Successful Implementation and Revitalization of S&OP

Ruth McElheny
Global Supply Chain Manager
CooperVision

CooperVision’s S&OP Implementation

How did we get started?

How did we build the coalition for change?

How did we increase involvement?

What pitfalls & barriers did we need to deal with?

The journey continues.
About CooperVision

a leading manufacturer of advanced contact lenses, offers many types of lenses for various vision problems.

CooperVision Portfolio

CooperVision concentrates on all day wearing comfort in the widest variety of lens designs, materials and wearing options.

Spheres: correct nearsightedness or farsightedness
70+ unique items per product family

Torics: correct astigmatism, which can accompany either nearsightedness or farsightedness.
4000+ unique items per product family

Multifocals: correct nearsightedness and farsightedness. Let you see clearly near, far and everywhere in between
560+ unique items per product family
CooperVision Portfolio

- Two Manufacturing Sites
- Two Central Distribution Centers
- 12 Regional Distribution Centers
- 20 Markets
- 90 Product Families

How many finished materials do the operational teams deal with?

In any given 6 month period, we will sell as many as 900,000 to 1,300,000 unique configurations! There are about 250,000 inventoried items.
Initial Steps

1) Education

S&OP presentation given to the executive team and key participants

Objectives of an S&OP process

**Decision-making** regarding customer service goals, sales volumes, production rates, levels of finished goods inventory, and customer order backlog (for MTO products)

Myths regarding SOP

<table>
<thead>
<tr>
<th>Myth</th>
<th>Fact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• S&amp;OP’s just a once-per-month meeting</td>
<td>• S&amp;OP operates on a monthly cycle which culminates in the Executive S&amp;OP meeting held around the middle of the month.</td>
</tr>
<tr>
<td>• Prior to that, three important phases take place: Demand Planning, Supply Planning, and the Pre-S&amp;OP meeting, where middle management people formulate recommendations for the executive session.</td>
<td>• Prior to that, three important phases take place: Demand Planning, Supply Planning, and the Pre-S&amp;OP meeting, where middle management people formulate recommendations for the executive session.</td>
</tr>
<tr>
<td>• All of these earlier activities make it possible for the executive S&amp;OP meeting to take place in 2 hours or less. S&amp;OP is an ongoing, multi-step process which occurs every month.</td>
<td>• All of these earlier activities make it possible for the executive S&amp;OP meeting to take place in 2 hours or less. S&amp;OP is an ongoing, multi-step process which occurs every month.</td>
</tr>
</tbody>
</table>


---

S&OP vs. Production Planning

**Production Planning**

The old Production Planning process — the “silo” approach — called for Sales and Marketing to develop the sales forecast and hand it off to Operations for production planning. The resulting production plan was then given to the Master Scheduler to break down into individual products.

**Sales and Operations Planning**

S&OP – a cross-functional process – calls for Sales and Marketing, Operations, Finance and Product Development to work together to develop and integrated set of plans that all of these departments can support. Their recommendations are presented to the Executive S&OP team (another cross-functional group) for their approval or decisions to modify the recommendations. The output of this process is the authorized companywide game plan, far more than a production plan.

Initial Steps

1) Education
   S&OP presentation given to the executive team and key participants

2) Process Review
   Review of current state

Diagnosing our current state

Large acquisition changing the landscape from local to global

Current meetings
- Original “S&OP” meeting run by marketing was a review of current backorders
- Manufacturing “D&OP” meeting reviewing sales information and global inventories

Data Collection
- Financial sales/inventories by financial categories
- No global inventory visibility
- Limited visibility of capacity
Diagnosing our current state

Inconsistent inventory targets
- Intelligent guesses vs. data driven analysis

Lots of fire fighting, little risk assessment and proactive response

Inconsistent Metrics

No integrated process

Decision making on a local basis

Initial Steps

1) Education
   S&OP presentation given to the executive team and key participants

2) Process Review
   Review of current state

3) Planning Calendar
   Monthly business process, S&OP structure
Monthly Business Process

S&OP Structure
Initial Steps

1) **Education**
   S&OP presentation given to the executive team and key participants

2) **Process Review**
   Review of current state

3) **Planning Calendar**
   Monthly business process, S&OP structure

4) **Data Discussion**
   What, when and how plus gap assessment

---

Key building blocks needed

- Metrics
- Capacity and Production Planning Process
- S&OP and D&OP Process
- Ability to Aggregate and Disaggregate Data – Business Objects
- Integrated Planning System and Process – Logility, Global PO/SO, Master Data Standardization, Business Process Standardization
Initial Steps

1) **Education**
   S&OP presentation given to the executive team and key participants

2) **Process Review**
   Review of current state

3) **Planning Calendar**
   Monthly business process, S&OP structure

4) **Data Discussion**
   What, when and how plus gap assessment

5) **Maturity Assessment**
   Continue assessment of where we are with the process

---

Maturity Assessment

**UNAWARE**
- Management review of the past – retrospective
- Siloed meetings – data handoffs – limited/no integrated planning
- Mid-level management involvement
- Balance-of-year view

**AWARE**
- Follows basic structure of the S&OP process
- Medium forecast view – 12-18 months
- Supply and demand balancing with alternative generation
- Senior management involvement
- Storming and “norming”

**FUNCTIONAL**
- Valuation of gaps and alternatives – scenario presentation
- Emergence of balanced scorecard
- Issue-tracking and elevation expectation
- Decisions and directions are built into the cycle
- 18-24 month planning horizon
- Team development
- Metrics evolve with goals

**SKILLED**
- Plans drive bud integration of strategy with tactical planning – guidepost setting
- Broad project management gets
- Strong and strategic tracking
- Optimization is the message
- Exceptions are refined
- Reporting shows granular progress to corporate goals
- Executive ownership

Source: Plan4Demand
Let's get started

- Collect sales and marketing input
- Develop a demand plan
- Demand shaping
- Develop a constrained plan
- Determine trade-offs
- Gain consensus
- Measure the plan

Baby Steps

Develop system and process to support data required

- Global inventory database
- Logility demand, inventory and replenishment planning
- S&OP data warehouse

Building competency

- Buying into the process
- Agreeing on Metrics
- Trusting the data
- Participation
- Focusing on decision making
Identify Structure & participants

<table>
<thead>
<tr>
<th>Regional S&amp;OP</th>
<th>WW S&amp;OP</th>
<th>Executive Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lead:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Supply Chain Manager</td>
<td>Global Supply Chain Director</td>
<td>Vice President Global Supply Chain</td>
</tr>
<tr>
<td><strong>Participants:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Sale/Marketing</td>
<td>Supply Chain</td>
</tr>
<tr>
<td>Distribution</td>
<td>Customer Service</td>
<td>Distribution</td>
</tr>
<tr>
<td>Packaging</td>
<td>Manufacturing</td>
<td>Packaging</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Finance</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Finance</td>
<td>Executive Team</td>
<td>Finance</td>
</tr>
</tbody>
</table>

Develop Metrics

<table>
<thead>
<tr>
<th>Regional S&amp;OP</th>
<th>WW S&amp;OP</th>
<th>Executive Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Service Level</td>
<td>• Service Level</td>
<td>• Service Level</td>
</tr>
<tr>
<td>• Stock Availability</td>
<td>• Stock Availability</td>
<td>• Stock Availability</td>
</tr>
<tr>
<td>• Inventory</td>
<td>• Inventory</td>
<td>• Inventory</td>
</tr>
<tr>
<td>• Other COGS/Costs</td>
<td>• Other COGS/Costs</td>
<td>• Other COGS/Costs</td>
</tr>
<tr>
<td>• Forecast Accuracy</td>
<td>• Packaging schedule and cost performance</td>
<td>• Packaging schedule and cost performance</td>
</tr>
<tr>
<td>• Packaging schedule and cost performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Where we are today

- Region S&OP(s) being held monthly
- Global S&OP being held monthly
- Commit to Forecast meetings being held monthly
- Packaging D&OP(s) local meetings
- Manufacturing D&OP(s) local meetings

S&OP: Sales Trend

Comparing Logility statistical forecast to Marketing / Sales input
S&OP: Production plan and projected inventory

Accessing of current production plans vs. requirements

Impact to inventory levels

S&OP: Inventory Profile & gap analysis

Accessing of current production plans vs. requirements

Impact to inventory levels
**Customer Service Metric**

![Image of a bar chart showing customer order line items filled in X-days.]

**Commit to Forecast Meeting**

**Key Deliverables**
- Collect sales and market input
- Develop a demand plan
- Refine demand consensus

**Current Process**
- Review Annual projections
  - Marketing submission
  - Logility statistical forecast
  - 6 month moving average trend
  - 3 month moving average trend
- Year over year change
- Long term Sales Projection
- Document forecast alignment concerns / issues
Next Steps

Integrate S&OP with manufacturing and packaging reviews

Metrics on supply performance

Product introduction & discontinuation discussions

Risk assessments

Identify opportunities

Questions?