An Analysis on How Samsung Can Improve Their Environmental Work by Adding New Ecological Transportation Method of Goods

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ABSTRACT

The environment, and in particular the preservation of the earth’s resources, is in no doubt a highly accurate topic. Last years’ reports of future climate disasters have really made people aware of the impact of emissions and consequences of pollutions, which in turn have resulted in protesting and people demanding governments and companies to take their responsible. These events have made companies facing new challenges and are forcing them to work hard on maintaining a strong environmental profile. One huge sector causing emissions is the transport sector, and especially airline transports. Both people and good are transported worldwide every day, causing enormous amounts of emissions.

Samsung is one of the worlds’ most influential and powerful brands. Starting as a small business in South Korea in the 1960’s, it has during the past 50 years developed and grown to be a multi-million-industry, offering its products worldwide. One of many reasons behind this success is a strong leadership, combined with following a steady strategy. Being a modern and world-leading company, Samsung also has a clear environmental vision on how the company should work towards a more sustainable society. As this report will show, there is still changes and improvement that can be made, to help Samsung to become even better.

Keywords: transport, environmental-friendly, railway, sustainability.

1. INTRODUCTION

The modern world’s incessant technical development makes the companies of today to force new challenges every day. Companies have to continuously adapt to new technologies and innovations, in order to succeed. Companies that fail to adapt to the modern society, tend to be less successful than those who modernize their business. Furthermore, the past years climate changes, combined with peoples increasing awareness of what is happening to our world, force companies to face even more challenges. With awareness and knowledge comes a demand to take actions and make changes. People around the world are protesting and requiring parliaments and companies to take their responsibility towards a better climate. To remain successful in the future, it seems, companies must therefore also have a clear position regarding sustainability.

Samsung is one of the largest companies in the world, selling products worldwide. In 2018, USA Today ranked Samsung as number 6 of the world’s 25 most valuable brands with a brand value of $59,89 billion (USA Today 2018). Being such a big company makes Samsung responsible to a huge impact on the climate, and therefore it is of utmost importance for it to work towards a better climate and more sustainable world.
In this case study, the focus is mainly going to be on Samsung’s climate actions. We want to look into how they observe their environmental policies and how the environmental work can be improved, helping Samsung to both become more successful and to contribute to a more sustainable future. We do believe that even if Samsung already have taken on a lot of actions towards a better environment, there is always improvements to be made. As a worldwide company, Samsung consists of multiple sectors, each of them contributing to Samsung’s total environmental impact. The sector we are going to focus on in this case study is the transportation sector. Many of the transportations today are made by airline and car. The airline industry is one of the industries that is responsible for a huge amount of today’s pollution. Both people and goods are transported worldwide by plane every day, causing tremendous pollutions in the atmosphere. With this in mind, we want to focus the research on alternative ways of transportation for Samsung.

Samsung’s both doing business with other business, business-to-business relations, and with individual customers, so called business-to-customer relations. For individuals, Samsung offer both in store-shopping, through both their own stores and through their manufacturers, and online-shopping. For customer’s shopping online, it is not possible today to make any options regarding the transportation. Only one option is available, and that is by airline. We are of that opinion that Samsung, being an innovative company, should offer at least one option for transportation that is more environmentally friendly that the current one. One possible alternative, and the one we are focusing on in this case study, would be to arrange the transportations by train or trucks instead of by airline. Transportations by train or trucks are much more environmental-friendly than transportations made by airline, regarding the amount of emissions made. An option to make the transportation of online-purchased products by train would most likely be appreciated by especially environmentally conscious customers. This way, customers are given the opportunity to choose an alternative that is better for the environment.
2. BACKGROUND

2.1 History

Samsung Electronics Co. Ltd. (hereafter referred to as Samsung) is a part of the multinational company Samsung Group. Samsung was founded in 1969 in Suwon, South Korea. The same year, Samsung established a joint venture with Japanese company Sanyo and Sumitomo Corporation. The joint venture was named Samsung-Sanyo Electric, and with the Japanese companies’ useful resources and technology became a vital part of Samsung’s future growth. The following year, Samsung-Sayo started the production of its first black and white TV. This was the beginning of a production that within years would be world leading. During the 1970s, Samsung expanded, by acquiring Korean companies, and enlarged the production.

The following decades, Samsung expanded their production, including VCRs, air conditions, personal computers and video tape recorder. In 1980, Samsung merged with the former Korean company Samsung Semiconductor Co., an event that is regarded as one of the major milestones during the 1980s. During the 1990s, Samsung, among all other high-tech companies, faced huge challenges. Companies began to grow across borders, making mergers, coalitions and buy-outs common. Another challenge for Samsung was the financial crisis of 1997. This crisis affected many of the Korean businesses, but with strong leadership in technologies and a steady strategy, Samsung managed to continue growing.

The 21st century and the digital age, brought both challenges and opportunities. Technology have made it easier for companies to establish and grow worldwide. Easier transportations, online shopping, online business meetings, together with constant innovation, are all contributing parts of Samsung’s success. Today, Samsung is ranked as one of top 10 global brands, with over 320 000 employees worldwide. (Samsung.)

Image 3: Two of Samsung’s early products, a PC and a TV

2.2 Vision

“Inspire the World, Create the Future”, that is the vision of Samsung for 2020. Visions most important commitment is to create a better world full of richer digital experiences, through innovative technology and products. Samsung aims towards becoming a both innovative and admired company and a beloved brand. Achieving this, they hope to create a better world through innovative technology and product. Samsung’s next goal is to expand its business into new areas, such as healthcare and automotive electronics. The company is looking forward to new challenges. Samsung’s mission on the other hand is “to inspire the world with innovative technologies, products and designs that enrich people’s lives and contribute to socially responsible, sustainable future”. (Samsung.)
2.3 Business Area

2.3.1 Consumer Electronics

Samsung have three main divisions: Consumer Electronics, IT & Mobile Communications and Device Solutions, of which Consumer Electronics is the most successful one, looking in the size of market share. This division includes TVs, washing machines, refrigerators, air conditioners, to mention just a few. Samsung is also investing much on developing health and medical equipment. With improved batteries and reduced weight, Samsung has made itself a big name even in this field. One of Samsung’s most successful health and medical equipment products is HS40, a mobile digital X-ray, which design was awarded at the “International Forum Design Award 2017”. (Samsung.)

2.3.2 IT & Mobile Communications

Samsung is today one of the world’s leading producers of mobile devices, with more than 400 million annual sales. Today’s technical development, that makes us more and more connected to our smartphones, requires a constant innovation. Samsung, as it seems, has very successfully managed to maintain the innovation and developing of new products. (Samsung.)

2.3.3 Device Solutions

As a complement to the other two divisions, Device Solutions offers a great vary of electronic devices, designed especially to fit Samsung’s products. At the same time, Samsung is also focusing on developing next-generation products. By developing these next-generation products, Samsung tries to strengthen its technological competitive edge in the fabless segment and stabilize their position in the global market. (Samsung.)

Image 4: Samsung Electronics’ Business areas

2.4 Strategy

Samsung’s business strategy is perceived to be extremely flexible, such that it usually has changed along with the changes of external business environment (Dudovskiy, John 2017.) Samsung’s strategic directions are creativity, great people and partnership. One of its long-term goals is to be in top 10 of world’s best workplaces. (Samsung.)
2.5 Samsung’s Environmental Work

Like all worldwide companies, Samsung has established a sustainability policy. With the slogan “Planet First”, Samsung sets a goal to develop its business in a way that always puts the environment first. This slogan is strongly connected to the environmental vision, which is stated to be “a leader in the work for a sustainable future, through innovative and eco-friendly products and technology”. Furthermore, Samsung has a philosophy of doing business in a way that respects both humanity and the nature.

To make sure that they continuously is working towards their goal, Samsung’s four times a year organizing the Greenhouse Gas Council, where the environmental work agenda for the next quarter is set. Samsung has five main strategies and action plans for coping with the climate changes, stretching from reducing of greenhouse gas emissions at worksites and managing suppliers (Image 4).

Image 5: The image shows Samsung’s strategies and action plans for a better environment

Furthermore, Samsung has divided its managing of emissions into three scopes. The first ones focusing on the direct greenhouse gas emissions at the worksites. The second scope has focus on indirect emissions from e.g. electricity and steams. The third and last one focuses on all other indirect emissions from shareholders in the supply chain, such as logistics and using of products. The issue of transportation of online purchased products to customers is included in the third scope. (Samsung.)

3. ANALYSIS

3.1 Justification of our idea

The transportation sector is one of the sectors that strongly contributes to Samsung’s total amount of emission. Since there is alternatives of transportation that is much more environmental-friendly than airline, it would be more in line with Samsung’s environmental vision to offer the customers the option to choose how they want their products to be transported. The best, environmentally speaking, would of course to not do any transportations at all by airline. That would however mean a large organizational change for Samsung and is probably more of a long-term process. As a first step, we suggest that Samsung offers more than one transportation alternative, letting the customers decide for themselves.

3.2 PESTE-analysis

3.2.1 Political
Political factors have a major impact of the operations of companies. For example, different regulations and trade relations between countries can affect to companies’ business activities. Political actions can have either a positively or a negatively impact.

In international trade, the relations between countries have a significant impact on the businesses of the company. The better relation between the two countries, the more profitable trade, and vice versa. If there are any problems between countries, this can affect in an adverse way, such as causing problems in transport chain. (Notesmatic 2017.)

3.2.2 Economic

The Asian region is one of the most dynamic economic regions (IMF 2018.) Despite last year’s economic growth and positive growth forecasts, the inflation has been constantly low, even below inflation targets in some Asian economics. One of the reasons behind this, IMF reports, might be that the inflation has been driven by temporary forces, which have reduced the inflation. Also, IMF suggests that the inflation process has become more backward-looking than based on expectations. This have made people’s expectations a less important factor for the outcome, whereas past year’s inflation is playing a larger role. Increasing commodity prices, higher inflation in the rest of the world and weaker currencies in the Asian region are factors that might contribute to higher inflation in Asia in the next few years. The disinflating process of such an event may be both costly and lengthy.

Global economic uncertainty causes companies to increasingly change their strategies (Marketing Dawn 2017.) Economic factors also have a profound and direct impact to international companies. The economic returns of large companies have an impact on the global economy. These large companies, in turn, offering employment to thousands of people, which causes employment levels to rise, allowing consumers to spend even more. (Notesmatic 2017.)

3.2.3 Social

The social impact of companies is based on the beliefs and cultures that exist in different countries where the company operates. To succeed, businesses need to show flexibility in their local culture policies. Businesses adapt their policies to the local social factors in the countries which the company operates. (Marketing Dawn 2017.)

Companies are adapting their products to rapidly changing consumer preferences in the different markets. The main point is to note that the market situation is strongly influenced by the differences in consumer habits and socio-cultural factors in different countries. To success, businesses need to adapt to each market. (Management Study Guide.)

3.2.4 Technology

Technology has become an increasingly important part of business. Nowadays, technology effects for example marketing, product manufacturing and customer service. With the continuous development of technology, companies must constantly monitor and keep up with the development. (Notesmatic 2017.)

3.2.5 Environment

The fact that humans are speeding up the global warming has been reported for years now. As globalization grows, people becoming more aware of ethical choices. Consumers expect companies to operate consistently more environmentally friendly. The operating environment defines the company’s operating practises and trends. (Marketing Dawn 2017.)

IPCC’s report, along with other reports on future climate disasters, have made people more and more aware of the ongoing changes (IPCC 2018.) Young people, in particular, all over the world unites in protests for a much-needed change (The Guardian 2019.) They demand governments and big industries to take their responsibility and do what they can to limit their emissions and
the waste of resources. UN Environment stated in an article in 2018 that young people are crucial to achieve environmental changes. (The Guardian 2019.) The young people of today are the ones who will deal with the consequences of our actions in the future, which in a way can explain why they are more eager than to achieve changes than other generations.

As a conclusion to the environmental political status today, it is very important that Samsung continuously modifies and develop its production to be more environmentally friendly. Being a worldwide company, Samsung has already formed sustainability policies and internal guidelines on how to carry out these policies.

3.3 SWOT-analysis

3.3.1 Strengths

1. Recognized and strong brand
2. Loyal Customers
3. Wide selection of products
4. Global
5. Environmental focus

Samsung is one of the most successful electronics manufacturers in the world. The company has a strong and respected brand among consumers and suppliers. Samsung is perceived as an affordable option, but without compromising on quality. A well-known and trusted company has better capability to compete in the industry and expand its customer base. A good reputation and brand are written by consumers, creating a stronger relationship between the company and its customers. With a trusted brand, Samsung has managed to embrace a broad and loyal customer base.

Samsung’s strength is its wide variety of different products. Offering a wide range of products makes it easy for the consumer get all they need under one brand. Samsung wants to offer its customers the widest possible range, to make the shopping experience as comfortable and easy as possible for the customer.

Samsung is a globally wide company, offering its products in 79 countries. The company has been ranked as number 6 of the world's 25 most valuable brands in USA Today (USA Today 2018.) Being a global brand, Samsung has an opportunity to be a pioneer at environmental issues.

Sustainable development and ecology have become a major part of consumers’ purchasing decisions. Samsung is committed to producing eco-friendly products and reducing greenhouse gas emissions. The company offers energy-efficient products to consumers and ensures that the chemicals used in the products do not harm the user. Since 2009, Samsung has been recognized as a leader in eco-innovation. Currently, Samsung is also using global recycling and repurchase programs in 60 provinces. The company has improved its brand thanks to its eco-friendly innovations.

3.3.2 Weaknesses

1. Too large selection of products
2. High-dependents on USA market
3. Environmental focus
Even though the wide range of products is Samsung’s strength, it is also a weakness. Each product must be equally good to be a strength for Samsung. The failure of any product will greatly affect the entire Samsung brand and the image of each product. Samsung must therefore use a large amount of resources to develop each product and maintain its good quality.

One of Samsung’s further weaknesses is a high dependence on the American market. The unpredictable fluctuations in the market can greatly affect the company’s performance. Although Samsung has expanded its operations in the Asian market, it is still heavily dependent on the American economy. In order to ensure the sustainability of operations and to avoid failures due to American economic changes, Samsung should further expand its operations in the Asian and European markets.

Although one of the company’s strengths is focus on environment, it is always possible to improve it further. In the case of the manufacture of products, this format has been strictly followed, but for example in the case of transport it is possible to further improve the work. At the moment, there is only one option of transportation when ordering from Samsung’s online store, when it ought to be possible to provide consumers with, for example, an alternative ecological delivery method.

### 3.3.3 Opportunities

1. Growth of smartphone market
2. Expanding globally
3. Environmental work

The ever-growing smartphone industry is an opportunity for Samsung to expand more and more. The demand for smartphones is increasing all the time, and it is the most used device of communication today.

Although Samsung is already operating in an environmentally friendly manner and has its own environmental guidelines, it still has the potential to be more environmentally friendly. Switching to the most ecological options and better recycling of smartphones and other technical devices, would be a great opportunity for Samsung.

### 3.3.4 Threats

1. The large number of competitors
2. Legal threats (environment and product safety)

In Samsung’s field of industry, there is huge number of competitors. The strongest ones are for instance Apple, HTC and Huawei. The competitive pressure has grown, forcing Samsung to be competitive and offer environmentally friendly solutions for consumers. Growing number of competitors results also for increasing financial pressure.

The technical development’s impact on the environment has resulted in a big amount of regulation regarding emissions and pollution (Carbon Footprint). The regulations are a part of the work with reducing humans’ impact on the environment, actually forcing companies to take actions. Many countries also have regulations limiting the allowed carbon footprint, which might impact on how companies can run their businesses. The European union has gone even further, creating a system for emission trading, allowing one company to sell their rights to emission to another company.

Laws and regulations on consequences for exceeding this emission rights, or breaking any other environmental-related regulation, is specific for each country. For Samsung, this means
that observations of the laws must be made in every country where it has factories or is making transportations.

Of course, Samsung also have to observe all relevant regulations in the countries where it is operating, not only the environmental-related. Regulations on product safety are also highly relevant for Samsung. For a legal person, such as Samsung, the sanctions for exceeding the laws and regulations, often are of economic character. If their products do not maintain the required quality, they’re risking having to pay fines, or in worst case scenario, be dragged before court, both ways risking to lose some of their good reputation.

4. APPLICATION OF IDEA

4.1 Risk analysis

The risk of offering the ecological transport option is that consumers do not want to use the new option. The ecological transport option will take more time than the normal transportation, that is why there is a risk that consumers will not use the new method because they want their products to be delivered as quickly as possible. Although consumers may want to choose a greener option, they will still end up with choosing the normal transportation method because of its speed.

One option for more ecological transportation could be the usage of trucks. Using trucks for transportation for longer distance, might be slow and make additional costs for the company. However, trucks could be better choice for short distance transportation. Ecology of transportation could be increased for example by using biofuel trucks, which will significantly reduce their emissions.

From a company perspective, there may also be a risk of cost increases. When a company offers a more environmentally friendly alternative, it has to invest either in trains, trucks or transport companies. This may be a risk if consumers do not use the new delivery method, for example because of its long delivery times. In this case, the company will incur extra investment costs, which will cause a loss to the company. In this case, it is possible that the extra costs will be remain on consumers responsibility through high delivery costs.

Samsung must consider which of the above methods would be more profitable for the company, because both options have both risks and benefits. Looking at the alternative of cooperation with transport companies, it would be more viable at the beginning than invest in train or trucks itself. The company does not yet know how much demand there is for the new transportation method, why it would be more profitable to first cooperate with transportation companies. This option will also reduce the risk of financial loss, if there is not enough demand for the new greener transportation. Investing in trains or trucks could generate much greater financial loss than cooperation with transport companies, and an investment of this kind is only profitable when demand is secured. By cooperating with a transportation company, the company reduces the risk of a large financial loss.

Offering another transportation method can also be challenged by the company’s existing contracts with current transport companies. Companies usually make long-term contracts with co-operative companies, to ensure the best price and reliability. Therefore, it might be difficult to make changes to contracts, which is required when a company wants to offer another transportation method besides the old one. The risk of taking on a new greener method of transport is also that, in most cases, companies have to enter into a long-term agreement with a partner company. This can result in a loss if there is no demand for a new delivery method.

4.2 Market opportunity

With environmental issues constantly being an actual topic, consumers are increasingly appreciated for their ecological products and delivery methods. As a result of this development, consumers are able to require companies to operate in a more ecological way, which companies should respond to in the best way possible.
The provision of this new mode of transport is not mandatory, but nowadays, consumers appreciate companies that try to operate in a more ecological way. As a result, ecology is one of the biggest competitive powers in today's market.

However, as stated earlier in this report, customers may not be willing to pay the costs that this may cause to the company or to choose longer delivery times.

5. RECOMMENDATION

The results of this case study show that Samsung truly is an innovative company, continuously improving their business to become better, bigger and more successful. However, there is always more changes and development to be made, especially on the environmental work. The authors of this report suggest, with the research and analyses made in mind, Samsung to take following actions:

1. Make contact with the current operators of airline transportation, to renegotiate the contracts. These contracts are most likely long-term contracts, complicated exit clauses, why it is of utmost importance that these negotiations are made with caution and respect. In this initial step of the process with changing transportation alternatives, Samsung still need to maintain the contract with its airline operator, but with the transportations in a smaller scale.

2. After renegotiating the contract with the airline operator, Samsung need to close a deal with a railway operator that would be able to handle transportations from Samsung's factories to the customers.

3. The contract with a railway operator might need to be supplemented by contracts with a firm, such as DHL or FedEx, operating the transportations from the factories to railway stations and from railway stations to a pick-up destinations or post office, where the customer can pick up their ordered product. This firm should preferably operate its transportations by trucks running on biofuel, to be in line with Samsung's environmental vision.

4. After closing required deals with external parts, Samsung needs to set up a team of employees in charge of this new logistic division. Customers service, technical support and a communication group, responsible for correspondence between Samsung and transportation operators, are the most important functions in this team.

5. Customize the factories to make sure they’re able to handle pick up by the trucks transporting the goods to railway stations.

6. Last of all, Samsung’s technical team needs to reprogramme the official website, with this new transportation alternative, making it possible for customers to choose. It is very important that the option is not available on the website until everything else is done.

7. To ensure this option will contribute to a positive business result, Samsung’s marketing division should form a marketing strategy on how to launch this new service to the customers.

One year after implementing this new service, Samsung needs to do a proper evaluation of the outcome. In case the business result is positively, or at least not negatively, affected by the suggested idea, the authors suggest Samsung to seriously consider ways to successively increase the transportations by train, while continuously reducing the airline transportations.
6. CONCLUSION

Samsung’s historical development is a clear example of how the right strategy and a strong leadership can make a company grow from a small factory in Korea to a multi-million industry, operating worldwide. To maintain this position, it is important that Samsung continues to develop both, the products and the organization. Changes of the products does not only include the products quality and capacity, but also the way products are produced and distributed. The focus of this report has mainly been on how Samsung can reduce the environmental impact, resulting in the idea of introducing an additional, eco-friendlier, way of transport online-purchased products, from the factories to the customers.

With the environmental movements of the world, mentioned in this report, in mind, it is easy to understand that all companies need to continuously work to increase its impact on the environment. We strongly believe that environmental issues will be more and more important for customers when they are making their decisions in the future, which is forcing companies to take more and more responsibility. By partly changing the way of transporting online-purchased, from airline to railway and trucks, Samsung can reduce the amount of environmental emissions. The process of doing this would include renegotiate existing contracts with current transport operators. These contracts are most likely long term-contracts, without possibility to exit before the contract have run out, which might force Samsung to wait with the implementation of this service. Due to the financial risk with investing in trains or trucks, it is suggested that Samsung cooperate with an existing transportation company rather than operate the transportation on its own.

The suggestions presented in this report, is one way for Samsung to better live up to its environmental vision, “a leader in the work for a sustainable future, through innovative and eco-friendly products and technology”. If Samsung choses to take the actions suggested in this report, our opinion is that it can both perceive positive effects on the business results and increase the company’s good reputation.

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