

**HIGHLIGHTS:**

- Supply chain models built around human behavior can be much more dynamic and responsive than those segmented by profitability or geography.
- Customer behavior segments are best served by “sub-cultures” that share those segments’ values and priorities.
- Supply chains oriented around the customer base can drive higher levels of ownership and innovation.
- The behavioral model of supply chain requires buy-in from the top and rapid implementation to be successful.
- Employees can be powerful advocates for your company in the social media arena.

## Relationship-Driven Supply Chains

John Gattorna, Author, Dynamic Supply Chains



Author John Gattorna shared his perspective on the need for a new, multi-disciplinary model he calls “dynamic alignment.” His unique behavioral approach argues that the intricacies of relationships are as important as, or perhaps more important than, the processes and technologies that power enterprises. Gattorna explained the linkage of logic behind leadership, corporate culture, strategy and marketing and how dominant behaviors within a given company can enhance or hinder success. Members explored the combinations of supply chain capabilities needed to serve customer buying behaviors in today’s top markets, countries and cultures around the world.

“We’ve got to lift our heads and confront complexity where it is: the outside world.” ~ Gattorna

### Supply chains are flawed unless modeled around human behavior

Gattorna argues the reason efforts to confront growing complexity such as Lean, Six Sigma or RFID come up short is because they do not account for what really drives supply chains: people—both customers and those within the supply chain serving them. The solution? Gattorna argues for segmenting markets not by profitability or geography, but by human behavior, starting with customers.

“This is the head of the dog. If we better understand the head of the dog and stop trying to wag the head with the tail, we’ll be in much better shape.” – Gattorna

“Everyday we try to make the business more manageable internally, we get more misaligned to our marketplace. That creates more exceptions, which means the cost to serve goes up, and the very thing we set out to do goes in the other direction and we have more nervous breakdowns.” – Gattorna

“If we wanted to get ahead of the game in the supply chain, we’ve got to get away from this notion of quicker, faster, cheaper—I think we have to anticipate.” – Gattorna

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## The four behavioral alignments

Based on his research, Gattorna identified four distinct supply chain segmentations to serve corresponding customer buying behaviors:

### Continuous Replenishment

"These are customers who are brand loyal from a single source and aren't all that price sensitive. They just want consistency and to be loved."

### Lean

"These customers also want consistency, but they are all about the transaction. They are going to shop around for the lowest price."

### Agile

"These are the difficult ones. You may not have seen them for three years, but they show up and expect you to drop everything and have their demands met yesterday."

### Fully Flexible

"This customer gets into trouble and needs you to fix it no matter what the price."

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Which buying behaviors best describe your customers?

## Match cultural capability to customer behavior

To best serve the customer segments based on behavior, Gattorna is convinced that the subcultures delivering to each must be aligned based on the values and capabilities of the people who populate them.

"I want a low-cost internal culture delivering to a low-cost customer culture. I want my internal culture of speed delivering to my speed customer culture, and so on!" – Gattorna

"We've got to build competing subcultures in our organization to deliver dynamically. Everything else is just appropriate KPIs, processes, technology, training—all the things we know, but just mixing the recipe differently." – Gattorna

"We've got our supply chain designed for occasion-based customers who want small lots on demand, but we've not gone through the process of figuring out how to effectively deal with those other occasions. And do we even want to?" – Member

Which cultural capabilities are present in your organization?

## Behavioral segmentation allows more focused innovation

Supply chains segmented by values and behaviors can benefit from more defined innovation objectives.

"Innovation means different things to different people. For supply chains serving relationship-oriented customers, innovation is about finding ways to improve the relationship. For low-cost customers, it's finding ways to take cost out." – Gattorna

"If your supply chain is aligned with your customer base, it really breeds innovation because we better understand the opportunities. It transforms supply chain to take ownership and accountability of 'How do we drive market share growth in the enterprise, revenue growth, margin expansion, or new business development?'" – Member

## Get buy-in from the top and move quickly

"It all comes down to a particular CEO or top team saying, 'I like this.'" – Gattorna

"You can't linger too long, otherwise the forces of darkness will move in and create overwhelming resistance to the change." – Gattorna