



PROCUREMENT BULLETIN

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[Case Study] Does the Galaxy Note 7 Recall Threaten Samsung's Industry Lead?

Recalls can have damaging effects on a brand. Investors predicted that Samsung would learn this firsthand after recalling its Note 7 smartphone in October 2016. Many consumers lost trust in the brand, and Samsung has spent millions of dollars trying to alleviate the damage. Check out how Samsung handled the recall and what this means for future smartphone sales.

Situation: Samsung Recalls the Galaxy Note 7



Image via [Flickr](#) by JeepersMedia

Samsung launched the Galaxy Note 7 on August 19, 2016. Two months later, consumers were shocked when Samsung had to recall the smartphones. In some cases, the battery could get so hot that the Note 7 would explode. Consumers reported several instances of this to Samsung, ultimately prompting the recall. The company instructed consumers to power down their phones and replace them immediately due to the potential for danger, and commercial airlines even banned the Note 7.



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According to [Time](#), Samsung received 92 reports of batteries overheating in the U.S. Twenty-six of these reports cited burns, and 55 cited property damage. These reports led the brand to recall 2.5 million Note 7 smartphones in 10 worldwide markets. After the recall, Samsung's market value plummeted as investors reacted.

Approach: Samsung Attempts Brand Damage Control

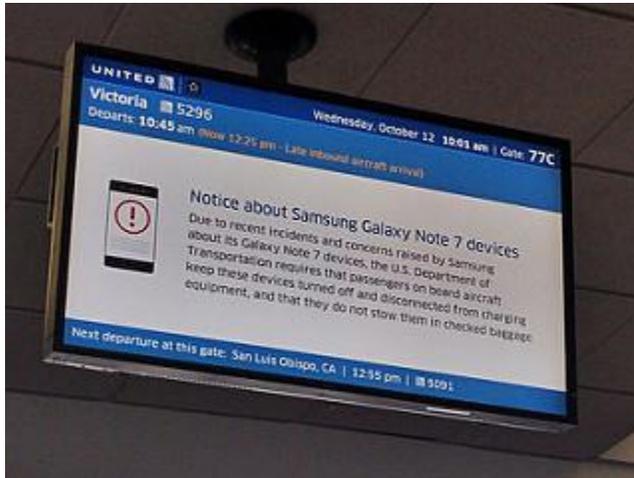


Image via [Flickr](#) by mlcastle

After the Note 7 recall, [BGR.com](#) reported that 40 percent of Samsung phone owners said they won't buy another Samsung phone in the future. Branding Brand CEO Chris Mason said, "Samsung consumers say battery life is a key to their loyalty with the brand; however it's the same reason for the drop in confidence."

To combat damage from the recall, Samsung has incentivized its customers to stay with the brand by offering steep discounts on other Samsung smartphone models, such as the Galaxy S7. Some customers have turned to Apple and other smartphone brands because of the massive recall on the Note 7. It's still possible for Samsung to retain market share, however, especially since customers can choose from plenty of other Samsung smartphones.

[CNBC reported](#) that Samsung only lost about 15 percent of its customers to Apple and other brands immediately following the Note 7 recall, despite what surveys predicted consumers would do. The company continues to recover, and market value has started to rise again. This is good news for both Samsung and the South Korean economy.



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Impact and Advantage



Image via [Flickr](#) bybestboyzde

The South Korean economy has felt the effects of the Note 7 recall, as Samsung generates 20 percent of the nation's \$527 billion in annual exports. The company is a household name, as Samsung sponsors hospitals, universities, hotels, credit cards, and appliances. Samsung also provides thousands of jobs across South Korea. The company is critical to South Korea's growing economy, and the recall has had a major impact on the country.

Only time will tell if Samsung can make a full comeback after the Note 7 recall. After all, the brand has been a leader in smartphones for nearly a decade. Since [Samsung predicts a \\$3 billion hit to its brand](#), however, this episode will probably go down as the costliest safety recall in history.



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Japan's Three Major Ocean Carriers Plan to Merge in Mid 2017

The 2008 financial crisis put the global container industry in turmoil. Since then, the road to recovery has been long and difficult. Even A.P. Moeller-Maersk, the biggest shipping company in the world, has cut costs and adjusted its operations accordingly. Around the world, several ocean carrier mergers have occurred in order to keep companies in business. Now, three major Japanese ocean carriers have decided to merge for the same reason.

Overcapacity in the Ocean Carrier Industry



Image via [Flickr](#) by gvgoebel

Most companies that need to ship large quantities of goods overseas turn to ocean carriers. Shipping by ocean carrier tends to be much less expensive than shipping by air, but most ocean carriers have struggled with profits since 2008. There are several factors at work, but overcapacity is one of the biggest reasons that the ocean carrier industry has faced a challenging recovery.

Before the 2008 economic downturn, the industry experienced an [influx of new container ships](#). Ocean carriers built massive new ships that could carry more containers than ever before. When the world market crashed, however, ocean carriers couldn't fill their ships or recoup their expansion costs. This caused rates to plummet and profits to dwindle. As a result, several ocean carriers have had to merge to survive.



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Japan's Ocean Carrier Merge



Image via [Flickr](#) by ignatgorazd

Nippon Yusen KK, Kawasaki Kisen Kaisha Ltd, and Mitsui OSK Lines Ltd plan to merge in July 2017. The new entity will form one of Asia's biggest box carriers and make up [7 percent of the global market container volume](#). The complete merger will take some time, but operations are expected to begin by April 2018 with approximately 256 vessels.

The new company will be worth 300 billion yen (\$2.9 billion). Kawasaki Kisen and Mitsui OSK will both own 31 percent of the new company, and Nippon Yusen will own 38 percent. [CNBC.com](#) reports that by merging, the ocean carriers expect to save 110 billion yen per year.

Implications of the Merger



Image via [Flickr](#) by xiquinho

Regulators around the world have heavily scrutinized the Japanese ocean carrier merger because



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it means the nation will no longer have any domestic shipping competition. This could lead to higher shipping rates for customers throughout the country.

President of Nippon Yusen, [Tadaaki Naito](#), acknowledged that the merger would reduce competition but that it is necessary for global competition. He said, "If we don't want the number of Japanese shipping companies to be zero, we need to create one strong, splendid company."

Japan intends to remain competitive in the global shipping industry through this oligopoly. Even though all three companies are forecasting a loss in 2016, shares in the companies jumped nearly 10 percent after the three-way merger announcement. Kawasaki Kisen rose 8.5 percent, Mitsui OSK rose 9.2 percent, and Nippon Yusen rose 9.9 percent.

Without a merger, all three Japanese shipping companies could face the same fate as South Korea's Hanjin Shipping Co Ltd., which collapsed in August 2016. Container shipping companies are scrambling to grab a bigger share of the market, and more mergers may follow.



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[Case Study] Target Becomes a Leader in Solar Energy

As the company's massive solar program indicates, Target takes corporate sustainability seriously. In 2016, the company exceeded Walmart in solar power production. Today, Target stands out as a solar leader in the retail industry. Check out how Target accomplished its solar goal and the impact and advantage this type of sustainability has on other companies.

Situation: Target Leads in Solar Panel Installations



Image via [Flickr](#) by JeepersMedia

A new report from the [Solar Energy Industries Association](#) (SEIA) named Target the top corporate consumer of solar power. Until 2016, Walmart was at the top of the list. Target now produces 2 megawatts more solar power than Walmart does.

Target installed approximately 70 megawatts of solar panels across its facilities in 2016. That brings its total to 147 megawatts across 300 stores. In comparison, Walmart has 145 megawatts of solar panels across 364 facilities. Target doesn't plan to stop at solar panels on 300 stores, though. The company plans to install panels on 500 retail locations, distribution centers, and other corporate facilities by 2020.

[Tom Kimbis](#), an SEIA representative said, "These blue-chip companies are proof that sustainability and profitability is not an either-or proposition ... Investing in solar is a commonsense decision that pays dividends for both the environment and companies' bottom lines." That's why Target is incorporating solar energy into its sustainability plan and company culture.



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Approach: Target's Dedication to Sustainability



Image via [Flickr](#) bymattwalker69

Target's 2016 investment in solar energy proves the company's dedication to sustainability. This move offers many benefits beyond a decreased environmental impact, though. In addition, Target is saving money on energy costs and supporting jobs in the solar industry. As the cost of traditional forms of energy increases, Target will realize the cost savings from solar energy even more.

As John Leisen, Vice President of Property Management at Target, said, "At Target, sustainability is a principle that drives the decisions we make across the company — from the products we make to the way we run our business. We're incredibly proud of the progress we've made in improving building efficiencies and reducing environmental impact."



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Impact and Advantage



Image via [Flickr](#) by Schwarzerkater

Target and Walmart are not the only [retailers with major solar installations](#) at their facilities. Costco, IKEA, Kohl's, Macy's, and Apple also power many of their stores with solar panels. Each company received recognition in SEIA's solar power report.

Target hopes more retailers will realize the benefits of solar energy and incorporate it into their own sustainability plans. As the world's population continues to grow, the strain on natural resources increases. Solar power is a renewable and sustainable resource. Plus, it helps reduce carbon emissions and keeps energy costs low.

The cost of solar has decreased dramatically in recent years. This lower cost enables retailers to incorporate solar into their sustainability plans. Target is a clear leader that inspires other retailers to use alternative forms of energy. Walmart will continue to be a major player in solar energy and compete for the top spot on the SEIA report, but for now, Target leads the way.



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3 Ways to Fight Back Against Food Waste

Food waste is a major problem in the U.S. [Business Insider](#) reports that one-third of all food produced in the U.S goes to waste, which equals 133 billion pounds of food per year. Supermarkets are some of the worst offenders. Big brands like Walmart have been caught dumping food into the dumpster because it was nearing its shelf life. Check out these three ways you can fight back against food waste.

Donate Food to People in Need



Image via [Flickr](#) by USDAgov

Millions of people go hungry every day, resulting in a worldwide problem with no easy solution. To address this issue, many supermarkets have opted to donate food to people in need as it nears the end of its shelf life. There aren't enough programs for supermarkets to turn to, though. Local governments and nonprofit organizations should work with supermarkets to distribute the food before it goes to waste.

The federal government promotes food donation through tax breaks from Internal Revenue Code 170(e)(3), the Bill Emerson Good Samaritan Food Donation Act, and the U.S. Federal Food Donation Act of 2008. Supermarkets can look for programs in their area to facilitate the pickup and distribution of food before it goes to waste.



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Educate Consumers About Shelf Life



Image via [Flickr](#) by thomasswilliams

Another reason for food waste is that customers often don't know that there's a difference between an expiration date and a sell-by date. Most foods last long after the sell-by date. However, many supermarkets pull food from their shelves long before the sell-by date because they know customers won't buy it. More consumer education in this area could go a long way in preventing food waste at supermarkets.

Customers also carefully pick their produce based on shape and color. That means many retailers throw out produce that has odd shapes or small imperfections. Since shape, size, and color don't usually affect produce quality, educating customers or donating imperfect food could reduce waste.

Monitor Supply Chain Costs and Efficiency



Image via [Flickr](#) by walmartcorporate

Supermarkets try to stay fully stocked so customers don't go to competitors instead. Plus, [customers are more likely to buy produce from an overstocked display](#) because they believe



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that the produce is more fresh. This business model leads to waste because supermarkets constantly rotate food to keep it fresh before waiting for the older food to reach the end of its shelf life.

Better supply chain planning and routing to create higher visibility would help prevent food waste. That way supermarkets can stay stocked but not so overstocked that excessive food waste occurs.

Supermarkets can also extend the shelf life of produce and other products with careful temperature monitoring. That means turning to shippers that offer refrigeration. For instance, [Penske](#) reports that raising the temperature of bagged salad from 34 to 42 degrees during shipment decreases the shelf life by five days.

Supermarkets should look closely at their supply chains and identify ways to reduce food waste. Many small changes can make a huge difference in terms of decreasing food waste while saving money at the same time.



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- 25-28 April 2017 - Singapore
- 7-10 May 2017 - Dubai, UAE
- 3 July-31 August 2017 - Online Distance Learning
- 24-27 July 2017 - London
- 21-24 August 2017 - Kuala Lumpur, Malaysia
- 23-26 October 2017 - London, UK
- 4 September-31 October 2017 - Online Distance Learning
- 6-9 November 2017 - Lagos, Nigeria
- 19-22 November 2017 - Dubai, UAE
- 27-30 November 2017 - Singapore
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- 16-18 October 2017-London,UK
- 13-15 November 2017-Dubai
- 6-8 December 2017-Singapore
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