

A Causal Research on Pricing Strategy of Samsung

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Abstract

Price plays an important role in the success of any company. The business have to make pricing strategies to run a specific business. There are various modes of pricing strategies, some of them are absorption pricing, contribution margin-based pricing, skimming pricing, double ticketing, freemium, high-low pricing, limit pricing, penetration pricing, competitive pricing, marginal-cost pricing, odd pricing, keystone pricing, etc.

Samsung is the South Korean company, which is one of the world's largest producers of electronic devices. Samsung focuses on the assembly of an honest quite consumer and industry electronics, including appliances, digital media devices, semiconductors, memory chips, and integrated systems.

Samsung to compete with competitors they need to stay their prices in line with the competition. They use competitive pricing strategies

Keywords: - Pricing Strategies, Samsung, Profit Maximization, Electronic devices, Competition.

Introduction

Some years back, the mobile industry was led by Nokia and Motorola. They had been in this position for quite some time. But the things got changed drastically, when the story of Samsung mobiles industry was one of the many low profile company, with the distinct products and the low cost product portfolio.

Samsung, being the South Korean company and one among the world's largest producers of electronic devices, focuses on the assembly of a good sort of consumer and industry electronics, including appliances, digital media devices, semi-conductors, memory chips and integrated systems. It has become one among the most-recognizable names in technology and produces a few fifth of South Korea's total exports.

Premium pricing is setting a price that's above what the merchandise is really worth. This is done because the company wants the product to be seemed as high quality. Penetration pricing is setting the merchandise at a coffee price to form customer conscious of the merchandise. Price skimming is setting a high price with the merchandise first comes out then lowering the worth because it matures over time.

Samsung doesn't charge a particularly high price or low price to compete with their competitors. Samsung's A-series line (A10, A20 and A30)

also falls firmly into the worth bands and were alright received by the GCC market. Korean manufacturer has completely overhauled its portfolio in 2019 and was very aggressive with its 'A' series products

Literature Review

A literature review is a book collected by somebody to think about the basic purposes of current information including substantive findings just as hypothetical and methodological commitments to a specific theme.

Five factors to be considered on determining the price are Demand, cost, competitive factors, corporate profit and market objectives and regulatory constraints.

According to Keerthan Raj, & P.S. Aithal (2018) studied that India has become a second home to many multinationals' over the years. The fact that India has second largest population in the world is alluring because it translates itself into a huge opportunity to en-cash for marketers across the globe.

According to Shukla Pritesh kumar Y.(2013) examined that "A study on pricing Strategy – with Special Emphasis on Selected Customer Preferences for Samsung's selected products in Valsad District." The author has concluded that, there are different factors like Price of the product, variety in size of the product, main

sources of the product knowledge, advertisement, which plays an important role in rural buying decision.

Objective of the study:-

- To identify the price strategy adopted by the Samsung's to targets the market in India in mobile sector.
- To Study the cause and effect relationship between various pricing strategies and its effect on sales.
- To analyse the stand of Samsung with respect to its close competitors in Indian handset market
- To recommend the road ahead for Samsung mobile to sustain in India.

Research Methodology

The purpose for this study is to know the buyer perception to the marketing strategies employed by Samsung within the smartphone market. In order to achieve this, the study is positioned as Causal Research.

Causal Research, is the investigation of cause-and-effect relationships. To determine the causality, it is very important for us to observe the variation in the variable which are assumed to cause the changes in the other variables, and then measure the changes in the variables.

Research Design	Causal Resarch
Variables	Pricing and Sales
Data collection	Secondary data
Data analysis	Excel charts
Population Size	India
Company under review	Samsung

The methodology of this study is based on causal study to analyze the pricing strategies adopted by Samsung in market of India in mobile sector.

Causal research, also referred to as explanatory research is conducted so as to spot the extent and nature of cause-and-effect relationships. Causal research are often conducted so as to assess impacts of specific changes on existing norms, various processes etc.

Analysis

This paper has been written to seek out out the cause and effect relationship between various pricing strategies adopted by Samsung for his or her mobile division with reference to its sales.

Samsung has adopted various pricing strategies for its mobiles. During this research paper, we've focused on mid-range Samsung mobiles that contains the SAMSUNG A- SERIES. This series is launched for mid-range Indian customers with price starting from Rs.18000 – 40000.

In this paper we've considered various variables for establishing the cause and effect relationship.

1.) Indian Market Scenario: - The Indian market is broadly categorized into urban and rural markets. The world comprises of giant bourgeoisie, small disadvantaged class and a comparatively large affluent class. The Indian economy is growing at 5% in FY 2019-20 and therefore the maximum consumer spending is probably going to occur in food, housing, durable, and transport and communication sectors.

Major a part of the Indian consumers consists of the center class hence during this research paper we've zeroed on the mobile phones introduced to cater to the requirements of the center class society.

Players under research

- a) Samsung
- b) Oppo mobiles (Realme, Oppo and One plus)
- c) Vivo mobiles

Market Share of Top leading mobile phone brands in India

Mobile Brand	Smartphone Market Share Q4 2019	Smartphone Market Share Q3 2019	% Change
Xiaomi	27%	26%	1%
Samsung	19%	20%	-1%
Vivo	21%	17%	4%
Oppo	12%	8%	4%
Realme	8%	16%	-8%
Others	13%	13%	0%

Samsung A series

Till the Year 2019, the Samsung had too many Smartphones models within the mid-to-lower tier price bands. The complicated list of models had often left consumers confused. However, the brand fixed it in the Q1 of 2019 after it simplified and consolidated its lineup under the new Galaxy A series. To further distinguish it from the previous “A” series, the new lineup used a two-digit number within the nomenclature, for instance, the A30 and therefore the A50. Samsung A series is that the mid-range mobile series by Samsung. The mobiles range from around Rs.18000 to Rs.40000 and includes various models like A8, A7, A20, A30, A30s A50 etc.

Competitors

Oppo Mobiles: - The report says that Oppo has a 7% market share and lags behind Vivo but if we include Realme, then it is ahead. The top sellers are F17 Pro, F17, Oppo Reno 2, Reno 2F, Reno 10X Zoom, A5, A9, K3.

Realme Brand: - Oppo has a mid-range band Realme which offers mobile phones ranging from Rs 12000 to Rs 25000 which contains great list of features for customers.

One plus: -One Plus is a flagship range of Oppo mobiles offering and catering to the needs of high end customers ranging from Rs30000 and above

and it has some premium features that differentiate between them and lower end mobiles.

Xaomi Mobile: - The Redmi Note 7 Pro / Note 8 PRO is killer phones for Xiaomi and even the affordable Xiaomi Redmi 7A/7/8/8A (sold more than 4 million units) is a growth driver.

Vivo Mobiles: - Vivo also is playing strong in the mid-range market with several models such as the V15, V15 Pro, V17, V17 Pro and the Y series.

2.) The Price Variable: - Pricing is one of the trickiest issues in marketing as it requires understanding the product and understanding the market. Samsung has faced high rivalry by others in the market like Apple, Oppo, and Vivo among others that particularly rule the Indian mobile phone market. To curb this competition and in order to become competitive, the Samsung undertakes a pricing strategy which is winning. The features include:-

- a.) Decent screen size 5-6 inches
- b.) Decent battery life around 4000mAH and fast charging
- c.) Good camera minimum 16 MP front and back
- d.) Good storage facility
- e.) Decent design and covers

Competitive Edge by Samsung: Best Price Offers

Samsung seeks the competitive pricing strategy in ensuring the competitive edge. In order to accumulate a competitive edge for an organization it requires to possess a marketing strategy that's optimal and unique.

Skimming Price

Skimming pricing is employed when a product, which is new within the market or simply launched, is sold at a comparatively high price due to its uniqueness, benefits to customers. However, slowly but surely when the merchandise gets older within the market, then the worth is dropped and therefore the product is brought at competitive pricing. Skimming allows the firm to regulate and update its prices with increased competition resulting to a decreased price so as to draw in more consumers.

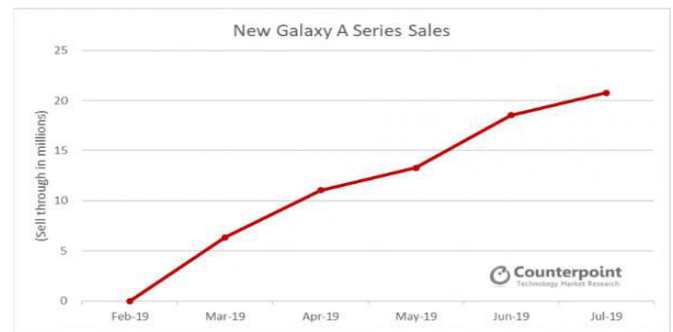
Competitive Pricing

Competitive pricing is setting the worth of a product or service supported what the competition is charging. Recently launch Samsung 8+ is that the best example of it, giving competition to iPhone X at a comparatively cheaper price.

COMPANY	PRICING STRATEGY	SALES GROWTH
Samsung	Skimming + Competitive	15%
Oppo	Penetration	80%
Vivo	Competitive	67%
Xaomi	Penetration	93.4%

3.) The Sales Variable:- Sale of Samsung mobile in the mid-range section have grown considerably after the launch of its new A series combining various other series of the handset maker. Starting with the Galaxy A10 in March 2019, Samsung has released a replacement model under the A series monthly.

Exhibit 1: New Galaxy A Series Sales



Vivo captured 21 percent market share to succeed in the second spot as Samsung slipped to 3rd place with 19 percent market share. Xiaomi was at No 1 position with 27 percent share in Q4 2019, consistent with Counterpoint Research.

Oppo and Realme were other players within the top-five list, with 12 percent and eight percent market share, respectively. Vivo grew 76 percent (year-over-year) within the full year 2019

and 134 percent YoY in Q4 2019, driven by good performance of its budget segment series.

Brand	Sales 2019 (Cr.)	Sales 2018 (Cr.)
OPPO	21,524	11,957
VIVO	17,201	10,300
SAMSUNG	43,087	37,349
XAOMI	45,000	23,000

The above table shows the sales growth of Samsung and its close competitors in India. Oppo grew about 80% from 2018, Vivo grew about 67% while Xaomigre amassive 93.5% ans Samsung only by 15.36% in the mid-range section of mobiles.

Causal Interpretation

Through the study of the sales figures and the pricing strategy data of Samsung, we can interpret a cause and effect relationship between the pricing strategy and the sales of Samsung.

This generally helps to push the sales of the product due to its uniqueness and exclusivity as we see sales of Samsung A series being pushed initially. Later on as the product ages in the market the company adopts competitive pricing to be neck to neck with its competitors. All the new variants if the products are launched being in close competence with other players to keep ahold of the market share.

Conclusion

Much has been made of the importance of India's smartphone market over the past few years. India is the second-largest country for smartphone adoption in the world, nestled between top places China and third place US. With a smartphone penetration rate of just 25%, India is that the largest market left with room to grow.

Samsung mobile has been losing its market share in India which once was over 22% in 2013 is now back to around 18% only thanks to Chinese competitors and fierce market pressure. In just 4 years, the world's biggest phone brand completely disappeared from the world's largest Smartphone market. The comparison between the China and India is apt for one key reason — Samsung's Chinese competitors. The Chinese smartphone market is currently carved up mostly between Huawei (42%), Vivo (18.3%), and Oppo (16.6%), with XiaoMI in fourth place on 9.8%. These brands are dominant in India too, ranking so as of Xiaomi (27.1%), Samsung (18.9%), Vivo (15.2%), Realme (14.3%), and Oppo (11.8%). Chinese brands pump out an enormous number of models annually, targeting a variety of price points and market demands. Samsung is comparatively sluggish with its Galaxy A and Galaxy M launches. The company has made some notable improvements to these ranges in 2019 to make them more competitive on hardware, but it's still the Chinese alternatives that are often the better deal.

Recommendations (2020 defining year)

As the smartphone industry's biggest manufacturer, the pressure is on Samsung to sustain the momentum. An increasingly difficult task because the global smartphone market has stuttered to a halt. Another failure in India over the coming years would certainly be problematic for Samsung's future growth prospects

.2020 might be a make or break year for Samsung in these markets. It's very difficult to break through once growing markets mature and are carved up among the big players. The company has to stem to loss of share quickly, which will require substantial investments not only in competitive phones but in marketing and distribution channels.

The brand has to work on R&D and technology and find new ways to deliver the products to the customers by challenging the Chinese dominant players who tend to offer a great deal.

A **competitive pricing strategy** is a good option to be neck to neck with the Chinese brands and not lose market share. The company has to adjust prices with respect to its competitors to avoid losing market share.

Appendix

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