

# Sales & Operations Planning

Process – Success factors – Use of SAP SCM



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**Ciber intro**

**Sales & Operations Planning process**

**Critical elements for successful S&OP**

**Practical approach**

**How can SAP SCM support S&OP?**

**Expected benefits**

- **Worldwide IT service organization (top 25)**
- **±8000 employees, 85 offices in 17 countries in Europe**
- **±1700 employees, 8 countries**
- **In The Netherlands 400+ employees, 5 offices (Eindhoven, Nieuwegein, Den Bosch, Rotterdam, Amsterdam)**
  
- **CIBER Service Line - Supply Chain Planning**
  - **Combination IT and Business consultancy**
  - **SAP special expertise partner Supply Chain Planning (2006/2007/2008/...)**



# S&OP process



**S&OP is the set of business processes and tools that enable a company to respond effectively to demand and supply variability**

**and support:**

- optimal market deployment
- most profitable supply chain mix
- strategic targets



## Balance

- Sales & Operations Planning is a process that enables the balancing of demand and supply within financial and strategic boundaries.

## Commitment

- The results of that plan are measured, communicated and mandatory for all organizations like sales, marketing, finance and manufacturing or logistics operations.

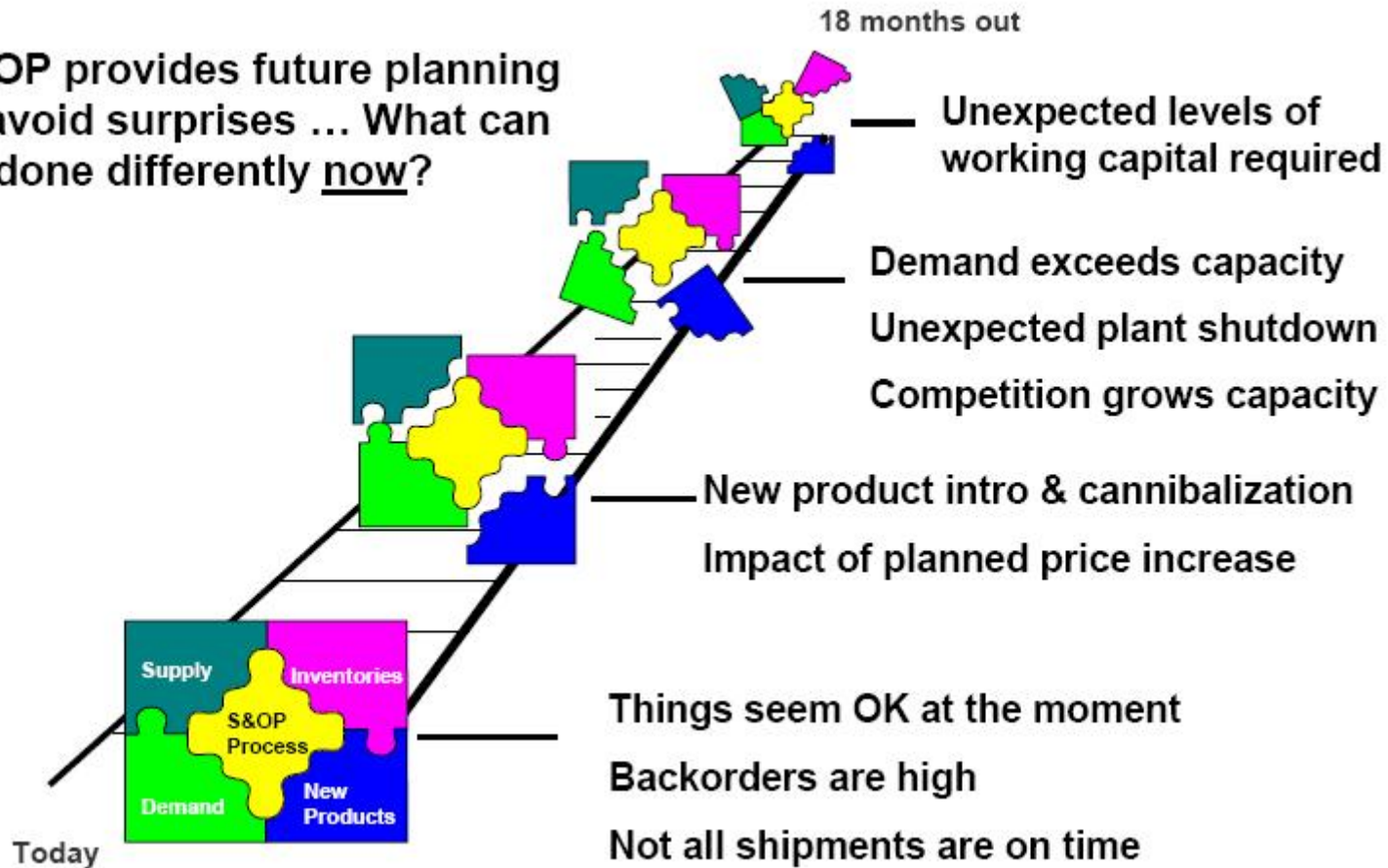
## Adaptiveness

- In case of changing market conditions it allows to identify impacts to all areas and interdependencies of resolution strategies.

# Sales & Operations Planning – looking forward



S&OP provides future planning to avoid surprises ... What can be done differently now?



# The need for (better) Sales & Operations Planning



## **Inability to respond to changes in market**

- Lost sales
- Excess inventories

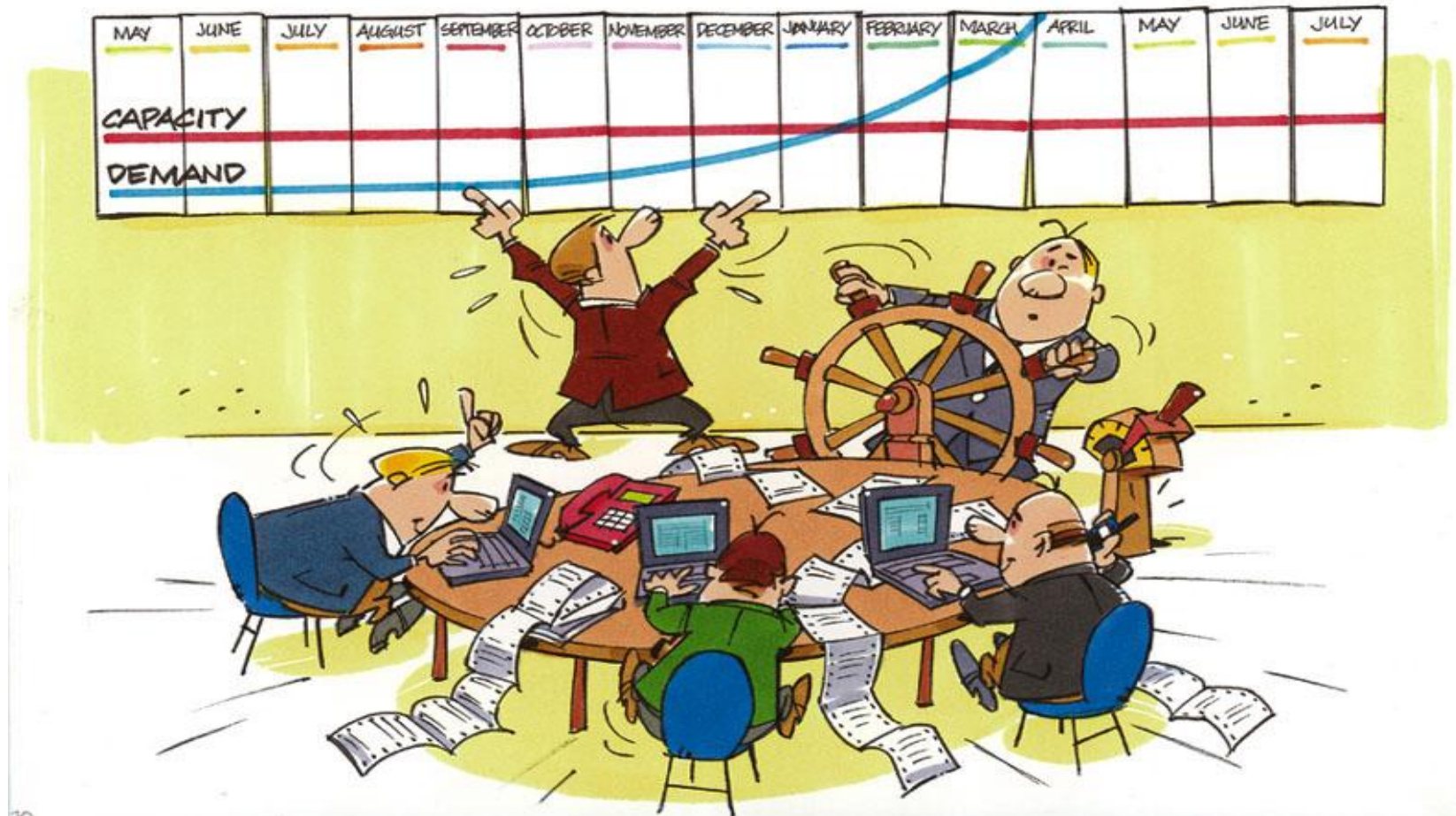
## **Mismatch of available production and actual demand**

- Increasing backlogs
- Resources used inefficiently
- Unreliable delivery performance

## **Lack of market focus**

- Best customers served poorly
- Market deployment lagging

# The need for (better) S&OP



# Fully integrated planning cycle



## 1. Financial/Strategic Planning

- Rationalize Products, Channels, Customers
- New Product Planning
- Align Pricing

## 2. Demand Planning

- Quantitative Forecasting
- Sales, Marketing Input
- What-if Analysis
- Consensus

## 5. Management Evaluation and Analysis

- KPI Measurement
- Plan vs. Actual
- Root Cause Analysis
- Continuous Improvement



## 4. Plan Reconciliation

- Constraint Management
- What-if Analysis
- Analyze Revenue, Margin, and Working Capital Impact
- Identify Gaps Between S&OP and Strategic Goals

## 3. Supply Planning

- Capacity Planning
- Inventory Planning
- Procurement Planning
- Logistics

# Critical elements for successful S&OP



# Critical elements for successful S&OP (1)

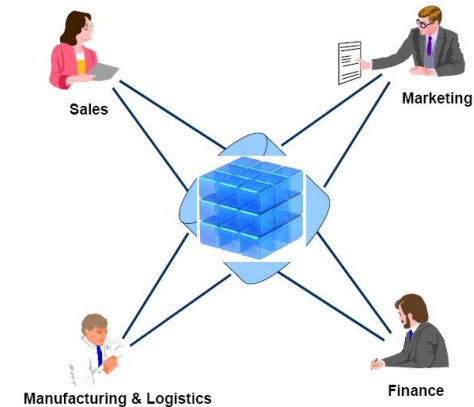


## People

- Executive sponsorship & involvement
- Cross functional teams, representing all key functional area's

## Process

- Formal meetings, remit clearly defined
- Responsibility for input of data clearly defined
- Defined planning cycle, defined planning horizons
- Real-time demand & supply visibility, one set of data





### Technology / tools

- To plan, evaluate and balance demand & supply
- To align Operational plans to Business plans
- To manage S&OP process

### Performance, KPI's, reporting

- You can not improve what you can not measure!
- Define KPI's, so only Key Performance Indicators (e.g. Oliver Wight Checklist)
- Only report accurate data, prevent disputes on data

# Practical approach



# Practical approach to implement S&OP



**Develop common S&OP vision across entire organization**

**Make sure the Business owns the initiative, not IT**

**Design the work process**

**Form the right teams**

**Define Targets / KPI's**

**Build the tools to support the S&OP process**

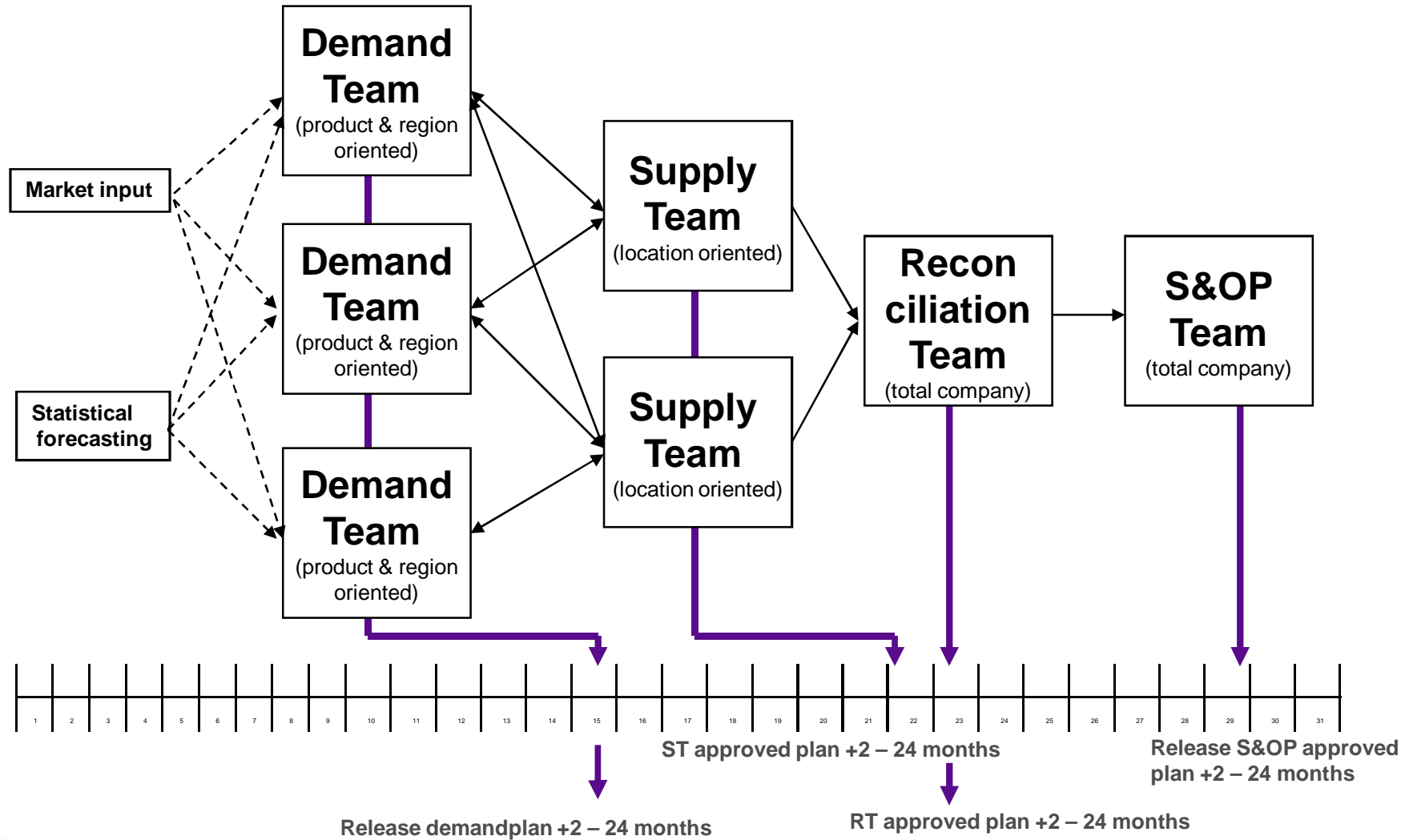
**Address change management**

# People – Cross functional teams



Team	Typical members	Remit
<b>Demand Team</b> (product & region oriented)	<ul style="list-style-type: none"> <li>•Business manager</li> <li>•Demand manager</li> <li>•Customer service manager</li> <li>•Business analyst</li> <li>•Operations controller</li> </ul>	<ul style="list-style-type: none"> <li>•Strategic match</li> <li>•Forecasting &amp; sales planning</li> <li>•Demand management</li> <li>•Business development</li> <li>•Profitability / control margins</li> </ul>
<b>Supply Team</b> (location oriented)	<ul style="list-style-type: none"> <li>•Supply Chain Manager</li> <li>•Plant managers</li> <li>•Master Production Scheduler</li> <li>•Purchasing Manager</li> <li>•Operations controller</li> </ul>	<ul style="list-style-type: none"> <li>•Meet demand OTIF</li> <li>•Manage inventories</li> <li>•Manage capacities / constraints</li> <li>•Control total cost of supply</li> </ul>
<b>Reconciliation Team</b> (total company)	<ul style="list-style-type: none"> <li>•Supply Chain Managers</li> <li>•Operations Controller</li> </ul>	<ul style="list-style-type: none"> <li>•Cross site / continent implications of plans</li> <li>•Financial impact of plans</li> </ul>
<b>S&amp;OP Team</b> (total company)	<ul style="list-style-type: none"> <li>•Executive level</li> </ul>	<ul style="list-style-type: none"> <li>•Review S&amp;OP outcome</li> <li>•Full Business responsibility</li> </ul>

# Process - Monthly cycle (example)



## S&OP:

- Sales Plan / Forecast Performance by Prod Family and Product
- Production Plan Performance (planned production volume versus actual)
- Financial performance

## Related KPI's:

- OTIF (On Time In Full deliveries to customer)
- Master Schedule Performance (initial schedule versus final schedule)
- Manufacturing Schedule Performance (ability to stick to the schedule)
- Supplier Delivery Performance

see Oliver Wight definitions

# How can SAP SCM support S&OP?



## R/3 SOP

- Plant centric planning
- Material/Material Group
- Tactical planning
- No financial data
- Based on LIS

## SAP SCM

- Allows aggregation of data
- Can include financial data
- DP and SNP solution
- No predefined KPIs
- No process tracking

## SAP ?

- Pre-defined KPIs
- Analytic dashboards for specific plans and overview
- Data aggregation tools when extracting from SAP applications
- Process tracking tools
- Provides visibility to multiple plans
- Leverages SCM, BW and R/3 data



## SAP SCM – configured for S&OP

### R/3 SOP

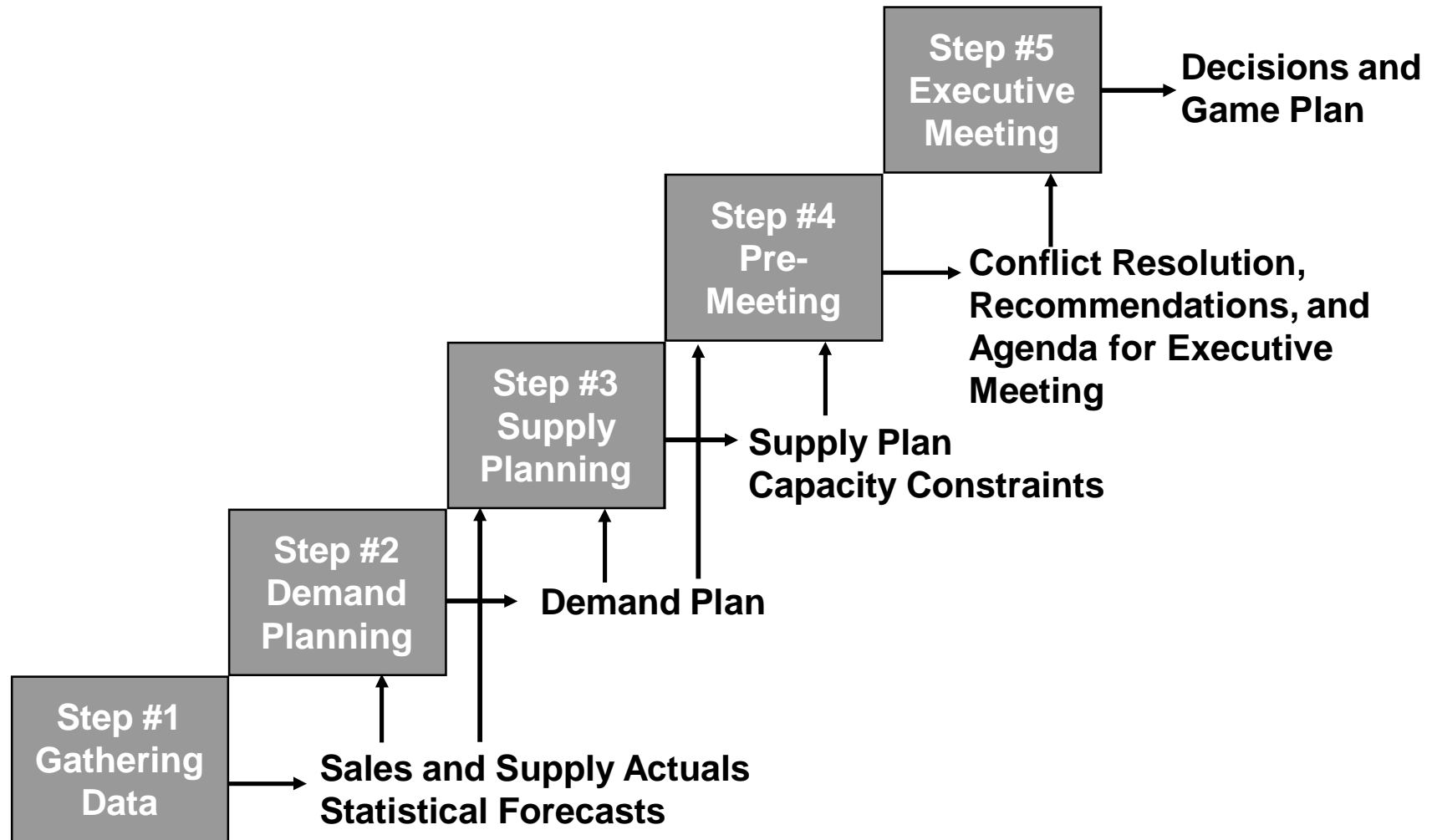
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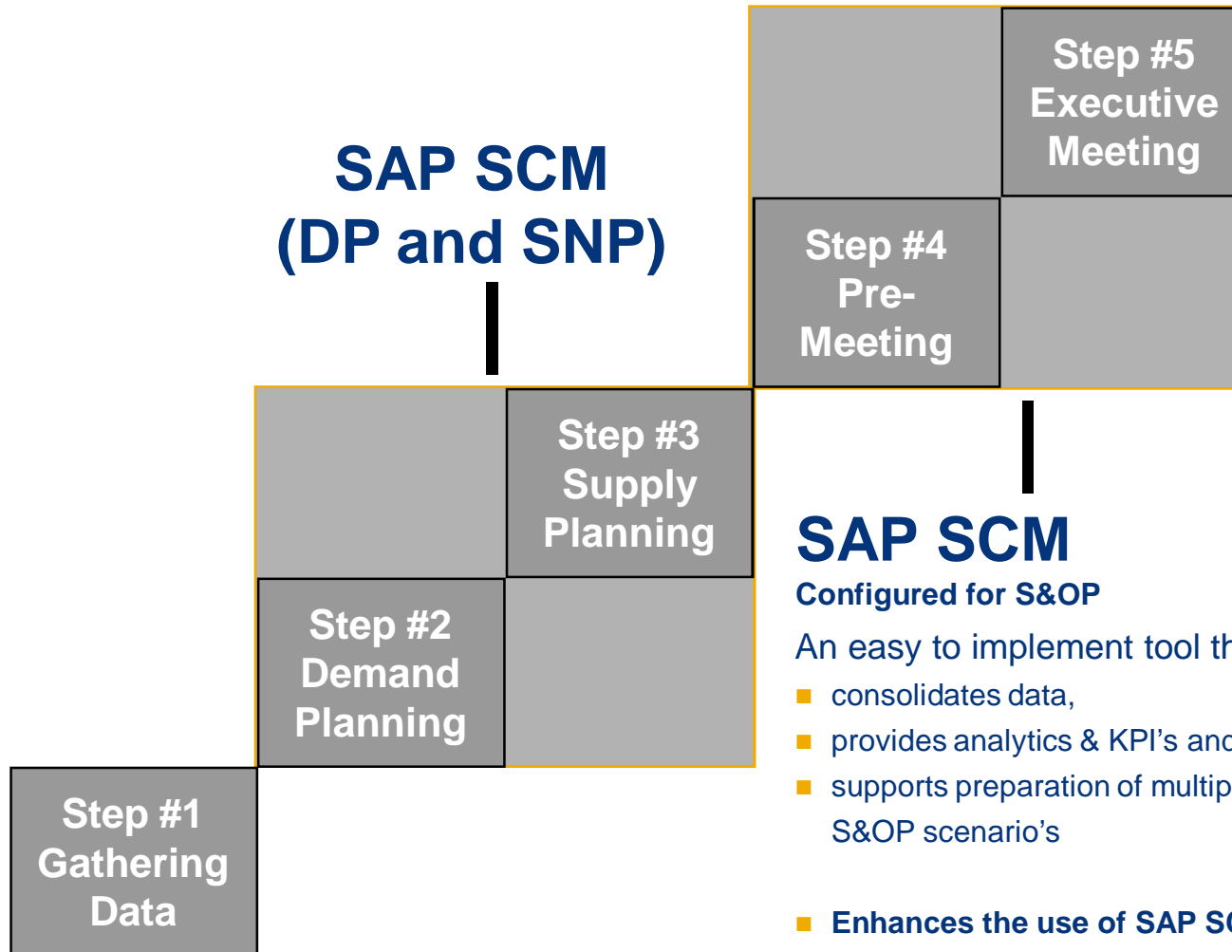
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# Monthly S&OP cycle ...





## SAP SCM (DP and SNP)



## SAP SCM

### Configured for S&OP

An easy to implement tool that

- consolidates data,
  - provides analytics & KPI's and
  - supports preparation of multiple S&OP scenario's
- Enhances the use of SAP SCM

# S&OP Planning book example

Freely definable aggregation levels

Planning Book: [Live]      SOP / DEMAND & SUPPLY PLANNING

APO Location: 1041 / C&I Ravenna (HQ)    APO Product: 501-900-0141 / MEG    Sold-to name: Total    Ship-to name: Total    Mode of Transport: Total

PROPOSED	Unit	M 05.2008	M 06.2008	M 07.2008	M 08.2008	M 09.2008	M 10.2008	M 11.2008	M 12.2008	M 01.2009
Realized Sales					49	1.259	1.506	366		
Actual Sales					62	1.259	1.507	413		
Sales Budget					90	6.630	6.630	6.630	6.630	6.630
Long Term Sales C					17	5.417	5.417	5.417	5.417	5.417
Spot Sales Contract						76	46	663		
Total Planned S					76	4.250	2.500		1.956	350
Open Sales Qty					76			3.000	-335	
Realized Purchase								489		
Actual Purchases	MT					10.987	2.000	491	2.000	
Replenishment Bu	MT	6.630	6.630	6.630	6.630	6.630	6.630	6.630	6.630	
Spot Purchase Contracts	MT									
Swap Purchase Contract	MT									
Total Planned Purchases			3.000	8.000		2.000				
Open Purchase Qty										
Sales Proposed	MT	5.378	2.600	3.676	4.250	2.500				
Purchase Proposed	MT		3.000	8.000		2.000				
Projected stock proposed	MT	2.461	1.239	8.565	8.565	8.565			6.259	6.259

AGREED S&OP	Unit	M 05.2008	M 06.2008	M 07.2008	M 08.2008	M 09.2008	M 10.2008	M 11.2008	M 12.2008	M 01.2009	M 02.2009	M 03.2009	M 04.2009	M 05.2009
Sales Agreed	MT	4.800	2.600	3.300	4.250	2.500	3.000	1.621	350					
Purchase Agreed	MT		3.000	8.000		2.000	500	2.000						
Projected stock agreed	MT	2.461	1.239	8.565	8.565	8.565	8.565	8.944	8.594	8.594	8.594	8.594	8.594	8.594

Freely definable "keyfigures" to define the data in your plan

Macro's for alerts, calculations, KPI's

Multiple tables can be used for consolidated data

### **SCM APO DP module is flexible in design:**

- Any aggregation level can be added
- Any data key figure can be created
- Any data can be loaded from multiple sources (BW, R3, other)
- Any calculation can be made

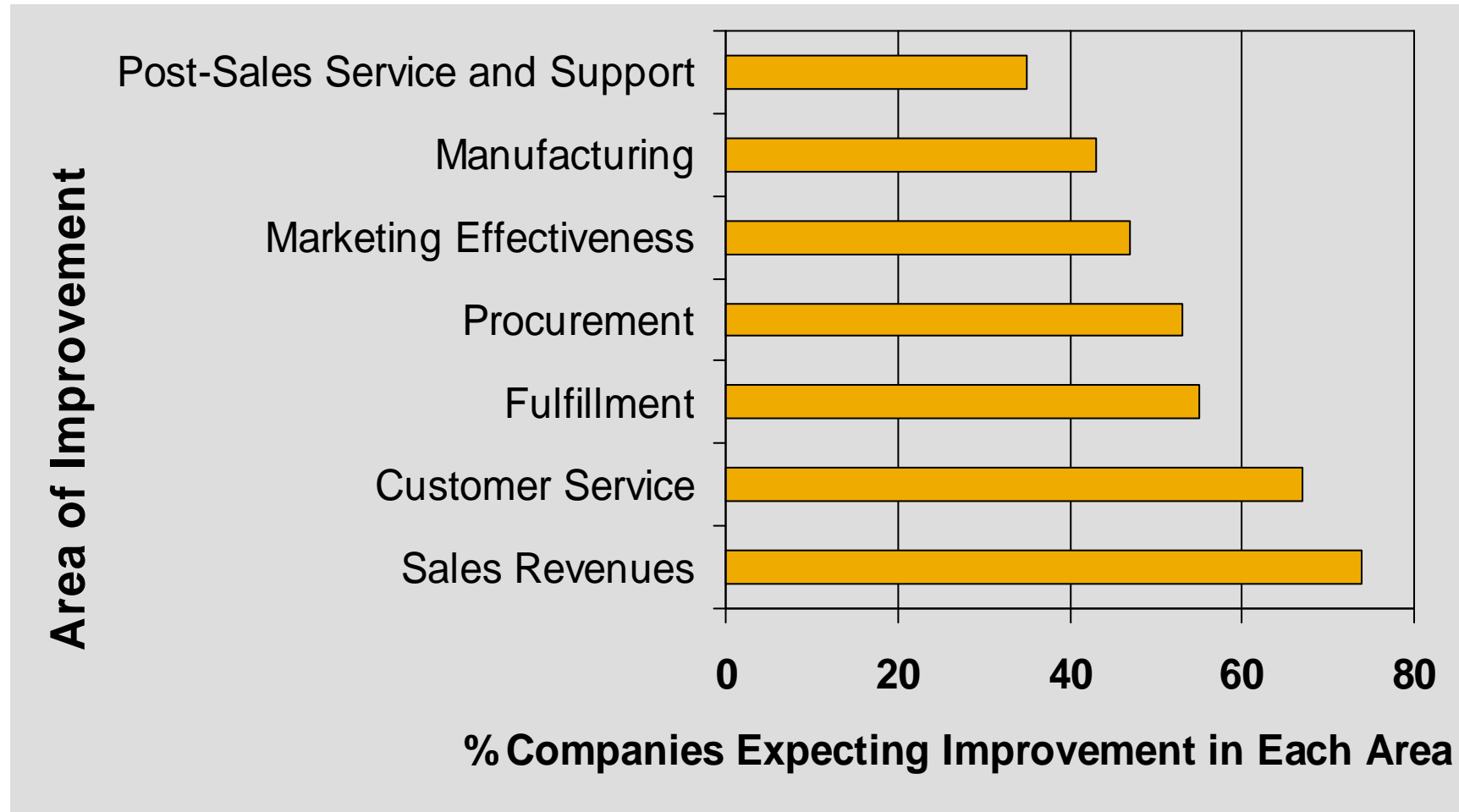
**The Demand / Supply balance can easily be modeled in APO DP to support the S&OP process.**

**A typical S&OP design is being developed by Ciber.**

# Expected benefits



# Expected area's of improvement



*The Sales and Operations Planning Benchmark Report, Aberdeen Group*

Questions?



**ciber**  
committed to the limit.

SUPPLY CHAIN PLANNING PARTNER

TM

WWW.CIBER.NL

A large purple rectangular graphic with a white border. At the top, the word 'ciber' is written in a white, lowercase, sans-serif font, with the 'i' having a dot above it. Below it, the tagline 'committed to the limit.' is written in a smaller, white, lowercase, sans-serif font. In the middle, the text 'SUPPLY CHAIN PLANNING PARTNER' is written in a white, uppercase, sans-serif font. Below that, the SAP logo is displayed in white, featuring the letters 'SAP' in a bold, sans-serif font, with a white triangle pointing upwards from the bottom right corner of the letters. A small 'TM' trademark symbol is located to the right of the SAP logo. At the bottom of the graphic, the website address 'WWW.CIBER.NL' is written in a white, uppercase, sans-serif font.