



# Is S&OP for you? Top 10 S&OP Building Blocks!

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# Outline



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- S&OP and Value Chain
- Matching Supply and Demand
- S&OP Building Blocks
  - Pre-requisites or MUST have requirements
  - Essential Building Blocks
  - Business Resources

# Valtitude



- Founded in 2019, Consultancy providing Process and Strategy Consulting and technology implementation
- Domain Expertise
  - Business Forecasting and Demand Planning
  - Sales & Operations Planning (S&OP)
  - Inventory Optimization
  - Outsourced Statistical Forecasting
- Usability Consulting for Technology and Software Applications
  - Work with JDA i2 & Manu, SAP APO, Oracle Demantra and Logility
  - Build Custom Software for SMB Clients
  - Tweaking the ERP systems that boosts S&OP
- List of Clients on the next slide

# Partial List of Clients



au bon pain.



Wyeth



Honeywell

# Abstract



Once out of favor in the Sales and Marketing circles as another "Supply Chain Conspiracy", now more sales and marketing people are talking the talk on S&OP. The corner office is also interested in a holistic business management practice that gets its answers from the S&OP process. But can every company embark on an S&OP process?

- What are the critical requirements before you can embark on an S&OP process?
- What are the key building blocks that will lead to success?

We will outline the critical requirements step-by-step in this presentation, so you can make your S&OP implementations successful.



# SALES AND OPERATIONS PLANNING

SIOP

S&OP

IBP



# S&OP solves the Value Chain economics problem



- ✓ A business management process to keep demand and supply in balance.
- ✓ Cross-functional representation - Sales, Marketing, Finance, Operations, Logistics and R&D and Senior Management
- ✓ Monthly cycle
  - ✓ focusing on aggregate unit & dollar volumes and
  - ✓ reviewing both unconstrained and constrained forecasts
  - ✓ Understand major item level and customer level exceptions
- ✓ Enables holistic views of past, present, and future.



# S&OP Design: Closed Loop Process

- Balancing Supply & Demand
- And align operations through a Management Decision Process

- Develop, Communicate & Manage Demand Plans

- Plan Finished Goods
  - Net Inventories
- Define Production Requirements
  - (Rough Cut and Finite)





# Matching Supply and Demand



S&OP Objective → Supply = Demand

- Match Supply and Demand at the aggregate level as well as the item level
- IF Demand > Supply
  - What do we do in the Short-term?
  - What do we do in the Long-term?
- If Demand < Supply
  - Similarly, what are the risks here?



## KEY BUILDING BLOCKS TO S&OP

- Pre-requisites or MUST have requirements
- Essential Building Blocks
- Business Resources

# Once bitten Twice Shy!



1. You need to have an S&OP Expert to guide you through the process
  - Internal or External
  - Educator and Consultant

# Benefit vs. Cost



## 2. Identify the Value Opportunity in implementing S&OP

- It is an expensive process
- Not in consulting fees but in management time

# Educate!



3. S&OP Education is an important requirement before embarking on the journey

- Training on Demand Planning
- Best Practices in S&OP
- Executive training on S&OP

Have a resource that provides on-going training.

# SOP or SIOP?



## 4. Inventory visibility

- Clarity and visibility of inventory positions including inventory accuracy
- Ability to aggregate and value inventory dollars or to use a common UOM to understand aggregate supply

# Look at the Big picture!



5. Look into your Product Hierarchy and define appropriate Product Families for S&OP Review

- Discipline to look at aggregate demand and supply
- Define your business into a reasonable number of product families



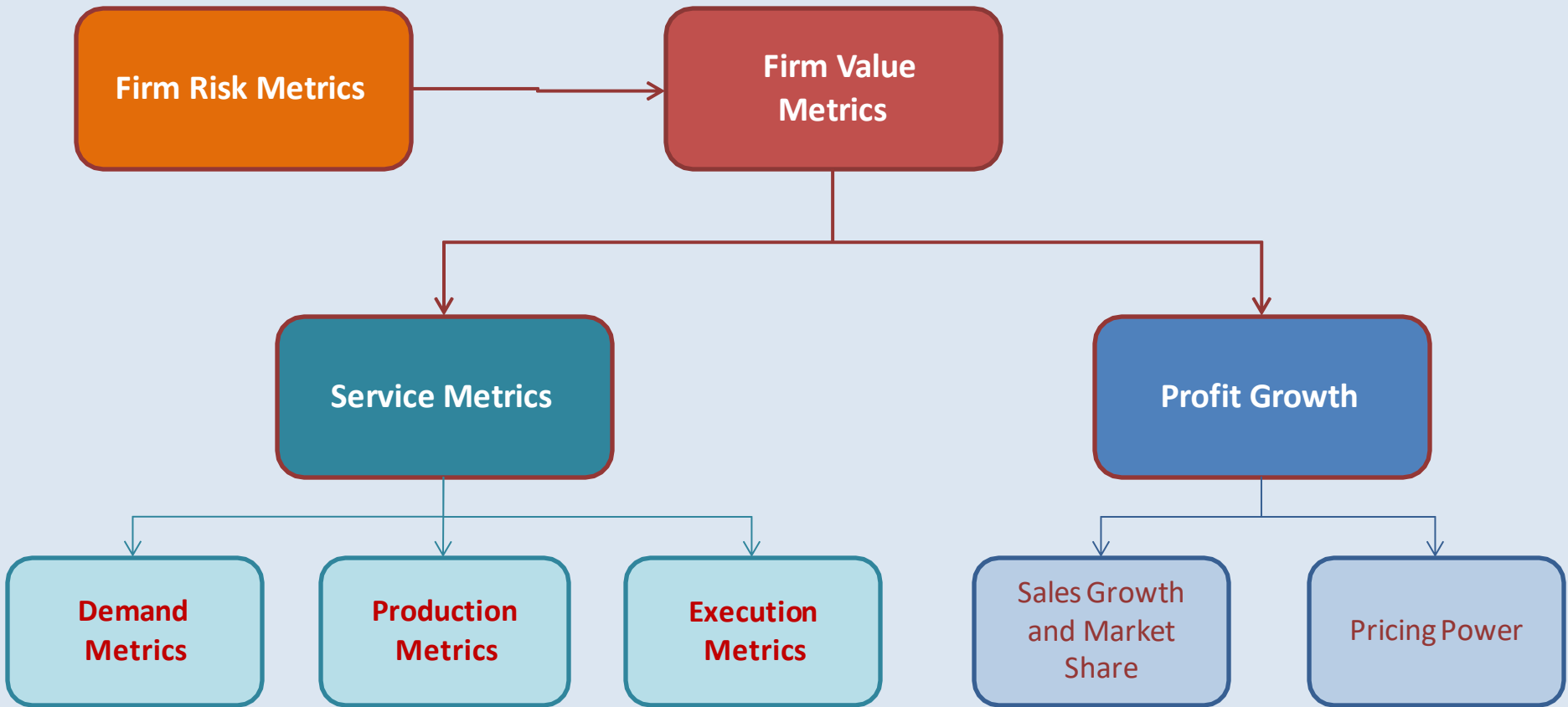
# Measure to mature! Define consistent Metrics!



6. You cannot improve the process unless you measure where it is right now. Design and deploy the right set of Metrics

- Service Metrics
- Demand and Supply Metrics
- Sales Growth and Profit Growth
- Stockholder Value (very few organizations measure this)

# Organizational Metrics



# Demand Consensus first – S&OP next!



## 7. Demand Planning and Demand Visibility

- **This is a Must have requirement!**
- Important pre-requisite for a successful S&OP
- Show-stopper if you don't have a demand planning process
- Plan, communicate and Manage Demand – SKU level plan is a critical building block.

# S&OP is not consensus! It is conflict resolution



## 8. S&OP is balancing - S&OP is conflict resolution

- Demand alignment - Discipline to use Demand Plan in Inventory and Production planning
- Demand and Supply work off of the same Demand Plan but resolve Demand – Supply imbalances.

### Example:

Supply Planning creates its own forecast. Demand Planning creates its own forecast. They meet to discuss the two forecasts.  $\neq$  S&OP. This is demand consensus between the wrong parties.

# Does Demand equal supply?

## *Roughly.....*



### 9. Rough Cut Capacity Planning

- This is where the rubber meets the road. Only with an RCCP, Demand/Supply balancing decisions can be made.
- The Sales Forecasting process and the production planning process become decisionable through the RCCP process!

# Does the Corner office have a corner plan?



## 10. Management support and involvement

- The most important building block for S&OP
- IF the Corner office executes to a corner plan developed by a few C-level officers, the S&OP will not flourish.
- The ability and willingness of Senior Management to engage and be present right, smack in the middle of the organization.



# ABOUT US

- Who is the author?
- What is Demand Planning LLC?
- Who are Demand Planning LLC clients?
- How can you contact the author of this paper?



# About The Author



**Dr. Mark Chockalingam is Founder and President, Valtitude formerly known as Demand Planning LLC, a Business Process and Strategy Consultancy firm. He has conducted numerous training and strategy facilitation workshops in the US and abroad, and has worked with a variety of clients from Fortune 500 companies such as Wyeth, Miller SAB, FMC, Teva to small and medium size companies such as Au Bon pain, Multy Industries, Ticona- a division of Celanese AG.**

**Prior to establishing his consulting practice, Mark has held important supply chain positions with several manufacturing companies. He was Director of Market Analysis and Demand Planning for the Gillette Company (now part of P&G), and prior to that he led the Sun care, Foot care and OTC forecasting processes for Schering-Plough Consumer HealthCare.**

**Mark has a Ph. D. in Finance from Arizona State University, an MBA from the University of Toledo and is a member of the Institute of Chartered Accountants of India.**

# Quick S&OP Diagnostic Project



- Our Engagement will start with a quick Diagnostic of current planning process that will study
  - Financial planning
  - Demand forecasting and management
  - Rough cut and finished goods planning and constraints management.
  - Current score-card and metrics process.
- This will be followed by the design and implementation of a customized S&OP process that will be a cross-functional effort with commitment from all players.
- We add value to your process design in two ways:
  - With our knowledge base of best practices and the benchmark industry process, we can analyze and recommend processes and benchmarks rather quickly
  - Our central philosophy is exception management grounded in the Six-Sigma principles. This helps design a very effective process that is time-efficient as well

# About Valtitude



Valtitude is a consulting boutique comprised of seasoned experts with real-world supply chain experience and subject-matter expertise in demand forecasting, S&OP, Customer planning, and supply chain strategy.

We provide process and strategy consulting services to customers across a variety of industries - pharmaceuticals, CPG, High-Tech, Foods and Beverage, Quick Service Restaurants and Utilities.

Through our knowledge portal [valuechainplanning.com](http://valuechainplanning.com), we offer a full menu of training programs through in-person and online courses in Demand Forecast Modeling, S&OP, Industry Forecasting, collaborative Forecasting using POS data.

Valtitude also offers a variety of informational articles and downloadable calculation templates, and a unique Demand Planning discussion forum.

## Demand Planning LLC has worked with...

- NStar
- Abbott Labs
- Wyeth
- Au Bon Pain
- Teva
- Celanese
- Hill's Pet Nutrition
- Campbell's Soups
- Miller Brewing co.
- Texas Instruments
- Hewlett Packard
- World Kitchen
- Lifetime Products
- FMC Lithium
- McCain Foods
- Lnoppen, Shanghai
- North American Breweries
- Pacific Cycles
- Smead
- White Wave foods
- Ross Products
- Fox entertainment
- Limited Brands
- Nomacorc
- F. Schumaker

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