

Samsung's profits plunge to three-year low

SEOUL, SOUTH KOREA: Samsung reported its smallest quarterly profit in nearly three years as its key smartphone business faltered under competition from Apple's iPhone 6 and Chinese handset manufacturers in an increasingly saturated market.



Samsung's Robert Yi confirmed the company's profits dropped by 60% from a year ago as competition from other manufacturers eroded its sales and market share. Image: [Korea Times](#)

Net profit for the South Korean electronics giant amounted to 4.22trn won (\$4bn) for July to September, marking a dramatic fall of 48.8% from a year ago, and the lowest figure since the fourth quarter of 2011.

"Operating profit dropped 60% from a year ago to 4.06trn won, while sales tumbled by about 20% to 47.4trn won," Samsung said in a statement.

The firm's mobile phone unit reported operating profit of 1.75trn won in the third quarter, a dramatic decline from 6.7trn won a year ago.

Samsung has a diverse product line ranging from memory chips to home appliances, but it's mobile division has driven the company's record profits in recent years.

The current slump was starkly reflected in the fact that the mobile unit's operating profit in the third quarter accounted for 43% of the company's total, compared with 76% just six months ago.

Revenue, sales tumble

Despite a slight increase in unit sales volume, actual sales revenue tumbled from 36.6trn won to 24.6trn won.

"The average selling price of smartphones declined due to an increased share of middle- to low-end smartphone sales and price reductions of existing smartphone models," the company said.

The third-quarter performance by the world's largest manufacturer of smartphones and televisions followed a 20% drop in profit in the second quarter.

Robert Yi, Samsung's Head of Investor Relations, said the firm was considering some form of "shareholder return" next year and would make a final announcement in the fourth quarter.

The latest edition of Samsung's previously all-conquering Galaxy S smartphone met with a lukewarm response after its launch in April.

More focus on emerging markets

It was also forced to introduce the new edition of the oversized smartphone Galaxy Note earlier than scheduled in September as the latest iPhone 6 from US rival Apple enjoyed better-than-expected demand.

Samsung initially pioneered the market for "phablet" devices - sized between a smartphone and a tablet computer - when it introduced the Galaxy Note series in 2011.

In the low- to mid-range smartphone segment, Samsung has faced a growing challenge from Chinese firms in key



Sales of the Galaxy Note 4 have not been as impressive as Samsung had hoped amid increasing competition from phones like the iPhone 6. Image: [GalaxyNote4 Update](#)

emerging markets including China.



Samsung says it will focus on emerging markets to sell more of its low-end phones like the E1182.

Image: [Mr Prastz](#)

Samsung saw its leading share in the global smartphone market slip to 25.2% in the second quarter of this year from 32.6% a year ago.

At the same time, Chinese firms - Huawei, Lenovo, Xiaomi - saw their combined share rise to 17.3% from 11.4%, according to market research firm Strategy Analytics.

While voicing optimism over sales of the Galaxy Note 4 and new middle-end smartphones, Samsung acknowledged that market competition is expected to further intensify.

"Uncertainty remains for the (mobile) division, because of the year-end surge in competitor smartphone launches, which may require a potential increase in marketing expenses associated with year-end promotions," Samsung said.

Kim Hyun-Joon, Senior Vice President of Samsung's mobile unit, vowed to dramatically reshuffle the product lineup to respond to the needs of the middle- and low-end markets.

"Our mobile unit is going through a temporary difficulty, but we are trying to maintain a steady growth by fundamentally changing our business structure," he said.

Source: AFP via I-Net Bridge

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