

Comparative Analysis of Strategies Samsung vs. Xiaomi (Focused on Industrial Attractiveness and VRIO Analysis)

Jae-Soo Do* & Kyoung-Seok Kim**

*Doctor's Course, Department of Management, Kyungpook National University, Daegu, SOUTH KOREA.

E-Mail: dmhdjs{at}naver{dot}com

**Professor, Department of Management, Kyungpook National University, Daegu, SOUTH KOREA.

E-Mail: kskim{at}knu{dot}ac{dot}kr

Abstract—In today's dynamic and competitive world, a project manager's key challenge is coping with frequent unexpected events [Laufer et al., 4]. The crisis theory of Samsung Electronics is becoming a hot topic today. Due to its performance deterioration, the share of Samsung Electronics lost its driving power. Considering the public opinion about the bad rumors circulating within the company, it is quite probable that the company is currently facing crisis. Then, what company has challenged the stronghold of Samsung Electronics? At the core of the crisis is 'Xiaomi' who snatched the first place of the market share, pushing Samsung Electronics aside in the Chinese market. In June 2010, Xiaomi, established by eight co-founders, has been showing a miraculous growth as the smart device manufacturer, taking the first place in the Chinese market and coming in fifth worldwide in just four years after its establishment. How did Xiaomi instantaneously achieve enough growth to overtake Samsung? Thus, we have conducted a comparative analysis on the competitive strategies of Samsung and Xiaomi.

Keywords—Industrial Attractiveness; Xiaomi; Samsung; VIRO.

Abbreviations—MIUI (SAMSUNG Operating System); Operation System (O/S); Tizen (XIAOMI Operating System); Valuable, Imitability, Rarity, Organization (VIRO).

I. INTRODUCTION

WHEN it comes to the leaders in the smartphone industry, Samsung and Apple are the ones. CEO of Apple, Tim Cook who has reached the position following Steven Jobs, maximized the value of Apple and was able to overcome the crisis of uncertainty well. Samsung also has not missed the world's top spot as it has kept the world's No. 1 in the global sales and share of smartphones in 2015. However, there is a smart phone brand that should be highlighted, which is the undisputed leader of China, "Xiaomi" as a brand.

Xiaomi ranked 5th with 4.6% in the global smartphone market share last year and 1st with 15.4% in the smartphone market share in China. On the other hand, Samsung has been driven out of the top 5 last year in the smartphone market share in China. Since a decline by 7.19 trillion won in the second quarter operating profit in 2014, Samsung Electronics has recorded a continued slowdown. The main reasons are

explained by the slowdown in the smartphone business and no more effectiveness in the differentiation and cost leadership strategy, which only Samsung has had in the smartphone market in China. Customer expectations have risen dramatically over the last decade, and companies often face the challenge of launching new products into crowded markets [Roberts & Piller, 8].

The organization can maintain continued growth through the chances for the environment, and thus the process of selecting appropriate strategies and setting the internal factors of the organization are very important for continued growth [Pettigrew et al., 5]. Many researchers have argued that the organization needs an ability to respond to significant changes in the environment [Child, 1; Tushman et al., 10; Pfeffer & Salancik, 7], They thus stressed out that the most important mission for the chief executive officer is to carry out the task of resetting the direction in the relationship between the environment and organization and of continuing

to coordinate the organizational commitment to continue [Romanelli & Tushman, 9].

As Chinese companies, such as Xiaomi, Lenovo, etc, started making rapid progress, Samsung Electronics has tried to reorganize the distribution networks in China. The reasons lie in performance being poor even after the process of refining the wholesale distributors totalling 6,000 in China, which proceeded for almost 1 year. The reason why Samsung Electronics has this sense of crisis might be because of Xiaomi. Xiaomi founded by 8 co-founders in 2010 is a smart devices manufacturer, making the miraculous growth into China's No. 1 and the world's top 5. How can this company that has been only 4 years since founded could swallow the mainland? In this regard, it is worthy to note what strategies Xiaomi and Samsung have implemented and whether their strategies are timely appropriate.

II. COMPARE OF CORPORATION

In this point, the division is limited to Samsung's wireless division into the mobile phone sector and the O/S sector. Xiaomi is also limited to the same sectors for comparison.

2.1. Vision and Mission

It is important for the organization to constitute the organizational internal elements to select the appropriate strategy and executes it for growth [Pettigrew et al., 5].

Table 1: Vision and Mission of SAMSUNG & XIAOMI

	Vision	Mission
SAMSUNG	Inspiration for the future society, new future creation.	Innovative products and technologies that contribute to a sustainable future by enriching people's lives and fully taking the social responsibility, and inspiration induced for the future society through design.
XIAOMI	All the people shall be allowed to enjoy the fun of science and technology.	Let everyone enjoy the technology.

2.2. Business Model

In recent years, curiosity about the decision-making process has heated up, attracting academics from fields as diverse as neuroscience, management, behavioural economics and psychology [Posner, 6].

Table 2: Business Model of SAMSUNG & XIAOMI

	SAMSUNG	XIAOMI
Operating System (OS)	MIUI	Tizen
Software Application	messenger, itself-App Store	milk(music), itself-App Store
Wireless Terminal	low price, limited production	high price, limited production

III. INDUSTRIAL ATTRACTIVENESS

In this point, the market is limited to the Chinese market. This is a measure for comparing the strategies by two competing companies because Xiaomi accounts for 97 % in the sales in the China market only.



Figure 1: Industrial Attractiveness

3.1. Bargaining Power of the Suppliers

Compared to that power of the raw materials supplier, that of the company with the ability to assemble them is stronger. Compared to that power of the assembly company, that of the company with the ability to develop them is stronger. Therefore, the power of the company within the industry of developing cellular phones and O/S is stronger than the simple production company.

3.2. Entry Barriers

The essential pillars of strategic success are nonsubstitutable resources and inimitable capabilities, and competitive advantage stems from unique and scarce resources [Kraaijenbrink et al., 3]. It costs a lot to be equipped with the production and process equipments for the production of smartphones even though partners are used in an outsourcing form.

3.3. Available Complements

As smartphones form a huge market, the scale of the industry related to smartphones is also growing. For example, smartphone accessories form a high-end market and even the size of the application market is increasing day by day.

3.4. Bargaining Power of Buyers

There are many smartphones consumers can currently choose. However, the competition is fierce and the market entry barrier is getting higher so the bargaining power of buyers is gradually becoming lower.

3.5. Exit Barriers

The produce and process equipment for the production of smartphones cannot be used for other purposes.

3.6. Threat of Substitutes

Rather smartphones have replaced many devices or things. There is nothing that can be replaced by smartphones.

IV. VRIO ANALYSIS

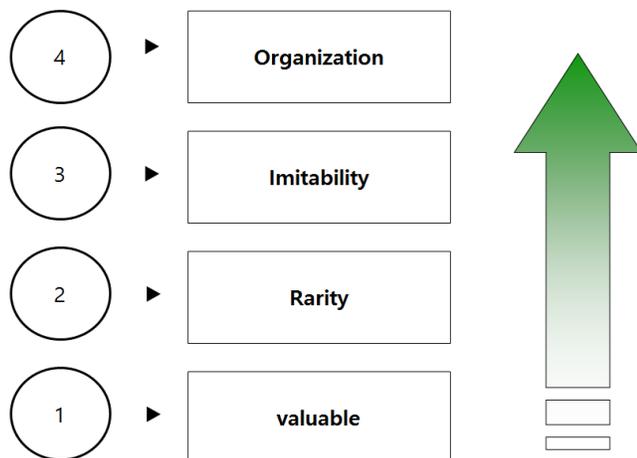


Figure 2: VRIO Analysis

4.1. Valuable

Samsung and Xiaomi are a company of smartphones as flagship products. Smartphones are a product alternative by nothing, worthy accordingly.

4.2. Rarity

Samsung has a high quality production capacity, a new product development capability, a distribution capability, etc. On the other hand, Xiaomi has an O/S development capability recognized with a high-quality product development capability in term of prices.

4.3. Resources of High Costs of Imitation

Samsung's high quality smartphones are recognized in technologies as the technologies are hard ones that even others mimic. Xiaomi smartphones are also user-friendly seeing that MIUI (Android-based deformation O/S) is updated once per week. Thus, much manpower and time are required in order to imitate them.

4.4. Organization

Businesses that hold higher-value resources (people, technologies, reputation, partnerships and so on) should benefit from a competitive advantage if they can manage their resources portfolio properly [Frery et al., 2]. Generally, it seems that the innovative thinking of the members can occur more actively when an organization relationship is horizontal. Samsung is a leading conglomerate with a vertical organization culture. In order to continue to achieve steady innovation, it is necessary to consider the horizontal organizational culture. In addition, there is a need to enhance the competitiveness by reducing the unnecessary distribution

channels. Xiaomi continues the march of complete sales with a unique strategy of limited marketing. It cannot help considering mass production in order to increase their market share steadily. Xiaomi does not have its own production line so it will inevitably fall behind in the competition with larger competitors. Xiaomi must think over a way to address the problem.

V. EVALUATION

5.1. Samsung

The smartphone market is mostly attributed to the replacement demand for the existing equipment. For that reason, a situation occurs for more share of the pie, the smartphone market in China as more competitive business arises, such as Xiaomi, This situation reflects the current situation of Samsung. Nobody has predicted the emergence of Xiaomi and has not thought that the destructive power would become this much. No one is sure that another Xiaomi will not appear. Samsung should repeat making efforts for high retail margins and consider reforming the organizational culture.

5.2. Xiaomi

Xiaomi has tried to retain its unique OS only through a customizing system and products have been highly evaluated as high performance hardware, compared to prices. It is explained by the evidence that Xiaomi entered the ranks of \$ 10 billion in August 2013 in a business value. This is the value of No.4 in the industry, following China's largest internet companies Baidu, Tencent, and Alibaba. However, the growth with the limited editions is expected to be limited. It seems to have to find a way to supply products at low costs as now, to be equipped with its own production capacity by increasing the production volume of any hardware, or to allow for more stable volume production with many subcontractors. This is a significant problem because it is a matter directly connected to the global market.

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