

# Dynamic Value Networks

## The future of Global Supply Chains



**“Traditional logistics is shifting,” says Paul Bradley, CEO of Caprica International. As you’re preparing for an exciting stage of growth in Vietnam, it’s important to think how to move into demand chain and dynamic value networks.”**

### What are Dynamic Value Networks?

According to Bradley “Companies on the leading edge of supply chain management are transforming their supply chains into a stream of multi-dimensional networks that can creatively adapt to dynamic consumer demand.”

Paul Bradley cites a number of case studies which are pushing the boundaries of manufacturing and supply chain management. These companies include Apple as well as Li & Fung and Arshiya International in Asia.

According to Bradley, Li & Fung is a perfect example of a company employing Dynamic Value Networks to their advantage. They are one of the largest manufacturers in the world, growing from 7,500 to 20,000 virtual factories in 48 countries in only three and a half years, producing billions of dollars in consumer products.

While Li & Fung has its roots as a long established Hong Kong trading company, they have scaled rapidly in the past decade by going to factories around the world and locking in up to 30-40% of the factories excess capacity. Li & Fung’s private company has also acquired the franchise rights for

stores in specific parts of Asia including Toys’R’Us, Calvin Klein, and Ferragamo further leveraging their retail knowledge across brands”.

“Essentially Li & Fung is a network orchestrator, buying materials and controlling the supply chain through virtual manufacturing, while not having to own any factories,” says Bradley.

Li & Fung is not the only supply chain innovator coming out of Asia. In India, Arshiya International is creating 5 FTWZ hubs (logistics cities) linked to an integrated rail network that is completely transforming the way product moves across the country.” Currently known for its fragmentation, the future of India’s logistics sector might be quite different as a result.

Another example is Apple, which is an expert in what Bradley calls, “Knowledge Network Orchestration.” Apple has succeeded in shifting its supply chain to a virtual network, where they rely on large contract manufacturers such as Foxconn, but most of the revenue they generate returns to the U.S. With iTunes, they have essentially digitized knowledge, using the iPod, iPad and iPhone and other devices as delivery vehicles or virtual ports, where content is the product they ship.

---

**Apple has succeeded in shifting its supply chain to a virtual network, where they rely on large contract manufacturers such as Foxconn, but most of the revenue they generate returns to the U.S.**

---



# The future of Global Supply Chains

Most of the ink about the recent passing of Steve Jobs has focused on his genius at product innovation and creativity when the reality is that Apple's key to success was really supply chain management. Who did Jobs pick as his successor? Tim Cook, formerly Chief Operations Officer, in charge of manufacturing, logistics, inventory and supply chain, who joined Apple in 1998 and was also instrumental in the success the company is today.

Bradley points out that while Apple makes great products, they are really just vehicles for delivery of content over a virtual supply chain which is controlled and run as a profit center by Apple. Not only do we pay top dollars for our iPhone, iPad, iPod and whatever else they put in front of us, but then we go to the iTunes store and buy music, books and other entertainment.

Apple has a battalion of contract manufacturers who produce their product for a fraction of the profits, while Apple focuses on design and content delivery. Then there are the applications or "apps," another brilliant business model where hundreds of thousands of developers produce applications for Apple. The best part is that they don't get paid by Apple, the customers pay and then Apple takes a hefty commission.

## What does this all mean for Vietnam?

According to Bradley, Vietnam needs to learn from these cases since a lot more manufacturing will be shifting there, both physical and virtual. Vietnam has an opportunity to sidestep the shift that China has to make today from the workshop of the world to a value added provider. If Bradley is right, the rise of Asia will lead to new models of dynamic value networks.



## ADVERTISING



Paul W. Bradley  
Chairman and CEO

[www.capricainternational.com](http://www.capricainternational.com)