



Sales & Operations Planning: An Introduction



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S&OP Overview

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The S&OP process was first developed in the 1980's.

Today, S&OP is used across the Global 1000

Today

S&OP evolved from supply chain execution activities such as MRP (material requirements planning)

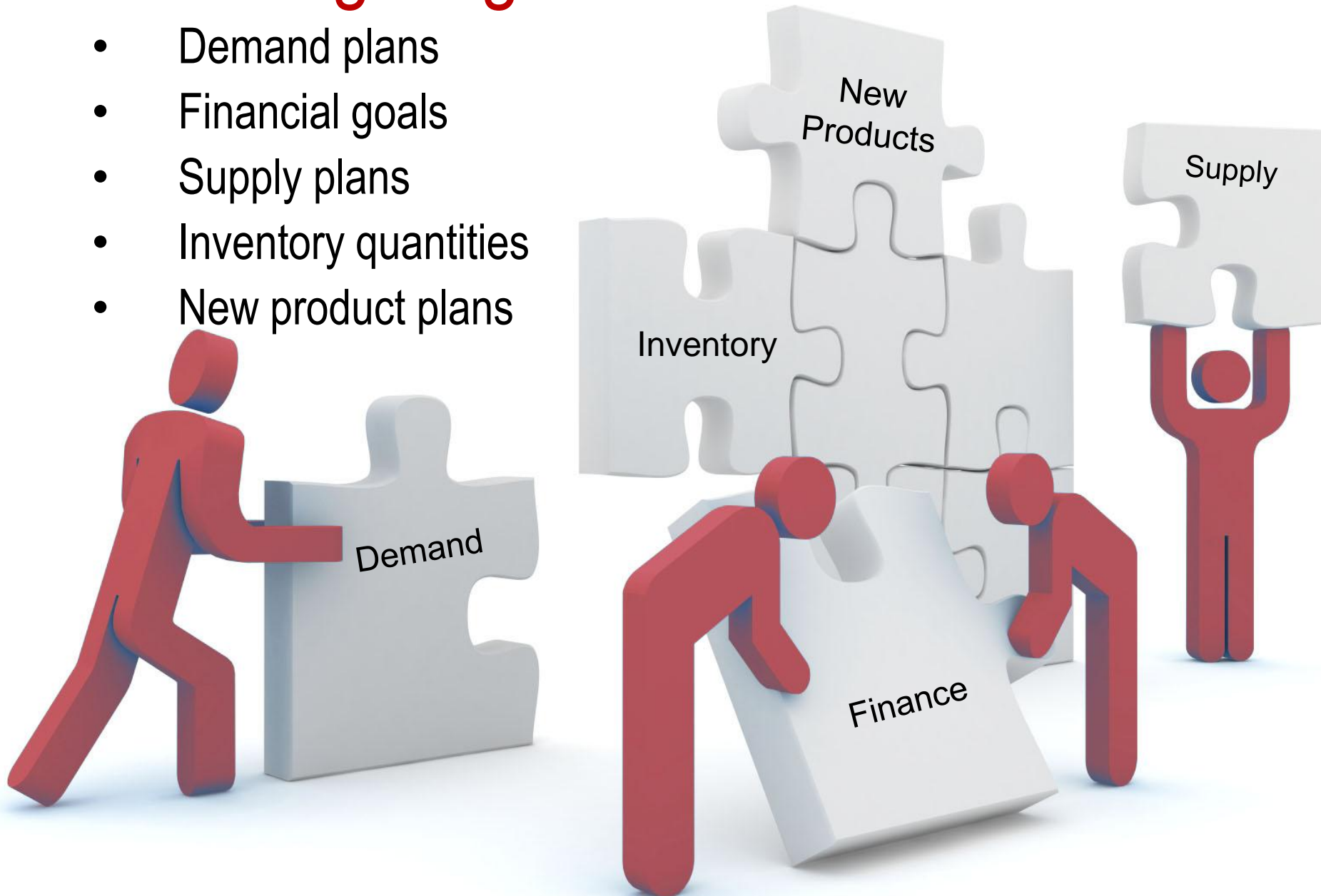


Sales and Operations Planning (S&OP)

A integrated business process that drives collaboration, focus and alignment across multiple divisions and departments in a company

S&OP brings together

- Demand plans
- Financial goals
- Supply plans
- Inventory quantities
- New product plans



S&OP

- Aligns different teams around a common plan
- Balances supply and demand
- Identifies discrepancies between planning numbers
- Improves sales forecasts
- Reduces the long-term impact of unexpected events

Typical S&OP Results

50-70% reduction in planning cycle time

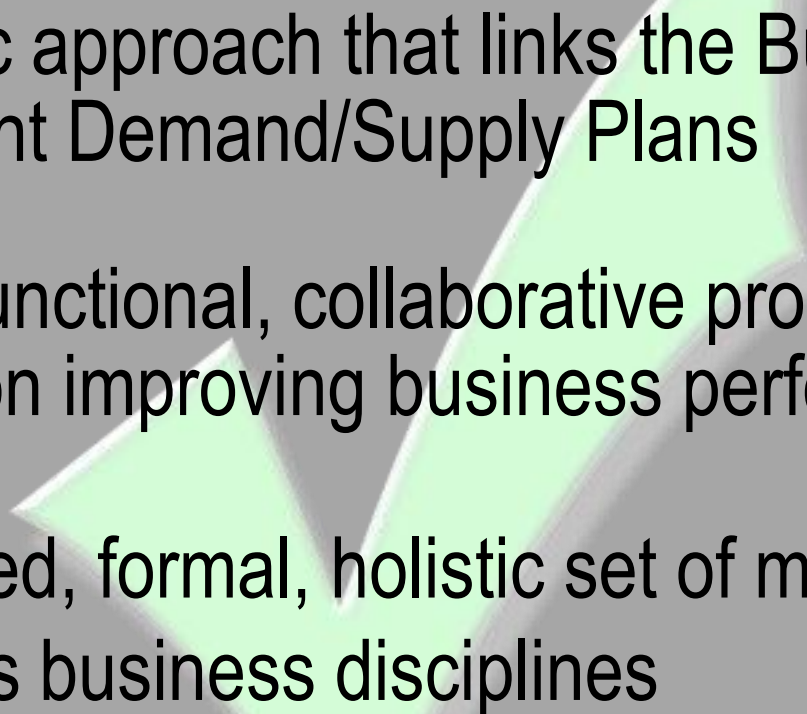
15-30% improvement in forecast accuracy

10-20% reduction in excess inventory

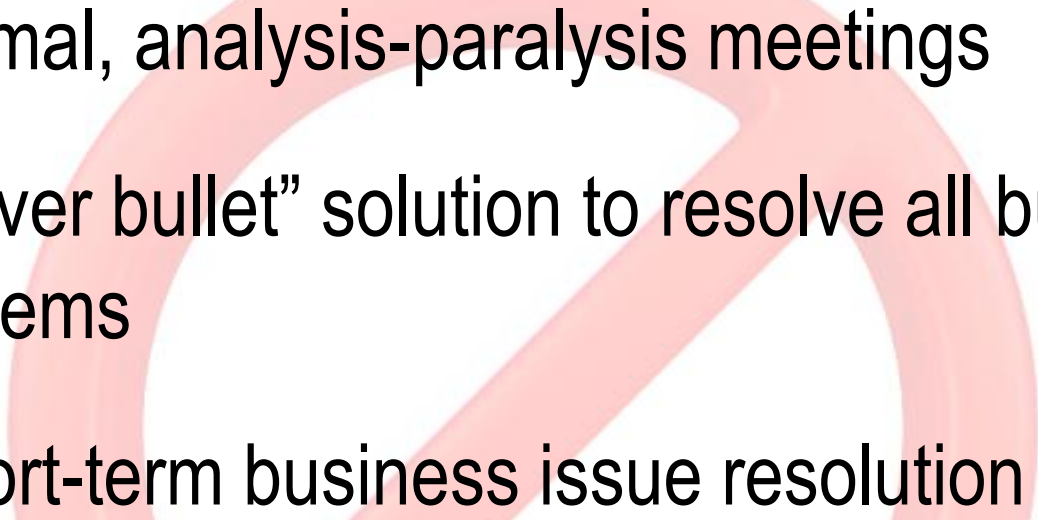
25% reduction in stock-outs

5% lift in revenue and margin

S&OP IS...

- ✓ A strategic approach that links the Business Plan with current Demand/Supply Plans
 - ✓ A cross-functional, collaborative process focusing on improving business performance
 - ✓ A structured, formal, holistic set of monthly consensus business disciplines
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S&OP is NOT...

- x Informal, analysis-paralysis meetings
 - x A “silver bullet” solution to resolve all business problems
 - x A short-term business issue resolution process
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The S&OP Process

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The S&OP Process

Annually

- Develop Financial Budgeting Plans
- Communicate Sales and Profit Expectations Internally and to the Analysts/Wall Street

Quarterly

- Develop Financial Budgeting Plans
- Review Consensus Plans, Perform Financial Impact Analyses
- Select Optimal Plan, Submit for Approval
- Communicate Sales and Profit Expectations Internally and to the Analysts/Wall Street

Monthly

- Develop Financial Budgeting Plans, Perform Financial Impact Analyses, Select Optimal Plan, Submit for Approval
- Create Alternative Supply Plans
- Recommend and Review Preferred Consensus Plan
- Agree on Consensus Demand & Supply Plans

The S&OP Process (cont.)

Weekly

- Adjust Sales Forecasts
- Create Alternative Supply Plans
- Production & Shipment Planning

Daily

- Order Fulfillment
- Inventory Management
- Production & Shipment Execution

Corporate Objectives, Annual Operating Budget/Plan

Monthly S&OP Cycle

Week 4: Executive S&OP

- **To do:**
 - Aggregated plan review
 - Resolve impasses
 - Make key decisions
 - Drive to consensus

Week 1: Demand Review

- **To do:**
 - Gather sales forecasts
 - Drive to consensus demand plan
 - Hold demand review meeting
- **Result:**
 - Proposed demand plan

Week 2: Supply Review

- **To do:**
 - Adjust supply
 - Shape demand
 - Hold review meeting
- **Result:**
 - Balanced supply & demand plans

Week 3: Pre-S&OP Meeting

- **To do:**
 - Financial review
 - Prepare for exec S&OP
 - Hold pre-S&OP meeting
- **Result:**
 - Balanced plan in units and revenue

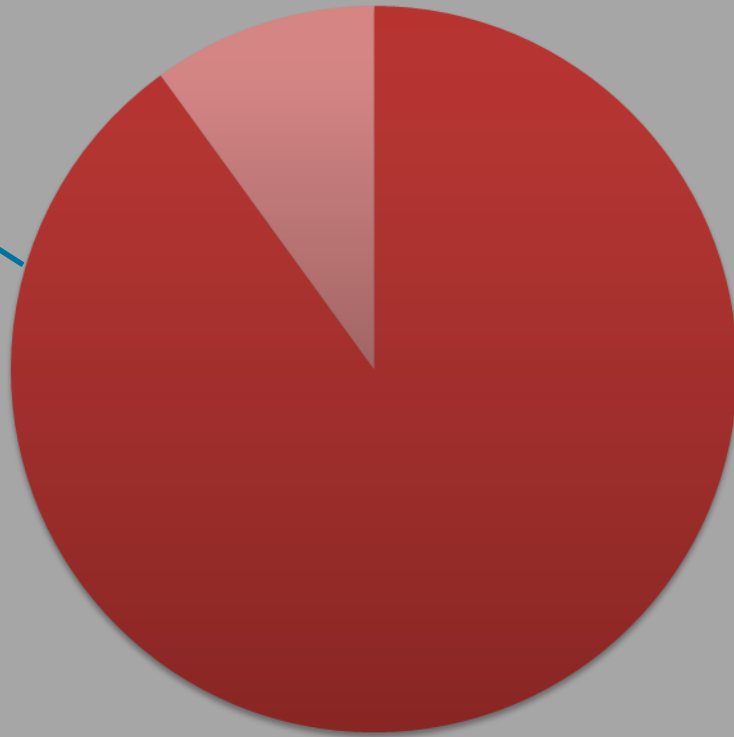
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S&OP Maturity

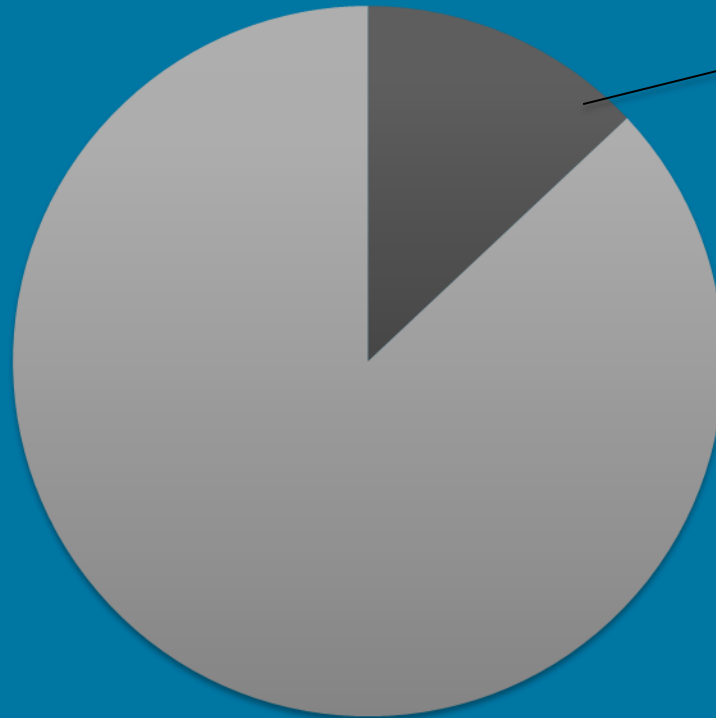
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90% of companies believe an S&OP process can improve agility and impact business results



But only 13% of companies can tie S&OP directly to execution and measure results



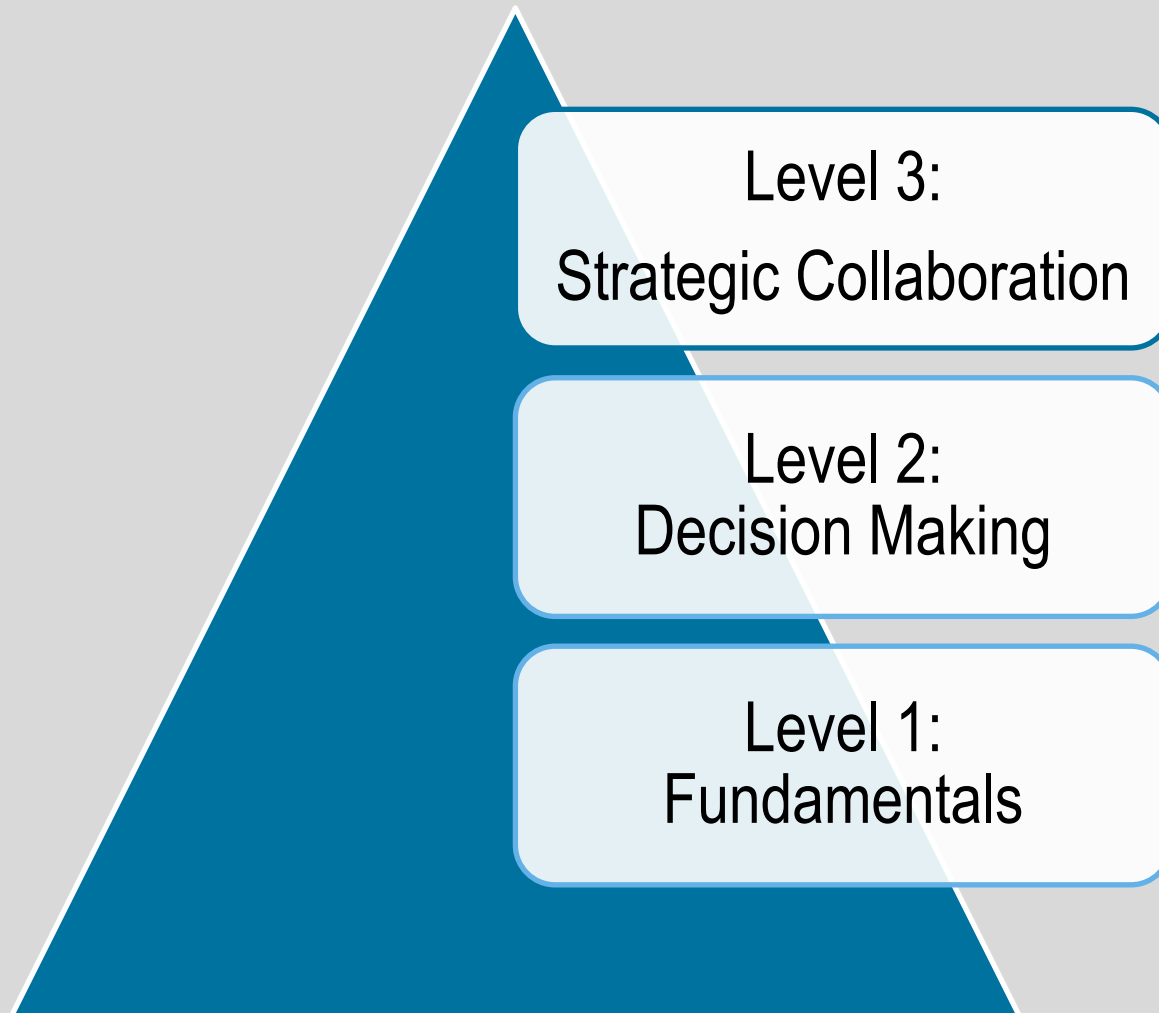
That's a significant opportunity for productivity improvement



Your S&OP process will be driven by continuous, incremental improvement.

Start by implementing small changes and improve on them each month. This is the S&OP maturity process.

The S&OP maturity process



Maturity Level 1: Fundamentals of S&OP

Bring together

- People, process, & technology

Compile

- Sales in units, revenue & currency data

Take action

- Forecasting
- Supply and demand balancing

Maturity Level 2: Decision-Making

Choose

- The best path to attain business drivers, revenue and profit

Align

- The strategic plan with sales, operations and financial plans

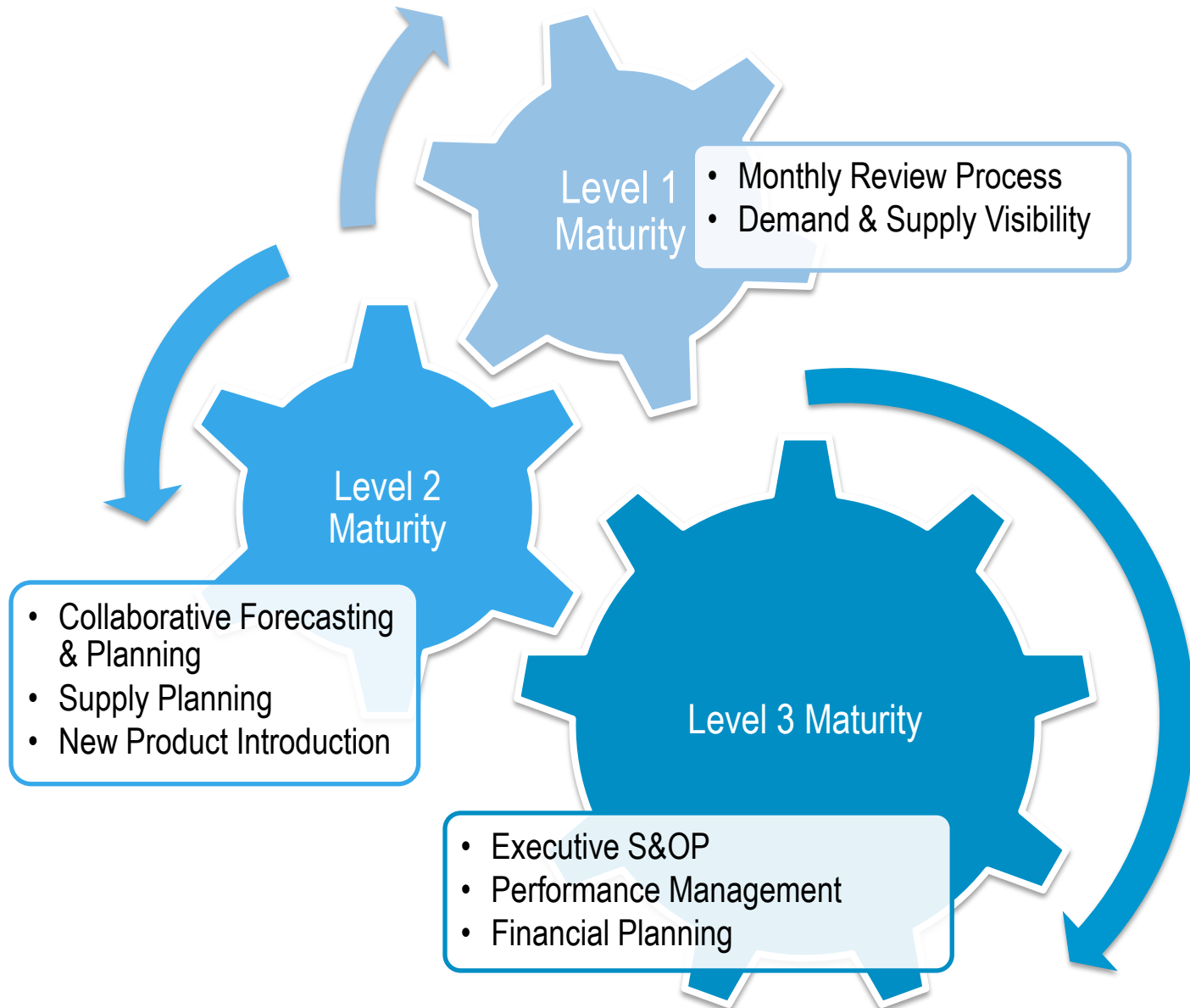
Compromise

- Competing groups should understand tradeoffs—financial and operational—to achieve Key Performance Indicators (KPI's)

Maturity Level 3: Strategic Collaboration

- **Create**
 - Collaborative process for internal business inputs
 - External communication channels with customers, suppliers, partners
- **Use**
 - Technology to support processes via workflows and plan performance reviews

Roadmap for S&OP Maturity





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7 Critical Factors for S&OP Excellence

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1. Demand and Supply Visibility

Challenge

Multiple systems, outdated information, aggregate level detail, growing volume of data.

Opportunity

- Data cleansing to improve account information
- Delete duplicate documents and information

2. Collaborative Forecasting

Challenge

Multiple forecasts for sales, operations and finance are difficult to reconcile.

Opportunity

- Use S&OP meetings to set a cross-functional plan that achieves margins rather than acting independently of each other

3. New Product Introduction

Challenge

Limited interdepartmental visibility in new product planning

Opportunity

- Increase visibility to planned launch dates and forecasts with easy-to-access tools
- Make sure new product planning is included in S&OP process to align supply with demand plans

4. Supply Planning

Challenge

Excess inventory, supply constraints, limited supplier response times

Opportunity

- Use the S&OP process to set a strategic planning horizon and drive supply plans ahead of need.
- Strategic planning reduces "fire-fighting", improves fill rates and lowers inventories

5. Monthly Review Meetings

Challenge

Ad Hoc process without clearly defined roles.

Opportunity

S&OP team should present the following to department leadership and executives for approval:

1. A process plan—including situation, objectives, strategies and tactics
2. Measurements—including margin goals, sales metrics and operational targets

6. Performance Management

Challenge

Metrics not clearly defined with periodic updates and exception alerts to mitigate outliers

Opportunity

- See #5
- Capture forecast accuracy and bias factors at various levels of aggregation
- Use a manage by exception approach to address issues and solidify improvements

7. Executive S&OP

Challenge

Lack of sponsorship and buy in, no connection with company's strategic and financial objectives

Opportunity

- See #5 and #6
- S&OP involves all levels of organization. Top level management participation is critical to set expectations and make key decisions

Summary of the 7 Critical Factors

	Unique Challenges
Executive S&OP	<ol style="list-style-type: none"> 1. Lack of sponsorship or buy in 2. No connection with company's strategic and financial objectives
Performance Management	<ol style="list-style-type: none"> 1. Metrics not clearly defined 2. No periodic updates or exception alerts to mitigate outliers
Monthly Review Process	<ol style="list-style-type: none"> 1. Ad hoc process 2. No clearly defined roles
Supply Planning	<ol style="list-style-type: none"> 1. Excess inventory 2. Supply constraints 3. Limited supplier response times
New Product Introduction	<ol style="list-style-type: none"> 1. Limited visibility to NPI for Operations
Collaborative Forecasting & Planning	<ol style="list-style-type: none"> 1. Multiple forecasting views for sales, operations and finance that are difficult to reconcile
Demand & Supply Visibility	<ol style="list-style-type: none"> 1. Multiple systems with growing volume of data 2. Outdated information with no aggregate level detail



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S&OP and
Integrated Business Planning (IBP)

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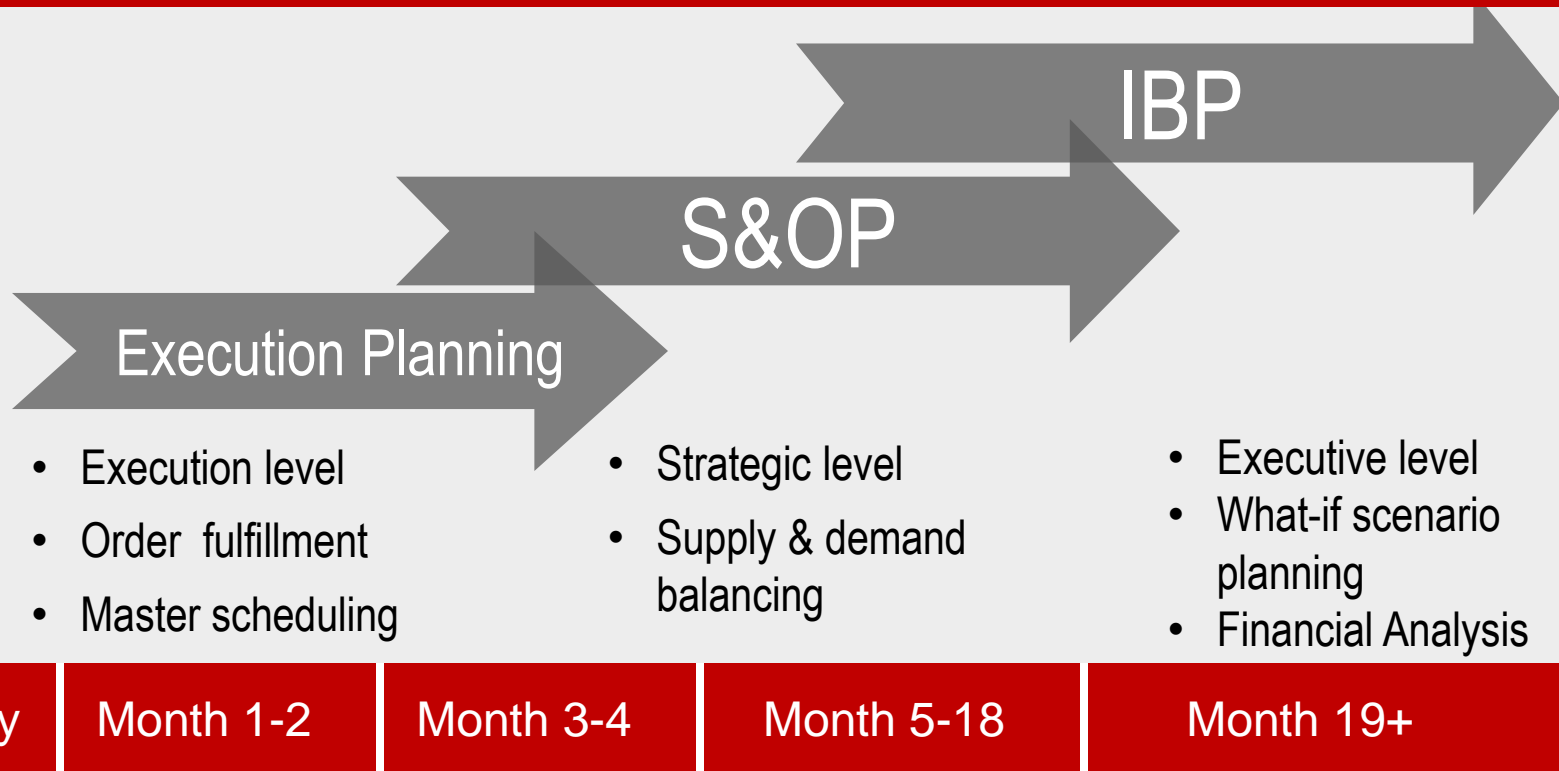


FUTURE

S&OP balances Demand and Supply
and is the first step to future-looking
Integrated Business Planning (IBP)

The IBP Roadmap

Your S&OP/IBP Process



You are here

Achieving Corporate Goals with IBP

IBP maximizes:

- Cost & margin visibility
- Revenue & profit
- Geographic coverage
- Product life cycle management
- Plan and budget alignment

For more perspective on your IBP journey:



A Single Line of Sight: Plan, Perform, Profit