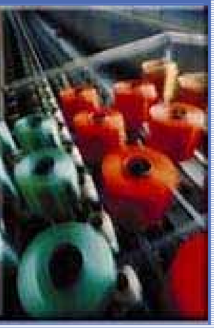
한국경영정보학회 The Korea Society of Management Information Systems

ERP연구회

The Supply Chain Company™



Globalization & SCM Transformation

Best SCM players in Korea

i2 Technologies Korea

March, 2006

Contents

- Best SCM players in Korea
- PI and SCM Journey
- SCM ongoing initiatives

Best SCM players in Korea
Catching up and advancing beyond

- **Korean companies have been working hard to learn from both teachers;**
  1. Japanese firms' advanced manufacturing technology, TQM, lean manufacturing, Kanban and Kaisen
  2. American corporation's use of information technology, Business Process Reengineering and restructuring strategies
- **Some companies in Korea, after making rapid advancement, escaping catch-up mode and are rapidly differentiating from their global competitors :**

The year of establishment	***Korean companies***	***Japanese companies***
High-tech	• **Samsung Electronics (1969)**	• **SONY (1946)**
Metal	• **POSCO (1968)**	• **Japan Iron & Steel,** the predecessor of **Nippon Steel (1934)**
Auto	• **Hyundai Motor (1967)**	• **Toyota Motor (1937)**

Best SCM players in Korea
Catching up and advancing beyond

- Fortune magazine highlighted that **"Today Samsung Electronics ranks No.1 in the world in eight product categories, including flash memory chips, computer monitors, big LCD screens, and CDMA mobile phones. CEO Yun's goal is to double that number of No.1 rankings in three years, and triple it in five years"** (September 5, 2005 issue)

	SAMSUNG	SONY
Revenue 2004 *YEAR-OVER-YEAR-CHANGE*	**$71.6 billion** **+31.5%**	**$66.6 billion** **+0.4%**
Profits 2004	**$9.4 billion**	**$1.5 billion**
EMPLOYEES	**66,600**	**151,400**
HOUSEHOLD-NAME PRODUCTS	**None**	**Trinitron TV** **Walkman** **PlayStation**
STATE-OF-THE ART PRODUCTS	**Flat-panel TVs** **Cellphones** **Memory chips**	**Electronic games** **Robotic dog**

Source: FORTUNE (september 5, 2005)

Achievement

AMR Global Top 25 Supply Chain, 2005

Table 1: The AMR Research Supply Chain Top 25 for 2005*

	Vendor	2004 Rank (change)	AMR Research Opinion[1] (40%)	ROA[2] (25%)	Inventory Turns[3] (25%)	Trailing 12 Months Growth (10%)	Composite Score[4]
1	Dell	1	346	13.1%	86.8	18.7%	19.37
2	Procter & Gamble	3 (+1)	289	11.4%	5.7	18.5%	13.23
3	IBM	4 (+1)	278	13.2%	16.7	8.0%	12.89
4	Nokia	2 (-2)	234	14.1%	12.7	7.0%	11.54
5	Toyota Motor	6 (+1)	213	4.8%	11.1	34.0%	11.24
6	Johnson & Johnson	7 (+1)	191	16.0%	3.0	13.1%	10.91
7	Samsung Electronic	New to Top 25	110	15.7%	9.2	31.5%	10.67
8	Wal-Mart Stores	5 (-3)	241	8.5%	7.3	10.3%	10.41
9	Tesco	9 (0)	207	6.7%	24.3	8.5%	9.66
10	Johnson Controls	8 (-2)	172	5.4%	24.2	17.3%	9.21
11	Intel	19 (+8)	131	15.6%	3.7	13.5%	9.18
12	Anheuser-Busch	20 (+8)	129	13.9%	11.7	5.6%	8.29
13	Woolworths	12 (-1)	80	8.7%	12.1	31.1%	8.18
14	The Home Depot	21 (+7)	108	12.9%	4.7	12.8%	7.81
15	Motorola	New to Top 25	92	5.0%	7.9	35.3%	7.79
16	PepsiCo	10 (-6)	89	15.1%	8.0	8.5%	7.55
17	Best Buy	18 (+1)	112	9.6%	7.2	11.8%	7.13
18	Cisco Systems	New to Top 25	59	12.5%	4.7	16.8%	6.74
19	Texas Instruments	New to Top 25	24	11.4%	4.3	27.9%	6.55
20	Lowe's	22 (+2)	68	10.3%	4.0	18.2%	6.53
21	Nike	New to Top 25	57	13.8%	4.1	12.2%	6.50
22	L'Oreal	23 (+1)	29	19.9%	4.7	3.6%	6.41
23	Publix Super Mark	New to Top 25	42	13.7%	12.9	10.3%	6.31
24	Sysco	New to Top 25	43	11.6%	16.7	12.2%	6.17
25	Coca-Cola	17 (-8)	54	15.5%	4.8	4.4%	6.09

* For the complete version of this table, please see the *AMR Research Report* "The AMR Research Supply Chain Top 25 for 2005," November 2005. *Source: AMR Research, 2005*

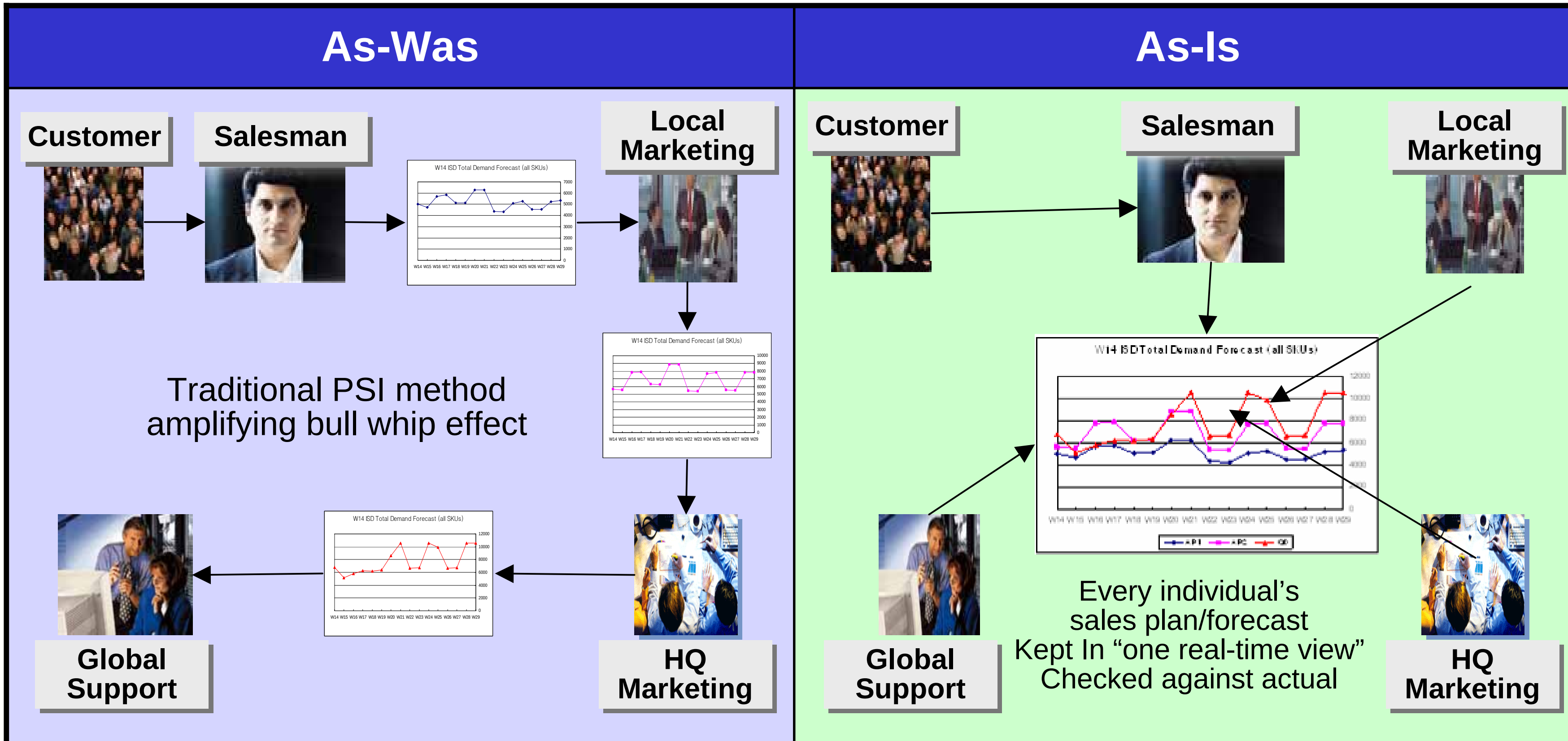
1. **AMR Research Opinion** Based on a panel of experts' forced-rank order against the definition of "DDSN Orchestrator"
2. **ROA:** 2004 Net Profit/2004 Total Assets
3. **Inventory Turns:** 2004 Cost of Goods Sold/2004 Ending Inventory
4. **Composite Score:** [(AMR Research Opinion/14)*40%]+[(ROA*100)*25%]+[(Inventory Turns/5)*25%] + [(TTM growth*100)*10%]

Contents

- Best SCM players in Korea
- PI and SCM Journey
- SCM ongoing initiatives

Key innovation areas enabled by SCM

Global demand mgmt. and consensus base forecasting



- Sequential to concurrent & consensus-based forecasting process on a single table
- MBO based on forecasting/inventory personalization (by sales subsidiary & salesman)
- Sales plan based on consensus responded by RTF(Return to Forecast) by GOC

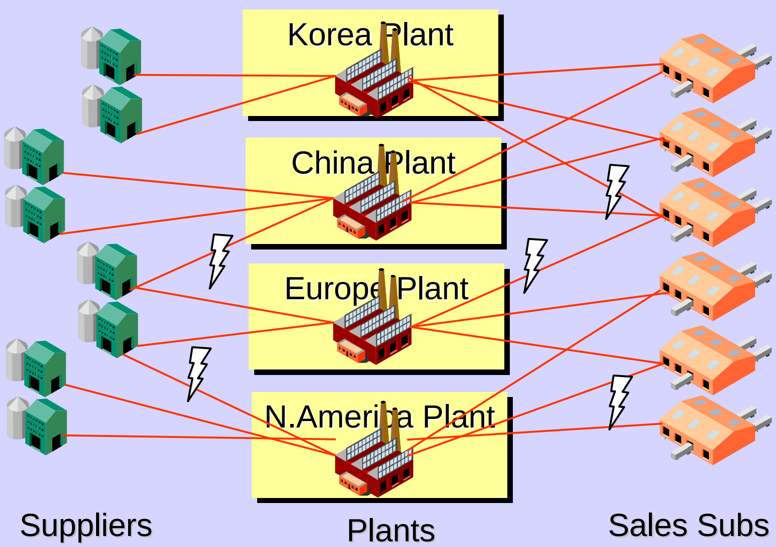
Key innovation areas enabled by SCM

Global optimization by concurrent planning

The Supply Chain Company

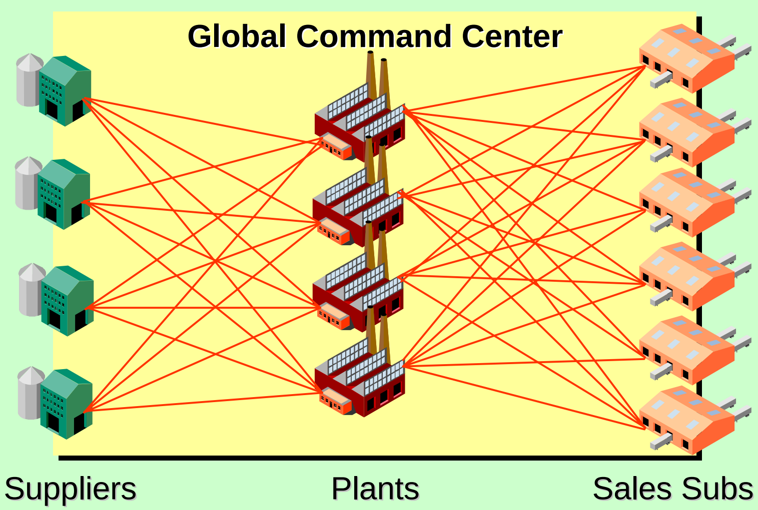
As-Was

- Allocation by each plant
- Supply plan and Distribution plan by local plants



As-Is

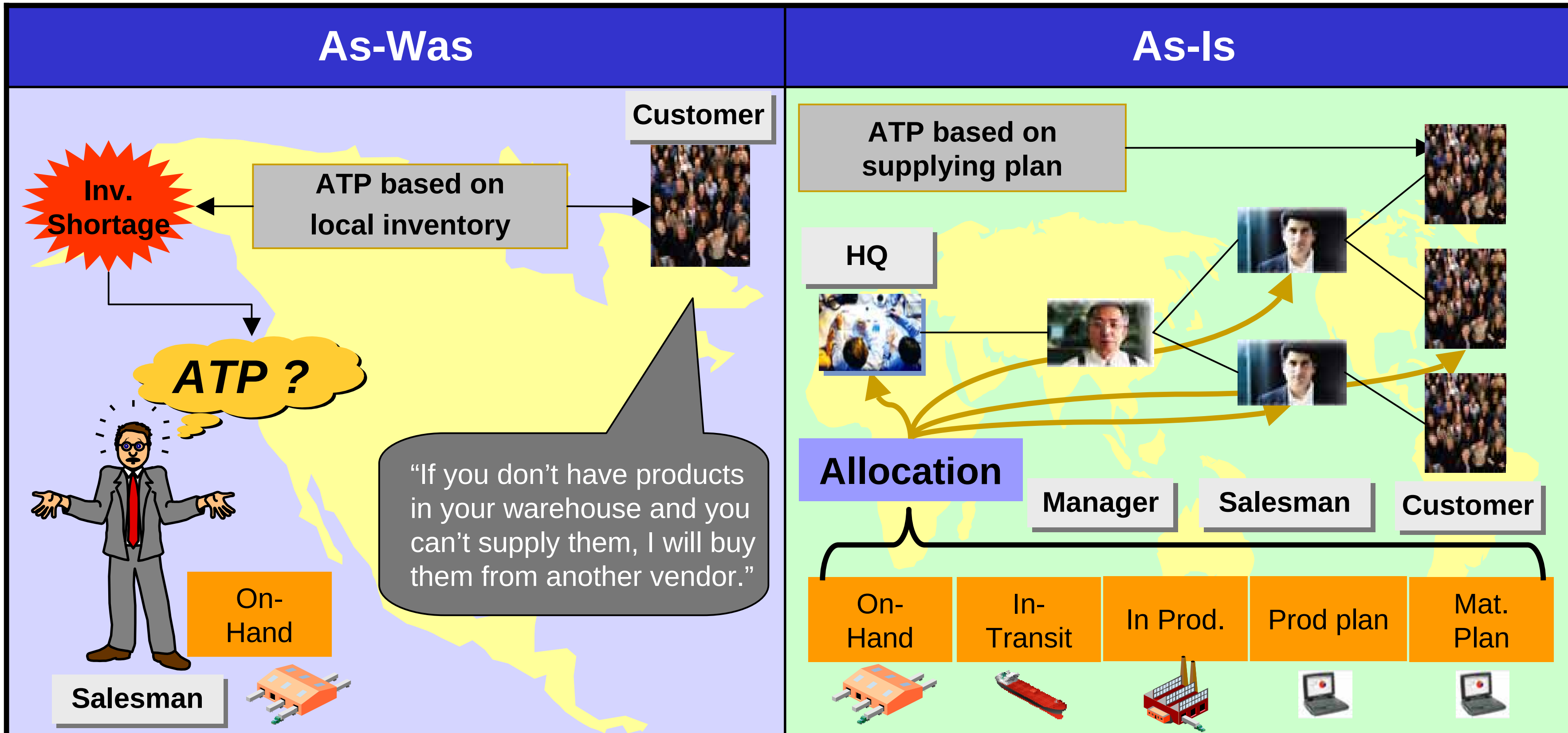
- Global Allocation by Global Command Center
- Concurrent Optimized Plan & Synchronization of Supply-Demand



- Global production/distribution planning with consideration of all sales and manufacturing subsidiaries
- Strategy driven planning for global resource optimization & profit optimization
- Global visibility of all global operations (Integrated APS Monitoring UI)

Key innovation areas enabled by SCM
Global Real-Time Order Promising (ATP)

The Supply Chain Company™



- Pre-allocation down to salesman level based on forecast and production constraints
- ATP based on global inventory & production plan
- ATP policy based on customer priority and business policies

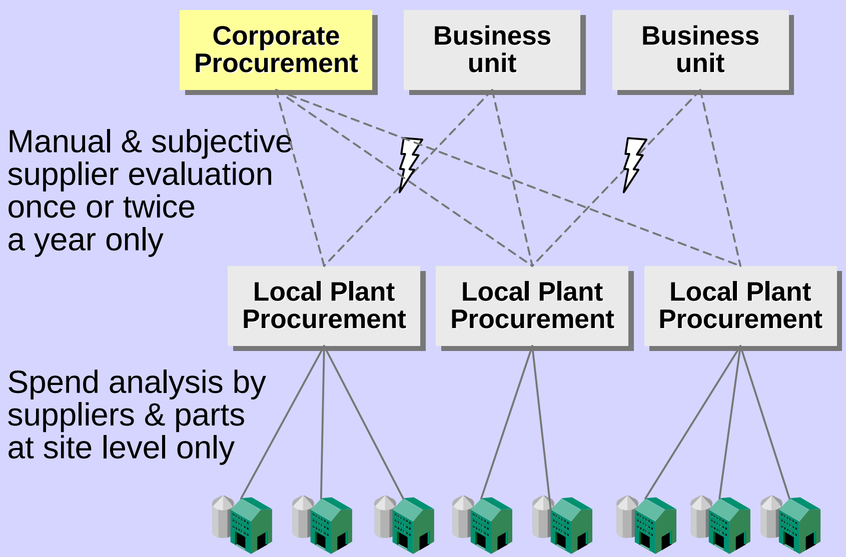
Key innovation areas enabled by SCM

SRM – Strategic Sourcing

The Supply Chain Company

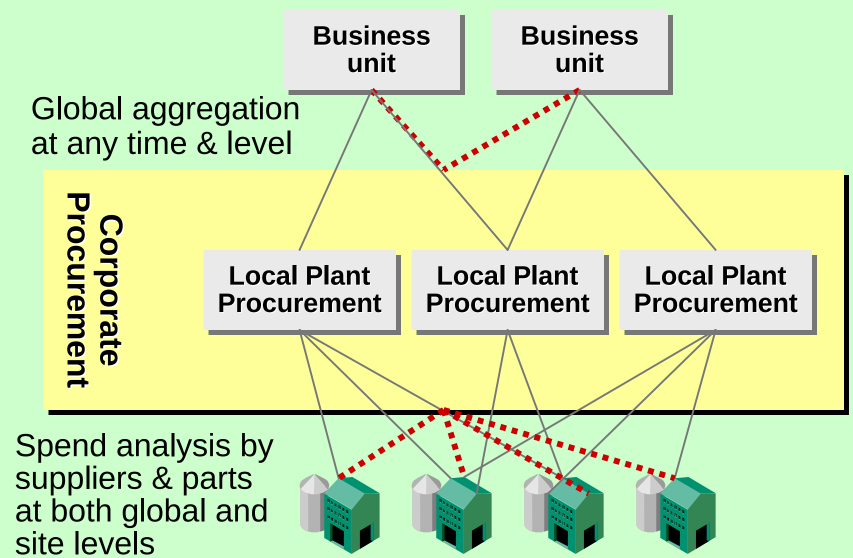
As-Was

- No leverage of global buying power during negotiation at local site



As-Is

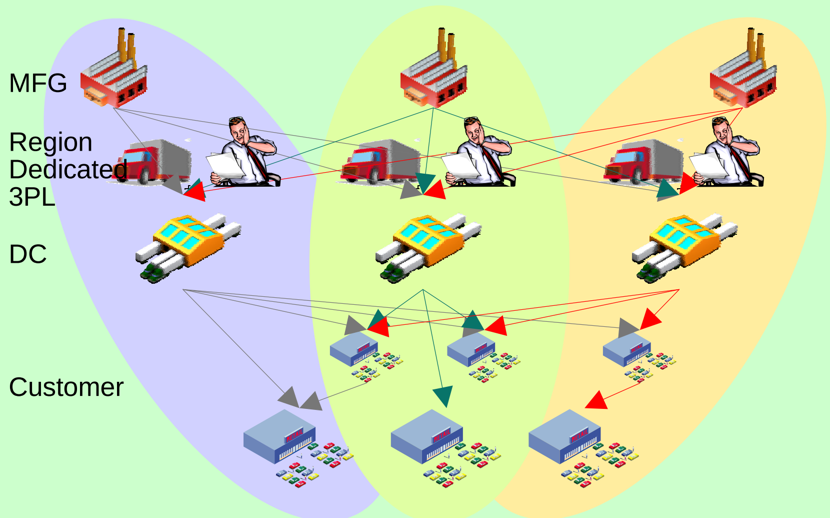
- Frequent negotiation at the global and/or local level with global visibility

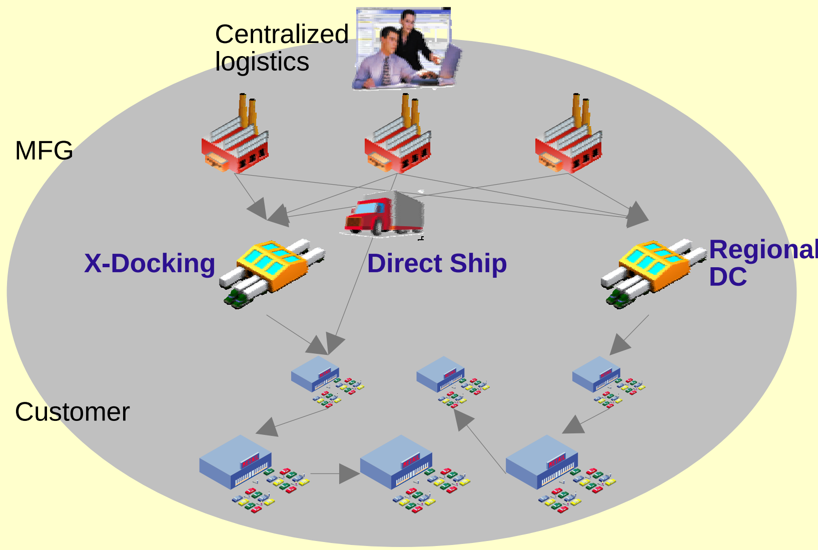


- Corporate spend aggregation, spend visibility by region, by business unit
- Baseline price and variance management
- Strategic procurement decision support by providing rapid & accurate information

Key innovation areas enabled by SCM
Centralized Logistics Optimization

As-Was	As-Is
• Transportation plan and execution were done by different dedicated regional 3PLs	• Centralized & integrated transportation management (managing all operations, plan to execution)



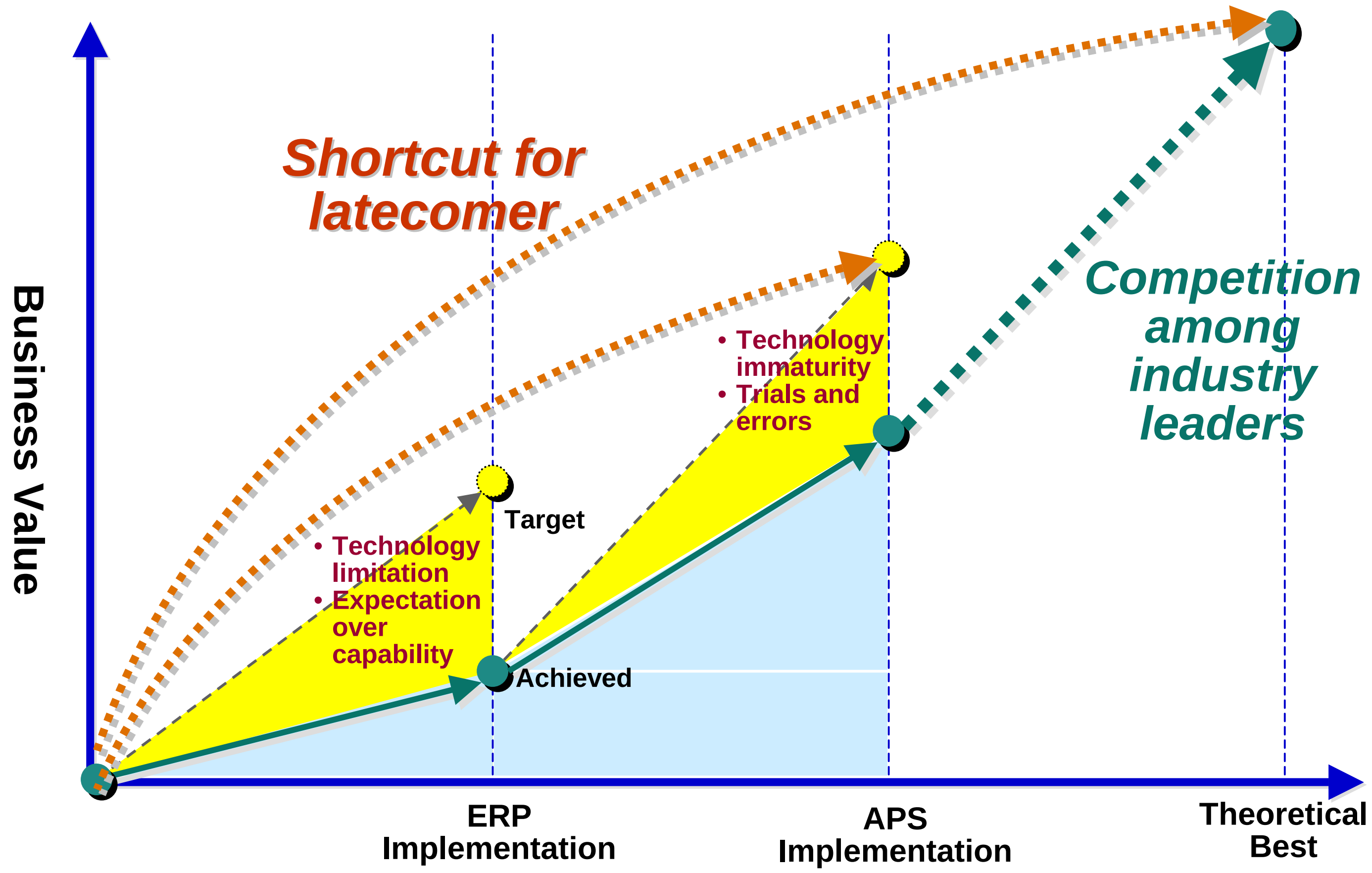


- Minimizing transportation cost by selecting optimized route and utilizing X-Dock, direct shipment etc. (Carrier selection is done by competitive bidding when required: no dependency to a single carrier)
- Real-time proactive monitoring and multi-dimensional KPI management

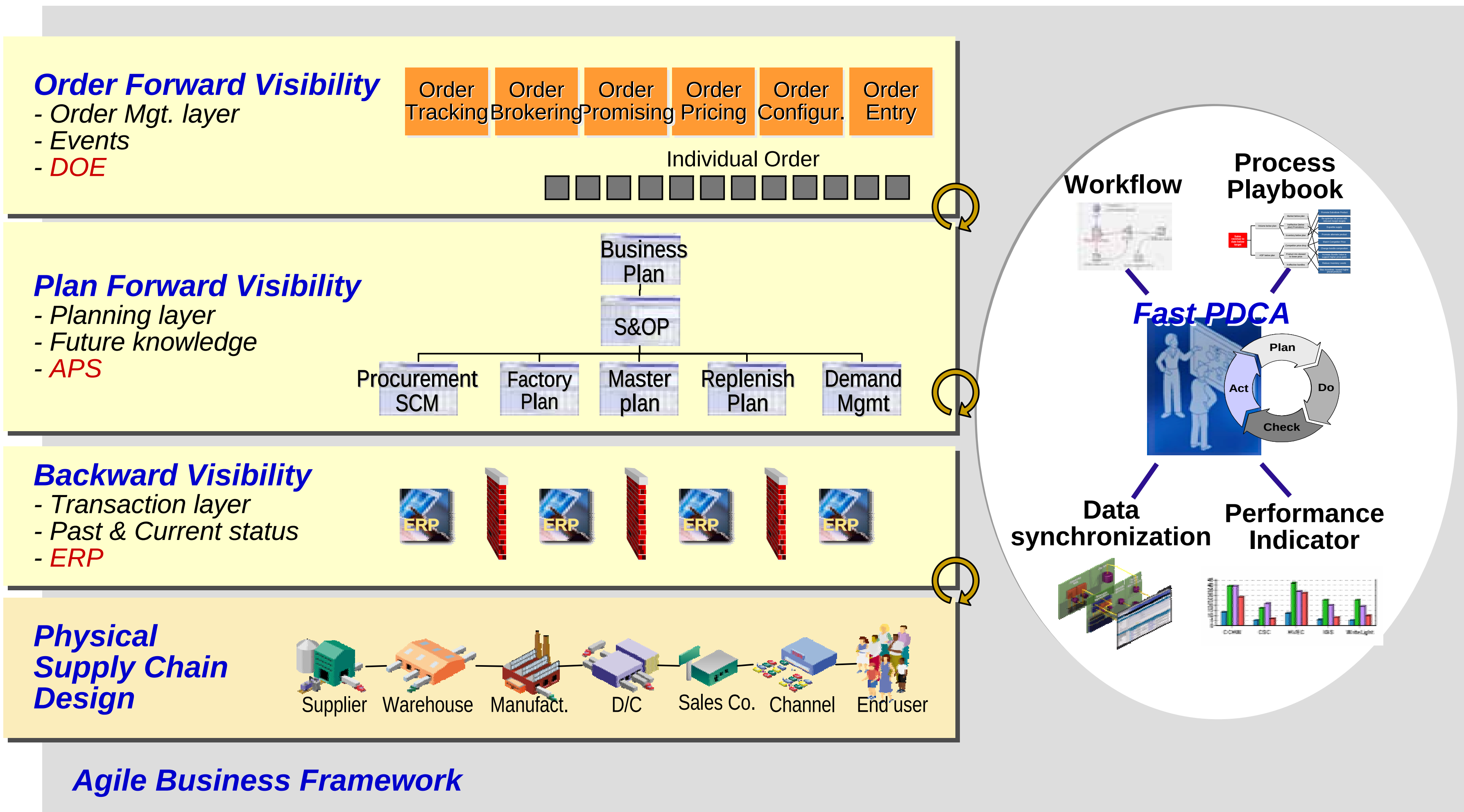
Contents

- Best SCM players in Korea
- PI and SCM Journey
- SCM ongoing initiatives

SCM ongoing journey



Theoretical Best
fast PDCA



In Pursuit of Theoretical Best

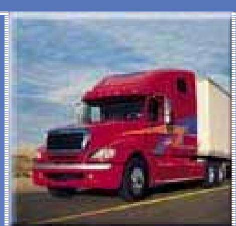
- Best SCM players continuously expand global optimization scope to include their trading partners (suppliers, distributors) in order to differentiate further with even faster PDCA based on already built SCM capability

1. Global Supply Chain Optimization
2. Fast PDCA
3. Demand Shaping
4. Business Process Configuration

Agility of Extended Supply Chain as a competitive weapon

한국경영정보학회 The Korea Society of Management Information Systems
ERP연구회

The Supply Chain Company™



Thank you !