Integrate sales strategies and operational efficiencies – and win!
Introduction

One of the key challenges for CEOs and C-level executives is integrating sales strategies with operational performance efficiencies. Effective S&OP (Sales and Operations Planning) decision making is a highly structured analytical process, using best-practice scenario planning. This paper focuses on several related themes. S&OP can be strongly controlled. Effective decision making is achieved by re-appraising options regarding supply chains, optimizing inventory levels and logistics, opening new plants, and transferring operations. Leaders need to reduce risk and uncertainty and create a strategic planning culture throughout the whole business. This paper outlines methodology and tools to deliver a predictable future and profitability.

We hope you find this useful.

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Long Term Planning vs. Opportunism and Intuition

The struggle between the two key schools of thought in strategic planning, planned & analytical or intuitive & opportunistic, is dead. The intuitive & opportunistic school, based purely on experience and gut reactions, has been replaced by the more effective planned and analytical as best practice. The opportunism of the 90s and early 2000s has been overturned by analysis based on rigorous research. Within the analytical school of thought, another battle is between point solution tools (such as Excel) and ERP systems – which solve one particular problem without regard to related issues – and strategic, high level enterprise-wide planning.

Leaders must use the best S&OP methodology available, implement and integrate it fully and seamlessly into their manufacturing operations.

Manufacturers’ ability to react positively, boldly and with precision to shape their response to market conditions is both urgent and critical, and yet still, many do not commit to action.

Capturing Hidden Costs in Operations

Effective S&OP tools facilitate the assessment of key decision criteria and provide accurate MIS from demand forecasting to costs of operations and manufacturing. A South American manufacturer who sold products in Europe incurred very high shipping and storage costs. After applying an S&OP tool, the company was horrified to find additional hidden costs in their calculations. No account was taken of stocking costs as well as electricity, fuel, road transportation, or exchange rate fluctuations between Pesos and Euros. Being exposed to the real operational costs helped the company improve their planning and optimize their resources.

Turbulent Markets & Indecision

In today’s economies, many large household name manufacturers fail to manage uncertainty. At a time when more planning and integration in operations is critical, we find that managers have difficulty formulating strategic decisions such as closing or opening a new plant, transferring operations to another plant, or locating an alternative supplier. The changes and the speed in which the environment is changing demand a bold and structured response.

The failure to link sales to operations highlights the fact that in many organizations, S&OP is not a perceived priority. This puts the business at severe risk.
Today, the most successful manufacturing organizations are those that can accurately anticipate demand for their products, and develop strategies to deliver those products to customers in the most efficient and effective way, at the lowest possible cost.

Efficient decision making relies on the ability to quickly drill down from strategic sales to operations; to compare scenarios for product mix optimization, for new and customer-centric account management, inventory control, and sourcing materials; and to effectively review and redesign the supply chain for every manufacturing location.

Leading Business Change

Organizations that grow and prosper have one thing in common: they take decisive action and adapt to change faster than the competition. True business leaders have to challenge the way things are done, and inspire others to take considered risks. Research indicates that organizations with the capability to adapt, prepare, and build a strategic planning culture are more robust, healthier and better equipped to adapt to their customers’ changing demand and supply issues.

Precision in S&OP and Scenario Planning

Imagine the benefits to your business that would result from detecting where costs can be reduced and profits increased. This can be done by using a process that maps all costs and assesses revenue opportunities using structured scenario planning with many different options.

Different scenarios can be played out, assumptions challenged, causal relationships mapped and new options generated. Once committed to this robust process, results can be quickly evaluated in days rather than weeks or months.

S&OP is Your Business’s Core Competency

It matters little what industry you occupy – all businesses experience the same problems integrating planning with operational solutions. Due to a variety of factors, such as rocketing commodity prices, the disintegration of traditional supply chains, lack of customer confidence and loyalty, and adverse trading conditions, certainty in business reactions cannot be guaranteed. Don’t be like others who put their businesses at risk by adopting the ‘stop and do nothing’ style of ‘management indecision’.
It is surprising how few companies really have a grasp on their true operating costs. For an international business operating in different geographies, with a complex supply chain and logistical issues across borders, it is quite a challenge to capture the full costs of production and distribution.

10 S&OP Questions You Should Ask Yourself

1. In which regions should we expand production capacity and what will the consequences be for our costs and supply chain?

2. What effects will adding a new supplier to a certain region have on costs, service levels and the bottom line?

3. Do our sales and marketing people have a full grasp of true cost-income ratios, and do they understand the impact of their sales forecasts on operations?

4. What are the implications, for factors such as duties, freight cost and production capacity, of closing a factory and moving the orders to other factories?

5. Which data do we keep or retain that is valuable for making predictions or ordering through our supply chain?

6. Which activities deliver value to the business and the customer, and which do not?

7. Do our sales people fully understand the implications of tooling up for a specific ‘one-off’ order?

8. Do operations have the capacity to increase production, and what impact does this have on costs and warehousing?

9. Currently, where do we have over- or under-capacity in the production process?

10. Are we using the best mix of available resources to create product mix optimization?
Balanced Demand and Supply Planning for High Customer Satisfaction and Optimal Inventory Levels

Demand & Supply Planning requires careful analysis. Many companies fail to master the input and throughput of their inventory and marry this with customer demand. Committing to this process enables companies to learn about their business inputs and throughputs, costs, etc. and enables the development of an automated process.

An organization with the desire and capability to change and engage in a detailed S&OP process and integrate it with its operations will be a key player in its industry.

An effective S&OP tool needs to be tailored to assess key decision criteria in the strategic planning process. Further, it must provide accurate information from demand forecasts to the actual costs of operations and manufacturing. Sourcing is critical to ensure that the demand-supply process is accurately evaluated. Without accuracy in sourcing, one cannot establish actual return on investment and profitability. This provides manufacturers with the required level of detail to analyze the costs of their products, and maximize profitability using the existing customer base in all geographies. The search for the best possible options would indicate that a variety of scenarios should be created and modeled using a variety of criteria built into the S&OP tool. When one witnesses the very practical use of demand & supply planning and assesses causal links from sourcing, the reasons why more CEOs demand the strict use of an S&OP tool can readily be appreciated.

S&OP – Best Practice

There are strong causal links between strategy and micro-organizational issues of producing to cost, time, and quality, which need to be explored in depth in order to improve sourcing decisions that ultimately optimize the production mix. To achieve outstanding profitability, an organization needs a series of tools that can move it from the big strategic picture of demand planning to the precision of producing a product portfolio and optimizing all sourcing and operational efficiencies.

This has to be a planned process that uses a tested methodology and structure so that all players can contribute to the operational efficiency. Such a process has to focus on bringing together teams of people from different domain expertise and unite the whole organization in developing a proven method of converting strategy into reality.
Some are content to rely on ERP systems, yet such systems do not deliver a detailed and integrated S&OP process. What is required is a fully integrated planning solution which may complement SAP or Oracle, but which goes beyond these systems’ capabilities. To address this problem, Quintiq offers a unique solution with Quintiq Macro Planner, an effective tool for supporting a best practice S&OP process.

Quintiq Macro Planner is for more a sophisticated tool than a spreadsheet or an ERP system. The data and trends assessed through scenario planning allow you to make decisions about whether to close an old factory or to relocate to a lower cost geography, create new lines of distribution, employ cost effective agents and contract labor, and even consider formulating new supply chains. It is a powerful decision-making tool that manufacturers should employ as it enables them to evaluate high-level strategic scenarios, and understand the precise impact these will have on manufacturing operations. Benefits can also accrue regarding new markets and the impact of new entrants into your existing customer base. It is possible to assess the marketplace and whether you should stay or start new operations.

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**What is Achievable, and How?**

With Quintiq Macro Planner, companies have their own unique S&OP tool that meets their own industry-specific requirements. They can accurately analyze demand for their product portfolio, optimize manufacturing efficiencies, and implement effective contingency and ongoing planning in the short and long term. Key benefits and advantages of the Quintiq S&OP solution include:

- Functions as a strong control system for predicting accurate costs against customers and products
- Maximizes sourcing decisions and enables you to reassess and redesign your supply chain around trusted objective data
- Provides you with the ability to model and develop what-if scenarios – with full confidence that you are using a robust process and methodology
- Integrates your S&OP process to better serve your customers, reduce inefficiencies and please your shareholders
Summary

Manufacturing company management can no longer rely on intuition to focus the energies of their companies. What is needed, instead, is a sound analysis based on S&OP planning. Despite this, in too many organizations, S&OP is not a perceived priority, even though it is essential for competitive advantage, profitability and survival.

Quintiq Macro Planner offers an S&OP planning solution by integrating the two areas of sales & operations, whose relationship is often typified by friction and conflicting goals. It addresses the management issues relating to S&OP decision making and enables a structured process that creates real synergies for the business, and delivers bottom line results through the highly intelligent use of what-if scenario planning.

With the Quintiq Macro Planner solution, organizations can gain a high degree of competency in their core operations and a much more in-depth view of the options with their customers, their product pricing policy, and their real costs associated with manufacturing and operations. Organizations can develop a strong integrated culture based on ‘win-win’ relationships and build a robust and profitable and secure company for the future for staff, their customers and shareholders.

The Appendix, examines SIG Combibloc, one of the world’s leading providers of carton packaging and filling machines for beverages and food, and illustrates how SIG has achieved a competitive advantage with the help of Quintiq Macro Planner.
Appendix – SIG Combibloc Gains Company-wide Transparency with Quintiq Macro Planner

SIG Combibloc is a division of SIG Holding AG, based in Neuhausen am Rheinfall, Switzerland and is one of the world’s leading providers of carton packaging and filling machines for food and beverages. The company supplies complete systems including both the packaging materials and the corresponding filling machines. With a diversified, worldwide customer base and plants spread throughout Europe and Asia, SIG has been growing rapidly throughout the past several years.

The Search for a Better Planning System

In 2002, SIG was looking for ways to increase its production capacity to answer the growing demand for its products. It realized that to keep up with this growth, it needed to better allocate production between their five manufacturing facilities. Being a SAP user, SIG first searched for the right SAP tools. However, it found SAP could not provide the insight needed to relieve bottlenecks or adequately support the complex decisions a growing company must make. At the time, SIG was redesigning its whole supply chain with the help of Capgemini. Capgemini recommended SIG look into Quintiq solutions to answer its planning needs. In October 2004, Quintiq and Capgemini performed a proof-of-concept demo to prove Quintiq could support SIG’s strategic planning, and scheduling. They satisfactorily demonstrated that Quintiq possessed the capabilities and the flexibility to meet SIG’s complex scheduling needs at the time and in the future as the company grows. In addition, Quintiq’s configurable interface, its ease of use and the fact that it could be seamlessly integrated with the SAP system already in place were strong arguments for SIG. The implementation was planned in phases: first Quintiq Macro Planner and then Quintiq Scheduler.

SIG’s Previous Planning Situation: Struggling with Spreadsheets

Before the Quintiq planning solution was implemented at SIG, all planning was conducted in Excel, with local planners manually entering data into spreadsheets. “Everyone was using the system differently and it was very time consuming to compare the numbers. You needed to be a professional to be able to read the plans,” recollects Carmen Zech, Head of Global Resource Management at SIG. With Excel, gaining a company-wide overview was complicated, which hindered cooperation between the plants, especially with regards to capacity sharing.
The Quintiq Solution: Full Transparency and a Major Timesaver

SIG had many goals for the Quintiq implementation, including maximizing capacity utilization, reducing bottlenecks, streamlining its supply chain and improving cooperation between SIG's multiple manufacturing facilities. A centralized planning system which provided company-wide transparency was the key to reaching these goals.

Centralization Improves Decision Making

With the Macro Planner, all the data is entered into the system in a consistent manner. The same data entry rules apply to all of SIG's planners, whether in Germany, China or Thailand. SIG's managers can now examine and analyze the data to support them in more precise strategic decision making. Additionally, having a unified, centralized system enables company-wide transparency and cooperation, allowing SIG to better utilize its existing production capacities.

"At SIG, Quintiq is used globally. Everybody can see exactly what is going on everywhere. So for example, if in Germany there is full utilization but the same product can be produced in China, we check to see if there is additional capacity in China and then shift the volume. This type of procedure is possible as a result of the transparency Quintiq provides us."

– Carmen Zech, Head of Global Resource Management at SIG

Planning Takes Hours Instead of Days

The Macro Planner facilitates and speeds up the planning process. One of the complaints about planning with Excel was how much time the whole process took. "In the old system it was extremely time-consuming to put the data into the system," recalls Ms. Zech.

"Now, in combination with SAP, what used to take one complete day, takes about an hour. We are really happy with how much time Quintiq is saving us."

– Carmen Zech, Head of Global Resource Management at SIG
Bottlenecks: Visible and Solvable

Bottlenecks are a problem for every manufacturing company and SIG was no exception. Quintiq enables SIG to predict, locate and compare scenarios for relieving bottlenecks, and thus helps keep production running as smoothly as possible across all plants. “Previously, plant managers couldn’t always see when a problem was developing. Now everyone sees a bottleneck coming and deals with it much better, for example by shifting the volume to another plant or notifying customers of a change in the delivery times. Quintiq supports us in making fast decisions to find a better solution,” explains Ms. Zech.

The SIG–Quintiq Future: Room to Grow

With Quintiq, SIG has been able to more than halve its planning time. At the same time, it has improved capacity utilization, enabling it to keep up with customer demand – which has increased dramatically due to SIG’s growth. In light of this success, SIG is already in the process of implementing additional Quintiq tools, including Quintiq Scheduler, and has begun expanding the use of the Quintiq’s planning solution into other departments. Quintiq is committed to supporting SIG as the company grows toward a bigger, more successful future.

Wish to Find Out More?