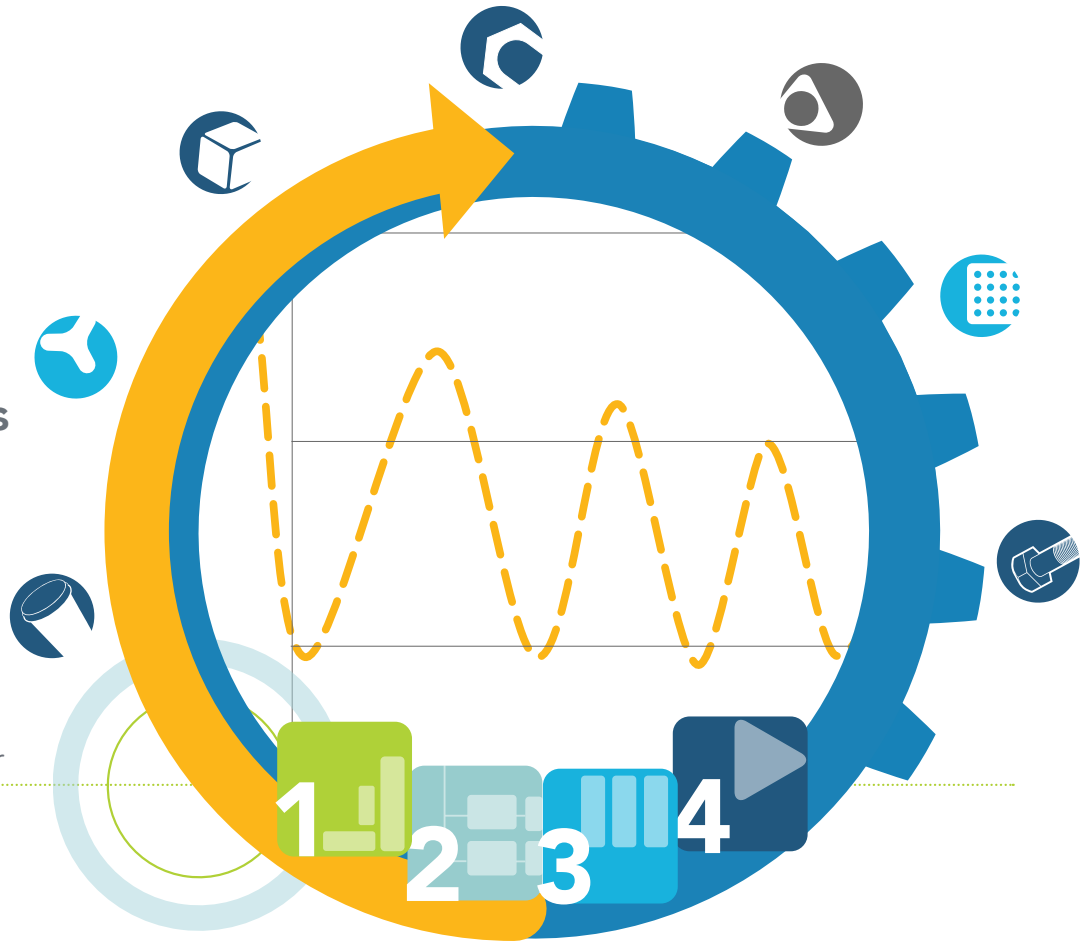
Commit with Confidence: The Four Must-Haves of S&OP



White Paper

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Executive Summary

Enterprises have sought to better anticipate and synchronize supply and demand through Sales & Operations Planning (S&OP) programs for more than 30 years, but most organizations today report that they are nowhere near satisfied with the results of their initiatives. S&OP was initially meant to get different stakeholders of an enterprise on the same page, which is still key, but the new norm is the timely and systemic involvement of the trading partners (e.g., distributors, customers, logistics providers, contract manufacturers, suppliers) in this process as they have an important impact on the ability to execute to achieve the operational, commercial, and ultimately, the financial plan.

What could it be worth to your organization to have near-real-time access to your departments' and trading partners' supporting facts, and a single version of the truth? What if you could align your operational, commercial and financial plans across all of your stakeholders and achieve those plans together?

As supply chains become increasingly complex, it's no surprise that supply chain leaders see great opportunity for improvement in S&OP. In fact, in a recent *Supply Chain Planning Benchmark Study* conducted by *Supply Chain Digest,* business leaders surveyed said that 1) the S&OP process and 2) the integration of supply chain planning across the company were concurrently the largest single opportunity for improvement. Company success depends on these two interdependent topics.

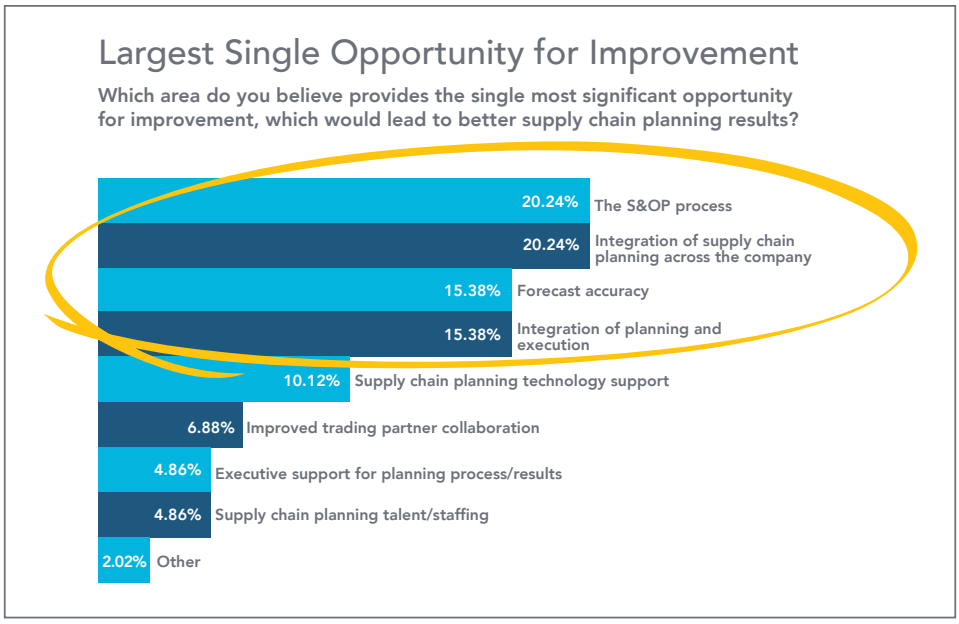


Figure 1: *Supply Chain Planning Benchmark Study 2013, Supply Chain Digest*

Sales and operations must find a way to plan for demand they can't predict with supply they don't control. We like to think of it as aspiring to achieve closed-loop S&OP: collaboration among organizations within the enterprise and collaboration with partners across the trading network. One major roadblock for internal alignment is the common mistrust of the underlying assumptions that underpin the supporting data, because they are wrong, out-of-date or incomplete. With E2open, an S&OP team can have a collaborative platform to help integrate, plan, align and execute stakeholder resources to increase the efficient and profitable outcomes over multiple planning horizons. Together, these steps—integrate, plan, align and execute—comprise the four must-haves for ensuring future S&OP success.

So, why S&OP? It's simple: Enterprises need to be able to commit with confidence to their customers and investors. With trading network participants, information and plans integrated and in alignment, everyone—trading partners, procurement, planning, customer service, CSCOs, CFOs, all the way up to CEOs—can commit with confidence not only to plans, but also to those last-minute course corrections that can make the difference between profit and loss.

S&OP is a strategic business process, and there are building blocks, such as organization, incentives, people and technology, critical to making it effective. A traditional S&OP process involves internal company stakeholders from different disciplines—typically operations, sales, marketing and finance—to anticipate and synchronize demand and supply, as well as to jointly execute on a company's strategy to achieve its business goals.

Why Is S&OP So Challenging?

Business complexity is exploding within the supply chain. Globalization and the embrace of outsourced manufacturing and distribution have increased complexity, leading to information fragmentation and overload. Customer demand is volatile; product life cycles have become shorter and product variation has created mind-numbing supply conditionality, making forecasting and planning more an art than a science. SKU proliferation, alternate parts, alternate suppliers and features are forcing organizations to plan at the product family level rather than the detailed level that drives the execution of the S&OP plan. The same complexity forces supply planning to occur at a commodity level. Further compounding the issue is the fact that demand and supply translation for execution is usually performed manually (i.e., mostly on spreadsheets) and communicated via email, meaning that valuable information is lost or miscommunicated while propagating it across stakeholders. Because it is communicated in a one-to-one fashion, information is obviously out of sync among participants, as they're playing off different sheets of music.

Brand owners also are seeing higher supply-driven fulfillment failures as specific part numbers are "pushed" to fulfill product family demand. New product introductions (NPI), promotions and regional demand compete for supply. Opportunities are typically managed "first-come, first-served," as opposed to being optimized or aligned to a common strategy.

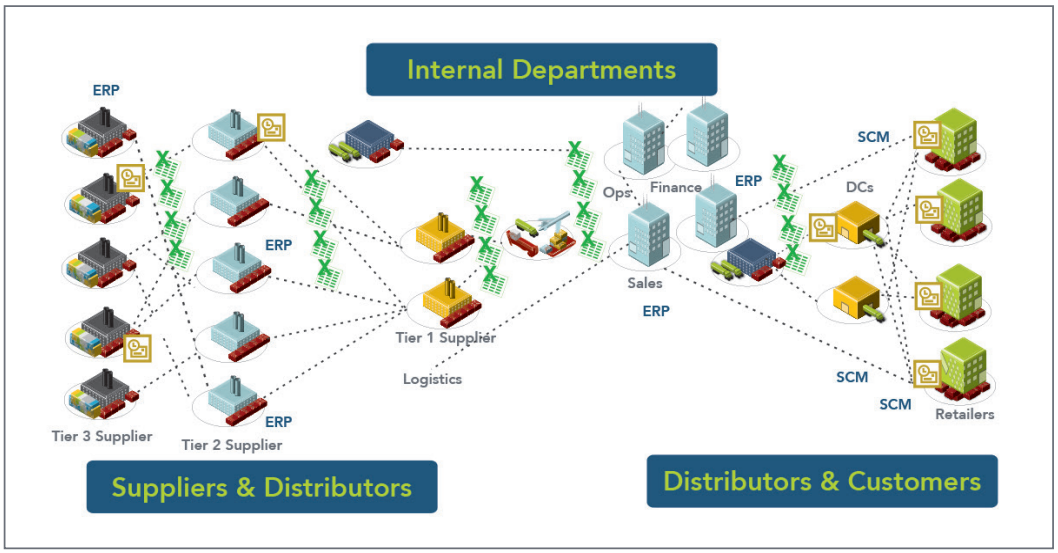


Figure 2: The Universal Problem: Time, Distance and Complexity

This is all further complicated by the dependence on more and more partners for manufacturing and distribution, creating even more segments to manage to serve customers more profitably, and more channels coming to life as business models evolve. Supply chains have become "virtual enterprises" with complex, multi-tier business and service-level relationships dependent on decentralization and management of shared processes.

With information siloed among a heterogeneous mix of information systems and numerous spreadsheets, this highly fragmented information infrastructure poses one of the greatest challenges to S&OP. In addition, with a variety of systems inside the enterprise, as well as a plethora of systems (that don't talk to each other) across trading partners, most information is exchanged in a serial, one-to-one fashion, causing latency and requiring synchronization. Worse yet, demand and supply organizations typically speak different languages, operating relatively independently when one would expect to have a seamless, end-to-end process.

S&OP teams are challenged with a universal problem of time, distance and complexity. The extended organization relies on interdependent, periodic processes with varying frequency managed serially. This further exacerbates the supply chain bullwhip effect, as illustrated below.



Figure 3: Supply Chain Planning Cadence Is Typically Asynchronous with S&OP Cadence

This lack of integration increases time, distance and complexity, frustrating the organization as it struggles to manage demand it can't predict with supply it doesn't control. It also leads to a chain of assumptions, forcing leaders to make decisions based on information they don't trust.



Figure 4: Lack of Integration = Chain of Assumptions

How Can Enterprises Commit with Confidence?

E2open empowers organizations and their trading partners to commit with confidence by providing a collaborative S&OP platform for the integration of organizations within the enterprise and partners across the trading network. E2open provides a four-step blueprint to collaborative S&OP: integrate, plan, align and execute.

Step 1: Integrate

S&OP is really about people collaborating to execute and course-correct plans to achieve departmental, corporate and trading partner goals. The objective of enabling S&OP is to empower people, not simply to automate a process. To be successful, it's important to recognize that for most companies, their S&OP

process is either immature or does not yet exist. Attempting narrow technology automation isn't the panacea.

E2open provides a collaborative platform for integrating people in participating organizations within the enterprise, which typically include supply chain or operations, commercial (typically sales and marketing), finance and executives. E2open uniquely enables the integration of trading partners: manufacturers and distributors on the supply side, and distributors and customers on the demand side. The key is enabling participating departments, suppliers, distributors and customers with any-to-any, cloud-based connectivity options, including machine-to-machine B2B (e.g., EDI), browser access, Excel Lite Client and more. A host of options matches a range of technical sophistication. Most importantly, all data is transferred as it is available, in real time. All of the information that the S&OP internal participants and partners need for planning and decision-making is in a single, up-to-date version of the truth, accessible via a common collaborative platform that shares this insight in near real time in a one-to-one, one-to-many and many-to-many fashion.

Step 2: Plan

E2open enables planning for demand-driven supply optimization with the unique ability to match granular demand with granular, often constrained, supply and capacity. The process begins with the demand plan. The demand plan is important to S&OP, but its use is less than optimal when implemented only at an aggregate level. E2open therefore models with granularity. E2open takes the demand plan of record and performs demand translation, disaggregating product family demand and segmenting it (e.g., by products, components, customers, geographies). Next, it translates product part numbers to component part numbers so customer priorities can align to constrained supply. E2open also includes forecast consumption considerations as orders are placed. With user-defined demand prioritization in-product, E2open enables planning optimization that aligns with corporate, brand, customer or other user-defined priorities. So what is the best plan? That needs to be tested.

E2open enables what-if planning scenarios, providing rapid in-memory comparison of multiple plan versions. The planner can choose alternate outcomes to recommend to the S&OP team. To ensure success, this approach should get demand and supply on the same page and put the "best"customers front and center based on the business strategy. The planner can stabilize commitments and promises while protecting customer reservations and allocations. Of

particular interest to the commercial organization, the planner can stage the right supply at the right time for marketing promotions. They also can maintain prioritization among tiers of customers or new products and can even grant customer pull-ins without de-commits. With E2open, the planner gains the benefit of greater insight into what is driving demand at all nodes in the supply chain.

Step 3: Align

One of the greatest challenges of getting S&OP to work is gaining agreement among stakeholders, followed by testing the feasibility of the proposed plans and modifying those plans collaboratively in a timely fashion. Because of the time lag associated with manual, serial sharing and analysis, the process can often take so much time that another S&OP meeting arrives before plans from the previous one are vetted and executed. In response, E2open's collaborative platform enables S&OP teams to collapse planning time, base optimization on defined priorities, and simplify feasibility testing and modifications to the plans. Empowering the S&OP team with network planning helps the organization achieve demand-driven supply optimization.

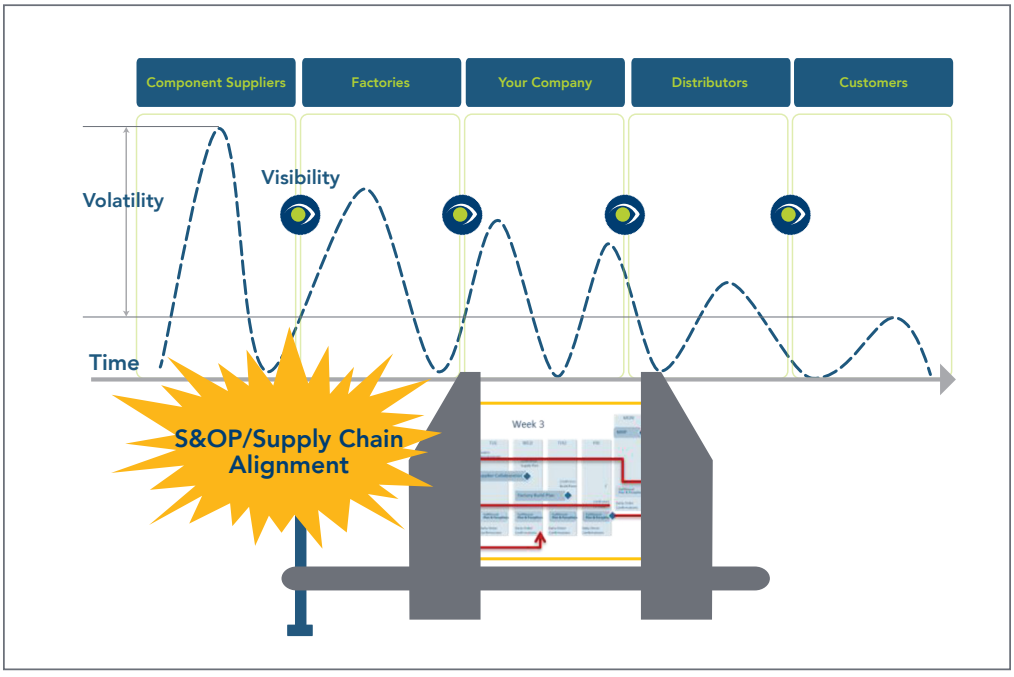


Figure 5: Integration: Collapse and Sync Planning Time, Reduce Variability

The E2open collaborative S&OP platform includes a critical enabling layer: collaboration. E2open enables the S&OP team to take plans agreed upon in meetings and test their feasibility among enterprise departments and with suppliers and customers. With a more granular view of supply and/or demand, constraints based on capacity and supply can be identified, what-if analyses can be performed, and outcomes can be evaluated among stakeholders for modification to the master operational plan and impact on financial and commercial plans. This in-line collaboration accelerates

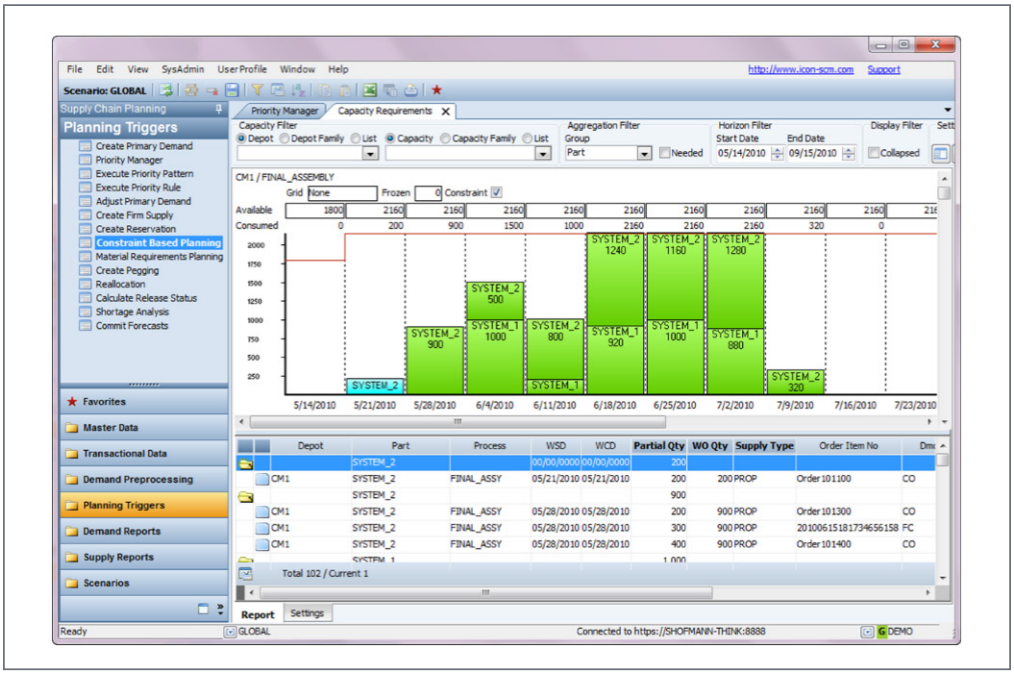


Figure 6: Adjust Quickly and Instantly Realign the Plan with Reality

evaluation and rapid resolution of constraints to speed the team toward the execution of the best plan. Stakeholder confidence in the underlying information facilitates and speeds up alignment.

Step 4: Execute

Once the S&OP stakeholders agree to a plan of record, this operational plan can be seamlessly executed within E2open, meaning no more swivel chair, manual movement of plans among systems with the inherent errors and latency of data transfer and entry.

E2open not only plays the role of "system of process," it also enables the integration and updating of plans in the typically standard system of record: ERP (e.g., SAP or Oracle). Now the operational, financial and commercial plans can be in sync so that all teams work together to achieve common, corporate objectives.

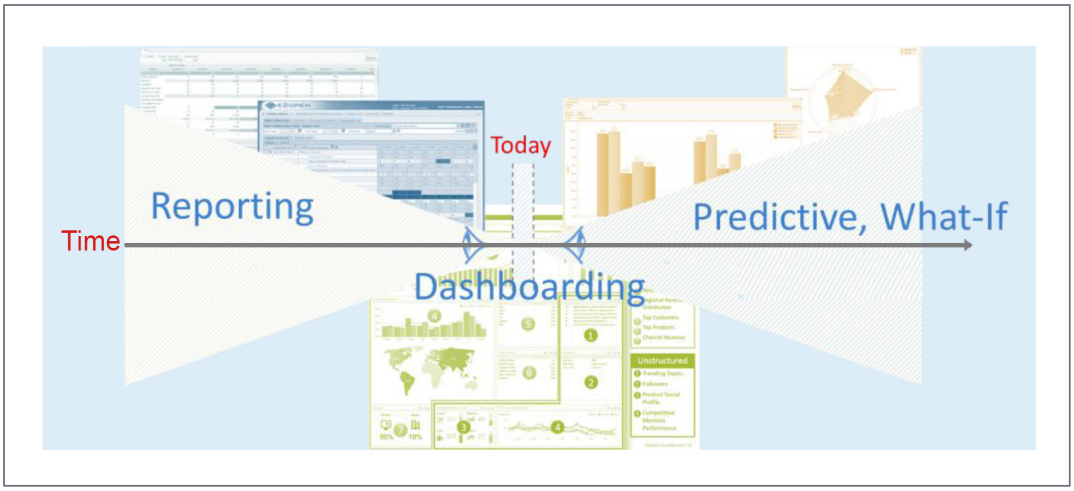


Figure 7: Evaluate on Three Dimensions of Analytics

"By implementing E2open, Radisys now has visibility into finance, sales, and operations simultaneously. We're able to match supply and demand and give a commitment not only to our financial community, but also to our chief executive officer and chief financial officer, by demonstrating what we can support from a revenue perspective."

Lisa Aleman, Director of Sales and Operations Planning, Radisys

To help ensure continuous course corrections toward these goals, E2open provides another enabling layer of "Evaluation." E2open S&OP includes analytics for historical, current, predicted and targeted key performance indicators. These are accessible across departments and across the network, as permission is granted, by the brand owner's departments, suppliers and customers.

E2open Facilitates S&OP Maturity

Research consistently shows that improving the S&OP planning process is among the top three supply chain priorities of most companies. Gartner and Supply Chain Insights both provide five-stage guides outlining paths to pursuing S&OP maturity.

While advancing maturity is a priority, many companies find themselves stuck at Stage 2 of the maturity curve. Why is it so hard to advance to Stage 3? First, it's hard to get the right information at the right time to match demand with supply at a detailed level. Increased complexity has overwhelmed organizations with more volatile demand and more moving parts than ever before, and enterprises are dependent on more and more third parties to execute on their plans. So how does a business manage demand it can't predict with supply it doesn't control?

E2open facilitates S&OP maturity by uniquely supporting many of the key tenets required to ascend these paths. Specifically, this means translating demand to a granular level to match available supply and capacity, and enable allocation to customers based on priorities set in the business strategy.

Move from Stage 2 to Stage 3 S&OP

The goal of this growth is to create alignment within the enterprise, which Gartner defines as moving from "Anticipate" to "Integrate" and Supply Chain Insights visualizes as maturation from "Match Demand to Supply" to "Maximize Profitability."

With the E2open Collaborative S&OP Platform, organizations can create a bridge to connect demand and supply organizations. They can synchronize internal and external processes, including forecasting, planning and order management. They can reduce process cycle time, as well as simplify and improve S&OP performance by collapsing the linear, manual processes of collaboration. They also can create strategy-to-execution alignment by involving partners and customers in planning.

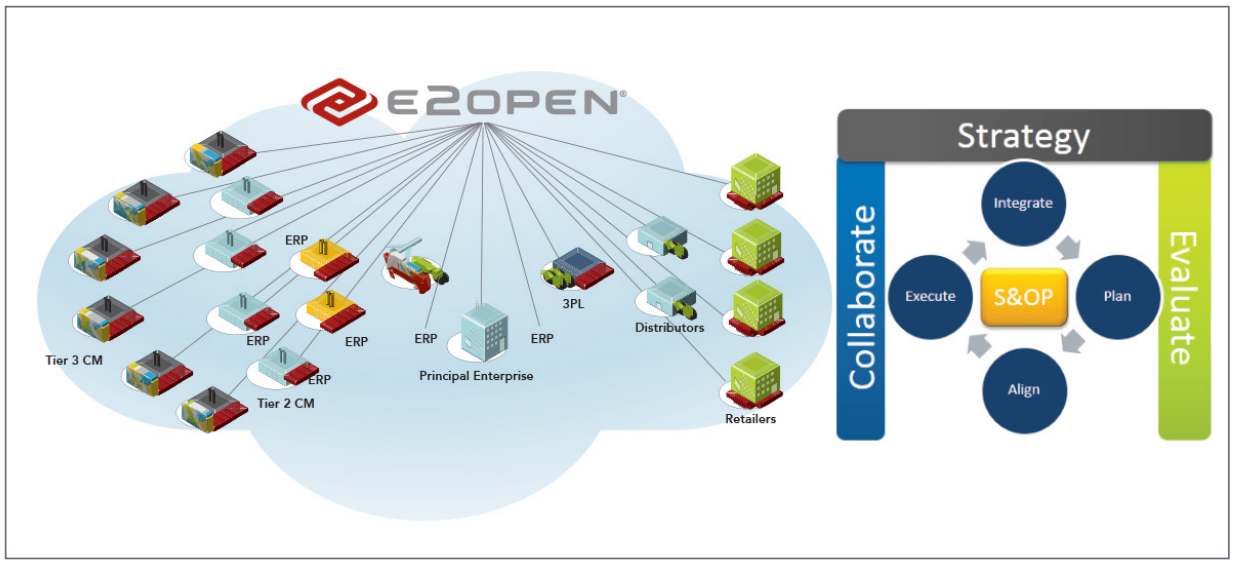


Figure 8: The E2open Collaborative S&OP Platform

Move from Stage 3 to Stage 4 S&OP

The goal of this growth is for market demand to pull constrained supply and capacity through a multi-tier network. This is critical to brand owners who depend on outsourced manufacturing and distribution. Gartner refers to this shift as a move from "Integrate" to "Collaborate," and Supply Chain Insights views this growth as maturity from "Maximize Profitability" to "Maximize Opportunities, Minimize Risk."

With a collaborative S&OP platform, brand owners are able to work with enterprise departments, as well as with suppliers and customers, to incorporate business strategy, segmentation (i.e., NPI, promotions and region are prioritized by demand type) and demand intelligence (i.e.,

opportunity grading to maximize profitability) in planning. Because of the ability of the S&OP platform to monitor and detect disruptions, brand owners, suppliers and customers can work collaboratively to address disruptions reactively, and even proactively.

Next Steps

S&OP teams need information that is comprehensive, timely and trustworthy. The E2open Business Network uniquely provides these teams with the necessary platform of connectivity, multi-tier process management, network planning and response, and cross-network analytics for collaborative S&OP. E2open's technology and supply chain expertise uniquely helps organizations align supply and demand with strategy through the four must-haves of S&OP: integrate, plan, align and execute.

With collaboration and evaluation tools embedded throughout the process, stakeholders are able to commit with confidence in their operational, financial and commercial plans for S&OP success.

To learn more about how E2open can put your organization on the path to successful S&OP advancement, visit www.e2open.com or give us a call at 1.866.4E2open.

About E2open

E2open (NASDAQ: EOPN) is a leading provider of cloud-based, on-demand software solutions enabling enterprises to procure, manufacture, sell, and distribute products more efficiently through collaborative planning and execution across global trading networks. E2open customers include Celestica, Cisco, HGST, HP, IBM, Lenovo, L'Oréal, LSI, Motorola Solutions, Seagate, and Vodafone. E2open is headquartered in Foster City, California with operations worldwide. For more information, visit e2open.com.

E2open, Inc.
4100 East Third Ave., Suite 400
Foster City, California 94404
www.e2open.com

Tel: 1.650.645.6500
Toll Free: 1.866.4E2open
e2open_us@e2open.com

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