



The Supply Chain Connection

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The Innovation Game

by David L. Anderson

Which companies will likely be the next big supply chain innovators? North American companies, such as Wal-Mart, Dell, Coca-Cola and Procter & Gamble, were historically listed as the top global innovators and were emulated when companies looked to redesign their supply chain strategies. However, Asian and European companies have recently proven that they are ready to challenge these leaders. Zara, Honda and Ahold, to name a few, have driven supply chain innovation to new heights and should be examined closely by anyone seeking the best and brightest supply chain ideas. Let's take a quick tour of these emerging innovators to see if they can truly claim the top spots in the future.

Zara, a Spanish fashion retailer with more than 500 stores worldwide, has broken away from the global apparel industry's typical supply chain strategy by using local suppliers in place of Asian ones. By shortening product life cycles and lead times to weeks instead of months, Zara can deliver a steady stream of trendy, low-cost clothing to its young, fashion-driven consumers, generating revenue and profit growth in excess of 20 percent in recent years.

Ever heard of the Fit, the Cube or the Cruz? Japanese subcompact car buyers have watched Honda, Toyota and Nissan introduce several of these niche "fashion cars" over the past few years. With production runs for each model lasting only a year or so, the secret to these companies' success is in innovative supply chains. Japanese manufacturers have slashed overall vehicle development, parts acquisition and assembly times to months instead of years, allowing them to quickly jump on new design trends and respond to short-lived spikes in demand.

Ahold, a major European-based food retail, foodservice and eCommerce company with global operations (including 1,600 Stop & Shop stores in the US), has, like Dell Computer, eliminated the middlemen in the produce supply chain. It has moved out of produce auctions and distributor arrangements to deal directly with local farmers, providing them with yearly contracts (as well as some guaranteed income if the crop fails). Ahold also maximizes its shipment of fresh, shelf-ready produce to stores directly from the fields, helping to utilize selling space more effectively and minimize back-room storage.

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Anderson *cont. from front*

Will these upstarts become the future's top supply chain innovators? Only time will tell. The success of these overseas companies does not mean that North American companies will cease to rank among the global leaders in supply chain design. Kroger, Nucor and Saturn, among others, are clear contenders. Wal-Mart, Dell, Coca-

Cola and P&G are working on a number of new innovations to keep competitors up at night. The new reality is that supply chain professionals will have to increasingly assess these and other emerging global players when evaluating supply chain innovations, especially since these challengers will be competing with them for worldwide markets.

Dr. David L. Anderson is a recently retired partner from Accenture, where he was instrumental in building the company's supply chain practice. He is a member of the Academic Steering Council of the Stanford Global Supply Chain Management Forum, and has collaborated in research with numerous faculty members and students at Stanford.

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Editor

Barchi Peleg

Design, Layout & Publications Manager

Deborah Nobel Newman

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The Stanford Global Supply Chain Management Forum

Professor Hau L. Lee, Co-Director

Graduate School of Business

Stanford University

Stanford, CA 94305-5015

E-mail: haulee@leland.stanford.edu

Web Site: www.stanford.edu/group/scforum