

# **MKT20023: Marketing Channel Design and Integration**

## **Assignment One: Retail Audit**

**A comparison between technology giants, Apple and Samsung**



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## **Executive Summary**

This report discusses the comparison of technology organisations, Apple and Samsung in regards to their marketing channels such as retailers, company-owned stores and online stores. In addition it focused on the strategic roles of channels such as the partnerships with other companies and the retailers it chooses to deal with. Further, it analyses integrating traditional and non-traditional formats of channels such as physical stores and online stores. In conclusion, it includes recommendations for a new entrant into the technology sector.

## **Introduction**

The purpose of this report is to discuss and analyse the marketing channels utilised by technology giant, Apple and compare and contrast this with an industry player of similar standing in the technology market, Samsung. For the purposes of this report, it will concentrate mainly on the smartphone market for comparison purposes, however, the other products produced by each organisation will also be discussed. Within this report, it focuses on explaining the basic concept of the marketing channels currently being utilised in each organisation, the strengths and weaknesses of the channels, strategic roles and integrating traditional and non-traditional formats of the channels. Based on the research compiled, recommendations to a new entrant to the technology industry are outlined, relating to marketing channel design and integration.

## **The chosen companies**

### **Apple**

Originating from Cupertino, California and founded by Steve Jobs and Steve Wozniak (O'Grady 2008, p. 1), Apple is a multinational technology corporation, which specialises in creating computer hardware, software and mobile devices. Some well-known products include Macbook laptops, iPhone smartphones, iPod music players, iPad tablets and the Apple Watch. In addition, it has developed software such as iTunes, iOS App store, Safari web browser and iCloud storage. Having stores both official retail, online and retail intermediaries, it is a strong brand recognised worldwide.

### **Samsung**

Seen as Apple's largest rival in the smartphone market is the global conglomerate, Samsung Group. Hailing from South Korea and founded by Lee Byung-Chul (Samsung, 2017), Samsung's main specialisation is in electronics such as smartphones, televisions, computer monitors, appliances such as refrigerators, along with electronic hardware such as semiconductors, memory and system integration. Through its official stores, online and many retail intermediaries, Samsung is a well-loved household name brand.

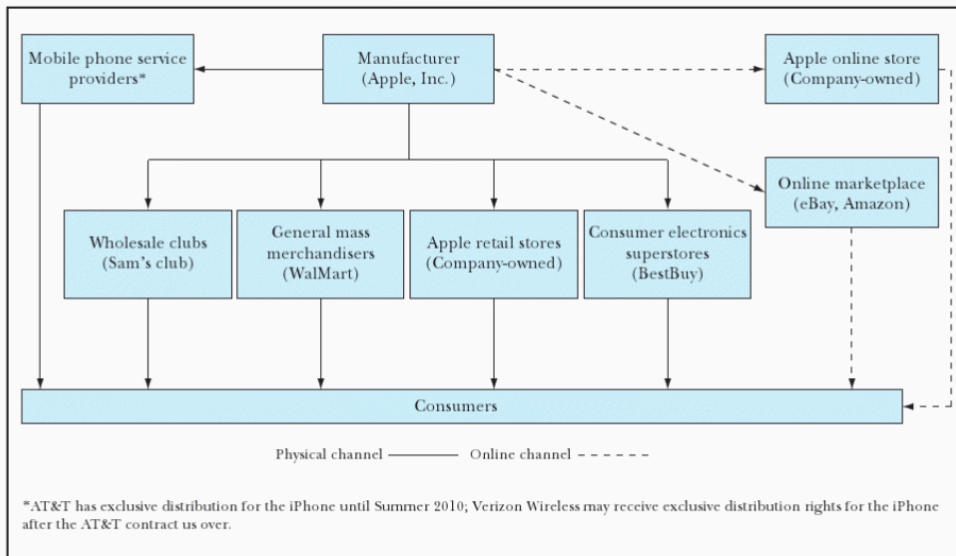
## **Marketing Channels**

Due to the boom in e-commerce and technology, 'marketing channels' have become more important than ever for organisations and have a myriad of various definitions such as the route in which a product moves from producer to consumer or the partnership between firms to enable trade, asserted by Rosenbloom (2013, p. 10). In the perspective of marketing management, the definition of a marketing channel is "the external contactual organisation that management operates to achieve its distribution objectives (Rosenbloom, 2013 p. 10. As there is a greater challenge in acquiring sustainable competitive advantage over other organisations and the growing power of distributors such as retailers in marketing channels, smartphones organisations hold much of the power with retailers fighting to sell their products. The need to reduce distribution costs is something which of utmost importance in the current climate as ordering of products can be done online which reduces costs in terms of rent and purchasing brick and mortar stores. As can be seen in the comparison between technology giants, Apple and Samsung, they utilise a multi-channel strategy to create the most effective product flow.

### **Apple's Marketing Channels**

According to the figure 1.1 (Rosenbloom 2011, p.10), Apple has a range of marketing channels in which its strong and clear branding permeates. Their main channels include mobile phone network carriers (Optus), Apple online stores (Company-owned), online marketplaces (Amazon), wholesalers, department stores (Myer), Apple retail stores (Company-owned) and consumer electronic superstores (JB Hi-Fi). Apple has been touted to have one of the best supply chain processes in the world, due to current CEO of Apple, Tim Cook who joined Apple in 1998 which was the same time Steve Jobs re-joined the organization (Lu, C, 2014). Cook improved the inventory process significantly by purchasing components and materials from various suppliers then shipped them over to an assembly plant, located in China (Lu, C, 2014). He achieved a great inventory management system by "reducing the number of component suppliers from one hundred to twenty four and closed down ten of its nineteen warehouses to limit overstocking" (Lu, C, 2014). The results were stock on hand went from a month to only six days (Lu, C, 2014). Reducing inventory on hand meant distribution costs of warehousing and depreciation of product value due to competitor announcements was kept to a minimum. This also means less costs charged onto the customer. Through their multi-channel strategy, Apple's iPhone has dominated the market through having a sustainable competitive advantage. Due to its product innovation where they have been able to keep prices stable and even retailers are not able to discount their products. Many people flock to their new product launches based on their reputation. Apple's marketing is quite difficult to copy as it is quite unique, simple, with minimalistic advertising and their product has its own systems, iOS, which would be difficult to duplicate.

**FIGURE 1.1** iPhone Distribution Channel



### Samsung's Marketing Channels

Samsung is quite similar, in terms of its delivery and distribution channels. Their channels include manufacturer sell directly to consumers such as Samsung online stores (Company-owned) and Samsung retail stores (Company-owned). Another channel is when manufacturers sell to retailers then retailers to consumer for example through online marketplaces (Amazon), department stores (Harvey Norman) and consumer electronic superstores (JB Hi-Fi). Finally, there is when the manufacturers sell to wholesalers who sell to retailers who then sell to consumers such as mobile phone network carriers. Samsung sells other appliances such as dishwashers and even manufacture smartphone hardware such as OLED screens, which are now used in the iPhone X and Samsung has been recognised as the world's largest manufacturer of computer chips (Martin, T & Greenwald, T, 2017). This means its makes many of the components that go into the smartphones which gives also Samsung a sustainable competitive advantage, in terms of supplying its own parts, the quantity and they have control of the speed. It also has the additional distribution channel as an electronic hardware manufacturer to other businesses, even distributing components to its largest smartphone competitor, Apple.

## Apple's Marketing Channels - Strengths and Weaknesses

| Strengths  | Weaknesses  |
|--|---|
| <p>Apple uses intermediaries to spread high fixed costs over large quantities of diverse products</p> <p>Apple use external manufacturers for the components of the iPhone then ship them to China to be assembled into iPhones</p> <p>The customer experience in Apple Stores and Apple Online Store (both company owned) are centred around education and support rather than selling (Tobak S, 2010)</p> <p>Minimal advertising in stores and clear messages</p> <p>Apple Official Stores are quite unique design wise and in Melbourne, they are located in Chadstone, Southland, Doncaster, Fountain Gate and Highpoint (Apple, 2017)</p> | <p>Apple is dependent on its suppliers to deliver the components in a timely manner to meet the demand of their consumers through their direct channels of online and official stores and for their resellers</p> <p>Apple needs to match the current standard of display screens on the market which are OLED screens. The only supplier which can produce the screens at the rate and amount needed is Samsung, therefore Samsung is charged them a higher amount (e.g. LCD screens cost \$35-45 a screen whereas Samsung is charging \$130-140 per screen) which explains the price increase in the new iPhone 8 and iPhone X which uses OLED screens (Dillet, R 2017)</p> |

## Samsung's Marketing Channels - Strengths and Weaknesses

| Strengths  | Weaknesses   |
|--|--|
| <p>Samsung manufactures its own components which speeds up the the process in terms of the demand and delivery to consumers</p> <p>Further, as Samsung is the world's largest chip maker, its consumers are other businesses.</p> <p>For example if Apple is doing well in the market and selling many units of its new iPhone, Samsung's profits are also increasing due to the components Apple has purchased to build their phones, namely the OLED screens and A9 processor chips</p> <p>Samsung has a strong existing distribution network due to the other products it sells such as televisions, dishwashers, semiconductors, system components and so on</p> <p>Samsung has opened up its official stores, albeit only a few (In Melbourne, there is one in the Melbourne Central, Highpoint, Doncaster, Fountain Gate, Cheltenham, Chadstone, Preston and Werribee) (Samsung, 2017)</p> | <p>In 2011, Samsung copied Apple's iPhone when it was first released with its own Samsung Galaxy S, however this seems to be a small price to pay in their ongoing wars with each other</p> <p>In comparison to Apple which owns the hardware and software in its iPhones and Macbooks, Samsung uses Android and Google software and relies heavily on phone carriers and other retailers for selling and customer service<br/>(<a href="http://pestleanalysis.com/swot-analysis-of-samsung/">http://pestleanalysis.com/swot-analysis-of-samsung/</a>)</p> <p>In contrast to Apple, their stores look much like phone retailers as opposed to Apple which have a distinct design and less hard selling and focused more around simplistic surroundings with clear messages</p> |

## **Strategic Roles of Channels**

The strategic roles of channels refer to selecting the most appropriate and well-suited channel members for an organisation. When selected correctly, the channel can provide advertising and promotional support, management assistance and fair dealing and friendly relationship and can gain immediate credibility by using a strong program of national advertising. When dealing with channel members, businesses can offer cooperative arrangements through support for channel member needs and problems, advertising allowances, allowances for warehouse functions, payments for window display space and demonstrators (Rosenbloom, 2017, p. 226-228) The lesser the intensity of distribution means the higher emphasis on selection of channel members. The most appropriate channel members would be retailers who sell electronics and have reputation for quality and reliability.

### **Apple's Strategic Roles of Channels**

In relation to Apple's strategic roles of channels, they have their own retail stores located in shopping centres or strips and online stores which already has the product reputation of high quality and innovation. In addition, their high financial and sales performance allows Apple to stabilise pricing where products are hardly discounted. In the third financial quarter of 2017, revenue was \$45.4 billion, which has increased from \$42.2 billion in the same quarter in the previous year and profits of \$8.7 billion, which has increased from \$7.7 billion (Apple, 2017). In terms of Apple's retailers are mainly organisations that offer phones, home entertainment, which have customer service available, knowledgeable in Apple products, such as JB Hi-Fi, Myer and mobile phone service providers such as Optus, Vodafone and Telstra, who would also carry other phones, tablets and accessories. An example of organisations offering inducements advertising and promotional support would be JB Hi-Fi having its own separate section with unique Apple branding where iPhones, iPads and Macbooks are displayed, rather in the general mobile phone, tablet or laptop section which conveys to consumers they are premium products.

### **Samsung's Strategic Roles of Channels in the Marketing Mix**

For Samsung's strategic roles of channels, using their own product's reputation as reliable and innovative electronics brand, they have opened their own unique Samsung Experience stores. In terms of the 'place' in Melbourne, they are usually located in shopping centres, where customers can visit for sales, support and troubleshooting. Samsung also has its own online store with live chat, email and phone support, in addition to global online ads which lead to the website for promotion (Samsung, 2017). These electronic channels allows, for example, busy professionals or families, purchase products and having them conveniently delivered to their home. In regards to its partnerships and strategic alliances, it has recently partnered with Microsoft to create virtual reality headset, Samsung HMD Odyssey with realistic graphics. Microsoft has a reputable player in the technology industry and together, working on this new project will attract customers of both big giants and those interested in new products (Bencic, E, 2017).



## **Integrating traditional & non-traditional formats**

Electronic marketing channels such as e-commerce websites, email, social media and mobile are essential for today's organisations and allows for convenient access and worldwide reach. It was expected to take over and make traditional marketing channels obsolete. However, it has been proven to rather be a combination of the two formats that is a winning combination for businesses. An important concept is disintermediation where the Internet allows exposure to many manufacturers' websites so that the intermediaries become less relevant (Rosenbloom, 2013 p. 421).

## **The integration of traditional and non-traditional formats in relation to chosen organisations**

### **Apple**

Interestingly, Apple has not embraced the social media network platforms however its website is quite minimalist in line with its branding. Its beautiful interface with its sleek products and easy to understand explanation of features encourage consumers to learn more rather than shy away from the technical jargon (Kissmetrics, 2017). Large modern images and signature clean design make it simple for consumers to purchase an iPhone, iPad, MacBook or Apple Watch. This concept carries onto its physical company-owned stores which Apple Retail Store is the most profitable store on the planet, attracting more than 20,000 visitors a year (Bhasin, K, 2013). At JB Hi-Fi and Myer, there are dedicated Apple sales staff. At the heart of Apple stores, in person, third party retailers and online are its people, the process in which they are hired, trained and motivated and talk to customers creating exciting experiences.

### **Samsung**

Samsung's long-standing reputation in the technology sector allows its electronic marketing channels to be powerful. Its familiar white font on a blue background is recognisable anywhere. The Samsung online store is similar to Apple store in its simplicity, however it is much more vibrant with picturesque landscapes, similar to the Samsung TV screens on display in home entertainment stores. This ease of purchasing online is easy to access and convenient for customers. The Samsung Experience stores where customers can preview all the products Samsung has to offer, particularly their virtual reality headsets which have been garnering high interest with the public. Bookings can also be made to ensure a prompt service. (Samsung, 2017). Increasingly, retailers also have a dedicated section for Samsung phones and tablets in their stores.

## **Recommendations for client**

Based on the research on both Apple and Samsung, for a new entrant to the mobile industry are the following:

- Research what smartphone companies have released so that the device has the latest technology in order to remain competitive e.g OLED screens, megapixels and processing chips
- Develop strategies in place for sourcing the components and assembling the phones or whether the organisation will manufacture its own parts to cut distribution costs
- Differentiate your smartphone from the rest of the market, whether it is price, product features, customer support or availability online and in-store
- Partner with retailers which have trained salespeople which can provide education and support for customers, particularly as smartphones can be complicated devices

## **Conclusion**

The marketing channels for Apple and Samsung have evolved, particularly in their competition with each other, such as their retail stores, online stores and support and the retailers used to sell their products. Apple has strengths in design, ease of use and marketing whereas Samsung triumphs in its manufacturer capabilities, global reach and being more versatile. Apple's reach through non-traditional channels has been sparking consumer interest for years and many await Samsung's response to their new products. There is no doubt that these two technology giants will continue to battle it out on the global stage, benefiting customers in all parts of the world.

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