

# **EXCERPT IDC MarketScape: Worldwide Manufacturing Supply Chain Demand Sensing and Planning 2013 Vendor Assessment**

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**IDC Manufacturing Insights: Supply Chain Strategies**

VENDOR ASSESSMENT #MI242850

Simon Ellis Heather Ashton

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## **IN THIS EXCERPT**

The content for this Excerpt was taken directly from the IDC MarketScape: "IDC MarketScape: Worldwide Manufacturing Supply Chain Demand Sensing and Planning 2013 Vendor Assessment" by Simon Ellis and Heather Ashton (Doc # MI242850). All or parts of the following sections are included in this excerpt: IDC Manufacturing Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, Learn More, Related Research, and Synopsis. Also included are Figures 1 and 4, and Table 4.

## **IDC MANUFACTURING INSIGHTS OPINION**

Volatility has emerged as a top concern for manufacturing companies since the global recession of 2008–2010. For some manufacturing subverticals like engineering-oriented value chains, volatility manifests itself in the form of supply complexity; for other subverticals like brand-oriented value chains, volatility manifests itself in the form of demand complexity; and still others like technology-oriented value chains have the pleasure of both. The result has been a renewed focus on demand planning and a desire to improve forecasting capabilities and performance. This IDC MarketScape focuses on this critical area, with an eye toward the notable vendors in the space:

- In the most recent IDC Vertical Survey, demand planning and forecasting was among the top 10 most important manufacturing application areas for manufacturers — seventh for all manufacturers but fifth for process manufacturing (notably consumer products).
- In this assessment, we limited participation to eight notable providers of demand sensing and planning tools. IDC Manufacturing Insights would have no reservation about recommending any of the eight to prospective end-user clients.

- As a consequence of the selection criteria to limit participation to notable vendors, the scoring is tight, with differences characterized by subtle distinctions and levels of integration.
- It always proves challenging to differentiate between narrower "best of breed" vendors and their broader enterprise competitors. Although it is expected that the narrowly focused company will excel in its area of focus, and we do see that to a degree in this IDC MarketScape, it is the view of IDC Manufacturing Insights that best of breed and enterprise are not mutually exclusive in demand sensing and planning.

## **IN THIS STUDY**

This IDC Manufacturing Insights study represents a comprehensive vendor assessment of the supply chain demand sensing and planning software applications market for manufacturing companies using the IDC MarketScape model. Vendors were selected on the basis of estimated market share, notable capability, and potential for growth. This study ultimately provides prospective buyers critical insights into vendors' competitive market position, strengths, and weaknesses.

The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and one another and highlights the factors that influence success in the market both short and long term. End-user feedback from current manufacturing customers was also considered when determining the position of each vendor in the IDC MarketScape framework.

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## **Methodology**

We invited eight vendors to participate in this study, extending an invitation only to those vendors that have supply chain planning and sensing applications specifically designed for manufacturing companies. These eight vendors represent 75% of total worldwide named vendor software spending on supply chain planning and sensing applications, with the remaining 25% split among a bewildering array of smaller boutique vendors.

There were a number of steps in this evaluation process, including:

- Product review and strategy briefings with each of the participating vendors
- Each vendor completing an extensive RFI and providing customer references

- Customer reference calls conducted, covering complexity of the project, vendor responsiveness, and strengths of vendor and offering
- Quantitative and qualitative assessment of each vendor against the evaluation criteria
- Review of scores and assessment with each vendor prior to publication to ensure factual accuracy

The IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

For the purposes of this specific IDC MarketScape, and given the large number of small boutique application providers, the vendors included are those that have both size and bring notable capability to their manufacturing customers. All eight of the vendors that were invited to participate in this research report accepted the invitation.

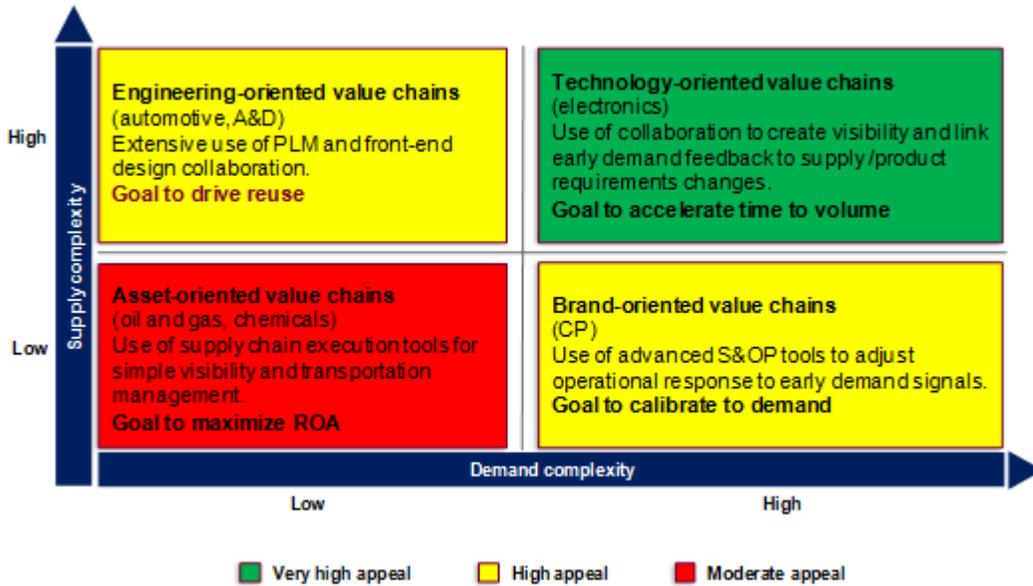
*Note: All numbers in this document may not be exact due to rounding.*

## **SITUATION OVERVIEW**

In the manufacturing industry, demand volatility remains a top challenge across multiple subverticals. At IDC Manufacturing Insights, we have used variations of the graphic in Figure 1 to articulate the core challenge that the four key subverticals within the manufacturing industry face.

**FIGURE 1**

Demand and Supply Complexity



Source: IDC Manufacturing Insights, 2013

## **FUTURE OUTLOOK**

The future for manufacturing supply chain demand sensing and forecasting is bright. Not only are manufacturing companies across most industry segments prioritizing these capabilities but that priority is reflected in IT spending growth. As illustrated in Table 4, expected market growth for demand planning applications outstrips overall manufacturing supply chain management spending growth by over 1 percentage point. Demand sensing and planning applications are currently at 8.5% of overall supply chain management spending and are expected to climb to 8.7% by 2015.

**TABLE 4**

Worldwide Supply Chain Management and Demand Sensing and Planning  
IT Spending, 2013–2015 (\$M)

|                               | 2013  | 2014  | 2015  | 2013–2015<br>CAGR (%) |
|-------------------------------|-------|-------|-------|-----------------------|
| Supply chain management (SCM) | 3,883 | 4,182 | 4,511 | 7.8                   |
| Demand sensing and planning   | 329   | 355   | 390   | 8.9                   |

Source: IDC Manufacturing Insights, 2013

It is timely, therefore, to consider the major suppliers in the demand sensing and planning space and where manufacturers considering these kinds of applications ought to look.

### **IDC MarketScape: Worldwide Manufacturing Supply Chain Demand Sensing and Planning Vendor Assessment**

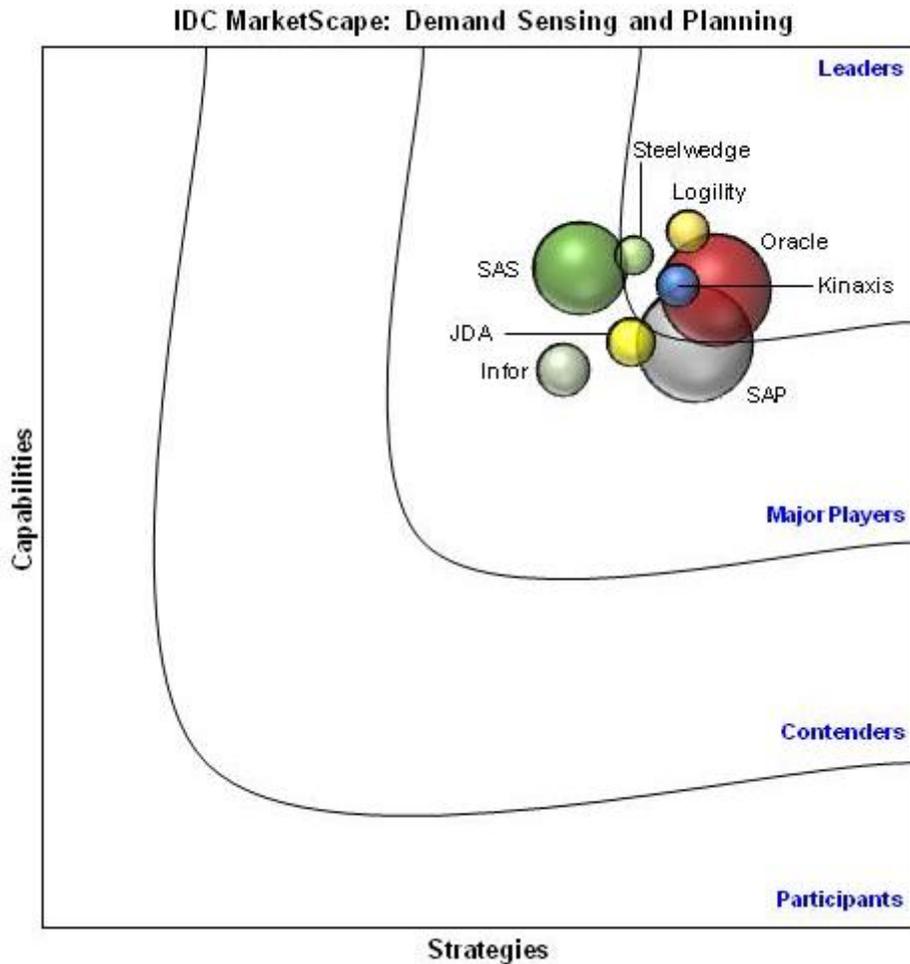
The IDC vendor assessment for the manufacturing supply chain demand sensing and forecasting market represents IDC Manufacturing Insights' opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC divided potential key measures for success into two primary categories: capability and strategy:

- Positioning on the y-axis, or capabilities axis, reflects the vendor's current capabilities and menu of services and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts consider how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.
- Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business and go-to-market plans for the future, in this case defined as the next three to five years. Under this category analysts evaluate whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 4 shows each vendor's position in the vendor assessment chart. Each vendor's market share is represented by the size of the bubble.

**FIGURE 4**

IDC MarketScape: Worldwide Demand Sensing and Planning Vendor Assessment



Source: IDC Manufacturing Insights, 2013

**Vendor Summary Profiles: Capabilities, Strategy, and Guidance**

The sections that follow provide more information and detail the key observations made regarding each vendor's offering, capabilities, and strategy that led to their position in the IDC MarketScape chart (refer

back to Figure 4). In no way is IDC Manufacturing Insights suggesting that our evaluation in this document should replace a detailed, company-specific evaluation and due diligence process. It is essentially as starting point, a "short list" if you will of those vendors that bring, as we have said, notable capability to the demand sensing and planning space and are well worth consideration.

### **Oracle**

Oracle Corp. is a profitable enterprise software and services organization headquartered in Redwood Shores, California. Founded in 1977, Oracle has more than 118,000 employees worldwide, with GAAP total revenue of \$37.3 billion in fiscal year 2013. Supply chain planning applications have been a key focus for Oracle, long before its acquisition of Oracle's JD Edwards and Oracle's Demantra, as Oracle built out one of the most comprehensive SCP product suites on the market today in Oracle E-Business Suite and then complemented it nicely by acquiring Oracle's JD Edwards and Oracle's Demantra in 2004 and 2006, respectively. Oracle sells Demantra primarily through direct channels and has customers across all segments of manufacturing. Customers of Demantra include Cisco, Land O'Lakes, and Emerson Electric.

### **Capabilities**

Oracle's core demand planning offering is Oracle's Demantra Demand Management. In addition, Oracle offers Oracle's Demantra Advanced Forecasting and Demand Modeling (AFDM) as an option to add advanced features to DM, as well as Oracle Demand Signal Repository, which captures, manages, and analyzes downstream data. Additional modules that are tangential to demand planning include Oracle's Demantra Predictive Trade Planning and Oracle's Demantra Real-Time Sales and Operations Planning. Strengths of Demantra include its architecture, demand sensing and analysis, NPI and demand shaping, configure-to-order and service parts forecasting, and collaborative and consensus planning. From a forecast perspective, Oracle's Demantra handles various types of curves for demand planning, and each time the engine is run, 15–18 models are executed to determine the best blend of models over time for the given item to provide the most accurate fit. Oracle offers multiple deployment options, including on-premise, hosted private, and hosted public cloud, although most customers are currently choosing to deploy on-premise.

### **Strategy**

Oracle has one of the most comprehensive strategies for demand planning and sensing functionality. Further integration with Oracle's Value Chain Planning Solution, which includes modules for trade promotions, supply and distribution planning, replenishment, production scheduling, and tie-in with Oracle's Supply Chain Management solutions enable a customer to manage the entire

forecasting to replenishment process. Oracle has continued to invest in Demantra since it was acquired and as a result the functionality in the product is market leading. The company has numerous self-initiated as well as customer-driven innovations, including the recently announced Oracle In-Memory Consumption-Driven Planning initiative. Oracle's ecosystem has improved and the company's partner network is strong globally regarding implementation and customization. The company is supporting open standards to ease integration outside its own product portfolio.

### **Guidance**

Oracle is positioned as a Leader, with strong product capabilities and a sound strategy for demand planning and sensing. The company continues to experience year-over-year growth in its demand planning and demand sensing areas. With its in-memory database and DSR capabilities, Oracle's Demantra is ideally suited for manufacturers and distributors in consumer products, industrial, high tech, automotive, natural resources, life sciences, retail, and communications, although there is also appeal in such diverse markets as aerospace and defense and financial services. Customers shared that upgrades can be time consuming and it can be costly to get the new functionality that Oracle is continually adding to new releases of Demantra.

## **ESSENTIAL GUIDANCE**

Indications are good for a continued strong future for supply chain demand sensing and planning applications in manufacturing — particularly in those subsegments like consumer products and high tech where companies experience high levels of demand volatility. Demand planning is not a panacea, however, and businesses most likely to benefit from enhancements are those that already understand the drivers in their business and are quite mature in their adoption of broader supply chain management tools.

Indeed, as manufacturing companies look to profitably deliver on their service obligations — in a world of increasing external disruptions — there are only really two "levers" to pull. Either I build in the capability to respond perfectly to any and every demand spike or I improve my demand planning capability to the point where I have no forecast error. Clearly both are preposterous extremes, but the reality, for most manufacturers, is somewhere in between and there are improvements to be had on both fronts. IDC Manufacturing Insights has long supported the notion of balancing forecasting with responsiveness by looking at opportunities in both areas.

All things being equal, IDC Manufacturing Insights believes that manufacturers that better leverage demand sensing and planning

technology to deliver consistently against their service obligations, while maintaining required cost levels, will strengthen their current market positions and will be more viable in the long term.

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## **Actions to Consider**

### ***For Manufacturers***

With a clear vision of the opportunities, each manufacturer should define its priorities and establish a strategy to identify opportunities to improve demand sensing and planning. Manufacturers should:

- **Understand the relative performance of their demand planning efforts — in other words, is your forecast better, worse, or about on par with your competitive set.** Based on position, where are the areas that require attention — is it a business process problem, is it a data sourcing or accuracy problem, or is it a technology tool problem?
- **Establish a strategy.** Define both short- and long-term strategies for achievable levels of improvement. Can capitalizing on any of these improvements create a differentiating market advantage?
- **Define requirements and develop a road map.** Identify projects with the most significance — measured by ROI or market differentiation — and prioritize. Don't lose sight of the long-term needs of your organization when identifying your quick wins.
- **Define current barriers to change.** As you construct an initial list of opportunities to review, keep in mind the organizational and cultural resistance. Be aware particularly of the potential for misalignment of line-of-business and IT priorities.
- **Select a vendor.** Align your needs with the capabilities of the vendors outlined in this report. It's quite possible that one vendor will not meet all of your needs, given your business objectives, current IT portfolio, and short- and long-term road map. Pay particular attention to best-of-breed versus enterprise vendor in considering the broader context for demand sensing and planning.

### ***For Vendors***

Recognizing the maturity of this application segment, each vendor should look to further differentiate themselves — either via functional depth or industry breadth. Vendors should:

- **Develop/extend depth and breadth of experience in manufacturing.** Understand subindustry pain points and ensure product road maps are detailed and customer-value driven. Share as much as possible, including detailed release plans, with customers.

- Focus on delivering a combination of out-of-the-box functionality, rapid implementation, and efficient configuration/customization tools to speed time to value.
- Think in terms of overall "integrated business planning" and how demand sensing and planning fits into that greater whole to drive both speed and agility for manufacturing customers.
- Develop capabilities to extend the value of core functionality by leveraging mobile devices, social networking, and analytics.
- Support both on-premise and (private and public) cloud deployment models to meet future customer demands. This means offering commensurate licensing policies that reflect the delivery model and allow customers to scale up and down as needed.
- Publicize credible use cases and customer ROI. Develop ROI templates to help customers understand and quantify benefits.

## **LEARN MORE**

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### **Related Research**

- *Business Strategy: Arguing the Case for Supply Chain Resiliency in 2013* (IDC Manufacturing Insights #MI240502, April 2013)
- *Vendor Assessment: Manufacturing Industry Supply Chain Planning Services Buyers Guide* (IDC Manufacturing Insights #MI238273, December 2012)
- *Worldwide Manufacturing Supply Chain 2013 Top 10 Predictions* (IDC Manufacturing Insights #MI238804, December 2012)
- *Perspective: Big Data Technology in Manufacturing? It's on Its Way* (IDC Manufacturing Insights #MI236100, July 2012)
- *Perspective: The Service-Centric Supply Chain* (IDC Manufacturing Insights #MI235035, May 2012)
- *Perspective: The Appeal of Integrated Planning* (IDC Manufacturing Insights #MI233067, February 2012)
- *Perspective: Redundancy in the Supply Chain — How Much Is Enough?* (IDC Manufacturing Insights #MI228231, May 2011)

### **Synopsis**

This IDC MarketScape report looks at the key vendors in the demand sensing and planning space and discusses the importance of demand

planning in the context of the current business challenges facing manufacturers.

According to Simon Ellis, practice director, IDC Manufacturing Insights, "In the supply chain, demand sensing and planning is perhaps the critical business process to allow manufacturers to better align their operations to expected future demand and to the changes in that demand. A handful of key vendors, highlighted in this report, provide outstanding demand planning tools that have enabled these manufacturers to keep pace with growing levels of demand volatility and complexity."

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