Making Demand Management Strategic in your Council

Scotland Excel Conference 2018
Workshop Slides and Writeup
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Objectives:

To **explore** and deepen your understanding of **Strategic** Demand Management**.**

To **share** experiences and **learn** from others.

To **consider the possibilities** of using Strategic Demand Management techniques in your organisation, some building blocks.

To **participate** in scoping a national Strategic Demand Management Project

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What do we mean by strategic demand management?

"Just the one, thanks."

In groups, discuss and capture:

- What does Strategic Demand Management mean to you?

- What practical examples can you share with the group?

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Some definitions of demand management

Demand management is a process within an organisation which "enables that organisation to tailor its capacity… to meet variations in demand or… to manage the level of demand using marketing or supply chain management strategies"

CIPS (Demand Planning, 2)

Demand management is:
- Addressing mismatched expectations through changes in process and communication.
- Ensuring that over-supply is reduced.
- Reducing costs of those who do have needs by tapping into citizen driven innovations: personalisation with a purpose.

Demand management can be described as …the alignment of a business consumption with its requirements

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What influences demand?

- Changes in Government policy or legislation
- Changes in internal policy and priorities
- Customer behaviour, trends and fashion
- Organisational culture
- Budgets
- Changes in prices and markets, .e.g deals
- Internal systems, processes and procedures
- Changes in technology and innovation
- Seasonal variations
- Cyclical events
- Demographic pressures and changes
- Organisational changes

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Types of demand – thinking about behaviours

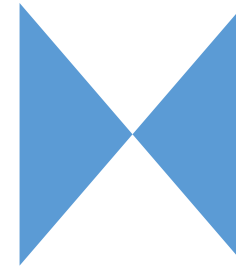| Failure Demand	Avoidable Demand	Excess Demand	Co-dependent demand	Preventable demand
Demand from service failure or poor design	Demand arising from specific behaviours that can be influenced or changed	State providing more than is needed, or inadvertently creating demand through dependency	Demand unintentionally reinforced and entrenched by service dependence	Demand which could have been prevented by intervening earlier
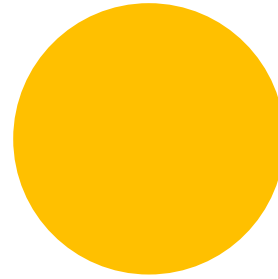
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What does PCIP say about demand management?

What benefits have been delivered through demand management to ensure efficiencies and effectiveness throughout the supply chain?
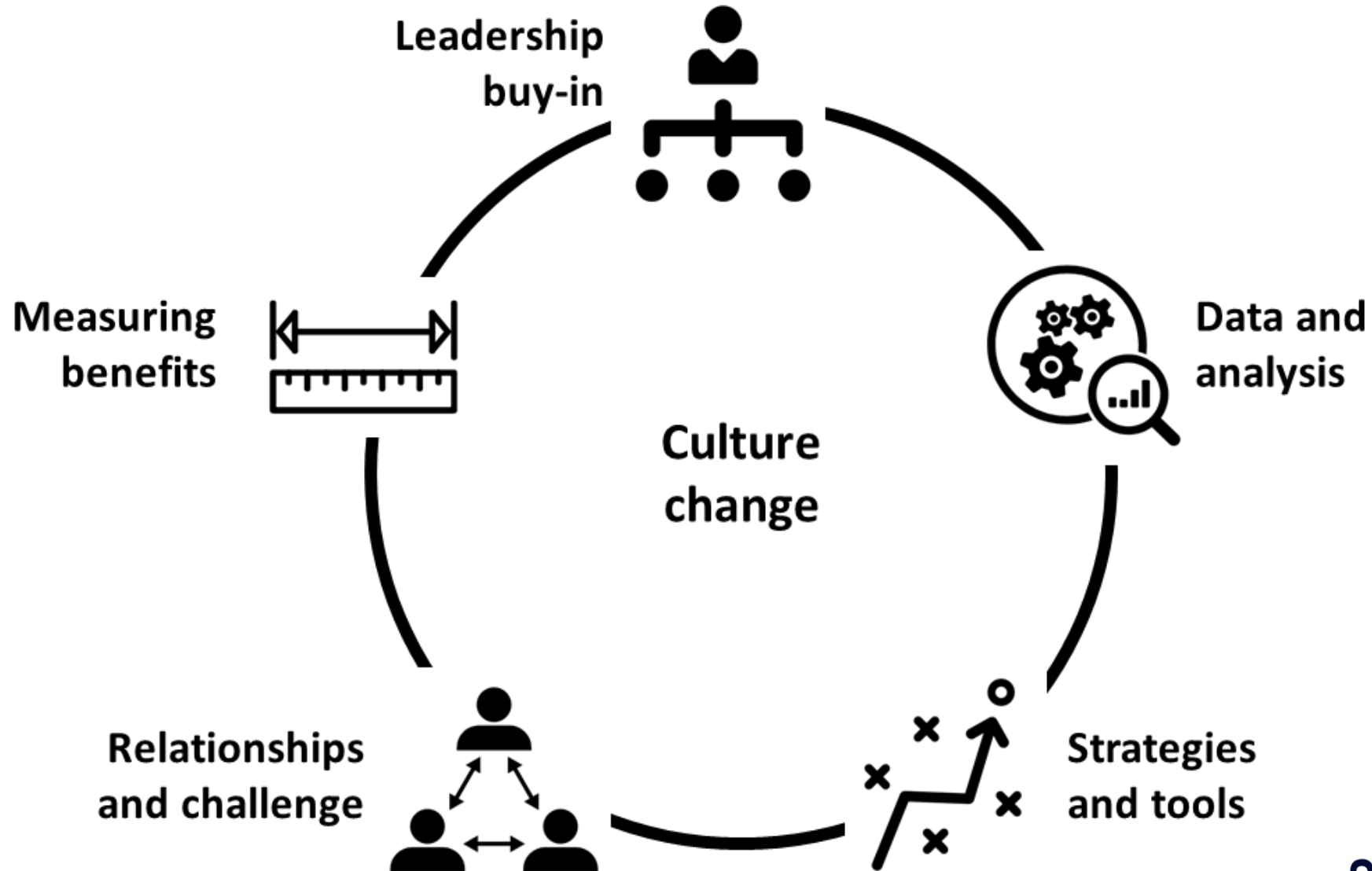
- **This is about changing behaviour within the organisation**
- **Managing the demand for goods/services rather than just trying obtain the best price**
- **Also understanding process and other internal costs to deliver best value. Making use of reuse and/or recycle.**

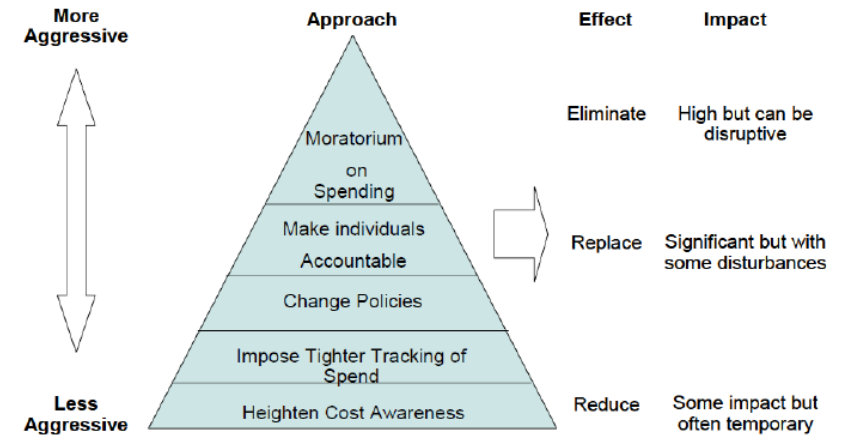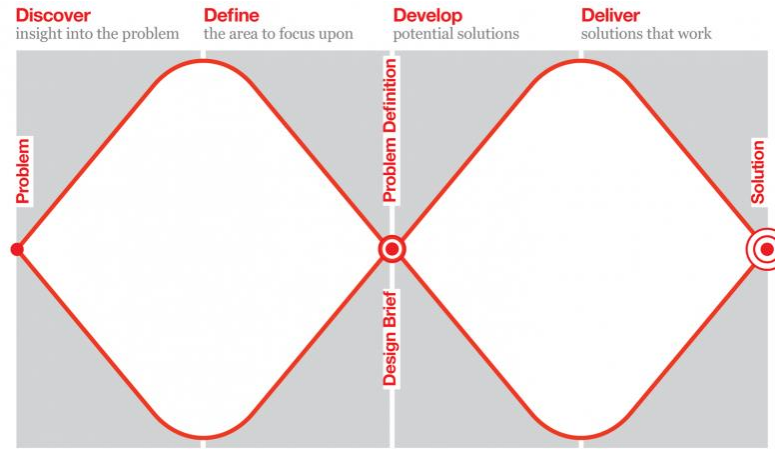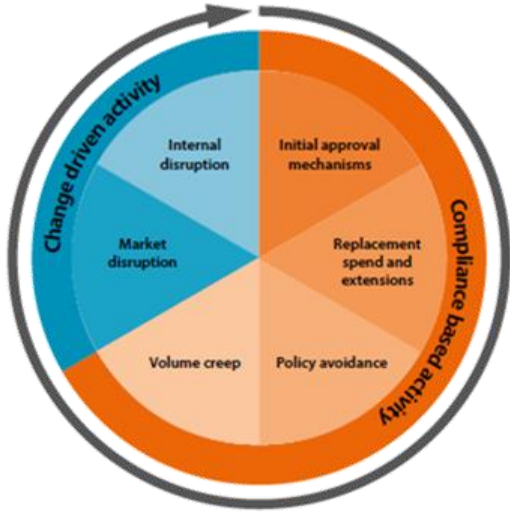| Level 1	Level 2	Level 3	Level 4
A review of spending categories has been completed & organisations understand their spend profile. Demand management improvement opportunities have been identified and a prioritised, structured plan is in place to address. Evidence of some benefits achieved is available. Evidence of up to date internal management information availability.	Demand management embedded within the procurement process. On-going review throughout the lifetime of a contract. Organisation can demonstrate a minimum of 3 contracts where demand management has delivered benefit Procurement regularly engages with suppliers and stakeholders to review requirements, specification of goods / services and manage demand. Forecast vs. actual consumption is measured regularly to evaluate the effectiveness of the demand management processes.	Current demand and usage data is linked to service improvements Demand management is considered for all high value, high risk, and business critical contracts to ensure that the quantity and specification of goods/services match, but do not exceed, the actual needs of the organisation. The organisation can demonstrate that demand management regularly delivers benefits to the organisation	Organisation undertakes full assessment of the waste within the supply chain in relation to risk based existing contracts. Demand Management is considered for all contracts at Strategy Stage and throughout the life of the contract to ensure that the quantity and specification of goods/ services match, but do not exceed, the actual needs of the organisation. Demand management reported at a senior (i.e. SMT) level

Examples of evidence

- ❖ **Contract Register**
- ❖ **Spend Profile**
- ❖ **Forecast vs. Actual report**
- ❖ **On- contract Spend Report**
- ❖ **Demand Management reports**
- ❖ **Spend/benefit report**

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Building blocks of demand management

Strategies and Tools

Forecasting methods

Survey methods (qualitative)
- **Customer survey**
- **Executive opinion**
- **Salesforce survey**

Statistical methods (quantitative)
- **Exponential smoothing**
- **Moving averages**
- **Trend projection**

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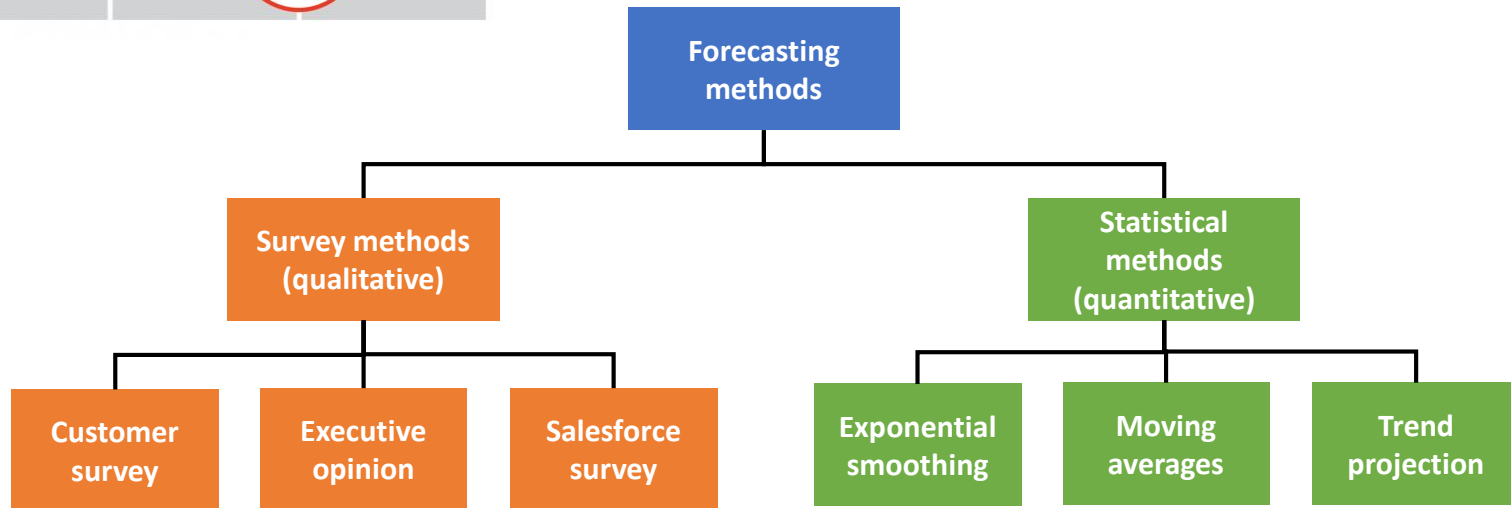
The 5 P's Framework – Group Exercise

Purpose
- Why Strategic Demand Management?
- What do you hope to achieve?

Product
- What tools/products would support you?
- How could Scotland Excel support you?

People
- Who?
- Power/Influence?

Practical Concerns
- Barriers
- Considerations
- Challenges

Process
- How would you do it?
- How does this differ from current practice?

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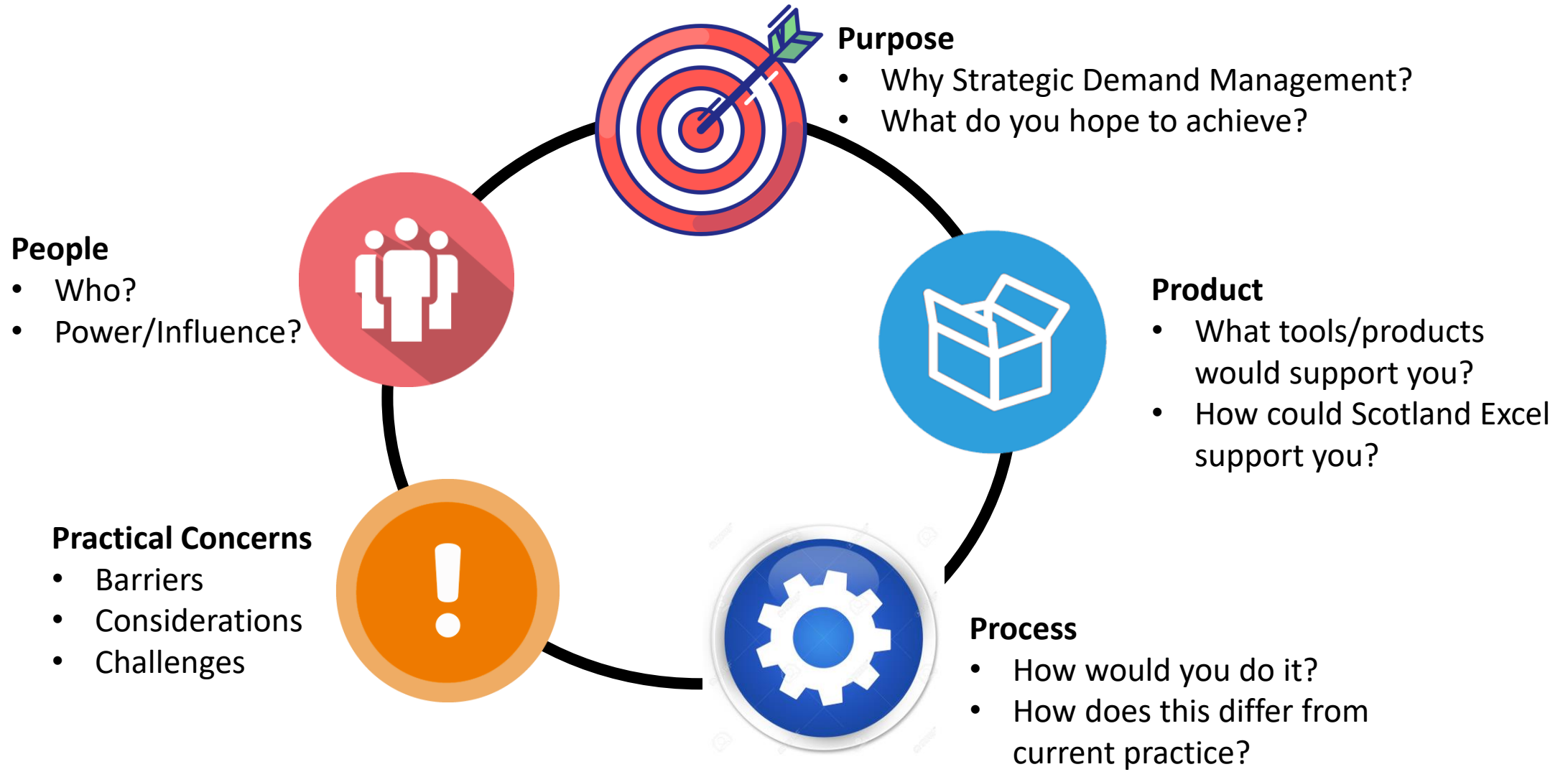
Purpose

- Aligning demand with available budget and resources
- Achieve better outcomes
- Achieve higher PCIP score
- Save money
- To improve sustainability (reuse/share)
- Reduce unnecessary service delivery – challenge specifications
- Change organisational norms
- Spend according to need
- Produces planned workloads
- Provide better data
- Improve efficiency
- Address difficulty of controlling services across the organisation
- Increase visibility
- Encourage stakeholder collaboration
- Maximise use of existing assets

Product

- Management Information that all stakeholders have confidence in
- Shared Management Information with responsibilities defined
- Shared Market Analysis by category
- Shared Market Analysis for category C's
- Understanding the market and our requirements
- Case studies from other countries
- Understand what others have done and what good looks like
- How we use data to improve outcomes
- Benchmarking/Data
- Portal for Market Analysis
- Comparison Tools
- Practical Guidance

Process

- Procurement currently not always involved at the beginning of the process
- Don't leave it to the year end – build demand management into the process
- "Commissioning Authority" – align budgets to contracts – 3rd party/internal services
- Need to identify opportunities and look to Council policy to provide focus
- Data cubes – looking at functions eg. Education
- Data to improve outcomes
- Address over-specification
- Segment and prioritise
- Understand server drivers and objectives
- Embed as "business as usual" not an add on
- Data analysis
- Requires "buy-in"
- Create policy around Demand Management
- Requires culture and leadership
- Requires strategy
- Better management information
- Benchmarking nationally and with other Councils
- Manage risk by not over specifiying
- Use of business intelligence data
- Spikes Cavell – where is it at?

Practical Concerns

- Poor/inaccurate/wrong data
- Conflicting priorities
- Too many priorities
- Data platform availability
- Establishing the best approach to effect the biggest change
- Accountability and Responsibility
- Will take time to embed
- Engagement with internal stakeholders – challenge from services
- How to capture the right feedback from the right people
- Where do we start?
- Capacity and resources
- Staff resources
- Getting procurement involved earlier
- Culture/Attitude to procurement influence in this area
- Budgets
- Commonality v Bespoke requirements
- Culture and culture change
- Lack of supplier Management Information

People

- Need more recognition of why procurement asks questions
- Need buy-in from Senior Management
- Level of procurement influence varies by service
- Empowerment
- Addressing "not my job" attitude
- Who cares?
- Addressing siloh mentality
- Who owns demand management
- Need for a transparent trusting culture
- Services and Procurement with Chief Officer support
- Senior Management Support
- Role of Contract Administrator in Services
- Procurement Function (Head of Service, Manager, Category Manager, Officers)
- Budget Holders
- End Users
- Suppliers
- Heads of Service
- Politicians
- Statutory obligations
- Risk – power/influence

Fleet Management Example

- Cross Council Usage – difficult to control
- Achieve Visibility
- Who is using and frequency
- Savings, sustainability,
- Collaboration
- 24 hour use of an asset
- Less cars, greater utilisation
- Environmental impacts
- Reduced bureaucracy

- Electric Vehicles and Electric Charging Points
- Fleet Management Systems
- Increase use of employee bus tickets
- Bikes
- Car Clubs
- Management Information
- Servicing
- Spare Parts
- Fuel

- Fleet Strategy Collaborative Approach
- What are the innovative future products, industry events, legislative changes
- Fleet Reviews – Alignment, Over Specification
- Reduced Fleet numbers
- Better Management Information and see where excess spend is
- Cost Model
- Whole Life Costing Fleet
- Compare with Other Councils

- No Management Information from suppliers
- Cultural Change
- Driver Behaviour
- Fixing Problems Cost Money – Budget
- Commonality v Bespoke Requirements

- Heads of Service
- Politicians
- Procurement Function
- End Users/Drivers
- Leasing Firm
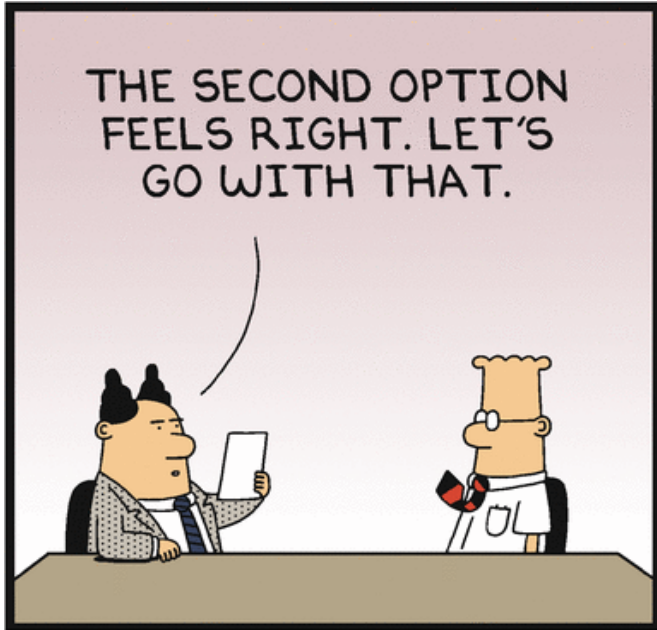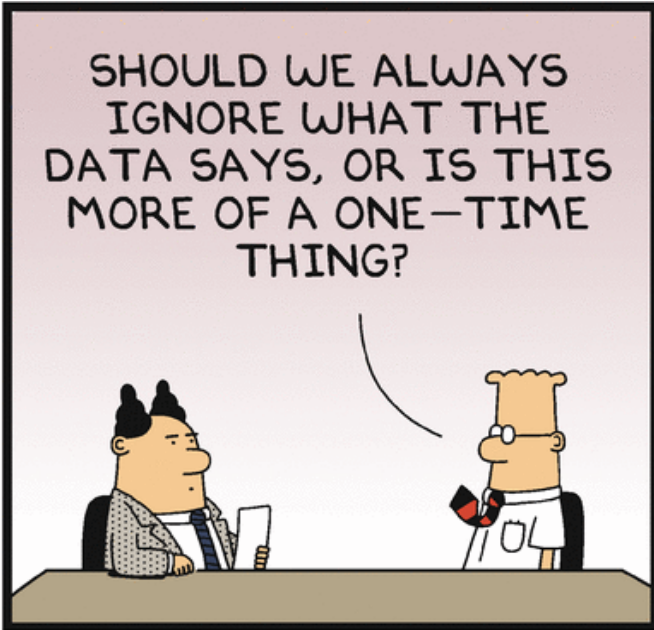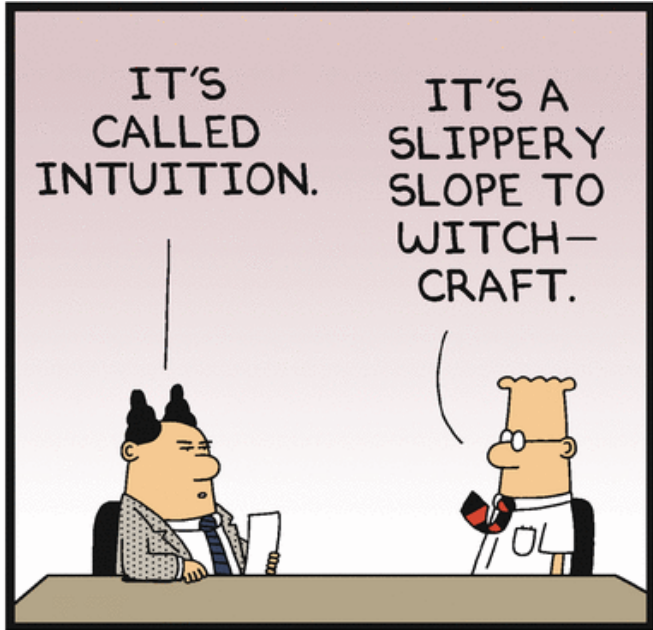
Next steps…

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SXL Academy

Slides will be available on SXL Academy: http://academy.scotland-excel.org.uk/

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