

**Turn Challenges  
into Opportunities**  
in Sales and Operations  
Planning with a  
**4-Step Methodology**

## Changes in the Macro-environment – Challenges or Opportunities for your S&OP Process?

Clichéd as it may sound ‘change is the only constant’ in the reigning business environment, especially for the Consumer Packaged Goods (CPG) and retail industries. Driven by market volatility, Retail and CPG companies are facing widespread disruptions in the demand-supply equilibrium. While unpredictable customer behavior is driving uncertainties on the demand side, commodity scarcity and price volatility are to blame for challenges on the supply side.

Some may argue that these are not exactly the best of times for the Sales & Operations Planning (S&OP) process, as challenges in the macro-environment are putting brakes into its ability to accurately predict demand and supply and thus drive agility into the supply chain. However, the fact is, Sales & Operational Planning has the potential to take on a broader mantle – that of an integrated function, for implementing the larger corporate strategy, provided companies follow a four-step methodology of:



1. **Assessing the maturity levels of the S&OP process and implementing changes**
2. **Becoming cognizant of the hurdles in the effective implementation of an integrated S&OP process**
3. **Revising standard beliefs and practices**
4. **Implementing new S&OP models and technology-service platforms**

## The 4-Step Methodology to turn Challenges into Opportunities

### Step 1: Assessing the Maturity of your Sales & Operations Planning Process

A barometer to gauge the maturity levels of the S&OP process (and therefore the ability

to meet increased business demands and drive agility into the supply chain) is the *S&OP Model* developed by *Gartner*. The maturity model describes 5 stages of maturity in the S&OP process.

	Stage 1: React	Stage 2: Anticipate	Stage 3: Integrate	Stage 4: Collaborate	Stage 5: Orchestrate
Process Focus	“S” reflects sales & “OP” reflects local supply capabilities	“S” reflects sales & marketing plans; “OP” reflects supply plans	“S” equals sales and marketing plans, with input from the supply chain group, and “OP” represents the integrated supply chain capabilities across plan, source, make and deliver	“S” expands to reflect go-to-market plans. “OP” reflects extended supply chain capabilities for profitable response	“S” reflects network strategies and solutions, aimed at creating new value. “OP” reflects orchestrated network strategies to fulfill demand
Technology	Extensive, but inconsistent, use of spreadsheets and in-house systems to support S&OP and disparate transactional systems	Transactional systems become the system of record for the S&OP process, with limited functional solutions to support supply and demand planning	Building unified planning platforms to support balancing supply and demand across the end-to-end supply chain and an emphasis on the accuracy and availability of supply chain master data	Reliance on the SCP platform to improve internal and external trade-offs, with functional capabilities translating volume plans into revenue and profit projections	Deployment of technology enables scenario modeling to support trade-offs and demand shaping across time horizons and across network
Organization	The S&OP process is led by supply chain and lacks sponsorship from business executives	The S&OP process is coordinated, owned and sponsored by supply chain	S&OP is still owned and sponsored by the supply chain group, with increasing involvement from other functions	The S&OP process is coordinated by the supply chain, but owned and sponsored by business unit/P&L owners	S&OP is coordinated by supply chain or finance, owned by P&L leaders and sponsored by C-level executives
Outcome	Preventing supply shortages and maximizing revenue	Creating a volume-based operational plan, using sales forecast and constrained supply capability	Balancing supply and demand volume across the end-to-end supply chain and establishing stronger cost-based financial and supply chain alignment	Creating a demand-driven, profitable supply response across the extended supply chain	Coordinated decision making across the enterprise and network to create value across the full planning horizon
		<p>Stages 1 &amp; 2 represent 75% of the current S&amp;OP scenario. Main technology used – Spreadsheets</p>		<p>Stages 4 &amp; 5 represent complex inter-departmental collaboration and financial impact analysis that require S&amp;OP workbenches. Movement towards IBP</p>	

Fig 2. The S&OP Maturity Model describes 5 stages of maturity in the S&OP process. Changes in the process focus, technology adopted, the organization and the outcomes achieved can be seen as S&OP progresses from stage 1 to 5. Adapted from Gartner’s S&OP maturity model.

**Stage 1 maturity is characterized by:**

- A less formal and more chaotic planning process
- Focus on developing an operational plan to meet expected demands
- Usage of common tools such as MS-Excel and in-house systems

**Stage 2 is characterized by:**

- A formal planning process that may not be fully integrated
- Demand and supply plans that are developed separately
- MS-Excel and ERP systems supported by dedicated tools for forecasting and inventory optimization

**Stage 3 is characterized by:**

- Integrated, cross-functional balancing of demand, supply and inventory
- Inclusion of end-customer insights into sales forecasts
- Focus on building unified planning platforms with emphasis on data accuracy and availability

**Stage 4 is characterized by:**

- A formalized and collaborative planning process
- Demand and supply plans developed jointly by demand and supply sides
- The use of tools that move to more comprehensive platforms for collaboration, scenario analysis, demand shaping and financial reconciliation

**Stage 5 is characterized by:**

- A balanced and event-driven process which is tightly integrated into strategic planning and execution
- Tools used to support risk-value trade-offs, demand shaping, price optimization and complex simulations

Assessing the maturity of the existing S&OP process (using the Gartner model) will help companies build an appropriate roadmap to grow

through the stages, make the right investments on tools and technologies, align and train resources and manage change.

While more than two-thirds of businesses are typically stuck at level 2 of S&OP maturity, real business value can be created when the S&OP process reaches higher levels of maturity (levels 3, 4 and 5).

**Step 2: Becoming cognizant of the hurdles in the effective implementation of an integrated S&OP process**

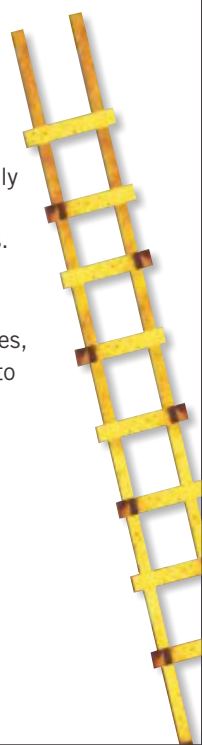
In addition to assessing the maturity levels of the S&OP process, it is important to be cognizant of the hurdles and challenges existent in the S&OP process. Such awareness helps make amends and bring about effectiveness in the process. Lack of effective S&OP tools, data accuracy and integrity issues, lack of standardization and shrinking S&OP cycles are among the most critical challenges in the S&OP process. Here's taking a closer look:

**Lack of effective S&OP tools**

Multiple studies, including a recent S&OP survey conducted by *J.E. Boyer*, have revealed the lack of effective S&OP tools as the most important barrier in implementing Sales & Operations Planning. Larger companies (with revenues above USD 3 billion) identified this as a less common barrier while the sentiment of lack of effective S&OP tools is more prevalent in mid-sized companies (with revenues between USD 1 billion and 3 billion). Most companies use spreadsheets, elements of existing ERP systems or in-house solutions for S&OP. While commonly used, spreadsheets fail to adequately support activities like what-if analysis, data aggregation and analysis across multiple plans.

**Data accuracy and integrity issues**

Viewed as another challenge by most companies, data accuracy and integrity issues translate into inaccuracies and inefficiencies in S&OP. For instance, about 33 percent of companies interviewed in the same *J.E. Boyer* survey





identified loopholes in data accuracy and integrity as a key deterrent in the S&OP cycle.

### Lack of standardization

Lack of a standardized S&OP process throughout the company leads to decreased co-ordination between different stakeholders. Major barriers to standardization could be lack of executive commitment to S&OP or systemic barriers that arise due to conflicting interests. S&OP implementation in silos remains a point solution with minimal impact on overall business.

### Shrinking S&OP cycles

More industry survey findings indicate that S&OP cycles are shrinking. Majority of companies have moved away from quarterly to monthly cycles in response to the changing environment. With S&OP cycles shrinking, companies are challenged by the need to dedicate resources to maintain rigor in the S&OP process. A major outcome expected from a good S&OP process is the improvement in responding to unplanned events in a timely manner. Having such a capability will require companies to go beyond monthly or weekly planning to a continuous or 'on demand' S&OP operation.

## Step 3: Revising standard beliefs & practices

The standard Sales and Operations Planning process is a 5-step method, executed on a monthly basis. However, new business demands are forcing companies to re-look at standard practices and revise them.

### Moving from leaner, efficient supply chains to agile and effective supply chains

The standard belief that most companies have had and implemented is to 'improve the cost structure of the supply chain to make it leaner and more efficient'. But that belief is today being challenged by factors in the business environment. A lean and efficient supply chain in the current business scenario does not necessarily assure that it is effective as well. A lean supply

chain may be good for cost savings, but it is usually brittle in the face of volatility.

The need of the hour is to make the supply chain more agile so that it can adapt to changes in the business environment and respond to demand and supply volatility. Agility does not just mean the speed at which orders are shipped. It also means how reliably and cost-effectively the orders can be shipped in the face of volatility. The S&OP process plays an important role in driving agility in the supply chain. Practices such as scenario analysis and simulations allow planners to evaluate various demand and supply scenarios and their impact on the overall supply chain.

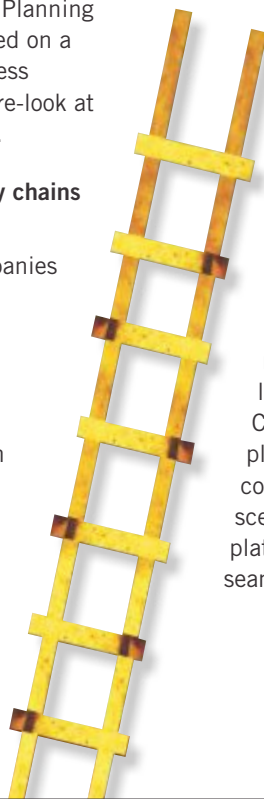
### Moving from the inside-out method to the outside-in approach for data gathering and analysis

Traditionally, companies have followed the standard inside-out approach for data gathering and analysis, which relied on a few customer facing parameters (fulfillment cycle times, delivery costs, time to launch new products, and so on). In order to become more market-driven, companies need to realize the importance of the outside-in approach where companies sense actual consumer demand, try to shape it and use it to drive business operations. This approach calls for harnessing vast amounts of data which are gathered through multiple sources such as Point-Of-Sale systems, transactional systems, supplier systems, and so forth.

## Step 4: Implementing new S&OP models and technology-service platforms

### Leveraging a dedicated S&OP platform

Dedicated S&OP platforms play a crucial role in taking the S&OP process from the lower levels to higher levels of maturity. Companies should opt for a dedicated S&OP platform which can provide comprehensive collaboration features along with planning and scenario analysis tools. Specialized S&OP platforms sit on top of existing ERPs and seamlessly interact with the system without



being intrusive or adversely affecting the ERP. Dedicated S&OP platforms provide comprehensive coverage of three key S&OP functional requirements:

- Demand Visibility – Ability to gain visibility over demand across various channels and geographies
- Scenario Analysis – Ability to thoroughly create various possible scenarios and evaluate their impact
- Intuitive Reporting – Enhance communication and co-ordination throughout the organization as well as help drive improved decision making

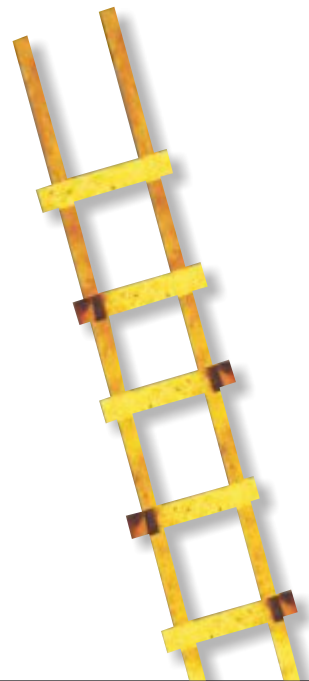
#### **Employing a federal shared services model**

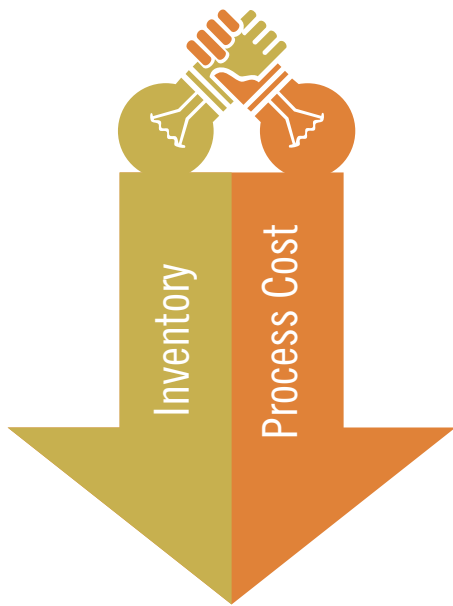
The role of a dedicated service provider for supporting the S&OP process and helping the company's journey through the various stages of S&OP maturity cannot be ignored. Mature service providers can setup a Sales and Operational Planning Center of Excellence (CoE) which can act as a veritable arm of the client enterprise. The CoE can perform a number of value adding activities such as:

- Ensuring the availability of clean and accurate data just in time for the S&OP process. With shrinking S&OP cycles, the timely availability of data is of prime importance. Service providers can dedicate resources which can perform data aggregation and cleansing on a regular basis so that it is available for subsequent planning activities

- Providing structured and ad-hoc analytics reports for better decision making
- Performing scenario analysis and reporting the findings
- Performing visibility related tasks such as KPI and metrics reporting, creation and maintenance of dashboards and so on
- Helping companies derive maximum benefits from S&OP platform investments by executing the process efficiently on the platform as well looking after platform maintenance
- Providing managed services by assuming end-to-end responsibility of the entire S&OP process across people, processes and technology

Traditionally, S&OP has been regarded as a core activity by most companies. Consequently there is considerable reluctance on outsourcing S&OP. While the strategic importance of S&OP makes it too valuable to be completely outsourced, companies should look at alternative models which help them retain control over the process and at the same time remove the challenges being encountered. In this context having a federal structure makes sense where key functions are retained by the organization while repetitive, tedious and standardized tasks are performed by the service provider.





A live example of how a global medical device manufacturer reduced inventory by 30 percent and **process costs by USD 3 million** by partnering with WNS

#### Challenges faced by the client:

A global medical equipment manufacturing major, with multiple production facilities and distribution centers was trying to address multiple problems including:

- A non-standard S&OP workflow that led to limited collaboration between the demand and supply channels
- Lack of visibility into various planning processes
- Difficulty in maintaining service levels despite having high inventory levels
- Data quality and availability issues

#### The WNS solution:

WNS's solution involved:

- End-to-end diagnostics of the demand and supply sides
- Gap analysis against best-in-class processes followed by the creation of a transformation road map

- Setting up of a Sales & Operations Planning (S&OP) Center of Excellence (CoE) that worked closely with the client's supply chain management team. The CoE undertook some crucial step changes including:
  - ✓ Re-designing and centralizing the data warehouse; and developing near real-time KPI dashboards
  - ✓ Developing a proprietary Inventory Optimization Engine & Governance process to support inventory segmentation & planning and scenario analysis
  - ✓ Deploying a demand collaboration process for improved forecasting

#### Benefits delivered:

- Inventory reduction of 30 percent
- Cost reduction of USD 3 million in inventory ordering, handling and transportation cost savings
- Improved visibility across various processes resulting in better control

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To know about WNS's Supply Chain solutions, please [click here](#)