British Telecom

Demand Driven Journey

5th July 2017
Agenda

• The case for change
• Simulation and pilot
• Scaling to an enterprise level
• Developing DDS&OP
• Takeaways & next steps
A bit about us..............

• Multiple supply chains
  • Consumer B2C – 25-30k orders/day
  • Consumer B2B – 2.2million deliveries & returns/year
  • Field based engineering – 28k engineers, 10-15k orders/day
  • Copper cable manufacturing – 1.5million km/year
  • Spare parts provision

• A complex distribution network
  • 2 National distribution centres
  • 96 forward stock locations
  • 13 transport hubs
The case for change

Forecast Accuracy
- Not great at the mix level
- Tendency to over forecast
But....
- As many under forecast as over forecast items
The solution

*Improve forecast accuracy*……..

“If I had asked people what they wanted, they would have said faster horses”

• Henry Ford

Or......

*Attend a CDDP training course*
Testing the theory with a simulation

Simulation model built using 6 months history of actual daily orders

Two groups of SKUs from the same family modelled that had been historically over and under forecast but at the aggregate level had excellent accuracy

RESULTS
• Stock is in balance and total inventory is halved
• NOT Dependant on Forecast so decoupled from forecast error
• NO Service issues
• LESS Inventory
• STABLE load on factory
• NO costs of failure

Actual vs DDMRP Simulation – 6 month Inventory Evolution
Scaling to an enterprise level

Over 125,000 individual Item:Location combinations

FSL = Forward Stock Location (96)
DDMRP is just the start – Developing DDS&OP

- DDMRP daily
- DDS&OP weekly/monthly
- Adaptive S&OP quarterly

Orchestr8 configuration & Parameter settings

Agreed operating envelope to support business plan
Demand forecasts

Actual Demand

Variance analysis

Forward projections
Simulation & what-if

Strategy Technology
Takeaways & next steps

Demand Driven has and is delivering

• Supply chain ‘de-risked’ from forecast accuracy
• Strong positive impact on cash flow and ROCE
• Maintained or improved service levels
• Overall inventory reduction typically between 20%-30%
• Release of supply chain capacity by not producing, buying and storing the wrong stuff
• Cost reduction – lower planning effort with improved outcomes – lower expedite costs

Next Steps

• Continue to develop our flow based metrics and reporting
• Engage with suppliers – currently demand pull turns back to forecast push at the supplier / BT interface
• Orchestr8 and our DDS&OP process ensure we have the operational and tactical relevant ranges covered – next step is to link in to the strategic relevant range
• Continue to invest in education and development