

Kulicke and sofa industries inc essay



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The underlying forces that led K&S's need to make changes to its current supply chain network are because of the cheap labor. The geographical movement in the electronics manufacturing industry to Asia and other Pacific nations has implied that organizations have needed to update their inventory Network. With clients moving to Asia, and new markets opening up, numerous K&S contenders have as of recently put resources into new destinations. By examining figure 2 (semiconductor equipment spending by geographic region) it is obvious that the Asia-Pacific using on Semiconductor supplies is expanding year on year, and outpaced Europe's use marginally in the year 2000, and is relied upon to keep on developing throughout the following couple of years.

With the end goal K&S should keep on holding its overwhelming position in the business it must research conceivable chances and guarantee that their inventory network is dexterous enough to have the ability to meet client prerequisites in this developing business sector. To support their present business sector fortress, it is vital that K&S look at their present supply chain. With the geographical shift in the market comes expanded pressure from competitors. Some Semiconductor firms have recently initiated movement and have moved, with new plants being implicit in Singapore, Taiwan, the Philippines and South Korea.

This permits them to be closer to their customers and increases the firm's purchasing power by exploiting cheap labor, decreased working expenses, charge taxes and raw material expenses subsequently gaining competitive advantage. Despite the fact that K&S have a good market position, rivalry inside their essential business sector is intense. Variables, for example,

performance, quality, customer support, cost and delivery all impact the way of K&S's multicounty competitive cooperation. For K&S particularly in this industry changes and innovations are very common and happen often, in order to maintain competitiveness K&S should change their current supply chain network

What factors should K&S take into account in each decision to redesign its supply chain network?

- Economic factors: These elements can incorporate Economic development, tax changes, inflation and exchange rates. K&S must be particularly aware of variables, for example, inflation and economic development. With prospected territories of development including China, K&S should carefully monitor these areas as it may influence any future investments. Currently the Chinese government are taking an involved methodology of how their economy is improving and are inviting outside speculation with offers incorporating assessment motivating forces which obviously make it an alluring area for numerous firms. And in spite of the fact that there are other underlying components that make China an alluring alternative, K&S must be attentive to the numerous monetary variables in each area that could possibly influence there development.

- Political factors:

This alludes to government strategy and what impact it has on the economy. It additionally affects on what products and administrations they wish to furnish. Such political choices could have tremendous suggestions on numerous ranges of the business from the workforce training to the nature of

the framework. It is imperative that K&S can distinguish these conceivable suggestions and element them in where vital when settling on their choice. Case in point despite the fact that Jordan may have a moderately shabby introductory venture cost and be spotted shut the Israeli plant, it does have questionable conciliatory relationships and that can utmost K&S's operations.

- Environmental factors:

Environmental factors include the climate, climate change and biological issues, for example, global warming. K&S must consider these variables quite precisely as their arrangement to extend specifically locales may be influenced by weather conditions/climate.

- Technological factors:

The level of technological progression in an area can benefit or contrarily influence the chances accessible for a business. Assuming that K&S can recognize an area with an innovative establishment, it then empowers them to streamline operations and wipe out holdups. New technologies make new items and advancement; it can decrease costs whilst enhancing the quality of the products.

- Legal Factors

Legal factors can vary between the region, city, state and national levels. K&S must be familiar with the confounded regulatory, financial and administrative courses of action included when combining into new areas. However this truly ought not be an issue as K&S are as of now a

multinational firm, working in diverse continents not to mention countries. The fact that K&S already operate within Israel and Singapore is of a huge benefit when it comes to the legal processes involved. This hugely simplifies the idea of possible expansion in these two sites.

Should K&S expand the current capacity in Israel or open a new plant elsewhere? There are advantages and disadvantages in both choices, K&S have had vicinity in Israel for over 30 years, and without intensive examination it looked as if extending the present area in Yokneam boded well in regard to some aspects. The speculation required to stretch the present plant might be fundamentally less than the set up expense of another plant in an alternate nation.

The base is overall improved and by working with one and only extensive site might imply that they might have the adaptability to impart overheads. By finding diverse parts of the business (e. g. R&d and manufacturing) on the same site, it implies utilities and different administrations could be imparted bringing about easier working expenses. There nearby information of business, laws, and supplier system and the dependability of the workforce are again figures that make Israel's plant an alluring choice for K&S.

While original set up charges are low, with the Israel's excessive taxes, and with an average hourly wage of \$10. 78 this would badly affect long-term profitability. Even thou there are many advantages to gain from the opportunity of developing K&S expand current operations in Israel, there are also issues that cannot be ignored that could affect the long-term profitability of growing existing operations. One of the major critics of having

a location in Israel is the tax load. This added up to be 43% of Gross Domestic Profit (GDP) in the year 2000. Israel has a generally advanced, robust foundation; nevertheless it is not ensured that this site could logistically supply a worldwide market.

Its vicinity to market is sufficient to supply the European and US market in the future yet with a specific end goal to exploit the developing Asia-Pacific business, K&S necessity to grow operations in an area that will empower them to develop with the business sector, spot inside close proximity to clients, suppliers and to stay intense inside the commercial market. With these elements thought seriously about, K&S may as well genuinely think about the alternative of opening an alternate plant. Low work expense, tax incentives, closeness to market and long-term benefit all exceed the positives that growing the present Israeli site bring to the table. By the year 1999 Kulicke & Soffa Industries Inc. regulated more than half of the wire holding supplies market share and they were the biggest manufacturer of semiconductor equipment worldwide.

Because of its size the organization searched out approaches to venture into new markets while keeping their current positions. With vast amounts of K&S contender's setting up operations in Asia keeping in mind the end goal to take care of the developing demand in the zone it appears the best choice for K&S might be to pick a range in Asia as the setting for their new operations. Other than holding a developing piece of the overall industry in the semiconductor supplies industry Asia additionally held favorable circumstances because of the low expenses all around the district on

operating, materials, labor etc. After considering all the factors and the circumstances, in my opinion they should open a new plant elsewhere.

Assuming K&S opens another plant, what are the advantages and disadvantages of the different locations? In 2000, in the United States they had 9% of net sales received, while in areas like Taiwan detained 31% of net sales and 22% in Korea and China. Due to the companies' place in the market a second source could demonstrate extremely invaluable the main issue was choosing the most beneficial area to set up in. as Torton said “ Our customer base was moving to Asia,” “ So we decided to look at China, Jordan, and Singapore.”