



The **key** to **successful** **innovation** in enterprise supply chains



John Gattorna advises of the need to deliver innovation in a manner appropriate to your customer and their particular situation

“ There is only one surefire way to innovate and that is to read the market and your customers, and then apply your imagination to come up with something that excites those customers in a *déjà vu* sort of way. ”

‘Innovation’ is another overused term in the management vernacular; up there with ‘collaboration’ and ‘lean’. Nevertheless, it is a concept critical to success in today’s recessionary trading environment — in many ways it is a question of ‘innovate or die’. Certainly, the winners emerging stronger and better from the effects of the current global financial crisis and the negative effect this has had on real economic



activity will be those who have embraced genuine innovation to find new ways to know and connect with their customers.

But there's a catch...

Innovation *delivered* (as Accenture puts it in their advertising) is easier said than done. There is only one surefire way to innovate and that is to read the market and your customers, and then apply your imagination to come up with something that excites those customers in a *déjà vu* sort of way. The very idea of 'innovation' means different things to different customers and the way it is *delivered* has to take this subtlety into account.

Innovate for genuine impact, not for show

Those readers who have followed my train of thought in previous articles in this magazine will know that all my ideas stem from the principle that *we must know our customers better* and use this intimate knowledge to customise the way we approach them. The 'one-size-fits-all' mantra is completely dead and buried in the current era.

So for those customers who are by nature genuine early adopters looking for innovative solutions to complex business problems, we must give them just what they are looking for: fundamentally new solutions. Don't hold back in this situation, because it is the one time suppliers can unleash all their innovative thinking and lead the customer towards a desired solution that they cannot conceive on their own. But there are risks involved, so you have to be prepared for some failures along the way. Successes, however, will be very profitable for both parties.

For customers who are much more in control of their situation and know exactly what they want, you have to do something quite different. To them, innovation means providing differentiated products and services that will help them succeed in their marketplaces, and do so in a fast and responsive way. No long lead-times permitted.

For customers that know their marketplace inside out and place a lot of emphasis on consistency and price, you have to find ways to deliver exactly this for them. Sometimes this has to be more implicit than explicit. For example, if you were to approach this type of customer with a proposal to build a network optimisation model of their logistics network, they would balk not only at the price (which is considerable), but also at what they perceive as the risks involved. You get around this by not sharing plans on what you intend to do and how you intend to do it. Instead you do a type of 'skunk works' to pinpoint where the cost-saving opportunities are, and present the results based on a factual analysis. They will be readily accepted and embraced, without any perception of the risks involved. Otherwise you can continue to refine processes to drive out cost and make service ever more reliable — that is what these customers are seeking.

Finally, for those customers with a fondness for relationships and collaboration, innovation means giving them new ways of doing just that i.e. working with suppliers in more productive ways. Forget the new products and services — they won't be interested — they just want to buy mature products and services from trusted suppliers, and sleep better at night! They will be willing to get involved in joint development work, and accept anything you do by way of improving the quality of the products they buy.

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Where innovation can be dysfunctional

It is a fact of life that those parties in the supply chain under most margin pressure tend to innovate first. They have to in order to survive. In the past, this has meant retailers in FMCG have been first to introduce new ways of working. This yielded desired benefits but also shifted corresponding costs to the supplier end of the channel. We saw this in the UK grocery industry in the 1970s and 1980s, and we saw that the uneven distribution of costs and benefits was ultimately not sustainable. The best innovations are those that benefit all parties in particular supply chains, although not necessarily in equal measures.

Final word

So the message in this article is to pick your mark and innovate in ways appropriate to the customer involved and their particular situation. Not only will this approach be appreciated, successfully avoiding the tendency to treat all customers the same will surely save you money. Believe me when I say they are not all the same. Moreover, they are constantly changing their buying behaviours — something plainly evident in the current global recession. 