



Sticky Supply Chains

Most of us are familiar with good supply chains — those that exhibit operational excellence and efficiency. They consistently deliver what is needed, when it is needed and in the amount requested by the customer. While detailed operational measures and daily dashboards showing that every product is in the right place and every shipment is perfect often accompany good supply chains, more can be achieved. How do you transform an operationally good supply chain into a truly great supply chain? Make it sticky.

“Stickiness” means your supply chain and organization is tightly linked with your customer’s supply chain, creating hard-to-follow competitive advantage and revenue growth. When properly structured, a supply chain that is sticky — in lock step with your customer — elevates your value proposition, broadens your business relationship and creates revenue growth uniquely attributed to your supply chain.

Revenue growth can be achieved from the operational side of the business through a sticky supply chain, but it takes strong leadership, planning and execution. Think of your business in

terms of a professional sports team. There is an offense and a defense. For the defense to score, well you see my point of planning, leadership and execution.

Three Steps in Building a Sticky Supply Chain

Let’s look more closely at the process required to build a sticky supply chain element of your business. Overall, the desired result will be gained through a customer-supplier process of discovery, concept validation, implementation and execution excellence. Each of these elements, or the essence behind each of these elements, is typically a strength found within an operationally good supply chain. The challenge is to harness these strengths and talents within your organization to understand and improve your supply chain as viewed by your customer.

First, a clear understanding of your current operational business model is required. This would include all business processes associated with the order fulfillment process — their capabilities, demonstrated performance levels, operational constraints and customer felt agility. An effective supply chain organization, no matter the functional composition, produces results



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— John Bobik, MainStream Management

through the execution of these operational business processes (including, for example, customer order entry, shipping, warehousing, customization, production, planning and accounts receivable). It is the effectiveness of process execution that forms your customer’s impression of your supply chain.

Second, you need to develop a deep understanding of your customer’s operational business model. This goes beyond understanding the products that you provide and their respective applications, to developing a true understanding of how your customer operates and competes in the marketplace. You will need to identify and be able to articulate the high-impact operational content that your customer performs, from their routine work and what operational attributes your customer brings to their marketplace that contribute to their operational competitive advantage.

Next, you need to develop a new supply chain business model, one in which you increase the supply chain performance execution levels or value-added content of your offering to the extent required to cause an improvement to

the operational competitive attributes that your customer provides to their marketplace. This new business model is what defines the sticky supply chain design. It must create mutual competitive advantage, contain tightly linked customer-supplier touch points and provide long-term value.

Supply Chain Leadership

Creating the sticky supply chain business model takes a bit of thought, and yes, here is where collaborative leadership comes into play. In order for the supply chain to generate revenue, your supply chain leader needs to look at the supply chain from an “outside-in” perspective, not the more prevalent “inside-out” perspective. This customer perspective is the view of your whole supply chain. Not the organization titled supply chain or operations or customer service, but the results of how your functional operational groups collaborate, communicate, trust and perform together. It is this customer perspective, this cross-functional supply chain process execution view, that your leader needs to see in order to successfully build a customer-valued sticky supply chain.



The leader of your supply chain organization would best drive the development of a sticky supply chain, not in a vacuum, but in close collaboration with your customer and your firm's sales team, production group and potentially product design functions. Business tools exist that will assist in the establishment of this "outside-in" perspective, in the establishment of a collaborative customer-supplier learning environment and assisting in the development of a new supply chain business model. Benchmarking, LEAN, value stream mapping, predictive supply chain performance measures, a sticky supply chain maturity model assessment, and joint customer-supplier Kazan events represent the main tools available that can develop the prerequisite tight supply chain linkages that lead toward revenue growth.

Capturing revenue growth specifically attributed to your supply chain starts out as a unique solution for each customer application and the corresponding desired operational competitive advantage gain. The required business linkages can run from the simplest to the most complex. Popular examples of these supply chain linkages include: product kitting, special product labeling, expanded supplier value-added assembly

content, staging of inventory for delivery of goods to a customer job site as required, positioning a configure-to-order assembly cell near the customer and collaborative demand planning.

Finally, the supply chain leader needs to take action to generate revenue. Often, creating the opportunity for a customer-supplier process improvement action, like a collaborative process mapping *Lean Kazan Event*, can be the impetus to achieving the level of understanding required to drive change. Once a sufficient level of understanding exists, a sticky supply chain can be designed. This new design needs to be reflective of a new collaborative business model, one where your customer focuses on the right high-impact operational content and your firm expands its offering to include additional elements targeted at increasing the competitive advantage of your customer. A customer-centric commercial proposal captures the new business model, the value proposition and a supply chain implementation plan. The supply chain leader plays a key role in revenue growth.

Once a customer accepts a new commercial proposal that reflects the new business model, the

final step is execution. That brings us full circle to the strength of a good supply chain: operational execution. The difference in a revenue-generating situation is that the execution is very customer-specific, requiring unique measures, continued support and execution excellence.

Achieving Advantage and Profitable Growth

Upon reflection, what the leader of the supply chain has accomplished is the development of a new operating business model. The basic delivery-of-the product model is retained, but a new customer-centric element has been added to the supply chain. Like in so many things within the operational side of the business, mass repetition of this new business model will bring about efficiencies and competitive advantage.

Once a sticky supply chain is in place, there exists an opportunity to not only sustain the revenue growth through excellent performance, but to expand the revenue gain by formalizing the new supply chain capability into a standard business offering. This action re-uses the initial sticky supply chain investment, potentially increasing your return and creating true *stickiness*.

When properly implemented, a sticky supply chain, one tightly linked to your customer, creates a collaborative customer-supplier environment, which ultimately becomes a barrier of entry for

your competitors. The bottom line is increased competitive advantage for the customer and the supplier, as well as the realization of revenue generation directly attributed to a sticky supply chain.

About MainStream Management

MainStream Management helps middle market companies take a holistic view of their business performance from financial management to operational effectiveness. Our team of industry and process improvement experts have enabled our clients to achieve sustained operational advantages and long term customer loyalty.

For more information, visit stickysupplychain.com and mainstreammanagement.com.

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Author

John Bobik serves as an Executive Consultant for MainStream. Mr. Bobik has more than 25 years of experience leading operational improvement initiatives and guiding Fortune 500 businesses in the creation of customer aligned supply chains. Under his executive leadership, worldwide manufacturers have achieved greater operational efficiencies and created long term competitive advantage by deploying the sticky supply chain model.