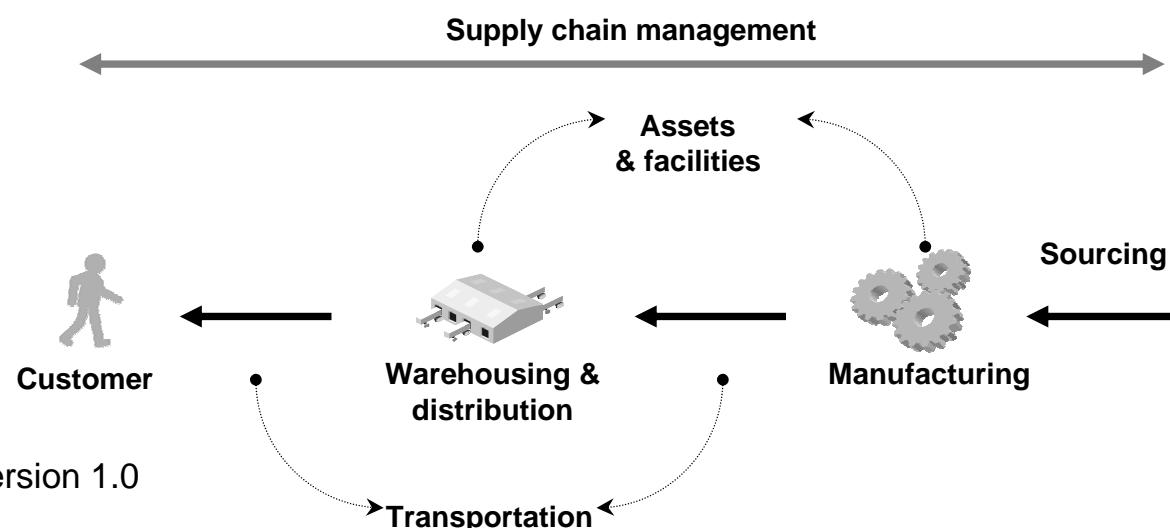


Sales & Operations Planning (S&OP)

The critical success factors

November 12, 2009
Utrecht
version 1.0



Agenda



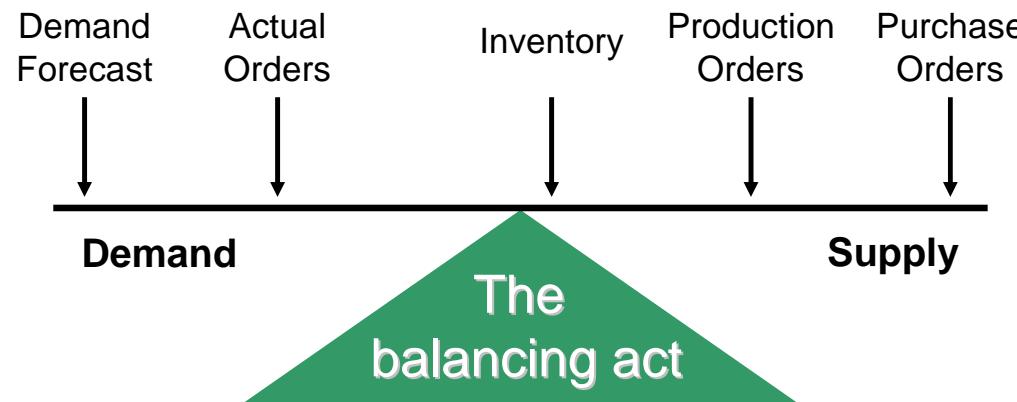
- What is Sales & Operations Planning (S&OP)
 - Definition, purpose & planning hierarchy
 - Organizational position
- Why Sales & Operations Planning (S&OP)
 - Best in class industry benchmarks
 - Added value to the industry
- Business case in fresh produce
 - 4 implementation pillars
 - Examples
- Key success factors

What is S&OP

Definition

- **Definition of S&OP**

- A sales and operations platform that uses sales prognoses, where the sales volumes are grouped and reviewed per product line per division.
- S&OP takes the sales prognoses and aligns it with production capabilities and financial goals to create a single achievable master plan as to steer optimal performance.



What is S&OP

Purpose

- **Purpose of S&OP:**
 - On a monthly basis align relevant Sales & Marketing and SC developments (forecast, assortment, market actions) with key decision moments (cost, pricing, introductions, capacity..), to respond to demand and supply variations and risks.
 - The level of subject review is covering relevant deviations and developments in the business, short term as well as long term, resulting in financial or operational adaptations to the plan.
 - The work is prepared and/or executed outside the S&OP platform to provide the right information for appropriate decision making.

What is S&OP

Planning hierarchy

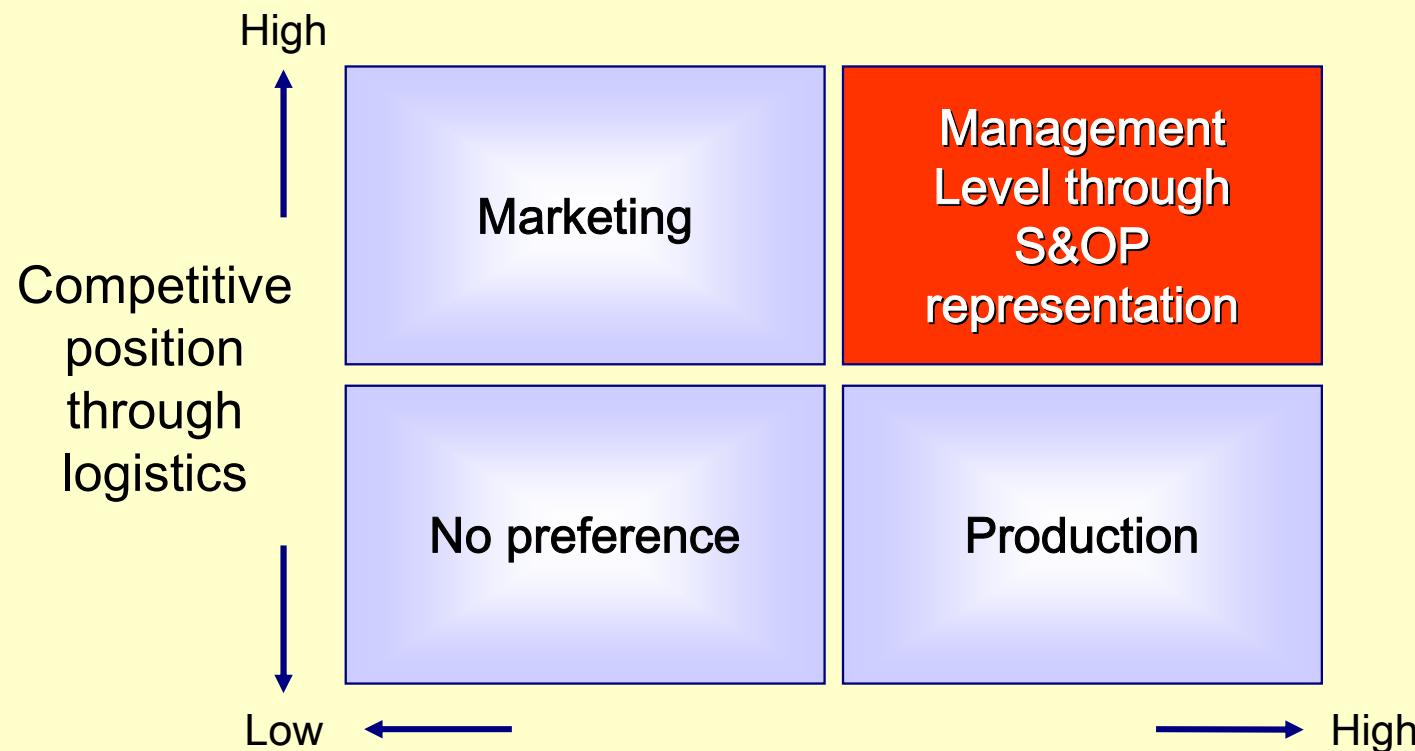


What is S&OP

Activity steps - example



The facilitator of the S&OP processes



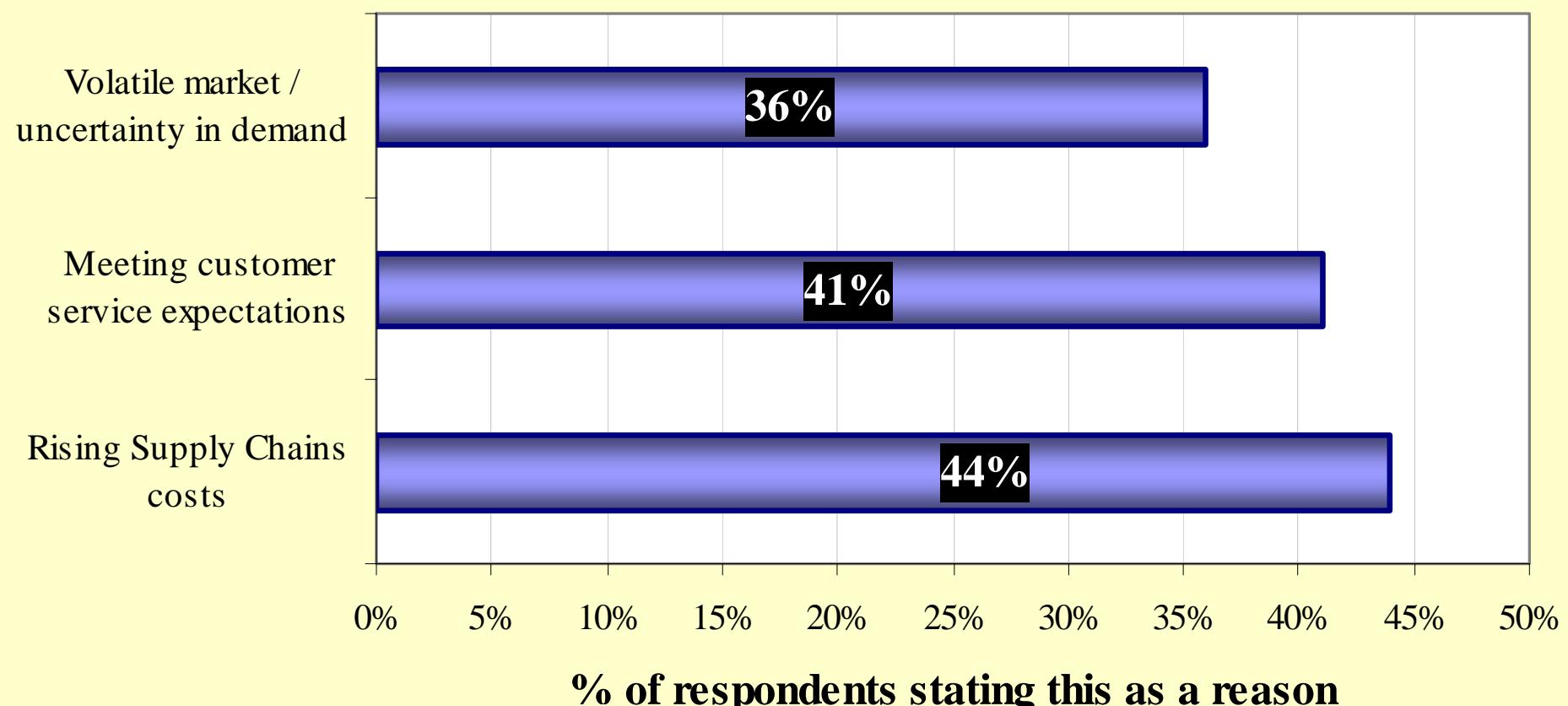
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 - Organizational position

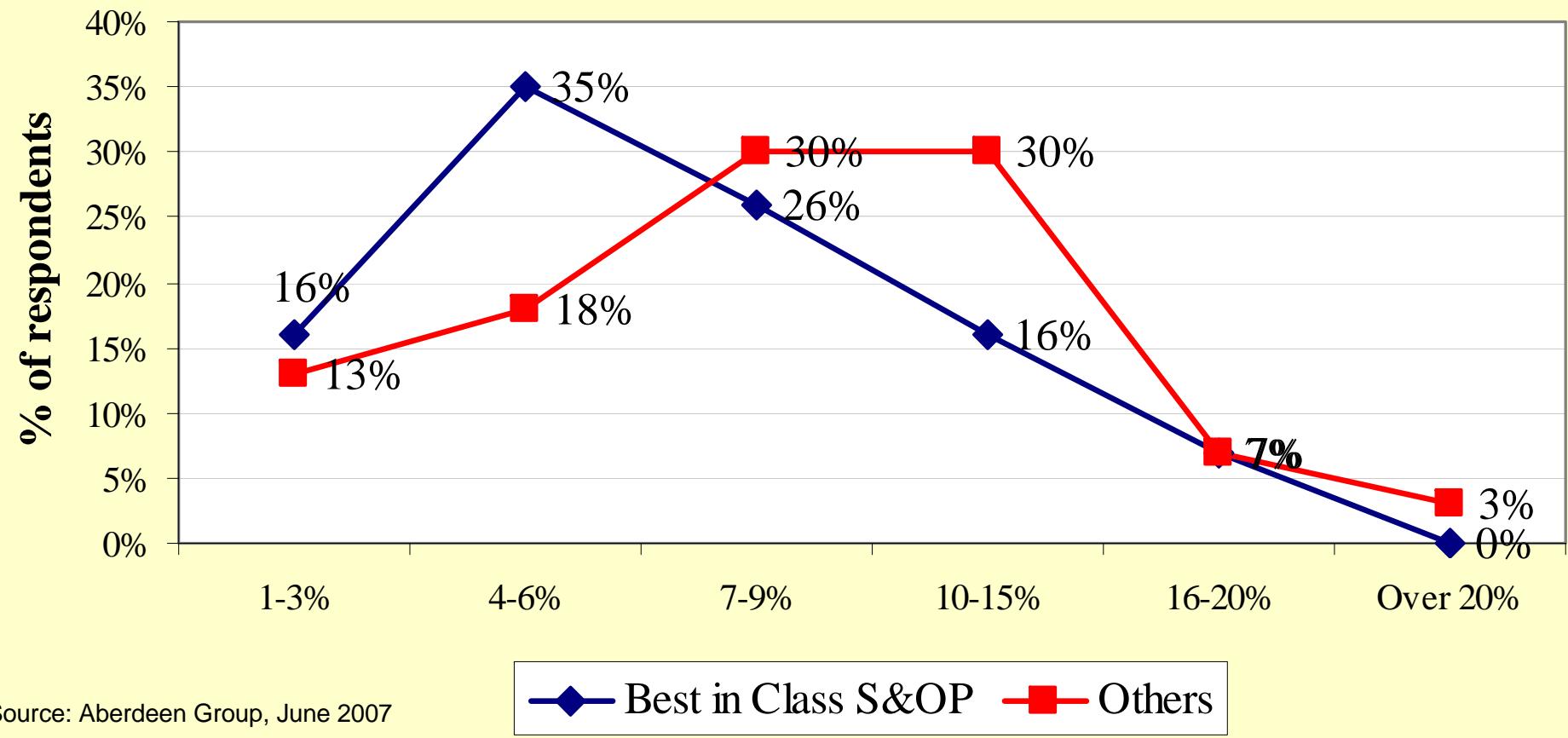


- Why Sales & Operations Planning (S&OP)
 - Best in class industry benchmarks
 - Added value to the industry
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 - Examples
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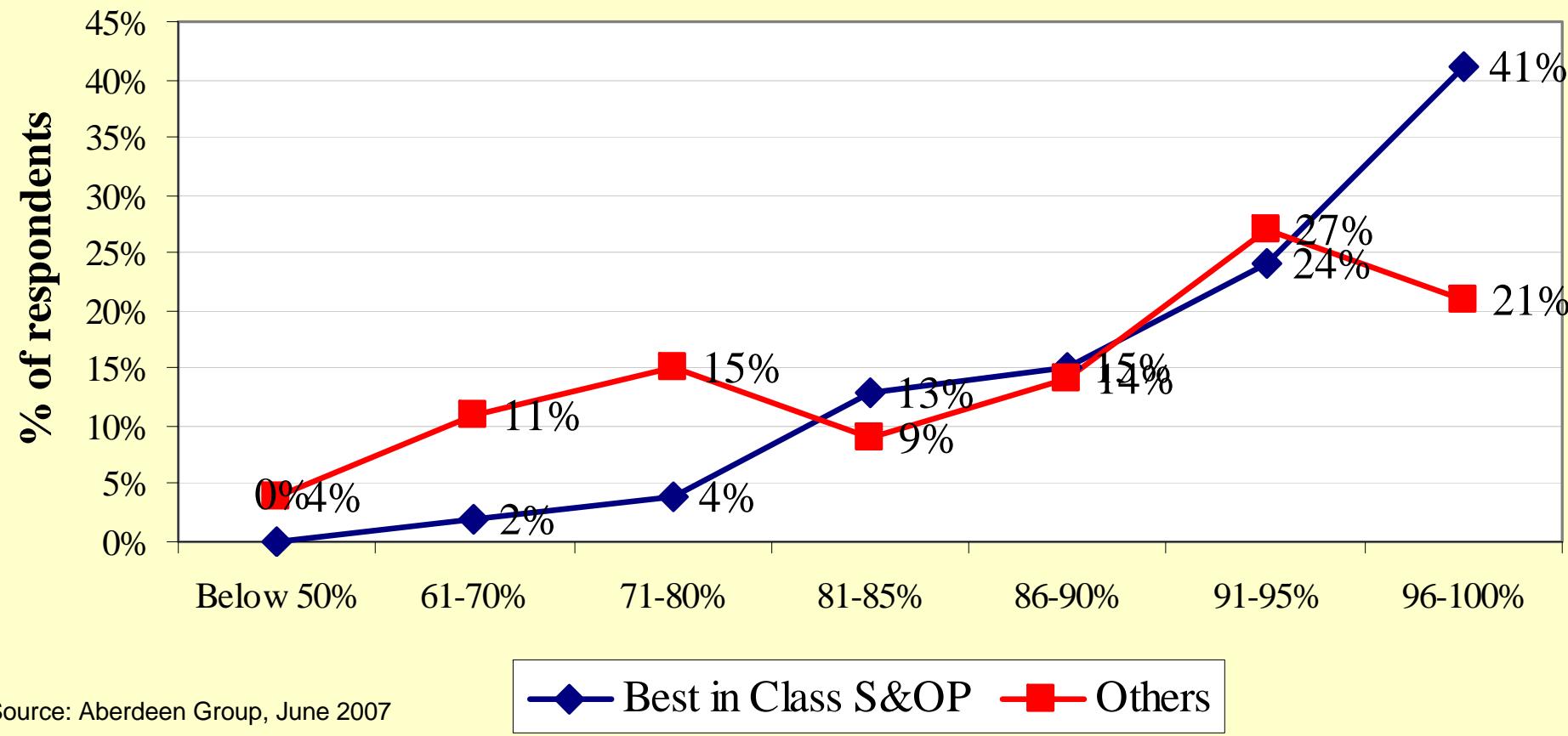
Why companies look into S&OP



Logistics costs as % of sales



Customer order fill rate



Why S&OP

Added value in the industry

INDUSTRY CHARACTERISTICS	S&OP BENEFITS
i. Typically large, global supply chains	i. Gains supply chains / inventory visibility
ii. Product availability / customer service are mandatory	ii. Determines optimal inventory levels fulfilling demand forecast & -variability
iii. Capacity constraints in production	iii. Determines optimal inventory levels given capacity constraints per period
iv. Inherent uncertainties in demand & supply chains disruptions	iv. Fast, effective process to assess the operations & financial impact and the best possible response
v. Disrupted S&OP processes	v. Single, organization wide demand & supply planning
vi. Cost pressures / protect margins	vi. High costs savings leveraging effect in e.g. working capital

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What is S&OP

The four pillars

S&OP is based on four pillars:

- i. Establish the S&OP function in the organizational structure
 - Neutral position between sales and production
 - Sponsorship / representation on a senior management level
- ii. Design and implement S&OP processes
 - Do, Accountable, Consult, Inform matrix
 - Business processes / flow schemes
 - Communication structures / meeting
- iii. Embed S&OP processes
 - Functional descriptions
 - Key Performance Indicators (KPI's) & bonus schemes
- iv. Technical facilitation / Supply Chains transparency
 - IT systems

- Fresh produce business (fruits and vegetables)
- Its position in the supply – demand network
 - Production with external growers (2 – 3 months)
 - Storage at external coolers (shelf-life of ± 10 days maximum)
 - Customers are FMCG retailers (planning a maximum of 6 weeks out in programs) and wholesalers
- Supply chain dilemma
 - traditional, “non-predictable” environment of fresh produce on supply side
 - JIT, Supply Chain driven environment on demand side
- Other factors
 - Variable Average Selling Price depending on market availability
 - No alternative products available, where competitors have this contingency option



What is S&OP

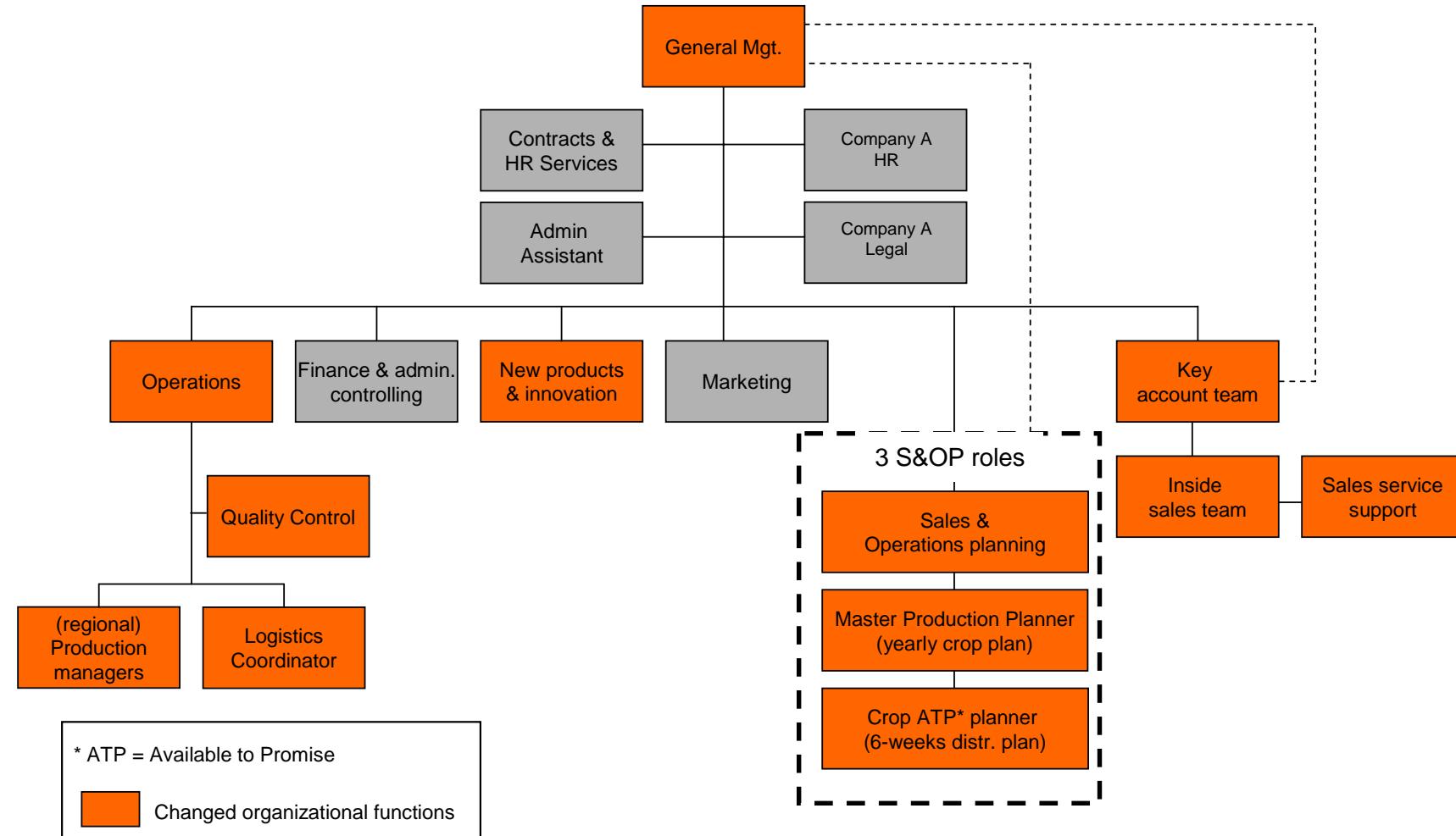
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Business case

Organizational



Business case

Design & implement S&OP processes



What is S&OP

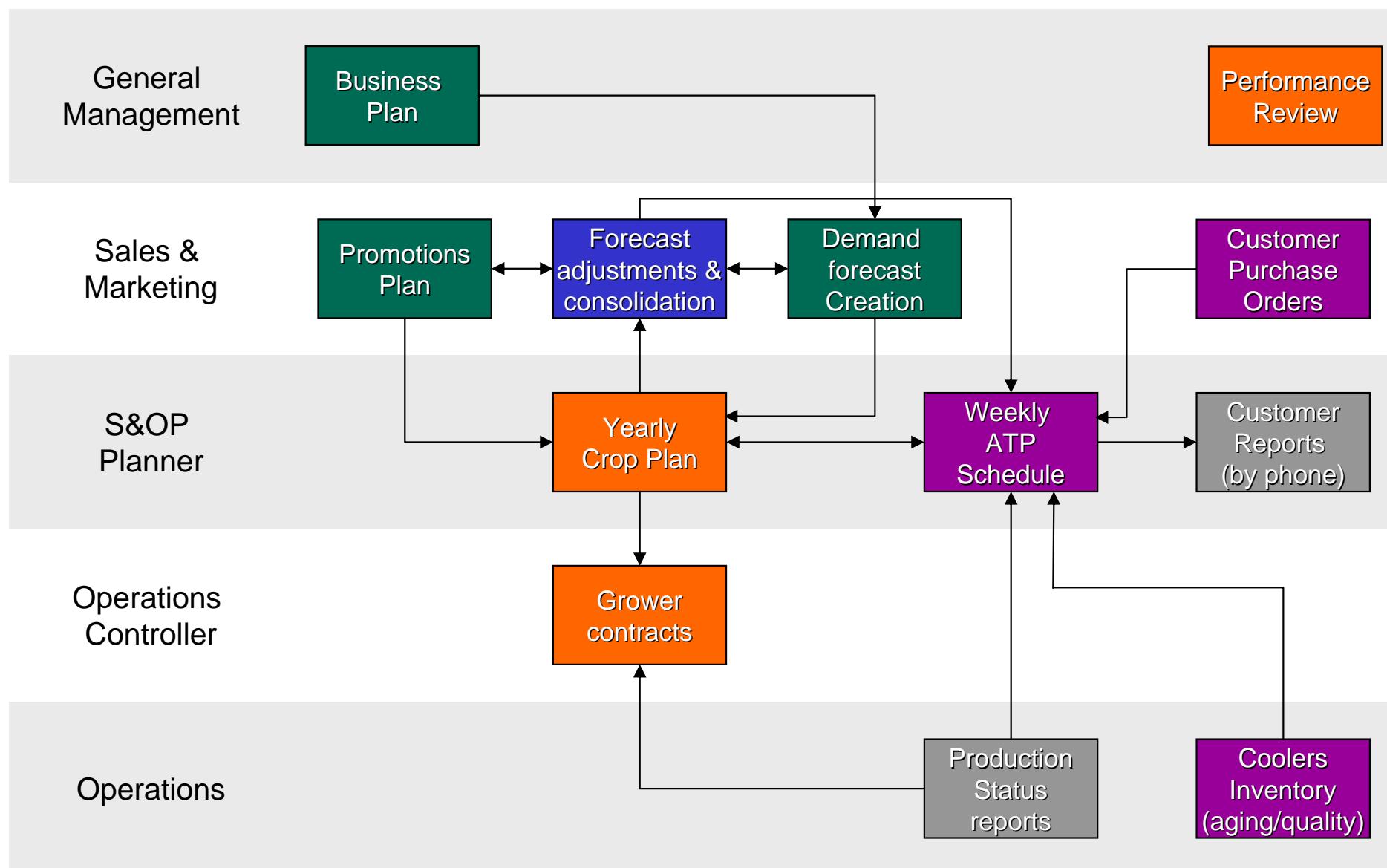
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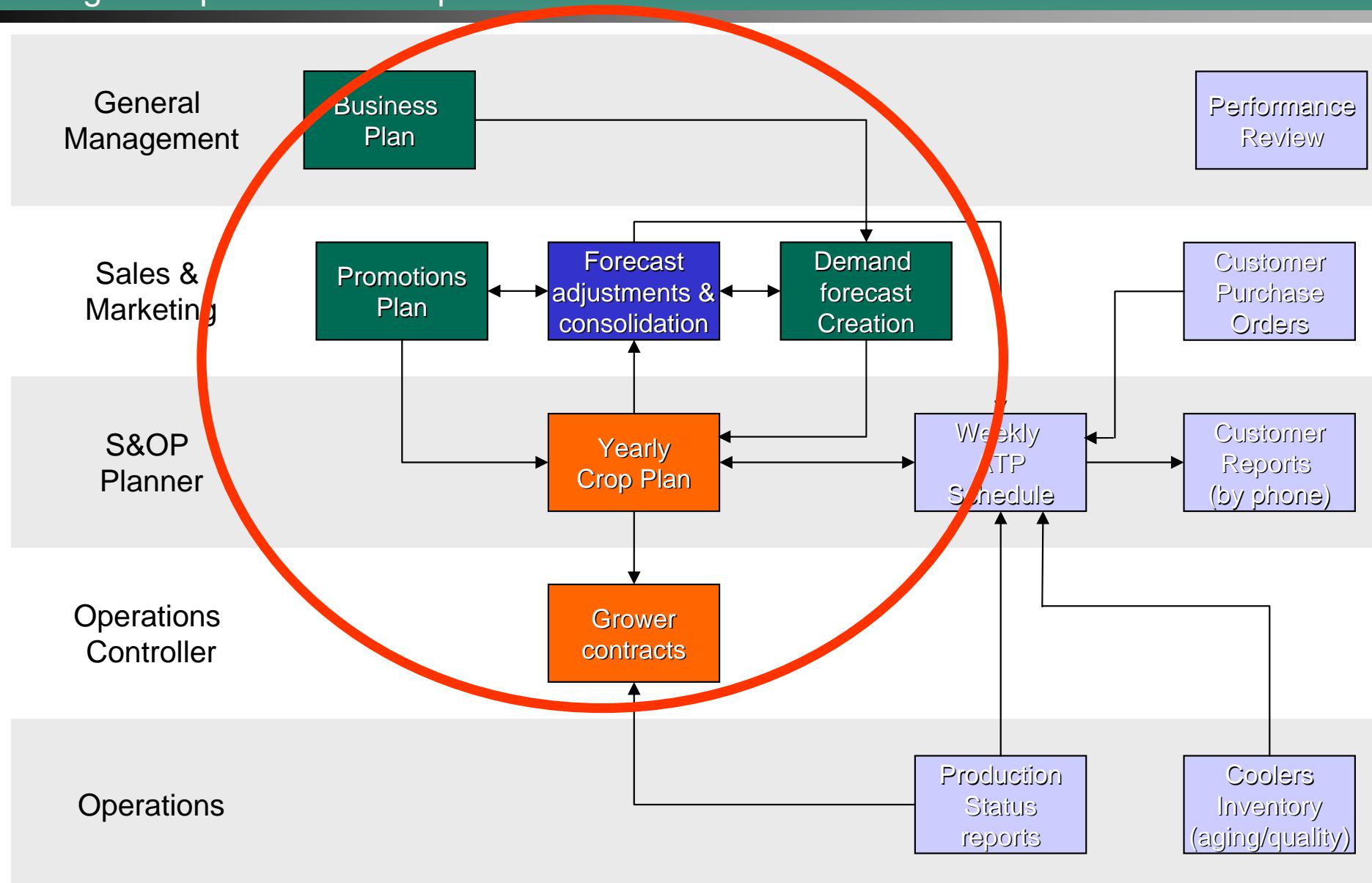
Design & implement S&OP processes



yearly
monthly
daily
quarterly
weekly

Business case

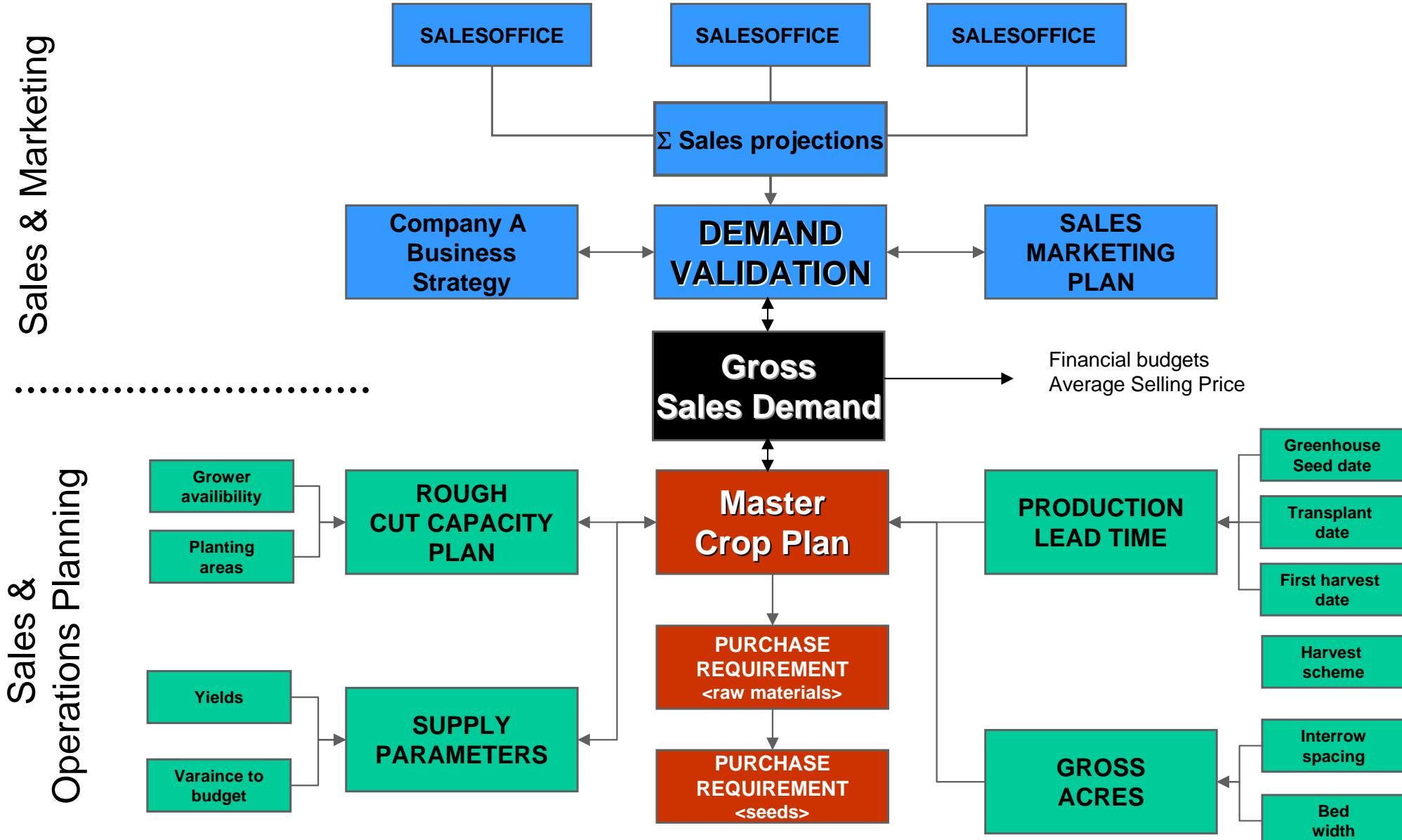
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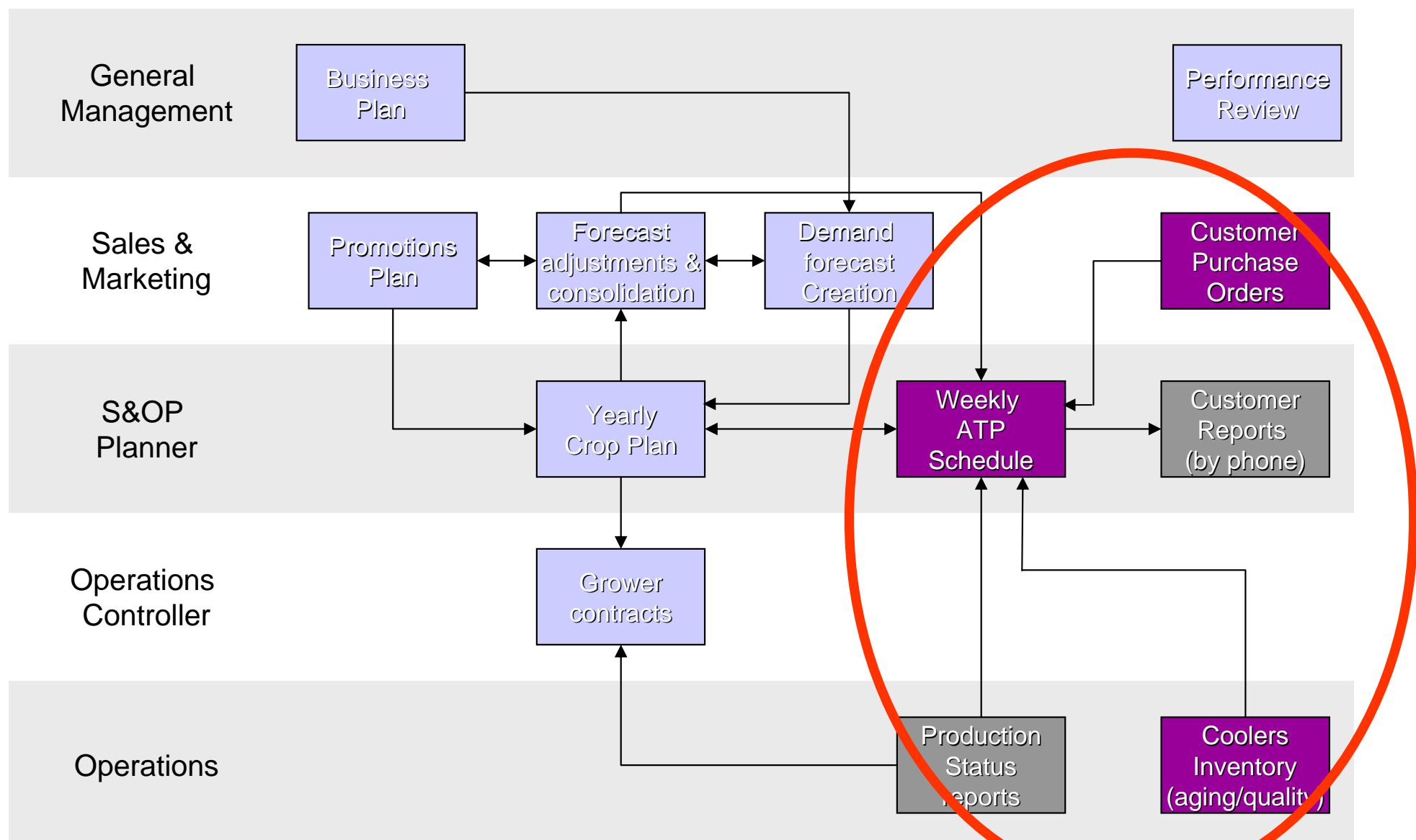
Business case

Design & implement S&OP processes



Business case

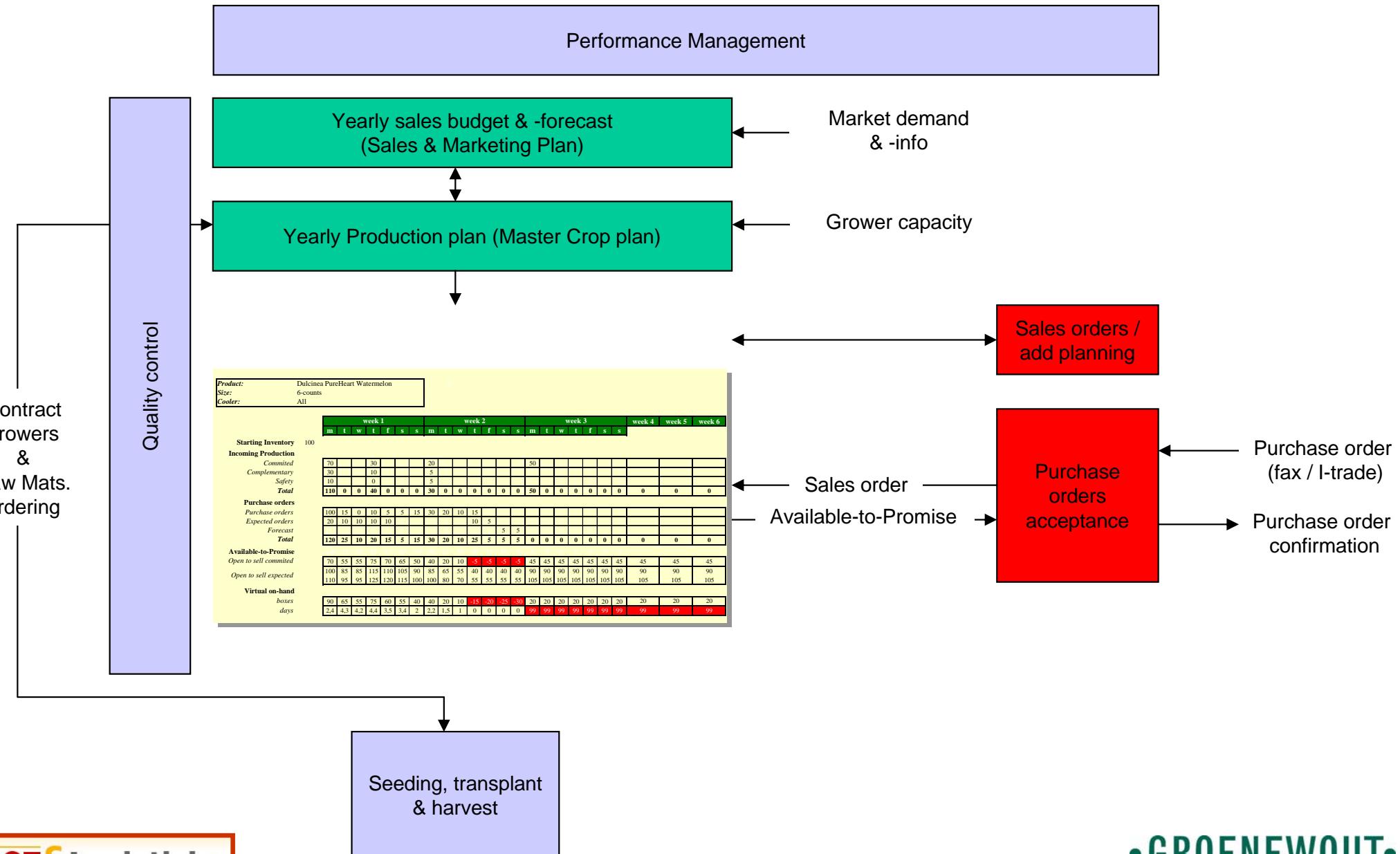
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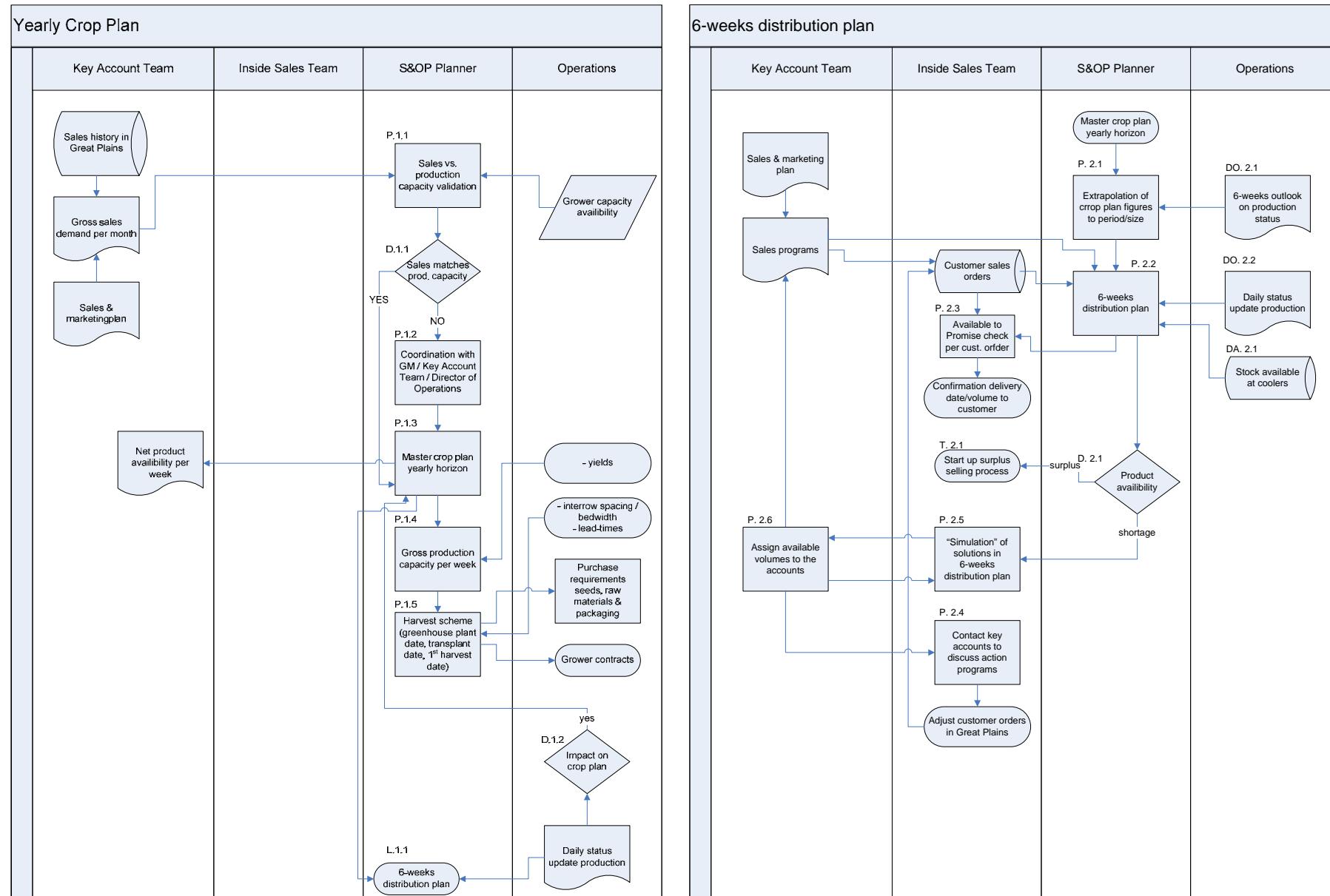
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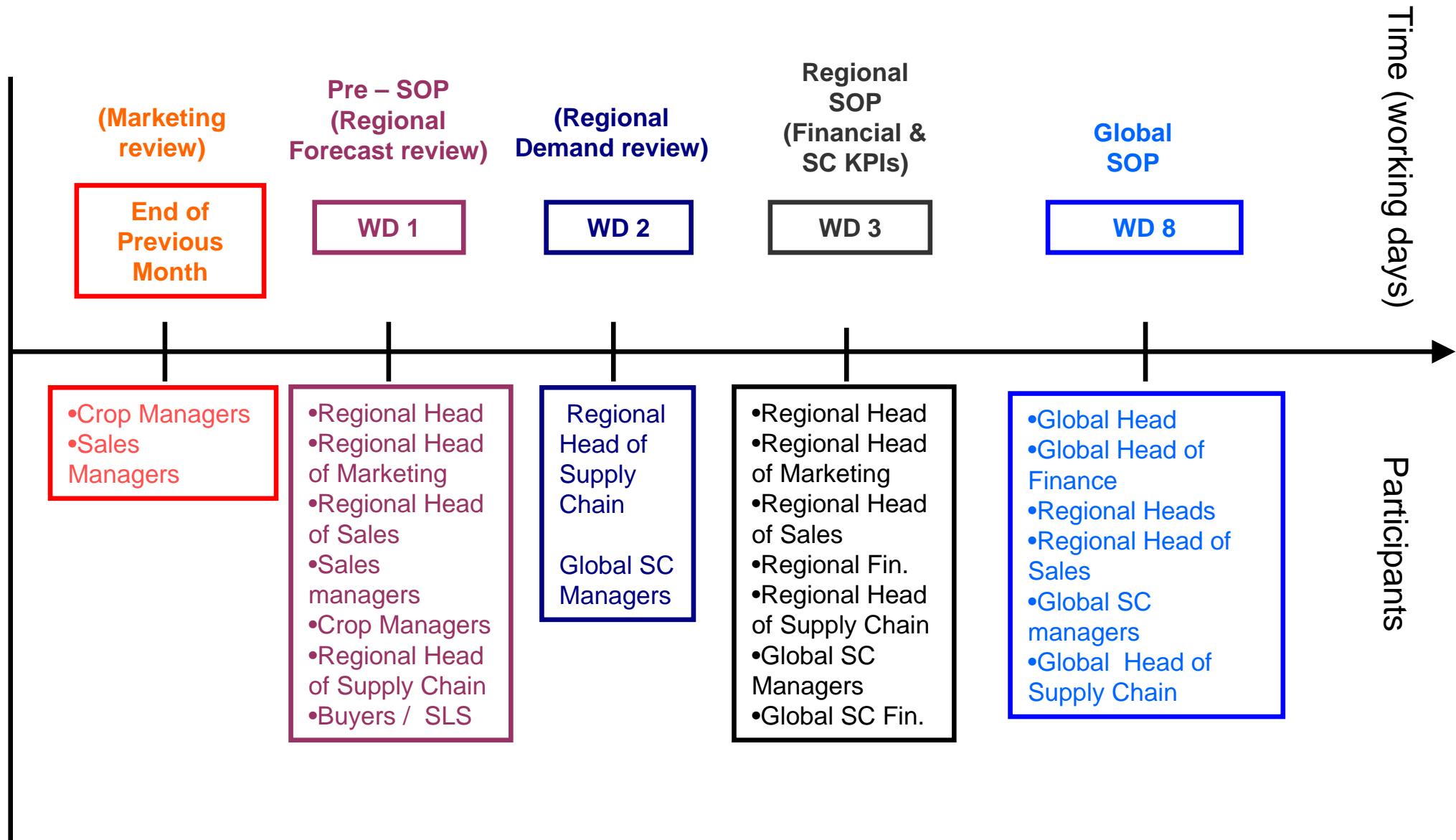
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Business case

Embed S&OP processes

Department:	Function:	Function no.:	
Sales & Operations Planning	Sales & Operations Planner		
Reports to:	Date functional description:	Approval description:	Seen by employee:
General Manager	January 16, 2007		
Supervises:	Objective of the function: <ul style="list-style-type: none">- Match the demand and supply by executing the sales & operations planning process for the three product groups, through the yearly crop plan and the 6-weeks distribution plan- Manage the transition process and implementation of supply chain excellence particularly in the S&OP process of balancing supply & demand	Authorities: <ul style="list-style-type: none">- Chair the monthly/quarterly/weekly S&OP meetings between operations & sales- Yearly crop plan is leading for grower contracts (responsibility of director of operations)- Facilitate directors of sales in assigning surplus/shortages (within 6 weeks horizon) to key accounts	
Responsibilities	Activities	Evaluation criteria	
- Yearly Crop Planning	<ul style="list-style-type: none">- Lead the crop planning process and develop a yearly crop plan representing the agreed sales, supply and production plans, which meet the short- and medium term policies of the business- Provide management with "what if" scenario's to the proposed crop plan and simulate the effect of various alternatives..- Ensure an accurate supply planning process and finalize the yearly crop plan.- Monthly update of the yearly crop plan, with a minimum rolling planning horizon of 1 year. Update for the article planning process on production aspects will be done by operations, SOP planner will evaluate and escalate to director of operations if necessary	<ul style="list-style-type: none">- Timely, up-to-date and quality of the yearly crop plan	
- 6-weeks distribution plan	<ul style="list-style-type: none">- Ensure the effective execution of the yearly crop plan through a six weeks distribution plan (3 weeks in daily buckets, 3 weeks in weekly buckets)- Continuous update of the 6 weeks distribution plan. All input (both sales as operations aspects) is done by SOP planner- Provide transparency and manage the expectations on the shortages/surplus in the coming 6 weeks with sales and operations	<ul style="list-style-type: none">- Timely, up-to-date and quality of the 6-weeks distribution plan	

Business case

Embed S&OP processes

Responsibilities	Activities	Evaluation criteria
<ul style="list-style-type: none">– Introduce and improve the supply chain effectiveness	<ul style="list-style-type: none">– Optimize the demand and supply chain process by analyzing existing processes, proposing improvements including process redesign, and implement these improvements.– Translate the demand and supply chain processes in functional requirements for the IT-system (Great Plains) and a new to be developed planning tool ("6-weeks distribution plan")– Identify and agree supply chain improvement projects with sales, operations and general management.– Coach and educates employees on new demand and supply chain processes.	<ul style="list-style-type: none">– The embedding of the S&OP processes in the Company A organization– Improved supply chain performance to key accounts (3- & 6-weeks delivery reliability)
<ul style="list-style-type: none">– Management information	<ul style="list-style-type: none">– Monthly/weekly reports on forecast (both sales and harvest) versus actuals:<ul style="list-style-type: none">▪ Actuals versus forecast director of sales▪ Actuals versus committed orders of (key) accounts– Generate, analyse and provide management information on all planning and logistics issues	<ul style="list-style-type: none">– Quality and timely management information
Critical Success Factors		
<ul style="list-style-type: none">– Obtains and maintains a respected and neutral position between operations department and sales department– Active chasing of the required information with sales and operations to ensure an up-to-date 6-weeks distribution plan and yearly crop plan– Initiates and challenges the provided information from sales department and operations department in the Sales & Operations Planning (S&OP) process– Pro-active attitude to manage the Company A organization in case of expected shortages / surplus– Analytical skills, combined with accuracy to keep the yearly crop plan and the 6-weeks distribution plan continuously up-to-date– Is full-time present at the Company A offices XXXXX		

1. Implement imperative Supply Chain Key Performance Indicators (KPI's) in place. Measuring how well the supply chain performs is as essential as understanding how it operates:
 - Measurements must link to business objectives
 - Measurements must be repeatable
 - Measurements must provide insights into how to manage the supply chain more effectively
 - Measurements must be appropriate (on the same level) for the process activity they are measuring
2. Implement imperative improvement cycles in place regarding the forecasting accuracy on both production forecasting as sales forecasting.
3. Planning accuracy is put into effect through specific bonus schemes in both production planning as sales forecasting.

Business case

Embed S&OP processes

Performance Attribute	Performance Attribute Definition	Key Performance Indicator Metric										
Supply Chain Delivery Reliability	The performance of the supply chain in delivering: the correct product, to the correct place, at the correct time, in the correct condition and packaging, in the correct quantity, with the correct documentation, to the correct customer.	Delivery Performance										
		Perfect Order Fulfillment										
Supply Chain Flexibility	The agility of a supply chain in responding to marketplace changes to gain or maintain competitive advantage.	Supply Chain Response Time										
		Production Flexibility										
Supply Chain Planning Accuracy	The precision with which the production volumes can be estimated within a 1-week, 3-weeks, 6-weeks and 1-years timeframe. This does not only apply to production estimations, but also to demand estimations by sales & marketing	<table border="1"><thead><tr><th data-bbox="1444 890 1731 949">PRODUCTION</th><th data-bbox="1731 890 2120 949">DEMAND / SALES</th></tr></thead><tbody><tr><td data-bbox="1444 958 1731 1033">1-week forecast accuracy</td><td data-bbox="1731 958 2120 1033">1-week forecast accuracy</td></tr><tr><td data-bbox="1444 1042 1731 1117">3-week forecast accuracy</td><td data-bbox="1731 1042 2120 1117">3-week forecast accuracy</td></tr><tr><td data-bbox="1444 1126 1731 1201">6-week forecast accuracy</td><td data-bbox="1731 1126 2120 1201">6-week forecast accuracy</td></tr><tr><td data-bbox="1444 1210 1731 1269">1-year forecast accuracy</td><td data-bbox="1731 1210 2120 1269">1-year forecast accuracy</td></tr></tbody></table>	PRODUCTION	DEMAND / SALES	1-week forecast accuracy	1-week forecast accuracy	3-week forecast accuracy	3-week forecast accuracy	6-week forecast accuracy	6-week forecast accuracy	1-year forecast accuracy	1-year forecast accuracy
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What is S&OP

Key learnings

- S&OP is a cross business responsibility, supply chains is just the process facilitator. So make sure to assign clear ownership.
- S&OP is about timely alignment of supply/demand deviations and not about forecast accuracy
- An effective S&OP provides full, time fenced supply/demand transparency and communicates this pro-actively both internal and external
- Through S&OP the senior management defines the operational blueprint, by setting overall business rules thus ..
 - .. removing operational constraints,
 - .. preventing sub-optimization by being fact-based and objective,
 - .. demonstrating leadership by taking balanced, impartial decisions

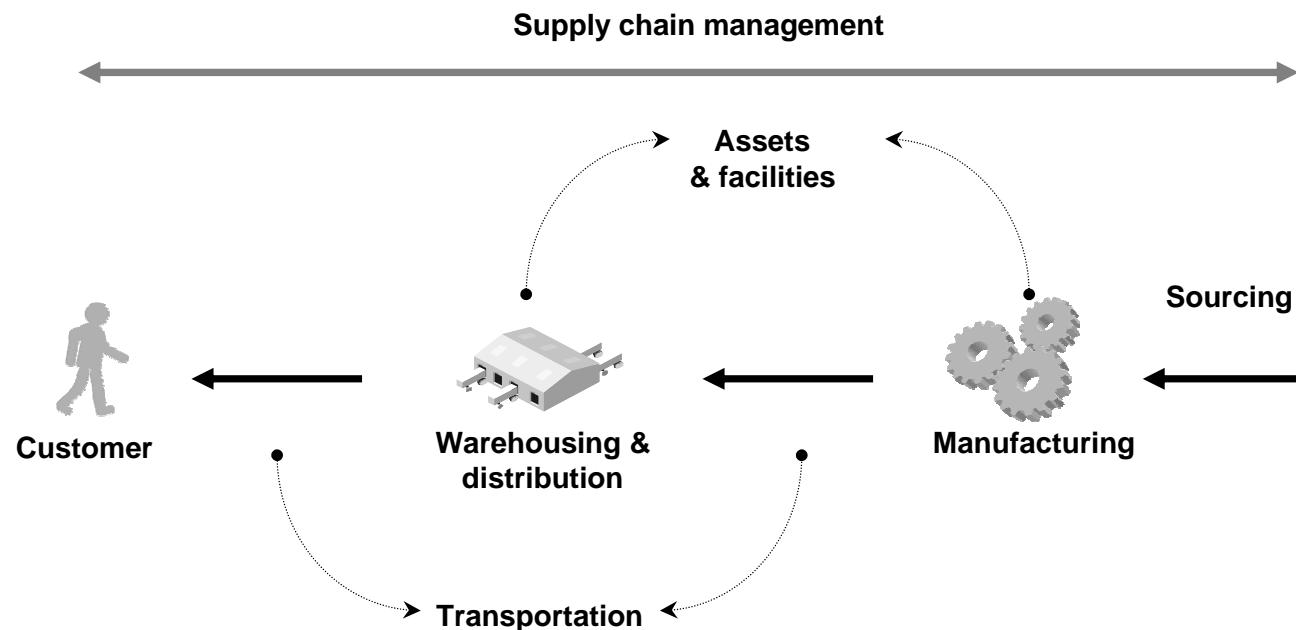


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Supply Chains & Logistics Consulting	Stratgical	Tactical	Operational
	Materials Mgt.	Physical Distribution	Supply Chain Mgt.
	<ul style="list-style-type: none">• Feasibility studies• Warehouse tendering for building, logistics equipment & IT	<ul style="list-style-type: none">• Distribution Network Studies• Global sourcing• Non Product Related Purchasing (NPR)	<ul style="list-style-type: none">• Organizational - & functional design• Business process (re-)design• Key Performance Indicators (KPI's)
	<ul style="list-style-type: none">• Warehouse (lay-out) design• Plant (lay-out) design• Lean warehousing• Insourcing / out-sourcing warehousing	<ul style="list-style-type: none">• Transport tendering• Service Level Agreements (SLA)• Insourcing / out-sourcing transport• Benchmarks	<ul style="list-style-type: none">• Sales & Operations Planning (S&OP)• Production planning• Collaborative Planning, Forecasting & Replenishment
	<ul style="list-style-type: none">• Loss Prevention & Security (LP&S)• Facilities electrical, HVAC & temperature engineering	<ul style="list-style-type: none">• Location studies & site selections	<ul style="list-style-type: none">• IS selection & implementation (WMS/TMS/APS)• Inventory Mgt.

