



DEMAND-DRIVEN RADAR 2019

Demand-Driven Supply Chain Management:
status quo and trends

A cross-industry study

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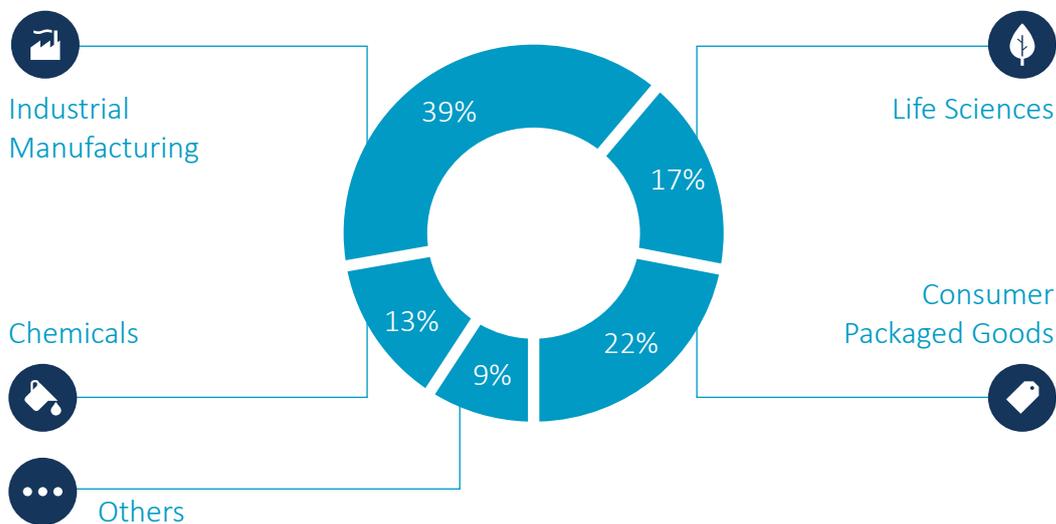
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KEY TAKE-AWAYS

The Demand-Driven Radar by CAMELOT Management Consultants is an annual cross-industry survey to illustrate the status quo of Demand-Driven Supply Chain Management. It highlights changes, trends and key challenges in the Demand-Driven Supply Chain Management space. The 68 respondents of the Demand-Driven Radar 2019 comprise all corporate roles from supply chain expert to C-Suite. The companies surveyed are predominantly headquartered in Europe and the US, but also cover all other global regions. They include SMEs as well as large enterprises. The interviews were conducted by means of an online questionnaire in spring 2019.

RESPONDENTS OF THE DEMAND-DRIVEN RADAR 2019 BY INDUSTRY



THE KEY TAKE-AWAYS OF THE DEMAND-DRIVEN RADAR 2019 ARE:

- 1** The most important challenges in supply chain management are the same as last year: increase of agility and services levels as well as cost reduction.
- 2** Organizations recognize **Demand-Driven Supply Chain Management as a key initiative** to overcome their supply chain challenges.
- 3** In 2019, **change management** is the new **top hurdle** for becoming Demand-Driven. 'Awareness at top management level' and 'adaption of current IT systems' are again among the key challenges. **Pragmatic, step-by-step approaches are needed** to accelerate the adoption of Demand-Driven Supply Chain Management.
- 4** **Companies** recognize the benefits of becoming Demand-Driven and have started their **Demand-Driven transformation**: roadmaps, budgets and teams are defined.
- 5** **Becoming Demand-Driven** is evolving into a **CxO topic**; **Demand-Driven maturity** is **increasing** within companies.

SURVEY RESULTS IN DETAIL

The evolution of Demand-Driven

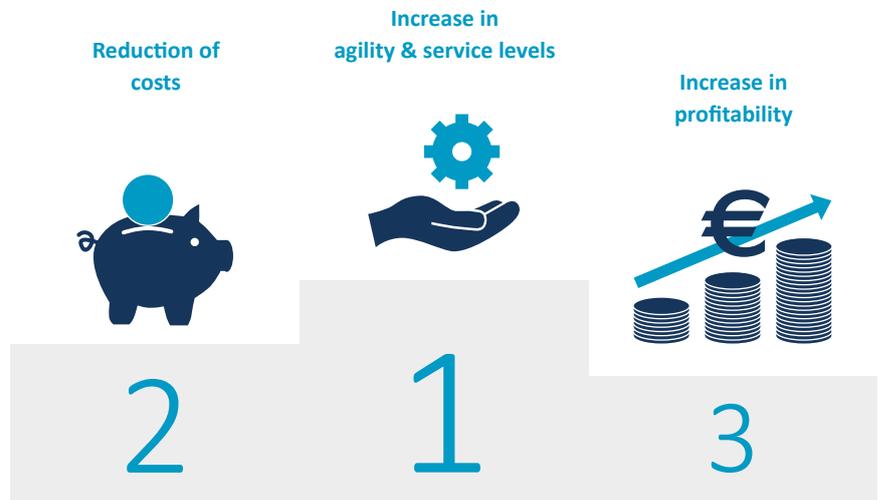
The concept of the Demand-Driven Adaptive Enterprise (DDAE) has been gaining momentum in the industry in the past 12 months. With more and more companies embarking on the Demand-Driven journey, the challenges but also the benefits of implementing Demand-Driven concepts become apparent.





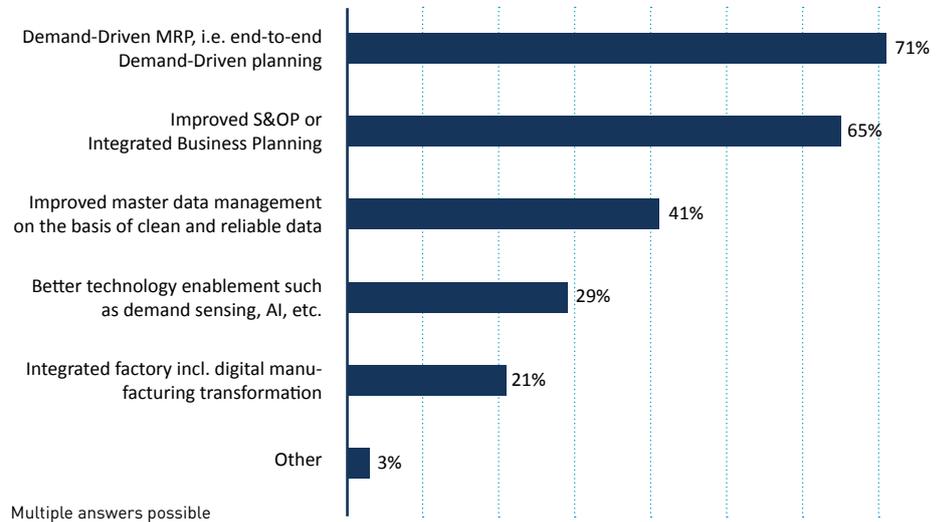
1 Key supply chain challenges

When asked about the most important supply chain challenges in the next three years, survey respondents still say 'improving customer service levels' while optimizing the cost structure. In addition, financial aspects such as profitability and ROCE are gaining more significance.



2 Initiatives to increase supply chain performance

The majority of survey participants (71%) believe that Demand-Driven MRP, i.e. end-to-end Demand-Driven planning, as well as Integrated Business Planning (65%) are the most effective initiatives to enable higher supply chain performance.



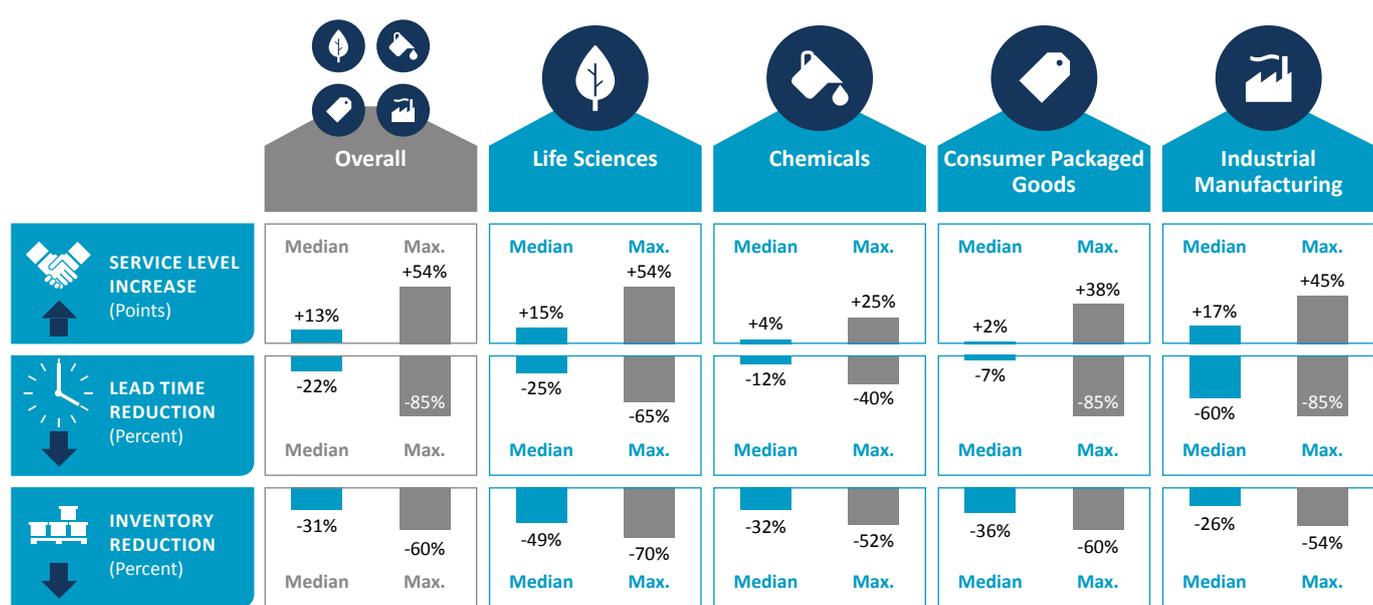


3 Benefits of Demand-Driven Supply Chain Management

The operational and tactical benefits of Demand-Driven Supply Chain Management are clearly seen and understood by most of the respondents. Regarding the top three benefits, 'strategic, flexible and agile supply chain' has taken over the pole position from 'reduction of inventories'. However, although the topics of digital transformation and ROCE are becoming more important, the strategic impact of a Demand-Driven transformation—*increase in revenues, higher profits, optimized working capital, higher customer satisfaction*—is not fully seen yet.

Top 3 benefits	2019	2018
1	Strategic, flexible and agile supply chain	Reduction of inventories
2	Lead time reduction	Service level enhancement
3	Service level enhancement	Strategic, flexible and agile supply chain

Real-life results of first movers in the Demand-Driven space show the benefits that can be achieved through applying Demand-Driven Supply Chain Management

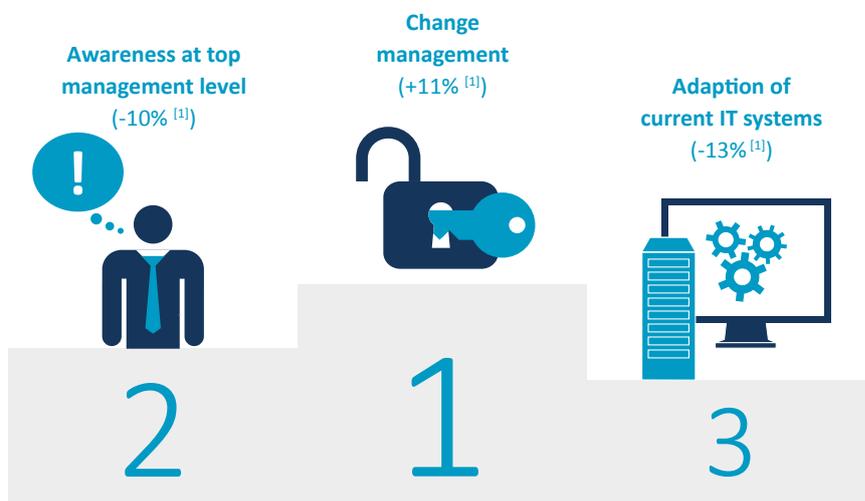


Source: CAMELOT project experience, Demand Driven Institute, FAPICS



4 Challenges in becoming Demand-Driven

Demand-Driven Supply Chain Management is a true paradigm shift that requires new ways of thinking and working. A Demand-Driven transformation therefore poses quite a few challenges to organizations. According to the survey respondents, the most significant ones are 'awareness at top management level' and 'adaption of current IT systems'. In 2019 also 'change management' is increasingly seen as a key challenge.



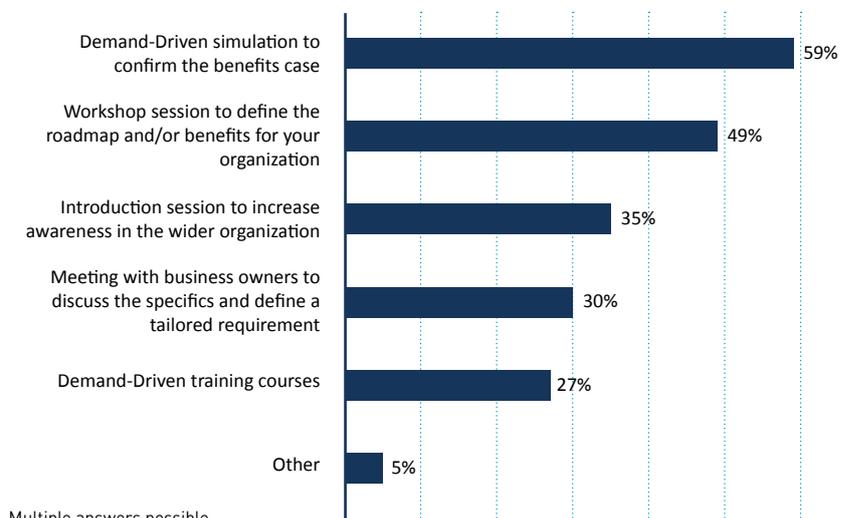
^[1] Relative change of answers between 2018 & 2019 survey results



5 How to accelerate the Demand-Driven transformation?

Most companies are still unsure how to implement the Demand-Driven transformation. Survey results clearly show that theoretical PowerPoint presentations are not enough when it comes to driving the transformation.

Demand-Driven simulations to confirm the benefits cases as well as workshop sessions to define a roadmap are seen as particularly helpful in accelerating the transformation. However, in practice, a combination of various activities is advisable.



Multiple answers possible

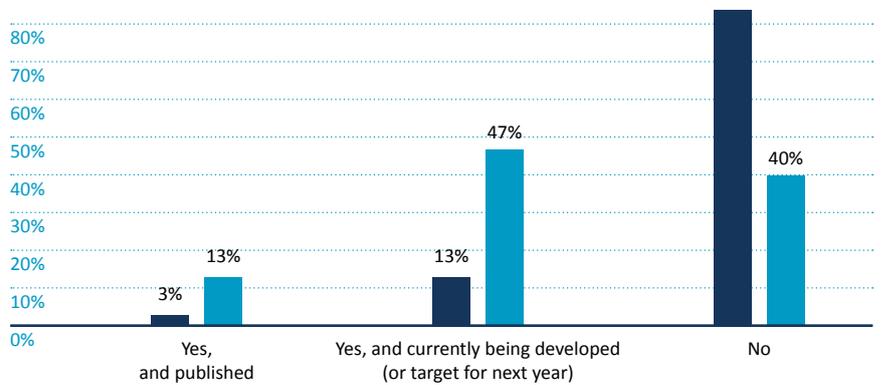


6 Demand-Driven roadmaps & budgets

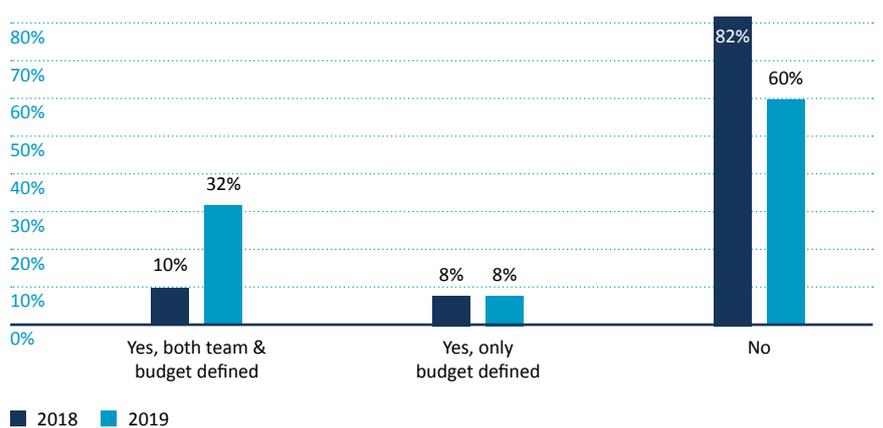
The majority of the companies surveyed, regardless of their size, are currently integrating Demand-Driven concepts into their roadmaps. The Demand-Driven approach seems to be perceived as the answer to the challenges these companies are currently facing. Nevertheless, only 13% of the participating companies already have a planned and communicated roadmap. In most cases, it is a target for the next year.

The observation that organizations are reinforcing their efforts to become Demand-Driven is also backed up by the results regarding the allocation of budgets and a team. The number of organizations that have allocated both a team and budget for Demand-Driven initiatives has risen by 21% compared to 2018.

Do you have a roadmap for being truly Demand-Driven?



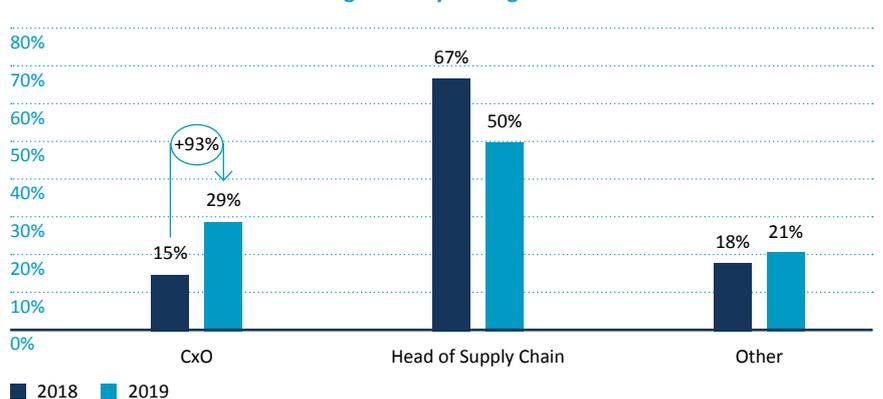
Is there a defined team and budget for this initiative for this or next year?



7 Who drives Demand-Driven initiatives?

Demand-Driven is becoming more and more a CxO topic with the strongest increase at COO (8% in 2018 vs. 13% in 2019) and CDO (3% in 2018 vs. 8% in 2019) level.

Who drives the Demand-Driven agenda in your organization?





8 Status quo of Demand-Driven maturity

The Demand-Driven development path consists of the following five steps:

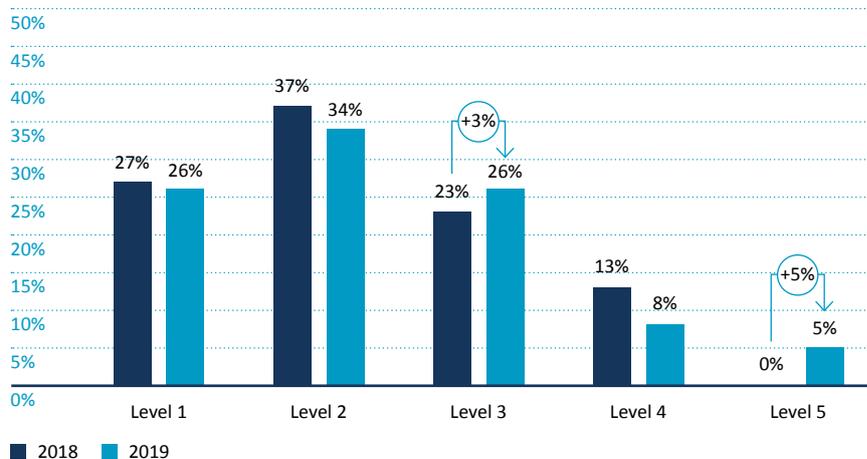
5	DDAE III	Sensing, Adapting and Innovating across the supply chain (customers and suppliers) for continual ROI improvement. Mature DDAE Model.
4	DDAE II	Leverage the Demand-Driven Operating Model capability across the enterprise and into the market. DDS&OP and Adaptive S&OP in place.
3	DDAE I	Synchronizing and leveraging operational capability for better flow performance. Expand the implementation of a Demand-Driven Operating Model.
2	Stage 2	Begin to emphasize flow-based operational efficiency with the preliminary implementation of DDMRP.
1	Stage 1	Focused on cost-based operational efficiency (Cost reduction AND Responsiveness in conflict).

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DDAE = Demand-Driven Adaptive Enterprise

The companies surveyed are boosting their efforts to become Demand-Driven, as illustrated by the small increase from level 2 to level 3 and from level 4 to level 5 on the Demand-Driven development path.

How Demand-Driven is your company?



“Demand-Driven transformation is the key success factor to master today’s market challenges and competition. I firmly believe that it will soon become an industry standard.”

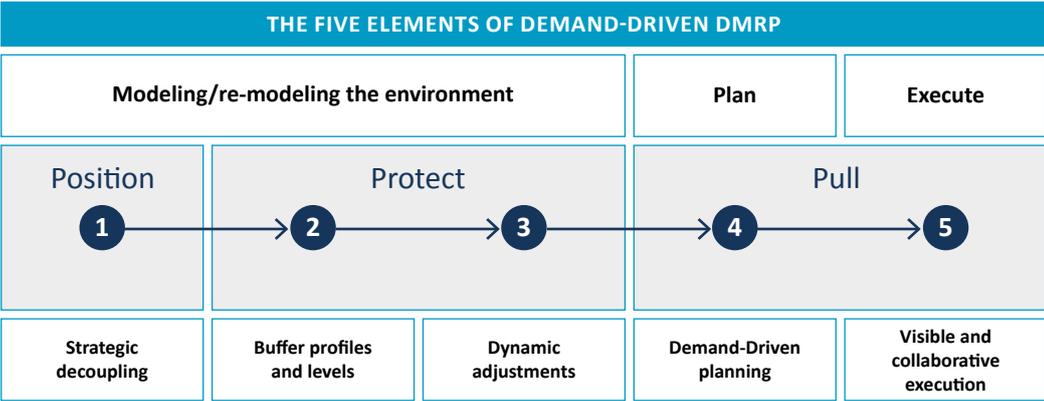
Dr. Josef Packowski · Managing Partner · CAMELOT Management Consultants AG



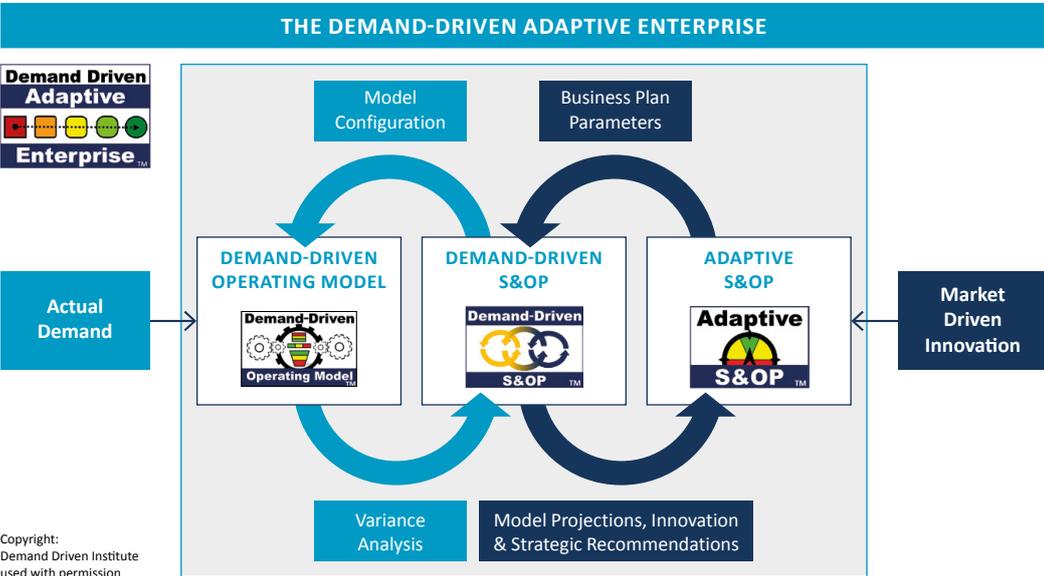
THE VISION OF THE DEMAND-DRIVEN ADAPTIVE ENTERPRISE

The Demand-Driven Adaptive Enterprise (DDAE) is the culmination of Demand-Driven Supply Chain Management. Demand-Driven Adaptive Enterprises have the ability to sense, adapt and respond effectively in an increasingly connected and digital ecosystem. The ability to plan quickly and effectively in a rapidly evolving environment is a key competitive advantage that few companies can choose to ignore.

At the heart of the Demand-Driven Adaptive Enterprise is Demand-Driven MRP, which enables quantum leap performance improvements on an operational level. DDMRP makes sure that companies only produce what is actually demanded or sold – in contrast to the traditional approach whereby companies produce or source what has been planned through (wrong) forecasts. DDMRP uses strategic decoupling points with optimal inventory buffers along the entire supply chain. As “shock absorbers” they minimize volatility on the respective distribution, production or procurement level.



However, the Demand-Driven Adaptive Enterprise goes beyond the operational model. In order to be fully Demand-Driven, Demand-Driven principles need to be continued on a tactical and strategic level in the form of Demand-Driven Sales & Operations Planning and Adaptive Sales & Operations Planning. If these three levels are soundly established within an enterprise, are managed with the right metrics and closely linked with each other, the highest form of Demand-Driven is achieved: the Demand-Driven Adaptive Enterprise.



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HOW TO START

Adopting the Demand-Driven Adaptive Enterprise approach is a journey from learning about the Demand-Driven philosophy to realizing the benefits. Here are the steps that companies need to take:

Thoughtware

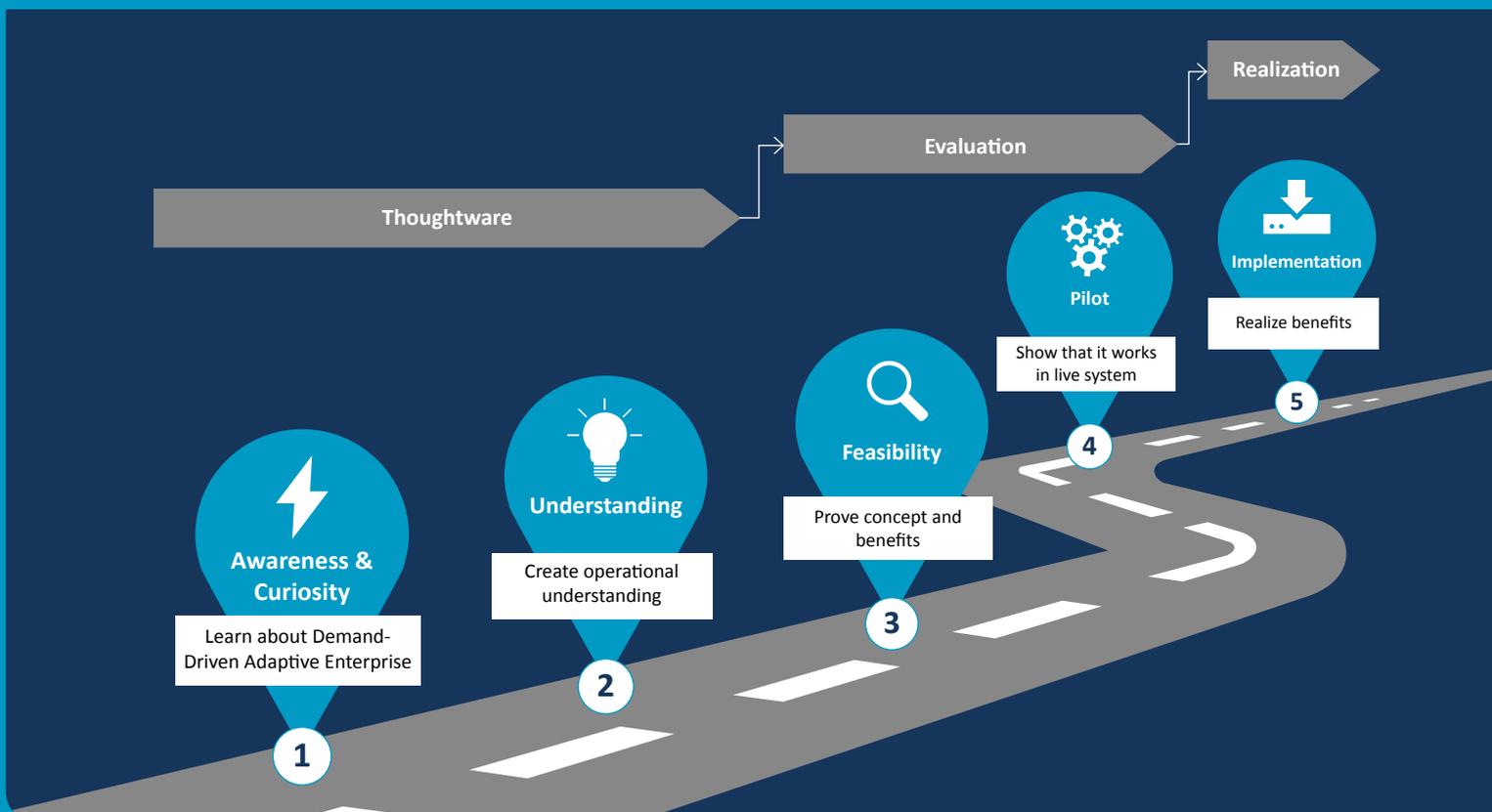
The first two steps are about making changes to the “thoughtware” before changes are made to the hardware or software, e.g. through appropriate training. We have found companies that have taken up Demand Driven Planner (DDP™) and Demand Driven Leader (DDL™) courses either before this step, during or after the “thoughtware” phase, depending on their philosophy. Simulation is turning out to be a popular approach by organizations as they wish to build a bottom-up business case and the ability to get a better feel of how the new concept will work. This helps deliver awareness and better understanding within various parts of the organization, such as sales, operations, planning. A key part of the first phase is also to review the current operating model and compare it with the best-practice Demand-Driven operating model to develop the roadmap of change.

Evaluation

The next two steps in the journey are proof of concept and proof of technology with a pilot project in a representative slice of the business. We have seen a number of businesses tackle the distribution side of the business before they expand the principles across the end-to-end chain. Change management requires the pilot areas to be chosen carefully and with team members who are open and ready to change. Metrics is a key area that should not be overlooked. Metrics drive behavior in the business and adaptive enterprises need to keep the ensure that various functions are not working at cross purpose. The use of metrics like forecast accuracy and OEE are not critical anymore. These are replaced by other metrics that are flow enabled such as return on capital employed or return on inventory, days of stock cover, service level and market share.

Realization

The last step of implementation rollout across the various parts of the organization should take place in various waves. Of course, the steps before should have addressed the need to develop the detailed solution and train up the business champions who are now entasked with the rollout across the business. The use of change management techniques through differentiated communication by stakeholder groups, training rollout, development of intranet site with tools and techniques, and constant communication through webcasts, internal newsletters, intranet etc. is much recommended.



CAMELOT Management Consultants

CAMELOT Management Consultants is the globally leading consulting specialist for value chain management in the process, consumer packaged goods and industrial manufacturing industries. The company is part of the CAMELOT Group with 1,800 employees worldwide and headquarters in Mannheim, Germany. The integrated consulting approach and close collaboration with renowned technology specialists, guarantee project success along all consulting phases: from decision-making to the organizational and technical implementation.

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