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## Price policy in international marketing comparative analysis between Samsung and Apple

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### Abstract

The paper focuses on analyzing and comparing price strategies in international marketing of two leading electronics corporations, the Samsung and Apple. The research shows that the importance of pricing strategies for a product can be the key to success or failure. Price is the only factor in marketing-mix that generates revenue, other factors create price. We recognize the importance that both Samsung and Apple have innovative and diversified pricing strategies, bringing them many successes in the international market. At the same time, it is also a powerful weapon of Samsung and Apple's international business strategy.

**Keywords:** pricing strategy, price policy, international marketing, Samsung, Apple

### 1. Introduction

In the current market mechanism, there are many other factors that influence buyers' choice, but price is still one of the most important factors that determine the company's market share and profitability. Pricing for a product can be the key to success or failure. However, many businesses do not handle pricing well. The most common mistake made in pricing is to direct too much on costs; little price changes to suit market changes; prices are set independently from other marketing-mix elements, rather than being viewed as an intrinsic element of the market positioning strategy and prices are not flexibly adjusted according to the There are a number of successful international pricing strategies, such as cost-based pricing, current pricing, skimming pricing, and sliding down pricing, demand pricing to prevent or penetration and destroying current market (Nguyen Dong Phong (2009) <sup>[6]</sup>. Applying these strategies in a very successful way, there are two giants Samsung and Apple.

### 2. Theoretical framework

Price is a monetary representation of the value of the goods, that is, the amount of money to pay for them. Broadly speaking, it is the amount of money paid for a good, service, or property. The price of goods is generally a quantity that changes around value. When the supply and demand of one or a type of goods essentially match, the price reflects and is consistent with the value of the goods, which is rarely the case. The price of the goods will be higher than the value of the goods if the quantity supplied is lower than the demand. On the contrary, if supply exceeds demand, prices will be lower than the value of the goods. Pricing strategies include: cost-based pricing, current pricing, skimming pricing, demand slippage pricing, penetration pricing, containment pricing and extermination pricing (Nguyen Dong Phong (2009) <sup>[6]</sup>.

#### Cost-plus pricing

This is the most common method of assessing standards based solely on costs plus a rate of return to generate profit. This pricing strategy can be based on full cost (full cost) or just marginal costs.

#### On-going pricing

A method of pricing that makes the product price close to the common price in the market. Product prices can be set at or above or slightly lower. This pricing method is simple, just follow the market price.

**Skimming pricing**

This strategy sets the highest possible price for a product in order to ensure a high profit per unit of product to compensate for a limited market share. This price usually targets a high market segment. Granted that it doesn't feel very price sensitive, so is willing to pay a high price in exchange for the value received.

**Pricing of sliding down the demand curve**

This strategy is the same as above, except that the company cuts prices faster and more instead of being forced to do so due to the ability to compete. Companies implementing this strategy often have the goal of building efficient production abroad with optimal production before domestic and foreign competitors can stand firm. This strategy is mostly used by companies when introducing innovation in products.

**Penetration pricing**

This strategy advocates low cabinet pricing to create a huge market. When setting prices, importance matters on value, not on costs. Valuation penetrates the fact that if the price is low to make a large market, a rapid increase in sales will reduce the cost of where the price is lost, and the profit for the company.

**Preemptive pricing**

Targeted containment pricing is the lowest price to discourage competitors. With this goal the price will be close to the full cost per unit of product. Costs will come down due to increased production, while the company maintains low prices. If it is necessary to discourage potential competitors, the price may be temporarily set below the total cost.

**Extinction pricing**

The goal of a destructive evaluation is to leave competitors out of the market. It could be big manufacturers. Having low-cost target users of destructive evaluation is leaving competitors out of the market. It can be used by large, low-cost manufacturers as a means of deterring weaker manufacturers from the industry. Because it can discourage small companies and companies in new developing countries, destructive pricing can slow economic growth and thus delay the growth of markets of other significant potential.

**3. Research methodology**

Methods of data collection: Search for secondary data from newspapers, magazines, General Statistics Office websites and market research organizations.

Methods of data analysis: description, data analysis to design tables, analysis results will be compared with the effective reality of international business policies of Samsung and Apple.

Method of comparison: based on available information materials, the information collected and screened will be applied to compare strengths and weaknesses as well as the ability to implement international business policies. of Samsung and Apple. At the same time make comparisons, reviews, comments between companies, the times.

Besides, we also ask the question: how to do it, how much it costs?, When will the product launch and where is it made? to be most suitable and effective for the pricing policies of Samsung and Apple. Learn pricing strategies such as cost-

based pricing, current pricing, skimming pricing, demand slippage pricing, penetration pricing, containment pricing, extermination pricing.

**4. Research results and discussion****a. Pricing policy in Apple's international marketing**

Price policy plays a very important role in product consumption. In general, the price of Apple products is really expensive for European customers, this is also what Apple always wants because the profit in this market is still stable with the price they have determined in advance. However, in the Asian market, the pricing strategy needs to be softer because laptops are very popular here and Apple technology is very developed. For example, to own a 3GS iphone in Vietnam, you need to spend 500USD and a 2 year contract with the network. Therefore, Apple's price policy is also implemented according to the product's life cycle including stages: introduction, development, maturity and decline. This is the difference compared to other competing products. Specifically, we see that every Apple product released to the market strictly adheres to the above steps. For example, when the Ipad Mini goes through the introductory phase, Apple develops the price down to increase market share. When the market went into decline, the design department launched a series of new models to create a new life cycle for products, for example: Apple launched many products in 2010 with many unique reading points such as IMac, Iphone, Ipad, IOS X, New generation iPod with many great features.

In general, the price of Apple products is relatively high, but it does not belong to luxury goods, which is very suitable when the target customers of the company are entrepreneurs and young people. Apple's pricing policy is well-suited to the company's development strategy, and if the product price is low, the profit will be reduced and the company's brand will not be noticed anymore. As the product goes through saturation, prices tend to fall to gain more customers and confront other alternative products. This is a flexible price policy for the company, depending on the market situation that Apple has adjusted the price accordingly.

Basically, the pricing strategy is the choice of the selling price of products in the market. This is based on the full analysis of the supply-demand relationship, the level of payment of the target customer. Pricing correlates closely with the positioning strategy of the business. Apple has applied the above principle in its pricing strategy and the results have been successful.

Price policy plays a very important role in product consumption. Price policy is dizzy when price strategies fluctuate over time, according to the product lifecycle. A new product that is available on the market in a breakthrough way is often overvalued. Because, manufacturers target people willing to pay to be a pioneer. Apple's iPhone also applied a skittish price strategy for the pioneer when launching the product at 599 USD, the iPhone quickly returned to 399 USD after only 3 months. Different pricing strategies across different markets, based on the product lifecycle. Specifically, there is a price difference of the European market, which is slightly better than the Asian market. In general, the price of Apple products is not really expensive for European customers, this is also what Apple always wants because the profit in this market is still stable with the price they have determined in advance. However,

in the Asian market, the pricing strategy needs to be softer because laptops are very popular here and Apple imitation technology is very developed. Take for example 16GB Iphone4 items. The survey showed that it was sold the cheapest in Hong Kong (496 euros for 16GB, 585 euros for 32GB) and the most expensive in Italy (659 euros and 779 euros).

Product prices are well above actual assembly prices, while implementing cost control plans. This is what helps the company get huge profits. To develop a pricing strategy, let's analyze the factors that impact on price. The pricing strategy is directly affected by the product itself. It is the price of raw materials, labor remuneration, profit margins. Typically, businesses rely on product pricing to offset production costs and expected profit margins. Take for example the upcoming Iphone5 product that will hit the market. According to Bloomberg, it will cost 620 USD. However, in fact, the production and assembly cost is only 270.1 USD.

#### **b. Pricing policy in Samsung's international marketing**

The reason why Galaxy A (2017) has boomed sales in Vietnam. "It's a good phone!" A Samsung representative gave an answer. However, after that "general" goodness, it involves the business skill of Korean company called: price strategy. Smartphone gap priced at 350-400USD. In Vietnam, major phone brands have built smartphone segments with very clear price ranges. For example, the low-end segment with low price (under 170USD), the playground belongs to Chinese phone companies. The mid-range smartphone segment (priced from 200-300USD) is currently a battle between OPPO and Samsung with two pioneers being OPPO F1S and Samsung Galaxy J7 Prime.

In the high-end segment, the price is over 600 USD? It was a game between Samsung and Apple. In particular, the apple is still dominant, especially after the incident of Note7. Thus, basically, in all segments of low, middle, high, phone brands are competing with each other very fierce. To succeed and explode sales in this segment is not simple, requires brands to invest, care carefully from products, marketing strategies to after-sales. Samsung has a better strategy for its Galaxy A5, A7. It is creating a new price segment to "market" the market: Smartphone priced at 350-450 USD, a gap left between the middle and high-end segment. Even if you are not knowledgeable about the mobile market, just refer to the websites of Mobile World or FPT Shop and we will see that the 350-400 USD smartphone segment has very few options. There are only a few names like Samsung, OPPO or Huawei. In particular, OPPO only focuses its strength in the segment of less than 7 million, while Huawei does not really have a foothold in the hearts of consumers. If you mention the strongest competitor, in this price range are not OPPO or Huawei, but the Samsung Galaxy laptops or old iPhones.

However, in the genuine group, the Galaxy A5 has made itself a bright choice. This smartphone segment makes sense, creating opportunities for mid-range users with 200-300 USD to rise to the higher-end segment (near-premium: 400-500USD without having to "try" too much. High-end must have high-end "Something" Of course, just hitting the new price range is not enough for Samsung Galaxy A (2017) to set a record. Remember, before the A5 (2017) and A7 (2017) were born, the first A5 and A7 versions launched from 2015 were not really successful. Learning from

experience, Samsung this year deliberately introduced its product line with "advanced" features. Typically, this year's A5 (2017) added a metal frame, glass and water-resistant - the things usually only introduced in the Galaxy S series. Basically, the Galaxy A5 (2017) is only inferior to Samsung. Galaxy S7 is a bit of a configuration, and the appearance to the feature is almost no different. Not everyone is a technology expert or uses dozens of tasks at once to compare the speed between smartphones. And not many people expect a "high-end" phone to have breakthrough features. Therefore Galaxy A (2017) was the true meaning "a good phone". Galaxy A formula (2017): A mid-range phone that adds a few high-end features, launched before the mainstream (Galaxy S8) a bit, hitting the price segment without many competitors. The result of collecting 4 million USD in Vietnam right on the first day of opening has broken all previous records of Samsung. Sometimes, there's no need to be special, as long as to meet the reality of exceeding consumer expectations.

#### **c. Comparative analysis and discussion**

In general, Apple's strategies focus on the above segment, high quality products, suitable for high-end customers, showing the elegance of the owner. In contrast, Samsung focuses on all market segments, meeting the needs of all customers. Those are the two biggest differences between Samsung and Apple, but they bring tremendous benefits for them.

#### **5. Conclusion and recommendation**

Now it can be seen that both Samsung and Apple are two globally famous brands. Always competing fiercely as well as developing, constantly researching to create high-tech products, meeting the needs of customers. Samsung and Apple always have high quality products and reputation with consumers. Since then fully exploit the advantages, set the price of the product. These strategies help both Samsung and Apple create the brand, the price is only governed by the prestige of the product, the brand value, not merely production costs and marketing costs. To achieve today's success, both Samsung and Apple have experienced many difficulties. With the criteria of continuous refreshing, giving customers a new look for products that seem too familiar, products that never make customers boring. Hopefully, this article will give everyone a clearer view of the strategies that have made the success of Samsung and Apple today.

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