when selecting a brand. The study was conducted towards 32 individuals. Namely aimed to smartphone users and preferably to Apple Inc. and Samsung Electronics users, even some test subjects own neither of the two, there are questions aimed for that public as well. Based on the study conducted we are able to conclude the following:

The main smartphone users used in this survey are included in the 25-34 age group. Approximately 75% of the individuals who participated in the survey were women. The survey was presented to various individuals located in different countries namely: Portugal, USA, Germany, France, Algeria, Norway and Brazil. The principal objective of pinpointing the individual's nationalities and locations was to better understand the preferences of costumers in different countries. Of the 32 individuals who answered the survey, roughly 62% were Apple Inc. users and indicated to be 96% satisfied with their iPhone and 31% rated Apple Inc. iPhone with a 9/10 for overall performance. 25% of the individuals are Samsung Electronics users and 15% of the individuals rated Samsung Electronics smartphones 9/10 for its overall performance.

Most of the individuals answered that the most important feature when making the purchasing decision on a new smartphone is speed (63%), Design (31%) and size (31%).

81% of the individuals claim that the Apple Inc. iPhone is this most popular device within their age group, whilst 15,6% claimed Samsung to be the most popular. According to the answers provided, this popularity is due to status, being simple to use, design, being user friendly, having good marketing and its price.

One of the questions asked to the individuals was if they had the opportunity to choose a smartphone free of charge, which brand would they choose, approximately 71% choose Apple Inc. and estimably 18% would choose Samsung.

### **MAIN CONCLUSION**

After the fast research was conducted, it is possible wrap up that in the case of Apple Inc. the strategies carried out have mainly been successful worldwide. Apple Inc.'s standardization approach, as research show, has been effective. Apple Inc. provides its customers all over the world with a lifestyle and status. Owning an Apple Inc. iPhone gives people the feeling

## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

of power and loyalty, it does not matter in which country they are in or in what culture they were brought up in. The survey details this precisely as 71% would prefer an iPhone if they were to have the chance to obtain one without actually spending money. Therefore, we can conclude that Apple Inc. is the leader in the high end market, as its prices are not affordable to all of society's classes.

On the other hand, Samsung Electronics is reliable and loyal to its customers as it spends huge amounts of money investing in R&D in order to find better ways of satisfying their customers' needs and wants and adapting its company to the markets they enter. In the survey that was conducted for further knowledge, we can determine that from those who are Samsung Electronics users 15% gave a 9/10 points. This is rather a lower level than Apple Inc. However, most of the users that answered the survey were in majority Apple Inc. users. We can also conclude that Samsung Electronics is in fact an impact maker, even though it is not an innovator because it looks at its competitors' products and investigates to make a better product to launch in the market.

Overall, we can conclude that the objective of this dissertation was reached. As all the imperative information to answer how different strategies, cultures, background and entry modes allow for two diverse companies to both be leaders in the smartphone industry.

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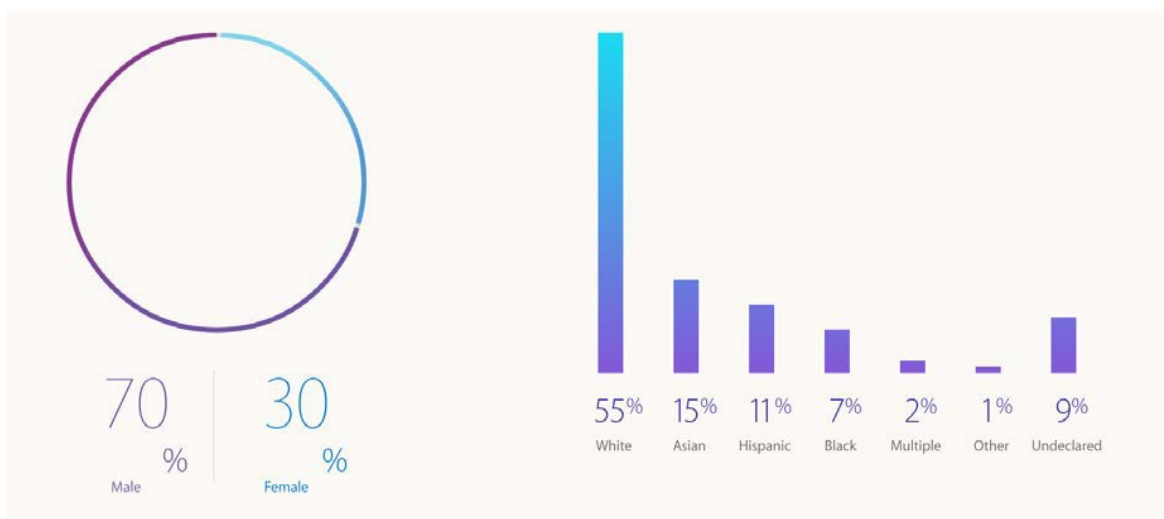
[http://www.investopedia.com/articles/markets/110315/samsung-vs-Apple Inc.-comparing-business-models.asp#ixzz4EhQCmDNh](http://www.investopedia.com/articles/markets/110315/samsung-vs-Apple%20Inc.-comparing-business-models.asp#ixzz4EhQCmDNh)

**ANNEXES**

Annex 1 –Apple Inc. ’s band value retrieved from statista.com

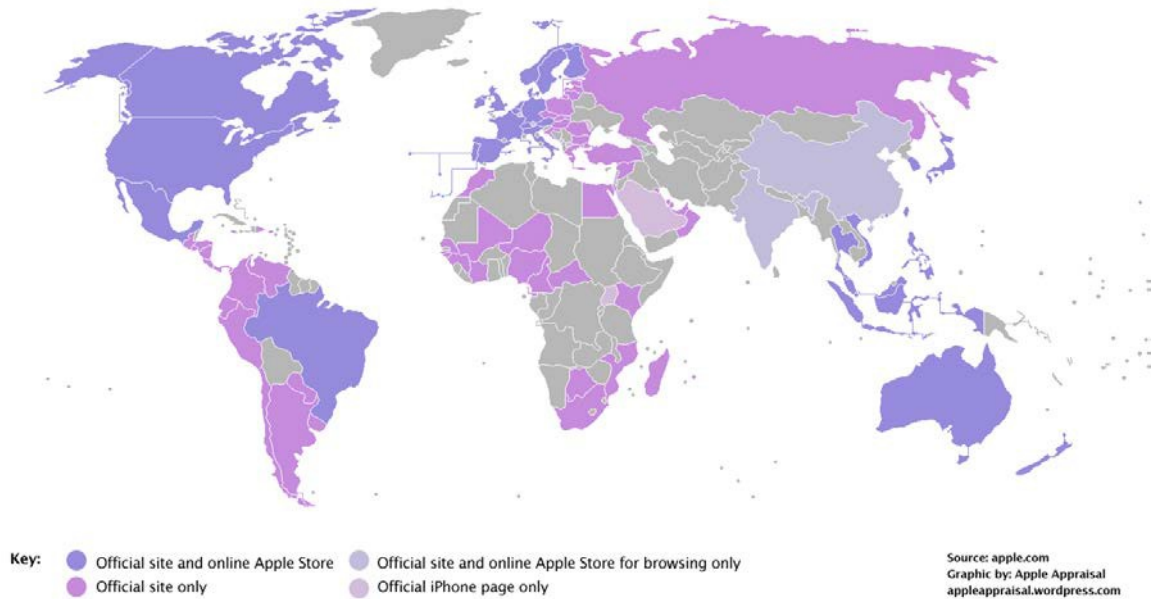


Annex 2 – Apple Inc. Employee diversification retrieved from Business Insider.com



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Annex 3: Apple Inc. retail stores retrieved from www.Apple.com



Annex 4: Retrieved from Interbrand.com

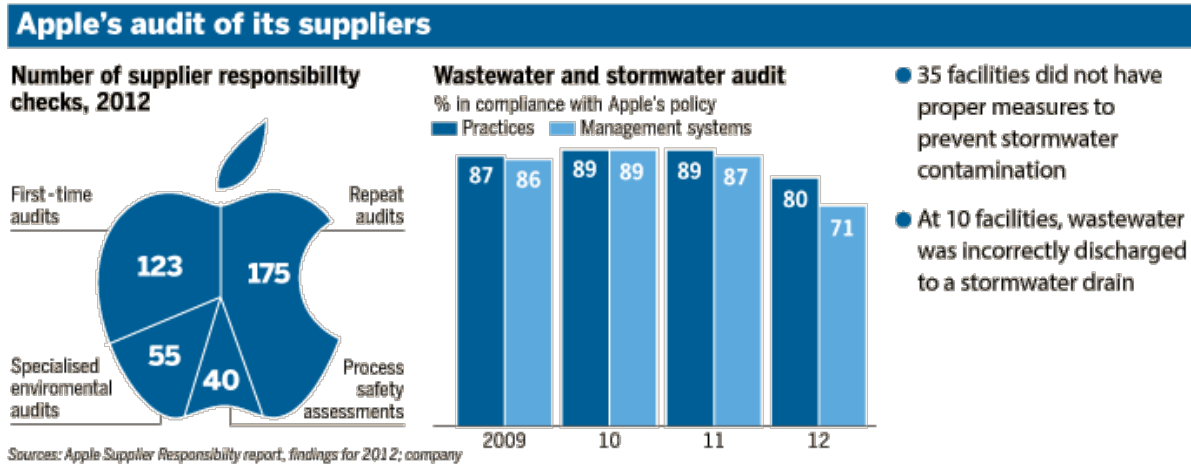
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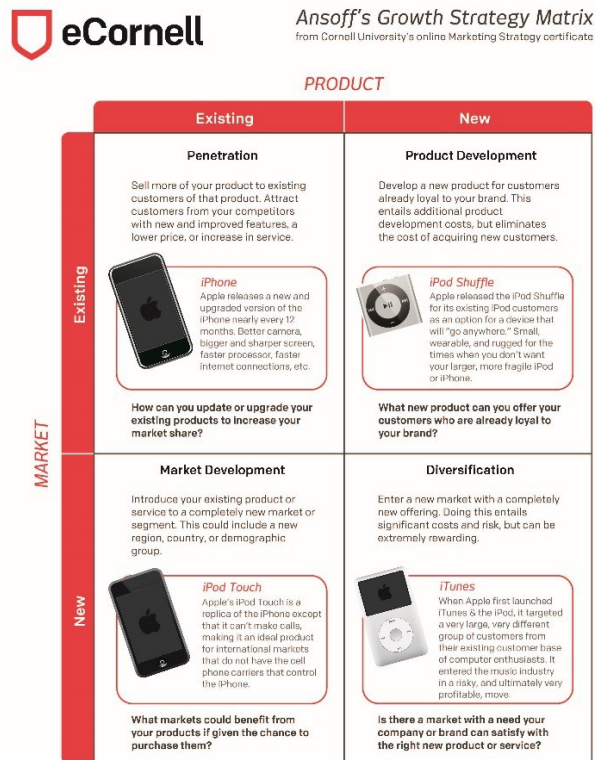
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# The difference in internationalization strategies: Apple Inc. and Samsung Electronics

## Annex 5: Apple Inc.'s Suppliers Retrieved from Apple Inc. supplier responsibility report, 2012



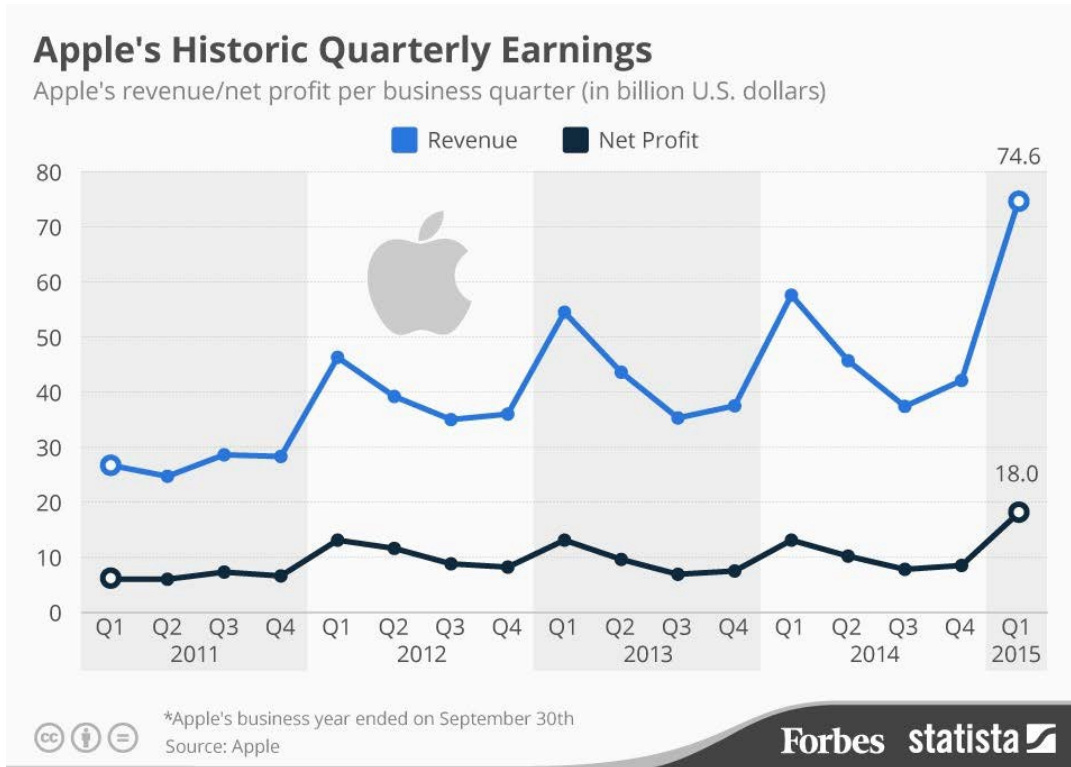
## Annex 6: Ansoff Matrix Retrieved from eCornell



This diagram is adapted from: H. Ansoff, *New Corporate Strategy* (New York: Wiley, 1968), p. 109.



Annex 7: Apple Inc. Inc.2015 Quarterly earnings retrieved from statista.com



Annex 8: Samsung Electronics profit by segment retrieved from Samsungnewsroom.com

※ Consolidated Sales and Operating Profit by Segment based on K-IFRS (2014-2015)

(Unit: KRW trillion)		2014					2015				
		1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Sales	CE	11.32	13.00	11.60	14.27	50.18	10.26	11.20	11.59	13.85	46.90
	IM	32.44	28.45	24.58	26.29	111.76	25.89	26.06	26.61	25.00	103.55
	Semicon	9.39	9.78	9.89	10.66	39.73	10.27	11.29	12.82	13.21	47.59
	DP	6.10	6.33	6.25	7.05	25.73	6.85	6.62	7.49	6.53	27.49
	DS	15.56	16.23	16.29	17.71	65.79	17.10	17.87	20.31	19.74	75.03
	<b>Total</b>	<b>53.68</b>	<b>52.35</b>	<b>47.45</b>	<b>52.73</b>	<b>206.21</b>	<b>47.12</b>	<b>48.54</b>	<b>51.68</b>	<b>53.32</b>	<b>200.65</b>
Operating Profit	CE	0.19	0.77	0.05	0.18	1.18	-0.14	0.21	0.36	0.82	1.25
	IM	6.43	4.42	1.75	1.96	14.56	2.74	2.76	2.40	2.23	10.14
	Semicon	1.95	1.86	2.26	2.70	8.78	2.93	3.40	3.66	2.80	12.79
	DP	-0.08	0.22	0.06	0.47	0.66	0.52	0.54	0.93	0.30	2.30
	DS	1.87	2.09	2.33	3.13	9.43	3.39	3.87	4.65	2.98	14.89
	<b>Total</b>	<b>8.49</b>	<b>7.19</b>	<b>4.06</b>	<b>5.29</b>	<b>25.03</b>	<b>5.98</b>	<b>6.90</b>	<b>7.39</b>	<b>6.14</b>	<b>26.41</b>

Note 1: Sales for each business include intersegment sales.

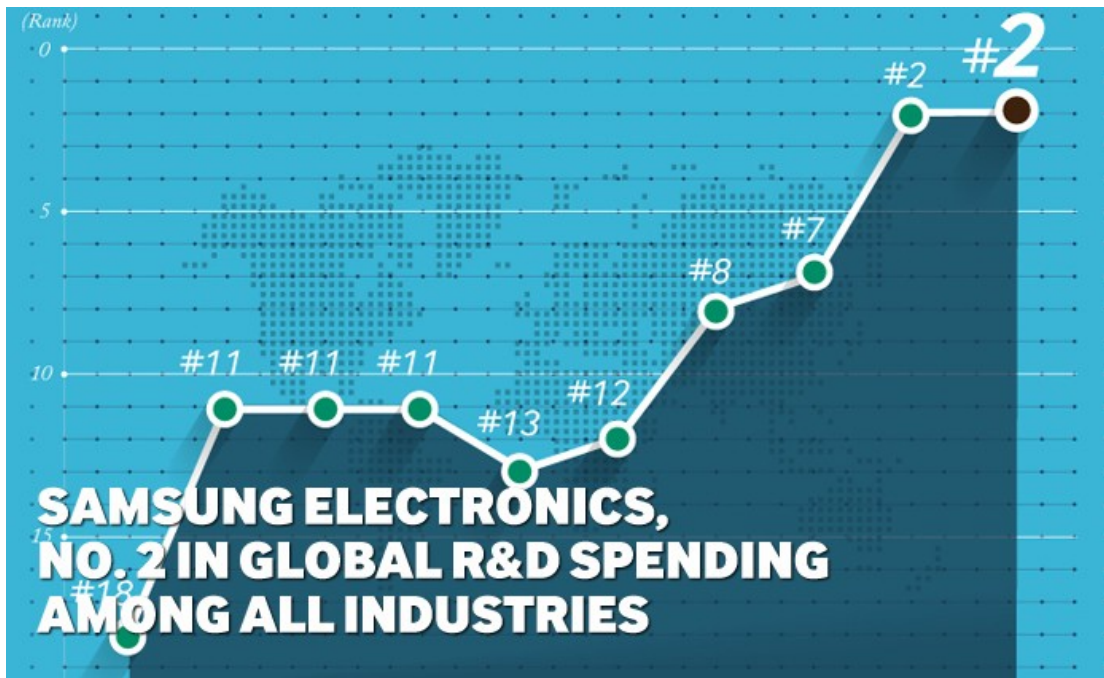
Note 2: CE (Consumer Electronics), IM (IT & Mobile Communications), DS (Device Solutions), DP (Display Panel).

Note 3: Information on annual earnings is stated according to the business divisions as of 2015.



The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex 9: Samsung Electronics R&D spending retrieved from Samsungnewsroom.com

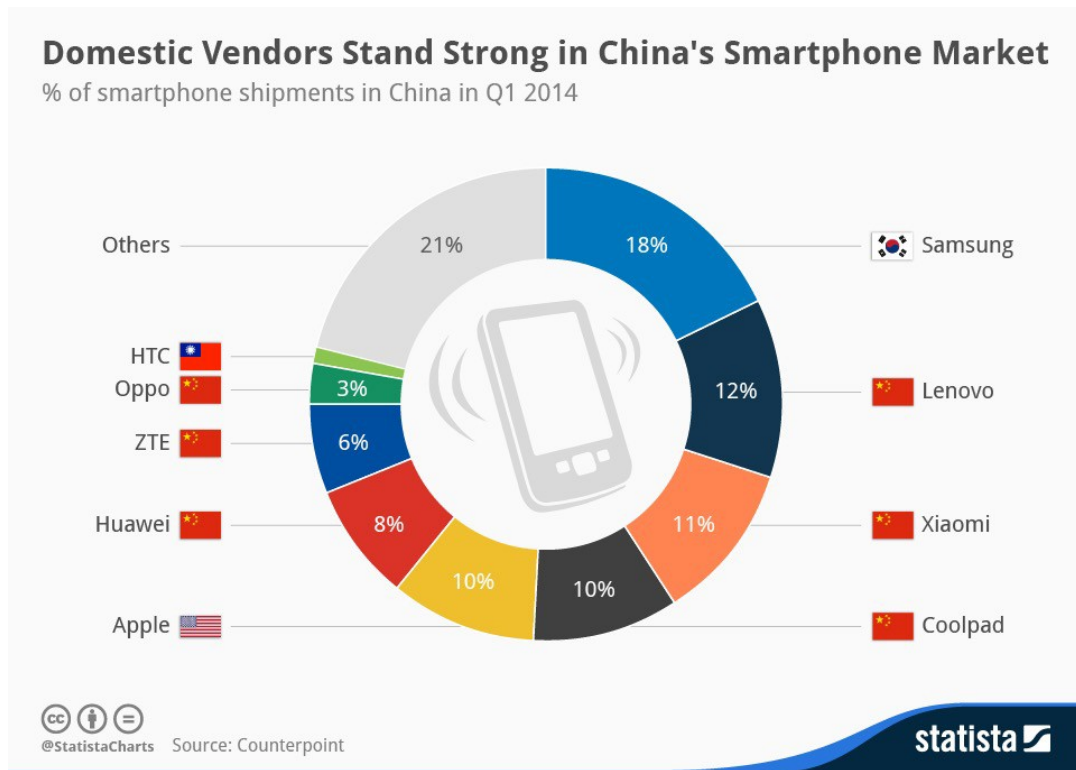


Annex10: Interbrand best global brand positions 2016. Retrieved from Interbrand.com

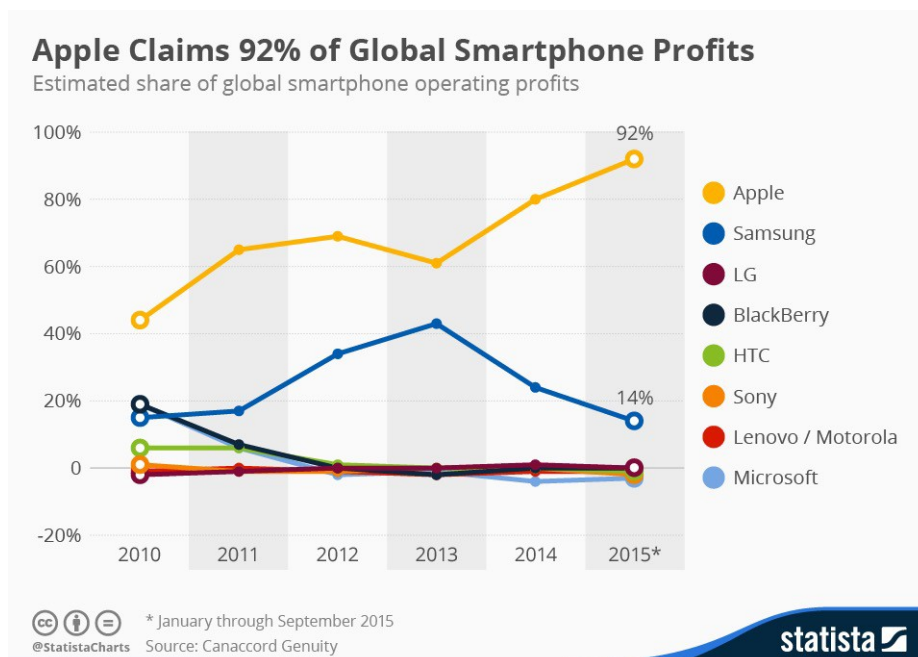
Interbrand ■●●

Rank	Brand	Change (%)	Value (\$m)
01	Apple	+21%	118,863
02	Google	+15%	107,439
03	Coca-Cola	+3%	81,563
04	IBM	-8%	72,244
05	Microsoft	+3%	61,154
06	GE	-3%	45,480
07	Samsung	+15%	45,462
08	Toyota	+20%	42,392
09	McDonald's	+1%	42,254
10	Mercedes-Benz	+8%	34,338
11	Bayer	+7%	34,214
12	Intel	-8%	34,153
13	Disney	+14%	32,223
14	Cisco	+6%	30,936
15	Amazon	-	-
16	Oracle	+8%	25,980
17	HP	-8%	23,758
18	Gillette	-9%	22,845
19	Louis Vuitton	-9%	22,552
20	Honda	+17%	21,673
21	H&M	+16%	21,083
22	Nike	+16%	19,875
23	Walmart	+11%	19,510
24	Pepsi	+7%	19,119
25	SAP	+4%	17,340
26	Ikea	+15%	15,885
27	UPS	+5%	14,470
28	eBay	+9%	14,358
29	Top Riser	+25%	29,478
30	Pampers	+8%	14,078

Annex 11: China's smartphone market for domestic vendors. Retrieved from Statista.com



Annex 12: Apple Inc. Smartphone profits. Retrieved from Statista.com

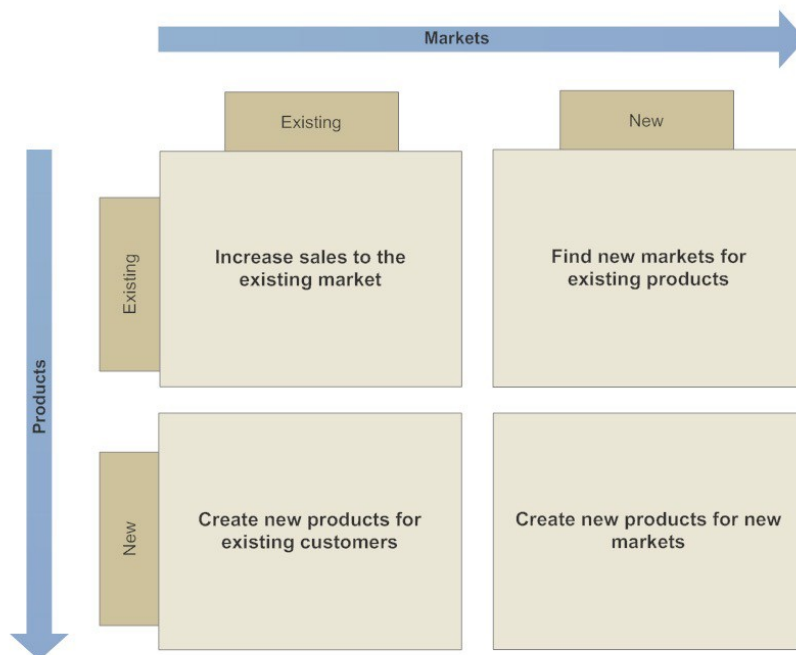


The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex13: Porter's Five forces Model retrieved from cgma.org



Annex14: internationalization strategies, retrieved from Smartdraw.com

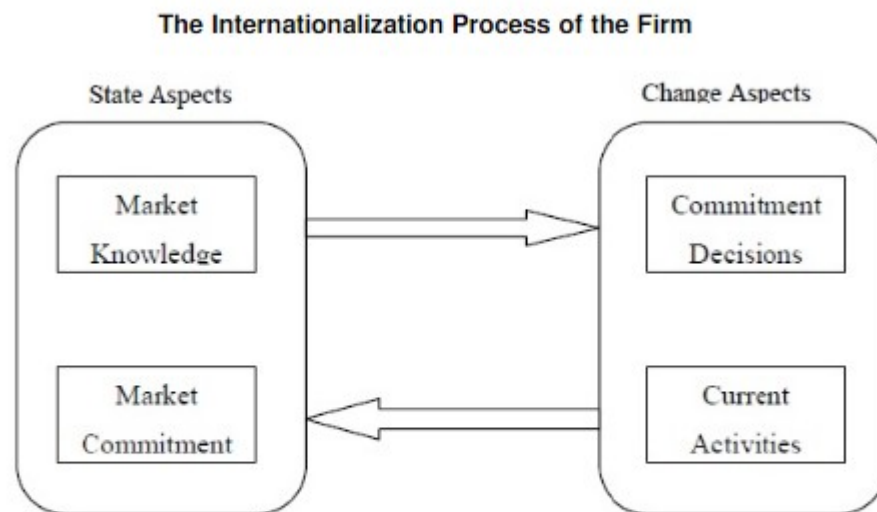


The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex15: The Uppsala model retrieved from Strandskov (1995)

		Drivers	
		Internal	External
Nature of decisions	Planned	Institutional-economic perspective	Strategic competition perspective
	Emergent	Learning perspective	Inter-organizational perspective

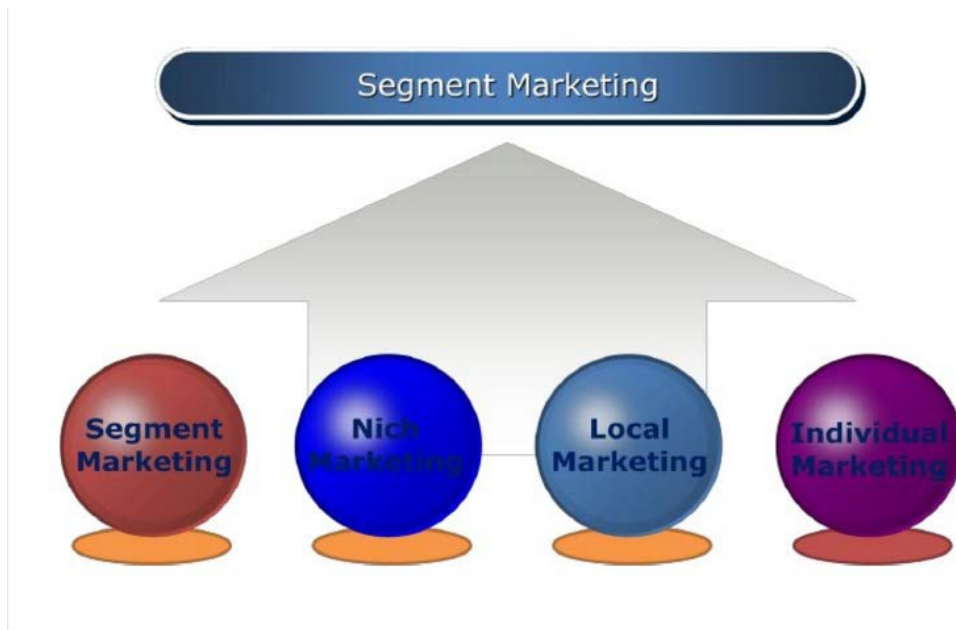
Annex 16: The internationalization process of a firm retrieved from Johanson, Vahne 1977.



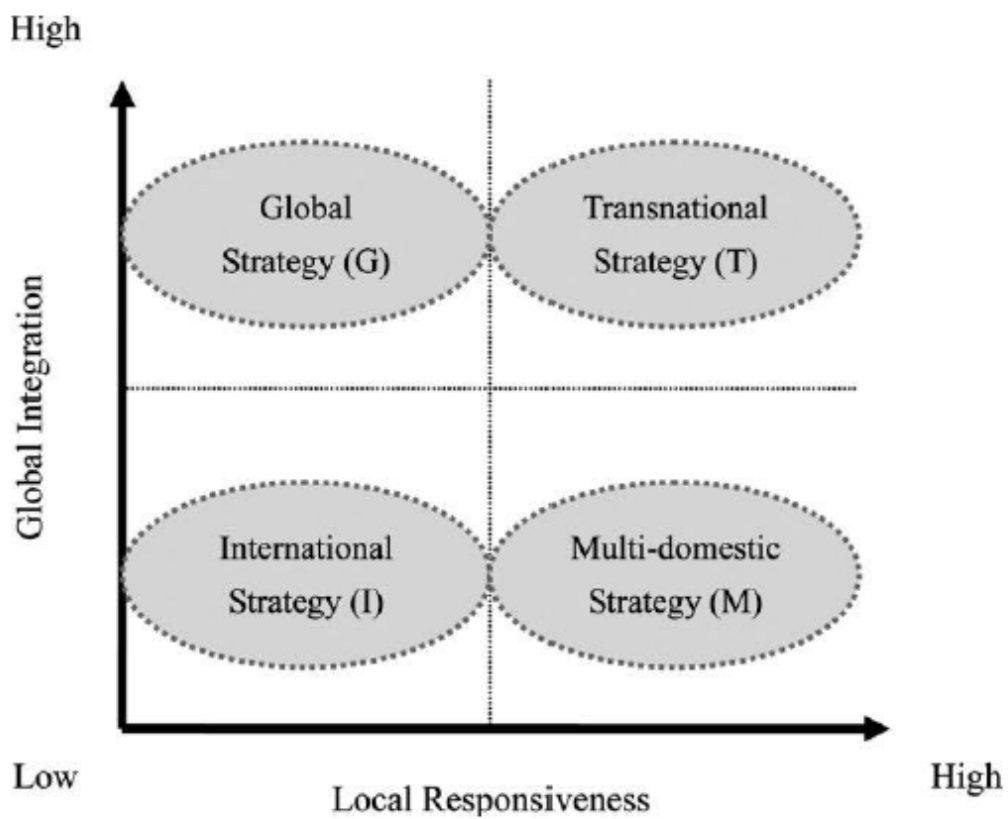
**Figure: 6**  
Sources: (Johanson, Vahne 1977)

The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex17 Segment Marketing retrieved from [www.marketing91.com](http://www.marketing91.com)

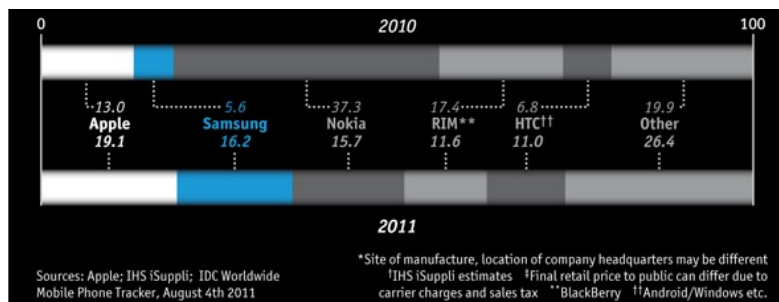
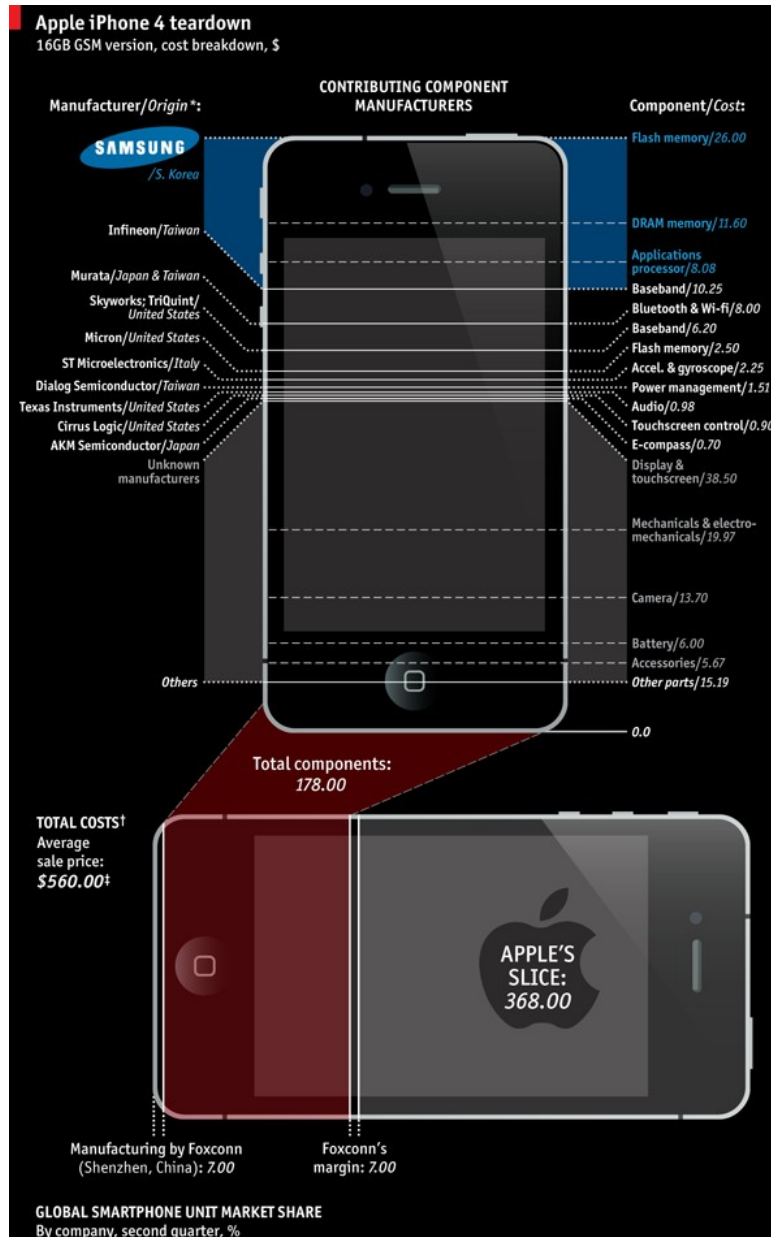


Annex 18 The Integration responsiveness Framework retrieved from [studyblue.com](http://studyblue.com)



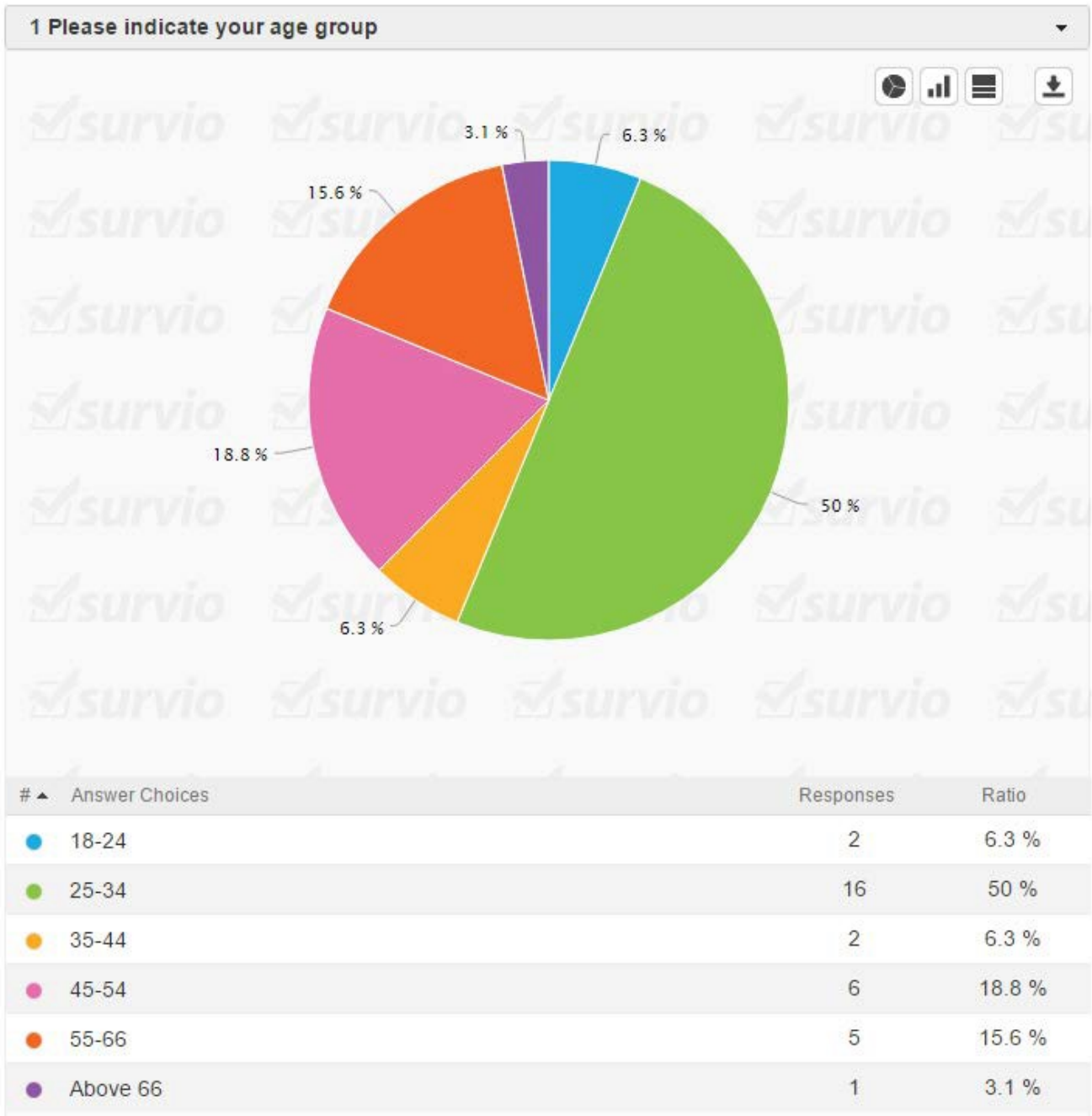
## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex19 source: Apple Inc. and Samsung Electronics partnership retrieved from (*Apple Inc. and Samsung's symbolic relationship, Slicing an Apple Inc., The Economist, August, 2011.*)

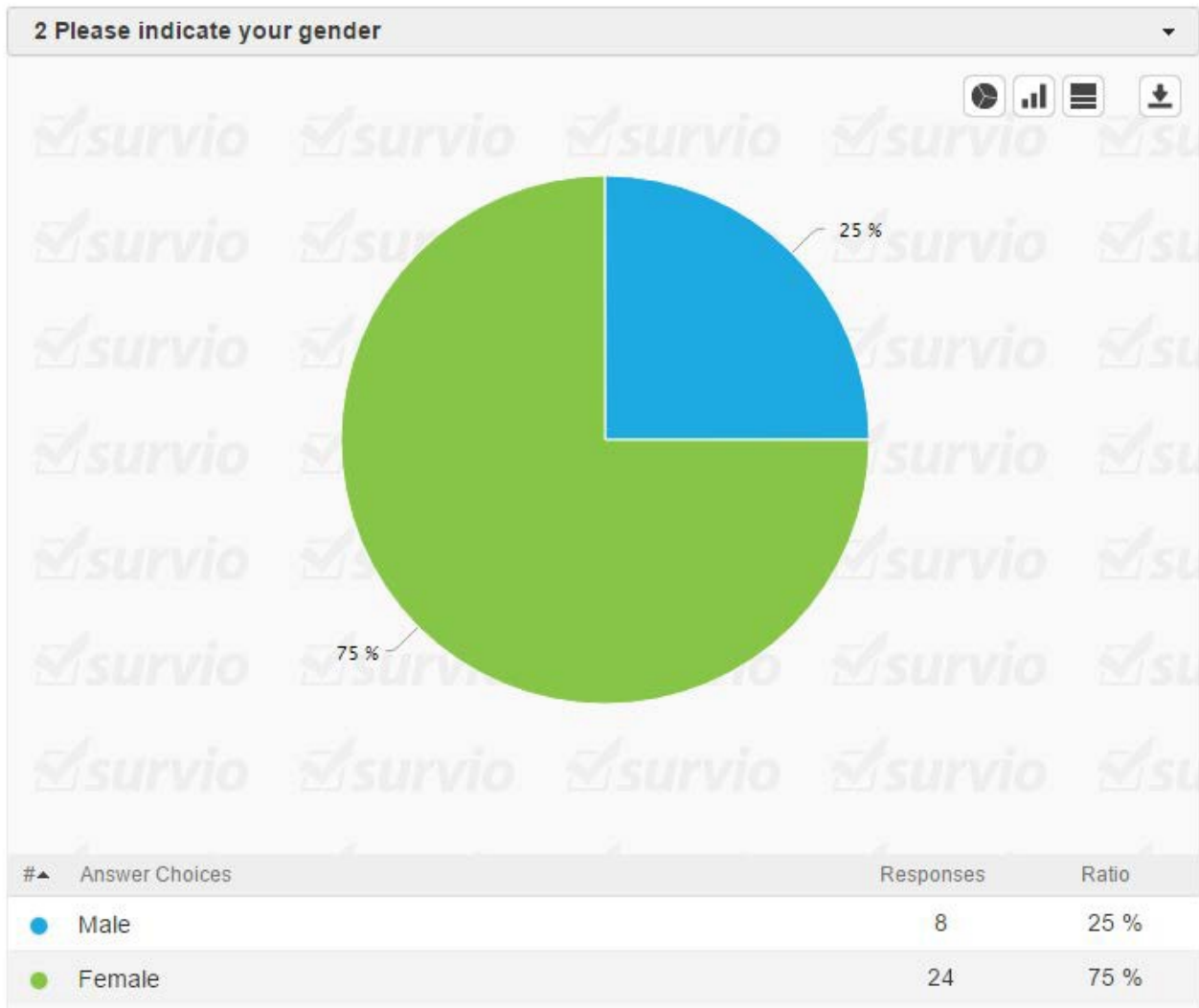


# The difference in internationalization strategies: Apple Inc. and Samsung Electronics

Annex 20: Survey created by Survio.com



## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

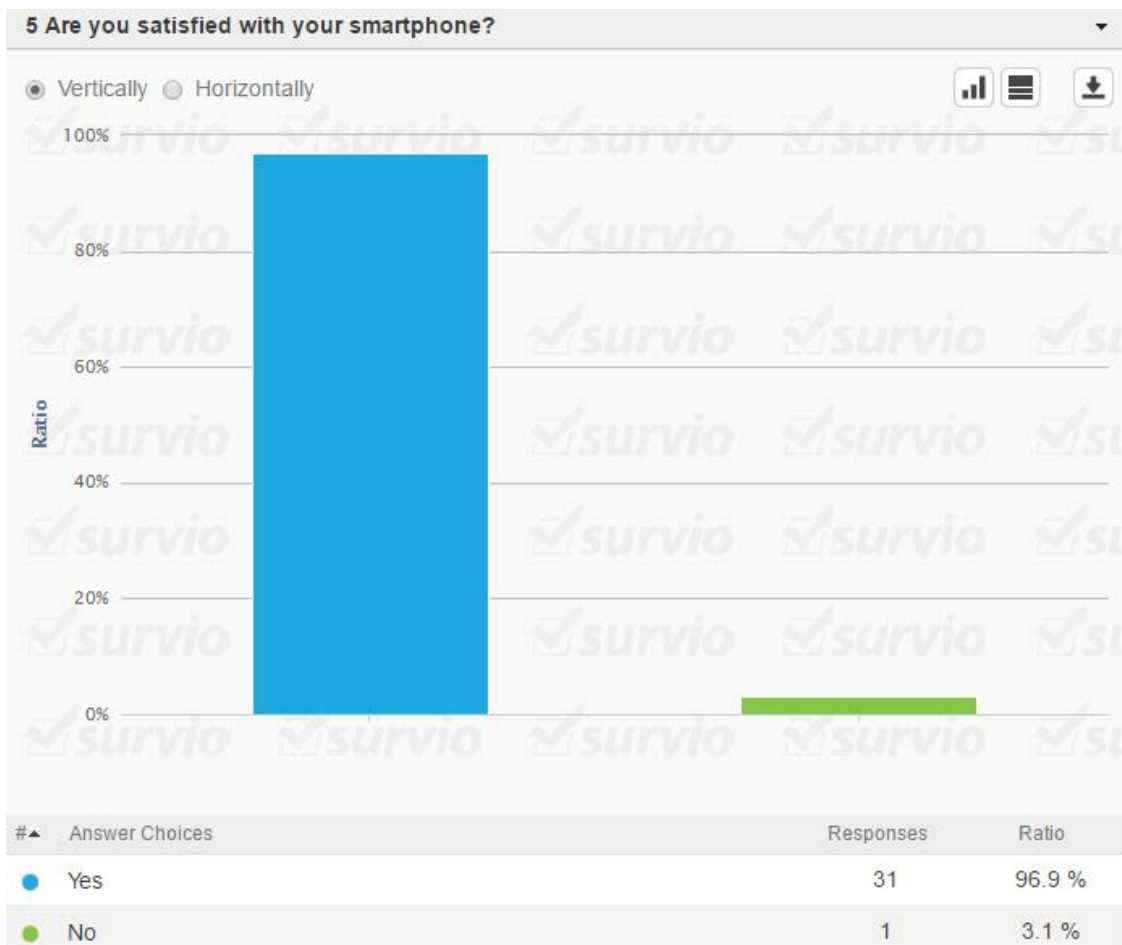
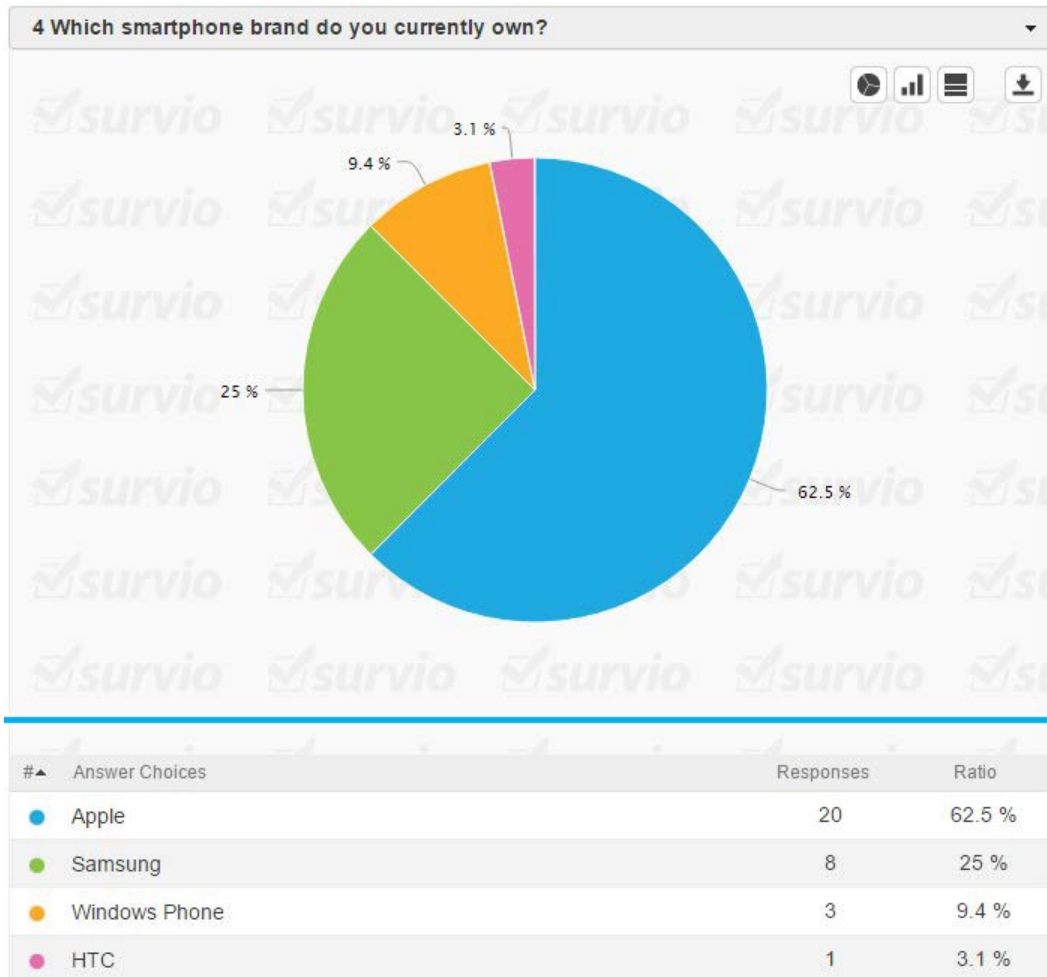


**3 Please indicate your nationality**

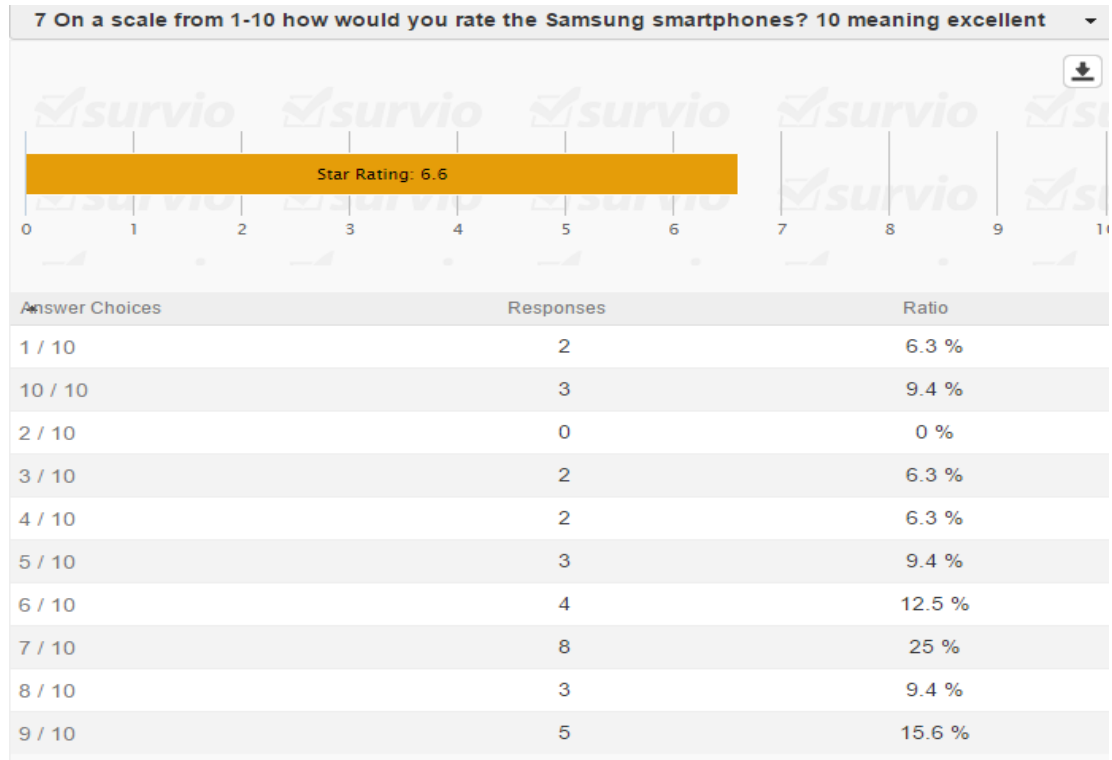
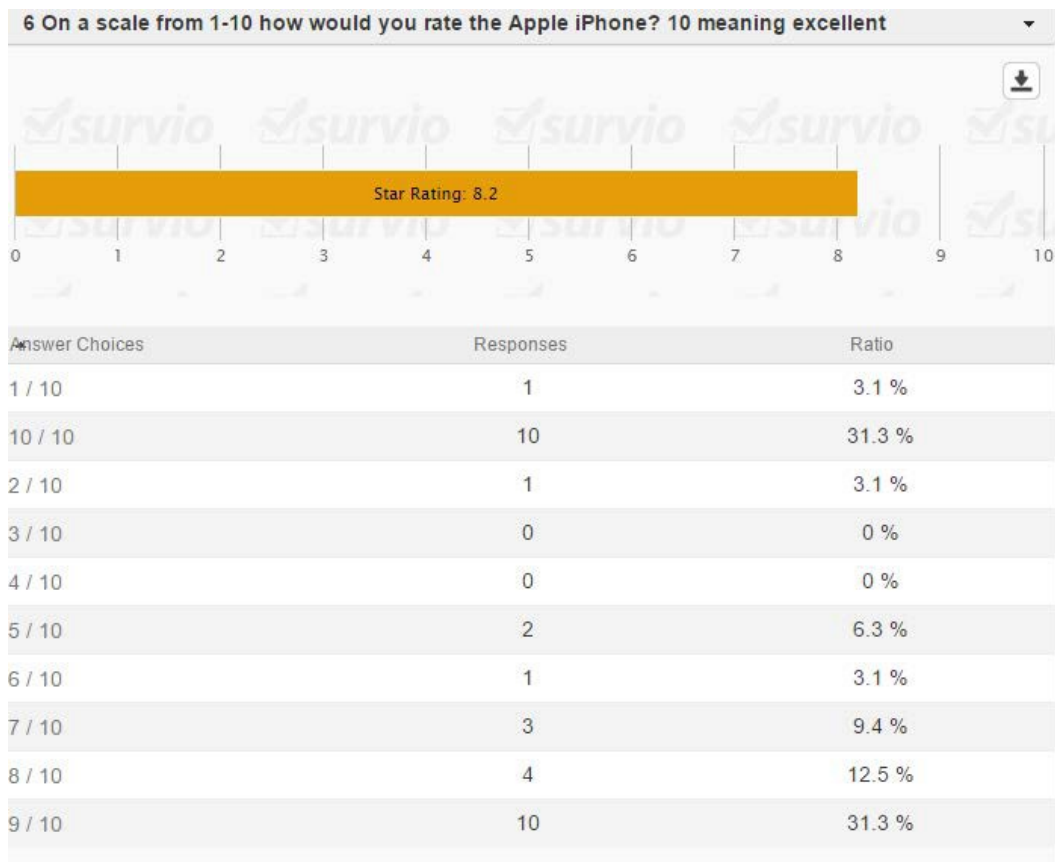
Portuguese (11x)	French	Portugueses	Portuguesa (3x)
portuguese	Português	Portugal (2x)	Norwegian
German	Algerian	USA	American Brazilian
Whitite/Hispanic born in the US	Cuban American	Cuban-American	American
	Cuban	Colombian	Brazilian



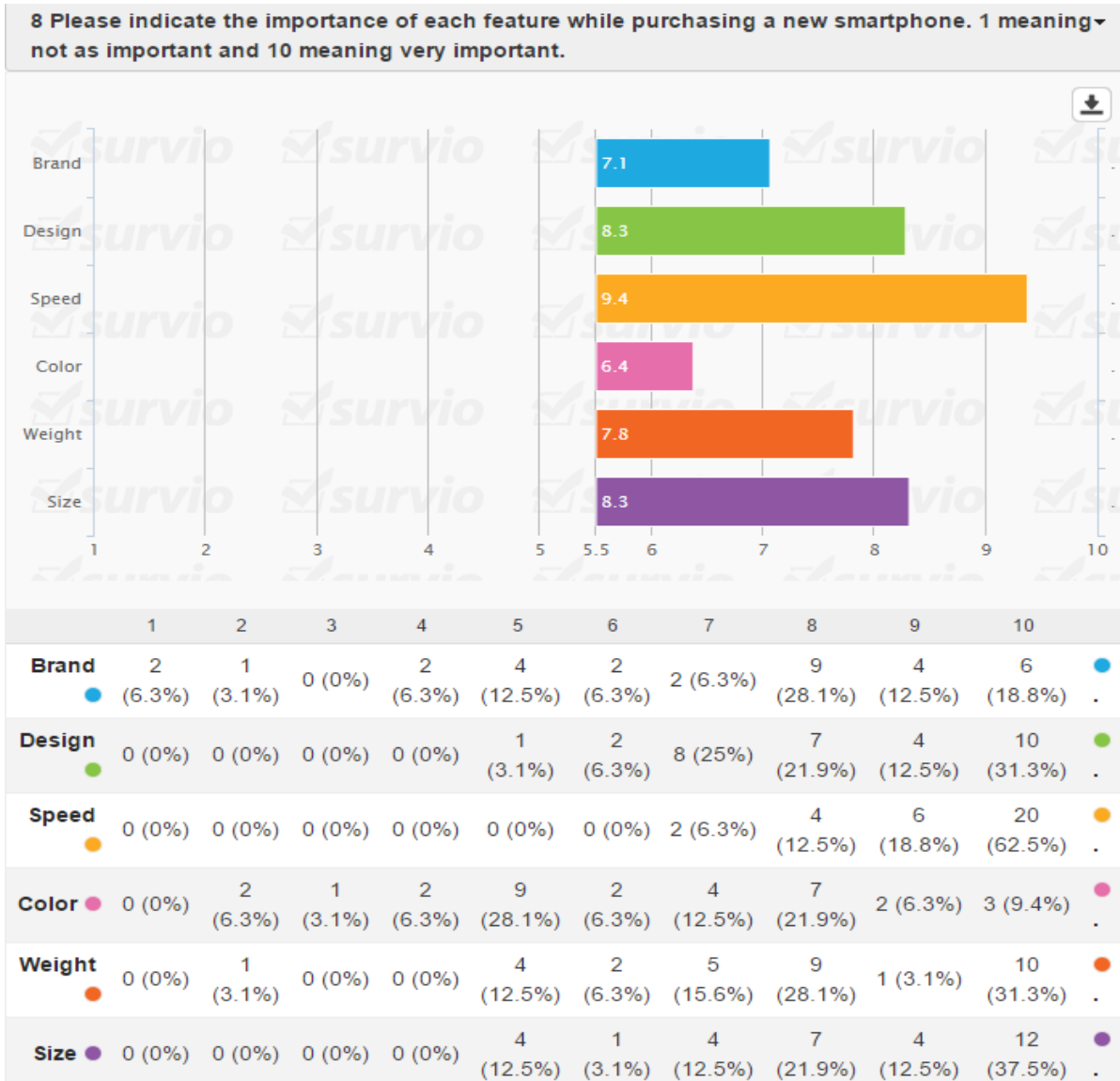
# The difference in internationalization strategies: Apple Inc. and Samsung Electronics



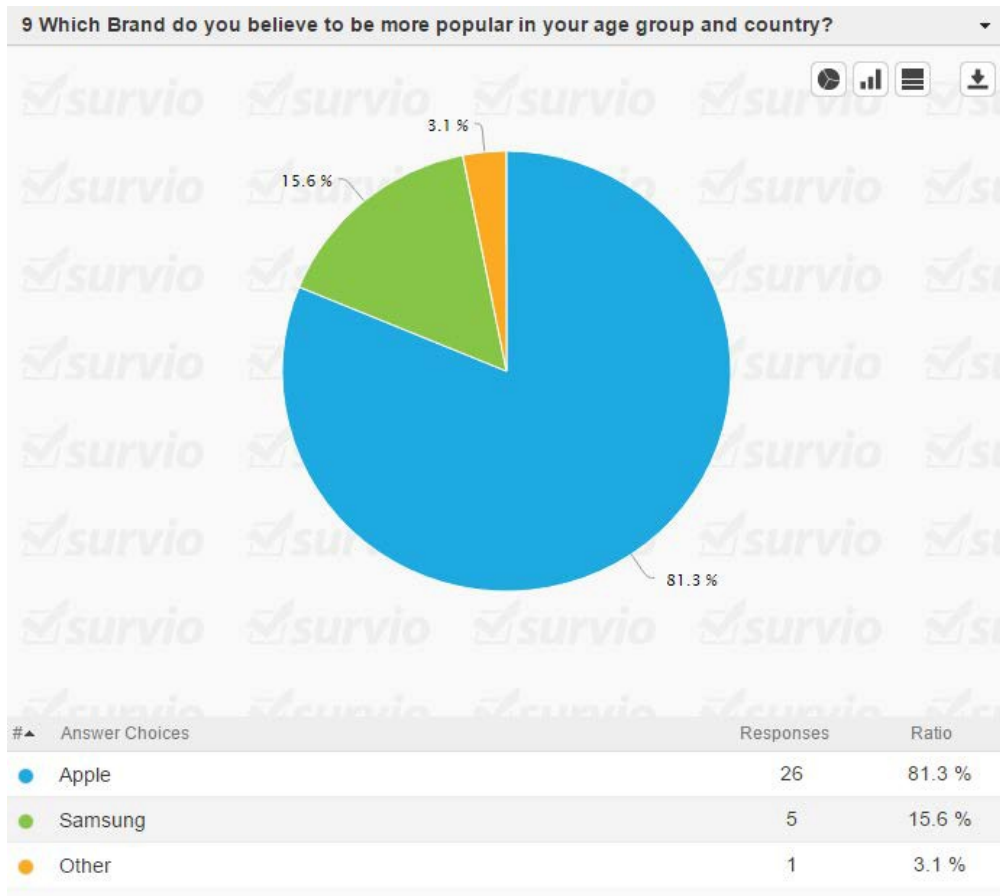
## The difference in internationalization strategies: Apple Inc. and Samsung Electronics



The difference in internationalization strategies: Apple Inc. and Samsung Electronics



The difference in internationalization strategies: Apple Inc. and Samsung Electronics

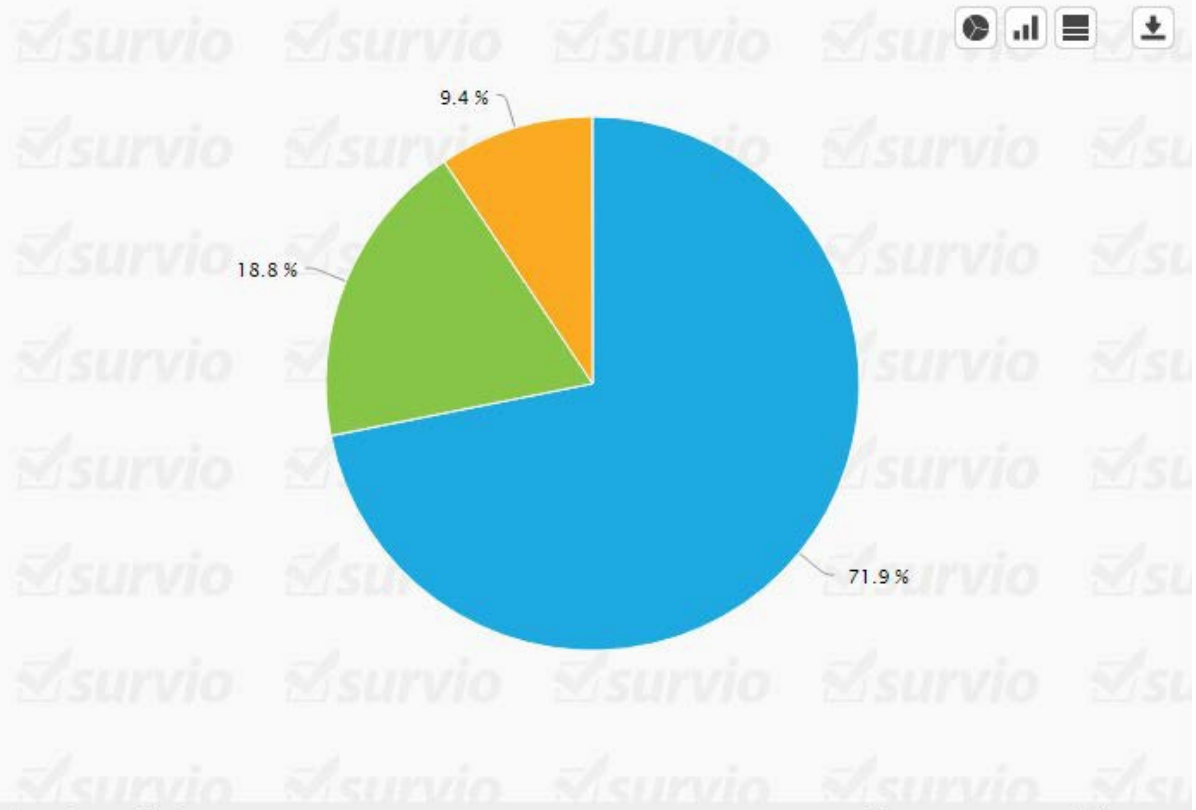


10 According to question 9 please indicate one reason for the brand's popularity.

status	It's in vogue and it's very esthetic.	Everybody has it	Quality
simple to use	Telemóvel da moda, todos querem ter não importa o preço e se há melhor ou não	Marketing	good marketing
It's the «it» brand nowadays and everybody wants to have a iphone, not only because it seems like everybody else does, but also because it's the most advertised. Besides, there seems to be a consensus over the quality of the products.	Photo	Moda	Design (2x)
From past experience, the reliability, durability and user friendly are very important to me.	Image	Very user friendly	publicity
Design, user Friendly	People don't know what is good.	Good marketing. People buy Apple because of the brand. It is cool to have a iPhone	Lower Price
	performance	Similar features and lower price.	Trendy , picture quality! Phone features...
	Ease of use and that so many people have it	Easy to use.	From my point of view, Samsung is popular due to its functionality, characteristics, looks and above all price that you have to pay to get all that.
	Every body has one	It is the best phone you can get.....*excellent features.....*quality.....*s ervice.....*price and much more.....	Brand confidence
	price wize		Brand image, visibility. Overall, well-crafted marketing strategy.

The difference in internationalization strategies: Apple Inc. and Samsung Electronics

11 If you were given the opportunity to choose a smartphone free of charge, which brand would you prefer?



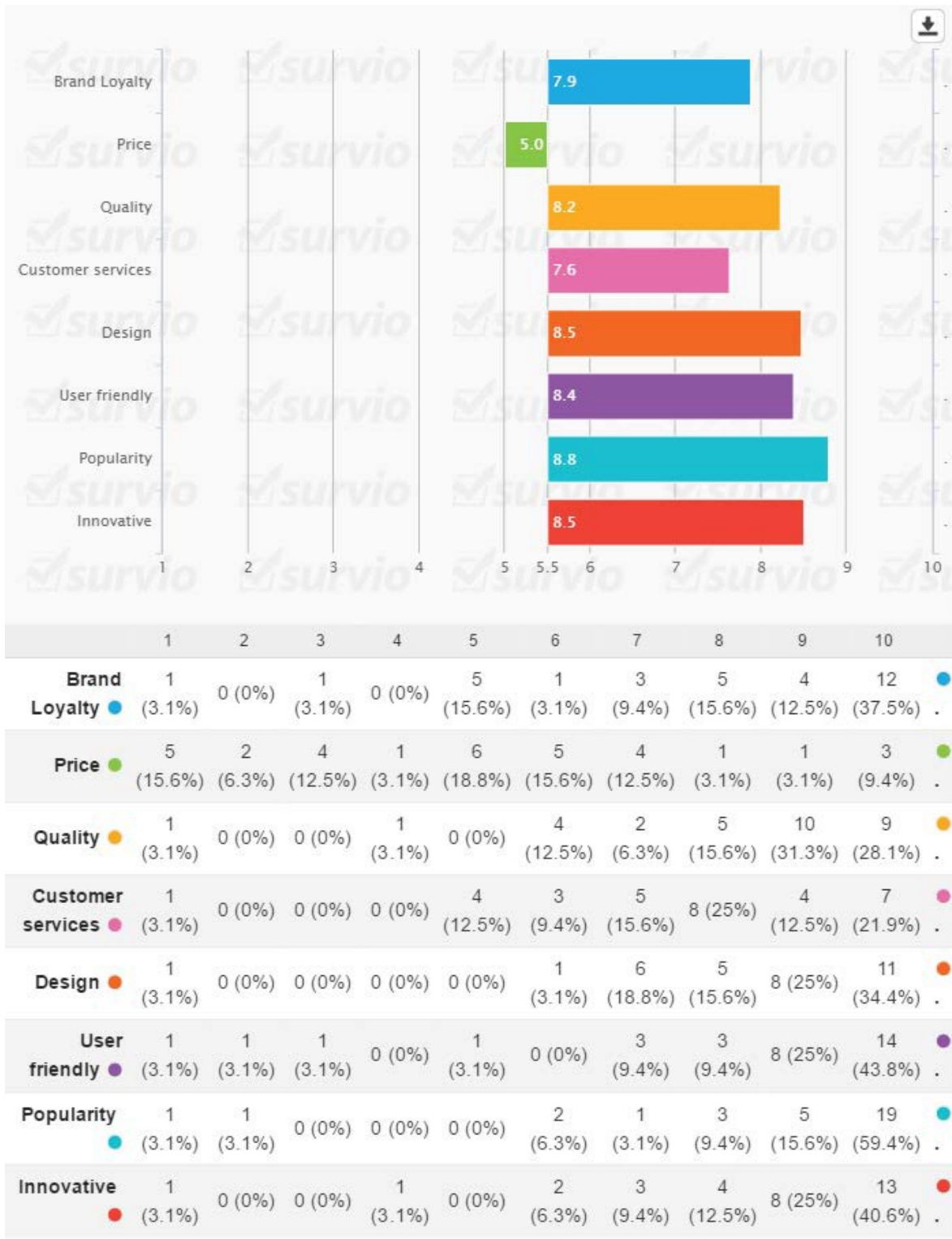
#▲	Answer Choices	Responses	Ratio
●	Apple	23	71.9 %
●	Samsung	6	18.8 %
●	Other	3	9.4 %

12 According to Q11 please state why you would choose that brand.

Because I am accustomed to their OS and like the phone design.	The apple products are always tuned to each other which is very helpful for the user.	I'm used to it	Blecaute i am a fan boy
Maior possibilidade de "colocar" o telefone como eu preciso , melhores especificações em especial ênfase à câmara fotográfica	Windows phone.	simple to use with excellent performance	Reliable brand
Cause I currently have an Iphone, so I would go for Samsung to have both brands	Design and speed	Prefiro iphones a samsungs,ja tive os dois	to try, because I don't have one
smart	compatability	ISO	Trust
I love almost everything about it	I am currently using a Motorola. Which I find very user friendly. It has all the features I need. And I like that I can customise it to my liking	Design	Best value for the money
because it does have all of the features that i would like on a phone	Quality	Is the best.	Design & easiness to use
Price/quality relationship. Good value for money.	Answer in Q10....The best....	Sony because of their Carl Zeiss lenses.	Some functions, as for instance downloading and sending pictures and films taken by the smartphone to other devices are much easier with Android then with Itunes.
	popularity, brand recognition	I've owned APPLE phones for many years and have maybe had once a technical issue and once brought into the APPLE store, was resolved immediately with no questions asked.	quality of their products, design, versatility and durability.
	Because is easy to maneuver		

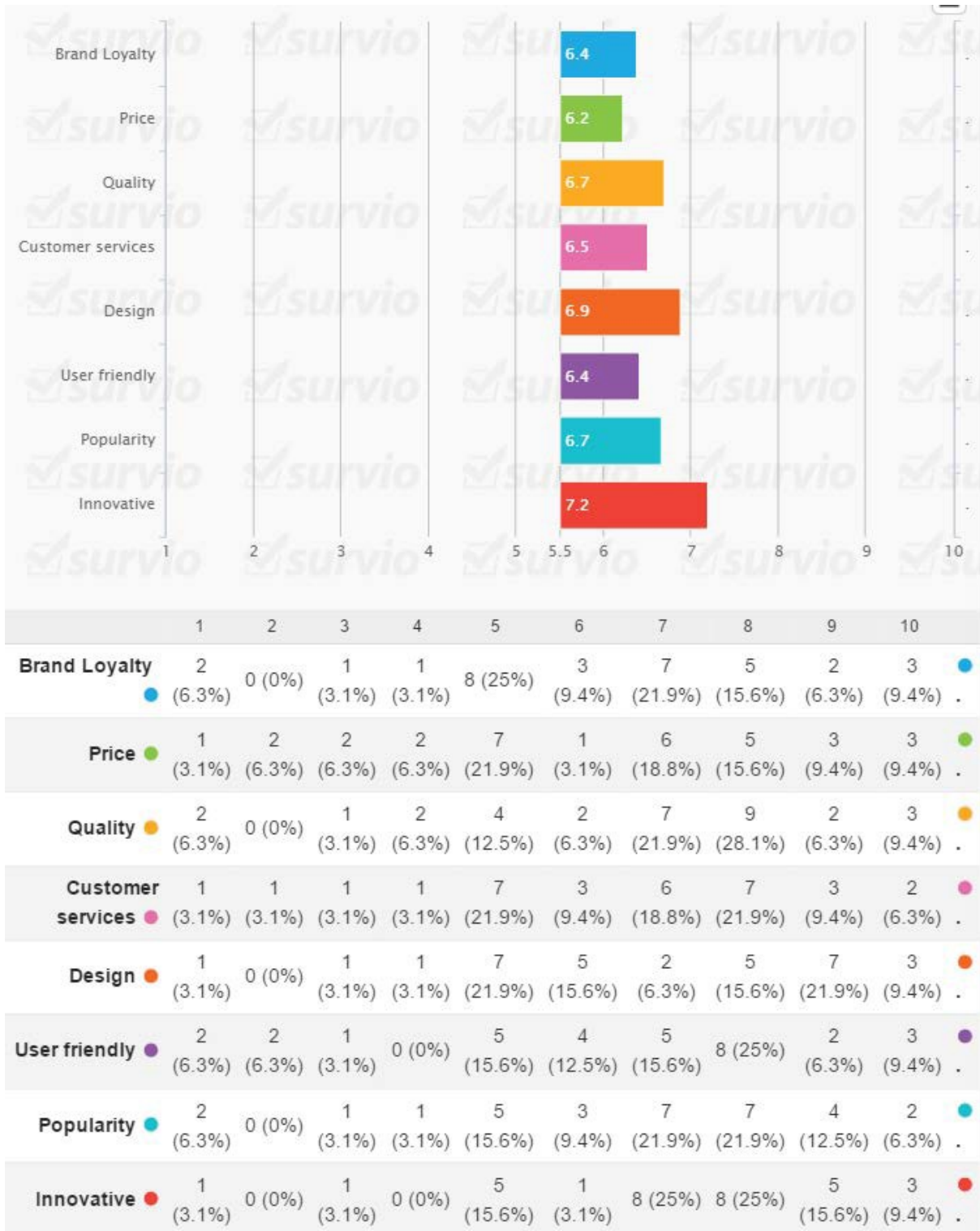
The difference in internationalization strategies: Apple Inc. and Samsung Electronics

13 Please indicate according to the scale your thoughts on Apple 1 meaning terrible and 10 meaning fantastic



The difference in internationalization strategies: Apple Inc. and Samsung Electronics

14 Please indicate according to the scale your thoughts on Samsung 1 meaning terrible and 10 meaning fantastic



## The difference in internationalization strategies: Apple Inc. and Samsung Electronics

