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Architecting for a New Demand Chain

by Craig Donato

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The power of the customer is growing dramatically in today's market. The Internet empowers customers by providing access to more information about competitive products. As markets become global and customers have even more choices, the differentiation required for success becomes more difficult to sustain.

To stay competitive, you must maintain a persistent presence with all your customers through system-to-system connections that allow continuous customer interactions. Only then can you have realtime insight into your customers' needs, offer differentiated services that distinguish you from your competition, and strengthen customer satisfaction and trust that will lead to increased revenue and profitability. The challenge of architecting deep systemic relationships across the entire demand chain is significant, but the opportunities to grow the business are even larger.

This new architecture must connect the diverse points of access that support the customer, including suppliers, carriers, services, and content providers. You must bring these access points together to work in concert to recognize unmet customer needs and broaden the scope of your company's offerings. Such multidimensional access and depth of interoperability can only be achieved through a loosely coupled, service-oriented architecture (SOA), not the tightly coupled processes and point-to-point connections used in the supply chain today.

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As enterprises turn their attention to wiring the demand value chain, they face a new set of requirements compared to those of the supply chain:

- **Number of Players:** In the supply chain, businesses limit supplier relationships to key partners; on the demand side, you need to engage every potential customer. This requires an architecture that supports heterogeneity to adapt to all your customers' needs, rather than a few homogenous point-to-point connections.
- **Control Point:** In the supply chain, control resides with the manufacturer, but in the demand chain you want the customers to be in control so they can communicate their product preferences and requirements.
- **Where the Value Starts:** With the supply chain, value starts when the first supplier is connected. In the demand chain, value is achieved through critical mass.
- **Where the Value Is Created:** The supply chain redistributes value by reducing cost; in the demand chain, additional value is recognized by creating personalized services for the customer.
- **Type of Functions:** The supply chain is based on a linear chain of functions, while the demand chain embraces flexible, ad-hoc processes that can adapt quickly to suit changing customer needs.
- **Leverage:** On the supply side, you gain leverage when higher volume efficiency leads to lower costs. In the demand chain, you gain leverage by expanding services and improving value to customers.

The business of tomorrow must be agile. Most of our current efforts in the supply chain have focused on locking-down processes and establishing consensus to drive down cost. Although it might introduce complexities with planning, change provides a valuable opportunity to improve interactions and processes with customers. SOA offers a flexible infrastructure for delivering realtime, orchestrated, value-added services to customers using standards-based interactions to communicate across heterogeneous platforms.

A SOA isn't a big bang approach. It extends the capabilities of an existing infrastructure through an improved architecture and companies can move to this architecture in an incremental, low-risk fashion. The key is to move complexity into shared infrastructure, lowering the cost and complexity for all participants. This elevates many of the thorny interoperability issues with business rules. XML and Web services standards are the key enablers. Developers can then elevate their focus to weaving and assembling solutions that expose the corporation's distinctive advantage.



Craig Donato

Once you have a SOA in place, it provides a flexible framework for building and extending business services, free from the traditional constraints introduced by technology. SOA offers improved adaptability, enabling you to perform and respond to customer needs consistently. It also allows you to evolve continuously with your market, while minimizing the costs of the significant changes that will be required. With these advantages in mind, the question is not "if" you need to migrate to an SOA for your demand chain, but "when."

About the Author

Craig Donato is CEO of Grand Central Communications, provider of the Web Services Network. Craig was recently recognized by Network World as one of the 50 most powerful people in the networking industry. Prior to Grand Central, Craig oversaw network programming and ran several business units for Excite@Home.

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