



Tech Insight: Demand Management

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We are currently living in a world of continuous change - an ever-evolving society where *consumers* are at the forefront of controlling significant areas of business operations. Organizations are under more pressure than ever to be innovative to keep pace with changing demands. This is where demand management plays an essential role in business planning. By forecasting the demand for products and services, and planning sufficiently for future events, demand management provides the ability to respond appropriately to the changing needs of businesses. Demand management helps to ensure that an organization's requirements and capabilities are synchronized and that operating costs are minimized. In this Tech Insight, we will discuss an overview of demand management, its benefits and challenges, and explore demand management at the Department of Veterans Affairs (VA).

Overview

Demand management is [defined](#) as “a planning methodology used to forecast, plan for, and manage the demand for products and services.” It is a unified method of controlling and tracking business unit requirements and internal purchasing operations. The sustainable concept has endured because profitability and cost-benefit analysis has always depended on the use of tools to forecast demand. These forecasting tools were originally designed to optimize factory operations, producing the products that were in most demand. However, according to a [JDA Vision 2015 Supply Chain Market Study](#), the largest challenge in today's ever-changing consumer-driven marketplace is that dependence on those older forecasting processes and technologies are no longer helpful.

The study found that over half of the responding organizations still rely on sales, marketing, or merchandising teams to provide forecasts for demand. According to JDA, these teams are using historical values to forecast, rather than forward-looking predictive analytics. Less than 40 percent said they are using modeling or predictive performance technologies to forecast

demand. This data suggests that many firms are still reluctant to surrender outdated concepts and move toward a more innovative demand management process.

For most organizations, a wildly-changing technology and economic climate also impacts demand. Therefore, achieving accuracy in demand predictions that are based solely on historical numbers is nearly impossible. If historical evidence is only *one* factor used in determining future demand, then how can organizations excel at their ability to effectively manage demand?

Process

Demand management across different organizations usually follows a set of similar processes and recommended behaviors. Demand management maturity may move through three areas: meeting demand, shaping demand, and sensing demand. The following is an [example](#) of practical steps to establish effective demand management:

1. **Segmentation:** Marketing segmentation allows organizations to recognize and anticipate different customer needs. This important process includes gathering insights, intelligence, and monitoring change, and should be a continual process.
2. **Customer Collaboration:** Collaborating with consumers is mutually beneficial to business and customers. The relationships and the suppliers will create efficiency in the supply chain and develop a competitive advantage. Collaboration means listening to learn the consumers' needs and wants and developing mutual benefits that drive the "customer value experience." It also means helping business partners to understand how business value can be realized through a given opportunity that can help shape demand.
3. **Analytics, Modeling, and Optimization:** When business people and processes are in place, it is important to focus on modeling potential outcomes and responses. Use analytics to model and optimize business operations to create effective demand management planning processes that reach high performance levels.
4. **Forecasting:** When used as part of an integrated demand management process, statistical forecasting can help anticipate changes in demand well in advance. In turn, the business can respond in an accurate and timely manner.
5. **Demand Plan Consolidation:** This important demand planning process must be integrated with business, sales, and marketing strategies to identify and bridge performance gaps.
6. **Demand Execution:** Demand execution communicates an order forecast that is continuously updated based on *actual* demand. Demand execution should evolve as your organization matures; the process should eventually reach a point where the organization can respond to demand changes within minutes, rather than days.

Focusing on simple steps such as these can create a smooth path forward in demand management planning; and understanding that the demand management process is a cross-organizational one is key. Organizations [should remember to](#) document the process; bridge

cross-functional areas that are disconnected; build organizational awareness and commitment; define key performance indicators; implement required systems and tools; and continue to manage change.

Benefits

Demand management reduces costs, while increasing benefits or profits. Digging deeper, demand management and planning help the organization better plan for production, financing, labor, and marketing. Additionally, this method of forecasting can help develop a culture among employees where they can effectively understand change and respond to it, and value the idea of being *innovative*... a must for organizations to meet the demands of a changing world.

Benefits of demand management can also include *supply chain efficiency*, a key reason to implement demand management. Businesses can forecast the amount and timing of sales, which can help streamline the production schedule. In turn, this helps businesses plan maintenance, labor, and warehouse, or shipping needs, if applicable. Additionally, knowing the flow of demand will allow business to manage cash flow more efficiently. Labor management can also improve by knowing the staff level requirements at any given time. Demand management helps alleviate the excessive costs involved in over-staffing and under-staffing. These benefits also include the ability to accurately project budgets; the budget is only as accurate as the demand forecast.

Conclusion

Demand Management is a hot method for lowering expenses, delivering optimal customer service, and growing revenue. Mass customization, increased demand, globalization, and leaner supply chains are all contributing factors to altering demand management requirements. Add the economic climate to the mix, and it is easily understood how demand management continues to be a challenge to ensuring that the right products are in the right place, at the right time. Rethinking approaches in demand planning and management should be a continual method as organizations move through changing landscapes. At the end of the day, if organizations cannot prevent change, they must learn to respond to it, and with responses that are timely and efficient.

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