

# VALUE NETS

## Breaking the Supply Chain To Unlock Hidden Profits

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The Value Nets Web site is located at <http://www.valuenets.com>.

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**MAIN IDEA**

Value nets bring supply chain management and performance into the digital business era.

A value net marries a concise customer interface with a powerful and responsive order fulfillment engine to deliver exceptional levels of supply performance:

- The customer interface allows the value net to learn exactly what the customer wants in real time.
- The order fulfillment engine builds only to order. It consists of a network of companies who work together. Whenever an order is placed, the order is shared between the partners, with each doing what they do best.
- Information (in digital format) flows the length and breadth of the value net. This has the impact of enhancing the entire value net's performance.

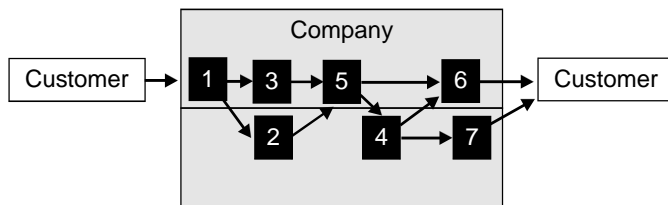
The end result is a value net becomes a digital supply system. Products and services ordered are custom built, delivered in the shortest lead time possible and supported well. Importantly, the value net also optimizes and enhances the profitability of all the companies participating, effectively creating the ultimate win-win outcome.

Section 1 – The Concept of a Value Net . . . . . Page 2

A value net is a new generation supply chain which is:

- Infinitely configurable, rather than sequential and rigid.
- Flexible enough to let customers design their own products.
- Able to build only to meet actual demand.
- Demand-pull oriented rather than product-driven.
- Strategic (seeking solutions) rather than tactical (cutting costs).

In essence, a value net replaces a conventional supply chain with a digital supply system in which a company and its partners share information electronically and collaborate to create value for the customer.



Section 2 – The Five Components of a Value Net . . . . . Pages 3 - 7

In designing a value net, there are five key factors which must be adequately addressed:

Value Nets	<b>Factor #1: Value Proposition</b>	The basic offer the company makes to potentially profitable customers.
	<b>Factor #2: Scope</b>	The key business activities and who will do them – the company, suppliers or partners.
	<b>Factor #3: Profit Capture</b>	How an attractive return on shareholder capital invested will be generated.
	<b>Factor #4: Strategic Control</b>	The ways competitive advantage and associated revenue streams are defended.
	<b>Factor #5: Execution Design</b>	The human and technological elements required to deliver results consistently.

Traditionally, a supply chain was just an appendage to a business. For a value net, however, things are notably different – the value net becomes the design of the business.

Section 3 – The Most Common Objections To Value Nets . . . . . Page 8

The most frequently raised objections to any proposal to build a value net are:

1. Value nets are an entirely new way of thinking.
2. Making every system customer-centric may be difficult.
3. Digitizing operational systems will require big changes.
4. Increasing reliance on information technology is hard.
5. Putting the right management in place is critical.

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