What is Demand Management?

Demand Management can be defined as –

"the alignment of a business' consumption with its business requirements"

and is applicable to all goods and services where internal demand and consumption can be influenced to reduce costs. Demand Management is a key aspect of the effective alignment of external resource to meet our requirements.

When demand management is considered, it is often seen as a simple matter of stopping people spending money. There are a number of other ways to look at demand management without completely preventing spend, which can provide notable savings and have a less drastic impact on the business.

Demand is often a consequence of internal practice and process rather than as a result of addressing a real need of the organisation. As the approach is about addressing change 'in' an organisation the starting point will be the culture, policy and behaviours of that organisation. The organisation can also participate by the sharing of best practice, benchmark behaviour, policy guidance and peer review.

Demand management can come at varying points in the procurement process from the initial purchase point, or where costs are reoccurring, as an ongoing activity. It might be around making sure that software licences are purchased for the correct number of users at a single point in time; or it could be relevant in a category where spend is ongoing and regular, such as stationery or temporary labour.

Principles of Demand Management

1. Each business unit should have exactly what it needs in order to deliver its business objectives
2. Any resources consumed above this level represents a waste to the organisation
3. There may be many and very different ways of meeting a user need, with each way representing a different level of resource to achieve the same outcome

There are three strategies that could be adopted, that may be independently or jointly applied.

Eliminate
Is the requirement really needed? Can the consumption be stopped? e.g. cancel non-essential meetings, or stop the use of mobile phones for non-business calls

Replace
Can we use lower cost or more effective alternatives? e.g. use video-conferencing for meetings or ensure non-confidential papers are not treated as confidential waste

Reduce
Can we use less of a product / service? e.g. don't order a monitor with every PC purchase or, schedule meetings for the same day

Demand Management Approach

The approach is to manage external spend through the targeting of the rationale, quantity and specification of purchases rather than the price, and this typically involves the alignment of challenged operational requirements with products or services procured. An example applied at SDS has been secure network print where demand from the internal Multi-Functional Devices is controlled to individuals through secure access. The range and number of individual printers has also been rationalised through the shared MFDs.

Correctly understanding and specifying what is required is important.

In some business areas internal customers or budget holders may over specify. It can mean an end user wants a Partner when an associate could deliver the brief. Someone who is suitable and can deliver at less than half the day rate.

Demand should be regularly assessed as it could be more cost effective to have a fixed term appointment than having an interim who stays in place for much longer than the initial contracted period.

We require to be aware of the "land and expand" approach whereby a supplier may put forward other additional services which are not necessarily required. Supplier led scope creep can occur and should be managed – through effective demand management. An example of this would be an IT project aimed at procuring a records management system which links a number of record sources together and allows mutual sharing and updating of records. If a project like this is not fully scoped and requirements understood internally in the initial stages taking into account all multi site and individual user requirements, there is a likelihood that suppliers are able to use gaps in planning and specification requirements to add additional products or services as a problem "resolution tool" increasing the scope, cost and timescales of the initial project.
In order to avoid scope creep, it is essential to ensure that a robust scoping process is undertaken at the earliest possible opportunity.

In some business areas, demand management is about changing overall internal customers behaviour in a sustainable manner. It is not entirely focused on tactical interventions, although these are a frequent application. An example of this would be where employees are continuously raising Purchase Orders to the allowable level and then, raising another for the same service to the allowable level again. Monitoring this and questioning this demand behaviour can provided savings without having a significant impact on end users, or alternatively looking at ways to drive better value through a contract if there is a genuine higher demand than initially anticipated
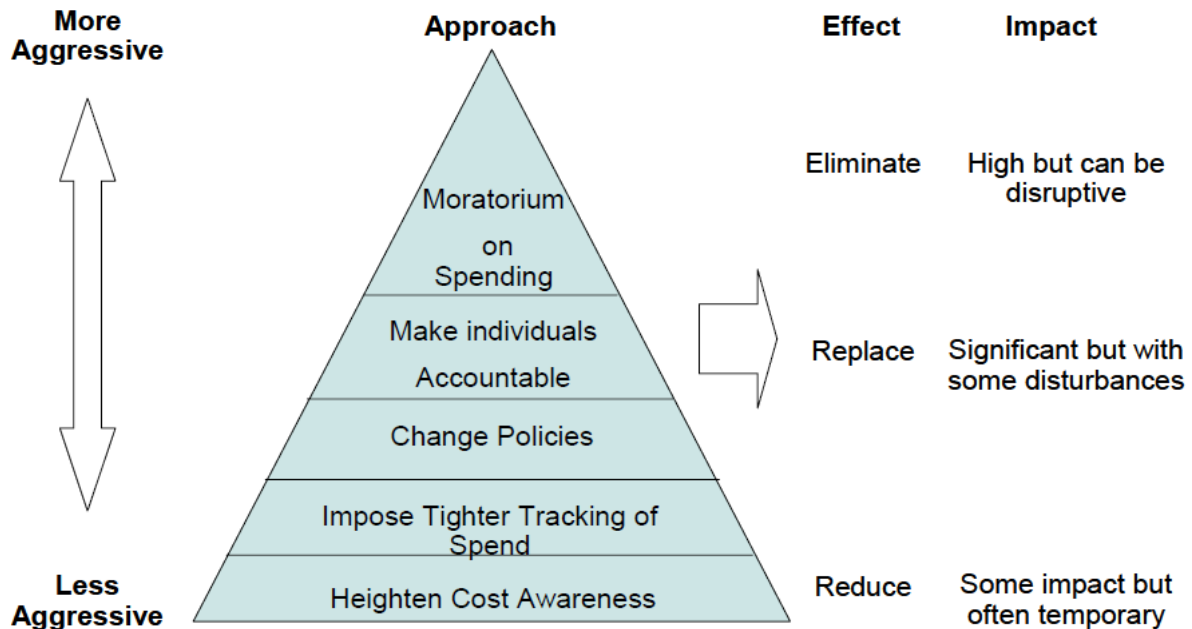
Benefits of Demand Management

There are a number of benefits to an effective Demand Management strategy, many of which are driven by a change in the organisation culture and outlook and to how goods and services are specified and requested.

When robustly implemented across all goods and services; Demand Management drives public sector organisations to make the most efficient and effective use of all of the external resources it procures to meet their operational requirements. The Demand Management process challenges the norms, standards, customs and practice of an organisation to a degree not usually found in other processes.

Used well, the Demand Management process can match an organisation's demand for external goods and services with both its operational needs and its cultural requirements in order to minimise the external resources required to meet its operational needs whilst maintaining the internal feel and culture of the organisation. When used as a priming process for Strategic Sourcing, Demand Management can establish the organisation requirements to be sourced to a very specific level, avoiding the development of a sourcing strategy that meets over-specified operational requirements.

As a routine part of an organisation operation Demand Management can ensure that the greatest possible levels of resource are directed at front line services in the public sector – the comparison would be creating and maintaining competitive advantage in a private sector organisation.