



The Time to Move to a Demand Network Has Come



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The global markets have reached an inflection point that will separate businesses for decades to come. The major differentiator will be the decisions made in companies' supply chains. These dramatic market shifts are happening on two dimensions: geographically and demographically. Millions of people in emerging markets are rising to the "middle class" which, in turn, increases the demand for products. At the same time, the "millennial" generation is emerging as a major demand driver, with access to huge amounts of information about products and trends, both good and bad, via social media.

These factors have significantly increased market volatility, a trend that is compounded by the average customer's "need for speed" in all markets. Consumers can research and order products in real time, and want them delivered with the same sense of urgency. For the supply chain, it's time to make some dramatic improvements — or risk being left behind completely.

A New Paradigm: The Demand Network

In light of this inflection point, companies will differentiate themselves through the responsiveness of their supply chain, introducing highly complex multi-channel ordering and fulfillment strategies across an already expansive logistics network. The leaders realize now is the time to imagine an entirely new supply chain that leverages the latest technology platforms to enable real-time decision making and visibility to drive predictive demand planning and response orchestration. In essence, the supply chains of the future will not be chains at all, but will transform into demand networks.

In other words, the transition from supply chain to demand network requires breaking down the silos and embedding supply chain functions directly into the most powerful functions of the company such as merchandising, marketing, engineering, service, and logistics. For example, industries such as retail, consumer products, and high-tech need to become part of (or at least become tightly integrated with) the marketing and merchandising organizations. Logistics service providers or wholesalers should leverage market data and customer insights to create new products and services for their customers. Only then can companies unleash the real potential of demand networks, eliminate redundancies, create efficiencies, and introduce truly innovative and differentiating processes.

Drivers of the Demand Network

There are several factors that have led to this supply chain crossroads and the emergence of the demand network. First, dramatic changes in market dynamics have given the end consumer more market power. The buyer of today (and tomorrow) is always connected, desires individualized products and services, and is not accustomed to having to wait for their needs to be met.

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Secondly, more complex global business models create more complex logistics processes, which in turn create a need for more advanced planning and forecasting capabilities. In a demand-driven supply network, a real-time environment is essential not just for analytics, but to support up-to-the-second planning.

Lastly, efficient execution is more imperative than ever before. With transportation and distribution costs rising, and end consumers holding buying power, a supply chain cannot afford inefficiency in moving goods or filling orders.

SAP has been working closely with organizations around the world to help them adapt to these new realities in transforming their supply chains to demand networks. This is at the heart of our supply chain strategy moving forward.

The state-of-the-art demand network puts the customer at the center of all processes, and connects business partners needed to fulfill the demand while meeting all efficiency and profitability goals. Trading partners must be brought online quickly and efficiently so business leaders can focus on business and not IT. With the Ariba Business Network, SAP customers get access to more than one million trading partners and enhanced connectivity is ensured.

How to Execute the Demand Network

Upon closer analysis, there are four key technology-driven components that will transform supply chains to demand networks in the future. Let's look at each component.

Supply Chain Monitoring

Transforming from a supply chain to a demand network requires end-to-end visibility and segmentation of customers, products, and suppliers. Think of the supply chain as a control tower with big data analytics as its primary engine to drive the acquisition, cleaning, and harmonization of data from the entire demand network in real time. But the control tower not only monitors current activity, it also provides the what-if simulations and predictive analytics needed by today's supply chain professional. Leveraging cloud technology, all of the solutions integrating with the control tower will be powered by SAP HANA, the basis for driving efficiency, speed, and growth, as well as real-time end-to-end traceability.

Sustainability is another key aspect of monitoring, as it's used to ensure compliance with regulations like batch traceability, serialization, and food safety. These principles need to be connected with real-time performance and alert management as well as the possibility to analyze the information and perform what-if simulations in real time.

Integrated Business Planning

Aligning supply and demand is crucial to success and a collaborative network not only facilitates the open exchange of data for sales and operations planning, but also drives enhanced communication among all of the partners involved. This is especially important given the diminishing boundaries between the supply chain professional and other areas of the business such as marketing or sales. Supply

chain professionals must have a clear understanding of the market situation, true end-to-end visibility, and access to analytics and simulation capabilities. SAP sales, inventory, and operations planning solutions allow users to analyze the impact of different supply and demand scenarios, without the need to jump between systems.

Demand-Driven Supply Network

With market power in the hands of the end consumer, point-of-sale data is becoming increasingly important, not just for marketing and sales purposes, but also to support real-time replenishment processes. In parallel with point-of-sale data, the importance of market research data and product sentiment is on the rise. SAP Demand Signal Management gives supply chain professionals the ability to glean insights about markets, customers, and products at a granular level. Managing this data in real time for marketing, sales, and replenishment purposes is another cornerstone of the demand network, and a key driver for revenue growth. Demand networks are more responsive than traditional supply chains, and the Ariba Business Network can manage the solutions that support open communication and collaboration among partners.

Logistics and Order Fulfillment

Effectively executing these demand networks puts more pressure on the logistics processes. Service levels and costs need to be constantly balanced by considering global trade, sustainability, and multi-mode transportation and delivery. Traditional silos between transportation management and warehouse management must therefore be eliminated, and replaced with a fast, efficient, aligned system that connects disparate processes. SAP customers can address this challenge with SAP Supply Chain Execution, which covers the planning, orchestration, and execution of the physical movement of goods. This solution connects manufacturers, carriers, and receivers. It is a comprehensive supply chain solution with specific applications to cover all the business processes and end the traditional siloed approach.

Partner Support Helps the Network Run

The key to a successful transformation from supply chain to demand network is end-to-end visibility. A demand network must support all kinds of systems and environments, which is why there are no prerequisites to have an SAP application. But every supply chain is unique and achieving that broad visibility often requires specialized or industry-specific solutions. This is where SAP partners can add value. Partner solutions can extend the reach of the demand network, filling in any gaps in the network to allow for more efficient supply chain management.

Learn More

The new demand-driven supply chain rests on this next-generation platform, and is at the center of the new SAP strategy that aims to enable organizations large and small to transform their supply chains to this demand network. For more information, visit www.sap.com/scm or www.sap.com/solutionexplorer. ■



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Rethinking Barcode Labeling Across Your Supply Chain

How an Enterprise Labeling Strategy Overcomes Key Challenges

By implementing an enterprise labeling strategy, organizations can address their labeling challenges and benefit from more efficiency, greater accuracy, and improved customer responsiveness.

1 What do you think is the biggest supply chain challenge that SAP customers face in 2014?

As supply chains become more global, and as SAP customers strive for new levels of operational efficiency, barcode labeling has emerged as a mission-critical success factor — and is now viewed by SAP customers with a more strategic eye. Meeting customer-specific and regulatory requirements for labeling is an acute challenge for SAP customers in 2014 and beyond. Customers expect labels to contain the unique information, barcodes, and formats they require to enable a smooth flow of data through their own supply chains. At the same time, companies are compelled to adhere to continually evolving labeling regulations or face severe penalties and potential loss of business.

Supporting the myriad customer-specific and regulatory labeling requirements when creating and maintaining labels in SAP systems can be extremely difficult, time-consuming, and expensive.

2 How should companies address that challenge in the coming year?

For SAP customers challenged with meeting complex barcode labeling requirements, the best practice is to adopt an enterprise-centric approach to labeling. Enterprise labeling focuses on driving labeling directly from the SAP system, so that it is the single source of truth for labeling data. As a result, you are leveraging — not changing — existing business processes. It also empowers users to support the variability of requirements by enabling them to implement configurable business rules, and to design and update labels without requiring changes to the SAP environment.

By implementing an enterprise labeling strategy, organizations can address their labeling challenges and benefit from more efficiency, greater accuracy, and improved customer responsiveness. Companies can ensure that the data driven from SAP transactions is the definitive source of label data, and that the business can meet evolving requirements without needing additional custom development in the SAP system or waiting for release schedules to make changes.

3 Why might an SAP customer want to give Loftware a call?

As an SAP partner, Loftware works with hundreds of global companies to improve customer responsiveness, cut costs, and enhance supply chain efficiency. Loftware solutions are specifically designed to integrate with SAP applications, and to offer SAP customers the flexibility to create, manage, and print mission-critical barcode labels across the supply chain. Companies can implement labeling processes alongside existing business processes via a prebuilt, SAP-certified integration. Data flows directly from SAP transactions to drive labels that are designed and maintained using Loftware's WYSIWYG design application, where label changes are made in minutes, not months. A highly configurable business rules engine enables users to meet changing customer and regulatory requirements, and removes the need to write code to support labeling in the SAP system.

With over 25 years of expertise in enterprise labeling across all industries, Loftware delivers solutions that enable SAP customers to support their global, high-volume label printing. Learn more at www.loftware.com/SAP. ■

SCM SHOWING UP ON THE RADAR



- Supply chain management is:
- 71%** A higher priority for us than in the recent past
 - 25%** The same level of priority for us as in the recent past
 - 4%** A lower priority for us than in the recent past

TOP ORGANIZATIONAL CHALLENGES



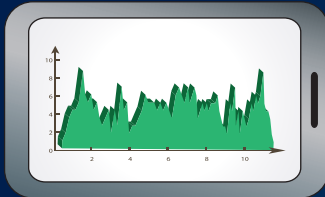
- Which of the following is the biggest challenge for your organization?
- 53%** SCM process optimization
 - 15%** Managing SCM costs
 - 13%** Finding the right technology to support SCM operations
 - 10%** Connecting with suppliers and partners
 - 9%** Finding the right talent for the SCM organization

THE STATE OF

SUPPLY CHAIN 2014

In late 2013, *insiderPROFILES* surveyed supply chain management (SCM) professionals about their priorities for the coming year. The results show an increased focus on SCM priorities and technology heading into 2014.

THE IMPACT OF MOBILE



Which technology do you think will have the biggest impact on SCM in the long term?

- 50%** Mobility
- 27%** In-memory computing
- 23%** Cloud

SUPPLY CHAIN-RELATED IT SPENDING



In the coming year, we plan to:

- 48%** Keep spending flat on supply chain-related IT
- 47%** Increase spending on supply chain-related IT
- 5%** Reduce spending on supply chain-related IT

MERGE AHEAD: IT INTEGRATION ON THE HORIZON

- 63%** of SCM professionals polled said IT integration is a major priority
- 30%** said IT integration is a mild challenge
- 7%** said IT integration is a non-issue

This infographic is brought to you by Software. Read insights from Software in the Supply Chain Showcase in the January-March 2014 issue of SAPinsider (SAPinsiderOnline.com).

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