



S&OP

CALIBRATING **RISK & REWARD** FOR THE C-SUITE

S&OP: Calibrating Risk and Reward for the C-Suite

Helping Executives Mitigate Risks and Capture Rewards

Sales and Operations Planning (S&OP) consistently ranks as one of the top three priorities for management teams. A strong, repeatable S&OP process increases forecast accuracy, frees up working capital, improves service levels, reduces organizational friction and boosts revenue growth.

In the post-pandemic world, S&OP and Integrated Business Planning (IBP) have become more important than ever before. S&OP is a fundamental business process that aligns sales and marketing with operations teams including customer service, supply chain, manufacturing, procurement, and transportation to better synchronize operating

plans with strategic goals and objectives. The primary goal is to help the C-suite calibrate risk and reward.

A key component in mitigating business risk and capturing greater rewards, S&OP success is dependent on strategic clarity and the alignment of metrics to drive business outcomes across multiple planning horizons. As shown in Figure 1, S&OP is the critical connection that ties business direction to more operational and tactical supply decision making across the supply chain – from sell and deliver to make and source.

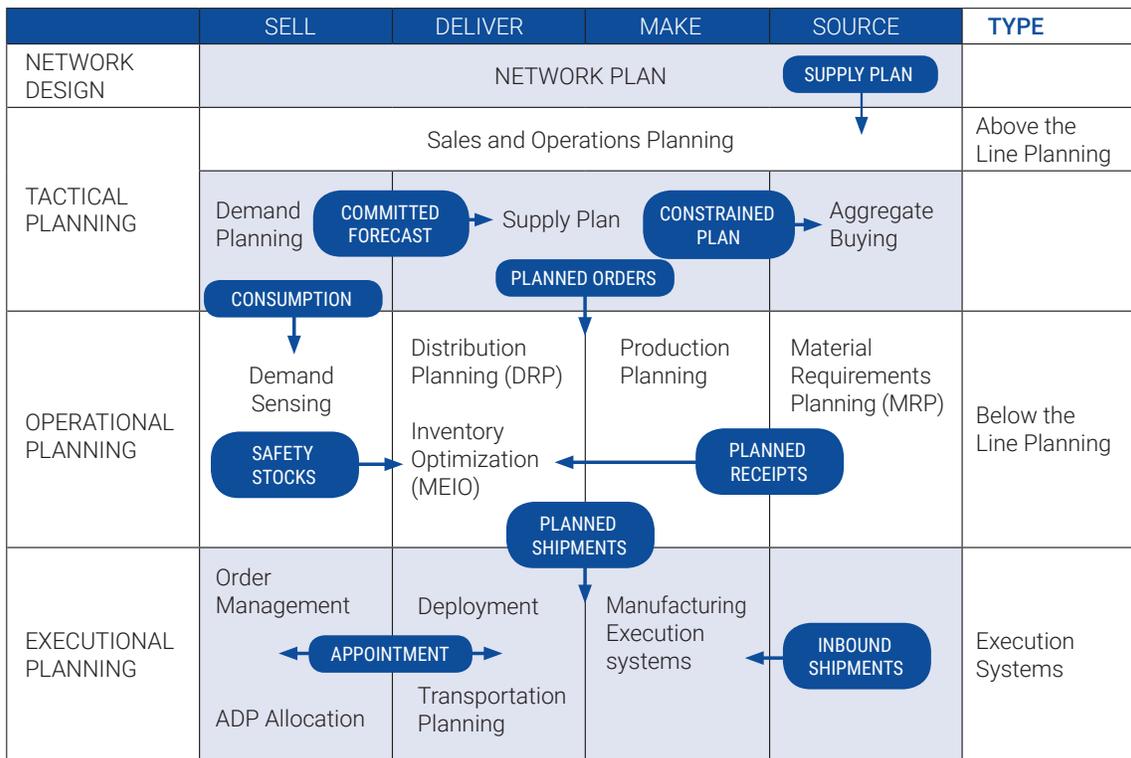


Figure 1: Supply Chain Planning Technology Architectures

Source: Sales & Operations Planning: A Guide for the Supply Chain Leader, Lora Cecere, Supply Chain Insights, 2020

S&OP Processes and Technologies

From strategy to execution, S&OP is a process that spans multiple time horizons. As Figure 1 illustrates, supply chain planning combines analytics, optimization engines, workflows, and rules across strategic, tactical, and operational plans.

S&OP ties together the optimization engines (shown in boxes) with the workflows (shown with arrows). In the design of the S&OP process, there is a need for process definition and technology

to execute the S&OP planning well beyond the executive review meeting. GAINS enables S&OP success with a comprehensive approach that considers demand plans, multi-echelon inventory optimization, replenishment, and production, to profitably synchronize demand and supply. By calibrating risk and reward outcomes, based upon multiple scenarios, executive decision making is accelerated.

Ensure faster response to disruptions and uncertainty.

S&OP in Action

BencoDental[™]

Full-service dental equipment and supplies distributor

- ◇ Reduced inventory **15%** while increasing sales **7%**
- ◇ Expedited shipments reduced to near **zero**
- ◇ Grew market share **10%** through increased service levels

“By maintaining high customer service levels and lower inventories, GAINS helped Benco Dental grow revenues and profits even in a down economy.”



S&OP: The Struggle is Real

So why is S&OP so hard for most organizations? Many organizations place significant efforts in developing plans in S&OP but they fail to drive execution. In order to optimize performance, S&OP requires a firm foundation of detailed forecasts, optimized inventory policies, and supplier reliability, but, according to analyst estimates, over 90% of companies still rely on Excel spreadsheets. As Lora Cecere of Supply Chain Insights states, “The use of spreadsheets is problematic in many ways. Excel spreadsheets are woefully inadequate to model a complex, non-linear system. As a result, the output is isolated, disconnected, and out of sync with the business.”

Source: Sales & Operations Planning: A Guide for the Supply Chain Leader. Lora Cecere, Supply Chain Insights, 2020, page 20.

Effective S&OP helps orchestrate decision making across the business. Although stakeholders evaluate the S&OP scenarios with different metrics, a resilient S&OP foundation will provide both financial and volumetric analysis to keep goals and objectives aligned across multiple planning horizons. Let’s explore how successful S&OP empowers key stakeholders – including supply chain, sales, finance, customer service and operations – to evaluate multiple complex scenarios and deliver better business outcomes with greater confidence.

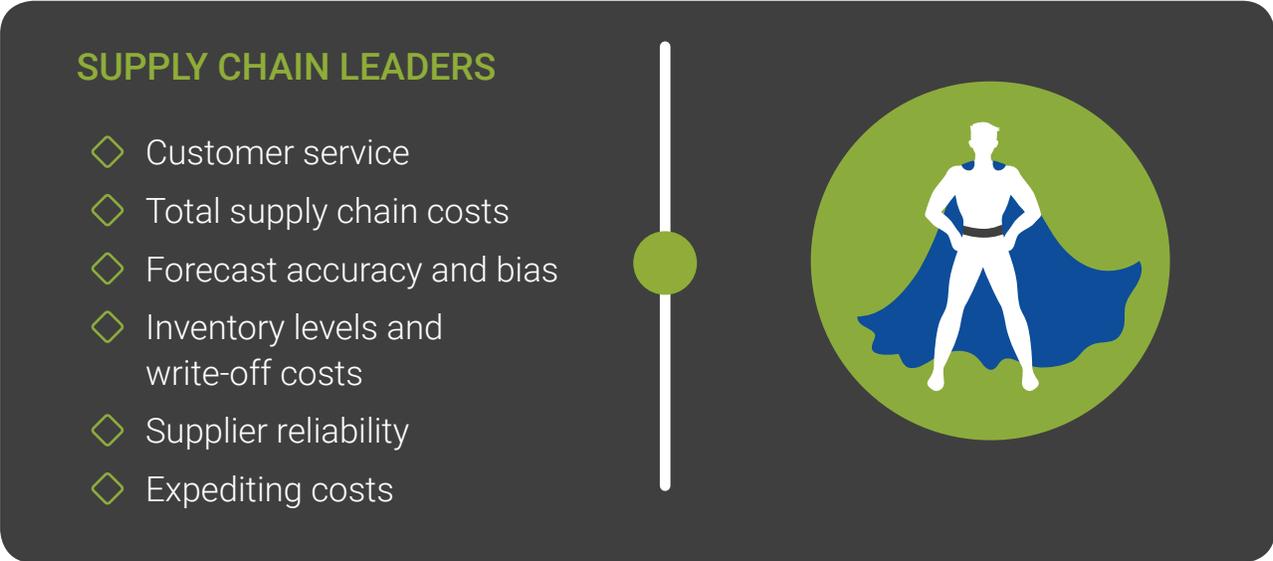


Figure 2: Key S&OP Metrics for Supply Chain Leaders

Ensuring a Sound Foundation for S&OP

As shown in Figure 2, supply chain leaders focus on metrics such as customer service, forecast accuracy, inventory levels and total supply chain costs. Forecasts must be detailed by item, location, and channel or customer. Also, inventory, sourcing, production, and distribution plans must consider working capital investment and service level goals.

By connecting detailed forecasts and optimized inventory policies, S&OP ensures that what transpires in the supply chain trenches truly drives operational and financial performance.

At GAINS, our cloud-based S&OP, Supply Chain Planning, and Inventory Optimization platform boosts business performance for hundreds of companies every day. GAINS automatically generates forecasts based on machine learning and a proven portfolio of models that accurately account for a wide variety of demand patterns, seasonality, and product life cycle stage. This goes well-beyond ‘best-fit’ and ensures lead-time matching as well as statistical viability for inventory policies, production resources and distribution lead times to provide visibility and confidence in attaining desired business outcomes. Using artificial intelligence (AI), GAINS eliminates the noise and removes bias to drive more objective decision making. GAINS can also leverage leading indicators such as macroeconomic or industry factors to refine the baseline forecasts as a firm foundation for the S&OP process.

Excel spreadsheets are woefully inadequate to model a complex, non-linear system.

Lora Cecere, Supply Chain Insights

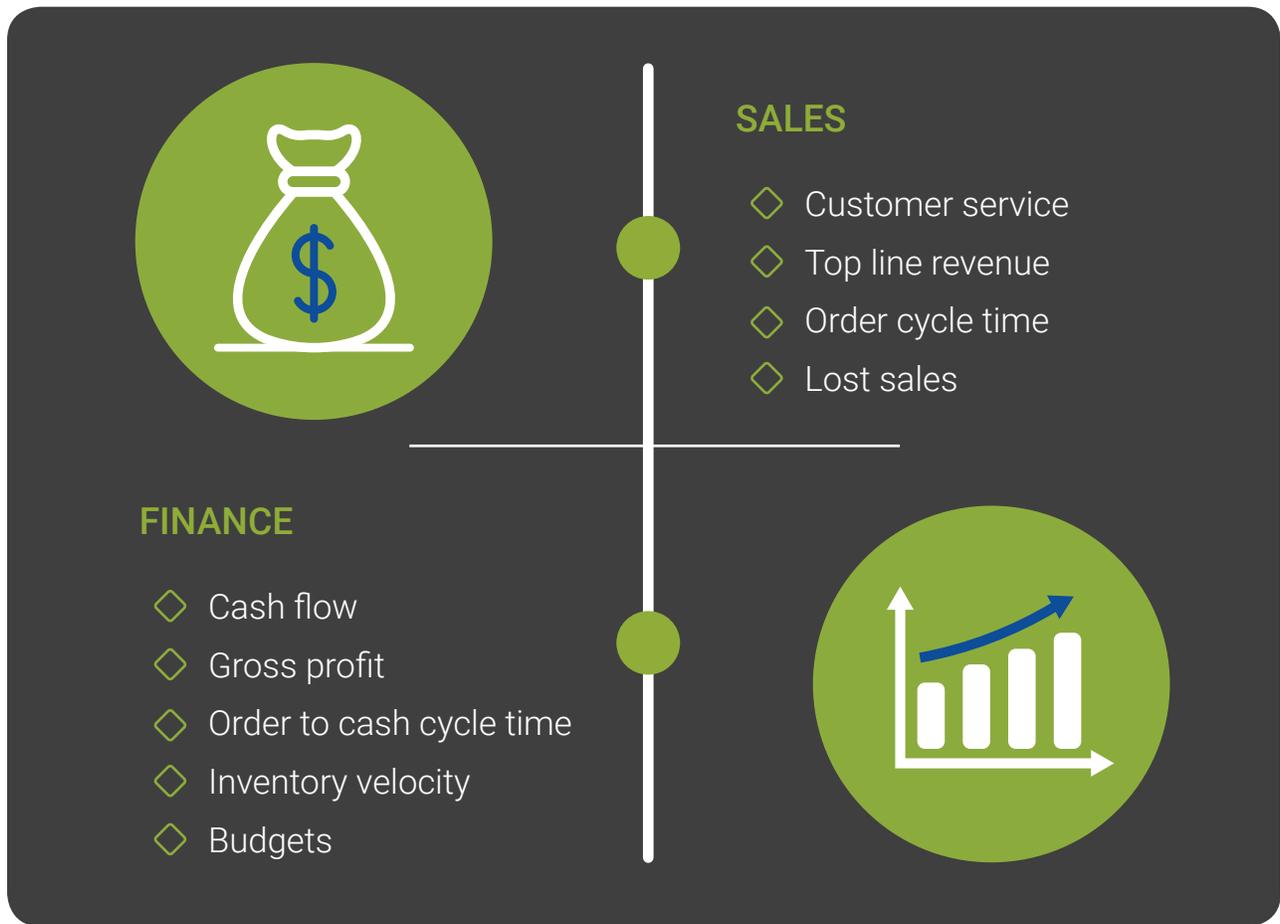


Figure 3: Key S&OP Metrics for Sales and Finance



Visualize Service Level Tradeoffs

As shown in Figure 3, service levels and cash flow are key metrics for Sales and Finance respectively. GAINS machine learning reduces demand planning error and considers the appropriate inventory and distribution requirements – factoring in variability in supply and variance from plan. Only through this comprehensive approach is precise Service Level attainment achieved with ease and confidence. With GAINS you can evaluate cost-minimizing or profit-maximizing Service Levels and automatically compare multiple scenarios to achieve desired business outcomes.

Automatically evaluate multi-horizon, multi-echelon scenarios to achieve desired outcomes.

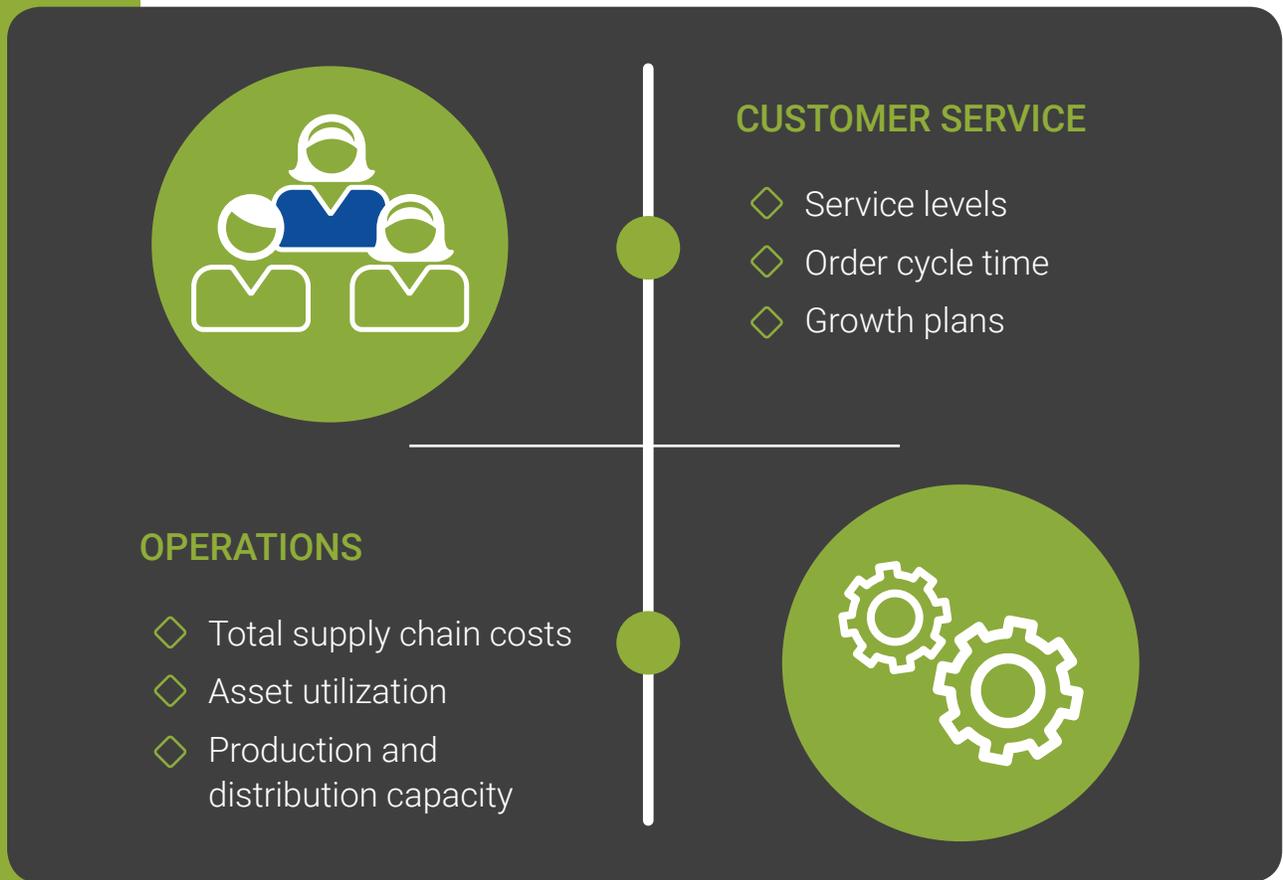


Figure 4: Key S&OP Metrics for Operations and Customer Service

Optimize Total Cost and Profits

As shown in Figure 4, optimizing asset utilization and order cycle time are key metrics for operations and customer service executives. GAINS simplifies managing your S&OP process to free up time to drive better outcomes. Using AI to optimize over 20 cost and margin-related factors by location including carrying, expediting, and opportunity costs, your C-suite will gain confidence and stay aligned in driving business performance.

GAINS will take you beyond broad brush one-dimensional inventory management to leverage sophisticated Multi-Echelon Inventory Optimization (MEIO) for greater precision with less effort. Cost-effectively achieving your Service Level goals will become a reality. It also optimizes postponement strategies where stocking policies are determined across a bill-of-materials (BOM) or distribution network.

Accelerate Value with Rapid Onboarding

Stop wasting valuable time with disconnected manual processes and risky spreadsheets. GAINS is designed to help companies move forward faster. The GAINS platform automates the process of establishing a robust foundation for the plan, and leverages artificial intelligence and machine learning, eliminating the need to establish and constantly tweak business rules for large volumes of items. This rapid onboarding allows companies to continuously review scenarios from both the financial and volumetric aspects, and benefit from a quicker ROI – in as little as 8 weeks.

S&OP: Analyzing the Financial Impact

GAINS matches the best-in-class abilities to connect and synch plans across multiple functions in the enterprise (e.g., Strategic, Financial, Marketing) with highly detailed plans, including production and replenishment. This multi-level, multi-unit-of-measure review process provides powerful input in executive decision-making. GAINS also coordinates cross-department workflow and provides KPIs and analytics that show how to mitigate risk when evaluating growth opportunities.

S&OP in Action



Manufacturer of fluid handling equipment

- ◇ Reduced finished goods inventory by **26%**
- ◇ Raised complete in full orders rate to **98%**
- ◇ Gained near **real time visibility** across the enterprise

“ With GAINS enterprise-wide S&OP support, we reduced inventories and operating costs. We finally have capabilities for profit optimal analysis of both short-term and long-term scenarios.”

What's the **Bottom Line?**

Many organizations struggle with misaligned S&OP processes that fail to deliver value – hindering engagement and participation of the cross-functional stakeholders.

GAINS performance optimization platform enables S&OP and IBP processes that reinforce the financial and volumetric impact of aligning goals and objectives across multiple planning horizons. Our proven portfolio of models leverages machine learning and artificial intelligence to eliminate the guess work and drive better business alignment. And that empowers management to evaluate risk and reward tradeoffs to reduce risk, capture new opportunities, increase service, and boost profits.

Contact GAINS today to learn how to use S&OP to evaluate multiple complex scenarios. Our innovative solution makes it easy to reduce risk and deliver better business outcomes with greater confidence.



About **GAINSystems**

The GAINS supply chain performance optimization platform helps business decision-makers move forward faster with greater agility, resilience and confidence. The GAINS AI-driven cloud platform delivers continuous cost and profit optimization via machine learning, proven algorithms and actionable analytics for global manufacturing, distribution, retail and aftermarket/maintenance operations. Innovative design combined with the GAINS Proven-Path-to-Performance (P3) methodology enables rapid onboarding and tangible results including increased sales, inventory turns, and service levels at reduced operating costs in as little as 8 weeks.

For more information, visit www.GAINSystems.com or follow us on LinkedIn or Twitter.