

Category Management Toolkit

Demand Management Process

What is Demand Management Process?

The Demand Management process is an approach to managing external spend through the targeting of the rationale, quantity and specification of purchases rather than the price. Typically this involves aligning challenged business requirements with products or services procured.

Where does it fit in with Category Management?

Supplier Performance Management

What is included in this guide?

The Demand Management process

Key Stakeholder Involvement

Sample Plan

Stage Review

Which processes does the tool apply to?

Contract Management and Strategic Sourcing

Which other tools link to this guide?

Supply Market Assessment

Supplier Relationship Management

Financial Assessment Techniques

Performance Indicators

Portfolio Analysis

Measurement System Analysis

Forecasting Techniques

Demand Pressure Analysis

Demand Management Overview

Problem Solving

Applicability

In a collaborative environment the Demand Management process will be applied in individual departments of the public sector organisation, but the principles, guidance and best practice can be across the collaborative organisations. The collaborative organisations will be able to share good practice, collateral and knowledge from the application in individual organisations.

The Demand Management Process

Demand Management process is applicable to all commodities where internal demand and consumption can be influenced to reduce costs. It requires strong buy-in and implementation by stakeholders (budget holders). The process is run through a cross-functional team in a manner consistent with Category Management – see Key Stakeholder Involvement section below for more details.

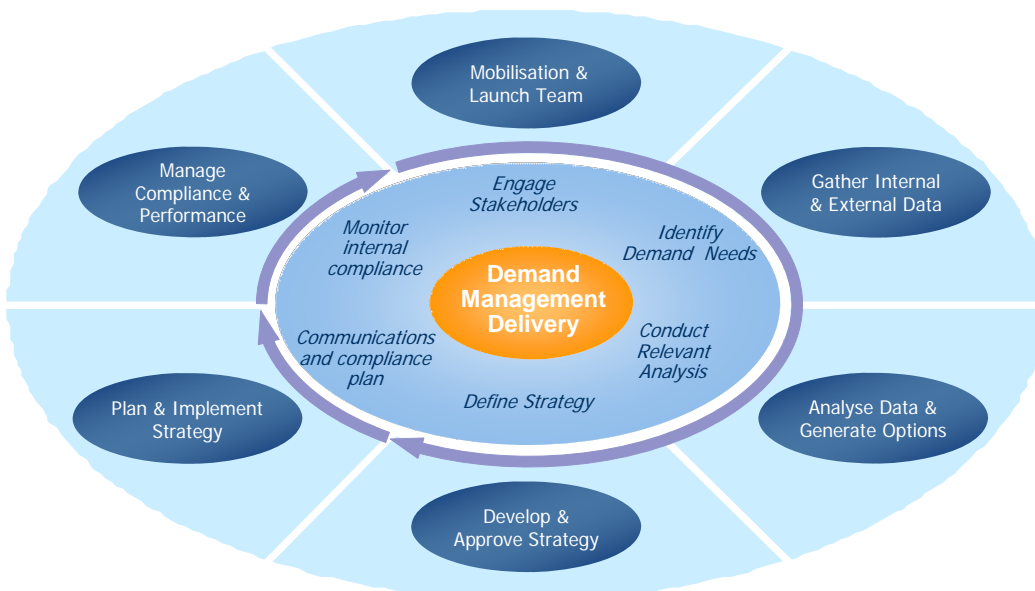
A Demand Management cycle can be triggered by a variety of events, such as:

- Need for cost reduction
- In support of a strategic sourcing / category management initiative
- Change in external market (technology, suppliers).

Examples of Demand Management application include:

- Travel – make better use of technology and lower cost alternatives
- Energy – reduce energy consumption through technology and good practice/education
- Office equipment – match the equipment to the office need.

The process is a six stage, cross-functional approach, to manage external spend through the targeting of the rationale, quantity and specification of purchases rather than the price, typically through the alignment of challenged business requirements with products or services procured.



6 stage process

Mobilisation & Launch Team

Overview

- To define the initial project scope, targets and goals, identify the key stakeholders and establish the project in its own right.
- A key part of this stage will be the identification and engagement of a project sponsor
- Strong stakeholder involvement is critical to success

Process Steps

- Process is led by a Customer Relationship Manager (CRM), where one exists, and understanding of internal stakeholder requirements are critical to defining scope, timescales and targets
- Full involvement of all internal team members is required for most steps in this stage
- All cross-functional team members are to support the team launch workshop

Details

- An emphasis on project management tools
- A key input is any relevant Category strategies already in place or Demand Management activity which has previously been undertaken

Gather Internal & External Data

Overview

- A key stage which underpins much of the following activity, and involves the collection of internal demand drivers
- Critical to differentiate between the business wants and needs
- Crucial to maintain stakeholder engagement

Process Steps

- Data on actual drivers of demand to be collected
- Use of RCA (Root Cause Analysis) techniques to be adopted and problem solving tools

Details

- Redundant data will inevitably be collected, but relevance of data is not a decision point here
- Costs to be collected not only on prices but also alternative solutions
- Necessary to collect information on internal policies which influence and dictate behaviours

Analyse Data & Generate Options

Overview

- Assessment of information gathered during previous stage
- Key activity is to challenge, or test the business requirements through Challenge Workshops with key stakeholders
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Process Steps

- Challenge or test the business requirements through Challenge Workshops with key stakeholders
- Comparison of internal practices with best practice
- Emphasis on reasons for demand patterns (culture, policy etc)

Details

- Wide number of tools available to support analysis
- Outputs to include options which will not be taken forward
- Evaluation criteria to be defined around Quality, Cost, Logistics, Development and Management (QCLDM)

Develop and Approve Strategy

Overview

- An evaluation of the strategic options generated to identify those which should be implemented and to bring them together within a strategy document and investment case which is then shared with, and signed-off by the key stakeholders and budget holders.

Process Steps

- Strategy may adopt a number of approaches dependent on the degree of aggression required to change behaviour
- Options selection workshop to be held, and attendance and participation by stakeholders required

- Options selection criteria to be based around the business requirements and QCLDM methodology

Details

- Key output will include a demand management strategy signed-off by the key stakeholders and senior management
- Approved benefits profiles and firm savings targets established and compliance processes to be initiated

Plan and Implement Strategy

Overview

- The implementation of the strategy is led by the stakeholders and performance measurement can be effected through compliance reports
- Benefits of successful early stakeholder involvement is recognised through them taking a decisive lead role

Process Steps

- Changes to existing commercial agreements may be necessary to reflect changing demand patterns
- Effective communications to employees is crucial to raise compliance
- Update of company policies and perhaps employee T's & C's

Details

- Ensure that the correct resources and team structures are in place to manage implementation
- Establish the appropriate governance structure for the performance management of the Demand Management strategy

Manage Compliance and Performance

Overview

- To ensure ongoing compliance to, and relevance of, the agreed strategy and the management of formal review mechanisms against established performance improvement plans with key stakeholders.
- It also includes the monitoring of the business's operational conditions to indicate when the next cycle should begin.

Process Steps

- Suitable review points to be agreed

- Stakeholder feedback to be established to gauge suitability to the business needs
- Suppliers can play a key role in providing compliance data and performance

Details

- Output includes performance compliance dashboard around relevant (K)PI's
- To be complemented by ongoing cost reduction strategies such as category management
- Stage is not an end point but a review process that eventually triggers a new cycle

Key Stakeholder Involvement

Whilst the Demand Management process is managed by procurement, it is an organisation wide process requiring full support from all areas if it is to be successfully delivered.

■ Stakeholders / Budget Holders

Of particular importance, and key to successful implementation, are the budget holders of the spend being addressed. This group, typically comprising the key Stakeholders, are internal to the organisation and must be accountable for Demand Management strategy implementation if effective and successful implementation is to be achieved.

■ Customer Relationship Managers

The Demand Management process is typically led to the strategy sign-off point by a Customer Relationship Manager (CRM) where this role exists. Where the CRM role does not exist, leadership will fall to the Category Team.

■ Category Management Teams

Where not taking a leadership role, the Category Management Teams are involved as dictated by the relevant category. This ensures a link to any current or developing category strategy

■ Commercial Intelligence

Support and part-time team members will be provided from Commercial Intelligence (where this exists) to provide external intelligence on areas such as potential market solutions, best practice adopted elsewhere and benchmark performance targets.

■ Other Key Stakeholders

Other Key Stakeholders are typically dependant on the category of spend being addressed i.e. for categories such as travel, key stakeholders such as HR are likely to form a part of the core team as HR often own the travel and expenses policy. In every

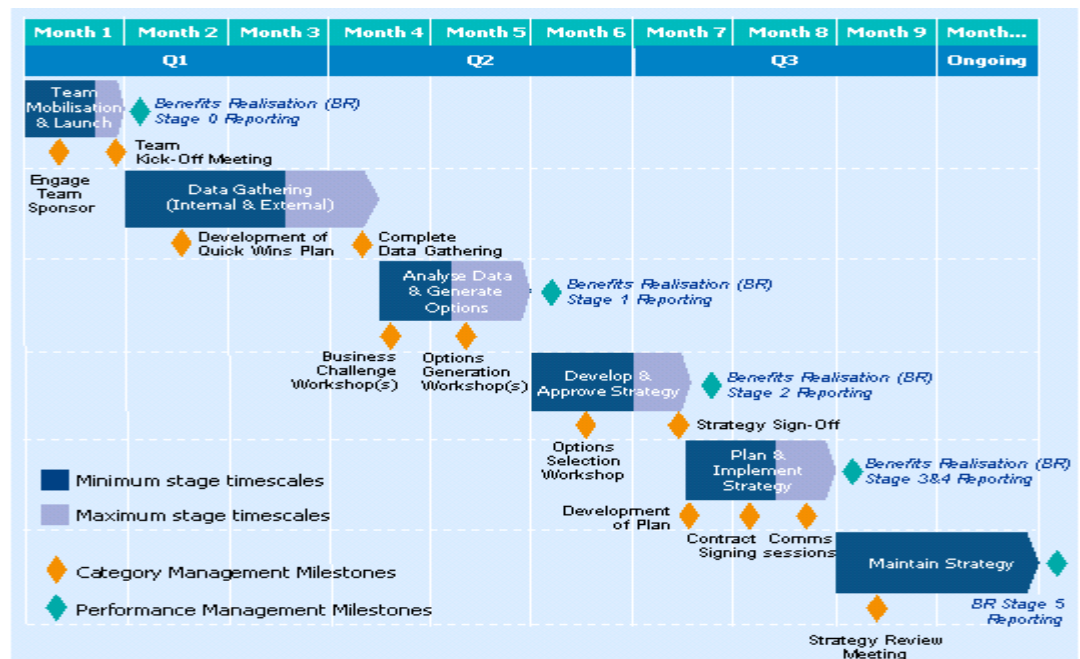
case one key stakeholder will be the owner of policy impacting on the demand e.g. for temporary staff the owner of the workforce strategy will be key

■ Suppliers

Suppliers are likely to be involved directly in the implementation phase but may be requested to provide input earlier in the process through either Commercial Intelligence or the Category Management teams. This will capture opportunities that exist within the market in order to help to define the demand management strategy for the category.

Sample Plan

Actual timescales will vary from category to category and will depend upon issues such as demand complexity, organisation maturity and culture, team size and the business needs.



However there are a number of factors which can impact on the amount of time needed for each particular stage, and therefore effective management of these issues needs to be undertaken by the team. Some of the more common issues to look for are summarised here.

Stage Review

The Stage Review aims to provide a number of key questions and points for consideration that the team can ask of itself to help with the decision of when the team should move to the next stage of the process.

The decision to move from one stage to the next is the responsibility of the lead role, a position which is indicated within each of the processes. However, the boundaries between the different stages are quite fluid and there is often the need for formal recognition for the team and other key stakeholders that one phase is ending and another is being started.

This can sometimes be determined by the achievement of a particular milestone i.e. the Project Kick-Off meeting, but, even when there is a milestone to support the decision, it is still worth a review to ensure that all aspects have been covered. This is where the key questions detailed within this section can be of help. They have been prepared to provide the team or individuals with a reminder of some of the main points to have been covered, and there is a list available for each stage of the process.

It is important to note that this is not a check-list of questions which require a “tick-in-the-box” but more of an aide-memoir for the team or individuals when they believe they are ready to move on, and further, the list is not definitive – each team will have other points.

■ Mobilisation and Launch Team

Are the scope and objectives of the project clearly defined, and documented (in the Project Charter) to allow work to proceed?
Has a senior sponsor from within the stakeholder base been identified and suitably engaged?
Have suitable representatives from the public sector organisations within scope been identified and are they clear on their roles and responsibilities?
Have the stakeholders /budget holders signed up to the project timeframe and milestones?
Has a Project Charter been created and agreed with the sponsor and the team members?
Is there a plan for the project showing the activities that will achieve the objectives within budget and timescale?
Have we identified all the stakeholders who are key to successful project delivery and have they been briefed?
Is there a Communications Plan which clearly defines the type and method of communications to key stakeholders?
Do you believe that we have sufficient resources to complete this project within the timeframe?

Are the project risks identified and do we believe that they are manageable? If not, have we escalated the key risk(s)?

Have the deliverables been accepted by all stakeholders/budget holders?

■ Gather Internal and External Data

Have we captured/detailed the business requirements defined by QCLDM, and have these been presented back to the stakeholders/budget holders for comment?

Have we collated demand patterns and trends from the stakeholders and supplier(s)?

Have we collected relevant policy documents and guidelines, and understood the potential impact of changing policy on employees and groups?

Are the data sources clearly identified?

Has the data gathered been validated by stakeholders/budget holders or supporting divisions?

Does the data collated to-date indicate that there are any short-term benefits/tactical initiatives? If so, have suitable action plans been developed?

Do you intend to implement any short-term benefits/tactical initiatives identified? If so, are you content that this will not interfere with the main strategy development?

Have we identified the root causes of demand levels?

Has the data requested been received?

Has the stakeholder management plan been updated to reflect any new contacts?

Have the deliverables been accepted by the stakeholders/budget holders?

■ Analyse Data & Generate Options

Have the business requirements been suitably challenged through a Challenge Workshop?

Are stakeholders in agreement with the (revised) business requirements?

Have the project team and key stakeholders identified robust options for further evaluation in the next process stage?

Have the potential options been agreed by all the stakeholders?

Has there been disparity in views during the options generation / agreement process which leads us to believe that evaluation and decision-making may be difficult or protracted?

If there has been concern over the direction of the prospective strategy, have mitigating steps been agreed within the project team and associated plans updated / created?
Have stakeholders/budget holders agreed an outline Options Evaluation framework?
Are we happy that we have used the breakthrough thinking tools effectively to drive innovative solution development?
Have we completed a high-level benefits forecast with key stakeholders?
Have you ensured that the options developed meet some or all of the business requirements?
Are the stakeholders/budget holders happy with the work so far?
Have the deliverables been accepted by the stakeholders/budget holders?
Has the stakeholder management plan been updated to reflect any new contacts?

■ Develop and Approve Strategy

Have the key stakeholders / agreed which options best meet the selection criteria?
Has this been a difficult decision to reach because of disagreement within the group? If so, are you happy this conflict is being managed?
Has a draft demand management strategy been completed and circulated for comment from key stakeholders?
Have the comments and feedback been captured and incorporated into the strategy where appropriate?
Has the strategy been agreed and sign-off obtained from the sponsor and key stakeholders involved?
Have the means of measuring and monitoring compliance to the strategy been considered?
Has the strategy considered the impact on any existing commercial arrangements and how these may be managed?
Has a draft implementation plan been produced to support the strategy?

■ Plan & Implement Strategy

Have we understood all the activities, deliverables and key milestones, and captured these in an implementation plan?
Has the implementation plan been signed off by key stakeholders?

Have we agreed resource allocation and costs to support strategy implementation?
Does the implementation plan cover the update and amendment of any internal policies?
Has the impact on individual T's & C's been addressed through the correct channels and are plans in place to resolve any issues?
Are suitable compliance monitoring and measurement processes in place and are they manageable by the business?
If the strategy requires contract negotiation or supplier selection, have negotiation and contracts been closed and are all expected benefits still on track?
Has an action plan been agreed to effectively manage implementation risks?
Have the deliverables been accepted by the key stakeholders?
Has it been agreed who is responsible for monitoring actions to ensure that they are completed?

■ Manage & Maintain Strategy and Performance

Is the strategy delivering the benefits expected? If not, is action being taken to understand the cause?
Have review meetings been set up with key stakeholders to understand implementation success and compliance?
Is the strategy following the compliance and governance structure agreed? If not, is action being taken to rectify this position?
Have we identified opportunities internally to improve compliance and if so, are plans in place to address?
Are the key stakeholders/ budget holders taking responsibility for managing compliance and bringing further potential opportunities to the attention of relevant parties?



Office of Government Commerce

Office of Government Commerce, 1 Horse Guards Road, London SW1A 2HQ
Service Desk: 0845 000 4999 **E:** ServiceDesk@ogc.gsi.gov.uk **W:** www.ogc.gov.uk

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E: ServiceDesk@ogc.gsi.gov.uk

W: www.ogc.gov.uk

Press enquiries

T: 020 7271 1318

F: 020 7271 1345

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