

Apple's victory means soul-searching for Samsung

August 28 2012, by Youkyung Lee



People walk past by banners advertising Samsung and Apple's smart phones at a mobile phone shop in Seoul, South Korea, Tuesday, Aug. 28, 2012. A U.S. jury's \$1 billion verdict against Samsung for what rival Apple claimed was the illegal copying of its iPhone and iPad designs signals a turning point for the South Korean electronics giant known for its prowess in adapting the innovations of others and nimbly executing production. (AP Photo/Lee Jin-man)

A U.S. jury's \$1 billion verdict against Samsung for what rival Apple claimed was the illegal copying of its iPhone and iPad designs signals a turning point for the South Korean electronics giant known for its prowess in adapting the innovations of others and nimbly executing production.

The verdict not only jolted the world of global gadgetry but also likely sparked some soul-searching in Suwon, South Korea, where the family-run Samsung conglomerate is based.

The world's top seller of smartphones finds itself in the post-iPhone reality, where the decades-long practice of industry mimicry now can mean a bruising [legal challenge](#).

And so Samsung finds itself in a position of having to recreate itself as an innovator, not an imitator. But the switch, experts say, will be much more challenging and time-consuming than the shortcuts Samsung used to take.

"The case shows that Samsung is still inadequate in soft(ware) area, such as designs and patents," M.S. Hwang, a Hong Kong-based analyst at Samsung Securities, said in a commentary.

[Samsung Electronics Co.](#) has a top-heavy command structure that centers on the founding family. At the apex is 70-year-old Lee Kun-hee, who inherited the mantle from his father, Samsung founder Lee Byung-chull, in 1987.

The strict hierarchy has enabled speedy and bold investment and swift execution. That, plus the ability to build on the innovations of others, like [Sony Corp.](#)—has helped Samsung become the world's largest maker of televisions, [memory chips](#), liquid crystal display panels and now smartphones.

Its path is reminiscent of many Japanese companies, like Canon Inc. and Nikon Corp., which started out by copying European designs and then became innovators and pace-setters in the 1960s and 70s.

"It is impossible to be an innovator from the beginning," said Chang Sea-jin, a professor at National University of Singapore. "If you don't have a technology, imitating more advanced companies is the easiest way to catch up."

Samsung has long been regarded as a "fast follower"—imitating or licensing technologies and then competing by lowering costs, improving quality and adding functions.

It overcame its belated entry into the memory chip business in 1983 with efficient mass production and investments. Today, Samsung supplies about 30 percent of the chips that go into electronic gadgets.

In the early 2000s, Samsung claimed leadership in the global television industry.

But when Apple released its cutting-edge iPhone in 2007, Samsung employees were likely too pressed to catch up to scrutinize possible patent encroachments. South Korea's idea of intellectual property is also less strict than that in the U.S., Chang said, and speedy execution is highly valued at Samsung.

Still, Samsung outsold Apple this year in smartphones by offering more variety, including low-end phones for price-conscious consumers.

Last Friday, a jury in San Jose, California, ruled that Samsung went too far in copying the iPhone and the [iPad](#). It awarded Apple \$1.05 billion, while a judge considers whether to ban sales of eight Samsung products in the U.S. Samsung has vowed to appeal.

Samsung's stocks plunged 7.5 percent in Seoul on the first trading day after the verdict, costing \$12 billion in market value. Samsung has vowed to appeal, but unsuccessful legal battles against Apple in a host of other countries means that Samsung has few choices other than to create its own design identity.

In the past few years, Samsung has been investing in design, not only in mobile phones, but also in televisions and home appliances. But the

results were not near the level of revolutionizing the look and feel of a [consumer electronics](#) product or the way consumers interact with technology.

Bill Fischer, a professor at International Institute for Management Development in Lausanne, Switzerland, says Samsung still has not breached the divide between itself and consumer electronics companies such as Apple and Sony.

"They tend to take bigger risks regarding products brought to market, and they try to become creators of revolutionary new technologies," such as iPods, smartphones and Sony's Walkman music player, Fischer said in an email to The Associated Press. "This is a different mentality."

The choices that Samsung has made so far "are not choices conducive to growing the sort of design and customer-centricity that has long made Apple unique," he said.

That does not necessarily mean that Samsung must become another Apple. Samsung, which supplies mobile processors that work as a brain in the iPhone and the iPad, as well as displays and memory chips to Apple, reaches far and deep into the areas that Apple does not—especially in electronics hardware manufacturing.

"Innovation does not necessarily mean an entire change. Doing better than the present and doing better than others are also innovation," said Lee Myoung-woo, who once led Samsung's consumer electronics businesses in the U.S. and is a professor at Hanyang University in Seoul.

"Even if other companies are not breaking away too far from the rules that Apple made with the [iPhone](#), other companies can come up with product innovation in the areas that [Apple](#) didn't see," Lee said.

He cited the Galaxy Note as an example, a smartphone with an overblown screen that became popular.

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Citation: Apple's victory means soul-searching for Samsung (2012, August 28) retrieved 26 April 2024 from <https://phys.org/news/2012-08-apple-victory-soul-searching-samsung.html>

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