Samsung Growing, But Icon Status Elusive

Kelly Olsen, AP Business Writer

SEOUL, South Korea (AP) — If you own a consumer electronics gadget, there's a good chance something from Samsung makes it tick.

The company has traveled far from its roots as a seller of cheap appliances in the 1970s and 1980s when South Korean products were more likely to be panned than praised internationally.

Over those decades it has grown to become the world's biggest manufacturer of memory chips and LCDs — key components that let PCs, digital music players and smartphones store data and display it on flat, high-resolution screens. And they are inside the company's own finished consumer products such as its top selling TVs and No. 2-ranked smartphones.

But Samsung still has a perception problem. It may be massive and its products known for high quality, but it has yet to mesmerize consumers. The idea the company is a follower, not a leader, risks being cemented by the global intellectual property battle that was ignited when Apple Inc. began legal action in April against Samung for what it says is uninhibited copying of its iPhone and iPad designs.

Sue Chung is someone Samsung should be winning over. Young, Korean and studying for grad school, she uses Apple's iPhone for reasons including ease of use and a positive feeling about its maker.

"The image is very important," she said, sitting in a Seoul coffee shop. "Apple's image is very free and more open."

Within South Korea — a searingly ambitious nation that obsesses over its international standings in anything measurable — pride in Samsung's achievements is leavened by comparisons with Apple and its quarter century of game-changing products such as the Macintosh computer and iPhone.

If Samsung Electronics Co. is to live up to the vaulting ambitions of its homeland and its top executives, many feel it must move beyond being a highly efficient imitator to creating products so original and seductive in function and design they become icons of consumer culture. Being big alone no longer cuts it.

Illustrating Samsung's heft, its net profit last year was more than five times the combined earnings of Japanese rivals Panasonic Corp., Sharp Corp., Toshiba Corp., Hitachi Ltd. and loss-making Sony Corp. Total sales in 2010 came to a company record of 154.6 trillion won ($136.6 billion), making Samsung the world's biggest technology company by sales.

Yet even bigger dividends can come from vision such as that possessed by Apple's

Steve Jobs or Akio Morita, the late co-founder of Sony, which popularized music-on-the-go with the 1979 introduction of its Walkman music player.

Apple has a market capitalization of about $350 billion, while Samsung, which has seen its share price slump 11 percent this year, is worth much less — about $105 billion.

Tony Michell, a Seoul-based business consultant and author of a book on Samsung, said that the company's dilemma is how to take advantage of its deep well of domestic brainpower.

"Koreans are immensely creative but their traditional culture of hierarchy doesn't let them be creative," he said. "And so Samsung has this problem that it has at the moment: a heavy cultural conservatism which is preventing full creativity."

The intellectual property battle under way with Apple has highlighted one of the perils of playing catch-up.

The Cupertino, California-based Apple, which spurred the smartphone boom with the launch of its iPhone in 2007, slammed Samsung in April by filing a lawsuit in the United States alleging the product design, user interface and packaging of its Android-based Galaxy brand of products "slavishly copy" the iPhone and iPad.

Suwon, South Korea-based Samsung, which supplies key components such as chips to Apple for its smart devices, has fought back with lawsuits accusing the U.S. company of violating its patents. The battle is playing out in 10 countries, according to Samsung, including the United States and South Korea.

A German court recently ruled in Apple's favor and banned direct sales of Samsung's new Galaxy Tab 10.1 tablet computer, saying it "did not keep the necessary distance" from the iPad 2 in its design, the news agency dapd reported. A court ruling in Australia on Apple's request to stop sales of the same tablet in that country is expected this week.

Samsung, meanwhile, has asked a Dutch court to prevent Apple from selling iPhones and iPads in the Netherlands, saying the U.S. company does not have licenses to use Samsung-patented 3G mobile technology in the devices.

A development sometimes overlooked amid the arguments over intellectual property is that Samsung, fueled by the Galaxy brand, is gaining fast in the rush to woo global smartphone consumers after a late start.

The company ranked No. 2 globally in smartphones behind Apple in the second quarter of this year, according to U.S.-based market research firm IDC, which cited the growing global popularity of the Galaxy S.

Apple shipped 20.3 million iPhones for a market share of 19.1 percent, while Samsung's results were 17.3 million smartphones and 16.2 percent market share.

Samsung and other manufacturers, however, are far behind Apple in tablets, where the U.S. company controlled 80 percent of the North American market in the second quarter, according to research firm Strategy Analytics.

Song Jaeyong, a professor of strategy and international management at Seoul National University Business School, says Samsung has excelled by being a "fast follower" — imitating or licensing technologies and then competing by lowering costs, improving quality and adding functions.

The company should "hire more outsiders and outcast figures" to spur "creative innovation," said Song, who co-authored a recent study of the company that appeared in the Harvard Business Review.

To be sure, Samsung has made efforts to bring in outsiders, with powerful Chairman Lee Kun-hee repeatedly urging creativity.

"Samsung actually is a great employer of foreigners at all levels," said Michell, the consultant and author. "But the Korean voice doesn't listen to the foreigners working inside enough."

American Michael Kim can attest to that. He says he was recruited to work at Samsung and did so in 2008 and 2009, serving as a senior manager in the semiconductor business.

"People at the top of Samsung want the company to become more innovative and not be perceived as the imitator that it has been perceived as for so long" but a rigid corporate culture works against that, he said.

"They would tell us that they want us to be change agents and that they want us to try to fix whatever we see that needs fixing," said Kim. "You're appreciated until you actually try to start changing things."

Kim said a hope for the company could be when the current crop of smart, talented younger engineers, who he says are discouraged from speaking up, advance into middle management where they can wield more influence.

Samsung disputed Kim's remarks, saying they "do not represent the views of former and current employees."

Lee Younghee, a senior vice president and chief of global marketing for mobile communications, the division that includes smartphones and tablets, concedes that if the definition of creativity is limited to Apple or Sony, then Samsung has lagged. But that is just part of the story, she says.

"Samsung has been leading," she said in an interview, referring to innovations in areas such as wireless communications technology, where it owns numerous patents. "Isn't that innovation?"

Ultimately, she said, the question of creativity will be judged by consumers.

"I think the market is fair and consumers are very fair," she said. "Consumers know what they want, they know what's the best. I think the consumer will answer to this."

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