

# Smartphone Wars: Samsung

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"Inspire the World, Create the Future."

Team 4

# Team Introduction

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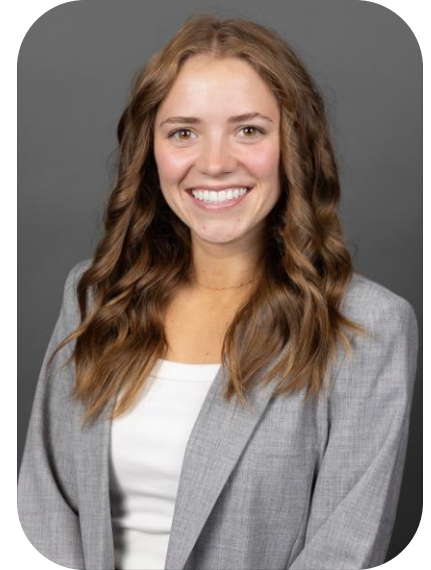
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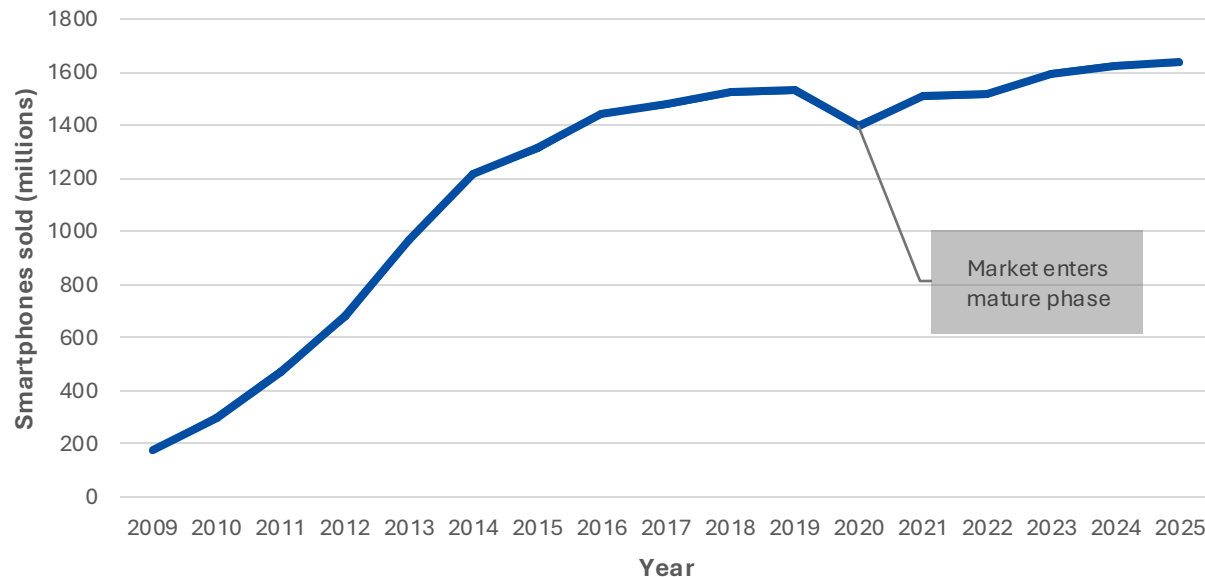
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# After a decade of rapid expansion, global smartphone growth has plateaued

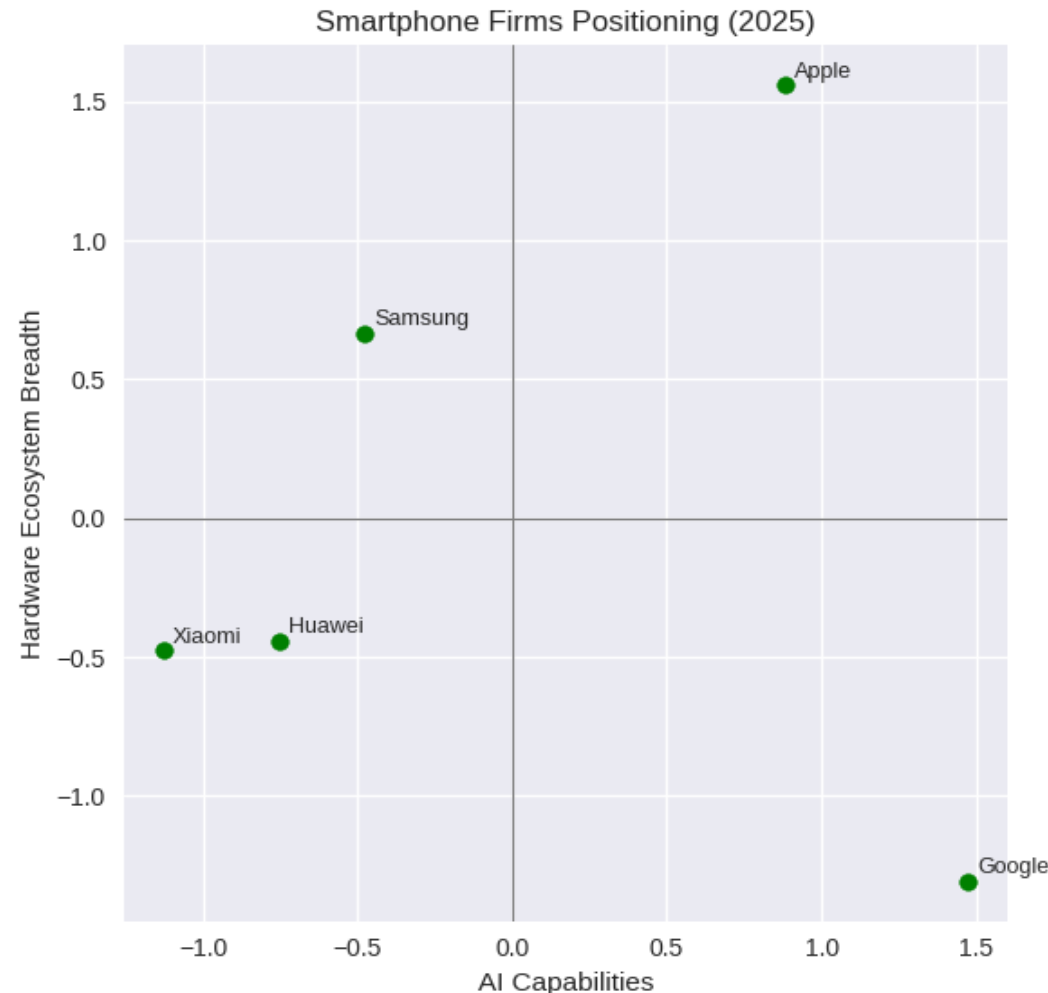
**Global Smartphone Shipments**  
2009-2025



## Key Takeaways

- Global smartphone shipments have **plateaued since 2020**, signaling an industry shift from high growth to a mature, saturated market
- Consumers keep their phones longer, with replacement cycles extending beyond three years, weakening the impact of traditional hardware upgrades
- As hardware advantages narrow, **the basis of competition is shifting to ecosystem depth and on-device AI**, making these the new drivers of differentiation

# As competition shifts to AI and ecosystems, Samsung is falling behind while Apple and Google pull ahead



## Key Takeaways

- In a mature smartphone market, **growth must come from differentiation**, but 87% of Samsung users say current AI features add little value, leaving Galaxy phones unable to stand out or drive extra unit sales
- **Samsung uses the same Google Gemini AI as other Android phones**, making it hard to differentiate and giving Google effective control over Samsung's AI roadmap
- Apple controls both its AI and ecosystem, Google controls Android AI, while **Samsung has hardware scale but lacks unique AI and ecosystem capabilities to make Galaxy phones essential**

# Samsung must integrate its own proprietary AI to leverage the SmartThings ecosystem and establish Galaxy as the 'brain' of the secure smart home

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## What

- Acquire and embed privacy-focused home-security AI into Galaxy and SmartThings
- Make **Galaxy Smartphones the control center** for Home-AI across cameras, TVs, and other smart-home devices

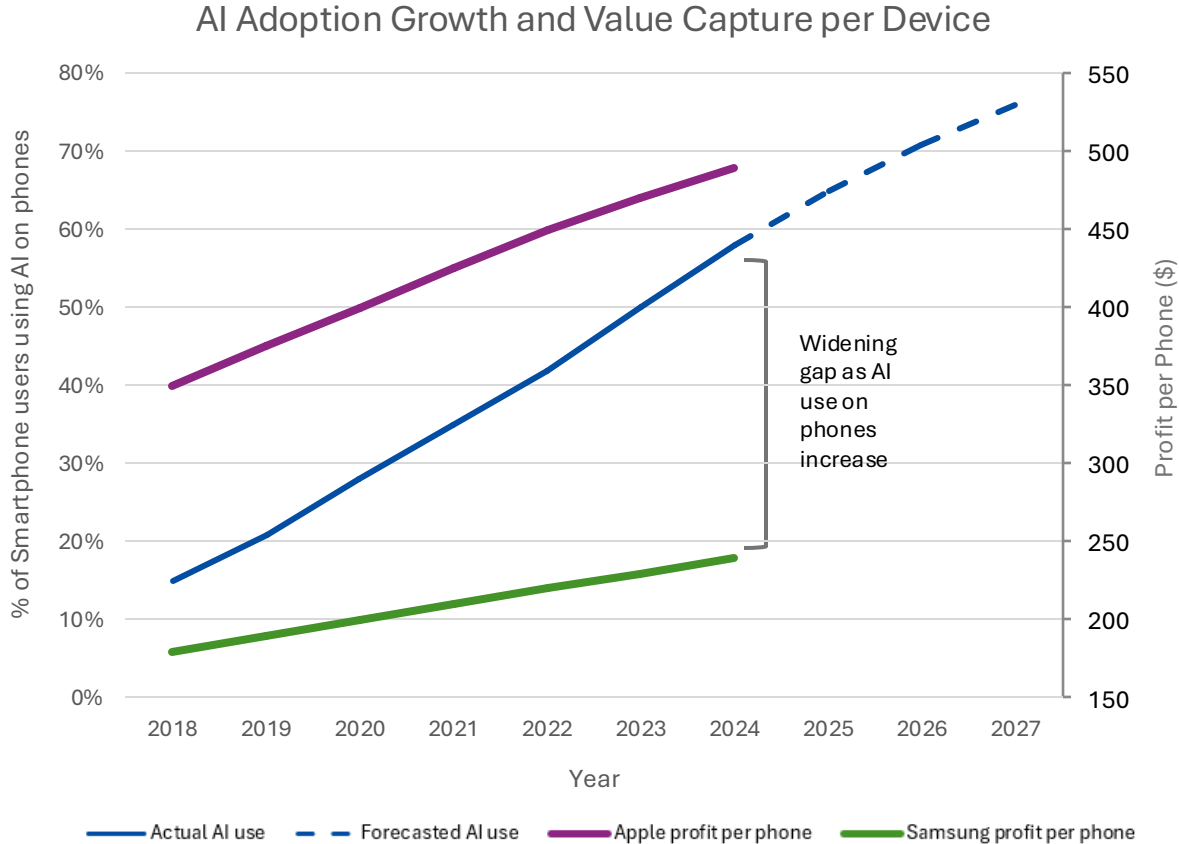
## Why

- Grow high-value Galaxy households that **buy more phones** and upgrades
- Deepen ecosystem lock-in through secure, cross-device intelligence

## Impact

- Narrow per-phone profit gap via Home-AI revenue
- Capture market share through user adoption and increase **sales of Galaxy smartphones**
- Adopt new users into the Galaxy and SmartThings ecosystem

# Samsung must vertically integrate an AI stack to close the profit-per-phone gap and capture higher per-device value



### Key Takeaways

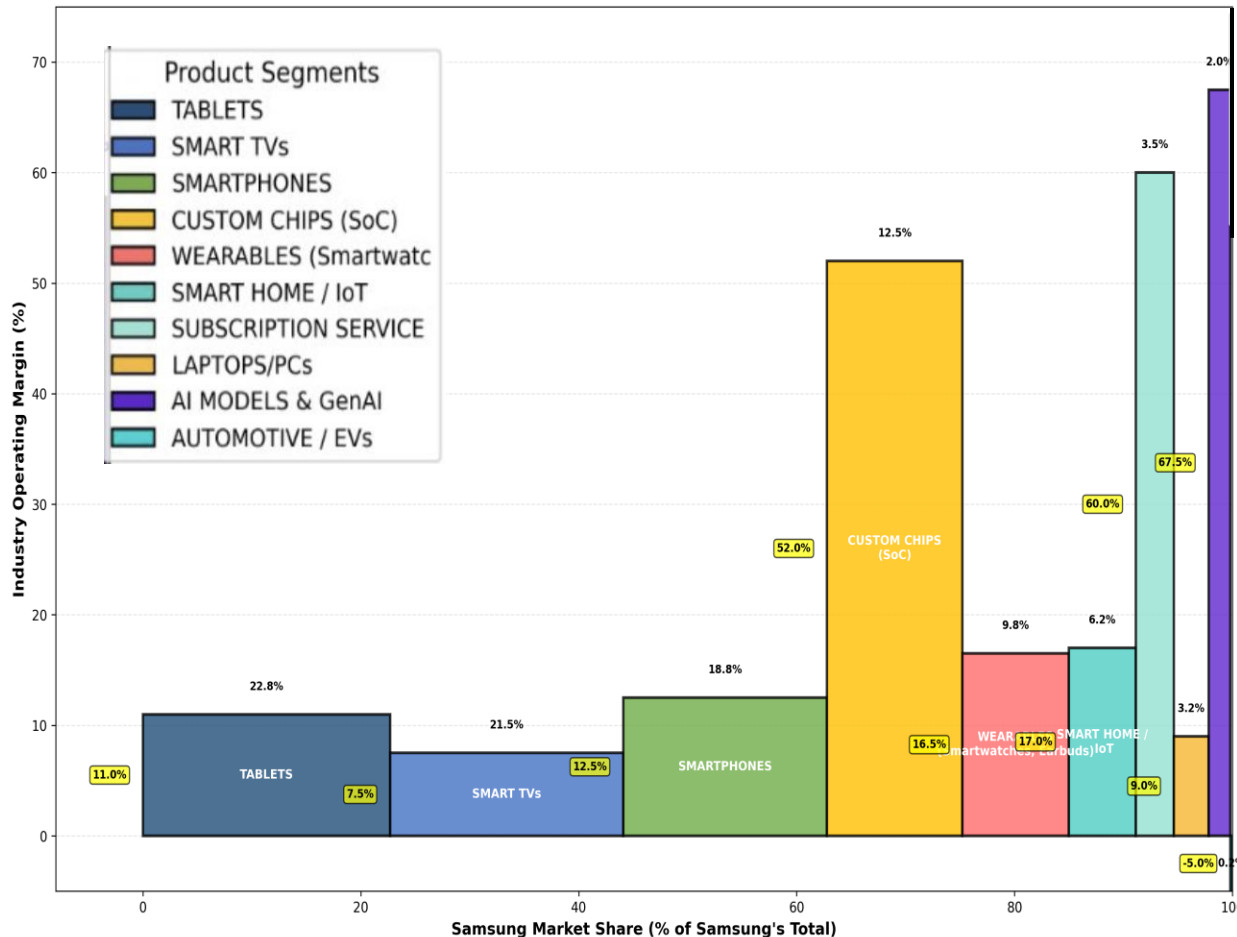
- **AI use on smartphones is rapidly becoming mainstream**, so owning a private AI positions Samsung to stand out within Android and meet rising consumer expectations
- Samsung’s profit growth trails Apple’s, in part because Apple captures more value through its vertically integrated AI stack, while **Samsung relies on external AI providers**
- Samsung will benefit greatly as it **increases its share in the AI Model and GenAI** market segments

Source: <https://www.alibaba.com/product-insights/apple-vs-samsung-which-phone-really-makes-more-profit-and-why.html>, Statista AI Usage Surveys 2018–2022; Circana / Global AI Survey 2023; Counterpoint Research GenAI Adoption Survey 2024



# Samsung holds dominant market share in high-margin product categories, but only 2% in the rapidly growing AI/GenAI segment

Tech Product Segments: Mekko Chart  
Samsung Market Share vs Industry Operating Margin

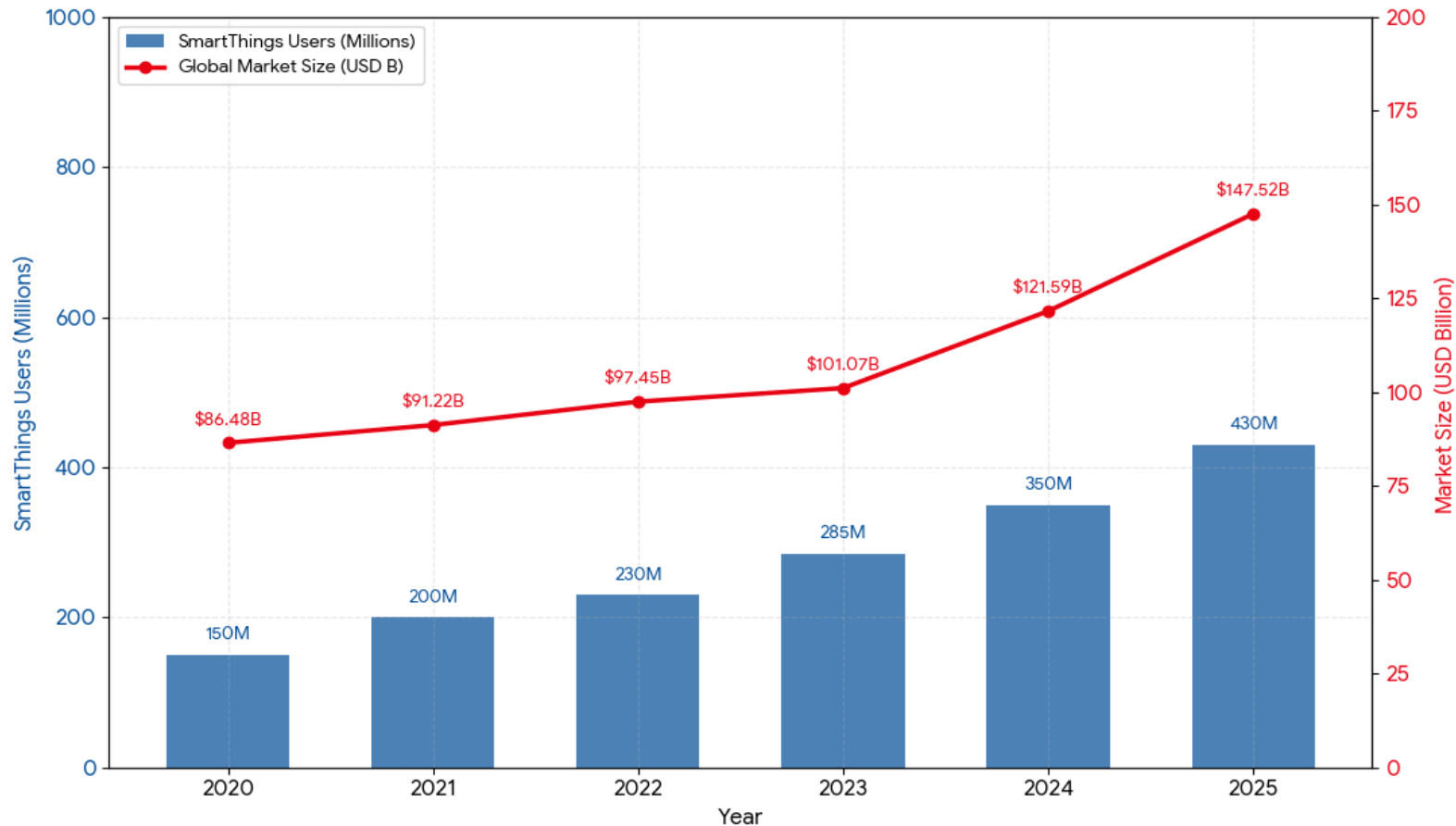


## Key Takeaways

- AI Model & GenAI is the highest operating margin product segment in the smartphone industry at **67.5%**, but Samsung has only **2% market share**
- AI is moving out of its early stage and into a period of **accelerated growth** as adoption increases across consumers and the smartphone market, creating a wide range of opportunities for Samsung to expand its presence and capture longer-term value
- Integrating a proprietary AI target allows Samsung to convert its **430M SmartThings users** into a high-margin hardware upgrade engine

# Samsung's 430M SmartThings users provide a massive audience to dominate the \$147B smart home market via AI-driven security

Historical Growth: SmartThings Users vs. Smart Home Market



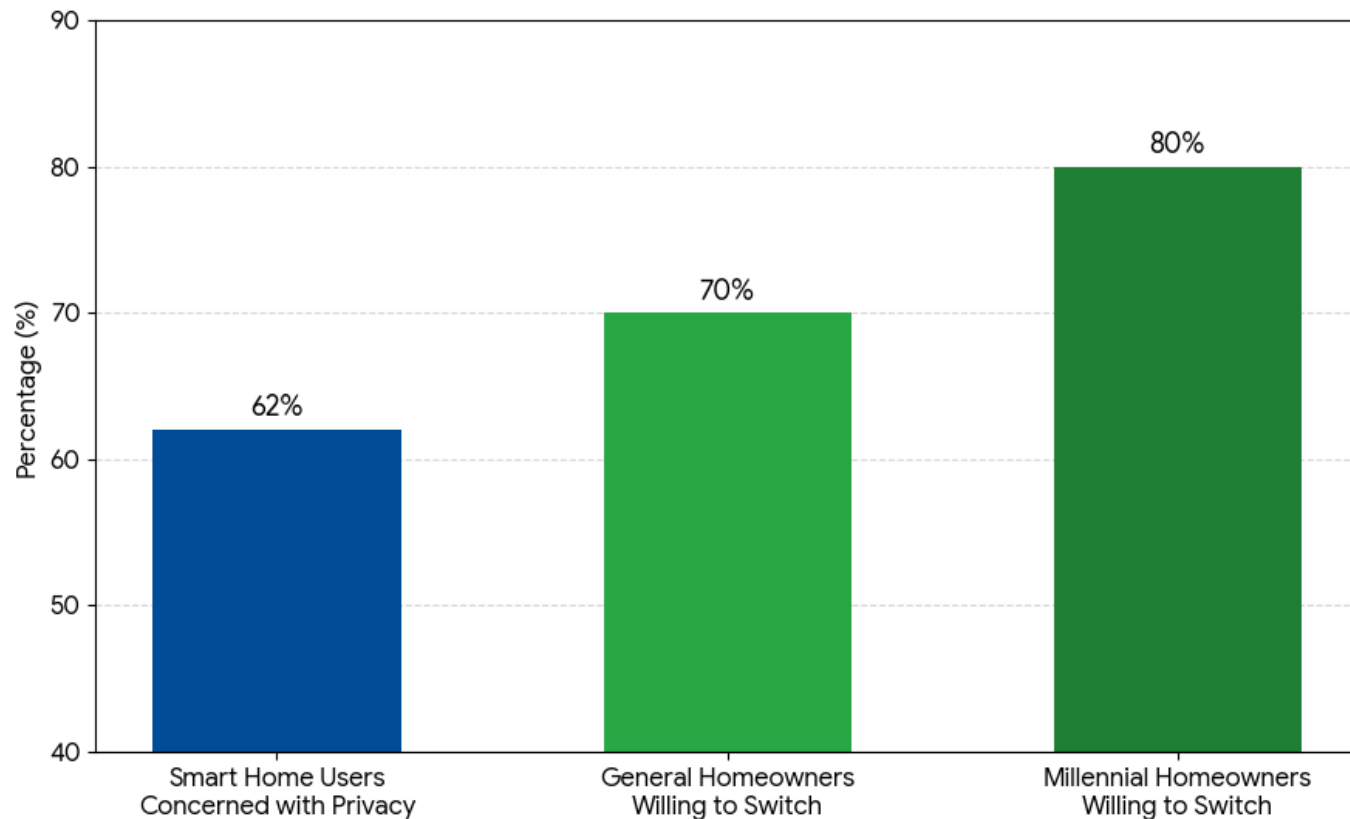
## Key Takeaways

- The global smart home market reached \$147.52 billion in 2025 and is projected to **grow at a 21.4%** compound annual growth rate (CAGR) through 2034
- Home security (including data privacy) is a dominant entry point, commanding over 30% of platform spend. This makes **"Safe Home AI" the perfect entry to sell more smartphones**
- Samsung has platform scale, but a **massive "trust gap" in smart home privacy creates opportunity**



# Smart home privacy concerns create a massive market opening, providing the funnel to drive significant gains in Galaxy users and revenue























































Smart Home User Privacy Sentiment (2024-2025)



## Key Takeaways

- **62%** of smart home users are concerned about data privacy, a large addressable segment
- 70% of general homeowners and 80% of millennial homeowners are **willing to switch** brands for better privacy
- Millennials are critical because this demographic has the **highest density of connected devices and upgrade frequency** for smartphones
- To create smart home software that meets the needs of data-sensitive consumers, Samsung should acquire a proprietary based AI

# Samsung should evaluate AI acquisition targets across six factors to maximize future Galaxy sales

Factor	Alliance	Equity Alliance	Acquire
Impact on Galaxy phone sales & retention	Low     High	    High	 High
Relative value of soft to hard resources	Low     High	    High	 High
Ease of integration with SmartThings & Galaxy	Low     High	    High	 High
Cultural/brand fit with Samsung's privacy positioning	Low     High	    High	 High
Galaxy differentiation as the smart-home control hub	Low     High	    High	 High
Acquisition exp. relative to alliance exp.	Low     High	    High	 High

## Key Takeaways

- Companies that **score highly across more of the six factors** are stronger candidates for acquisition rather than simple alliances
- The graph shows a clear **ranking of targets**, helping Samsung prioritize a small top tier of companies that best advance its Galaxy-SmartThings home-AI strategy
- This proves that Samsung can reignite smartphone growth by moving from "generic AI" to a "private home security" that **only a Galaxy phone can orchestrate**, positioning Galaxy as the required "brain" of the secure smart home



# Owning home-security AI lets Samsung turn mature smartphones into the gateway to the Smart home



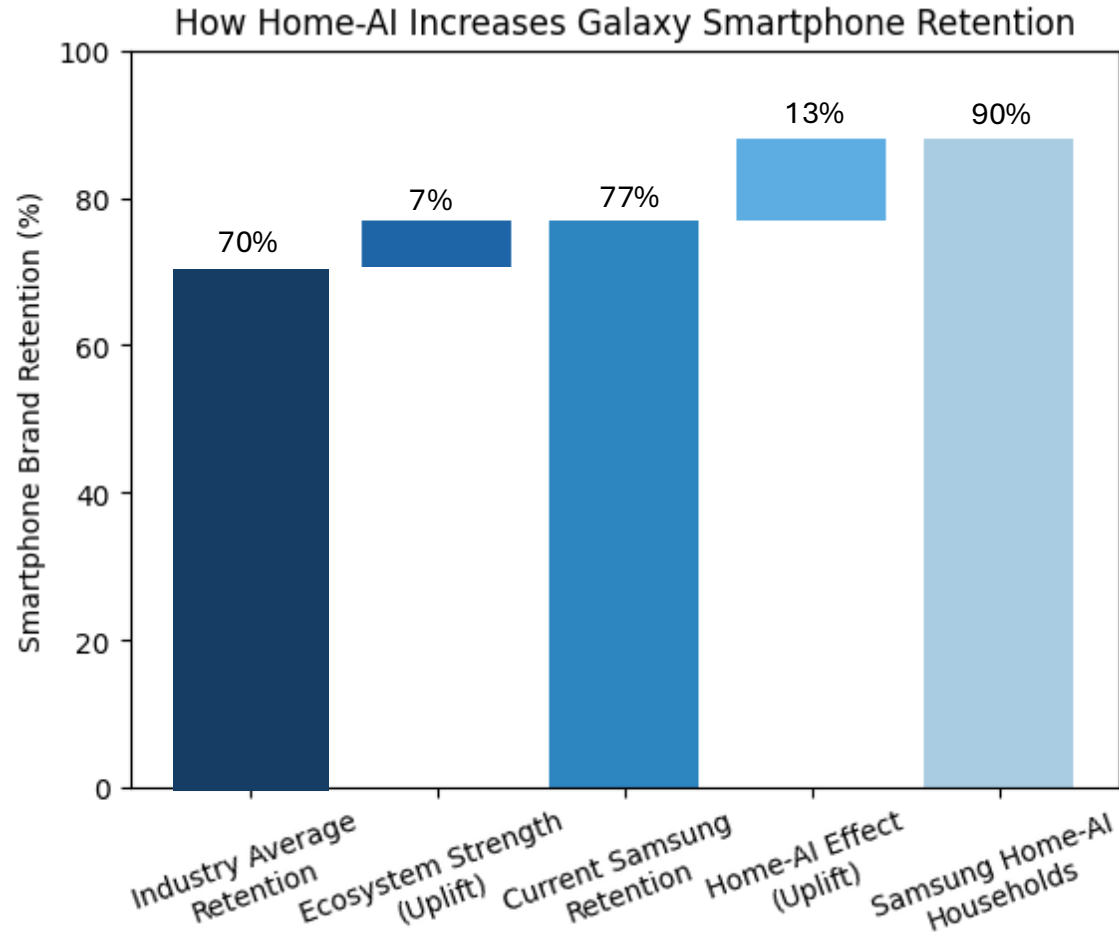
### Key Takeaways

- **Manufacturing Memory Chips is Samsung’s top assets** - selling to NVIDIA, Google, Microsoft, etc.
- With this AI acquisition, **Samsung beats all its competitors in the Smart Home Ecosystem** and is strategically set up to win across other areas as well
- Samsung's manufacturing capabilities combined with AI development will enable them to offer **fully offline AI capabilities and become the best real-time AI processors** with **greater memory** than others can offer
- Owning home-security AI lets Samsung **reignite smartphone upgrades** in a saturated smartphone market, making Galaxy the essential gateway to smart homes

Source: [file:///Users/lyssahendrickson/Desktop/411%20SmartPhone/WEB\\_SOURCES\\_RESEARCH\\_REPORT.html](file:///Users/lyssahendrickson/Desktop/411%20SmartPhone/WEB_SOURCES_RESEARCH_REPORT.html)



# Households that adopt Galaxy Home-AI become Samsung's most loyal, highest-value smartphone users



## Key Takeaways

- Samsung already outperforms the average with roughly **77% smartphone retention**, vs an industry average under 70%
- Making Galaxy the secure “remote” for SmartThings, TVs, and appliances via Home-AI could **lift retention toward 85-90%** in participating households, meaningfully increasing lifetime revenue per user and strengthening the smartphone base
- If a family’s security, routines, and home data sit in a Samsung-controlled, privacy-safe AI system, switching away from Samsung TVs or appliances becomes painful, driving higher lifetime revenue per Samsung household

# Competitors lack the potential to create a universal smart home ecosystem spanning personal devices and home appliances

	Large Home Appliance Hardware	Home Entertainment (Smart TVs)	Peripheral Smart Devices	Native Smart-Home Software Platform	Smartphone Penetration	Potential for Synergy
Samsung						
Apple						
Google						
Other Android						

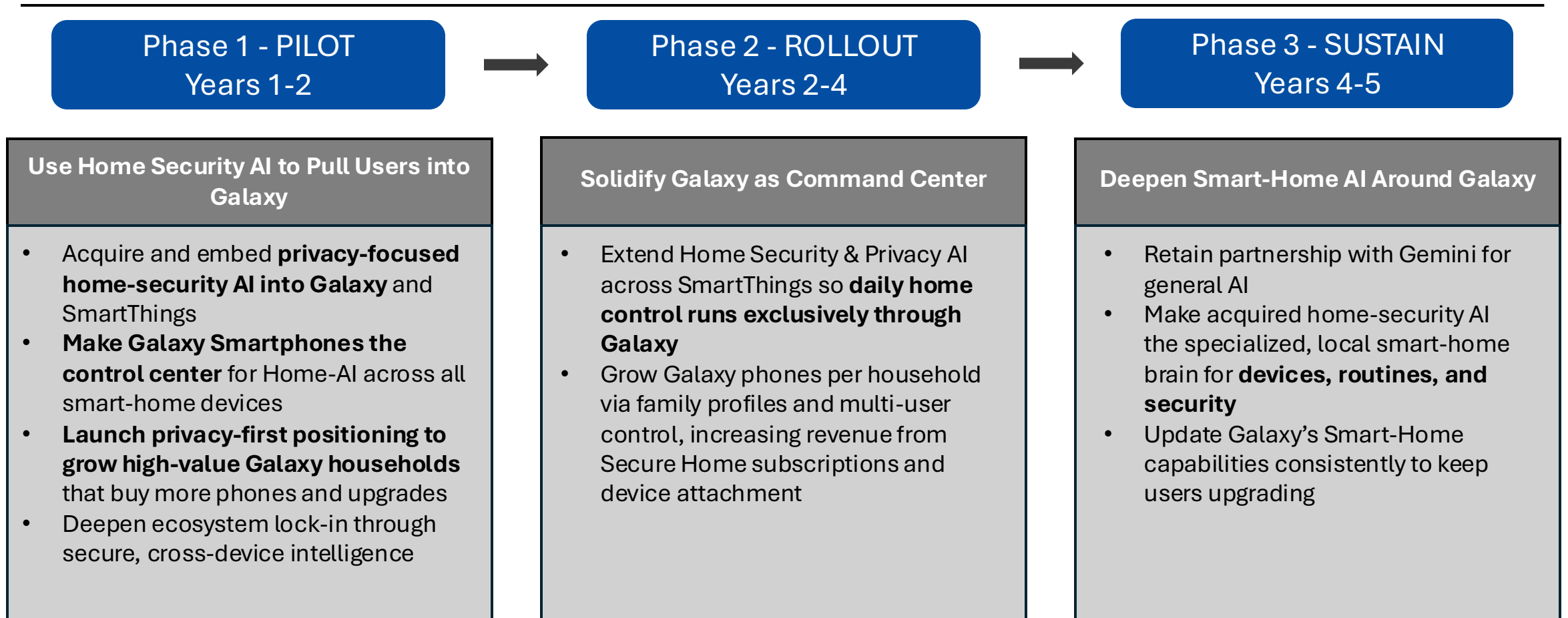


## Key Takeaways

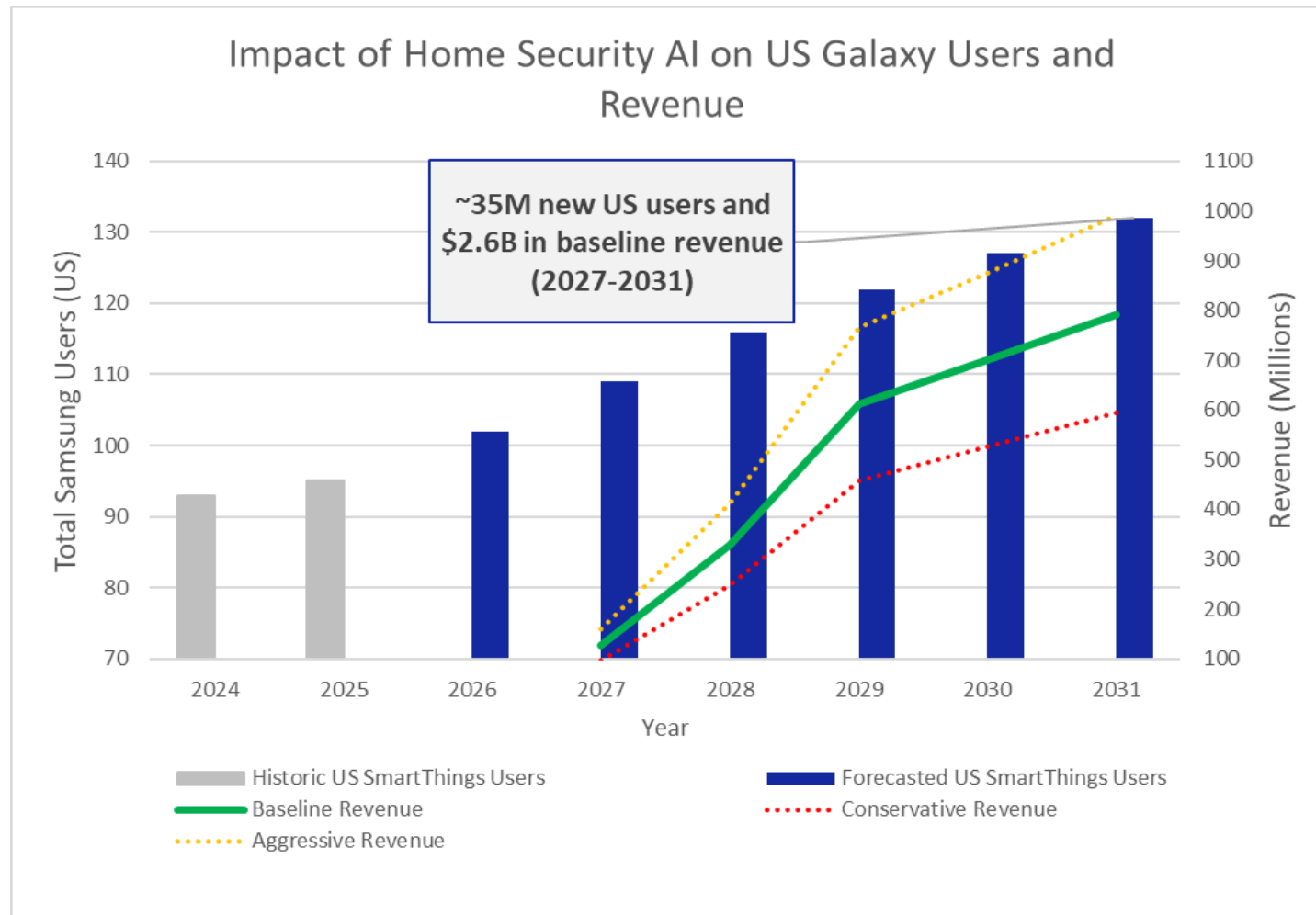
- Samsung is the **only competitor** capable of offering an end-to-end hardware ecosystem
- Other large companies **require large capital investments** before reaching similar synergy potential
- Samsung’s breadth across “in-home” and “on-person” devices heighten switching costs and give optionality for bundled services and recurring revenue



# Phase roadmap to make Galaxy the Home-AI control hub for growth



# Samsung's home security AI drives 6M new users to Galaxy, generating \$2.6B in smartphone revenue and 37% SmartThings growth by 2031



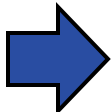
## Key Takeaways

- Home AI security drives an adoption rate of **~6M new Galaxy users and adding 35M SmartThings users through 2031**, accelerating Samsung's smartphone growth
- This adoption rate generates about **\$2.6B** in cumulative smartphone revenue over 2027-2031 (baseline case)
- By 2031, Samsung captures high-value customers who also expand SmartThings and device ecosystem spending, and each new SmartThings user increases the likelihood of future Galaxy purchases

# Owning home-security AI will help Samsung transform a mature smartphone market into a new, profitable landscape

## The Problem

- Mature market with 1.2B annual units and slowing growth
- 87% of Samsung users see current AI features as adding little or no value
- Consumer skepticism prevents AI alone from driving meaningful upgrade demand

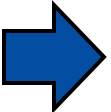


## The Solution

- Acquire a home-security AI to position Galaxy phones as the command center for smart homes
- Make Galaxy the essential hub that orchestrates the entire smart-home experience

## Why It Drives Galaxy Smartphone Sales

- Captures 6M iPhone switchers over 5 years through ecosystem differentiation
- 16.8% of Apple users would switch → Samsung if there were better AI options



## Smartphone Impact & Returns

- Generates \$2.6B+ direct smartphone revenue from switchers alone
- Positioning Galaxy smartphones as the primary gateway into Samsung's smart home ecosystem, boosting device adoption, engagement, and long-term customer value on every connected home





# APPENDIX



# Appendix A – How is this different to what Samsung is currently doing?

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What Samsung is already doing	What we are proposing
SmartThings is a broad smart-home platform for convenience and automation (lights, locks, cameras, appliances)	Define a focused " <b>Home Security &amp; Privacy AI</b> " whose primary job is protecting the home with privacy guarantees and enabling AI enhanced smart home features
Galaxy AI provides translation, photo editing, and on-device processing on phones, but isn't tied to smart-home control or unit growth	Make <b>Galaxy phones the required controller</b> for Home Security AI, directly tying it to Galaxy sales, household penetration, and retention
Relies heavily on Google Gemini for many features, same as other Android OEMs	Build/acquire a <b>separate home-security AI stack independent of Gemini</b> , differentiating Galaxy from other Android phones
SmartThings is not positioned as a Galaxy smartphone growth driver; AI is more spread broadly over their devices	Reposition to " <b>Galaxy makes your home safe</b> ", using Home Security AI as a lever to increase Galaxy units per household and reduce upgrade cycles

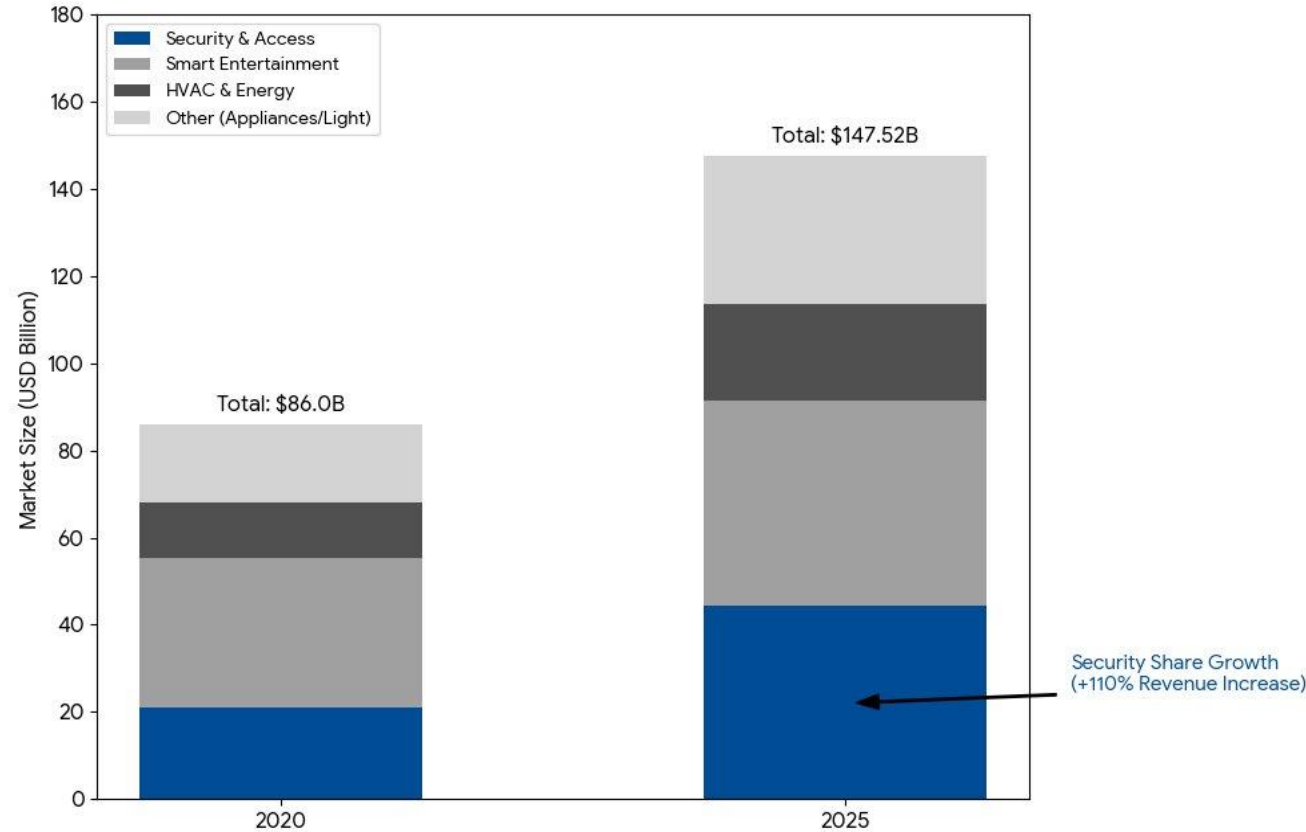
## Appendix B - Ranked list of companies to acquire for Galaxy + SmartThings

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1. **Sentinode** - Edge home-security AI that runs locally on the home gateway, giving Samsung a privacy-first differentiator tightly aligned with your “Home-AI hub” strategy. (Estimated cost to acquire = \$300M)
2. **CUJO AI** - Telecom-grade network-security AI for home devices, letting Samsung secure every Galaxy-connected device at the router level and bundle protection with phones. (Estimated cost to acquire = \$500M)
3. **Control4** - Premium whole-home orchestration platform that Samsung could pair with Galaxy as the primary controller for high-value, multi-device households. (Estimated cost to acquire = \$700M)
4. **Josh.ai** - Voice-driven, privacy-centric smart-home assistant that could become a differentiated Galaxy-first alternative to Google Assistant or Alexa. (Estimated cost to acquire = \$175M)
5. **Monitoreal** - Edge-AI video analytics layer that upgrades existing cameras, which Samsung could integrate into SmartThings and sell alongside Galaxy devices. (Estimated cost to acquire = \$100M)
6. **openHAB** - Open-source home-automation platform that could accelerate Samsung’s software ecosystem and developer community around SmartThings and Galaxy. (Estimated cost to acquire = \$25M)

# Appendix C - \$44B in smart home Security

Global Smart Home Market Growth & Segment Shift (2020 vs 2025)



## Key Takeaway

- By acquiring their own AI stack centered on privacy, Samsung can dominate the **\$44B Home Security segment**, the specific high-growth vertical where users are most likely to switch hardware for a privacy guarantee (62% of general smart home owners are concerned over privacy issues)

# Appendix D - Investing in AI will help Samsung sustain growth in the smartphone industry moving forward

Product Segment	Samsung Share %	Industry Margin %
TABLETS	22.8%	11.0%
SMART TVs	21.5%	7.5%
SMARTPHONES	18.8%	12.5%
CUSTOM CHIPS (SoC)	12.5%	52.0%
WEARABLES (Smartwatches, Earbuds)	9.8%	16.5%
SMART HOME / IoT	6.2%	17.0%
SUBSCRIPTION SERVICES	3.5%	60.0%
LAPTOPS/PCs	3.2%	9.0%
<b>AI MODELS &amp; GenAI</b>	<b>2.0%</b>	<b>67.5%</b>
AUTOMOTIVE / EVs	0.2%	-5.0%

## Key Takeaways

- 67.5% of the Industry Margin belongs to AI Models and GenAI, indicating the value of AI within the industry to bring growth on all levels
- Samsung currently only has 2.0% share in the AI Models and GenAI segment. This demonstrates the room for growth inside Samsung as they explore AI.

# Appendix E - User Adoption Revenue: Assumptions & Calculation Methodology 1

Assumption	Conservative	Baseline	Aggressive	Source/Rationale
<b>Conversion Rate</b>	37.5%	50%	62.5%	Privacy-focused user behavior studies (40-60% range)
<b>Total Addressable Market</b>	12M	12M	12M	iPhone users with smart homes who prioritize security
<b>Avg Revenue/User</b>	\$427	\$427	\$427	Includes phone sale (\$320 net), trade-in value, accessories

## Average Revenue Per User: \$427 Breakdown Phone Sale (Net)

- Mix of S-series (\$800) and A-series (\$400) phones
- After trade-in promotions and discounts
- \$320

## First-Year Ecosystem

- Small initial purchases (Buds, etc.)
- \$17

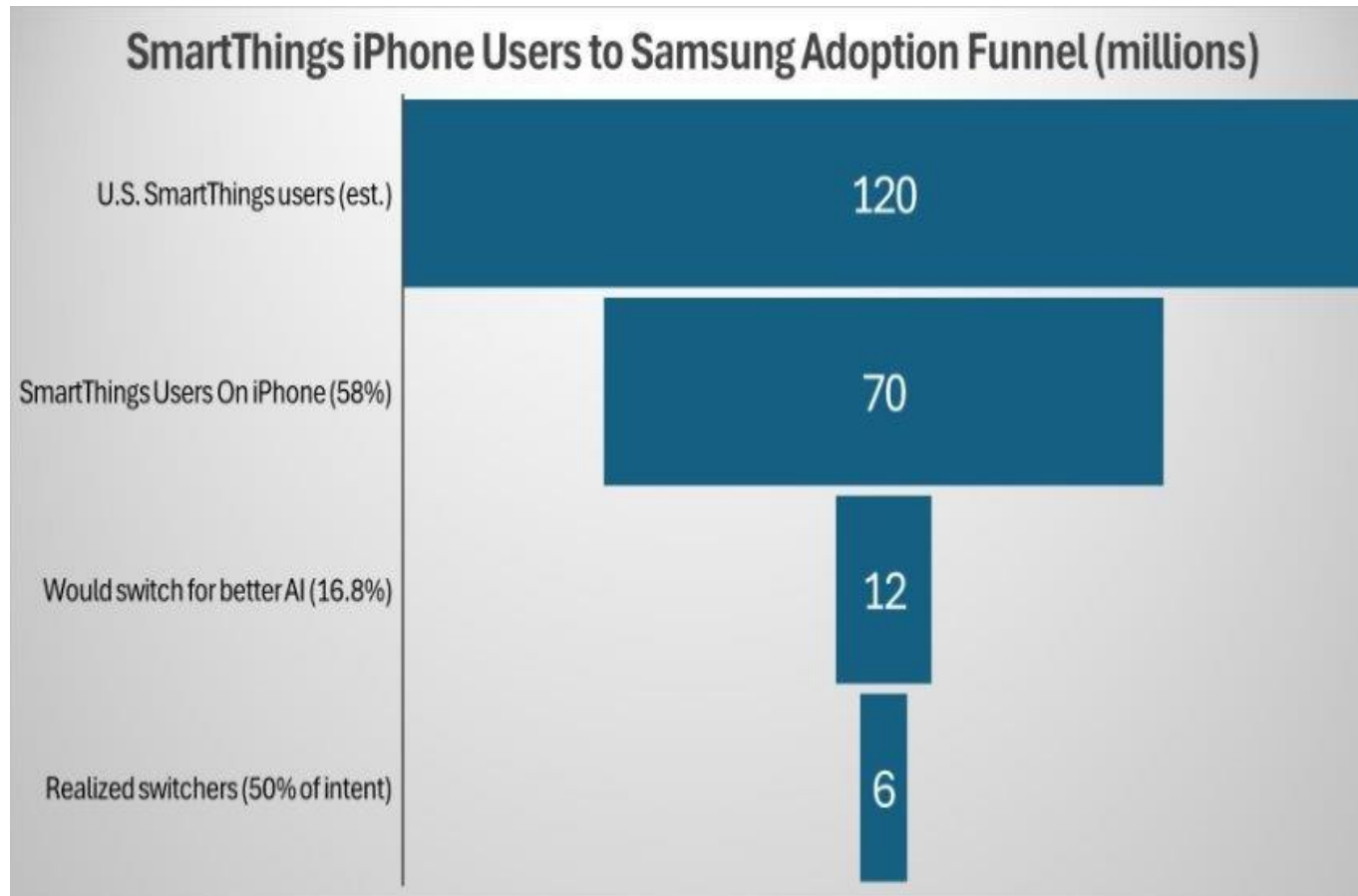
## Trade-In Margin

- User trades in iPhone, Samsung resells it
- \$50

## Accessories

- Cases, screen protectors, chargers
- \$40

# Appendix F - User Adoption Revenue: Assumptions & Calculation Methodology 2



## Conversion Rate

- 12M addressable users
- × 50% conversion rate (baseline)
- = **6.0 million adopters** over 5 years

## Calculate Revenue

- 6.0M adopters
- × \$427 average revenue per user
- = **\$2.56 billion** total user adoption revenue

## Distribution Over Time (S-Curve)

- Year 1 (2027): \$128M – Early adopters, product launch
- Year 2 (2028): \$330M – Awareness building
- Year 3 (2029): \$612M – **Inflection point**, mainstream adoption
- Year 4 (2030): \$700M – Continued growth
- Year 5 (2031): \$792M – Market saturation, plateau

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