



CUSTOMER STORY

BP Castrol

A Robust S&OP Process Successfully Balances Supply and Demand

Challenges

The BP Castrol team was faced with reactive supply chains caused by forecasts that were inaccurate, unreliable and incomplete. The forecast did not extend to all SKUs and calculations required intensive manual work. The supply chain was still widely order-driven and structured to be reactive, rather than proactive.

Industry

- Manufacturing

Solution

- Inventory Optimization

Results

- Dramatically improved KPIs
- Increased service levels with accurate safety stocks
- Improved Sales and Operations Planning (S&OP) process

Company Overview

BP Castrol is a leading manufacturer, distributor and marketer of premium lubricating oils, greases and related services to automotive, industrial, marine, oil exploration and production customers across the world. Castrol operates directly in over 40 countries worldwide. Third party distributors market and sell BP products locally in nearly 100 other markets.

Project

BP Castrol initiated a program to improve their Sales and Operations Planning (S&OP) process. A team was assembled and Alessandro Tenaglia, Supply/Demand Planning Process Standardization Lead, was charged with leading a project to overhaul systems across Europe. Alessandro described some of the demand planning problems, "The demand forecast was carried out by sales and marketing, so the supply chain people reworked the forecast in order to trigger replenishments. We had a lot of uncertainty due to poor forecast practices."

The inventory side was also challenging. Most slow moving products had excess inventory. Fast moving products were often out-of-stock. Safety stocks were set manually, based largely on personal experience. In the calculations, there was little formal sense of supply and demand uncertainty. Safety stocks were infrequently adjusted, and when they were, it was often in reaction to a single event. For instance, an under stock situation would often trigger an increase in safety stock levels.

In addition, planners were expediting constantly to overcome the poorly derived inventory targets. This expediting was triggering production reschedules and urgent deliveries, increasing costs and amplifying supply chain noise.

Solution

BP Castrol quickly came to the conclusion that to accomplish the above, they needed to include inventory in their S&OP process. Improving the forecasting process was clearly required, but alone it would not achieve the high customer-service levels they wanted. The replenishment flows had to be synchronized with the demand signal through optimized inventories.

Tenaglia's team created a two-pronged solution based on ToolsGroup's SO99+; one that addressed both demand sensing and demand response.

Benefits

BP Castrol's KPIs improved dramatically. They improved demand sensing by generating more robust and reliable forecasts. They implemented an improved and standardized monthly demand forecast process cycle. A single point of accountability was instituted. Promotion planning and monitoring was also improved.

The team improved demand response by improving safety stocks. Reliable statistical modeling accurately measured demand and supply chain volatility. Reliable inventory modeling and mix optimization techniques accommodated this volatility and accurately set the inventory targets required to achieve a responsive inventory mix.

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