White Paper

Demand Solutions®



Achieving Supply Chain Excellence:
Your Journey Forward

Where Are You in Your Supply Chain Journey?

Nobody disputes the value of an efficient, collaborative, carefully planned supply chain. When your company reaches its supply chain potential, you can:

- Offer the right products in the right quantities at the right price—with the absolute minimum of safety stock.
- Keep your demand in sync with your partners' supply.
- Generate forecasts for a wide range of possible business scenarios.
- Garner the input of stakeholders in every business plan—and use that plan to drive your company to its full competitive advantage.

With goals like these on the horizon, it's no wonder there's so much talk these days about sales and operations planning (S&OP). Ever since its development in the 1980s by consulting firm Oliver Wight, the concept of S&OP has been the trusted approach for any company that makes or delivers products and wants to synchronize all of its business functions to make its supply chain run optimally.

Call it supply chain maturity, supply chain excellence, or S&OP. Whatever you call it, it's critically important to the health of any company that runs a supply chain. But as we've all experienced, getting there isn't easy.

Roadblocks to Supply Chain Maturity

As an industry, how are we doing at developing mature, profitable supply chains? First, let's define our terms. Gartner has identified 5 levels of supply chain maturity:

- **Stage 1: React** – Focusing mainly on revenue, the company operates in departmental silos.
- **Stage 2: Anticipate** – The company begins to establish synergies between departments and embrace best practices as it works to reduce internal costs.
- **Stage 3: Integrate** – The company makes consistent improvements to its functional capabilities and integrates its siloed supply chain functions for greater internal visibility.
- **Stage 4: Collaborate** – The company strengthens the alignment between the supply chain and its other business functions, enabling it to collaborate with individual partners in ways that drive innovation and growth.
- **Stage 5: Orchestrate** – The company collaborates with diverse networks of partners in ways that deliver value for all participants.[1]

This seems like a logical path for any company that wants to get more from its resources and partners. But in a recent study of 182 manufacturers and retailers, Gartner found that 67% of companies were mired in the early stages of its supply chain maturity model.[2]

Meanwhile, a benchmark report from SupplyChainDigest found that 45.5% of companies were doing "little scenario analysis," which indicates their lack of S&OP sophistication.[3] In the same report:

- Just 10% of companies considered their S&OP to be "world class" or "excellent."
- While 42.9% said they had a "good S&OP process, but can improve," another 32.2% rated their process as "below average."
- Only 8.9% of companies gave their companies a "high" rating for scenario planning.
- The capability most often rated "high" was Integrated Supply-Demand Plan—but it only registered a 25.9% "high" rating.[4]

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1 Davis, Matthew and Tohamy, Noha. "Introducing the Five-Stage Demand-Driven Maturity Model for Supply Chain Leaders." Gartner research report. March 26, 2013.
2 Barrett, Jane and Uskert, Michael. "Sales and Operations Planning Maturity: What Does It Take to Get and Stay There?" Gartner RAS Core Research Note. November 1, 2010.
3 Gilmore, Dan. "Supply Chain News: Where Do We Stand in S&OP?" SupplyChainDigest. September 20, 2013.
4 Gilmore.

So, what's keeping companies from achieving supply chain excellence?



There are many possible causes, but the leading culprits include:

- **Email-based communication.** The emergence of email in the 1990s dramatically reduced the need for phone calls and overnight mail. But companies that still rely on email as their primary means of sharing business information are dooming themselves to many tedious rounds of one-off messages for every business decision. By the time everyone in the "loop" has provided their individual perspective, the business opportunity may very well have come and gone.
- **Department-based planning.** Traditionally, each department within a company creates its own quarterly or annual plan and submits it to Finance. The finance team will then generate the company's plan based on these individual documents. This approach seems logical at a glance—but what happens when Production's plan is contingent on the performance of the sales team? Or when Sales sets goals that demand a significant increase in production? That's when it becomes clear that planning needs to be done from the top down, not from the bottom up.
- **Spreadsheet-based forecasting.** Spreadsheets give smaller companies a standardized, cost-effective way to track their revenues and expenses. But enters into them—and they lack the power and sophistication to generate the complex scenarios that can help businesses prepare for every possibility.

In light of results like these, it's probably fair to say that for most companies, ***true supply chain excellence still lies ahead.***

"We are still functioning in uncertain economic conditions, with ever demanding customers across a complex supply network. This results in volatile demand patterns and the need for greater agility in our supply chain processes to do more with less"

— Howells, Richard. "The Perfect Storm is Forming for Sales and Operations Planning." Forbes.com. April 13, 2012.

The New Imperatives for Supply Chain Maturity

If there's still untapped value within the supply chain, then shouldn't companies simply continue to get more use out of their existing tools and strategies? This approach would probably be appropriate if companies that run supply chains were expecting the business environment to remain largely the same over the next few years. But that's not the case at all—and that's why simply improving on the status quo won't be enough.

If companies that run supply chains want to reach new heights of business performance in an ever more challenging business environment, they'll need to make changes on a fundamental level. That's why supply chain software vendors and thought leaders are promoting some exciting new approaches to supply chain excellence.

Integrated Business Planning: A New Mindset for Better Results

The old way of doing business was to let the supply chain organization run the supply chain, and to involve the other business functions only as needed. That's what has led to siloed data and less-than-stellar business performance for many companies. And that's why companies that are serious about growing and increasing their profitability are exploring a new mindset: Integrated Business Planning (IBP).

IBP is an emerging strategy in which companies involve the extended supply chain in every business decision, thus injecting external input and visibility into what was traditionally an internally focused planning process. With IBP:

- Information is freed from silos and becomes available across the enterprise.
- Instead of having one set of eyes on a business plan at one time, you gain the input and intelligence of dozens or even hundreds of collaborators.
- You can involve multiple departments in conversations about how much to lower prices to get older products off the books, or which new features could help you regain market share lost to new competitors.
- Your supply chain partners can react more quickly to your needs—and balance their own supply chains—because they maintain an "always-on" view of your demand.

Of course, IBP is more than just a mindset. It requires companies to embrace today's newest collaboration technologies as they plan for the success of not just the supply chain, but the entire business.

How You Can Reduce Inventory by Up to 46%

IBP is more than a strategy or mindset, of course. It revolves around new collaboration technologies are emerging at just the right time for companies that run supply chains. The more effectively you deploy these technologies, the better the results you can achieve with IBP. For example, social forecasting—which lets employees use intuitive web applications to add their input to sales forecasts—is already helping companies make major improvements:

- Henkel used social forecasting to achieve a 22% increase in the accuracy of its S&OP process, and to enhance its EBIT by eight digits per year in North America alone.
- General Electric used social forecasting to generate 2-6 new patents per business unit.
- Deutsche Telekom uses social forecasting to tap into the knowledge of 240,000 employees in ways that enhance demand forecasting, marketing, HR, and strategic issues.[5]

By enhancing collaboration throughout the supply chain, **companies can take a quantum leap towards supply chain maturity.** A few years ago, Oliver Wight ran a survey of 40 of its clients who had achieved Class A (outstanding) performance in their S&OP processes. These clients quantified the following results:

- **Increased forecast accuracy by 18-25%.** Because most companies can't buffer inventory or constantly face the risk of running out of stock. Companies that achieve S&OP excellence through IBP can avoid both of these undesirable fates.
- **Increased sales revenue by 10-25%.** It's not difficult to imagine how having reliable access to the needed supplies would enable any manufacturer, distributor, retailer, or other product-producer to make sales with confidence.
- **Improved on-time delivery by 10-50%.** Few problems annoy—and ultimately drive away—customers as reliably as missed shipments. It's reasonable to think that even companies with fairly well developed S&OP processes could improve on-time deliveries by at least 10% with IBP.
- **Reduced inventory by 18-46%.** If carrying excess inventory costs you 25% of the value of that inventory per year, consider the bottom-line impact of reducing your overall inventory by, say, 30%.

5 Ivanov, Aleksandar. "The Rise of Social Forecasting: How Employees Help Management Make Better Decisions." CMSWire. Dec. 21, 2011.

- **Reduced safety stock by 11-45%.** Unlike regular inventory, safety stock really feels like wasted money. Reducing your safety stock can help you free up truly wasted resources to devote to more important business.
- **Increased productivity by 30-45%.** Getting more—and better—work out of the people you already employ is one of the most cost-effective ways to improve your bottom line.[6]

Your New Path to Supply Chain Excellence

By now, you may be wondering where to go for help in achieving supply chain excellence. The buzz around S&OP, IBP, and supply chain excellence isn't being generated by the major ERP vendors of yesteryear. By and large, it's coming from smaller, more agile solution providers that are constantly incorporating new technologies—such as Social™ Supply Chain—into their platforms. This situation actually works to your advantage, because rather than having to implement more software than you really need and then wait for a vendor to make changes to its massive technology platform, your nimble IBP partner can quickly deploy and customize a solution that works the way your business works.

Demand Solutions is one company that operates this way. ***We see supply chain excellence as a journey****—not simply as a piece of software to implement. We work with growing companies to help them move forward at their own pace based on their needs, experience, and available resources.*

6 Crum, Colleen and Palmatier, George. "Sales and Operations Planning: Leading an Effective Management Business Review." Oliver Wight.

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Your Path to Supply Chain Excellence			
Stage	**What It Involves**	**What Demand Solutions Offers**	**Your Potential Rewards**
Forecasting	• Convert from spreadsheets and email to a shared statistical forecasting solution	• Forecast Management	• 18-25% improvement in forecast accuracy
Supply Chain Planning	• Add supply planning in addition to demand planning • Plant-level scheduling • Store-level planning	• Requirements Planning • Retail Planning • APS	• 10-15% increase in revenue
Enterprise S&OP	• Automate alerts and processes • Non-supply chain departments participate in the planning process	• S&OP • Workflow • Social SCM	• 10-50% improvement in on-time delivery • 18-40% inventory reduction
Extended SCM	• Include key customers and suppliers in the planning process	• Collaboration • Social SCM	• 11-45% reduction in safety stock
Strategic/IBP	• Business strategy and senior management are committed and involved in the planning process	• S&OP/IBP	• 20-25% increase in productivity
Peer Best Performance	• Achieve best-in-class performance among industry peers	• Best practice consultation that helps you sustain performance	• The ability to enter new product categories immediately and dominate quickly

As you work with Demand Solutions, we'll deliver a combination of best practices, methodologies, and solutions drawn from 28 years of experience in the field. Our software automates this knowledge capital in ways that ensure you'll always be using industry best practices as you work. And our tools are easy to implement, learn, and maintain over time. In addition—and perhaps most importantly in the current business environment—we continue to integrate the best of the new technology offerings so that you can take advantage of innovations such as social collaboration well ahead of your competitors who are stuck on inflexible ERP platforms.

Partner with More than a Software Vendor

When you choose Demand Solutions as your partner for supply chain excellence, we won't just implement software and call it a day. We'll:

- Develop a focused plan for getting your company to the next level of supply chain excellence—whether you're still running on spreadsheets or are already delving into sophisticated demand scenarios.
- Roll out a solution quickly enough to show your CFO results this quarter—not next year.
- Implement behind your firewall or host the applications ourselves—whatever makes most sense considering your IT budget and staff.
- Let you take advantage of our 28 years of supply chain experience amassed on loading docks, in warehouses, and in boardrooms.
- Give you all the innovation benefits of working with a startup vendor, but without the risk.

To learn more, please join us at an upcoming webinar. Or contact your Demand Solutions representative for more information at 1.800.886.3737.