

Samsung takes top spot from HP

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Samsung Electronics has overtaken Hewlett-Packard as the world's biggest technology company by sales, a sign of how strongly some South Korean companies have bounced back from the economic downturn.

Samsung on Friday reported 2009 sales of Won136,290bn (\$117.8bn) which exceeded HP's sales of \$114.6bn for the year to October 31. It is expected to surpass its US rival again this year – its 2010 sales are forecast at \$127bn, compared with \$120bn from HP.

But Samsung surprised many when its market capitalisation overtook Sony's in 2002. This year analysts forecast that Samsung's net profit will surpass that of the leading 15 Japanese technology companies combined in the fiscal year to March 2011, according to Bloomberg data.

Samsung is the world's leading maker of memory chips and liquid crystal displays. It is second only to Nokia in mobile handsets. Some 48 per cent of the company's equity is held by foreign investors.

The presence in Korea of the world's biggest technology company is a boon to Lee Myung-bak, the country's president, who is using Seoul's presidency of the G20 leading economies this year to elevate South Korea's international standing.

But Samsung's revenues are not matched by a similar growth in profits. "Compare it with Apple. There is still a gap in profit margins of their phone businesses," said Jae Lee, of Daiwa Securities.

Samsung's size is also a headache for management, as many competitors are also clients. Management battles to balance the interests of its chipmakers against the mobile phone unit, with the company supplying the chips for Apple's iPhone, while marketing its own devices at the same time.

Samsung's chipmakers are unlikely to give any preferential treatment to its own phonemakers over Nokia or Apple.

Samsung's transformation has been rapid and even late into the 1990s Samsung found it hard to penetrate the US market with consumer electronics, getting short shrift from US retailers such as Circuit City.

The company's then chairman, Lee Kun-hee, launched a drive for innovation and quality in 1993, famously exhorting his workers to "change everything except their wives and kids".

Mr Lee this month warned that the company cannot rest on its laurels, despite its huge sales.

Samsung has consistently struggled to be creative and is still looking to lead the industry by developing its own "killer products" rather than playing catch up with competitors.

Mr Lee resigned the chairmanship in 2008 amid a scandal, but has said he could consider returning, after receiving a presidential pardon last year.

Samsung is not the only South Korean company to climb the sales rankings during the downturn. Hyundai-Kia, long the world's sixth-biggest carmaker, has emerged as number four, having proved adept at reading the US market.