

Decision-Making Tools and Techniques

Demand Management

DPTI Asset Brief



What is Demand Management?

Demand Management is a technique to ensure that goods and services are delivered effectively at times when demand pressures exceed capacity to supply, and market forces to achieve balance do not exist.

The process is employed by government where demand cannot be met and additional resources either within government or the private sector are not available.

It involves managing the service delivery cycle to influence demand for services and the economic, financial, and human resources required for effective delivery of those services.

Demand Management embodies the following:

- ❖ Identifying community expectations, needs and priorities
- ❖ Identifying strategies to match demand with the relevant agency's capacity to meet it
- ❖ Staging the provision of resources to match forecasts of service demand over time
- ❖ Using available resources to best effect
- ❖ Stabilising variations in service demand over time

"A procedure for matching demand for services with the capacity to supply those services where market signals are deficient."

When to use Demand Management

Demand Management should be regarded as a fundamental part of 'best value for money' asset management. It should be considered whenever change in the community's need for a service is forecast or when a new service is contemplated. When adopted as part of strategic asset management, Demand Management techniques create confidence in decisions relating to:

- ❖ Procurement of new assets;
- ❖ Refurbishment of existing assets;
- ❖ Management of existing assets, or
- ❖ Disposal of existing assets.

For example, in line with Government policy on asset management, agencies are expected to identify requirements by undertaking reviews and adopting defined processes and to identify the most appropriate way to meet the community's service needs.

Where a review identifies a potential need for new assets because of a mismatch between demand and the capacity of existing assets to meet that demand, Demand Management should be carried out.

This will either identify other mechanisms for matching needs and resources or confirm the need to invest in new assets.

Demand Management

How to use Demand Management

Key stakeholders should be involved in the Demand Management procedure to identify strategies, assess risk and make decisions. This involvement will enable a clear understanding of the impact changes in the availability of resources and services will have.

In particular, other agencies that may be affected should be included in the process to ensure that demand is not simply shifted from one agency to another.

The elements of Demand Management include:

- ❖ Identifying, defining and measuring current and future service demand
- ❖ Measuring current and future service capacity
- ❖ Measuring the gap between projected demand and capacity
- ❖ Identifying strategies to influence demand, including an assessment of the potential impact of those strategies
- ❖ Performing a risk analysis
- ❖ Selecting a Demand Management strategy
- ❖ Implementing the strategy
- ❖ Monitoring its impact
- ❖ Reviewing its process and success

Strategies that can be used to change service demand include:

- ❖ Introducing alternative services
- ❖ Targeting services to areas of real need
- ❖ Outsourcing service delivery
- ❖ Educating the community to achieve informed, reduced demand for services
- ❖ Legislative or regulatory restrictions on access to the service
- ❖ Rationing or means-testing access to it
- ❖ Introducing charges

Demand Management

Benefits and Risks

The benefits of an effective Demand Management strategy include:

- ❖ A match between demand for a service and the capacity of existing infrastructure to meet that demand
- ❖ The ability to measure current demand and predict future trends, thereby ensuring that needs are carefully analysed and separated from wants
- ❖ The identification of potential needs
- ❖ Better forecasting of short and long term demand
- ❖ A match between real community needs and the investment in buildings

In turn, this leads to better management of government assets and better planning of government capital works projects. Services are then targeted to the appropriate recipients and community groups effectively and cost-efficiently, making best use of available resources.

The risks associated with implementing Demand Management must be carefully managed. A failed process, or inappropriate strategies, may lead to:

- ❖ A failure to identify and/or satisfy real demand for services
- ❖ Adoption of inefficient, or “band-aid” measures for service delivery
- ❖ Distorted service demands and use