

Integrated Business Planning or Advanced S&OP

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November, 2018



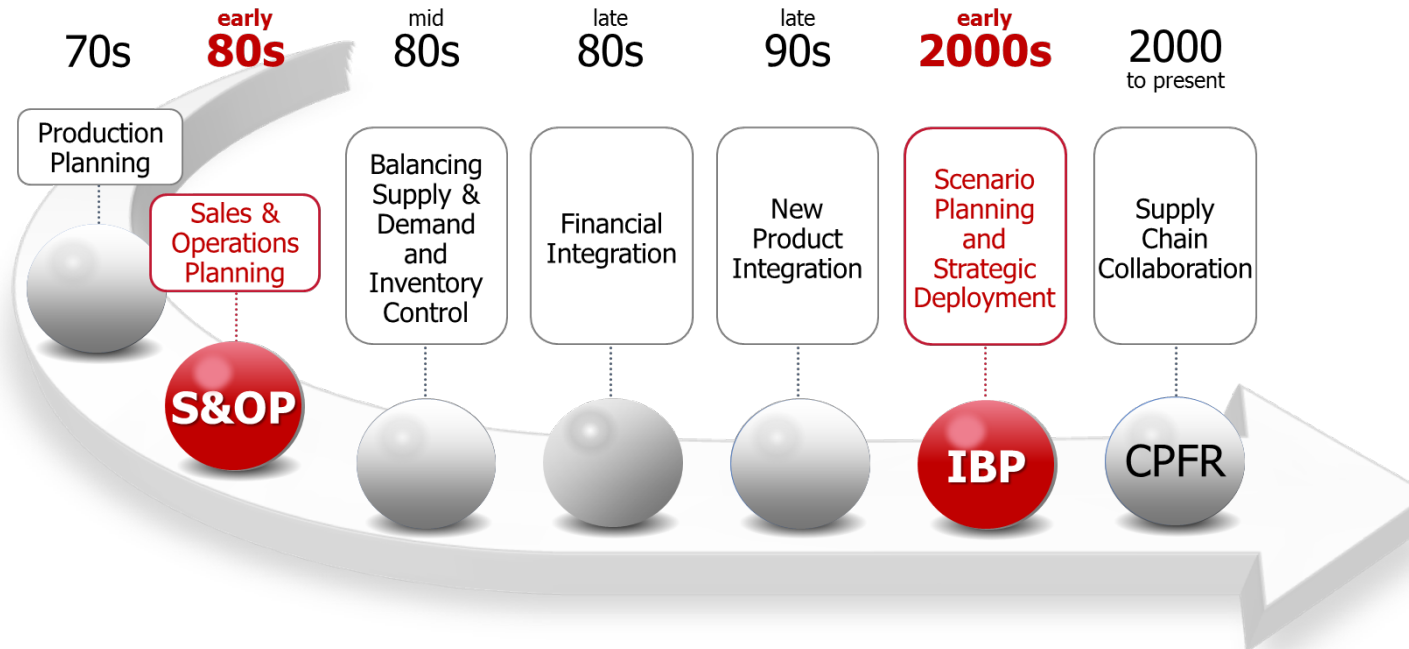
Session Outline

- Sales and Operations Planning (S&OP)
- Evolution to Integrated Business Planning (IBP)
- Definition
- Connection to Strategy
- Why IBP?
- Examples taken from a monthly IBP review
- Implementation Approach
- Who is Oliver Wight?



S&OP → IBP History and Evolution

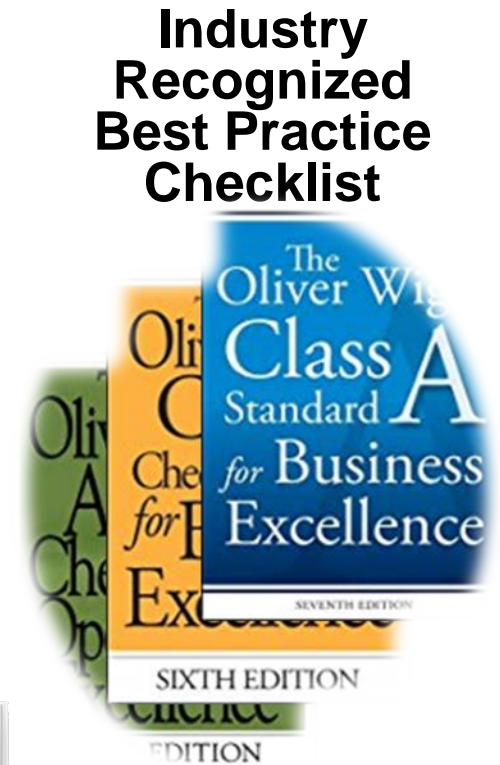
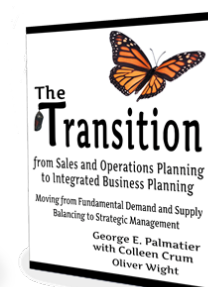
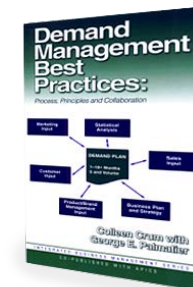
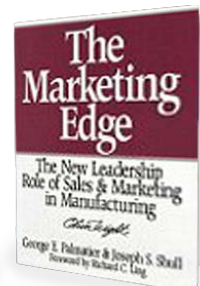
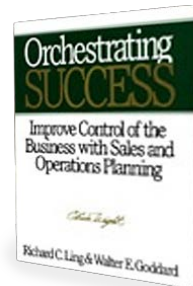
A Macro View



Most companies in our experience still operate with basic Demand and Supply Balancing as their S&OP process



Current Best Practice: Driving Strategy Deployment and Alignment for Business Outperformance



Oliver Wight
OLIVER WIGHT

Why Integrated Business Planning ?

- **Delivering Business Strategy and Results**
- **Increased margins**
- **Hit financial projections**
- **Respond rapidly to changing markets**
- **Improve Service**
- **Product launch plan and execute**
- **Control supply chain costs**
- **Limit premium transportation costs**
- **Rapid response to market shifts**
- **External changes – respond quickly**
- **Improve financial performance**
- **Reduce working capital in inventory**

80 % OTIF↓

Margin Erosion

Inventory ↑

Distribution Costs ↑

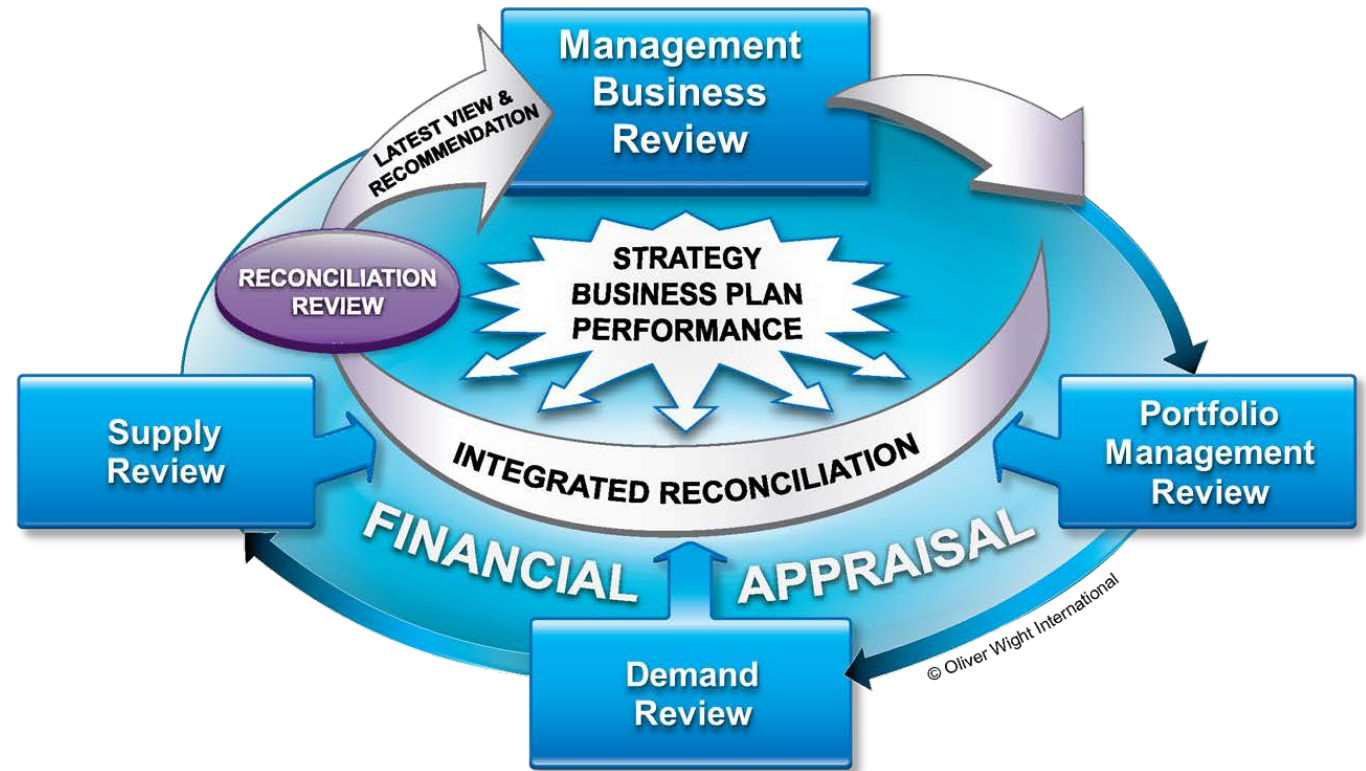
Capacity Constraints

Business results

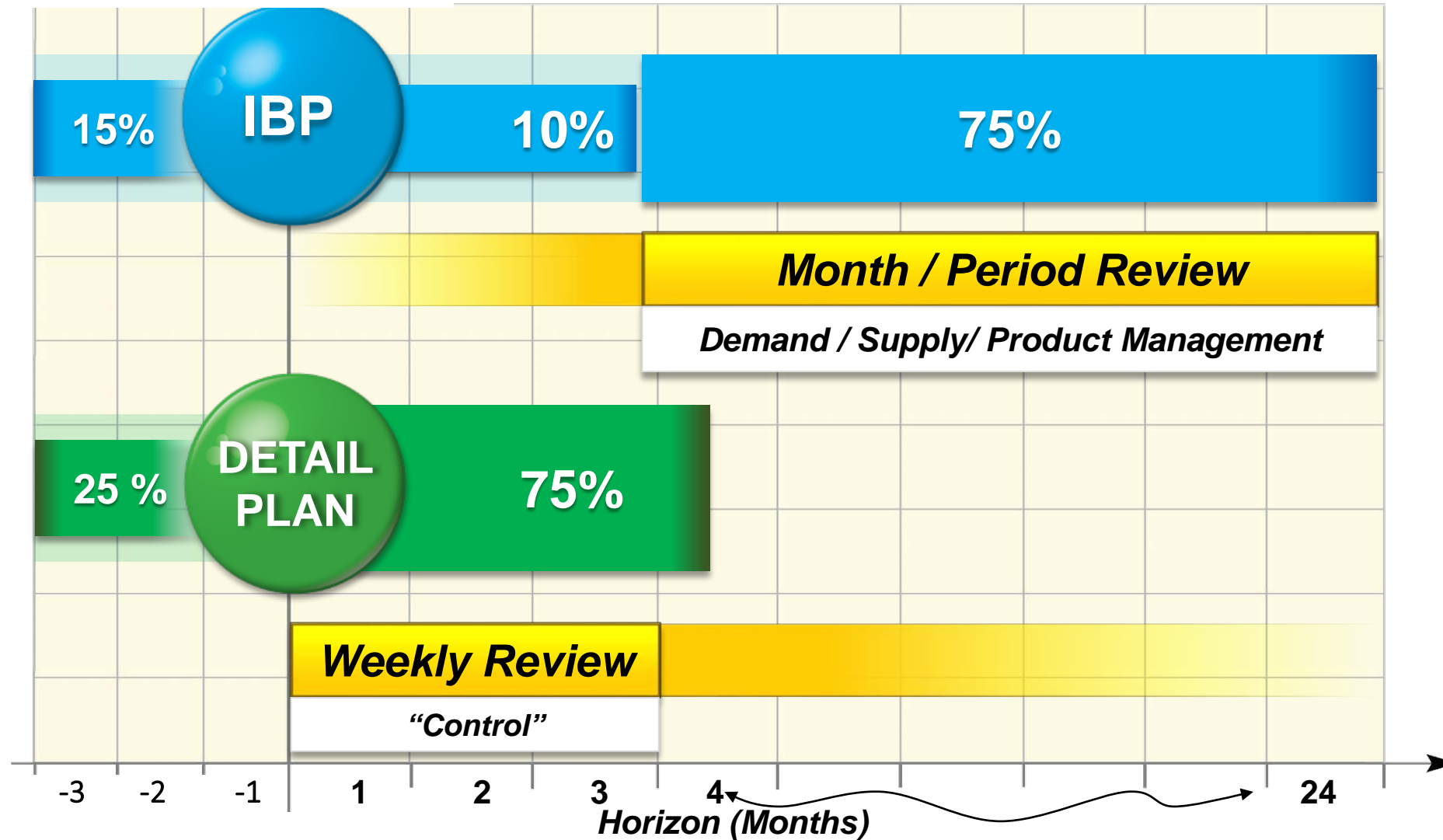
Integrated Business Planning

- A proven, monthly business management process led by General Manager and Senior Leadership to deliver top and bottom line business objectives with operational excellence
- It encompasses
 - All Functions
 - All key business drivers
 - Two year horizon
 - One Plan

Said Differently...
Organized Common Sense



Where do we spend our time?



Moving from S&OP to IBP

Rudimentary S&OP

Outcome and Ownership

- Matching Supply and Demand
- “This is a supply chain process”

Process

- Short Term, this quarter focus
- Multiple Numbers

People

- Lack of senior leadership endorsement and participation

Metrics

- Functionally oriented Metrics

Technology

- Functionally oriented solutions

Integrated Business Planning

Outcome and Ownership

- A means of achieving company objectives
- Senior Leaders own IBP

Process

- Demand Driven 24 month horizon
- One plan, with upside and downside scenarios

People

- Ownership, Leadership, Accountability

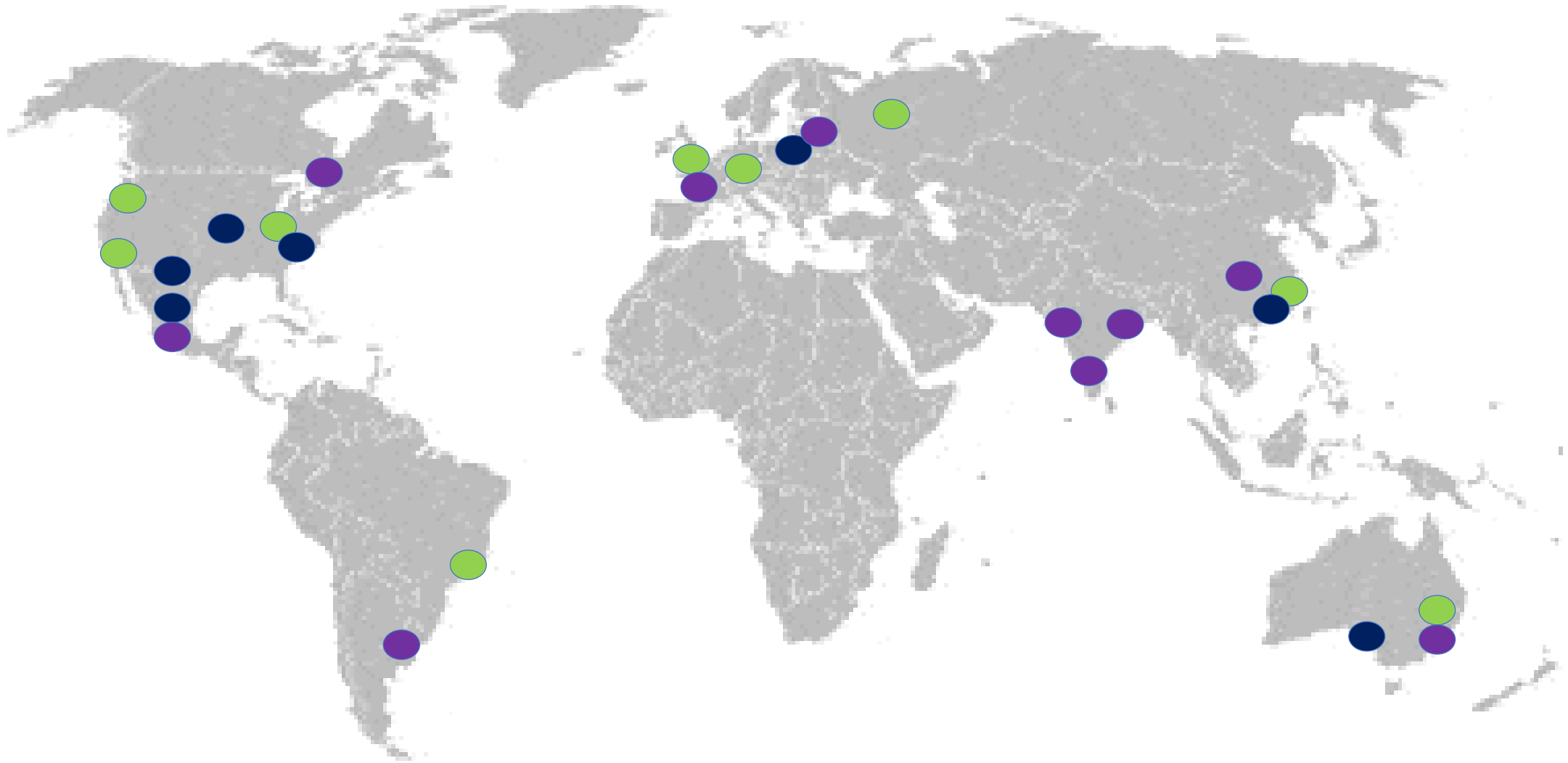
Metrics

- Business results oriented – are we delivering our plan?

Technology

- Integrated Solution across the enterprise

Integrated Business Planning and Strategy



People and Behaviors are key to success

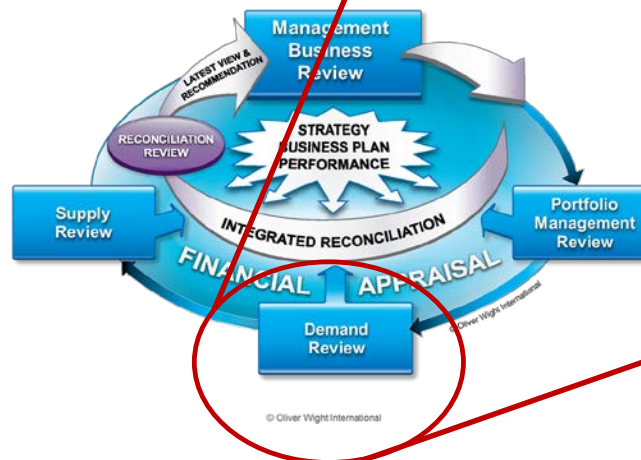
Illustrative Example – Demand Review

- **Leader for each process step**
- **Leader for overall S&OP initiative**
- **Leadership Attributes**
 - ✓ Broad understanding of multiple functions
 - ✓ Energy, motivation, willingness to learn
 - ✓ Courage, strength of character, willingness to persevere.
- **Value of Development Assignment**



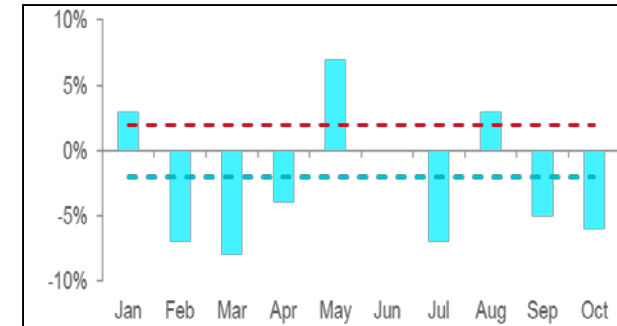
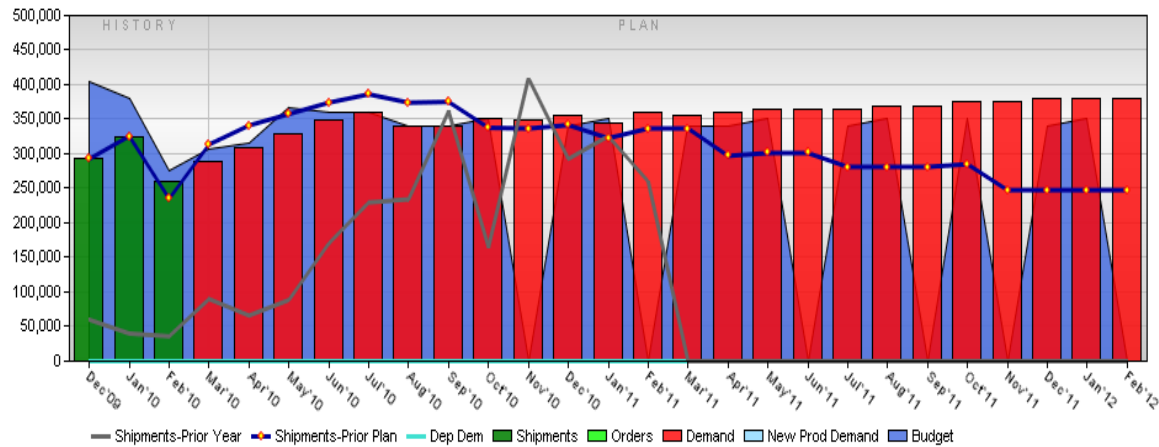
Demand Review
OWNER Sales Director
PROCESS LEADER Demand Manager
PARTICIPANTS Finance Lead Supply Representative Marketing

Demand Review Assumptions - Documented



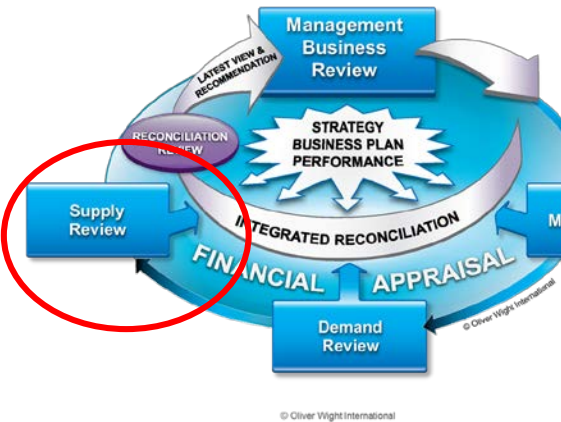
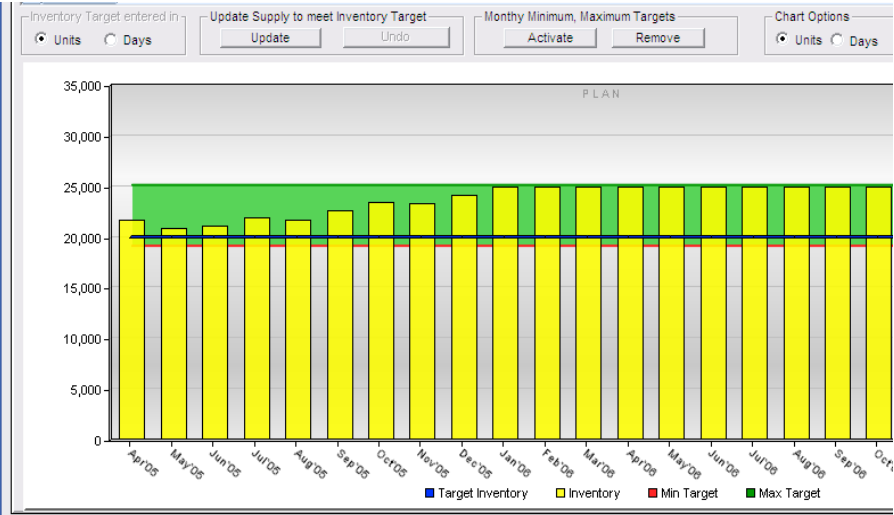
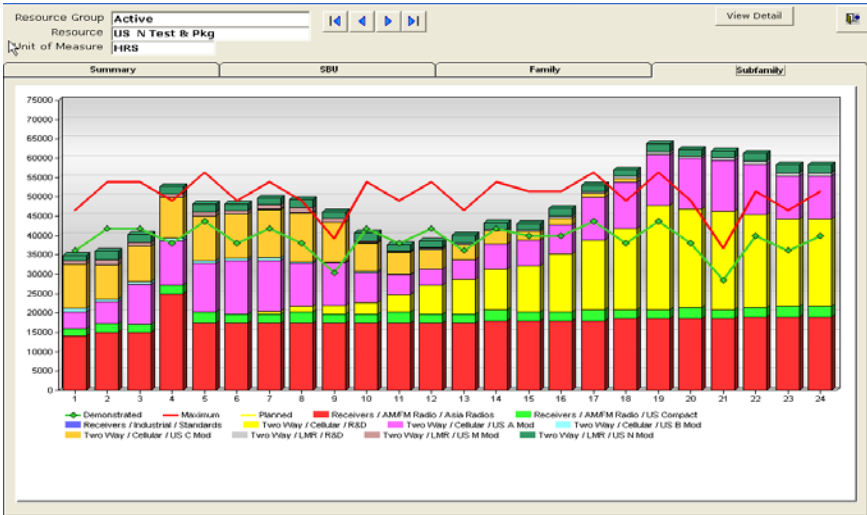
	Degree of Control	Current	3 mths	6 mths	9 mths	12 mths	15 mths	18 mths	24 mths
Volumes resulting		1000							
Market Assumption		Market Assumption Projection							
Population of users (by sector)	some	20000	22000	22000	22000	22000	22000	23000	24000
Rate of new product introduction	Control	4 year	2	1	1	0	0	2	2
Number of competitors	Some	15	16	16	14	10	8	8	8
Competitor activity	None	Price war	Price war	Price war	New products	Promotions	Promotions	Promotions	Promotions
Market price movement	some	-5%PA	0	-10%		-10%		-5%	
Promotional Activity	some	high	high	high	med	med	Med	med	low
Market share	Full	25%	25%	25%	26%	30%	30%	35%	35%
Other Factors		Projection							
Weather	None	Mod	Normal	Normal	V. Hot	V. Hot	Mod	Mod	Mod
Growth of Target Demographic	None	0.5%	1.5%	1.5%	1.5%	2.5%	2.5%	2.5%	2.5%
Crude Oil Price per Barrel	None	48	50	50	50	48	40	40	39
Sales Assumption		Sales Assumption Projection							
Customer outlets added - Large	None	30	20	25	20	10	5	0	0
Customer outlets added - Small	Some	20	125	330	400	400	200	100	100

Demand Review Summary



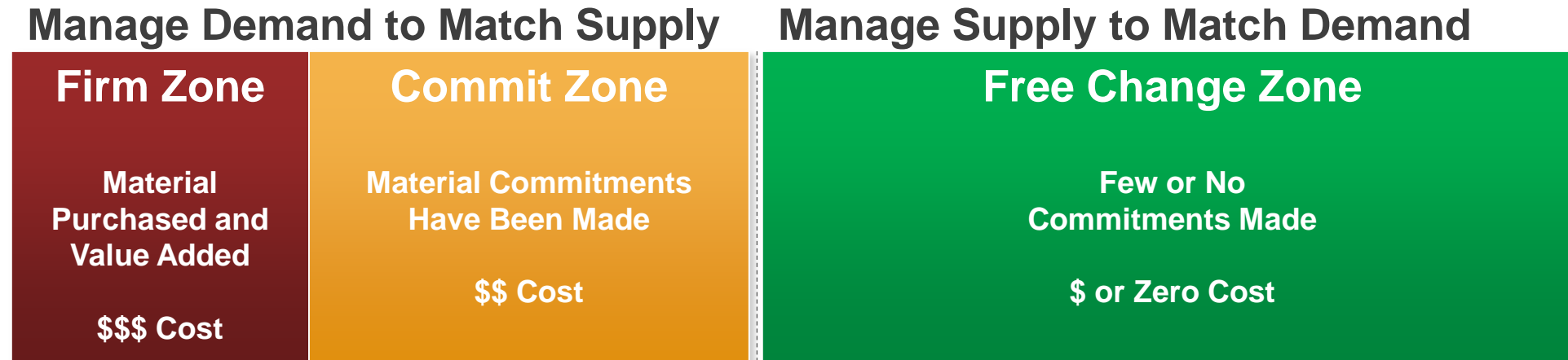
Dairy Milk		
Planning Assumptions	Risks/Emerging Issues	Decisions Made
<ul style="list-style-type: none"> -Conversion from GSV to NR: 22.5% - All Accounts: CNY Festive - KA: CDM TPR in Feb` - P-Mart: CRUNCHIE combo deal in Jan and CDM 40g buy 2 @ RM 4.60 in Feb - LPS/MPS/SPS :AngPau Luck Dip in Jan&Feb - Wholesaler: CDM 40g Trade Deal 15+1 - IS/LPS – CDM 40g MDU Display - April 	<p>ZIP Outsourcing (Including Festive Stocks) – Need to Firm the forecast for April – Aug as the production will be stopped in April for the Outsourcing project and will only be resumed in August.</p>	<p>March holiday shutdown cancelled</p>
Assumptions Changes	Opportunities	Decisions Required
<ul style="list-style-type: none"> - WM: Inventory Holding for Distributors is set at 25 Days except for Central at 19 Days - EMB: Inventory Holding for Distributors is set at Jan 49Days, Feb 65Days, Mar 73Days - Q1: 1.4mil NR decrease from inventory adjustment - Q2 Forecast is based on the return forecast 	<ul style="list-style-type: none"> - Mar: Pipeline for Langkawi Sales from Labuan (EMB): NR 816K - May: CDM 40g TriPack/Banded Pack: NR 1million - **Not in the above forecast: - CDM 15g RM 1 – April - CDM June IMC - Additional Plans for ZIP 	<ul style="list-style-type: none"> - Short planning leadtime for CDM40g TriPack/Banded Pack – To do off pack to make it in time for April - To firm up the ZIP forecast from this month's DR number.

SR Summary – Supply Balanced to Demand



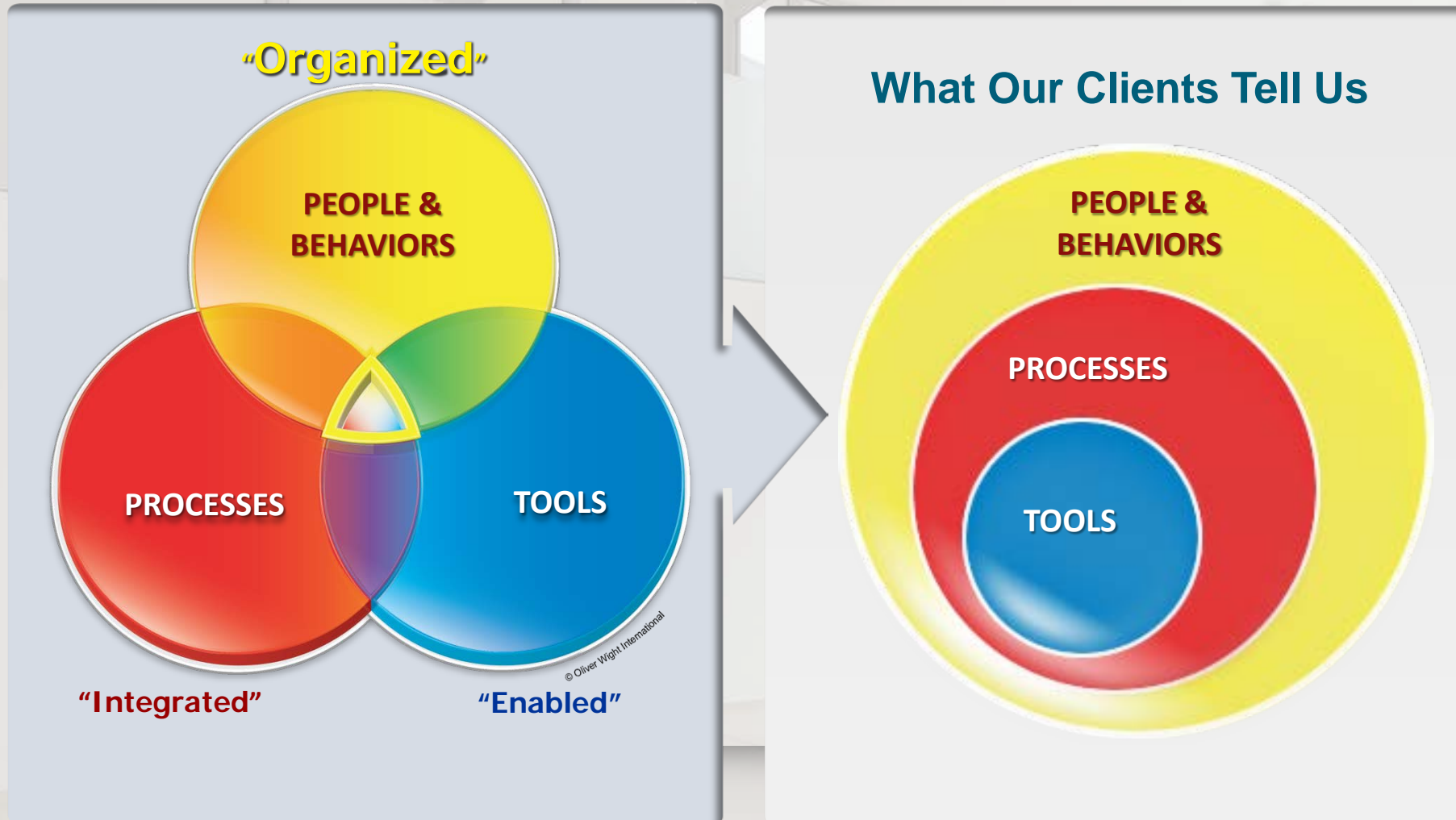
Assumptions	Risks/Issues	Decisions Made
<ul style="list-style-type: none"> 2 shifts Productivity improvement in place Q3 Inventory write-off \$x included 	<ul style="list-style-type: none"> Key Supplier Labour strike in Q4 2011. Commodity prices starting Q1 expect +33% impact \$20M 	<ul style="list-style-type: none"> Commit to use external manufacture for Oreo 12 ct to support Q4 spike
Assumption Changes	Opportunities	Decisions Required
<ul style="list-style-type: none"> YTD costs better than contract <ul style="list-style-type: none"> (\$2965 vs \$3182) 	<ul style="list-style-type: none"> Optimize brew formulation for April – expect 20% cost reduction Possible fleet deal in Q2 2012 	<ul style="list-style-type: none"> Inventory increase to mitigate downtime during strike

Best Practice: 24-Month Planning Horizon



People, Processes & Tools

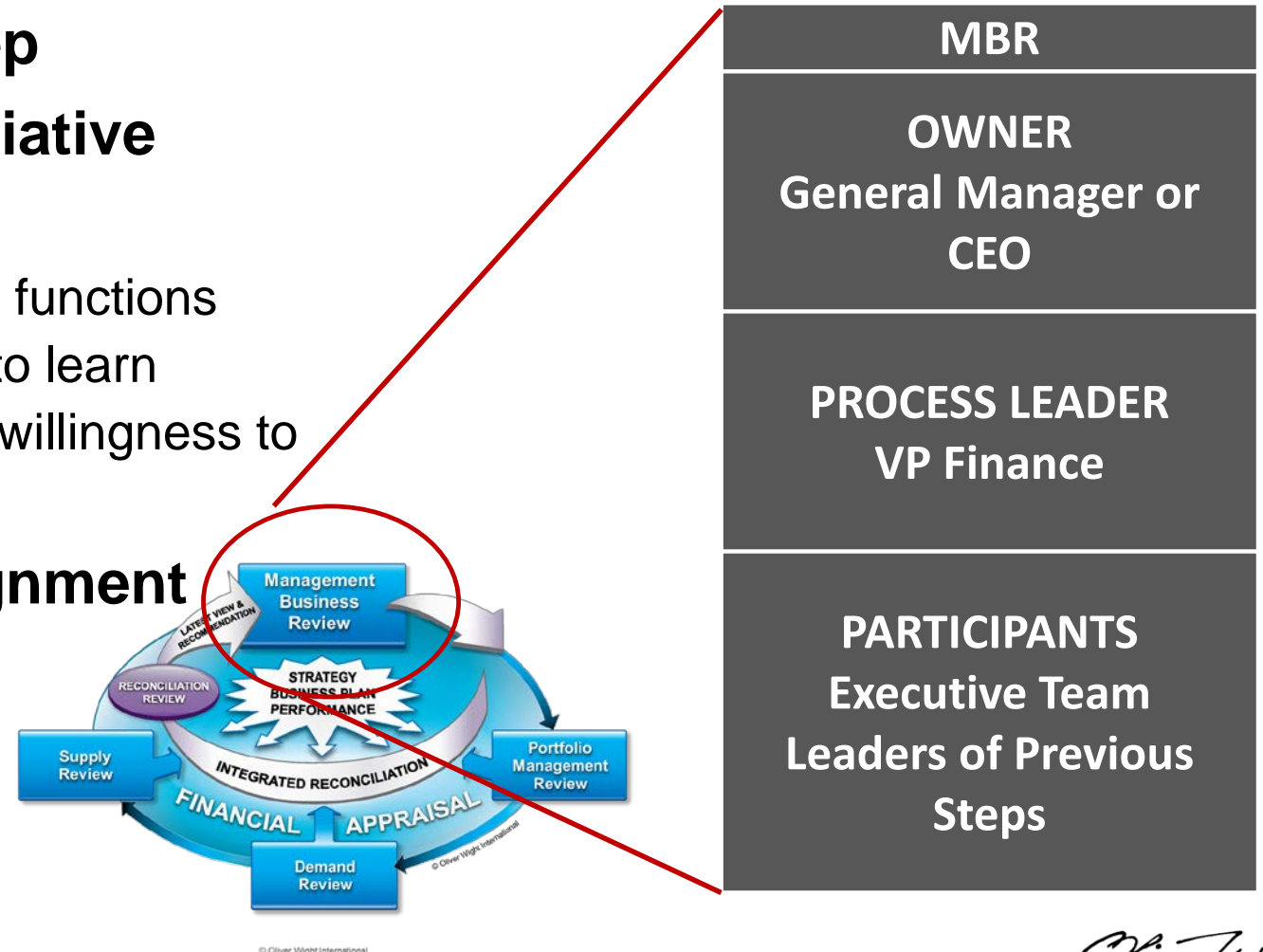
Success Requires All Three Working Together



People and Behaviors are key to success

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Illustrative Example – Management Business Review



Sample Agenda for a Management Business Review

- Introductory Remarks by the CEO or President
- How are we doing?
- Overview of Plans By Business Segment
- What are the key questions / issues to address
 - Are our Plans Valid
 - What are the risks and opportunities?
 - Are we on Strategy?
 - What has changed since last review?
 - What issues do we see?
 - What decisions to make?
- Agree on our plan for the rolling horizon

Typical Implementation Plan

▪ Lead Phase

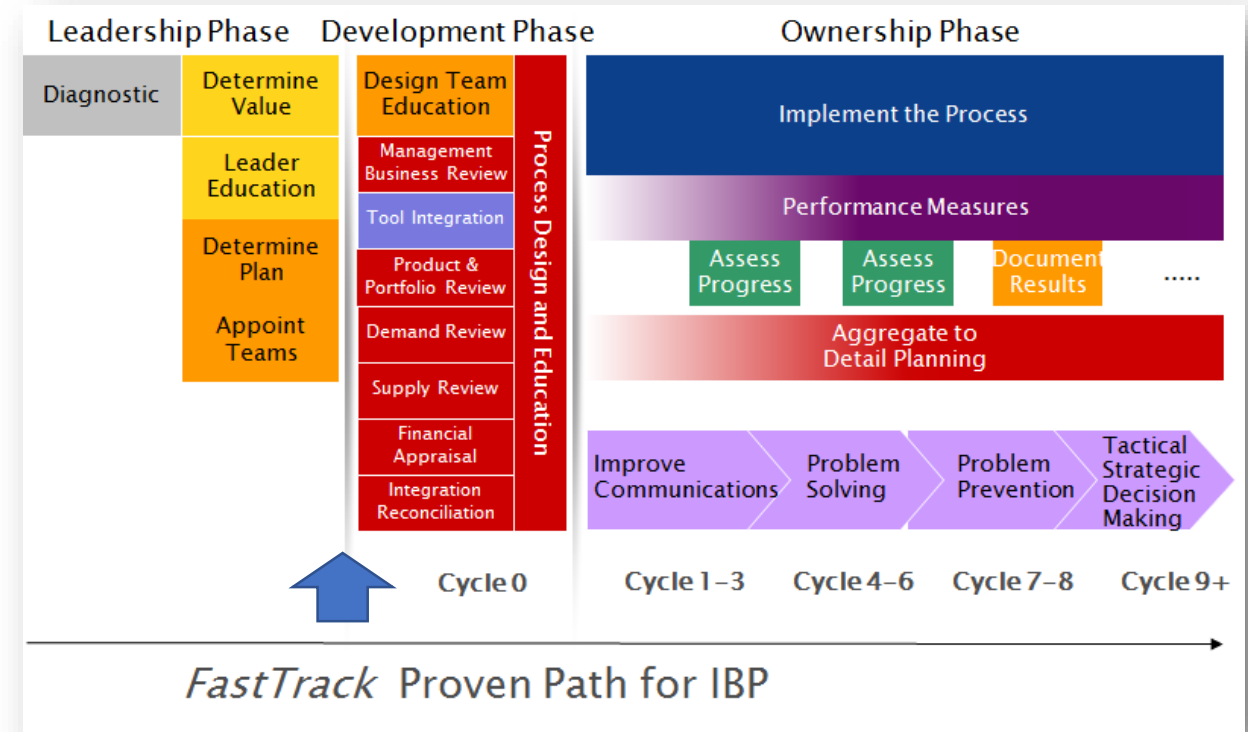
- Diagnostic & Executive Briefing
- Business Case Draft
- Leader Education & Vision of Operations
- Business Case Final
- Develop Plan & Appoint Teams
- Point of Commitment

▪ Development Phase

- Project Team Education
- Process Design Workshops
- Alignment on Enabling Tools and Data
- Cycle 0 (Critical Design Review)

▪ Ownership Phase

- Coaching & Support



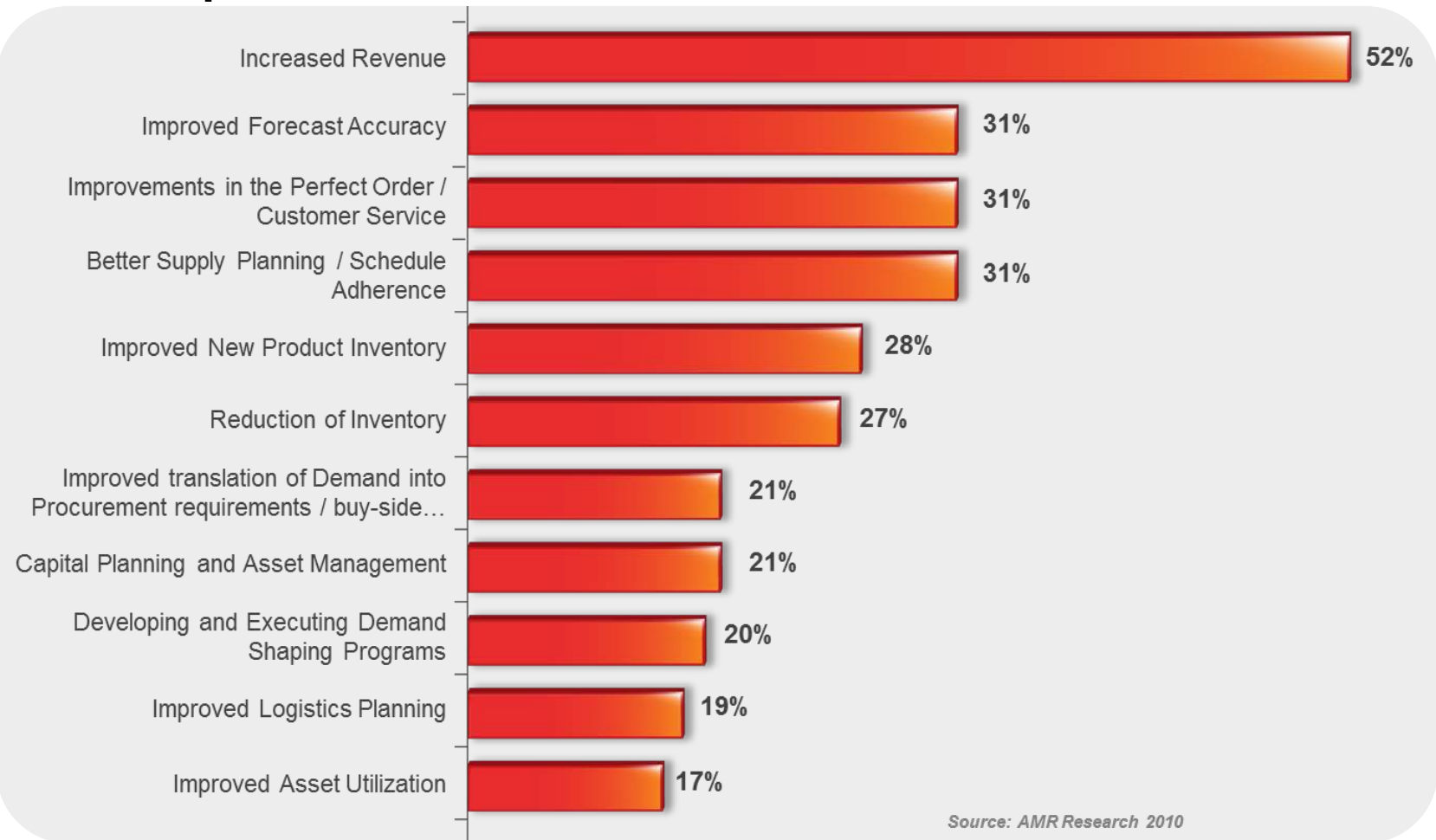
60-120 Days

Sample Benefit Ranges

Metric/KPI	Reported % Improvement Ranges
Revenue Growth	10-31%
Gross Margin	25-29%
Demand Plan Accuracy	18-43%
On-Time Delivery In Full	10-50%
Order Fill Rate	29-34%
Perfect Order	22-30%
Customer Satisfaction	29-39%
Inventory Turns	24-28%
Inventory Value	33-37%
Inventory Reduction	18-46%
Safety Stock Reduction	11-45%
Working Capital	25-30%
Asset Utilization	32-49%
Increased Productivity	30-45%
Return on Assets	24-30%

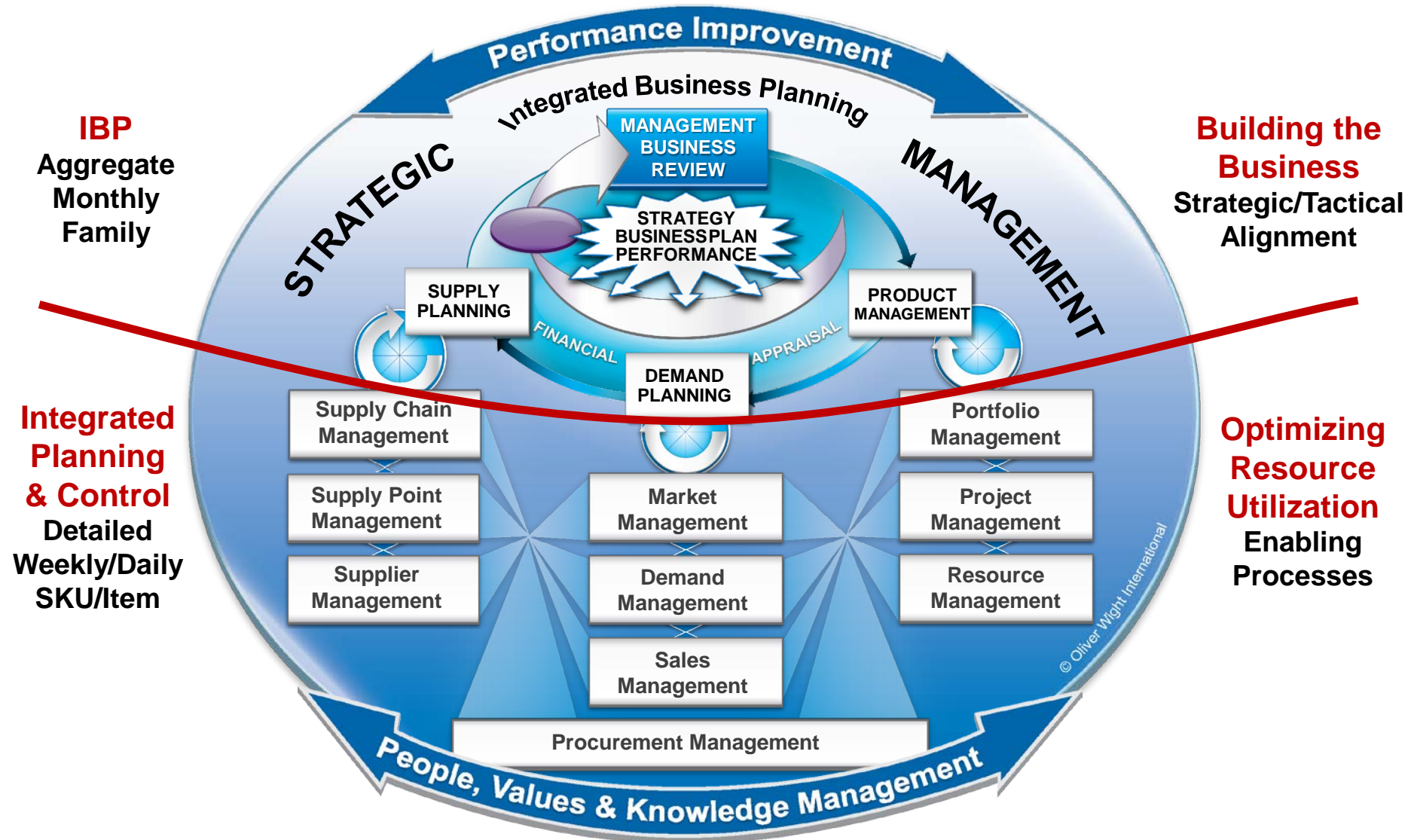
Sources: Oliver Wight, AMR, Aberdeen, Ventana

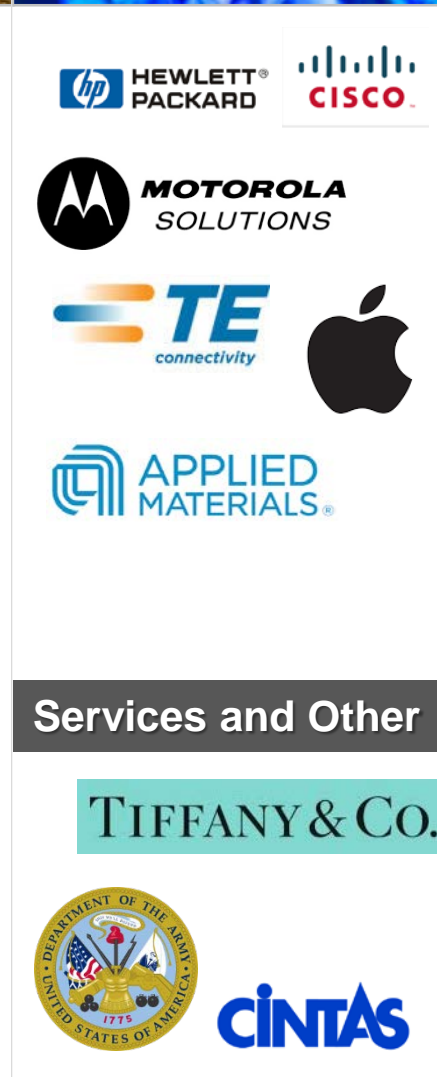
Top Business Benefits Attributed to IBP (% respondents)



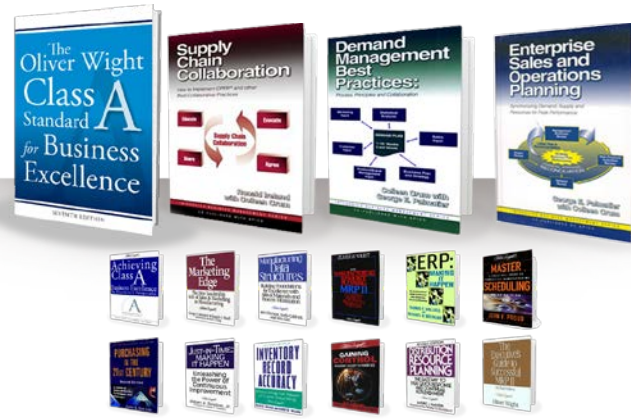
Source: AMR Research 2010

Integrated Business Management





Oliver Wight – Changing the Face of Industry



- Global firm founded in 1969 by Oliver Wight
- Authored or pioneered MRP II, S&OP/IBP and CPFR® processes
- Proven methods and best practices
- Cross-industry, complex implementation experience
- 65 Principals, all experienced practitioners with Class A credentials

- Benefit driven: **Collapse time to results**
- Experience transfer: **Ownership and independence**

Contact Info



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Thank You!

