

Current Status and Future of SCM in Korea

Professor Tae Hyun Kim
Yonsei University, Seoul, Korea








Contents

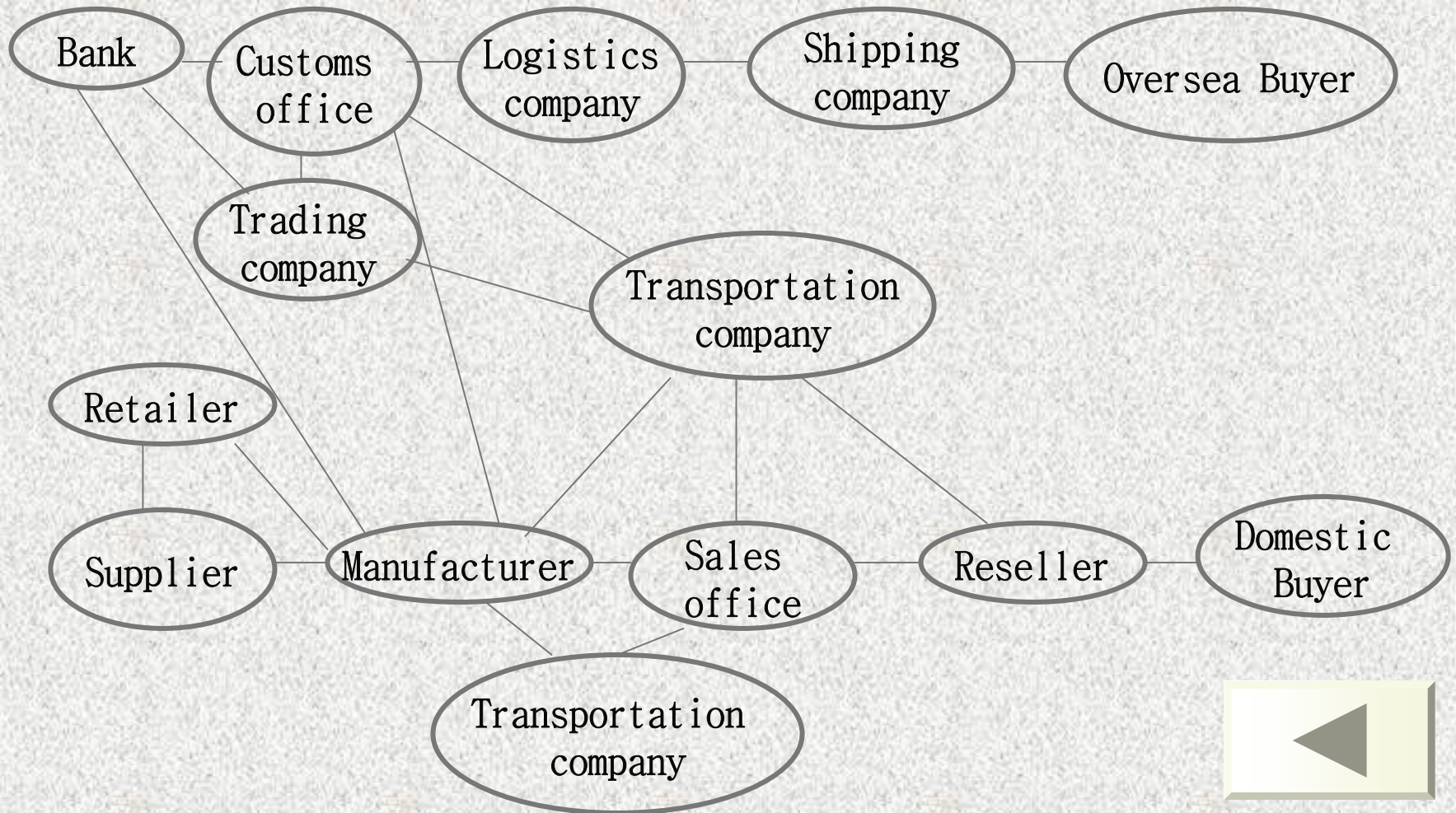
1. Why is SCM is needed in Korea?
2. How has SCM been progressed in Korea?
3. Current Status for SCM Issues in Korea
4. Future for SCM in Korea



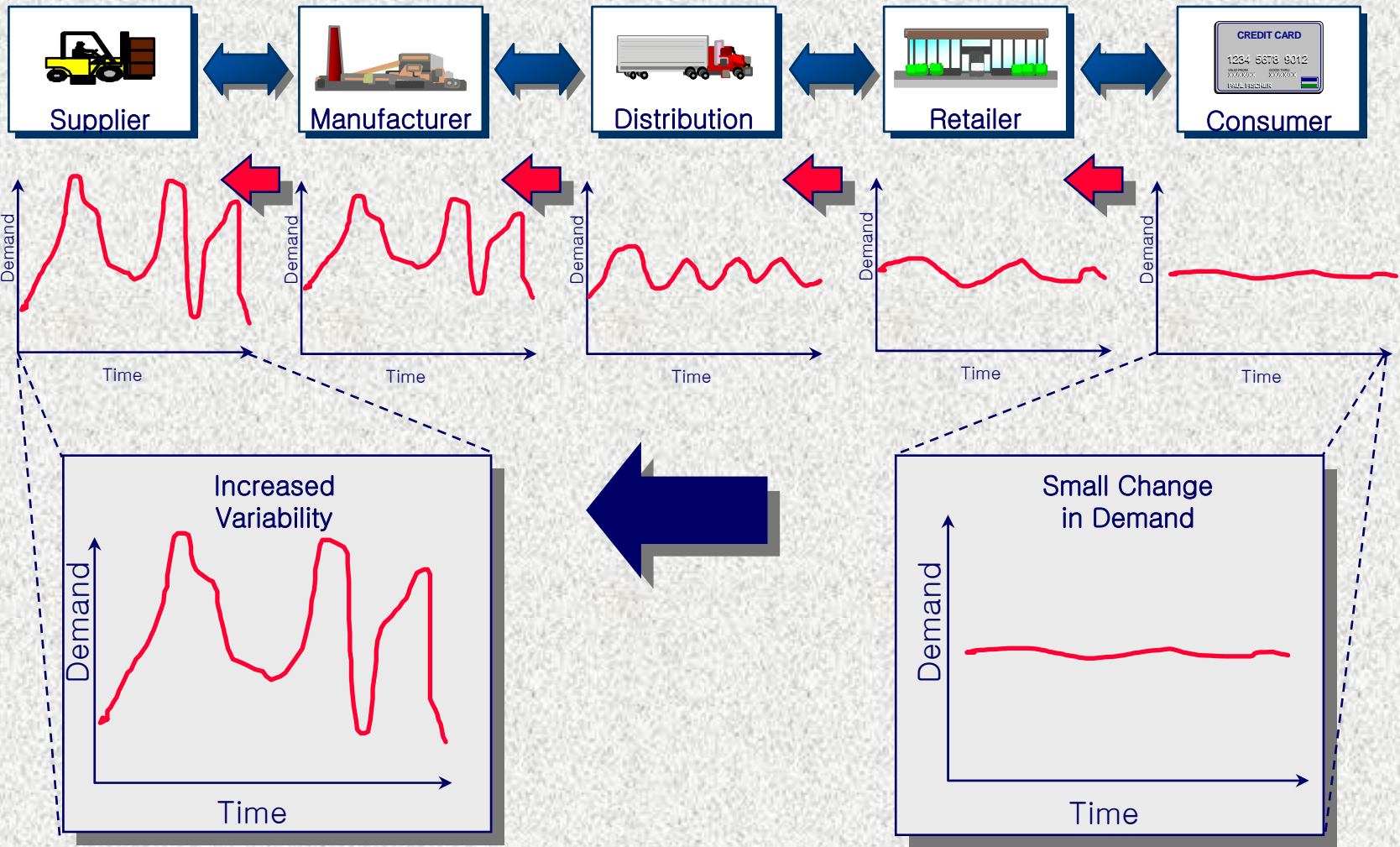
Why SCM in Korea(1)?

1. Change in the Sources of Value-added
 - Mfg vs. Total SC Cost = 25–30 : 70–75
2. Phenomena of Information Distortion
 - Bullwhip Effect
3. Increase of Uncertainty from the Market
 - Uncertain Demand
 - Unexpected Due Date
 - Uncertain Order Quantity, etc

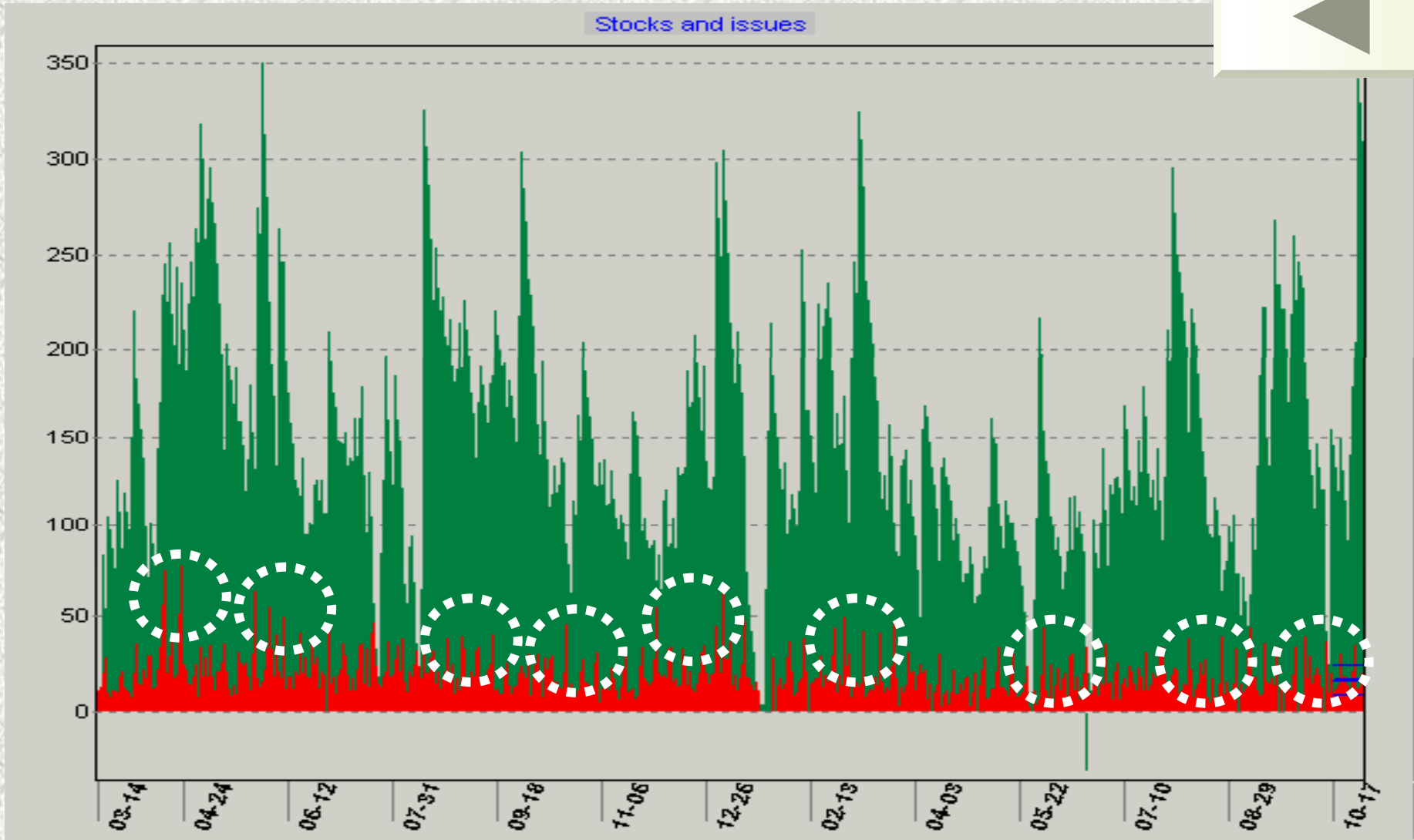
Material Flows in the Market



Bullwhip Effect



Real Case of Bullwhip Effect



Why SCM in Korea(2)?



4. Globalization is needed more coordination and integration



5. General Trend of mass customization

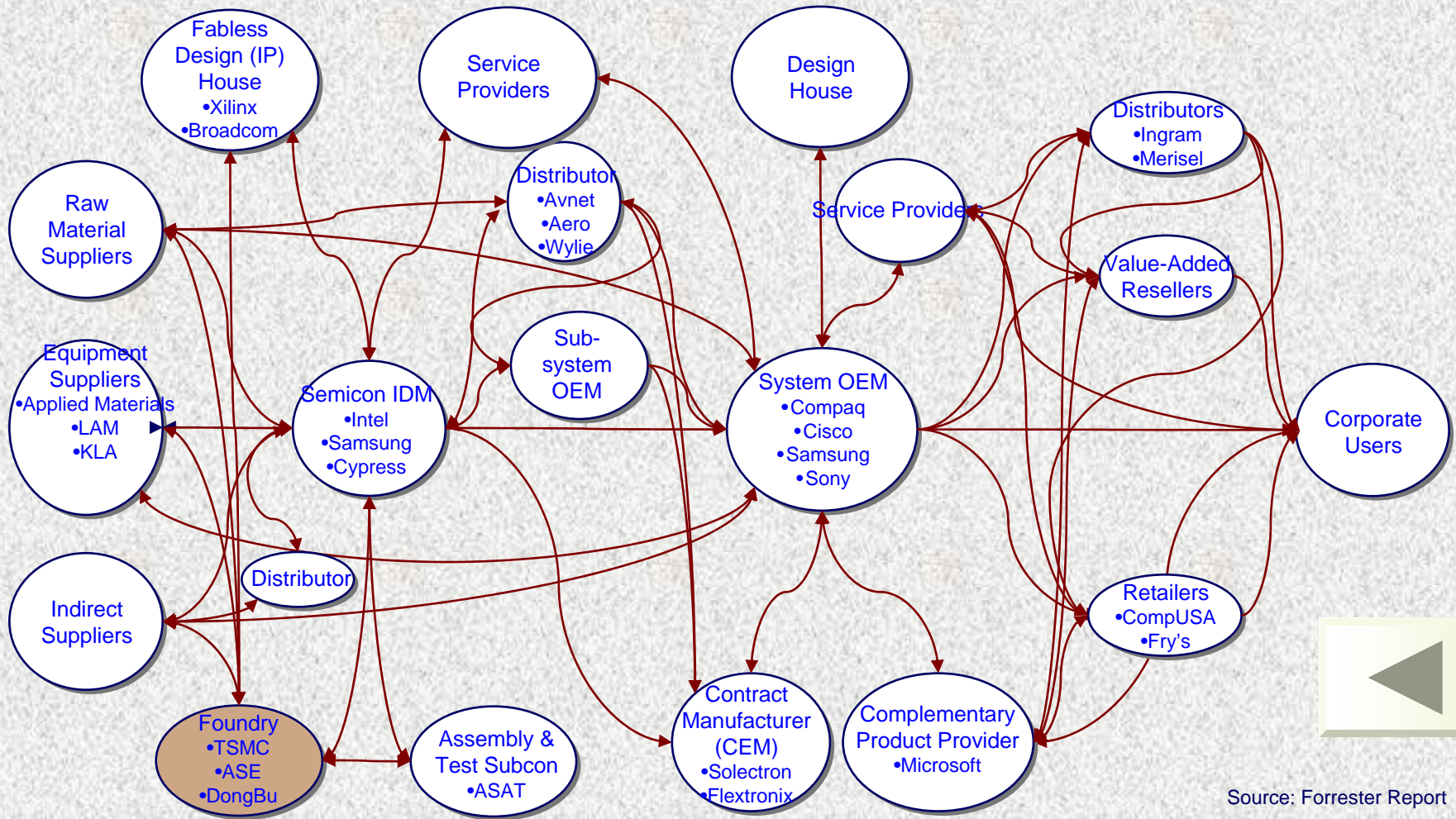
6. Severe Competition

7. Logistics Hub in North East Asia

8. Strong IT Infrastructure

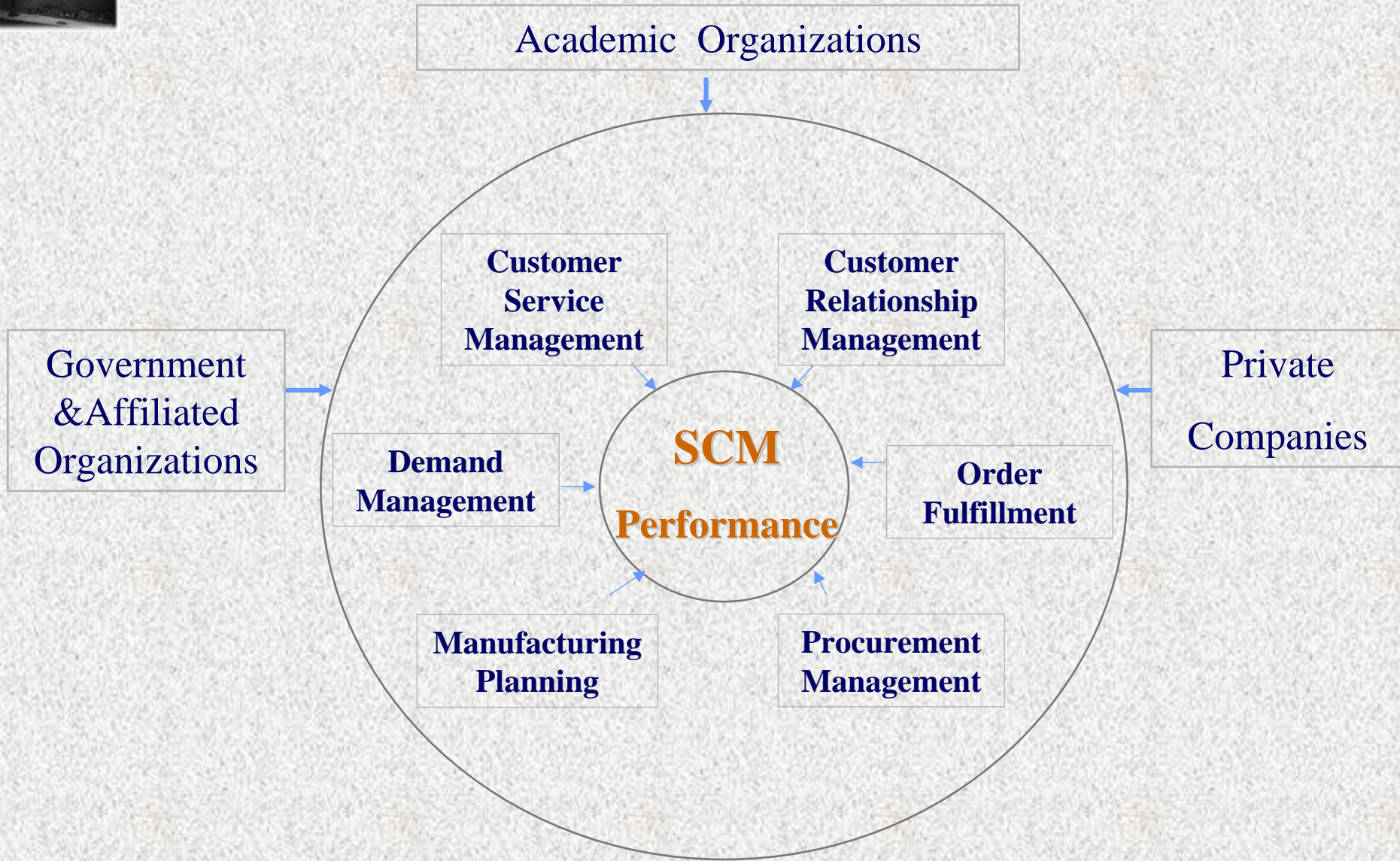


Structure of High Tech Industry



Source: Forrester Report

How has SCM been progressed in Korea?





Government and Affiliated Organizations

1. – Ministry of Commerce Industry and Energy
 - Ministry of Information and Communication
 - Ministry of Construction and Transportation
2. Korea Logistics Association
3. EAN Korea
4. Korea Federation of Textile Industry



Role of Government

1. Preparation for Budget to Support SCM Research, QR, IT solutions, Standardization, etc.
2. Korea Council of SCM, QR Committee, industry – wise B2B committee, Logistics Committee
3. IT Human Resource Training based on SCM Model



Role of Korea Logistics Association

1. Logistics Policy Proposal & Development
2. Logistics Conference & Exposition
3. Logistics Awards
4. Logistics Training & Education
5. Logistics Survey & Research
6. Information Support & Publication



Role of EAN Korea(1)

1. Center for SCM in Retailing and Manufacturing Industries
 - P&G, Unilever, Ottogi, CJ, LG Household & Health Care, etc.(Mfg Co.)
 - e-Mart, Samsung Tesco, Shinsaegae, Lotte Mart, Hanaro Mart(Retailers)
2. Research and Implementation for Supply and Demand Side Issues
 - VMI, CR, CM, ECR, Category Management



Role of EAN Korea(2)

3. Enabler e-Catalogue “KorEANet”
4. Promotion for the Use of the Korean EC/SCM Scorecard
5. Effort to standardize EDI messages and communication protocol to benefit both retailers and manufacturers



Role of Korea Federation of Textile Industry

1. Textile Industry Standardization Business
 - EDI, e-Catalogue, apparel DB
2. S/W Development Business
3. Center of QR System Center
4. Support of IT Infrastructure for Small-medium Companies
5. Pilot Test for Collaborative Business



Academic Organizations

1. Korea SCM Association
 - SCM Education(2days)
2. Korea Logistics Association
3. Universities
 - e-SCM Education Program(3 months Program)–Yonsei University
4. etc.



Collaborative Effort of Private Companies

1. Working Groups between Retailers and Manufacturers, mainly by middle managers
2. CEO's Active Support for SCM implementation
3. Efforts of SCM Solution Providers' Promotion



Performance of SCM

(Data of Korean Chamber of Commerce)

1. SCM performance is lower than global companies except CPG industries. But it is getting better every year.

2.	Manufacturers	Retailers
cash-to-cash cycle time	89.1days	37.8days
inventory days of supply	54.6days	17.7days
asset turns	1.6turns	1.8turns

3.	Large Firms	Small& Medium Firms
cash-to-cash cycle time	68.0days	99.0days
inventory days of supply	50.7days	60.7days
asset turns	1.9turns	1.4turns



Current Problems Implementing SCM

1. Lack of Small Companies' Capability for SCM
 - IT infrastructure
 - Burden for SCM investment
 - Lack of Human Resource on SCM

2. Weak Collaborative Behaviour for Sensitive Issues
 - sales data → tax problems
 - passive thinking for sharing data



Current Problems Implementing SCM

3. Level of Standardization is not still high.
4. Less Tax Benefit for the Investment on
SCM



Future Opportunity of SCM in Korea

1. Strong IT Infrastructure
2. Government Policy for Hub in East Asia
3. Strengthening Outsourcing Trend
4. Active Collaboration Efforts
5. CEOs' Strong Concern