



VALUE DRIVERS OF SINGLE MODEL S&OP

ANALYST

Seth Lippincott

THE BOTTOM LINE

Modern sales and operations planning (S&OP) solutions deliver value by connecting planning with operations. Nucleus found that customers are able to better match production plans with operational execution with solutions that have a single data model, robust scenario generators that share logic across optimization engines, and illustrate the financial impact of proposed changes.

...

OVERVIEW

Although nothing new conceptually, many companies still lag in the level of maturity and sophistication their sales and operations planning (S&OP) process. Traditionally, with data housed in silos, an organization's ability to connect strategic planning to operational execution suffered from a lack of coordination and visibility, leading to inaccurate plans and costly adjustments.

As software focused on S&OP has evolved to enable a better approach, a number of key capabilities are driving value for customers. Solutions that deliver a single, unified data model allow users to see the immediate economic impact of a proposed change. With software that manages multiple parts of an enterprise's supply chain, the S&OP solution can draw on logic from all the solution's optimization engines to help planners evaluate the effect of different proposals such as promotions and new product launches. Additionally, planners can use tools to deliver a host of scenarios to an S&OP meeting, which streamlines the process and ensures production plans closely match operation execution.

S & O P I S S U E S

Sales and operations planning is the process by which companies balance the conflicting objectives of sourcing, manufacturing, logistics, and sales. While the sales team looks to maximize orders, availability, and responsiveness, the sourcing department seeks to maintain stable volumes and prefers long lead times. For logistics, efficient loads and less inventory are key metrics for success, whereas manufacturing is concerned with maintaining high buffer inventory and long manufacturing runs.

The push-pull of different departments that are typically siloed in their decision-making frequently leads to S&OP process that falls short of finding a coherent, cohesive plan. Either not all relevant parties will be at the table or each department will bring its own version of the path forward (typically in the form of spreadsheets), making reconciling and manipulating the organization's data cumbersome and laborious.

S & O P E N A B L E R S

Though S&OP meetings were not historically enabled by systems or software solutions, new capabilities have changed how effective the process can be and increased the value organizations can extract from it. Organizations are using technologies delivered by supply chain software vendors that help them better understand where their trade-offs are and how they can maximize profitability and minimize risk. Rather than a plan based on feasibility, supply chain managers can focus on more closely matching supply and demand, cross-functional alignment, or maximizing or minimizing the key performance indicators that the organization uses to measure success such as inventory turns, profitability, customer service, and forecast accuracy.

In modern S&OP software solutions, there are a few capabilities that enable companies the type of control and flexibility that they need to build effective strategic and operational plans. Nucleus found customers can derive value from solutions with a single data model, scenario generation engines that integrate optimization logic and demonstrate the financial impacts, and overall tool usability.

IMPORTANCE OF SINGLE DATA MODEL

The single data model allows for synchronization across planning levels, delivering one version of the truth, ensuring that all parties are operating off the same information. As a result, organizations no longer need to rely on a myriad of spreadsheets cobbled together to develop an operational plan. A single data model

also immediately reflects the potential impact of any proposed change. By connecting the mapping of planning and operations, the solution ensures the customer's constraints are synchronized with high-level decisions. For supply planners at various levels of an organization, the single data model ensures that demand planners cannot generate and deliver a plan that is impossible based on supply constraints. Planners save time in the planning process and avoid the back-and-forth of competing priorities. In addition to delivering a single version of the truth, the single data model enables optimization logic to be integrated into the S&OP engine, allowing users to see the effect of scenarios where events such as new items and promotions are implemented.

THE POWER OF SCENARIO PLANNING

In building a coherent plan, S&OP solutions need to provide users a comprehensive view of their supply and demand plans and the relative impacts on key performance indicators of their choice. Users can use visualizations to graphically highlight information like projected revenue, margin, total costs, regional performance, capacity utilization, and stock increase relative to the baseline scenario, making comparisons across different scenarios simple. As a result, users can optimize their plans around specific important metrics. With all scenarios, the financial implications are presented to the user, ensuring the planners understand the costs and benefits. When scenarios are compared side-by-side, users can quickly gain an understanding of how plans differ and the outcomes they will produce, giving users involved in the S&OP process the ability to quickly reconcile different plans and select the one to implement.

THE VALUE OF USABILITY

Working from a baseline scenario, customers benefit from a solution that walks them through the various stages of the S&OP process from high-level strategic planning to operations execution planning. The optimization engine generates supply plans that consider real-world constraints, helping organizations get what they plan. This approach integrates demand sensing and planning with supply planning in a single application that addresses strategic planning as well as operational execution rather than in siloed planning units. As a result, users are able to generate scenarios that can be exported to facilitate a more productive S&OP meeting between stakeholders.

HOW SO99+ STREAMLINES S&OP

Nucleus found that ToolsGroup offers a solution that leverages this approach with its SO99+ platform, which includes capabilities designed to help customers better

connect their demand and supply planning and support the three levels of the S&OP process: strategic, tactical, and operational. The vendor already delivers demand modeling and supply planning with multi-echelon inventory optimization capabilities based on demand sensing data and forecasting. Adding an S&OP solution to SO99+ that shares the same optimization logic as other platform capabilities helps supply chain planners model different integrated scenarios and compare operational options during a planning cycle. Customers can derive value from the single data model at every level of planning, as well as from the scenario planning that connects the financial implications of a plan and overall usability of the solution

SO99+ provides workflows that connect demand and supply from a baseline scenario, integrating data that shape demand and running scenarios to calculate a demand plan. With the demand plan calculated, users can project inventory levels and evaluate scenarios for the best way to marry the key constraints with supply to generate a supply plan. The tool delivers integrated scenarios that can be compared side-by-side before a plan is selected. For each scenario, users can drill down to SKU-location information to perform capacity and stocking levels planning. Once a plan is selected, users can export it so it can be presented to executives and disseminated throughout the organization.

With its S&OP product, ToolsGroup's SO99+ offers capabilities that deliver value to customers: a single data model, an intuitive and user-friendly workflow, and scenario planning that connects to financial implications and shares logic with other areas of supply chain management software. The combination of these capabilities helps customers move their S&OP process from one of competing goals and siloed planning to one where real-world scenarios can be generated and compared across the entire supply chain. By connecting strategic, tactical, and operational planning, ToolsGroup's solution helps customers have a more productive S&OP process, saving time and ensuring the plan optimizes around the key performance indicators that are most relevant to the organization.

CONCLUSION

The capabilities delivered by enterprise-ready S&OP software solutions have developed faster than the processes companies use internally today, leaving significant margin for improvement within many organizations. Although many information siloes still exist and S&OP solutions cannot solve all of them, customers are able to better align their advanced planning with operational execution. Product features such as a single data model are delivering value to customers by providing one version of the truth that allows departments to reconcile competing priorities.

With the ability to compare scenarios side-by-side that can be generated quickly and illustrate the economic impact of a proposed plan, customers can optimize their operations in ways that were previously impossible. More fundamentally, modern software solutions enable greater S&OP maturity, making the exercise more productive and beneficial for the organizations.

