



DEMAND-DRIVEN MRP

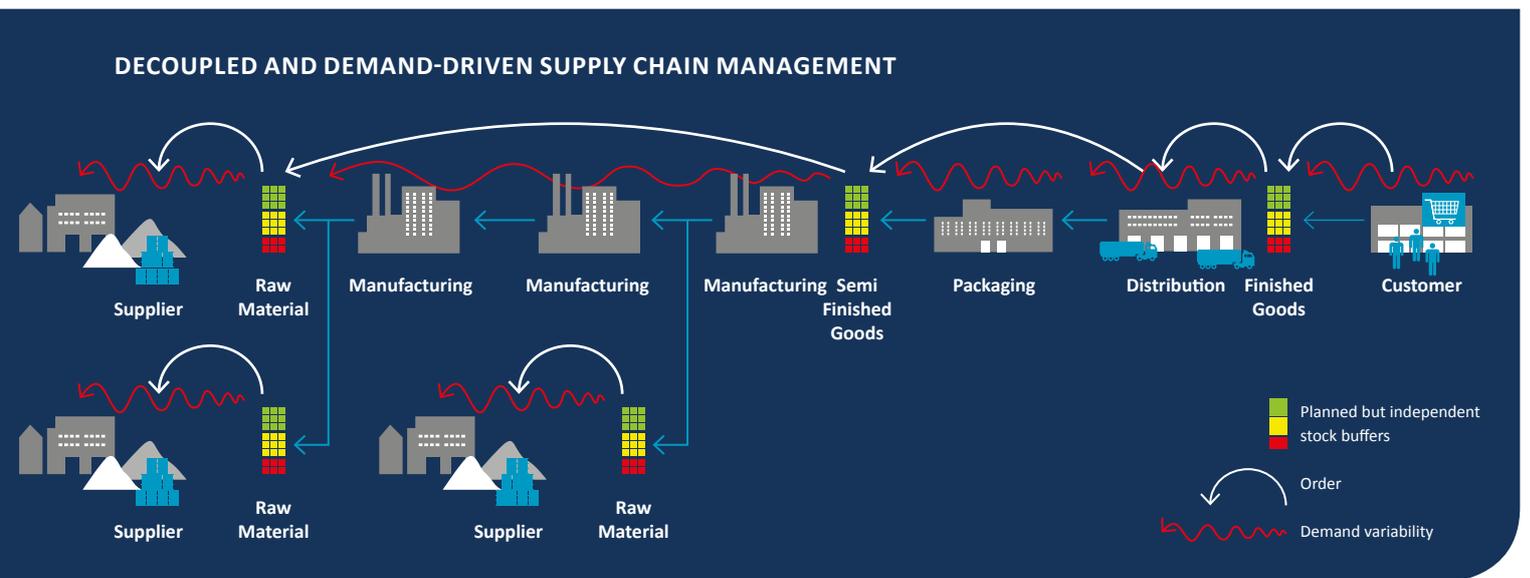
How CPG companies can transform and dramatically improve their supply chain performance without high forecast accuracy

Thought Paper

WHY DEMAND-DRIVEN MRP?

Demand-Driven MRP is the most effective operating model for supply chain management (SCM) and is rapidly emerging as the new paradigm for SCM in the CPG industry.

DDMRP is based on the elegantly simple idea that supply chains should be decoupled and driven by demand, not forecasts. As demand increases the supply chain supplies more, if demand decreases then so does supply. In effect, each section of the supply chain autonomously responds to demand and, because expediting and firefighting is eliminated, it can meet its service targets from up to 50% of the average stock with much shorter lead-times and requiring significantly less capacity.

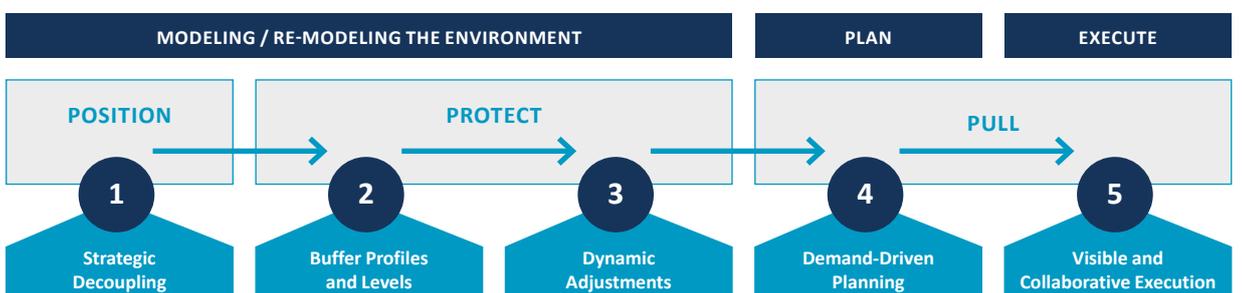


Pioneering CPG companies are shifting to DDMRP

CPG companies have always been considered among the leaders and strongest players in supply chain management. A look at the **2017 Gartner Top 25 Supply Chain** shows that almost all of the 25 companies are CPG. These leading CPG companies demonstrate maturity and a drive for excellence and this drive is, unsurprisingly, already seeing them evaluating Demand-Driven MRP. The results are indeed impressive:



THE 5-STAGE DEMAND-DRIVEN MRP FRAMEWORK

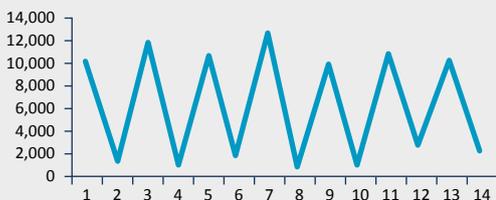


Managing volatile demand with Demand-Driven MRP

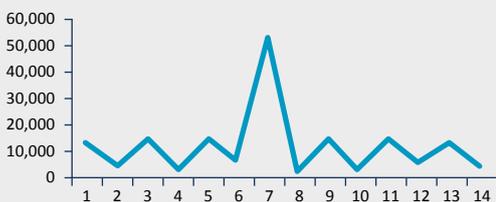
DDMRP is remarkably robust and handles CPG's complex and volatile world in an extremely effective and efficient manner. And it is indeed a fast moving unpredictable world with many moving parts: SKU counts are constantly growing and there are intense, relentless promotional cycles. A recent study revealed that **55% of consumer goods sales in the UK** are on promotion and these are often short notice and opportunistic.

The power of DDMRP is that it allows the baseline business to run itself. DDMRP can't plan launches, media campaigns and significant promotions, of course, but what it can do is free up cross-functional bandwidth to allow focus on these events, to size them better, to slot them into calendars and to ensure their profitability. **Significant and exceptional** events are planned in advance and seamlessly integrated into DDMRP which itself is able to autonomously respond to daily demand patterns that are within an expected range. So if promotional volatility is a consistent characteristic of demand, DDMRP will be able to manage it without Planner intervention.

A volatile demand pattern that can be serviced by DDMRP without intervention



An extreme and exceptional demand spike that requires active event management



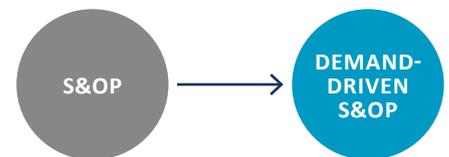
The result is a supply chain that is more customer-centric than ever, with an immense level of reliability and efficiency for day-to-day business, and supportive of value-add cross-functional collaboration for the management of capacity constrained seasonality and other events that require advance planning.

Demand-Driven MRP takes S&OP to the next level

CPG companies have, for many years, invested in robust S&OP processes. They have succeeded in bringing together the key players from sales, marketing, finance and supply chain to collaboratively drive the value chain. This is unsurprising because the supply chain function in CPG companies operates very much in the service of the brands. CPG companies are built from the brand inwards, not from the supply chain outwards so it only makes sense that CPG companies have been at the forefront of the S&OP movement.

The successful implementation of CPG S&OP has been the result of tremendous efforts not only to define and implement the processes but also to win the engagement of general management. So it is understandable that there might be a concern that this effort could be undermined if DDMRP were presented as a new and transformational way of planning the business and one that does not even require particularly accurate item level forecasts.

Quite the opposite is true, in fact DDMRP doesn't undermine S&OP at all. It actually **takes it to the next level** by helping to further secure sales, marketing, finance and GM engagement.



This is because, as much as traditional S&OP helps the business to plan its revenue and growth, many of the key players still find it a somewhat tedious exercise. Sales and marketing, for instance, play their part but are not always strongly motivated by having to attend forecast meetings and perhaps hearing how their inaccuracies are why service levels are not what they should be. Many such business partners would rather spend their energy on finding new ways to grow the brand and the business. And they can!

Demand-Driven S&OP is a far more accurate, efficient and strategic process. By eliminating the need for item level, time phased forecast accuracy from the planning process and minimizing supply chain variability and its inevitable **unplanned** buffers (excess inventory, use of capacity and volatile lead-times), the Demand Driven S&OP process is able to focus solely on the true essentials: the activities and financials of event and portfolio management, adjusting planned inventory buffers in line with demand trends and adapting the supply chain's ability to meet commercial strategy - be it through capacity, technology, configuration or improvement initiatives. Demand-Driven MRP is exactly the sort of innovation a company that has harvested all of the low-hanging fruit of S&OP should be looking for.

Demand-Driven MRP – a perfect fit for CPG

Even for the mature and high performing supply chains typical of CPG, DDMRP offers a significant opportunity: It transforms performance in terms of service, inventory and cost, and greatly improves the effectiveness of cross-functional collaboration. And by enabling Supply Chain Management to achieve real control over the supply process, SCM are able to make a significantly more reliable and accurate contribution to both tactical and strategic decision making. The complexity and volatility of the CPG world are not obstacles to DDMRP, they are a perfect fit.

CAMELOT Management Consultants

CAMELOT Management Consultants is the globally leading consulting specialist for value chain management in the process, consumer packaged goods and industrial manufacturing industries. The company is part of the CAMELOT Group with 1,600 employees and headquarters in Mannheim, Germany.

CAMELOT Group is a Global Affiliate of the Demand Driven Institute (DDI), providing a unique end-to-end portfolio of services for the Demand-Driven Adaptive Enterprise world from strategy development to system implementation – through two specialized firms: CAMELOT Management Consultants contributes to Demand-Driven thought leadership, strategy, organizational and process consulting whereas Camelot ITLab division complements this offering by a DDMRP compliant and SAP certified software solution.

www.camelot-mc.com

Demand Driven Institute (DDI)

The Demand Driven Institute was founded in 2011 by Carol Ptak and Chad Smith to proliferate and further develop demand driven strategy and tactics in industry through education, training and certification. The Demand Driven Institute has a global presence through its global network of affiliates and instructors. DDI's Demand Driven Planner (DDP) and Demand Driven Leader (DDL) Programs are quickly becoming the world standard for the emerging demand driven methodology in planning, scheduling and execution.

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