ToolsGroup

Powerfully Simple

Executive Brief

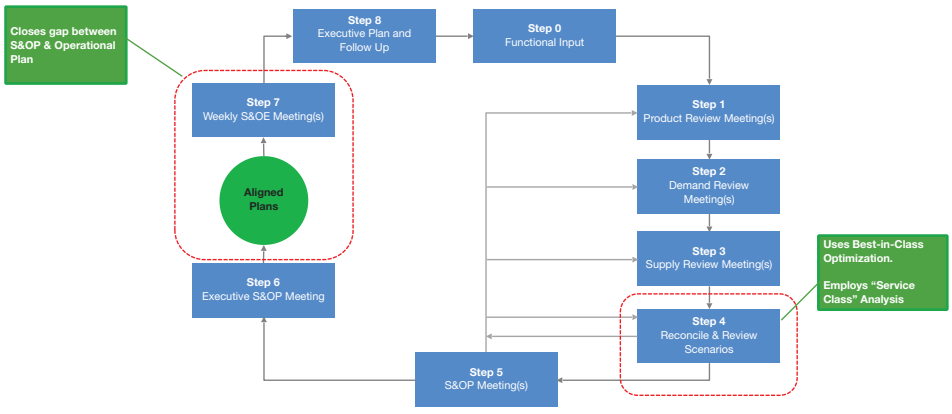
Connecting S&OP to Operational Execution

According to industry research, most S&OP users cannot create a consistently achievable S&OP plan. A Supply Chain Insights 2015 survey revealed that only 30 percent of manufacturers are "nearly always" or "most of the time" able to effectively tie S&OP planning to execution. Gartner Research confirms that "The No.1 challenge among manufacturing companies is connecting sales and operations plan (S&OP) to operational plan/execution."[1]

A critical gap between S&OP and the operational plan often relegates S&OP to a passive planning exercise, rather than actively connecting to results. In monthly S&OP meetings, managers take strategic decisions such as increasing revenue or adding new products that don't always translate into operational plans that can be practically executed downstream. This shouldn't be too surprising because companies usually have separate planning and operations models that do not map to each other. They plan with one and execute with the other, creating a gap that is difficult to bridge.

Connecting S&OP to operational planning/execution

ToolsGroup's S&OP employs the same data model at both levels – tactical and operational planning. ToolsGroup creates a single integrated data model with one version of the truth. It is coherent from tactical to operational and at every level in between, continuously synchronized through perfect mapping. Because ToolsGroup employs the same data model at all levels, you get what you plan.



Case Study

Mohawk Fine Papers is one of many companies using ToolsGroup software to support their S&OP process. They achieved higher service levels on make-to-stock business and were able to more aggressively pursue make-to-order business, while resolving capacity issues based on product profitability and business contribution.

ToolsGroup software anchors their S&OP process, performing forecasting, service level planning, and inventory mix optimization -- defining inventory targets for each stock item at each location across the network. It also handles requirements planning, resupply of regional (level two) DCs, and manufacturing replenishment requirements for their production scheduling system.

Within 6 months, customer service levels increased from 85% to 93%, despite significantly reduced expediting. Meanwhile, global inventory were reduced 25%, on an 8% increase in sales, resulting in a 40+% improvement in inventory turns. All led to improved corporate profitability.

[1] Set Up Sales and Operations Execution Process to Support the S&OP Cycle, Marko Pukkila, 28 January 2016

Using optimization to tie S&OP to real-world constraints

ToolsGroup's single model solves another vexing S&OP problem. Firms collaborate and model for S&OP around various levels of aggregation. It's the only way management can participate efficiently and drive trade-offs in the process. But firms must verify feasibility and optimize S&OP in a detailed model that represents real-world constraints – such as plant level production or distribution center receiving capacities. While sales and finance can stay at a higher level, for optimization and execution "the devil is in the details." ToolsGroup's single model supports the S&OP with best-in-class optimization at the level where the constraints are applicable, totally synchronized with higher levels of plan aggregation, where collaboration and decisions are made.

Creating market-driven S&OP via "Service Policies"

ToolsGroup customers can create "service policies" that define desired go-to-market target customer service levels by product and market segments. By modeling demand and supply chain uncertainty and simulating the impact of inventory on customer service, S&OP teams can define desired target customer service levels by product and market segments. Multi-echelon inventory optimization (MEIO) then translates these service level goals into an optimal inventory mix that absorbs the upstream and downstream supply chain fluctuations, allowing the team to make fact-based Sales, Inventory and Operations Planning (SI&OP) trade-offs.

Other important ToolsGroup S&OP capabilities include:

- ToolsGroup's best-in-class **Multi-Echelon Inventory Optimization** (MEIO) is a valuable tool for insuring that trade-offs and optimization is performed at the level where the constraints are applicable. Complex businesses with thousands or more item-location combinations or long-tail demand can only make the right trade-offs using optimization technology. Without it, considering all the feasible alternatives and identifying the best is practically impossible. ToolsGroup's optimization not only drives the process to superior outcomes, but cuts a lot of manual decision guesswork out of an already complex process.

- Web-based **demand and supply collaboration hubs** makes core optimization and "what-if" modeling technology accessible to a broad community of salespeople, dealers, partners and suppliers. On the **demand side**, multiple internal and external stakeholders fine tune the baseline forecast by applying their market knowledge. **Supply side** stakeholders create a single consensus supply plan that can then be fed back to operations for execution.

- An **"Instant Replay"** capability for back-testing, comparing actual events with what should have happened based on released S&OP plans. It operates like a "golf swing analyzer" for S&OP, allowing users to visually simulate and diagnose strengths and weaknesses to continuously improve the S&OP process.

ToolsGroup supports all three levels of S&OP processes: strategic (sometimes called Integrated Business Planning or IBP), tactical Sales and Operations Planning, and operational/execution planning (Sales and Operations Execution or S&OE).

About ToolsGroup

ToolsGroup is an innovation partner for companies who want to achieve highly accurate forecasts, outstanding customer-service levels and less global inventory. An expert in "Powerfully Simple" supply chain planning, we offer software that analyzes demand history across multiple dimensions so you can achieve the most reliable forecast and inventory targets for mastering demand volatility and delivering service level excellence.

Our innovative and advanced technologies enable you to improve and automate your planning processes. Our solutions span key supply chain planning areas such as Demand Planning, Demand Sensing, Promotion Forecasting and Inventory Optimization.

We have more than 250 customers worldwide and one of the highest customer retention rates in our industry. Our experience includes manufacturers, wholesale distributors and retailers in awide range of demand and inventory driven industries.

Please visit our website at www.toolsgroup.com and click on "About Us" for a list of our offices throughout the world.

