S&OP and IBP
Sales and Operations Planning
Integrated Business Planning
Industrial Manufacturing
Why Best-In-Class S&OP Pays

Why should you spend 10 to 15 minutes reading this document?

Analysis by the Aberdeen Group shows that S&OP leaders are more profitable. Senior management engagement, business wide collaboration and high levels of forecast accuracy ensure that the business can be steered by corporate objectives.

By comparison S&OP ‘laggards’ are aligned and resourced to resolving forecast errors and unanticipated issues. It is no wonder that the top supply chain initiative that organisations are planning to pursue is the deployment of “best in class” Sales and Operations Planning (S&OP) and Integrated Business Planning (IBP) into their corporate processes.

Responding to dynamic market conditions in the Industrial sector

Commoditisation and increasing competition from low cost manufacturers means intense pressure on operational efficiency and costs. Low visibility of true demand and limited information from retailers creates planning issues and potential disruptions. Best-in-class S&OP is emerging as a powerful tool to orchestrate an aligned and profitable response to these issues. For example, it facilitates differentiated services while minimising cost-to-serve across multiple segments and regions. Moreover, a customer centric approach and improved business intelligence means an agile supply chain that is also more robust.

Current or future initiatives in next 12 months

Integration of best-in-class S&OP process
Increasing agility in production planning process
Lean initiatives
Network and sourcing optimisations
Development of more optimised plans
Capacity expansions
Sustainability improvements
Driving production plans within a segmented supply chain strategy
Performing what-if scenarios prior to execution
Increase direct-from-factory shipments

Source: Vision Study, 2015, JDA, Supply Chain survey of 4,000 organisations

Why best-in-class S&OP pays

According to the Aberdeen Group, the best-in-class have a 20% better forecast accuracy (29% at the SKU level). This means that ‘all others’ are spending at least twice as long expediting issues back through the supply chain, while the ‘best in class’ organisations are in control, focusing on achieving the business plan. This means greater efficiency, higher margins and a focus on service levels that can translate into loyalty and market share. In short, organisations that have best in class S&OP are more competitive.

- Best in class have 20% better forecast accuracy. They are in control.
- Best in class focuses resources on business plan alignment and key issues
- Laggards focus resources and management time resolving unplanned issues.

Sales & Operations Planning
- Balancing supply & demand
- Consensus on a common operating plan
- Optimally allocating critical company resources
- End-to-end visibility within the supply chain

Integrated Business Planning
- Ongoing focus on business growth and corporate alignment
- Gap & sensitivity analysis
- Executive & financial dashboard
- Product introduction and marketing planning

S&OP is not new. What is new is the unprecedented volatility and complexity of today’s marketplace and the desire to extend S&OP from the periodic balancing of supply and demand to its application as a tool to optimise business performance. This new dimension of S&OP is often called Integrated Business Planning, or IBP. S&OP, together with IBP in a connected supply chain, helps to create a truly agile organisation with superior business performance.

The old ways of managing operations are no longer good enough

60% of Vision Study* respondents reported that integration of best-in-class S&OP is on their to-do list. Organisations are looking to get a more robust and accurate view of their operations, and to implement automation in order to realise the full benefits.

Is your world spinning faster these days?

The second most popular response in the Vision Study centres on how organisations can be more agile to make trade off decisions with shorter cycles. The JDA approach enables more frequent demand and supply balancing. In turn, this means that the business is running optimally for more of the time. In addition, scenario and what-if analysis enable the business to model the impact of product introductions, marketing campaigns and other business scenarios so that these events can be introduced efficiently and profitably.

*Vision 2015, JDA, Supply Chain survey of 4,000 organisations

*1 Aberdeen Group: S&OP: A proven Process to Maximize your Business Results, January 2014
*2 Vision 2015, JDA, Supply Chain market survey of 4,000 organisations
Taking S&OP to the Next Level

S&OP has evolved from a transactional process into a bottom-up activity that balances supply and demand. The integrated IBP capability adds a top-down component to ensure that the operational processes are optimally aligned to the strategic goals of the business.

The next generation of S&OP process will also capitalise on the supply chain as a feedback mechanism of the business environment. For example JDA S&OP is tightly coupled to JDA operational modules which means it can report an end-to-end view of the execution environment back into the S&OP process. This highly connected S&OP regime can reach out even beyond the warehousing and transportation modules on to the shelf or into the click-stream. In turn, this informs improved demand sensing and shaping to proactively channel products to customers for the best margin.

This extended supply chain approach continues with JDA Flowcasting. Flowcasting is a collaborative forecasting and planning technology that enables trading partners to work together from a single, item-level forecast and plan that is executed jointly by both partners for mutual benefit.

Supply Chain Maturity Model

Value Chain Transformation

Current Models

Emerging Models

Cloud, hybrid and on-demand delivery

Whatever the solution you need JDA has the architecture for you. However, if you feel that you already have more than enough decisions to make in order to keep your business performing well, worrying about the software that powers it shouldn’t be one of them. With JDA Cloud Services you can leverage our deep industry and solution expertise to ensure that you are getting the most value and performance from your JDA solutions in less time, with lower risk, and at an improved cost. Cloud based delivery means fast implementation, and easy collaboration between departments, regions and even partners and customers.

Comprehensive professional services

JDA clients benefit from our global expertise and experience for the lifetime of your projects. Services include fast track cloud implementations, strategic opportunity assessment, custom enhancements and optimisations, technical design, data optimisation and training. JDA offers software solutions from S&OP/IBP through Demand Management and Supply Planning, to operational solutions including Intelligent Fulfilment and Warehouse Management, Workforce Management and Transportation & Logistics Management. This means that JDA can offer unprecedented real world insight from across the supply chain to your S&OP projects.
Building a high performance supply chain with best in class S&OP

Customer Centric
Successful businesses understand their customers’ needs and adapt to them rapidly. That is why customer-centricity underpins the JDA approach. JDA S&OP is much more than a reconciliation engine, it is connected across the business and execution system and out into the customer environment, so that the organisation can plan with precision, orchestrate across the business and respond at speed.

High Performance
There are, however, obstacles preventing the realisation of this new world of agility. Key among them is the traditional S&OP reconciliation process with its tiers of complex departmental spreadsheets. This is a time consuming activity which is sensitive to error and lacking in flexibility.

Enhanced S&OP from JDA eliminates spreadsheet deadlock with a common supply chain database, so that a single, holistic version of the truth is always available. A familiar and friendly spreadsheet interface provides complete data visibility. Powered by a mission specific data cube, the system provides insight when the business needs it. Because the complete picture is always available, more frequent supply and demand balancing becomes possible and in turn the business can be run at higher levels of precision for more of the time.

Segmented
Segmentation represents a fundamental evolution in supply chain thinking. Manufacturing and distribution companies must cater to a wide range of customers. Not all will have the same set of requirements or business priority, so understanding their needs and crafting attractive propositions is key to profitable growth and business retention. Segmentation enables a balancing of the ‘cost to serve’ with the value of each segment.

Segments may be customer types, channels, regions or products. Value may be revenue, profit, growth or other strategic variable. For example, a regional strategy may incorporate aggressive and dynamic pricing, high product availability and superior lead times. A strategy for a lower priority market may simply combine fixed lead times with competitive pricing. Policy-based process ensures the supply chain strategy flows through the operational side of the business including planning, production, inventory, order fulfilment and distribution.

S&OP process orchestration
JDA S&OP supports decision making through process orchestration and collaboration on business issues, actions and decisions between the S&OP contributors and decision makers based on meetings as well as local and global calendars.

Decision meetings are supported by defining agendas and by reviewing issues, actions, scenarios and assumptions built up during the demand review process and, in addition, by measuring the attendance and performance of meetings and eventually by capturing decisions.

Scenarios can be created, simulated and compared instantaneously in terms of revenue, margin, capacity utilisation, inventory value and any corporate KPIs. The scenarios can also combine input from detailed demand planning and supply planning. This facilitates archiving and the transparency of the decision making process.

Companies can deliver corporate demand visibility by combining demand plans from multiple regions and operating companies.

- The approach offers pre-configured process flow, graphical visualisation and measurements from demand review to supply review, product/portfolio review and financial reconciliation. Moreover, it enables editing of supply at aggregated levels to see impact on demand and revenue in real-time and vice-versa.
- The system generates a management presentation pack to support decision-making meetings.

Consensual
According to a study by IBM three out of four organisations say that a ‘lack of internal alignment’ is a barrier to servicing customers. The needs of sales, production and even trading partners may apparently be at odds with each other.

As demand becomes more volatile, JDA supply chain software helps to instil processes that facilitate, monitor and measure collaboration between people, departments and organisations to ensure the constant flow of information analysis and decisions.

Connected
JDA S&OP is connected to the business environment through an integrated set of supply chain modules. These modules manage and monitor supply chain execution from replenishment and fulfillment to warehouse, workforce and transportation management. That is, JDA S&OP is connected end to end through integrated modules that become the eyes and ears of S&OP. This bottom up and top down approach provides a holistic view of the business while seamless data integration frees managers from the overhead of spreadsheet maintenance and aggregation.

Reconciling supply and demand becomes the starting point for JDA S&OP rather than the end point. The Pro Agile Control Tower means that issue resolution and optimisation can be an ongoing process. Product launches and marketing campaigns can be run as scenarios. The integration of business and financial goals ensures optimum alignment to top level plans.

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JDA S&OP utilises the familiar Microsoft Excel® spreadsheet user interface to ensure that management across the corporation have a familiar window into the business intelligence provided by the system. Meanwhile the complexity of the data aggregation, algorithms and calculations is managed robustly and interactively by the JDA analytics engine. So managers are freed from excel spreadsheet management to spend their time managing and looking for actionable insight. Moreover, there is now a single version of the truth, all of the time.

Fast S&OP in-memory cube technology allows:

- Fast calculation synchronization of demand and supply
- Rapid impact analysis tools and rough cut capacity planning
- Qualitative data analysis and issue tracking
- Scenario and tactical 'what if' calculations
- Gap Analysis

Tight Integration of S&OP with the JDA Manufacturing Planning Suite means comprehensive process orchestration:

- End to end orchestration
- Top down and bottom up
- Robust data integration
- Integrated responsibility management
- Closed loop command and control process

JDA S&OP facilitates best practice consensus demand management, executive review tools, identification & quantification of opportunities, assumptions and risks, and ties tactical plans to strategic objectives.
Infineon Technologies Takes Planning to the Next Level

**Brief Overview**

Infineon Technologies AG objective was to create a single integrated, multidimensional sales and operations planning process that promotes global collaboration and enables the company to quickly respond to market changes.

Through a carefully planned, strategic implementation they attained several benefits including:

- Reduced planning effort by 30 percent
- Cut forecasting lead time from four weeks to two weeks
- Decreased planning errors up to 90 percent
- Reduced forecast adjustments by a factor of 10
- Increased overall forecast accuracy

**Doosan**

Doosan selected JDA® Enterprise Supply Planning to model its entire supply chain and optimize inventories, production, distribution and transportation. Doosan also implemented JDA® Sales & Operations Planning (S&OP), an advanced demand management solution that enables tight integration between plan and execution and extends traditional demand-supply matching to include reconciliation with financials. “JDA’s S&OP solution is very user-friendly, because it is Microsoft Excel-based,” noted Song. “New management tools usually create the need for a significant amount of training, but it took only a few hours for our team to use JDA S&OP efficiently. In addition, the solution employs best-practice workflows.

**Continental Tires**

Continental Tires has selected solutions from the JDA Manufacturing Planning Suite to help it transform its global supply chain operations. As part of the company’s SCM 2.0 transformation, Continental Tires is looking to employ different supply chain strategies to serve its different customers and channels based on their value to the business. Continental Tires will be deploying a global solution footprint from JDA’s supply chain planning solutions. This integrated solution suite offering is united through the JDA® Platform which also is a key facilitator for the integration to the SAP ERP landscape at Continental Tires.

With sales of €33.3 billion in 2013, Continental is among the leading tire manufacturer and automotive suppliers worldwide. Its Tires division has 73 locations in 42 countries. The division produces tires under the brand names of Continental, Uniroyal, Semperit, General Tire, Viking, Gislaved, Euzkadi, Sime Tires, Barum, Mabor and Matador. By adopting a segmented supply chain approach, Continental Tires will be able to offer differentiated services to its various customer segments. This will enable Continental Tires to better meet variable customer demand, while also enabling it to execute customer orders in a much more profitable manner. It also helps Continental build a lean supply chain from production all through distribution, agile enough to address current demand and supply variability challenges.

**TE Connectivity Launches Global Sales and Operations Planning Process with Its Automotive Business**

TE decided to begin its corporate rollout of the JDA Sales & Operations Planning solution with two business units: its Automotive business in the Europe, Middle East and Africa (EMEA) region and its Circuit Protection business from a global perspective.

“"We wanted to roll out the solution to both a large and small business unit with different S&OP maturity levels to validate the solution. TE Automotive, with 25,000 stock-keeping units [SKUs] in the EMEA region, was selected as our large business unit and was just starting their S&OP journey. TE Circuit Protection, a smaller business unit with 4,000 SKUs, went through 19 cycles of S&OP before we started their implementation. These two units also had different levels of planning: Automotive was working at an aggregate level, while Circuit Protection was executing at a customer/SKU level,” said Tony Leisher, IT director, supply chain, TE.

By implementing JDA Sales & Operations Planning, TE Automotive has gained an entirely new perspective on its global market demand. “Previously, we were doing some basic, singular activities related to S&OP, but we didn’t have a comprehensive process,” explained Penschke. “At that time, we were talking about very high-level numbers, mainly dollars, which really didn’t help us get our arms around capacity, or how to set up capacity in the mid-term to react to demand or productivity changes at the operational level.”

“The major difference now is that we really have a mid- and long-term vision of our demand and capacity requirements. We have come down to a much more detailed level, which has really enabled us to manage capacity. We are planning based on real customer part-number details. Before, we were planning based on high-level numbers and trying to judge which way to move,” Penschke said. With 25,000 finished goods part numbers, it was essential for TE Automotive to achieve this granular view of customer demand.
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