



Innovation





Innovation

Technology-enabled experiences are changing consumer behaviors and demands. At Li & Fung we want to bring together ideas, expertise and a diversity of perspectives from across the supply chain to form an open ecosystem.



Meet the New Consumer

The rate of change in technology is matched only by the change in consumer demands and expectations. The new consumer is connected, time-starved, driven by experiences and seeking the best product for them.

The rise of mobile technology is changing the consumer experience at every stage of the retail journey. Consumers now expect to receive personalized promotions and conduct their own research, relying on peer-reviews. Consumers now spend more time on their mobiles than in shopping malls. Closure of shopping mall stores is only expected to increase in 2017. Brands need to become increasingly creative and flexible. There is more opportunity to grab consumer attention online, but it's becoming an increasingly competitive space.


By 2020, millennials will account for nearly one-third of total spending¹ and it's clear that their spending patterns are very different to the generations before them. Millennials want immediacy, transparency and increasingly demand brands to be sustainable and socially just. As a result, the relationship between consumers and brands is changing. Consumers want to connect with brands and with other people who share their interests and tastes. Brands need to interact with consumers, authentically telling their stories through share-worthy content.

Social media platforms such as Instagram and Pinterest are developing e-Commerce tools, allowing consumers to shop via social media. Consumers want to participate in the innovation and design process of their favorite brands and co-create and connect with others who share their interests and tastes.

Technology is enabling people to come together to form new communities, share ideas and create new industries. We're seeing the power of the many in everything from crowdfunded products to crowdsourced solutions. Never before has it been easier and more urgent for organizations to embrace the collaborative economy and focus on creating impact on business and society.

In this changing retail environment retailers want more from us. They're seeking solutions that address their business challenges. To lead the way, we are focused on convening the supply chain and creating an open ecosystem to transform and innovate.

The innovation needed to respond to today's world cannot take place in a closed environment. The best ideas are unlikely to come from just one person or within the four walls of one organization. We need to look outside, bring together a diversity of people, insights and ideas to solve problems in new ways.

Through enabling technologies, openness and diversity of ideas, innovation can flourish. The idea of creating a world of abundance through innovation is becoming possible. 

A new kind of consumer has emerged, one with different expectations, and it is a completely new game.

By 2020, **80%** of the world will own a smartphone²

By 2020, mobile purchases will make up **45%** of total U.S. e-commerce market³

¹ <http://www.mckinsey.com/industries/retail/our-insights/how-retailers-can-keep-up-with-consumers>

² <http://www.economist.com/news/leaders/21645180-smartphone-ubiquitous-addictive-and-transformative-planet-phones>

³ <http://www.businessinsider.com/mobile-commerce-shopping-trends-stats-2016-10>

Innovation at Li & Fung

We are creating a culture that empowers our people to share new ideas, experiment, collaborate and work with speed.



Innovation means creating a culture that allows us to collaborate to create new ways of working, new products, new services and brand new businesses.

Spencer Fung, Group CEO, Li & Fung

How we're innovating

Innovation requires openness to new ideas, people and knowledge. Throughout our businesses we're collaborating with those who have existing capabilities, knowledge, platforms and technologies to take advantage of specialization and multiple points of view. We know that anyone can be an innovator and great ideas can come from anywhere. We also know that we must look at any initial failure as a step towards long-term success.

A new way of working is emerging focused on collaboration, idea sharing and speed. Promoting this in the way we work internally and with partners takes many forms. We are redesigning our office space globally to promote more collaboration, speed and the enhanced wellbeing of our colleagues. Customers and suppliers can co-create with us in dedicated physical spaces such as our beauty lab, which tests our digital products and 3D prints prototypes to reduce development time.

Online, we collaborate with partners through a variety of widely-available platforms like Pinterest or customized digital platforms like WeDesign, developed for our fashion business. Designers across our business from sweaters to sportswear are using digital tools to create virtual design samples for customers. Internally, we're exploring tools for better and faster communication and processes such as Slack and internally-developed mobile applications.

Our business is all about product and more than ever, products must be engaging and innovative. Mobile-enabled, mass-customized products and services are the new normal for consumers. Increasingly physical objects like cars and clothes are digitally interconnected to each other and to us. However, the retail success of these connected products still relies on a deep understanding of consumer needs, especially in an era where modern consumer behavior is highly influenced by technology. As the bridge between the manufacturing and retail process, Li & Fung is rethinking the type of products the new generation of connected consumers need, and is working with our partners to produce these at scale.

Internally, we've brought together a diverse team of innovators with backgrounds in design, technology and business to create the WearWare team. This team is focused on inspiring and co-developing meaningful, smart products for our customers. Rethinking and exploring everything from the scope of materials from types of fabrics and plastics to types of sensors and connectivity, the team uses research, ideation, rapid prototyping and consumer validation to test new wearable products quickly and share their learnings.

Our innovation partners

The same entrepreneurial spirit that drove Li & Fung at the beginning is still at the heart of everything we do today. We believe good ideas can come from anywhere. Through our crowdsourcing platform, The Kitchen, our people are empowered to be innovators. We're creating communities through our open innovation initiative, the workshop, and we're connecting these communities to external ideas, knowledge and people.


Our people are encouraged to find inspiration and develop new skills to work in different ways. They're inspired through working with global thought leaders in innovation such as Clayton Christensen of Harvard Business School, and Singularity University. Additionally, digital learning tools and online communities enable our people to learn and connect with each other anywhere.

We are in a unique position in the industry with a bird's-eye view of the retail supply chain. We're leveraging this to convene customers, suppliers and other partners, common and uncommon, including competitors, technology solution providers, academia, individuals, startups and NGOs, to create an active ecosystem of innovation in and around Li & Fung.

In this ecosystem, our aim is to share expertise and ideas to anticipate, respond to and even lead change. We're facilitating innovation for customers and suppliers, convening new partners and creating new products and services to enable them to respond to exponential change. Our collaboration and co-creation with customers is about helping them respond to rapid changes in the industry, consumer demands and technology developments.

In our furniture business, we've established strategic partnerships with a number of industry and academic partners including MIT's Industrial Liaison Program, Material ConneXion, ArtCenter College of Design and Taipei Tech to collaborate on new technology related to furniture structure and mechanisms, new materials development and design concepts.

Innovation is not only about product improvement. It's also about material development, improved design and more efficient production processes which we cannot do without partnering with our suppliers and factory partners.

Information and speed are the biggest advantages in the future supply chain and these cannot be realized by one party acting alone. As an initial experiment, we're working with two of our supply chain partners in Vietnam and China to roll-out RFID technology on the factory floor, to provide real-time data from production lines. It enables better tracking of progress, reduced waste, improved quality-control, improved accuracy and real-time issue-raising for factory workers. 



Create "unholy alliances." Find and partner with companies completely outside your field, non-traditional players who force you to think orthogonally to your existing strategy and value chain.

Peter Diamandis, Singularity University





New ways of working


A culture of innovation at Li & Fung means the working environment is just as important as having the right mindset.

A survey of over 4,000 companies in 2016 by Gensler found that optimal workplace design is a key driver of organizational innovation⁴. Work spaces that highlight both individual and group work creates an ecosystem of innovation across organizations. This influences the culture and how innovative employees see their company.

In 2015, we prototyped LF Zero Base, a new work space created from scratch to fit the team that worked in it, without any preconceptions of what a traditional merchandising space should be like. Aside from two phone booths and two meeting rooms, the entire 5,000-square-foot space was open to foster interaction between customers and suppliers and collaboration with colleagues. The success of this co-working space is undeniable which is why we launched a global initiative focused on Ways of Working (WoW) in 2016. The WoW project is about creating work environments that promote wellbeing, speed and collaboration between colleagues with diverse backgrounds, skills and areas of expertise.

WoW continues to be rolled out across our offices globally. Many of those in WoW spaces say their new surroundings reflect the dynamic competitive environment they are working in and allows them to work with each other and their customer in new ways.

Our people are coming together to form integrated teams to bring together the diversity of thought and skills needed to respond to the speed at which the retail environment is changing. The Collabor8ors (C8) team formed across our business in Europe and the US aims to drive innovation, creative thinking, connectivity and ultimately develop ideas that support the 'future proofing' of the business. The team focuses beyond just the ideation and development of new product ideas, and also includes designing packaging, presenting and offering marketing recommendations for a total package of service backed by real-time data. The service package that companies provide to customers is more important than ever. It's not just about the product; it's about the whole package.

With more than 250 offices around the world, it's important to find different ways for our people to connect with each other and with the company. 

“We're using space to encourage agility and the collision of ideas, people and innovative processes.”

May Lam, Senior Vice President, Corporate Services and lead for Project WoW

⁴ <https://www.gensler.com/news/press-releases/us-workplace-survey-2016-findings>

New ways of thinking

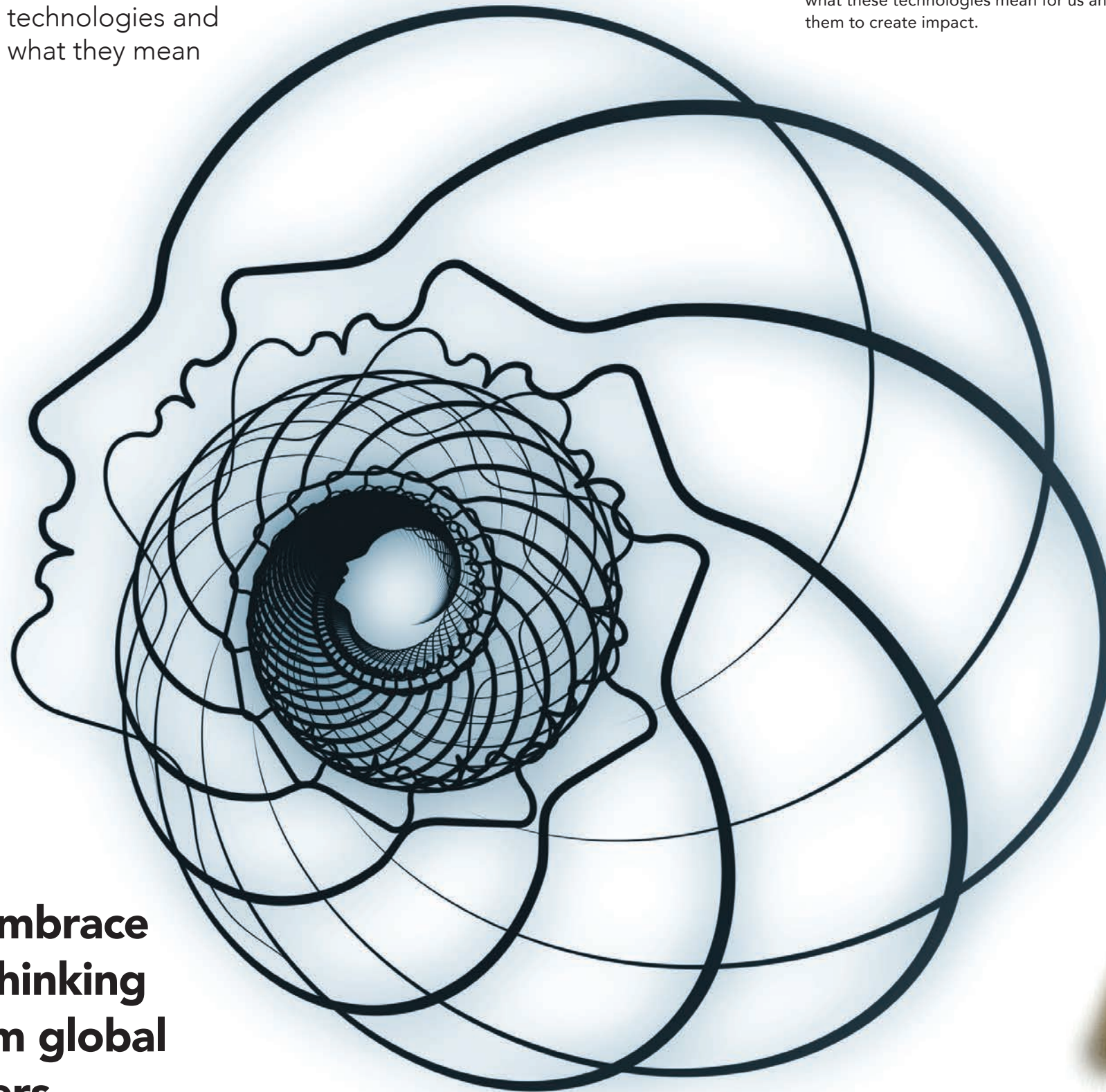
Exploring future trends, technologies and forces of disruption and what they mean for our business.

Our people embrace exponential thinking and learn from global thought leaders.

Together with global thought leaders, we look for insights and new opportunities in the future. To inspire exponential thinking in our senior leadership team we've turned to Singularity University. In 2016, our senior leadership team attended sessions with the think tank through online and in-person training focused on exponential technologies like robotics and AI, exploring what these technologies mean for us and how we can use them to create impact.

We've also worked closely with Clayton Christensen, Harvard Business School professor and author of 'The Innovator's Dilemma' on his theory of disruptive innovation, the different architectures of business and product models and how a business strategy is only temporarily correct.

In 2015, our senior leadership team attended a week-long immersive experience in San-Francisco. The immersion focused on solving tough challenges collaboratively and reimagining our business to be more agile. Prototype Thinking is a set of techniques that maximizes the rate of learning by minimizing the time to try ideas, was at the heart of the program. 



Further Reading

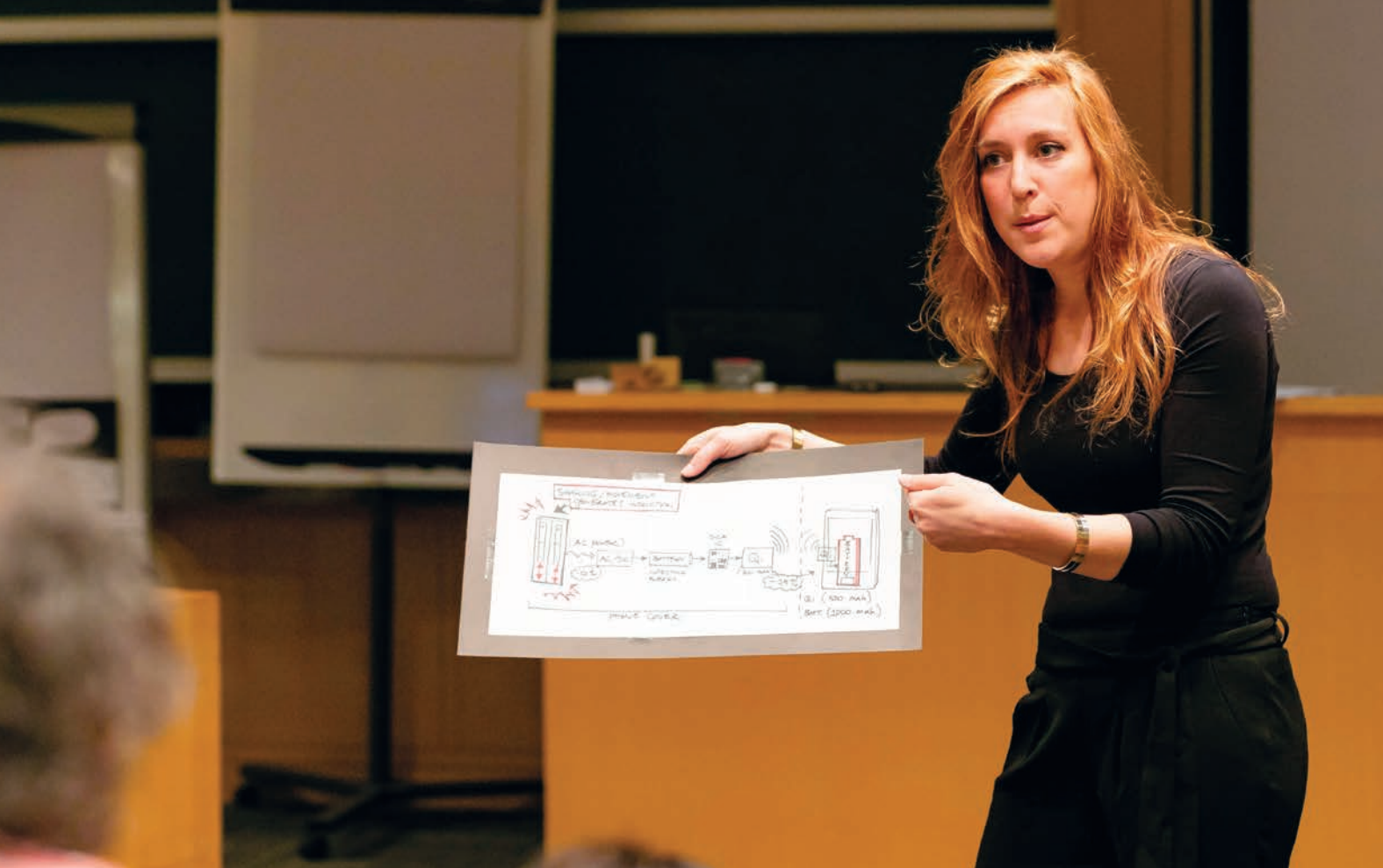


Disruptive Innovation Explained -
Harvard Business Review

When Giants Fail - What business has learned
from Clayton Christensen - **The New Yorker**



An incumbent's guide to digital disruption -
McKinsey



Communities of innovators

At Li & Fung, we leverage internal and external resources to encourage intrapreneurship, innovation and collaboration across our global network. Innovation cannot happen in a vacuum.

We are strong believers in bringing knowledge and best practices from the outside to share inside the organization. This happens through our innovation partners like Singularity University and thought leaders like Clayton Christensen, where we are helping our leadership team understand disruptive, game-changing technologies and how our business must innovate and adapt to change. On a more grassroots level, we curate a speaker event series called the Guerrilla Sessions. Outside innovators, entrepreneurs, changemakers and experts from a range of backgrounds and industries are brought in to share the failures and triumphs of their innovation journey on topics ranging from e-commerce startups, to finding your purpose, to social innovation and more. The Guerrilla Sessions is a growth driver of our growing community of innovators as it provides a space for like-minded colleagues to connect, share and get inspired.

In 2016, we launched our largest open innovation experiment through a crowdsourcing platform, The Kitchen. The platform enables our people to come together to share ideas and collaborate to solve some of the industry's biggest problems. Our first challenge focused on product-design, but since then The Kitchen has crowdsourced over 700 ideas across 74 locations through 7 challenges and idea jams with more than 2,000 colleagues collaborating on ideas. We have completed structured challenges, idea jams and offline brainstorming at different scales to crowdsource ideas for product and service design, improving processes, creating collaborative work spaces and effecting positive change

for a billion people along the supply chain. To complement the online crowdsourcing, we introduced offline brainstorming sessions based on design-thinking principles.

In our journey to create a culture of open innovation in the company, we're challenging the notion that innovation is any one person or team's domain. We want to enable every colleague, team and operation across the company to feel both inspired and supported to express their full innovative self anytime and anywhere. The Kitchen was the largest open innovation experiment ever conducted at Li & Fung, and from that a community of innovators emerged from across the company, a clear indication that this was something our people were passionate about. This led to the creation of a new unit, called the wørkshop, which is charged with expanding the culture of open innovation across the company. In addition to The Kitchen and Guerrilla Sessions, the wørkshop also manages our growing community of innovators through an online Slack communications platform. Through the wørkshop, any colleague in the company can connect with both colleagues and outsiders to explore and discuss disruption, leading innovation or creating products that are revolutionizing industries. 🇸🇬



Open innovation is beyond idea-sharing. It's about enabling a culture of innovation through interactions and collaborations between innovators.

Yi Hoo Ong, Open Innovation Lead, the wørkshop



Our people participating in ideation sessions.

Further Reading



Using the crowd as an innovation partner - **Harvard Business Review**

Why more companies are embracing open innovation - **Fast Company**



Partnering for new products

One example of how our innovation ecosystem came together is a new collaboration between our Catalyst business, together with RFID and IoT partners Smartrac and Blue Bite for high-end ski apparel brand Spyder.

Together, they created Spyder's first wearable technology for its latest men's US Ski Team jacket collection. The ski jacket enhances the consumer's on-mountain adventures through NFC technology embedded in the Spyder logo patch using Smartrac's *Experiences* solution.

NFC technology has been used primarily for information and data storage, so this was the first time that the technology has been used for social media platforms and to link the wearer to interactive content.

The companies will collaborate to implement the *Experiences* solution into Spyder's other product categories beyond outerwear, helping the brand turn its physical products into digital experiences, revolutionizing consumer journeys and product lifecycles.

It's clear that the rate of innovation needed in the industry cannot be achieved alone. Another example of how we're partnering to out-pace the rate of change is in our **furniture business**. We're working with multiple partners to meet different needs from material innovations to consumer insights. Under the leadership of Henry Chan, president of our furniture business, we've established a strategic partnership with MIT's Industrial Liaison Program (ILP).



Wearable technology and social media takes consumer experience to a whole new level.

As one of MIT's 57 interdisciplinary centers, labs and programs, ILP connects corporations with research teams to collaborate on technologies and life-changing ideas. It helps members navigate MIT's vast resources, including its 300+ research centers and 3,000+ faculty and research staff. Through our membership we are collaborating on new technology related to furniture structure and mechanisms, new materials development and design concepts as well as tapping the wisdom of other members. Beyond having access to MIT's extensive knowledge and expertise, the partnership will also open a lot of doors to connect with other corporate members in the program.

We've also partnered with materials consultancy, *Material ConneXion*, to make the most comfortable and technologically advanced seating products using innovative materials, processes and finishes for furniture applications.

As a rising consumer group for home furnishings, retailers need to understand millennial customers and their approach to furniture purchasing which differs to prior generations. To enable this, we partnered with the *ArtCenter College of Design* on a 14-week course that resulted in a suite of product prototypes that conveyed the aspirations of the new generation entering the market place.

In one of the most demanding projects our **beauty business** completed with a luxury brand beauty customer, new techniques in manufacturing from digital printing to sound engineering came into play. The end product, a fragrance, included over a dozen components and required collaboration with multiple factories to create numerous prototypes. Using the principles of rapid prototyping, the end result was not only visually stunning but also helped to create a culture of collaboration and innovation within our own team as well as with our customer and factory partners, while driving more efficiency along the entire development process.

US SKI TEAM
SPYDER NFC COLLECTION



The men's ski jacket features a specially designed Spyder logo patch embedded with an NFC tag. With a simple tap of a phone or tablet, the wearer can immediately interact with real-time and dynamic content, including Spyder's social media feeds (Twitter, Instagram and YouTube) with the US Ski Team, featured videos, countdowns to ski events, and provides location-based information such as snow conditions, trail maps and regional events, to enhance the wearer's experience.