

RESEARCH PROJECT
ON
SUPPLY CHAIN MANAGEMENT IN LG
ELECTRONICS



FOR THE PARTIAL FULFILMENT OF THE REQUIREMENT
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UNDER THE GUIDANCE OF:
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Certificate from Faculty Guide

This is to certify that the project report “*SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS*” has been prepared by **Mr. Anurag** under my supervision and guidance. The project report is submitted towards the partial fulfillment of 3 year, full time Bachelor of Business Administration.

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Declaration

I hereby declare that the research report titled “SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS” is the result of individual efforts and has been completed under the guidance of Prof. Ashok Kumar Sharma, GU, Gr. Noida.

The finding and interpretation in the report are based on the data collected by me and the report is not a reproduction of any other project submitted for similar purposes.

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ACKNOWLEDGEMENT

It is with the feeling of satiated and sense of Zenith that I draft this acknowledgement note. I wish to express my gratitude to those who have generously helped me to compile the Dissertation and stand up high, to the expectation of the institute.

I would like to express sincere gratitude to **Ashok Kumar Sharma**, my faculty members guide for his considerable advice, time and substantial encouragement throughout the course of this dissertation.

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PREFACE

Management education talks of synchronizing the theoretical studies with practical application in the most effective way. The training figure prominently in the course curriculum as it imparts practical knowledge to the student aspiring to accomplish professional insight. It actually gives a feel about what is happening in life and industry around. It grooms an individual to find himself fit in the corporate world. Students eventually come out with much confidence, knowledge and matured attitude and outlook.

In today's competitive world, Marketing Research forms a key player. To me, it is an orderly and insightful process of thinking about and planning for the market. This process is applicable to more than just goods and services. I think that anything can be researched – ideas, events, organization, place, personalities etc. and that motivated me to choose this as a specialized subject. This particular process starts with entering deep inside the relevant market place to understand its dynamics and to identify opportunities to meet the felt or infelt needs.

TABLE OF CONTENTS

	Page
CHAPTER ONE	
<i>INTRODUCTION</i>	- 9
 CHAPTER TWO	
<i>OBJECTIVE OF THE STUDY</i>	10
 CHAPTER THREE	
<i>HYPOTHESIS</i>	11
 CHAPTER FOUR	
<i>LIMITATION OF THE STUDY</i>	12
 CHAPTER FIVE	13
• <i>Information enabled supply chain management</i>	14 - 23
• <i>Supply chain management in LG Electronics</i>	24 - 38
• <i>Supply chain management with other departments</i>	39 - 45
• <i>Customer focus supply chain management</i>	46 - 53
 CHAPTER SIX	
<i>RESEARCH METHODOLOGY</i>	54
 CHAPTER SEVEN	
<i>DATA ANALYSIS AND DICUSSION</i>	55 - 64
 CHAPTER EIGHT	
<i>GENERAL OBSERVATION</i>	65 - 67
 CHAPTER NINE	
<i>CONCLUSION</i>	63-64
 CHAPTER TEN	
<i>RECOMMENDATION FOR FURTHER STUDY</i>	65-69
 BIBLIOGRAPHY	70
 ANNEXURE	71
 EXECUTIVE SUMMARY	70-72

CHAPTER ONE

INTRODUCTION

INTRODUCTION

Welcome to the exciting world of supply chain management. It is a **buzzword** probably used for the first time by the consultants in the 1980's and later analysed by the business community. In simple terms supply chain management link all the supply interacting organization in an integrated two way communication system to manage high quality inventory in the most effective and efficient manner.

As such supply chain management is a network of facilities and distribution options that perform the function of procurement of material transformation of these materials into intermediate and finished good and finally the distribution of these goods to the end user. The supply chain exists both in the service and manufacturing sector, although the complexity of chain may vary greatly from industry to industry and from firm to firm.

It has always being a part of front line defense and offence in order to improve the bottom line through reduces cost. It has a powerful impact on the organization return on assets than any other business function.

Although at times it has been argued that individual function should be the driver of chain but practitioner, academics has recognized that a carefully develop cross functional supply management team are the key to successful supply chain and supply networks.

As such it include internal and external function along with suppliers, involved in the identification and fulfillment of needs for material , equipment , services in an optimized fashion.

It basically comprise of four principle phase:

- (1). Generation of requirement,
- (2). Sourcing,
- (3). Pricing,
- (4). Post – award activities

Realistic supply chains have multiple end products with shared component, facilities and flows. However the flow of material is not always along a deemed network, various mode of transportation may be considered. As such LG Electronics a south Korean consumer electronic concern continue to implement **web – based supply chain management software** to increase efficiency as they did by adding ‘Service Bench’ customer service and wanting software to organize and track 1700 service companies and a wide range of products.

LG supports successful execution of supply chain management through the exchange of technology and strategic alliance by incorporating strategic collaboration with professional consulting companies and core technology vendors. LG has the capability to be a collaborative partner for the entire supply chain management.

On the whole LG proposes solution that best suits the need of the customer with the past experience in executing projects in various industries. LG help to generate practical business value of supply chain management, a strategic management activity to dramatically reduce the cost and maximize the sales revenue by integrating internal a well external value chain for providing products and services to customer, and as such it focus its attention on strategic activities.

CHAPTER TWO

OBJECTIVE OF THE STUDY

In this project report of mine I would be focusing my attention on some of the important objective that would also be the part of my study. The following are the objectives:

- To study inventory Turnover Ratio;
- To study channel of distribution of LG Electronics;
- To study application of Information Technology in Supply Chain Management;
- To find out satisfaction level of supply chain management planning;
- To find out the coordination among different departments through supply chain management;
- To know the factors effecting the decision regarding supply chain management.

CHAPTER

HYPOTHESIS

A hypothesis may be defined as a proposition or a setoff propositions set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or accepted as highly probable in the light of established facts. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates an independent variable to some dependent variable.

A hypothesis is a statement capable of being objectively verified and tested with the help of statistical tools.

The hypothesis which I have set is “To study the trend of **Supply Chain Management** in the light of **Information Technology of LG Electronics**”.

Further this not the end of the study and as such some more hypothesis will be developed during the research work.

CHAPTER FIVE

LIMITATION OF THE STUDY

A study is usually done with the intention to explore something new or to add a few new things to the already existing study or research. As such when the study is done various difficulties are to be faced in collecting information and other things which ultimately leads to its own advantages and drawbacks.

My research work was a great exposure to me because I have to undergo stress and at the same time experience the actual hardship that it needs to collect information. Some of the hardship which I faced is as follows:

- Owing to the limitation of time factor research was not been done extensively as required;
- Respondents at times were hesitant in giving information as they feel it is leakage of companies information;
- The sample size was taken small, because of time and cost factor involved in it;
- Most of the information collected is from the secondary data;
- The primary data is collected only through the middle management without the contribution of the lower management due to their hectic schedule.

CHAPTER SIX

OVERVIEW OF THE TOPICS COVERED

- INFORMATION ENABLED SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS**

- SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS**

- SUPPLY CHAIN MANAGEMENT WITH OTHER DEPARTMENTS**

- CUSTOMER FOCUS IN SUPPLY CHAIN MANAGEMENT**

Information Enabled

Supply Chain

Management in LG

Electronics

INFORMATION ENABLED SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS

1.1 INTRODUCTION

The focus of management has changed over the time. The business thinking of 70's and 80's related to strategic planning and portfolio approach has dramatically changed. Flexibility and responsiveness has become key business drivers for the 21st century, forcing business to orient themselves along process instead of functions. Managing complex situation effectively on a real time basis for business information has become critical.

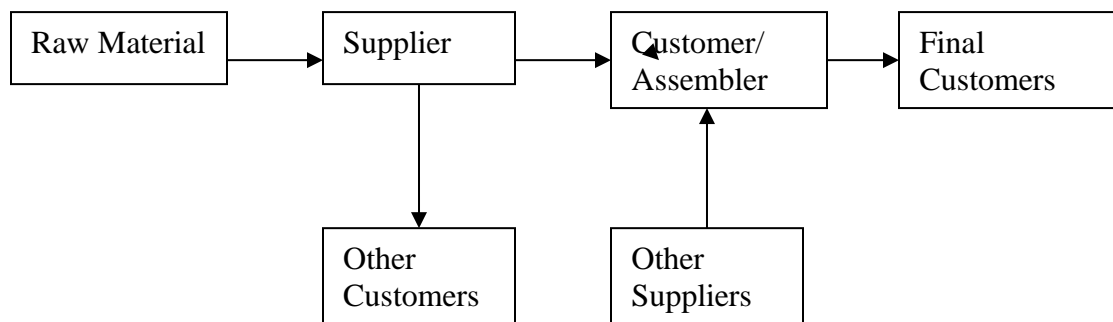
Information technology has helped in making the supply chain faster, flexible and responsive. As such LG needs to invest in information technology to make its supply chain more result

oriented and challenging. Various flows in supply chain such as material, information and money can be effectively managed through information technology.

It is this aspect of management that the use of information technology has assumed greater significance.

Further in LG supply chain management enabled by advance technology aims at developing a technical infrastructure, linking technology and people in an effort to align advantageous information technology with the capability of organizing and facilitating customer satisfaction.

LG also aim at leveraging information tool to address the business concern relating to flexibility, quality, responsiveness and edging towards agility.



Typical model of supply chain management

1.2 ELECTRONIC COMMERCE (E – COMMERCE)

The internet era has revolutionized commerce, making e-commerce a reality. The factors that have contributed to the success of e-commerce, are lower purchasing cost, reduction of inventories, effective customer service, marketing and sales etc. Now time has come for the paper based business to give way to electronic business when supplier and customer will transact electronically. This would help in reducing cost, price, and increasing savings.

LG has tried to make an effective use of e-commerce. With the help of it, it is able to display variety of its product produced on the internet for the convenience of the customer. This would be advantageous in two ways –

- Firstly the customer would be able to know about the product;
- Secondly it can transact purchase without actually going to the market place for its purchasing;

As such LG has tried to use **three important dimension of e-commerce** in his day to day activities. These are as follows:

- Reach is about access and connection. It simply means as to how many customer a business can access or how many products it can offer;
- Richness is the depth and detail of the information that the business gives the customer or collects about the customer;
- Affiliation is about whose interest in business it represents. That is e-retailers with navigational function are shifting their affiliation towards customer;

1.3 Application of E – Commerce in supply chain management in LG Electronics

Marketing and Sales

On line product information

Electronic selling

Product offerings/e-supermarkets

Point to point warehousing

Customer service

Repair/return/replacement

On site fixing

Technical support

Product usage information

Procurement/Logistics

Electronic bidding

Low cost transportation

Point to point selling

Inventory Management

High visibility

Removal of obsolete items

Online status information

on inventory

Spot selling of items

1.4 ELECTRONIC DATA INTERCHANGE (EDI)

EDI is interring organizational exchange of business documentation in a structured machine process able form. It consists of standardized electronic message formats for common business documents such as request for quotation, purchase orders etc. These electronic transactions set the computer in one company /organization to communicate with the computer in the other organization without actually producing paper documents.

Use of EDI in LG Electronics' helps in providing various functions. The basic function is to provide compatibility between different systems that is easy and direct exchange of information. The second function is of store and forward. This means that orders will be sent but it will be received by the supplier as per the agreement which can be weekly or monthly. The third and the final function performed by EDI in LG id that of Application support

As such we can say if LG Electronics implement EDI properly and utilized it efficiently it can add speed and efficiency to business process enabling the organization to maximize resources and minimize waste and increase customer satisfaction

1.5 Benefits of various Information Technology Elements

<u>IT Element</u>	<u>Operations</u>	<u>Results in</u>
EDI (Exchange Data Interchange)	<ul style="list-style-type: none"> • Inter organizational exchange of business documentation 	<ul style="list-style-type: none"> • Reduced transaction cost and time • Optimized Inventory • Improved decision making • Increased accuracy • Improved customer service
Intranet	<ul style="list-style-type: none"> • Distribution of information within an organization 	<ul style="list-style-type: none"> • Common process for multiple functions • Two way communication between different parts of the plant
Extranet	<ul style="list-style-type: none"> • Information transaction among the clients, partners and customer 	<ul style="list-style-type: none"> • Eliminate user interface proliferation • Enhance overall performance • Real time feedback

E – Commerce		<ul style="list-style-type: none"> • Create new revenue streams and grow • Trim both transactional and overhead costs • Improve customer service
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1.6 INTRANET/EXTRANET

Competitive pressures are ever increasing in global manufacturing environment. Intranet is a means of distributing information. It allows real time feedback to flow from the manufacturing area to design and engineering groups. An intranet allows internal users to access data from external sources, while restricting access to it from those outside.

The benefits that intranet provide to LG Electronics are as follows:

- ❑ It facilitates two way communication between the manufacturing floor and the areas of the plant;
- ❑ It allows distribution of many categories of information. These can be presented with a common look and feel , eliminating user friendly proliferation;
- ❑ It ensures a common process for multiple function and enhance overall performance.

1.7 CONCLUSION

Information technology has played an important role in making the supply chain faster, reliable and responsive. At the same time it is also important to make effective investment in the field of information technology, otherwise it may not bear fruitful results. Thus on the whole it can be said that:

- ❑ Strategic decision on the supply chain design can increase customer satisfaction and save money through information technology;
- ❑ By sharing information, supply chain partners are able to respond more rapidly to know demands at a lower cost;
- ❑ Information technology helps in reducing the operating cost by proper coordination of planning of various stages of supply chain;
- ❑ Rapid introduction of a new or modified product is possible through information technology;
- ❑ Effective inventory management, product customization, is possible through information technology;

- Detailed analysis of performance level, reporting and handling can facilitate with the help of information technology.

SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS

2.1 OVERVIEW OF LG ELECTRONICS

The Foundation of LG

LG was established in 1947 as Korea's first chemical company, and also becoming the nation's first electronics company with its expansion into home appliances in 1958. The new Corporate Identity was launched including the change of the group name from **Lucky-Gold star to LG** in 1995.

Business Fields

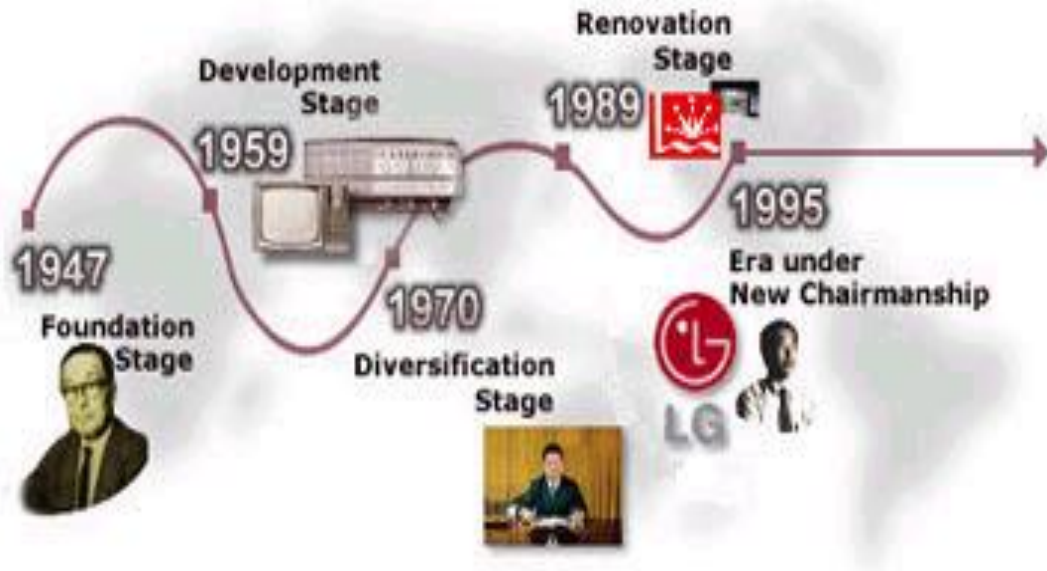
The wide arrays of activities that LG conducts are coordinated within three highly focused business sectors: Chemicals & Energy, Electronics and Telecommunications & Services. Each sector has undergone systematic changes, with improved financial compositions, restructured business portfolios and realigned equity investment structures.

2.2 LG – AN INTRODUCTION

HISTORY OF LG ELECTRONICS

The internationally famed company LG started off as **Lucky Goldstar**, a small company manufacturing cosmetics. In 1947 businessman **Ku-in Hwe** in **Pusan** in **South Korea** launched the company. LG entered in to the electronic business under the Gold star brand name in 1958. In the same year LG manufactured Korea's first telephone, refrigerator and black & white television. In the succeeding years it diversified into oil refining, construction, semiconductor and finance. LG adopted the new name and corporate identity in 1995 from the company's two foremost brands Lucky and Gold star.

Various Stages in LG's Growth Path



LG –THE COMPANY

LG Electronics India Ltd. is a subsidiary of LG Group, which is a 53-year-old business group of South Korea. LG is a US \$80 billion business group with 1, 30,000 employees. It is the third largest Korean Company and it started its operation in India just six years back. LG has established its corporate office at Noida along with the production facilities there. It has a network of 17 branches in major cities spread all over India. LG is a company where they believe that people are the most important resource. It was rated as the 6th best employer to work for in India by Business Today in a survey conducted across a range of corporate all over India. “**At LG we always put people first.**” this is the slogan with which the company is running its HR

policy. LG believes itself to be global company with presence over 175 countries across the globe with a champion spirit.

LG LAYOUT

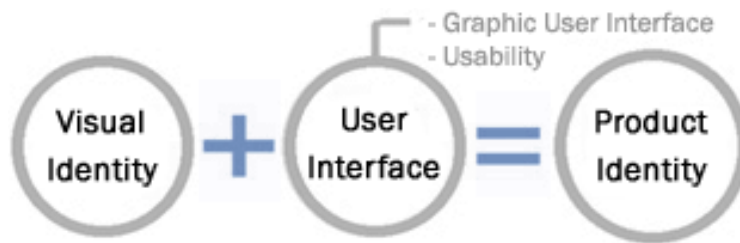
LG Electronics, Greater Noida is located on the outskirts of the city having very little habitation. It has two main buildings- Building A and B. Building A has the corporate office, R&D Center, Washing Machine, A/C Assembly line, ELT room, Ware house, Stores etc.

Building B has the CTV, Monitor line, PCB Line. On the first floor, an office with Production, Production Engineering, Materials, Quality Assurance and E-Source Department is situated.

LG –PHILOSOPHY

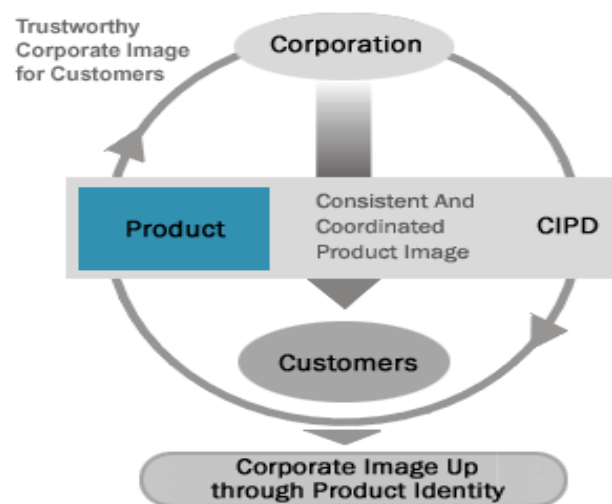
The management philosophy is *'To create value for customers through management based on esteem of human dignity'*. LG's vision is to bring a smiling face to every home across the globe. The logo of LG is in harmony with their vision. The smiling face logo symbolizes five key concepts – World, Future, Youth, and Human and Technology. LG believes that an effective combination of these elements would make better future a reality for the organization. LG has been exploring ways to develop, combine and apply technologies that would customize products and services to meet customer needs and exceed their expectations. LG aims at creating a healthy and better life for every family.

LG - PRODUCT IDENTITY



PI (Product Identity) means to embody and to sustain the brand image through product design.

CIPD is the process to make products identity & uniqueness gradually for customers' recognition of brand and its value.



LG - CORPORATE IMAGE AND PI

As an essential factor in connection between customers and company, product conveys the image of company to its customers. CIPD, Corporate Identity through Product Design, aims at propagation of sustaining LG's identity as well as its establishment through consistent design activities, which will help us to gain the trust from customers.

LG – THE STRATEGY AND POLICY

LG group has laid its foundation on three core values, which are central to the company in each and every respect of its business and working. The three core values are Innovation, Openness and Partnership.

Innovation: Creating new and unique values.

Openness: Responding to changing environment with an open mind and flexible behavior.

Partnership: Establishing cooperative relationships to ensure the best performance as we enter fully.

LG believes its core competencies to be Design, Technology, Marketing and Networking.

Marketing: The ability to clearly understand and analyze customer needs and then link them to business, continuously controlling the brand image

Technology: The ability to develop unique product concepts with new proprietary technology ahead of others and then commercialize them.

Design: The ability to plan projects and business effectively to maximize results.

Networking: The ability to create win-win relationship opportunities based on one's strengths in specific sectors and make them into assets.

It is the integration of its value with its competencies that LG has been able to achieve the success at such a fast rate. The company claims itself to be the most e-mail friendly company and service with a smile is the motto of the company.

2.3 VISION OF LG ELECTRONICS

LG Electronics pursues its 21st century vision of becoming a true global digital leader who can make its customers worldwide happy through its innovative digital products and services.

LG Electronics sets its mid-term and long-term vision anew to rank among the top 3 electronics, information, and telecommunication firms in the world by 2010.

As such, they embrace the philosophy of "Great Company, Great People," whereby only great people can create a great company, and pursue two growth strategies involving "fast innovation" and "fast growth." Likewise, they seek to secure three core capabilities: product leadership, market leadership, and people-centered leadership.

Vision

Global Top3 by 2010

(Global Top3 Electronics / Telecommunications Company)

Growth Strategy

Fast Innovation • Fast Growth

Core Competency

Product Leadership • Market Leadership • People Leadership

Corporate Culture

No Excuses • 'We' not 'I' • Fun Workplace

Great Company Great People

"No one can stay in the first place forever"

2.4 STRATEGIC SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS

The term strategy has been derived from the word 'strategos' which means "generalship". In olden days it was more used in wars but with passage of time it know been implemented in all spheres whether it is management, planning etc. Without a well thought strategy an organization can not think of making big because of the growing competition and improved and better ways of production.

As such the strategy used by LG is **Shorter product life cycle, improved quality, faster delivery lower price**, which have define its success. It is based on the formula:

Competitiveness = competitive assets x competitive process

Where competitive assets include technology, infrastructure, government institution etc and competitive process include quality customization etc. LG try to build infrastructure in order to establish compatibility with the production and marketing structure and improve process. Logistic within the supply chain is the art and science of obtaining, producing, distributing etc in the proper place and in proper quantity.

Beside this some of the important imperatives for the supply chain strategy are as follows:

- ❑ Emergence of global sourcing as a viable strategy;
- ❑ Global network of manufacturing and marketing;
- ❑ Global business process revolution and global process transfer;
- ❑ Shifting patterns of competitive advantage;
- ❑ Emergence of integrated enterprise of management system architecture;
- ❑ General trend towards integrated solutions.

2.5 MAJOR TRENDS IN SUPPLY CHAIN MANAGEMENT

CO- MAKERSHIP

It is defined as the development of a long term relationship with limited number of suppliers on the basis of mutual confidence. The main benefits of co makership is shorter delivery lead times, reliable delivery promises, faster implementation of deign changes etc. The basic philosophy underline co makership is that the suppliers are treated as an extension of the customer's factory with emphasis on continuity and end to end pipeline.

USE OF THIRD PARTY LOGISTICS

A decision to use third party logistic should be based on the organization needs, service provider capabilities etc. Outsourcing operations like storage, transportation, improve service levels, enhance flexibility and reduce cost. It also helps in reducing investment in assets and enables organization to access to newer technology.

PRINCIPLE OF PROCUREMENT

Activities that are done up to the last moment like packaging, labeling, etc is known as principle of procurement. The main aim of this principle is to minimize the risk of carrying finished product inventory at various points in the supply chain by delaying product differentiations to the latest possible moment before customer purchase. However it should be noted that postponement should not lead to compromise on the desired service level.

2.6 APPLICATION IN LG ELECTRONICS

Supply chain management has in recent years has played an important role in all the industries concerned. It has not only paved way for the induction of information technology but has also helped the manufactures in easy procurement of material and transferring the same to the ultimate consumer.

Without going further in detail we try to see the application of supply chain in the following areas:

RETAILERS

Retailers are the second last chain in the distribution of the product to the ultimate consumer. Since they are at constant touch with the customer they are in a better position to understand their needs and wants. As such they send request to the distributors and to the manufactures for goods which are in demand. The manufactures through a well defined supply chain are able to send goods to the retailers. In the absence of this chain the manufactures can lose the customer. Thus supply chain at as an important tool in maintaining customer satisfaction and loyalty.

SUPPLIERS

In today's scenario companies are not required to stock commodities in bulk owing to fluctuation in the market related to product preference. As such manufactures do not store raw material but place orders as and when the need arise. Here the role of supply chain comes into picture as it helps the supplier in providing material to the manufacture at an appropriate time.

MARKET SEGMENTATION

Supply chain helps in the segmentation of customers based on the service needs of distinct groups and adaptation to serve these segments profitability. This kind of segmentation can result in better prediction of the demand from the individual customers. Further segmentation also leads to know the demand of the products among the customer and also to know the future customer preference.

2.7 CONCLUSION

It has been seen from the past that when ever something innovative is been introduced in the business arena it has created a platform for something to happen. The introduction of supply chain has immensely benefited the manufactures as know they have a well defined line of procurement of material and transferring the finished product to the ultimate customer.

Further it creates an essence which focuses on the creation of value. It is a network of business process used to deliver products and service. Supply chain also sees the organizational relationship in order to get the information necessary to run the business and to generate profits. This concept not only includes relationship with the internal business function but also those with all trading partners outside the firm.

SUPPLY CHAIN MANAGEMENT WITH OTHER DEPARTMENTS

3.1 INTRODUCTION

A supply chain management is the hub of a large part of a company's business activity. By its very nature, it has tried to maintain cordial relationship with all other departments in the firm, as well with the supplier's. The reason been as it has to operate in accordance and in line with all other departments. I have tried to learn the role of supply chain with some of the departments in LG Electronics, to which a brief description I am giving below:

3.2 SUPPLY CHAIN AND MANUFACTURING

Supply chain plays an important role in the manufacturing, because it aims at procurement of material at the right time and through the right channels. Maintaining coordination between the two pays off in many ways. It assists in the efforts by obtaining faster responses from the supplier, working with suppliers to improve their capabilities etc, which is generally not seen in the common scenario.

Other important issue noticed is that of the information technology which have greatly simplified the relationship between the two. Use of computers and other sophisticated software allow the firm material resources planning system to communicate seamlessly with the counterpart system at the firm suppliers.

All these factors contribute a lot in reducing the direct cost and offsetting the increase in the material coast, besides adding added benefits like of skilled machinists and expensive machine tools and other high priority work.

3.3 SUPPLY CHAIN AND MARKETING

Supply chain should be marketing best friend as it directly or indirectly affects the sales process of LG Electronics. Further in case the product is not demanded or the sale is less than in that case the supply management department can be intimated and they can further reduce the procurement of the material from the supplier.

Beside this supply chain also provides immediate information regarding increase in the material price. This helps the marketing department to evaluate the effects of rises in price estimates given for the future sales quotations, on current selling price and on plans for the future product lines.

Further the company's supply professional can be of excellent source of information for developing and refining the company's sales policies and procedures.

As such LG Electronics emphasis that the supply chain and marketing department must wisely blend their interest in the area of customer. There should be a correlation between the two so that what ever has been advertised by the marketing department is been produced and delivered to the customer. This is only possible when the supply chain of the organization is efficient and effective in the procurement and maintaining a regular flow of material in the organization.

3.4 SUPPLY CHAIN MANAGEMENT AND FINANCE

The finance department of LG Electronics is charged with two principle responsibility – obtaining funds and overseeing their use. Supply chain of LG is responsible for as much as 80 percentage of firm’s financial resources. As such the chief financial officer has a vested interest in cost efficient supply chain management.

This department has some very important role to play in supply chain as it determines the amount of resources that the firm needs to procure, when to procure, what to procure etc. If this department of LG is not efficient it will not be able to make an impact on the supply chain as everything is depended upon the financial resources. Further it helps in effective investment so that the company does not have to pay higher price for the same material at the later stages.

Further it make prompt reimbursement to supplier which ultimately helps in maintaining goodwill in the minds of the supplier and also obtaining good quality of material at lower cost. As such supply chain and the finance department should coordinate on expenditure that has significant impact on the firm’s cash position.

3.5 SUPPLY CHAIN MANAGEMENT AND QUALITY

In LG Electronics major emphasis is been given to quality both in terms of raw material procurement and finished goods. As such quality professionals are involved not only in maintaining quality but also undertaking the development of new products, sourcing and minimizing quality problem throughout the supply chain.

3.6 FOUR PHASES OF SUPPLY CHAIN MANAGEMENT IN LG ELECTRONICS

The four phases of supply management require many perspective and inputs best obtained through a cross – functional approach. The four phases of supply management are as follows:

1. **GENERATION OF REQUIREMENT** - the generation of requirement is a critical activity that results in the identification of material to be purchased, along with the development of specification and statement of work describing the requirements. This is an important phase since most of the designing is done relating to purchasing material, service and equipment. It also takes into account the commercial issues like cost, availability, substitute and alike.
2. **SOURCING-** the main aim is relating to the identification and selection of the supplier whose cost, quality, technology, dependability and service best suits the need's of the firm. Thus it not only aims at identification but also in maintaining cordial relationship with them.
3. **POST- AWARD ACTIVITIES-** this activity ensures that the firm receives what was ordered on time and at the price and quality specified. The activities that are been included are supplier development, technical assistance, troubleshooting, and the management of contract and the resultant relationship.
4. **SUPPLY MANAGEMENT SYSTEMS-** it is very important for a firm to have a management system. A cross functional approach to supply management allows each functional area affected by the procurement of material, equipment, and service to be

involved at a point where it may contribute to the lowest total cost. For instance we take the case of ‘operation has it in the productivity implication of different material’. Although such activities do not participate early enough to voice their concern and needs.

As such these phases of supply chain gives us an insight about the manner in which the activities are been conducted and how the process as a total works. Along with that it also enables us to understand the uniqueness of supply chain and its effectiveness and long lasting use in the LG electronics in particular.

CUSTOMER FOCUS IN SUPPLY CHAIN MANAGEMENT

4.1 INRODUCTION

Supply chain management has in recent years has acquired immense attention in the industry circle. The growing interest can be attributed to he rapid changes in the global business scenario. It has know been looked upon as an expanded responsibility to attain value optimization, and to compete on a variety of dimension such as cost, quality, and flexibility.

Therefore to attain these competitive advantages LG Electronics is making attempt to promote value to its customer by performing activities more efficiently than that of its competitors. It is trying hard to serve its customer base and has become a vital means of differentiation when product differentiators are dwindling.

As such when we focus our study towards customer we basically try to identify:

- ❑ The significance of customer in the supply chain;
- ❑ The importance of customer-driven strategies;

- The various strategies of customer satisfaction;
- The imperatives for supply chain management;
- The rationale of supply chain management towards customer.

4.2 FOCUS ON CUSTOMER SERVICE

Effective customer service has become a competitive requirement and a way to attract and retain customer. A focus logistics and customer service strategy is still a dream of various companies, to which LG is responding positively. The reason been the company articulated and consistent customer service goals and the logistic function within the supply chain management has dominantly remained focused.

Despite all these efforts it is still trying to accomplish a complete customer service by taking into account the following:

- To provide a quantitative understanding of the customer requirement for each element of customer service, like delivery, reliability, availability etc;
- To measure the relative importance of each element of customer service;
- To asses the performance of the company and of its major competitors for each element of customer service;
- To provide an understanding of the relative significance of customer service issues related like price, product and quality.

These above mentioned service can be of great benefit if properly conceived and implemented. Beside this, survey can provide a clear direction to the logistic function allowing it to focus energies on creating and managing a system that most efficiently achieve the consensus.

4.3 CUSTOMER SEGMENTATION

A useful and very powerful tool for understanding the customer requirement is to segment them on the basis of some common characteristics. This helps the company to have a bird's view about its customer. Especially in case of consumer durable industry like LG Electronics whose focus is on understanding customer requirement and organizing activities to serve the customer.

But in the era of cut throat competition LG is trying to devise new ways of grouping customer. One of these approaches is **account segmentation** which organizes customer into common groups based upon their common attributes. Through this approach LG is trying to identify market segment that is well positioned to serve and than organize its product and service offering to serve them in a distinctively superior way. Another way is the **creative account segment** which allows them to think new ways about the customer requirements.

As such LG is trying to tailor its logistic offering to meet the needs of each of the market segment it serves. It will be most successful if they recognize these important operational difference and service requirement among their various customer segments and orient their capabilities towards the need of each distinct segment, besides having a positive attitude towards their goal achievement and customer satisfaction.

4.4 CUSTOMER – CENTRIC SUPPLY CHAIN

In the context of present scenario 'customer satisfaction' is something that keeps on revolving in the minds of the competitors with reference to as how they could capture the market and have their dominance in terms of their product in the market. As such the focus has know shifted from product centered to customer centered because customer is considered as the king and unless they do not consume the products the company cannot be successful

At times we do hear that companies are not able to mark their presence in the market in terms of their product, and if we go for the reasoning we find that there are two attributes or reasons-not keeping in mind customer requirement, and because of not having a clear statement of vision and mission.

When we talk in terms of LG Electronics we find that LG because of its sound policy and practical approach is able to provide the best service in the industry besides keeping lower cost than that of its competitors. This has being possible because it has prepared a clear written statement of his mission of the supply chain which is in consistent with key corporate strategic thrust.

This helps LG in attaining its target and remaining its loyalty towards its customer. These targets further acts as guidelines for designing and fine tuning the supply chain system and to track actual performance against the target that has been set.

Know we take into consideration the various important aspects of customer service on which LG Electronics has emphasized and because of which it has mastered its success at the global level.

These important aspects are:

- ❑ Ability to fill the complete order
- ❑ Accurate documentation
- ❑ After- sales service
- ❑ Assistance with design changes
- ❑ Availability of spare parts
- ❑ Competence and availability of technical representatives
- ❑ Friendly attitude
- ❑ Honesty
- ❑ Order package
- ❑ Packaging

- ❑ Price
- ❑ Priority given to advance orders
- ❑ Providing published material with the products for the convenience of the customer to operate the product efficiently
- ❑ Quality assurance
- ❑ Reasonable delivery estimates
- ❑ Supply assistance during initial use of the product
- ❑ Wide product range to choose from
- ❑ Delivery reliability
- ❑ Credit and provision to return goods
- ❑ Prompt claim procedure
- ❑ Providing the customer with an alternative source of out – of – stock.

4.5 ENVIRONMENTAL FACTORS

Environmental factors also do have a strong bearing on the manufactures to produce goods which are acceptable to the society and are appreciated. If the factors are not taken into consideration then it would be very difficult for the company to sell its products in the market.

Based upon these LG Electronics always take into consideration these factors. As such I have tried to identify these factors, which are been divided into two parts:

- 1). External Economy
- 2). Internal Management

External Economy:

- ❑ Recessionary economy
- ❑ Rising/falling prime interest rate and condition of equity markets
- ❑ Increasing international regulations involving –
 - 1) Product Related
 - 2) Environmental (ISO 14000/Euro II)

3) Safety

- ❑ Increasing transportation cost
- ❑ Inflation
- ❑ Emerging web Technology
- ❑ Increased energy cost

Internal management

- ❑ Repositioning supply chain management
- ❑ Integration and upgrading of customer order processing function using IT
- ❑ Computer modeling of large scale distribution system
- ❑ Pressure on inventory reductions from top management
- ❑ Better use of data processing capability using IT
- ❑ Experience gained from period of product shortage with lower customer shortage service levels specially in developing economies

As such LG Electronics focus its attention on serving their customer the way their customer wants to be served for that it must address five important areas:

- ❑ Understanding customer service needs
- ❑ Value added capabilities
- ❑ Redesign the logistic network structure and operating policies
- ❑ Identifying the performance level or the level of acceptance along with a comparison with key competitors
- ❑ Identifying customer service elements which are important to the customer

CHAPTER SEVEN

RESEARCH METHODOLOGY

It is a conclusive research which is based on operational procedure of LG Electronics. The finding of this project is based on qualitative data rather than quantitative data.

Therefore the major finding would be dynamic in nature.

The analysis of this project is presented through graphical presentation based on data collected. Some of the quantitative and qualitative method will be used as per requirement of the research work.

SOURCES OF DATA COLLECTION

In this study of mine I would be collecting the data through two sources, which has been as follows:

Primary Data:

1. Personal interview
2. Questionnaire

Secondary Data:

1. Journals
2. Magazine
3. Company Bulletin
4. Search Engine – Google

CHAPTER EIGHT

DATA ANALYSIS AND DICUSSION

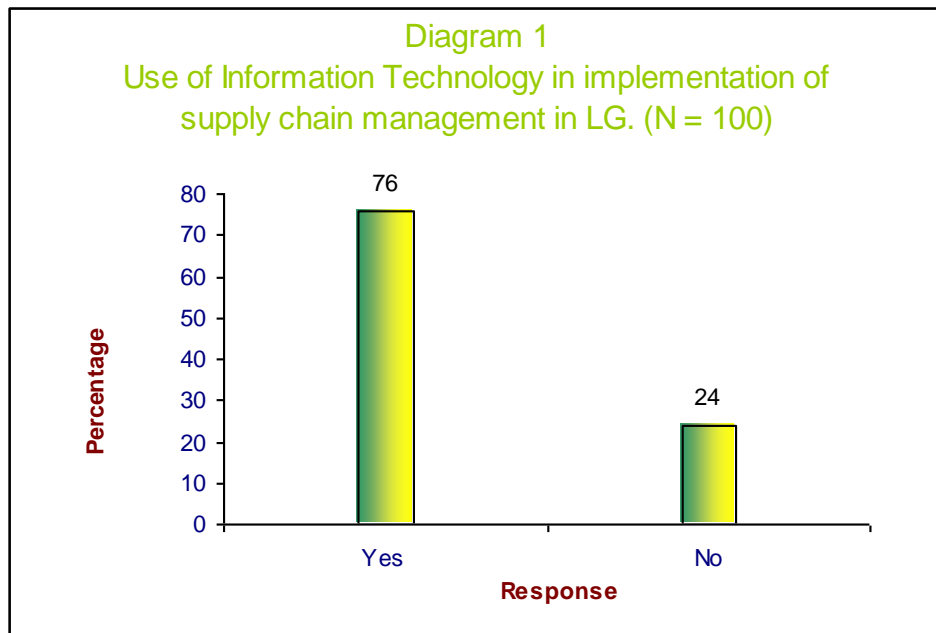
An Overview

This chapter focus its attention on the data analysis of the responses received as a part of the questionnaire that was been filled by them. The graphical representation would also help me in proving my hypothesis which I have set in my study. Along with that I would be focusing my attention on some others aspect but they will be correlated to supply chain in some form or the other.

The graphical representation would be self explanatory; beside this some data in form of theory would also be written to help the reader or the evaluator to understand it completely.

8.1 Use of information technology while implementing supply chain management

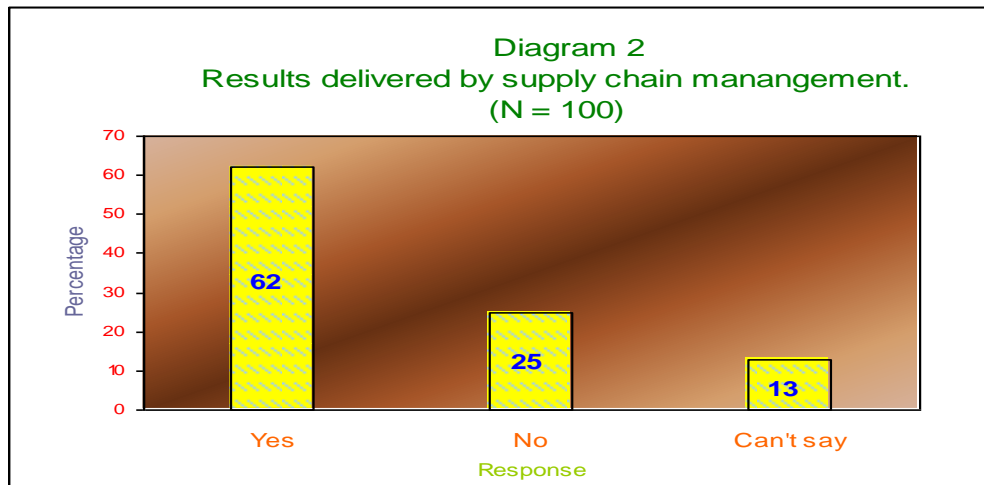
Information technology has always played an important role in the diversified field. When we specifically talk in terms of supply chain of LG we found that employees are willing to accept it, as responded by them in the questionnaire since it indirectly benefit them. The following diagram 1 represents the same



Note N represents sample size

8.2 Results delivered by supply chain

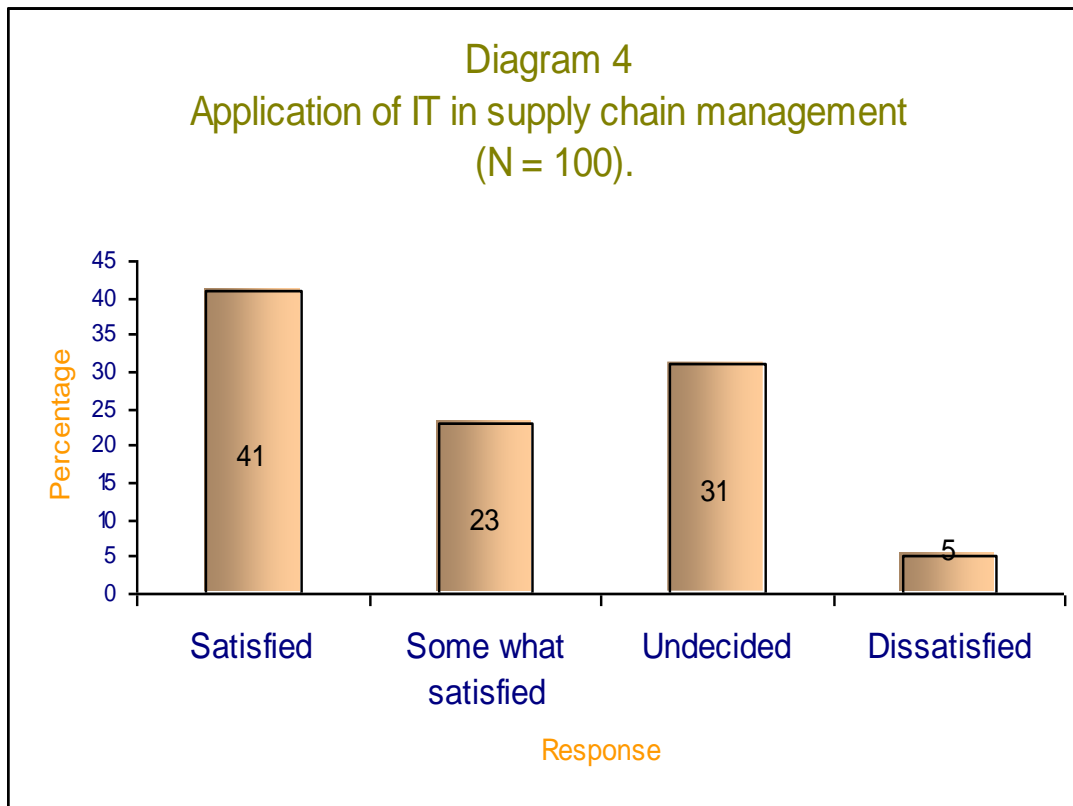
This diagram 2 includes the response of basically of the middle management who are in a better position to say about the whether supply chain has delivered results to LG Electronics or not. The involvement of lower level in answering this question was not very satisfactory because of which the percentage of 'NO' is also high to some extent



Note: N = sample size

8.4 Application of Information Technology in supply chain

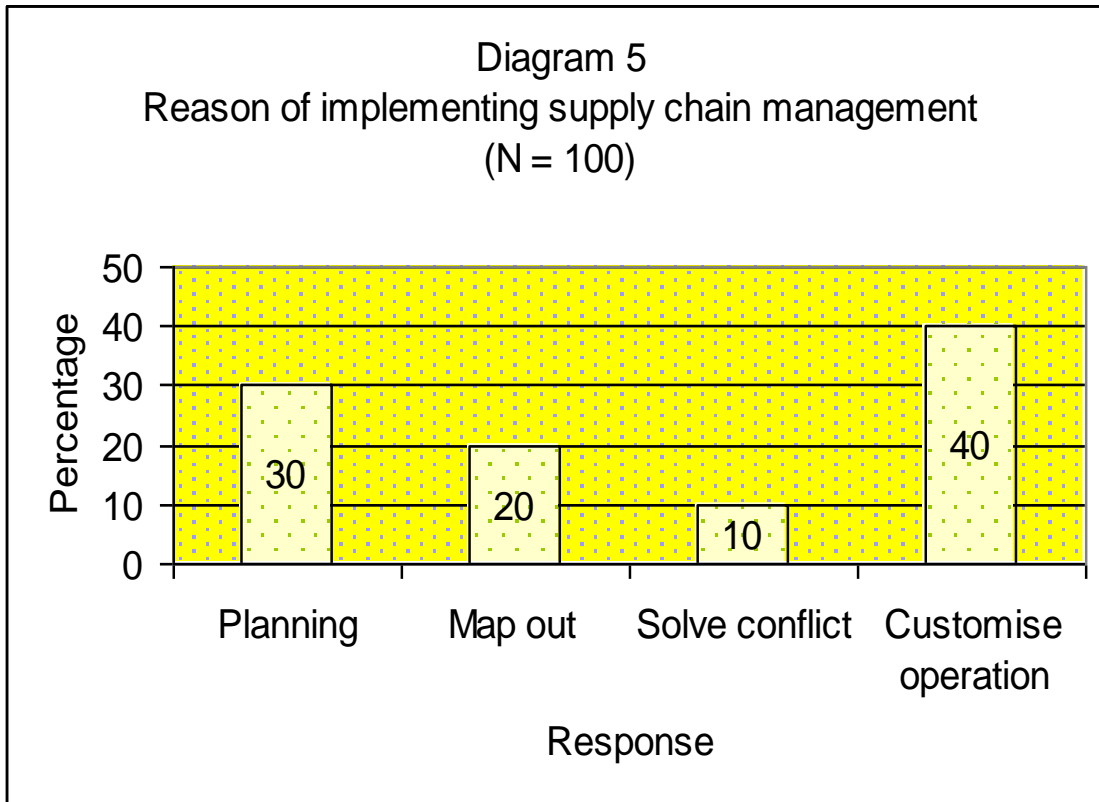
Here the main reason for asking such a question is to know the application of IT with special reference to satisfaction level. This would help in giving an insight about the performance level.



Note N = sample size

8.5 Reason for implementing supply chain

When organizations introduce something new there is some purpose or logic behind it. In case of supply chain we have tried to figure out the context in which the concepts is implemented and the area of its greats impact. The diagram 5 represents the logic or purpose

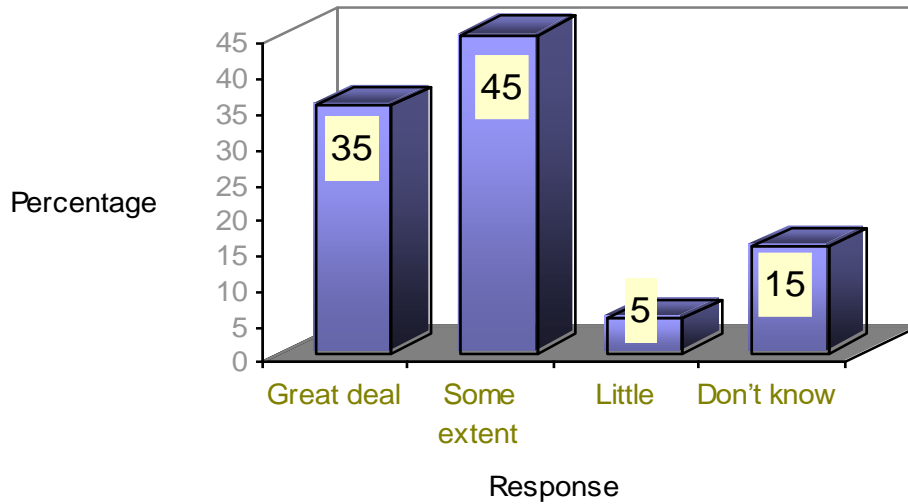


Note N= sample size

8.6 Training to employees about supply chain

In this diagram 6 we are trying to figure out the complexity involved in supply chain training or that it is a simple way process. In this question I got a mixed response from the employees, because a different kind of training was provided to different employees. As such a standard training is not given to all the employees.

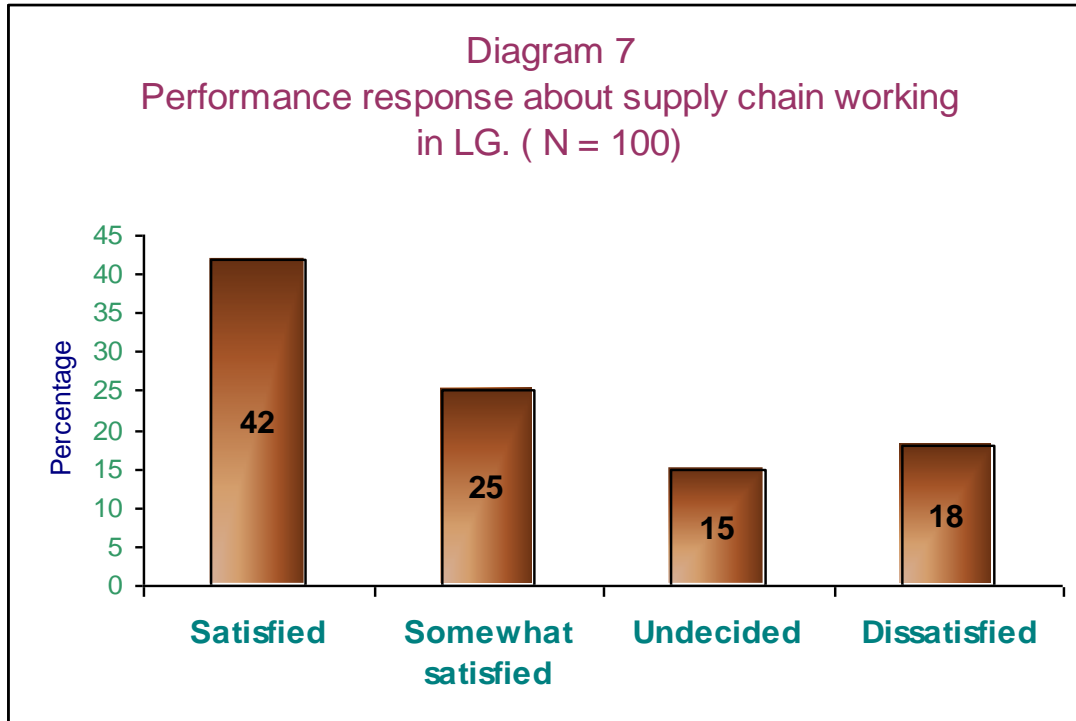
Diagram 6
Training imparted about supply chain management to employees. (N = 100)



Note N = sample size

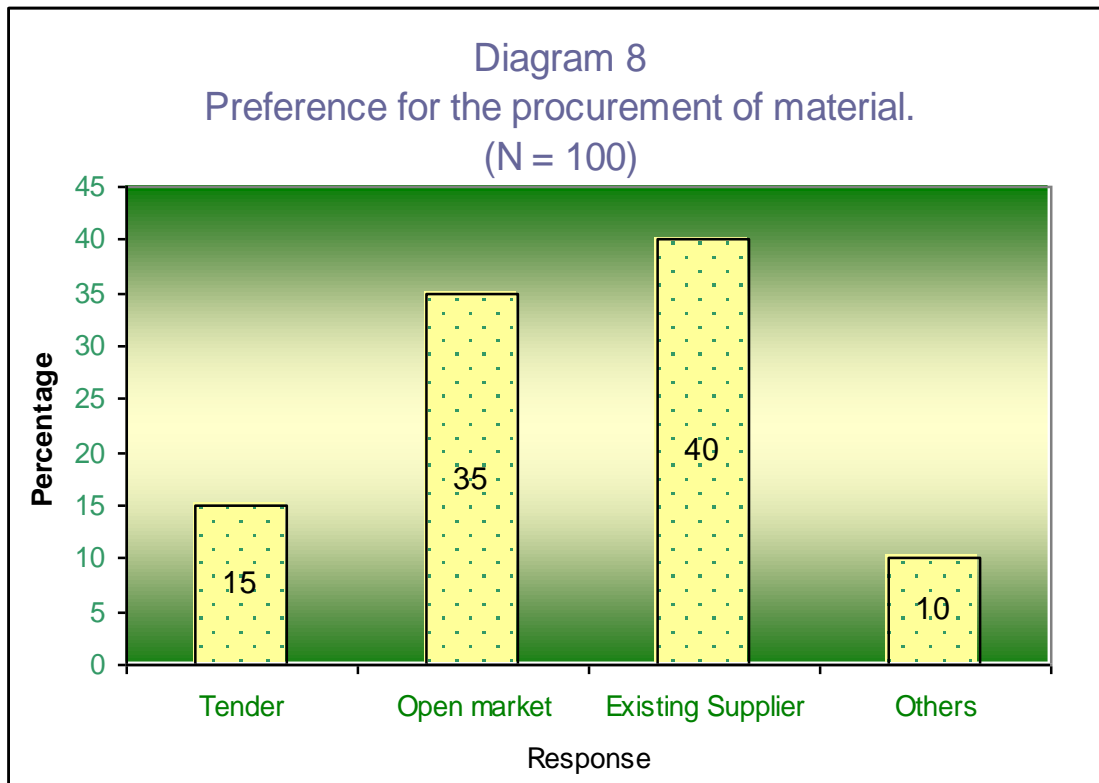
8.7 Performance response of supply chain working

8.8



Preference for the procurement of material

Supply chain of LG Electronics is depended on the procurement of material. Since the material is required on a continuous basis the management of the company needs to identify the preference sources from where to procure material. Diagram 8 represents the source from where the material is taken along with percentage quantity.

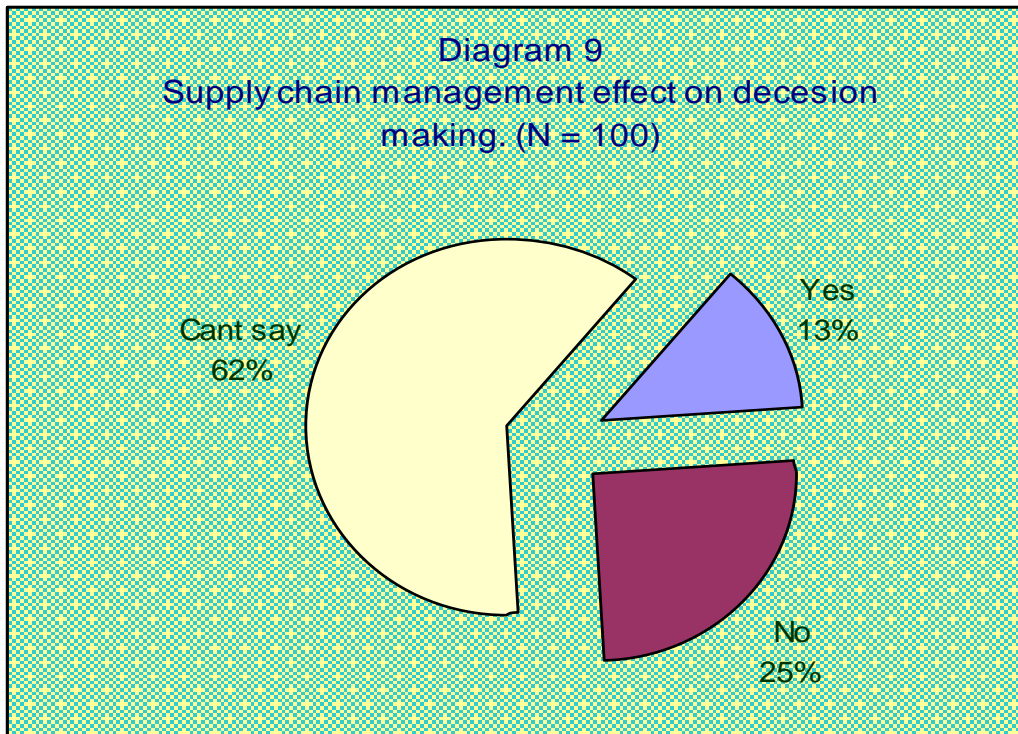


Note N = sample size

8.9 Supply chain management effect on decision making

LG Electronics as researched has tried to offset a negative impact of decision on the flow of supply chain. Due emphasis is being paid to see that there is no delayed action that directly or indirectly affect the supply chain. As a result when the questionnaire was been filled by most of them, they showed their ignorance to the fact where decision has affect the concept.

Through diagram 9 I have tried to depict the same



Note N = sample size

CHAPTER NINE

GENERAL OBSERVATION

FINDING OF THE STUDY

- ❑ Supply chain management is a relatively a new subject of study, therefore should be cautiously be used in order to be effective;
- ❑ The primary data collected revealed that employees show enthusiasm towards the new concept introduced;
- ❑ The research reveals that supply chain is most effective in the procurement and distribution of goods;
- ❑ The future prospects of supply chain are challenging and competitive;

- ❑ The research reveals that the objective of supply chain is to achieve operational excellence;
- ❑ Supply chain facilitate executives in formulating a comprehensive strategy and control framework;
- ❑ Supply chain is an effective tool for increasing profitability, market share, and responsiveness;
- ❑ Supply chain can be best describe as “**an extended enterprise concept**”, as it not only deals in internal matter but focus its attention externally.

SWOT Analysis of LG Electronics

Strengths:

- ❑ Young and Dynamic management;
- ❑ Strong desire among the employees to improve the existing system and procedure;
- ❑ Broader frame of mind of employees reflected by their acceptance of changes in their working patterns;
- ❑ Company’s name and its goodwill in the market.

Weakness:

- ❑ To much paper work is involved in the procurement of material;
- ❑ Not a healthy information storage leading to delays in passing orders;
- ❑ Too many vendors;
- ❑ No specific standard for the procurement of material.

Opportunities:

- ❑ Growing market for consumer durables which makes an effective supply chain use;
- ❑ Information technology can be effectively explored;
- ❑ A field of study with lot of growth opportunities;
- ❑ Increased market share due to quick flow of finished products.

Threats:

- ❑ Not easy flow of material as desired due to increased competition;
- ❑ Technological advancement is a major threat ;
- ❑ Numbers of competitors.

CHAPTER TEN

CONCLUSION

Managing faster supply chain has become imperative to gain and sustain competitive advantage.

The challenge of the modern manufacturing company is to keep a holistic approach towards the

management for remaining competitive on an international basis. The focus is on the increasing importance of the supply chain function to corporate competitiveness

As such a study of 100 random samples of LG employees in supply department was conducted in order to understand the effective use of supply chain management and its application in the light of information technology. Research was conducted accordingly and a favorable response was seen among the employees towards the adoption of supply chain management which can be seen from the graphical representation.

The conclusion drawn is that most of the employees feel that use of information technology in supply chain would definitely going to benefit the organization in the long run. Thus the hypothesis set by me is accepted since LG do believe that information technology has important role to play in the supply chain management

Therefore it is the responsibility of the company to undertake some serious action plan to make this introduced concept a success.

Further they should form a strong customer and supplier database and underline some strategies in order to promote the supply chain and make employees aware about it.

In fact a growing number of organizations are realizing the need for strategic sourcing as supply management

CHAPTER ELEVEN

RECOMMENDATION FOR FURTHER STUDY

Supply chain management is an integrated document useful for understanding the most essential business process of an enterprise and useful in confronting emerging challenges posed by the external environment. It laid emphasis on the achievement of operational excellence throughout the enterprise by minimizing expense and making use of all the firm's assets.

In my study of supply chain management in LG Electronics, I have tried to depict, supply chain in the light of information technology. That is how information technology can be a useful tool

in the implementation and successful operating of supply chain. But the study is not perfect and further work needs to be done in order to gain in depth insight of it. As such following are the recommendation for further study in relation to the points that needs to be focused:

- ❑ To study the benefits of an integrated framework for a coordinated system working and its effective use relating to supply chain;
- ❑ To study the recent developments in the field of Information Technology and its use in supply chain;
- ❑ To understand the implication of various technologies on the supply chain;
- ❑ To understand the significance of an environment friendly supply chain;
- ❑ To understand the basic trade off involved in the selection of supply chain;
- ❑ To study the benefits of being competitive through the elements of supply chain management strategy as used by.

In the end it can only be said that supply chain management is a upcoming subject of study and its inclusion in the curriculum of master degree of business administration is in itself a proof. So the important thing is that what ever further studies that will be done in the future would be crucial for the enterprise since in depth benefits and implication would be known and can be verified.

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ANNEXURE

1. Which Supply Chain Management software/Method do you use?
 - Please specify.
2. Did you make use of Information Technology when implementing your supply chain management software?
 - Yes
 - No
3. Did your supply chain software deliver the result expected or promised by the company?
 - Yes
 - No
4. Did your supply chain software require additional expenditure to customize the program to your company operation?
 - Yes
 - No
5. How often do you need to purchase upgrades for your supply chain software?
 - Often
 - Sometimes
 - Rarely
 - Do not purchase
6. Would you like to purchase additional software for the company?
 - Yes
 - No
7. How satisfied were you with the application of Information Technology in supply chain management?
 - Satisfied
 - Somewhat Satisfied
 - Undecided
 - Dissatisfied
8. What was the main reason you to implement the supply chain management?
 - Planning

- Map out supply chain function
- Solve conflicting objective within supply chain
- Assistance in customizing operation
- Other specify.....

9. How much training of employees was involved to implement supply chain management?

- A great deal
- Some extent
- Little
- Don't know

10. How flexible is your supply chain management to promote gradual changes and making coordination with different departments?

- Flexible
- Some what flexible
- Not at all flexible
- Don't know

11. Overall how satisfied are you with the performance of your supply chain management?

- Very satisfied
- Somewhat satisfied
- Undecided
- Somewhat dissatisfied

12. Which of the following procedure does LG follows in purchasing material?

- Tender
- Open Market
- Existing supplier
- Others please specify.....

13. What are the channels of distribution which the company normally follows?

14. Does supply chain has any effect on the decision making of the company?

Yes

No

15. Can you specify some of the factors that effect the decision relating to supply chain management in LG Electronics?

1).

2).

3).

16. Any comments which you would like to give?

Name:

Designation:

Date: