

Samsung Electronics Operation Management - Jean-Louis GUERY

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**Critically access the development and
strategic importance of operations
management.**

Operations Analysis (M6X01290)

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introduction :

First of all, we need to define what operation management is. According to Will Kenton (2020), writer about money and culture, for over ten years, *“Operations management is the administration of business practices to create the highest level of efficiency possible within an organization. It is concerned with converting materials and labor into goods and services as efficiently as possible to maximize the profit of an organization. Operations management teams attempt to balance costs with revenue to achieve the highest net operating profit possible”* (Source: Investopedia). Operation management will always face new challenges, not only for major new project, but also more generally as economic, social, political and technological environment changes. (Slack, 2019)

This report will be especially focused on Samsung Electronics, and particularly on the importance of the operations management for the biggest mobile phone sellers in the 2019, with 296, 5 Millions of product sold in the world. (Melty, 2020)

To be the best sellers of Smartphone, Samsung Electronics needs to use perfectly the operations management to respond to customer requests, in a cost accessible. The main objective of Samsung, is to be in a continual research of innovation to get ahead of the competition for every type of product. (Slack, 2019)

Also Samsung Electronics needs to sell product at best prices, because today people change their phone on average every 2 years, so they need to offer to their customer a new product every year at the cutting edge of technology for a reasonable cost to attract people to buy their product rather than competitors ones. (Volpy, 2017)

Therefore, we will first of all talk about the brands and his products, but also the customers, their expectations, and who they are. Then I will pay particular attention on the 5 performance objectives defined by Slack into Samsung Electronics company, to finish with the impact of COVID-19 on their business.

1 Samsung Electronics marketing presentation

1.1 Nature of products

Samsung Electronic is owned by the Samsung Group. It is the pinnacle of the Samsung Group, with 70% of the group's revenue in 2012. In 2020 it's the eighth most important brand in the world according to the Forbes rankings. (Forbes, 2020)

If Samsung Electronics has succeeded in establishing itself as a world leader in the high-tech industry, it is in particular thanks to its extensive product catalog.

The company offers smartphones, tablets, wearables, virtual reality (VR), accessories, televisions (TVs), home theatre, headphones, wireless speakers, stereo shelf systems, laptops, desktops, printers, monitors, memory and storage devices, refrigerators, wall ovens, cooktops and hoods, microwaves, dishwashers, washers, dryers, and vacuums, among others. The company operates in Asia, the Americas, Europe, Middle East and Africa. (MarketLine Company Profile, 2020)

in 2019, Samsung Electronics was the biggest sellers of smartphone in the world with 76.6 Millions of product sold in. (Marketing étudiant)



1.2 Type of customers

Samsung Electronics sells product of mid-range. So they can attract every type of people, but their principal target is young and active people (between 25 and 35 years old for the majority), as well masculine and feminine. (Marketing étudiant)

1.3 Quality expectation

1.3.1 Product quality

The company produces mid-range products, but their customers have some expectations. The average price of a Samsung smartphone is 191£, for this cost the customers want a dependable product with last technologies and a nice design. For a smartphone some qualities are required to be part of good ones, for example they need to have access at every type of social media, have a good quality of picture, and other... Today a smartphone needs to be versatile.

Every Electronical product produced by Samsung Electronics needs to respond at requirements of customers, for a TV it will be the quality of the screen or the audio, for a printers the quality of color. More the price is high, more the expectation of customer is high too. It's why Samsung is trying to have products of every range to respond at the requirement of the biggest part of customers.

So, Samsung Electronic produces some high quality products, for example the price of the Samsung Galaxy Note 8 is 910£, that's the price of an Iphone 11. Then, this type of product needs to be better than an Iphone, because the majority of people prefer to put this price in a mobile phone of the wellknown Apple brand than in a Samsung one.

1.3.2 Service quality

The quality of service for a brand who produces electronical things is very important.

When a customer buys an electronical product like a TV or a Smartphone, he wants to be sure to do the good choice, because that's a investment. Samsung is one of the best in this sector, because they propose guarantee for almost every product, also Samsung has been elected best customers' service in 2019 in France.

Samsung gives a great importance to customers' service, because that's the best way to win the loyalty of the customers. An electronical product can have problem, but the most important is, how this problem will be fixed by the company, or what's the quality of the service to help you to resolve this problem.

Also, Samsung Electronics needs to be at the head of technology but also at the head of the trends and fashion, because if you product the best Smartphone but with a bad design, this Smartphone is not going to be a success.

So, the designer of the company keeps abreast of the latest outputs of smartphone, especially of Apple one, because their design are the most appreciate by customers, and that's the same for every other product.

2 Performance objective

2.1 Quality

According to Slack "Quality is consistent to customers expectation, in other words doing the things right, but the things with the operation needs to do right will vary according to the kind of operation." (Slack, et al.,2019).

2.1.1 Quality of product

Quality for Samsung electronics means to sell a product who worths its price. The quality has different ranges of products, and the customers have different request in balance with the price of the product. That is to say, between a TV who costs 200£ and a TV at 500£, the customers do not have the same expectation.

So, the challenge for Samsung is to find a good price-quality ratio to attract customer to choose their product rather than one who come from a competitor company, and to be satisfied with it.

2.1.2 Quality of service and operation

"When Quality means consistently producing services and products to specification it not only leads to external customer satisfaction, but makes life easier inside the operation as well" (Slack, et al.,2019).

What they're playing for Samsung Electronics is to minimize mistakes in every step of process in the operation. Every mistake done during operation has an impact on cost, because to resolve what's going wrong an employee will have to take time, and during this time he could do other things, but he doesn't. So, all parts need to be made for specification, and the final product needs to be attractive and blemish free.

Also, Samsung Electronics have some stores all around the world and these stores reflect the image of the company. So, these stores need to be always clean, attractive, with courteous and friendly staff, to be more as possible, appealing for customers.



(Bristol Samsung experience store, 2020)

That means, quality has an external impact, with the satisfaction of customers, and an internal impact, which leads to stable and efficient process. (Slack. et al., 2019)

2.2 Speed

According to Slack “Speed for customers means the elapsed time between customers products and them receiving them” (Slack, et al., 2013).

Today, every company try to reduce this delivery time, because we live in a world where people want everything faster, they want to buy something on internet and receive the product the next day.

In the case of Samsung Electronics, the speed delivery is very important. Often when people buy some electronical product on internet, it is because the old one doesn’t work anymore. So, they need to have a new one quickly, especially in time of COVID-19 because a lot of people work at home and need to have this product to work.

The speed, for a company like Samsung Electronics also means to produce quickly without trouble on the production line, to always have some product available for customers and never be out of stock.

2.2.1 Speed in operation

So inside the operation, speed is also important. To deliver a customer quickly as possible, the company needs a speedy movement of materials and information inside the operation.

Speed in operation allows to reduce inventory. That is to say, the longer items take to move through a process, the more time they are waiting and the higher inventory will be.

Also, Speed reduces risk, because forecasting tomorrow's events is far less of a risk than forecasting next year's. It is especially true for electronic product, every year new products come out with new technologies, new design. So forecasting on the long term is impossible for Samsung Electronics, even on short term that's difficult. So they need to produce quickly to answer the demand of customers. (Slack, et al., 2013).

2.2.2 Speed delivery

It is important for Samsung to deliver his customers quickly, but also the retailer stores. Electronic products are often bought in store, because sellers can give advice, and you can go home with your product directly after buying it.

So, every retailer store needs to have the different Samsung products to show them directly when a customer is interested.

They also have Samsung stores all around the world, in this store it is possible to try product of the brand. It's therefore important to always have every novelty in this store to attract people to buy them.

2.3 Dependability

According to Slack, "Customers might only judge the dependability of an operation after the product has been delivered. Initially this may not affect the likelihood that customers will select the service – they have already 'consumed it'." (Slack, et al., 2019)

Dependability is especially important in the long term, when the customers will have a choice to do, their choice could be influenced by the experience that he has with the brand.

Samsung Electronics give a huge importance to dependability, they promise products with high performance for a long time. The company doesn't just want to sell their product, but they want to satisfy and win loyalty of the customers who buy a Samsung Electronics product. (Samsung, 2020)

"Samsung is statistically one of the most reliable product sold, and now the most widely sold in the USA. But that's also one of their main problems because their service must keep with exploding sales growth". This could betray a problem inside the dependability of operation in Samsung Electronics. This problem could affect the quality of the operation time's,

because that means Samsung can't predict how will be the sales of every product , so they can't predict how much product need to be produced.(Yale, Steve Sheinkoff, 2020)

2.4 Flexibility

Flexibility defined by Slack means “being able to change the operation in some way. This may mean changing what the operation does, how it is doing it. Specifically, customers will need the operation to change so that it can provide four types of requirement.” (Slack, 2019)

- Product/service flexibility – the operation's ability to introduce new or modified products and service. In Samsung Electronics company it applies when a new product comes out, like a new smartphone or a new TV, they need to include this new product in the production.
- Mix flexibility – the operation's ability to produce a wide range or mix of products and service. That's especially true in the Samsung Electronics case, because the company produces a wide range of product, with TV, smartphone, fridge, camera, printer...
- Volume flexibility – the operation's ability to change its level of output or activity to produce different quantities or volume of products and service over the time. Volume flexibility is essential for a producer of electronical product like Samsung. When a new product comes out, this has impact on the sale of every other products, because that's innovation and people want to have the latest product which came out.
- Delivery flexibility – the operation's ability to change the timing of the delivery of its services or products. Often, this delivery flexibility has a cost, customers can choose to receive the product in 24h or 48H for a price defined. It's the case in the Samsung Electronics Company. (Slack, 2019)

Samsung Electronics produces a high variety of products, so flexibility is one of the main important performance objectives for Samsung Electronics. They come out new product every year for every types of Electronical product and they need to adapt their production to their sales, which is very difficult to predict.

The company also gives flexibility in the scheduling of their employees to promote more creative and efficient office culture. This working model started in march 2015, and he's in place for all employees of Samsung Electronics, excluding factory workers at the production sites. The only requirement is that they work at least four hours a day, and fill 40 hours each week. (The Korea Herald, by Sohn Ji-young, 2015)

2.5 Cost

Samsung Electronics sell product of mid-range. The average price of smartphone Samsung is around 187€ in 2019 (Phonandroid, 2020), against a minimum of 730€ for iPhone 11, who went out in 2019 (Journal du net, 2020).

Samsung's line-up is actually quite robust with a variety of phones covering prices as low as under \$200 or as high as \$1,300 or more. (Android authority, 2020)

Samsung Electronics has different product lines, with some cheaper and some higher quality, so the cost of a Samsung phone or TV can vary widely. They try to attract always more customers with variety and quality products.

3 Covid 19 impact:

According to Steve Sheinkopf "COVID-19 has been a problem for the whole appliance industry since March. It has stopped units and parts since December from China.

Now Mexico and the Southern US, where the appliances are manufactured, have been affected." (Yale, 2020)

3.1 Positive impact

Fortunate, contrary to a lot of activity sector, the COVID-19 has a positive impact on the sale of electronics product. With the lockdowns in the different countries, a lot of people remained at home for a long period. These lockdowns pushed people to buy or to change their electronical products, because they used it more than usually, like their TV, printer, smartphone...

Furthermore, since the beginning of the COVID-19 pandemic, the growth of e-commerce don't stop to increase. Like consumers can't buy everything in store, they shop online and a lot of Samsung product are available on different web site. (Les Echos, 2020)

Even if the electronic sector is not the most affected by the COVID-19, is still in difficulty compare to what it is before the pandemic.

3.2 Negative impact

Like for every other activity, the COVID-19 had an impact on the Electronical product market. The pandemic is a problem for the whole appliance industry, and the companies have struggled to produce, with production units in different countries locked down.

Samsung sell a lot of product on internet, but they also have store all around the world who are impact directly by the COVID-19, and that's the same for retailer store. This store can be closed, because they are not considered like necessary store. Also, some of them are located in big city, like in London or New York, but they can't welcome tourist, so there are fewer people than usually in this tourist city.

Furthermore, a lot of Samsung store allow to try different product of the brand and especially the novelty, they are calls Samsung Experience Store. These store are a playground where you come to play, learn and find solutions (Samsung web site). Unfortunately, the Covid-19 does not allow to make people touch products all the day, so this store need to be closed all the time.

Also, lot of people are putting more of their budgets into daily essentials, because COVID-19 also touch the purchasing power of consumers. (Big commerce, Susan Meyer)

4 Conclusion

If Samsung is the eighth most important brand in the world according to the Forbes ranking (Forbes, 2020), is through the organization of company and the way she's managed.

Samsung Electronics is an example of success and innovation, the company always search how to improve their operations and how to be better than competitor. They propose a high variety of quality products, and they gives a huge place to the customers and his satisfaction.

The high variety of Samsung product need huge flexibility inside operations, it is very difficult to forecast the sale of one product, but it is much harder when you have the same catalog than Samsung.

Through is catalog of products, Samsung want to satisfied every customers, with product of every price, for every usage. The company is not specializing in one range of product, and that's what makes its strength.

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