Orchestrating the S&OP Cycle
With
SAP Sales and Operations Planning

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Agenda

1. Aims of S&OP & Global S&OP
2. SAP’s Solution to Assist S&OP
3. Technical Considerations & Delivery of SAP S&OP
Aims of S&OP

Sales & Operations Planning (S&OP) is a set of decision-making processes to balance demand and supply, to integrate financial planning and operational planning, and to link high level strategic plans with day-to-day operations.

- **Determining feasibility of demand signal**
- **Projecting capacity shortages/excess**
- **Balancing demand & supply plus Financial impact**
- **Consistent repeatable process**
S&OP Pain Points

- Too many spreadsheets and systems involved in the S&OP process
- Cannot get users to provide input, especially sales, marketing and executives
- Spend more time assembling data than planning
- Outdated demand, supply and finance plans

- Working at aggregates only and can’t connect to detailed mix
- Cannot change demand and view impact on supply and financials right away
- Too hard to simulate and compare planning scenarios
- Planning decisions made without considering supply chain constraints and profitability

- Executive S&OP views lack latest information
- Executive S&OP meeting information is hard to share and is disconnected from planning tools
Global S&OP Presents Greater Challenges

- **Today’s realities**
  - Company’s have multiple S&OP processes
  - Supply Chain vision is diluted or poorly understood globally
  - Unit performance metrics and global trade offs can easily be misaligned
  - Results are still regional, so decision making processes are too
  - Global governance has no real teeth
# Gartner’s View On S&OP Maturity

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Stage 1: Reacting</th>
<th>Stage 2: Anticipating</th>
<th>Stage 3: Collaborating</th>
<th>Stage 4: Orchestrating</th>
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</thead>
<tbody>
<tr>
<td>Balance: S&amp;OP</td>
<td><img src="chart1" alt="Balance Chart" /></td>
<td><img src="chart2" alt="Balance Chart" /></td>
<td><img src="chart3" alt="Balance Chart" /></td>
<td><img src="chart4" alt="Balance Chart" /></td>
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<tr>
<td>Section 1: Goals</td>
<td>Development of an operational plan</td>
<td>Demand and supply matching</td>
<td>Profitability</td>
<td>Demand sensing, and conscious trade-offs for demand shaping to drive an optimized demand response</td>
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<tr>
<td>Section 2: Cross-Functional Alignment</td>
<td>Supply Chain driven process with a strong sales or operational bias leading to imbalance. Lack of clarity as to the goal of S&amp;OP.</td>
<td>Supply Chain driven process for purposes of achieving optimum forecast and supply response to demand</td>
<td>Supply Chain becomes the S&amp;OP orchestrator and business functions take ownership of input, output and results, looking at financial impact of decisions</td>
<td>Business ownership at multiple levels with strong participation from executives and finance. Collaboration extends beyond the enterprise to achieve end-to-end value.</td>
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<tr>
<td>Section 3: Process and Technology</td>
<td>Emerging process, inconsistent and marginally effective. Often more of a sales review meeting. Tools are mainly Excel and ERP.</td>
<td>Formal, structured process. One size fits all approach. Tools extend to include forecasting, SC planning and inventory optimization</td>
<td>Process tailored to business model and needs. Dialogue, and start of use of tools, around what-if analysis for demand shaping, financial reconciliation and cost to serve.</td>
<td>Process becomes balanced, dynamic and event-driven. Strong connection to strategic planning and execution. Tools also support risk-value trade-offs, price optimization and complex simulation.</td>
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</tbody>
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*Source: Gartner (October 2010)*
How SAP S&OP on HANA drives process maturity

1. Reacting
   - Out Of the box integration with APO and R/3
   - Familiar Excel Interface
   - Real Time Alerts on entire model

2. Anticipating
   - Real Time Demand and Supply-Constrained Model
   - Unlimited Simulation
   - Maintain details to synch with tactical planning

3. Collaborating
   - Social Collaboration and Process Workflow
   - Real Time Cost & Inventory Projections
   - Advanced scalable scenario comparison

4. Orchestrating
   - Real Time gross and net profit per supply constraints
   - Financial Planning Integration
   - Intercompany Collaboration

Level of S&OP Maturity
Agenda

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SAP Sales and Operations Planning 2.0
Powered by SAP HANA™

S&OP Model & Engine
- Dimensions
- Attributes
- Key Figures
- Calculations
- Scenarios
- Simulation
- Process Workflow
- Alerts

Cloud-based

SAP HANA™

User Interface
- Planning Views (Excel)
- Analytics (Web)
- Social Collaboration (Web/Mobile)
- Administration (Web)

Out-of-the-box Integration
- Web UI
- sftp | https

Data Services (on premise)

ERP
CRM
BPC
APO
BW
Any Other System
Excel

Sales/Marketing
Demand Planning
Finance
Supply Chain
Executives

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All in one place

- One-stop-shop for key S&OP Items
- Process Dashboard with workflow
- Social Collaboration Feed (right hand side)
- Alerts and action items
- Favorites to open planning view
- Analytics selected for homepage
Orchestration of the S&OP Cycle

- Define and manage multiple S&OP process models (e.g. per division)
- View and manage status of each process steps
- Automated social workflow notifications sent to participants as “completion action items”
- Track participation per process step as completion action items are completed
- Visualize processes and status
- Define process template and instances in admin UI
Familiar Detail Planning Environment

- To view and change plans. Simulate any changes any time. View Scenarios.
- Role-based Excel Templates with out-of-the-box definitions (role-based templates for sales, consensus demand, capacity, finance, etc.)
- Personalise: easily change all settings by end-user (aggregation level, key figures, filters, time, chart type, formatting, etc.)
- Favorites: convenient short-cut to entire view (link from Web and Excel UI)
- Configurable: adjust formatting, chart, layout
- Optimized user-experience
- Easy to add “EPM Excel” calculations
- Threshold-based Exception formatting
“Out-of-the-Box” Configuration: S&OP Calculations (simplified overview)

Unconstrained

- Imported Qty
  - Demand Planning
    - Marketing & Market Forecast
      - Sales Forecast
      - Finance Plan

Qty, Price, Rev, Profit

Consensus Demand Plan
  - Baseline + 2 scenarios
  - Sourcing Ratios

Actual & Target Inventory

Constrained

- Demand by Location
  - Unconstrained Capacity Plan
  - Constrained Capacity Plan
  - Unconstrained Material Plan
  - Constrained Material Plan

Qty, Days

Constrained Demand Plan

Qty, Rev, Profit

Projected Inventory

* Model is reconfigurable via Web UI
Agenda

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S&OP and Typical Data Feeds

SAP Sales and Operations Planning

**Demand**
- ERP
  - Product Master
  - Customer Master
  - Actuals, Price, Cost
  - Constrained Demand Plan Qty

**Supply**
- APO
  - Demand Plan Qty
  - Key Resources, Routing, BOM
  - Constrained Demand Plan Qty
- CRM
  - Opportunities
  - Targets
  - Sales Forecast
- BW
  - Attributes Plans
  - Constrained Plan Qty/Rev/Profit

**Balance**
- Financial Planning
  - Annual Operating Plan
  - Monthly Finance Plan
  - Constrained Plan Rev/Profit
- Other
  - Attributes Plans

**Executive Review**
- SAP HANA™
  - Cloud-based

**Sales Forecast**
- Market Size, Commodity pricing
- POS data, IMS data
- Trade Promotions, Customer Forecast
- Supplier Commit

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Benefits of a Cloud-Based Solution

- Ease and speed of implementation
- Lower capital expenditures
- Simplified access for S&OP users
- Dedicated hardware with scalable data volumes
- Automated fixes and upgrades
- Increased service level
- Can Include Data Services
Implementing Cloud-Based S&OP

Kick-Off
- Preconfigured System Granted
- Solution Design
- Data Integration Design
2-3 weeks

Set-Up
- Reconfigure System
- Set-Up Users
- Integrate and Load Data
3-5 weeks

Go-Live
- Test
- Train
- Production Use
3-4 weeks

2 to 3 Months
Co-Innovation Project: SAP Sales and Operations Planning Consensus Demand

Process to get alignment across all functional areas on a single demand plan taking into account the business goals from all departments.

Colgate Business Planning Process

Monthly Demand Prep Work
- Category Demand Planning Statistical Forecasting
- CPFR Forecasting Based on Sales / Customer Input

Input Forecasts into APO- DP → Consensus Meeting

Monthly Discipline
- GIM
- CEM
- CAM

Monthly Supply Prep Work
- Capacity Review Meetings

Quarterly/Semi-Annual/Annual Demand Planning Activities

Quarterly/Semi-Annual/Annual Supply Planning Activities

Week 1

Week 2

Week 3
Co-Innovation Project: SAP Sales and Operations Planning Consensus Demand

- **Background**
  - Manual Process (Data Dumps / Excel)
  - No Bottom/Up – Top/Bottom planning possible
  - No Flexibility for simulations
  - No collaboration (lots of emails / phone calls)
Co-Innovation Project:
SAP Sales and Operations Planning Consensus Demand

SAP Sales and Operations Planning 2.0
Powered by SAP HANA™

Real-Time Scenario Planning & Simulation
Complete Demand, Supply & Finance Model
Social Collaboration

Sales and Marketing Forecasting
Consensus Demand Planning
Executive Review & Real-Time Analytics
Material & Capacity-Constrained Planning
Inventory Target Setting & Projections
Revenue & Profit Impact

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SAP S&OP Consensus Demand Planning

Support Cross Functional Consensus Demand Planning as part of Colgate’s Commercial Business Planning (CBP) monthly discipline process.

Consensus Demand Planning:

Process to enable Demand Planners, Account-level planners and Financial Planners to manage and agree on a consensus demand plan for Colgate’s products. It involves bringing together in S&OP the commercial plans from CRM (TPM), the Demand Plan from APO, the Financial Plans from SAP BW and the actual shipments from ECC to then use real time aggregation/disaggregation and collaboration to improve bottom up / top down planning accuracy.
Top 3 things you gained/learned from the Co-Innovation project:

- Great tool for flexible top-bottom / bottom-up planning
- Easy to use (excel)
- Nice collaboration capabilities to allow end user interaction and communications within the tool.
- Potential to be used in other functional areas (Commercial / Financial Planning)
Orchestrating the S&OP Cycle
With
SAP Sales and Operations Planning

Thankyou