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Samsung's Next Frontier

BY BERND SCHMITT*

ABSTRACT

In October 2009, Samsung invited Professor Bernd Schmitt to talk to the company about how it might find a more emotional and experiential appeal for its brand. This case captures Schmitt's journey from Seoul to Silicon Valley to Las Vegas, and how he discovered, along the way, that the Samsung Digital Imaging's revolutionary 2View camera might help transform the Samsung brand.

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* *Robert D. Calkins Professor of International Business, Faculty Director, Center on Global Brand Leadership, Columbia Business School*

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Introduction

In October 2009, Samsung Electronics' Global Marketing Operations invited me to talk to them about how the company might add a more emotional and experiential appeal to its brand. This struck me as a difficult goal. Samsung has always been regarded as a technically skilled company rather than a brand that consumers feel passionate about. During my presentation to a mixed group of marketers and engineers, I noted that it may not be easy to transform Samsung from a technology firm that relied on its solid engineering know-how to a customer-oriented organization focused on consumer lifestyle and emotions.

At the end, almost as if to prove me wrong, an employee from Samsung Digital Imaging proudly handed me a slim box. Inside was the Samsung ST550, the company's newest digital camera. "Here, give this a try and see what you think," he said.

The ST550 is the premium version of Samsung's 2View cameras, a line launched in September 2009. (The 2View camera line is named "DualView" in the United States.) It represented two years of research, planning, and design, and was a headliner in the company's effort to rebrand itself as a creative, risk-taking consumer-electronics maker. The primary feature of the 2View is its two screens—the traditional one on the back of the camera, and a second, smaller one on the front. As I used the camera, I began to understand the front screen serves multiple useful purposes: it helps individuals take better self-portraits (they can see the image before they take the picture); it displays a countdown ("3, 2, 1...") for use during timed photos, and it has a "child" function that plays short animated movies to keep toddlers smiling when they're being photographed. Samsung hoped this front-screen feature would move it into the top ranks of digital-camera makers, allowing it to challenge or even surpass its longtime Japanese rivals, including Canon and Sony.

In the City of Filial Piety

A few weeks later, I was in Korea again, in the backseat of a car threading its way through the congested highways outside of Seoul toward Suwon. Approximately 30 minutes from the capital, Suwon is an industrial center traditionally known as the "City of Filial Piety" but now more renowned for its 14 universities and several important manufacturers.

On the Samsung campus, I was led to a humble, sturdy building—a celebration of function over form, of modesty over eccentricity. Inside the entrance of the Digital Imaging building stood a huge display model of the 2View camera.

Moments later, an assistant escorted me to the office of Sang-Jin Park, CEO of Samsung Digital Imaging. After an illustrious early career at Samsung Electronics—he had earlier run its mobile phone business and then was president of the Samsung Electronics' South East Asia Regional Headquarters—S.J. Park had been tapped in 2008 to revitalize Samsung's digital camera business.

S.J. Park explained to me the reason for his mandate. Information moved through multiple processes in the digital world; content such as movies or images, for instance, needed to be created, processed, stored, shared, and displayed. By the mid-2000s, in most of these areas—thanks to its LCD televisions, high-memory chips, smart phones, and other products—Samsung occupied the number 1 or 2 position in the global market, challenging high-profile rivals such as Sony and Nokia. But in the first step—creating digital content—the company had failed to distinguish itself. Becoming a leader in digital imaging was Samsung’s next frontier.

Digital Imaging had previously been part of Samsung’s precision machinery affiliate (called Samsung Techwin), where it developed imaging components such as lenses and camera view finders as well as surveillance products. While it was part of Samsung Techwin, the division was also making consumer cameras, but most were low-priced commodity items, selling for under \$150 and released mainly with the intention of offering decent technology at a cost slightly below competitors. Indeed, that had long been the business model not just for cameras but for many of Samsung’s products.

“I had to change the mindset of my people,” S.J. Park said. “They didn’t pay any attention to the consumers and how they used a camera to take pictures.” Having turned around other parts of its electronics business by focusing on consumers, Samsung now wanted to bring that same kind of end-user, consumer-oriented focus to its imaging business. Thus, the business had to be transitioned from a maker of low-end consumer cameras to being a creator of innovative, state-of-the-art, premium-priced cameras for the retail market. Samsung needed a hit product, a camera that could catapult it to the number one position in that market by 2012.

S.J. Park admitted Samsung had never bothered to develop a distinct brand image for its camera products. Whereas Canon and Nikon were internationally lauded for image quality, and Sony had a reputation for introducing dazzling new technologies, Samsung’s cameras evoked few if any associations among consumers.

This was no surprise. Although Samsung made cameras under its own name, its engineers and even sales force considered its customers to be not the ordinary people capturing their precious memories on camera, but instead the distributors, mainly discount stores looking for non-premium brands. Thus S.J. Park’s primary task was to turn Samsung’s camera business into a brand.

This required permanently changing the mindset of Samsung Digital Imaging’s R&D and marketing teams from one of purely technical, mechanical, and price considerations to one of lifestyle and consumer experience. And if all went well with the launch of the first camera developed along these lines, S.J. Park planned to use the experience as a blueprint for subsequent product launches.

Because the re-branding efforts were all about exploring and defining new ground, S.J. Park named his initiative “Project Columbus.”

Inside the Samsung Brand

Although the Samsung Group in Korea encompasses many businesses, including Samsung Electronics, Samsung Heavy Industries, and Samsung C&T, a major global construction company, for most consumers abroad the Samsung brand has become synonymous with Samsung Electronics. From its founding in 1969 (as an affiliate of the larger Samsung conglomerate, or chaebol, as such firms are known in Korea), Samsung Electronics focused on building components and low-priced consumer products rather than on developing a brand identity. Its factories made televisions, microwave ovens, semiconductors, video cassette recorders, and tape recorders for the Korean market and, after the late 1970s, for export to other countries. The company's expansion in the 1980s and early 1990s coincided with the rise of Korea as one of the Asian Tigers, the group of nations that were using government policy, technological know-how, and cheap labor to drive stunning economic growth.

To much of the world, however, the Samsung brand remained a distant competitor to global leaders such as Panasonic, Toshiba, and, most of all, Sony, which had built itself into a powerful market leader. With strong brand recognition and a reputation for design and innovation in products such as the Walkman, Sony dominated the consumer electronics business for decades. It had been praised by management expert Michael Porter as one of the few Japanese companies to have a coherent and successful strategy.

While Sony was making its name with exciting gadgets and worldwide marketing, Samsung Electronics was plodding along as a solid but uninspiring player. It was known in the industry for steady technical and manufacturing capabilities, strong in execution but with little to offer in terms of innovation or creativity, and few ambitions in that direction anyway. Its products were perceived as cheap and low quality, often selling as loss leaders at retailers such as Wal-Mart.

As the technological landscape shifted from analog to digital devices in the late 1990s and 2000s, though, Samsung Electronics developed a more hard-hitting strategy that focused on aggressive investment and speed to market. According to management professor Sea-Jin Chang, author of *Sony vs. Samsung: The Inside Story of the Electronics' Giants Battle for Global Supremacy*, this was referred to among top management as the "Digital Sashimi Theory" because speed was seen as essential to all perishable commodities from sashimi to mobile phones.

Thanks in part to the Samsung brand's very strong position in semiconductors, company leaders grew convinced they could close the gap with their larger rivals. Since they were already proficient in manufacturing and execution, they began to invest more resources in quality and design, hoping to compete directly with Sony in areas where the Japanese firm had long been an undisputed champion.

To Samsung executives, Sony offered not just a successful model to emulate, but also a mark, a rival to one day surpass. Executives were focused on the bottom line, but there was also a symbolic aspect to the competition, going back to Japan's invasion and domination of Korea from 1910 to 1945.

Though the Japanese were ousted following their defeat in World War II, the battle continued between the two countries at the corporate level.

Still, Sony's command of the consumer electronics market was so airtight by the 1990s that few expected it to face a serious challenge. But in 2002, Samsung's market capitalization exceeded Sony's for the first time, signaling Samsung's success in product areas such as LCDs and mobile phones as well as a shift from analog to digital technology in the market as a whole. In 2005, Samsung surpassed Sony in Interbrand's annual brand valuation study and, in 2006, in *Newsweek's* surveys of the most innovative companies.

On the Factory Floor

S.J. Park was appointed to run Digital Imaging with a clear mission: make Samsung Digital Imaging a leader. He first noted that product quality had suffered since cameras hadn't before been a high priority for Samsung. One day he showed up on the factory floor and marched over to the area where the company stockpiled the cameras that hadn't met the company's standards during the quality-assurance process. He took the box of rejects and dumped them on the floor in the center of the factory—and set fire to them as employees looked on. The message was clear: low standards wouldn't be tolerated.

But the problems weren't limited to quality. Samsung did not develop new and exciting products. While rivals were focused on making cameras that people felt they needed, that they had to own, Samsung's own products were ordinary, indistinguishable from generic point-and-shoot cameras on the market.

It quickly became clear to S.J. Park that he needed to overhaul the entire operation, and in particular marketing because the marketers thought of themselves as only pushing units to big retailers and distributors, not as selling a brand, a dream, a lifestyle to its global shopper. S.J. Park ordered a full-scale market research effort to find out what consumers really needed and wanted—and then charged his team with building the company's first hit camera.

Simultaneously, Samsung established a brand story of “relentlessly pursuing a better tomorrow” to build a connection between the company and its consumers, focused on three key elements: design, innovation, and consumer experience. S.J. Park's efforts were aligned with this brand spirit and led to the world's first dual-screen camera.

Silicon Valley

On a sunny day in January 2010, I visited Samsung's new laboratory for customer-driven innovation in San Jose, California, in the heart of Silicon Valley. It was the home of PIT, the Product Innovation

Team of Global Marketing Operations in Samsung Electronics, which had been set up in 2006 as part of Samsung's market-driven company initiatives. PIT served an agency-like function, supporting various Samsung businesses in their quest to become more customer centric and brand savvy in their product development processes. PIT's mission was to spread a new product quality definition within Samsung: that product quality is no longer measured purely by engineering or manufacturing conformity but also by how well the product meets the consumer value proposition and whether it provides the right experience to customers.

Walking into the PIT offices felt like stepping into a small Googleplex (as Google's nearby headquarters are called). The walls were painted with bright primary colors, a pool table stood in one corner, and surfaces were piled with magazines—not just technology publications, but fashion, lifestyle, and car magazines as well. The objective, clearly, was for employees not just to work, but to relax and play as well. There were movable walls, whiteboards filled with doodles and notes, and a private room where workers could nap, breast-feed, or meditate. All the employees, including the director, Yoon Lee, dressed casually. After loosening my tie on my European suit, I still felt overdressed and a bit out of place.

Lee, a Korean-American with a passion for vintage sports cars, was trained in engineering and manufacturing and had worked as a consultant at Accenture before spearheading the development of Samsung's innovation lab in 2006. He had eight employees by early 2010—including a former venture capitalist, an ex-Palm product manager, and a consumer insight researcher. He said that all the team members were passionate about consumer electronics and so intrinsically motivated. "For them, this isn't work. This is an extension of their lives." He added, "The Korean-Americans among us are proud to see an innovative Samsung now. This is exciting for us."

PIT planned to launch similar labs in other locations around the world before long.

When PIT opened, it was given one task: come up with consumer-insight-driven product concepts that would position Samsung as a cutting-edge, market-driven global brand. Among its first prototypes was a massive vending machine co-branded with Coke that debuted at the Beijing Olympics and made a splash there; rather than just showing the product, the machine had an interactive LCD touch screen that could also play short films and advertisements, and showed animated logos for the available products. It had some other impressive capabilities; for example, if a child came up to the machine, it could detect the customer's size and the display would shift downward, to a child's eye level. Samsung called its creation not a vending machine but a "brand media kiosk."

PIT employees spend their days coming up with these kinds of ideas and concepts. For easy testing, they have a 3-D printer in the back room, along with a CNC machine that builds fast prototypes out of various materials. They can come up with ideas, print mock-ups of products, and discuss them within minutes.

PIT's greatest success so far was the 2View camera. Through surveys and segmentation studies—conducted with the help of market consultants and design agencies—they found a few possible directions, mainly concerning how to make cameras to better support the new imaging lifestyle. The researchers also discerned a subtle theme in their interviews and surveys: consumers were taking more and more photos of themselves. They were snapping self-portraits for their Facebook pages and their online-dating profiles and recording their every move for their blogs and personal websites. It suggested a self-expressive undercurrent in consumer behavior, a desire to constantly document and share one's life with a vast network of intimates and strangers.

PIT seized on this insight, and out of it came the 2View Camera. Although the 2View incorporated several useful features—the countdown and the child function—its primary attraction was the ease with which users could now shoot self-portraits and photos of themselves with friends.

There was nothing like it on the shelves, which met another criterion from the market researchers: consumers only remember leaders, not followers. If you're first to market with a new idea—and you back it up with a strong marketing campaign—you have the luxury of developing a sharp and early connection in the shopper's mind, and then charging a premium for the feature. (The retail prices at launch for the two 2View models in the United States were US\$349 and US\$299.)

The target segment for the camera would be what Samsung called the “Style Prestige” segment—including married, professional women from ages 25 to 34, who would appreciate both the camera's functions and its sleek black-and-red design. Samsung expected the target consumer would enjoy owning a camera with a stylish design and taking successful self-portraits with it, so would be willing to pay a premium price for it.

When the PIT team brought the 2View idea to Samsung's engineers, the engineers initially objected to the idea for technical reasons. LCD screens were getting bigger and bigger on cameras; no supplier was manufacturing the tiny screens necessary for 2View's front screen. They also argued that the resolution would be different between the two screens, making it impossible for users to turn both front and back screens at the same time to display the images at their natural resolution. The engineers also seemed to feel the 2View didn't showcase their own skills enough. After all, they said, LCD screens were not a new technology.

Ultimately, however, the engineers embraced these constraints as a technical challenge and were excited to develop the product. S.J. Park and his team were impressed with the early results from consumer testing in the United States, the UK, and Germany. They confirmed that consumers found the camera an enjoyable experience, and the 2View was finalized as the centerpiece of Samsung's Fall 2009 camera line-up.

Into the Stores

As stores cleared out Samsung's old inventory, S.J. Park and his team prepared for the 2View introduction. Expectations were high from the start. The new product would have to establish a brand image for Samsung Digital Imaging, become the category owner for dual-LCD cameras, and increase Samsung's sales in the elusive premium segment.

Samsung's Global Marketing Operations, jointly with Samsung Digital Imaging, developed the communications strategy for the 2View brand and hired advertising agency Leo Burnett to execute a consumer-focused ad campaign. The campaign was integrated with Samsung's positioning "innovation makes it easy." Samsung also felt it was important to emphasize not just the camera's features but the brand's intangible meanings to consumers: imagination, optimism, style, and fun. The essence of the creative idea was that the camera transforms how people take pictures and, in turn, transforms people themselves.

One of the TV ads showed cool, 30-ish people in a café in Europe taking a group photo using the front screen of the 2View camera. One of the young women then takes a photo with a Beefeater guard who breaks character and starts a parade of fun that ends up in a zoo where he takes a picture of a baby (using the "child" mode). A gorilla ultimately seizes the camera to take its own photo. Riffing off the double screens, the ad closed with the 2View's catchy tagline: "Twice the fun."

Then S.J. Park activated the global sales force, impressing upon it the importance of this launch and backing up his words by dispatching key staff to sales offices in the United States. These key personnel would be available to motivate and support the local sales teams throughout the camera's introduction, so that salespeople would develop the mindset of selling not just Samsung's technical reputation but its shift toward lifestyle products. They emphasized over and over the need to show the experience and excitement of the 2View's benefits so shoppers would be willing to pay extra for this innovation.

Toward this end, S.J. Park decided to place oversized cameras in stores to show off the features. These massive models—like the one I encountered when I went to meet S.J. Park in Suwon—allowed shoppers to test out the new functions, mug for the camera, and play, all in keeping with the "fun" image Samsung wanted to project.

In advance of the August 2009 launch, Samsung Digital Imaging's marketing people created buzz through a coordinated new media campaign on Facebook, Twitter, and YouTube. The company also began sending out samples to key technology writers, business analysts, and photography magazines. By the time the 2View arrived in stores in mid-September 2009, Samsung had collected positive notices from around the world, including a *New York Times* review by tech reviewer David Pogue calling the camera's two screens "a fresh (and genuinely useful) idea," and one in *USA Today* saying the camera was "straight of the 'Why didn't I think about that?' school of technology."

According to Samsung, the 2View's sales results surpassed projections. The camera won 68 awards in 14 countries and was covered more than 6,000 times by major media outlets, with a public relations effect that Samsung valued at around \$12 million.

What Happens in Vegas...

The next time I met S.J. Park was in Las Vegas at the January 2010 Consumer Electronics Show (CES), the most important trade gathering for the Samsungs and Sonys of the world. Here they unveil new products, dazzle retail executives and journalists with spectacular presentations and flashy displays, create buzz for the coming year, and generally try to one-up the competition. Vegas, a city that's built on spectacle and artifice, is, of course, the perfect host for such a show.

While I waited to check into my hotel room at the Encore Wynn, I stepped outside to take a quick look at the swimming pool. Two Asian men approached me; they might have been gamblers or part of the horde of middle-aged technology geeks who had descended on Vegas for CES. In any case, they asked me to take a photo of them and handed me an older model Samsung digital camera. When I mentioned that I owned a 2View, one said, "You must be richer than us!" It struck me that Samsung's publicity and pricing schemes must be working—not only were these gentlemen aware of the new camera, but they saw it as a premium product. Score one for Samsung.

After checking into my room, I headed over to CES, where more than 2,500 companies were exhibiting their wares, hoping to entice and excite me and the show's 120,000 other attendees, including retailers, engineers, content providers, financial analysts, and others connected with the industry. I was checking out the range of new products, from flying robots to a SpongeBob SquarePants underwater digital camera.

All the major booths boasted enormous television screens, flashing images, the din of music and many voices chattering, and presenters and salespeople calling out to passersby like carnival barkers. Smack in the middle of all this was the Samsung booth. The company, in an effort to signal its dominance, had taken over the central location of the main hall and festooned it with banners and digital displays. Since much of the excitement at this show revolved around innovations in television screens, Samsung's largest display was a multi-story installation of interlocking, super-slim TVs, shaped almost like the unfolding petals of a giant flower. Sony's booth was nearby. Though the booth, compared to Samsung's, seemed boxed into a corner, the Japanese company was attracting throngs of people to see its big gamble: 3-D televisions, which company CEO Howard Springer had introduced to great fanfare the night before.

The focus of the show wasn't entirely on televisions, though. Each of the major manufacturers was also showing off its newest digital cameras. At the Samsung booth, the company focused on its new high-end NX-10 camera in addition to the new models of the 2View camera. Samsung felt the NX-10 camera would target the unmet needs of both the digital single lens reflex (DSLR) user and point-

and-shoot users. The company offered the usual presentations one finds at these events—a bunch of chairs set up in front of a screen, and a person with a headset microphone running through the cameras' features.

Sony, too, had a relatively ordinary camera display. The show-stopper was the Casio booth, where dozens of tech geeks crowded around a platform watching scantily clad women engaged in energetic martial-arts exercises, like board-breaking and sparring. What does this have to do with cameras? Very little, except that Casio had placed several of its new model—the FH-100—along the stage area, snapped photos of the martial arts action, and then projected them onto big screens. Casio thus showed off, in an experiential way, the camera's various features—for instance, the ability to shoot clear pictures of the high-speed actions.

At Hamada

Later that day, I met with Seung-Soo Park, the vice president for strategic marketing at Samsung Digital Imaging, and the first lieutenant to S.J. Park, the chief of Samsung Digital Imaging. Over lunch at Hamada, a Japanese restaurant, we discussed Digital Imaging's goal of transforming itself into a leader in innovative product development.

S.S. Park noted that maintaining a leadership position requires three things: innovation, marketing, and cost revolution (meaning, the ability to drive down one's own costs quickly so that rivals can't overtake you on price).

“The 2View has a very important role at Samsung,” he said.

By bringing this kind of product to market, we want people to see Samsung as an innovator. It's not technology for the sake of technology; it brings new value by giving consumers new ways to use the camera, on a lifestyle basis. For many years, we made cameras that were very technology-driven. But this product has no new technology. We realized that we can give the consumer a new experience by applying already-existing technology.

He pointed out that capturing the top spot in an industry—as Samsung hopes to do in digital cameras—is both an achievement and vulnerability. When you're number one, everyone wants to take you down; you set the pace and standard of success, but you also inspire hunger and ambition in competitors.

I asked him whether Samsung could still learn some lessons from its competitors, including Apple, whose mega-success with the iPod and iPhone has enhanced its mystique and customer loyalty.

“From Apple we can certainly learn how to create buzz. But we also must look outside our industry for ideas. We could learn from Coke or even a cosmetics company,” he said.

I also asked him for his impressions on the new Chinese firms at the tradeshow. “When I see them, I feel nostalgia,” he said. “Just about ten years ago, we were like them. We had a small booth at CES, not in the main hall. We all went to the Japanese brands and said, ‘Wow!’ We went to our engineers and said, ‘Help us make these kinds of products.’” Now, he said, it’s the Chinese companies that are looking to copy and ultimately improve on Samsung’s technology and design.

And yet, though S.S. Park felt competitors from China and elsewhere nipping at Samsung’s heels, he was surprised no one had yet copied the two-screen model. Samsung had planned on such imitators, and so it had released lower-priced 2View camera models, an effort that might prove to have backfired if consumers opt for the less expensive versions rather than the premium model.

This led to another question I posed: In the age of smartphones, how sustainable is the single-purpose device? If people can take great pictures with their mobile phones, does it really make sense for Samsung to be investing so much in creating a camera brand?

Pulling out his Samsung smartphone, he told me he can do almost everything with it. But for high-quality photos, he said, only a dedicated camera will do the trick.

Samsung’s Next Frontier

Samsung’s success in the last decade has been undeniable. Yet would Samsung’s current skills and capabilities also serve it well in the future?

During a phone interview with Professor Chang, I asked him this question. “Samsung didn’t need a strategy before because they had someone to follow,” he told me. “Now they’re on the top, and they have to defend that position. They have to figure out where technology is going, they have to understand consumers much better, and they have to make strategic decisions about what directions to take. That requires much more initiative, much more foresight and much more leadership and innovation. And new skills compared to what they have currently.”

He continued, “Their strength is their ability to execute. They can develop a product fast, and they can get to market faster than others because of execution. For catching up, you can copy your competitors, but for sustainably being a leader, you need creativity and innovation.”

Chang had obviously been talking about Samsung Electronics. I felt he had a point and that his analysis perhaps applied to Samsung Digital Imaging as well.

S.J. Park seemed well aware of this challenge. A few weeks earlier, over dinner in a trendy wine bar and restaurant in Seoul, he had told me that long-time engineers and managers may have to give up their calcified notions of how Samsung operates—their sacred cows—in order to do things differently:

I changed the whole process—putting consumers first, getting insight from consumer surveys to find out what were the unmet needs, and then bringing those ideas to R&D, and then to marketing, so we can communicate better with dealers and with consumers. Now we have to repeat that success. The older employees got the confidence that they could make such positive changes, but we have to do it continuously, not just in isolated cases.

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