

Demand-Driven Value Chain Solutions

To succeed in today's economic climate, businesses must achieve consistency, predictability and reliability in value chain execution through the synchronization of people, process and technology. DemandPoint helps companies develop, design, leverage and execute a comprehensive strategy for transforming current business operations in order to generate cash, reduce cost, improve customer delivery and create tangible competitive advantage for product manufacturers and distributors.

Demand-Driven Value Chain (DDVC) is the design of a full Order-to-Cash based supply chain with a focus on true customer demand and the linkage and synchronization of the capable capacity with integrated response and supply of goods. Unlike the traditional push-driven model where manufacturers plan their operations based on factory capacity and asset utilization using forecasts and lead times, the demand-driven model operates on a pull-based, customer-centric approach that allows actual demand to drive supply chain planning and execution.

As the recognized industry leader in creating and delivering comprehensive DDVC solutions, DemandPoint can help you transform strategy into execution.



The DDVC is a model of supply chain design and execution that is an extension of the Demand-Driven Supply Network (DDSN) model pioneered with and by AMR Research and applied to a Total Value Management process. AMR Research defines a DDSN as a system of technologies and processes that sense and react to real-time demand across a network of customers, suppliers, and employees. Becoming demand-driven is a fundamental shift in how to do business. It is based on aligning processes to sense and shape demand, and respond profitably to a demand signal. Based on results from DDSN leaders, it has been proven that being demand-driven can increase revenue by 10% and profitability by 5% to 7%.

If your supply chain is still driven by what you can or do make, then it's time to transform it into a value network that is driven by true demand. It's time to establish processes, policies, infrastructure changes and information flow that sense changing demand and manage it in real time.

If global supply chains were truly just-in-time, demand would be as simple as the next order that comes in the door. With the realities of today's proliferation of sales channels, product options, short product lifecycles, and massive swings in demand in increasingly transparent global markets, the inherent assumptions of level demand and standardized work in traditional lean thinking remain applicable to relatively few commodity, raw material and component suppliers.

Many companies optimize their supply chains to improve customer service by lowering total delivered cost of goods and increasing cash flows. However, by developing a DDVC strategy, organizations can leverage capabilities and resources to collaborate with your customers and suppliers on sensing and profitably delivering on demand. DDVC customers typically achieve the following benefits:

- 17% increase in "perfect orders"
- Carry a third less inventory
- Increase bottom line revenue by 5%

Frustrations are mounting with the disconnect between locally-optimized, lean manufacturing efforts aimed at waste elimination and global demand-driven supply networks (DDSN) that profitably balance supply chain risk and market opportunity.

The notion of DDSN is predicated on the idea that global supply chains, no matter how lean, are inherently full of supply and demand uncertainty and tradeoffs...

Enter DemandPoint.

 **AMR Research**
*Colin Masson and
Simon Jacobson*

Perfect orders in a flow-based value chain often relate to lower receivables and better payables levels as well as negate the need for added capital expenditures for capacity or technology. This results in higher free cash flow as a percentage of gross revenue.

A DDVC positively impacts a company's growth, profitability, and valuation. It identifies growth opportunities and at the same time lowers your supply chain costs. It also enables you to manage capacity and cash during that growth and during downturns.

The right choice of partner plays a major role in realizing best-in-class value chain practices that can differentiate you from your competitors. DemandPoint has a proven track record of partnering with over 3,500 companies worldwide to leverage DDVC principles and applications.

The ultimate goal of a DDVC is the successful integration, management, selection and shaping of the best mix of channels, customers, products, geographies, events and order policies for the dynamic marketplace that is supported by capable and flexible supply.

Companies deploying DemandPoint's DDVC solutions often use advanced forecasting applications to improve forecast accuracy and reforecast frequently but do not rely on forecasts to plan and produce goods. A forecast is required to plan the business, not execute its daily operations. Forecasts support what-if scenarios on multiple demand forecast variations to identify market risks and opportunities and determine an overall "best buy" from a value-chain and cash perspective. DDVC clients will continually and dynamically re-asses the criteria they use to improve accuracy including market segmentation, customer integration and the order to cash cycle.

A DDVC solution is beneficial to organizations because it allows key functional managers across the value chain to respond proactively to deviations caused by internal and external events instead of spending time gathering information, responding to problems, or being preoccupied by ancillary tasks. This exception-based DDVC management of each channel-driven supply chain is a key attribute of a DDVC strategy. Another key characteristic is the execution of daily, weekly and monthly intervals that are driven by the market and not

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DemandPoint helps organizations develop and execute strategies to achieve the following results:

Improve order fill rates and inventory turns

Increase production flexibility and capacity

Accurately assess production capacity

Reduce the cost of carrying inventory to free working capital and reduce cash flow

Avoid infeasible production plans and supplier bull whip effects

Gain timely yield and cost transparency

Focus on most-profitable products, product lines, brands, and customers

system or financial rhythms. It is important to remember that customers do not order according to financial rhythms.

Traditionally, supply chains are driven from the back (supply side), by producers and manufacturers “driving products to market.” The dominant action in a traditional supply chain is to push products downstream towards end customers against a forecast of what they might need or what “we want them to need”. This model is both linear and outdated in its application and approach.

Demand-Driven Value Chains are driven from the front by customer demand and at higher complexity of mix and variations. Instead of products being pushed to market from the supply side, they are pulled to market by customers and true demand.

DDVC does not remove the ability of a company to push product to market. It merely defines how companies executing a value chain strategy will work more closely to define and group market demand by sharing, linking and collaborating. Instead of artificially inducing unsustainable market demand, the concept behind DDVC is to react in tandem with demand that matches capable and integrated capacity.

Companies implementing DemandPoint’s DDVC solution and achieving best-in-class demand forecasting achieve and sustain the following competitive benefits:

- 15% less inventory stocks
- 17% higher perfect-order fulfillment rates
- 35% shorter cash-to-cash cycle times
- 10% less stock outs

Companies that are best-in-class at demand forecasting average 15% less inventory, 17% stronger perfect-order fulfillment rates, 35% shorter cash-to-cash cycle times, while having a tenth of the stock outs of their peers.

Companies that are fully embracing and aggressively pursuing DemandPoint’s comprehensive DDVC strategy are realizing even stronger and more dramatic results.

The DemandPoint Value Chain Advantage

There are three main advantages in partnering with DemandPoint to create a DDVC strategy within your organization:

1. Where businesses traditionally had minimal visibility into market demand, the collaborative technologies employed in implementing a DDVC strategy have the effect of reducing and even eliminating the gap between upstream businesses and the end customer. This gives all levels of an organization visibility into market trends, increasing the accuracy of forecasts and the ability to respond to demand fluctuation.
2. The customer-centric and integrated approach of DDVC and flow accepts that product mix, design and ongoing product innovation are key requirements in creating competitive advantage and servicing true demand with optimal capacity. Feedback from customers is that DDVC helps product designers better understand what customers like and don't like about their products.
3. Deterministic (linear) optimization is replaced with probabilistic (simulated or flexible) optimization that uses stochastic optimization methods to handle variability. Probabilistic models do a better job of accounting for the uncertainties that exist in the supply and demand equation. This is the simplistic modeling of true demand with capacity and working capital.

The combination of these three factors drives growth and improvement through the constant measurement and balance between supply (push) and demand (pull). The successful planning and execution of a DDVC strategy translates into improved business performance and bottom line results.

DemandPoint helps companies develop, design, leverage and execute a comprehensive DDVC strategy for transforming current business operations in order to generate cash, reduce cost, improve customer delivery and create tangible competitive advantage.

Trust DemandPoint's suite of services and solutions and our proven Demand-driven Value Chain methodology to help you plan, execute and manage a value chain solution in your organization.

Our services include:

Road Map Creation and Master Planning

True Capacity and Mix Capability Analysis

Customer Integration

Inventory Planning

Demand Architecture and Interval Design

Production Variability Enhancements

Product Life Cycle Management

Supplier Visibility & Management

Supplier Excellence Program



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