

Financial & Economic Analysis
Coursework: Economics Report (ER)
“Managing during recession”

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1.0 Introduction

Samsung was founded in 1939, it is one of the world's largest electronics multinational companies, with 206 offices and facilities in 68 countries around the world. With a major focus on smartphones, memory, semiconductors, digital media, and appliances and system integration, Samsung has evolved to become one of the most successful electronic companies (Gusinja, V., 2012). Samsung mobile was first introduced by the company in 2004, in India. The Telecommunication Business of Samsung Electronics announced its new business strategy in 2008, having a great focus on marketing and consumers. Style, Multimedia, Infotainment, Connected, Business, and Essential are the six major categories of Samsung mobile phones (Teimouri, H. et al., 2016). Samsung is the world-leading in the global mobile phone market (Moorhead. P., 2020), with a market share of 23% in the first quarter of 2021 (Sean, 2021). Samsung target group are people from age 15 to 45 who follow the latest technology trends. They are heavily influenced by television and internet media, and they are particularly interested in local TV shows, as well as celebrities and their aspirational lifestyles.

This paper will conduct an in-depth analysis of Samsung mobile phones in the domestic market and globally. The paper will cover the microeconomic and macroeconomic factors attached to Samsung mobile phones in the domestic and global markets.

2.0 Analysis

2.1 Product Attributes

Samsung mobile is a tangible and non-perishable product. The Price elasticity of demand is a measurement of the change in consumption of a product with a change in its price product (Anderson, P.L., et al., 1997). In this case, our product has an elastic demand that means when the price of the product decreases the demand will increase and vice versa, this is the same for the global and domestic market. On the other hand, income elasticity is the sensitivity in the quantity demanded with a change in income (Hummels, D. and Lee, K.Y., 2018). Samsung mobile comes in a category of luxury goods like if the income level of people increases, they will frequently buy new models of the Samsung mobile phones. Apple and Samsung are fierce competitors, and if one fails, the other benefits. Cross elasticity of demand is the term for this notion. This concept is described as "a calculation of how much demand for one product varies when the price of another product increases (Prasad, A., 2010). When even the prices for other mobile phones, especially for Apple phone the largest market shareholder in the UK, increases compared to Samsung the demand for it will automatically increase, although the cross-price elasticity is not huge as there are loyal customers to brands like Apple who would not choose an alternative brand for a small price hike.

2.2 Macroeconomic scenario

The smartphone market in the UK is highly regulated by the government, they provide licenses to different companies to either manufacture or market smartphones in the country, and to get permits companies and marketers have to pay huge amounts of money (StudyCorgi, 2018). This increases the cost of production for smartphone producers like Samsung, Apple, Huawei, and many others. During the covid19 pandemic due to lockdowns of major industries, there was a downturn in the

mobile industry but after a small recession Samsung mobile has shown very impressive growth in the first quarter of 2021, the Korean giant's net profits rose 46.3% compared to the same quarter in 2020 to 7.1tn won (\$6.4bn; £4.6bn) (BBC, 2021). The trend for smartphone uses increased during the pandemic, 87% of adults in the UK owned smartphones in 2020 (Strugar, M., 2021). This global trend in the increase of smartphone ownership is due to shifting in education system into an online system which increases the demand for smart devices especially for the adult who would otherwise didn't have them. The demand for smartphones is expected to increase in the global market and the domestic market in the coming days.

2.3 Product Strategy and competitors

In the smartphone market, there are two major players in the market Samsung and Apple, there is very tough competition between these two brands both globally and domestically. Samsung has the second largest market share in the UK mobile phone market, 29% of the total market, Apple leading the market with 51% market share (statecounter.com). The competition which can hurt the sales of Samsung in the global market is the Chinese mobile produce how are production same feature phone at a lower cost (UKessay, 2018). This can take away a huge chunk of the market in developing countries where the majority of the population is lower middle class or lower class. In the UK market the major competition is from Apple, which is focusing on innovation – provide its customer with an updated version of the phone having the advanced technological feature. On the other hand, Samsung's strategy is to create an aspirational brand image by presenting the Galaxy S5's distinctive and distinguishing qualities, emphasizing its unique, high-quality, and easy-to-use display attributes (mmaglobal.com).

2.4 Market segmentation

The market segment which Samsung is targeting is people from age 15 to 45 who follow the latest technology trends. They are heavily influenced by television and internet media, and they are particularly interested in local TV shows, as well as celebrities and their aspirational lifestyles. According to Nielsen data, these demographic loves to communicate with friends via online channels and frequently watches television on numerous screens (mmaglobal.com). There is a wide range of Samsung phones available in the market in the price range of GBR 100 up GBR 1500.

2.5 Impact of Recession

During the recession in the global economy, the economic activities were restricted and hence slowing down every industry. But we have seen a growth in the demand for mobile phones especially in the first quarter and second quarter of 2021, and the Samsung smartphone has the highest market share in the global market. As the demand for the product increases initially due to supply chain issues impacted the costumers' confidence but it successfully recovered in 2021. The exchange rate has a huge influence over the demand and price of a product, with the poor performance of won against US dollar, as people can by more Samsung in with the same USD as the value of won decreases, on one side this will increase the demand by still it is creating loses for the company (Kim, C., 2016).

3.0 Conclusion

Samsung is a world leader in the mobile phone market still struggling to lead the UK market. The product is normal but there are categories of the product that are either inferior or luxury goods. The market segment that uses this product is between 15 to 45 age group, who are tech-savvy. The pandemic initially hurt the sales of the product; it has shown remarkable recovery in 2021.

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