Demand Driven Supply Networks
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Objectives & Agenda

1. Discuss the foundational elements of a demand driven supply chain framework with key business drivers and benefits

2. Leading SAP Solutions help enable Demand Driven Supply Chain..

3. Practical approach: where to start and how do you embrace?
Why Demand Driven Approach is Necessary?
There is a need for organizations to transform theory to reality...

Despite attention over last 30 years, key supply chain metrics indicate significant opportunities:

- Only 20% of supply chain professionals have information available within a day
- Forecast accuracy for the first week is usually less than 70%
- Less than 10% suppliers are connected to their customer’s supply chain
- About 10% of world’s GDP is logistics related spend

Three key areas that supply chain professionals struggle with are:

<table>
<thead>
<tr>
<th>Uncertainty</th>
<th>Volatility, Transparency, Visibility</th>
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<tbody>
<tr>
<td>Prioritization</td>
<td>Cost to Serve, Segmentation, Cost vs. SLA</td>
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<tr>
<td>Control</td>
<td>Flexibility, What-if capability, Partner connectivity</td>
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Demand Driven Supply Chains: Why Should You Care?
Despite common knowledge, demand driven supply chain adoption has been limited at best

Most industries suffer from the perils of bullwhip effect. Information & Transparency can reduce its impact

Challenges pertaining to connectivity, information quality and trust

Lack of robust S&OP, limited what-if capability, sub-optimized supply chain

True customer demand information is not passed on…

Poor forecast accuracy in supplier forecast leading to higher COGS

Higher manufacturing cost due to lower asset utilization

Higher RM and FG inventory leading to higher COGS

Product unavailability leading to lost sales & customer dissatisfaction
Key Challenges to be Solved in Demand Driven Framework
Most companies focus on solving supply chain issues within its four walls – an approach we challenge
Demand Driven Framework: Enabled By SAP Solution Stack

Most organizations have adopted one of some of these pieces – however they need to work together

Supply Chain Orchestration

- SNC (Supply Network Collaboration)
- Ariba SN (Ariba Supplier Network)

Integrated Business Planning

- S&OP on HANA
- APO (DP, SNP, PPDS, gATP)
- EIS (Ent Inventory and Service Level Optmzn)

Demand Shaping and Sensing

- DSIM (Demand Signal Mgmt)
- EDS (Enterprise Demand Sensing)
Advanced Capabilities Enabled by DDSC
Supply Chain ‘Segmentation’ can be implemented with greater visibility & control across your supply chain

- Supplier Segmentation
  - Strategic supplier vs. generic
  - Key and long lead time item

- Manufacturing Segmentation
  - Mfg line: ETO vs. ATO vs. MTS
  - Line configuration and KPI

- Part Segmentation for Inventory Mgmt
  - Inventory management policy setting
  - VMI/Kanban

- Product Segmentation
  - Volume/Value
  - Planning & forecasting changes based on product type

- Customer Segmentation
  - Order fulfillment based on priorities/allocation rules, etc

- Supply Chain Design Philosophy by product/customer segments
- KPI Measurement & Analytical framework to support each segment
How DDSC Helps Prioritize Your Go To Market Strategy
Each product and customer segment requires different design and measurement philosophy

- SCF: Supply chain flexibility metric
- OFCT: Order fulfillment cycle time
- POF: Perfect order fulfillment
- TSCC: Total supply chain cost
- CSAT: Customer satisfaction
Deloitte’s Demand Driven Supply Chain Solution Enabled by SAP

Key advantages & differentiators

• Leverage SAP’s In-Memory Platform to perform highly scalable and fast processing of massive amounts of data: a key differentiator against other solutions

• Captures market, customer, product and network details to drive better decisions for operations, supply chain and manufacturing

• Leverage a supply chain business network to ensure highly efficient and scalable partner connectivity

• Simplify and lower cost of ownership by connecting natively onto the existing ERP

• Leverages your existing investments in SAP: builds on your current environment at a pace you are comfortable

• Deloitte brings in pre-configured DDSC solution in Hi-Tech and CPG leveraging leading practices
Leading Solutions to Enable DDSC
Businesses to Transform their Supply Chains to Demand Networks

Supply Chain Monitoring
Ensure integrity and predict issues of the DEMAND NETWORK

Integrated Business Planning
Balance DEMAND plans with NETWORK constraints for profitability

Demand Driven Supply Networks
Sense & shape DEMAND and orchestrate the fulfillment NETWORK

Logistics & Order Fulfillment
The DEMAND NETWORK requires speed & efficiency in Logistics

THE DEMAND NETWORK

Powered by SAP HANA
SAP Supply Chain Solution Strategy
Simplified and Harmonized Solution Architecture for **DEMAND NETWORKS**

- **Mobile First Experience**
  - Monitoring
  - Planning
  - Network
  - Logistics

- **SAP Business Suite**
- **SAP HANA Platform**

- Public cloud
- Managed cloud
- On-premise
SAP Supply Chain Solution Strategy
Accelerate Core Foundation Supported By Business Suite on HANA

Customers Today Can

- Gain Acceleration Through our Modern Day Platform Based on HANA
- Planning, Collaboration, Logistics
- Reduce Total Cost of Ownership
- Leverage Experience of 1,000’s of Customer
Customers Today Can

- Access APO data in real-time
- Perform graphical analysis
- Ability to drill into system for better issue resolution
- Track KPIs in real-time

SAP Business Suite (APO, ...)

Supply Chain InfoCenter
Accelerate and Improve Forecast Accuracy Analysis

Forecast Accuracy: 91.64 %
Forecast Error: 8.36 %
Bias: 2.73 %

Weighted Forecast Error: 7.90 %
Weighted Forecast Accuracy: 92.10 %
Actual Sales: 40K

Forecast Accuracy Over Time

Best Forecast Accuracy by Channel:
- FOOD SERVICE DISTRIBUTION
- SUPERMARKETS
- GROCERY STORES
- NEIGHBOURHOOD STORES

Worst Forecast Accuracy by Channel:
- NEIGHBOURHOOD STORES
- GROCERY STORES
- SUPERMARKETS
- FOOD SERVICE DISTRIBUTION
Accelerate and Improve Capacity Analysis and Issue Identification
Supply Chain Monitoring
Ensure the Integrity and Predict Issues of the Demand Network

The design of the network is based on the **Segmentation** of customers, products & suppliers for efficiency, speed and growth.

Include **Sustainability** as key principle of the design to ensure compliance to regulations and standards.

Connect these design principles with real-time Performance and Alert Management to provide end-to-end **Visibility**.
Supply Chain Monitoring
With Supply Chain Control Tower Coming in 2014

Supply Chain Control Tower

End to End Capability:

✓ To gain REAL TIME global visibility across your supply chain
✓ Track REAL TIME supply chain performance
✓ Get PROACTIVE alerts allowing quick simulation for response
✓ Manage your supply chain policies and segments

SAP Business Suite (ERP, APO, …)

Non SAP, Third Parties, Content Providers

Control Tower – Labs Preview Only
Integrated Business Planning
Balance Demand Plans with Network Constraints for Profitability

Gain full Demand Transparency for short-, mid- and long-term on all levels of the Bill-of-Material by leveraging demand sensing and statistical forecasting methods.

Deliver a cross departmental Sales & Operations Plan balancing the impact on inventory, service levels and profitability.

Determine optimal Inventory Levels at each tier within the supply chain and automatically set targets for operational plans.
Integrated Business Planning
Easily Perform Sales, Inventory & Operations Planning

Sales & Operations Planning

Management Review and Inventory Policies

Inventory Targets

Unconstrained Consensus or Constrained Demand Plan (Quantity-Based)

Inventory Management

Demand, Supply, Finance Simulation

Inventory & Service Optimization
Integrated Business Planning
Easily Simulate and Build Consensus Plans
Demand-Driven Supply Networks
Sense & Shape Demand and Orchestrate the Fulfillment Network

Leverage Market & Customer Intelligence to benefit from market volatility and avoid waste in the demand network.

Establish Response Orchestration processes to support omni-channel strategies and coordinate the demand fulfillment.

Connect the business partners to the Business Network for supply chain collaboration processes to provide the flexibility, visibility and transparency needed to orchestrate the fulfillment.

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<td>Demand Sensing &amp; Shaping</td>
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<td>Response Orchestration</td>
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<tr>
<td>Manufacturing &amp; Supply</td>
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<tr>
<td>Orchestration</td>
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<td>Service Parts Management</td>
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Sense and Shape Demand
With Demand Signal Management

- Harmonize Demand Signals/ Point of Sale Collection
- Gain Market Insights with access to web data, social sentiments and market research
- Process Integration with enterprise planning and execution processes
- Access and Aggregate Emerging Market Demand Signals
Utilize the Business Network
Perform Supply Chain Collaboration to provide Flexibility, Visibility

**Multi-Tiered Supply Chain Orchestration**
Enables multi-tier collaboration between partners

**Network based Analysis**
Risk management including supplier and product compliance networks

**Onboarding/ Connectivity Services**
Increased flexibility and reduced risk in extending or adjusting the network

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Embracing and Implementing Demand Driven Framework
While the goal remains the same, path can vary depending on maturity level

**Understanding & alignment**
- Understanding demand and its variation is key
- Get supply side on board with the vision
- Metrics alignment: metrics drive behavior

**Approach can be different**
- Depends on specifics of your supply chain (e.g. ETO/MTS, Mfg or CM)
- Existing maturity in planning and technology landscape
- Getting your own house in order is important for success

**Implementation & prioritization**
- ‘Crawl, Walk, Run’ model
- Internal goal setting and clear roadmap with milestones (metrics & $)
- Bake in advanced capabilities like segmentation and flexibility
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