



Aberdeen *Group*

The Sales and Operations Planning Benchmark Report

Leveraging S&OP for Competitive Advantage

June 2004

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Executive Summary

This report determines the implications of S&OP business practices, application technologies, analytics, and organizational alignment on competitive performance. The success strategies and actions taken to overcome challenges by best-of-breed performers provide a benchmark for comparison and provide the reader with a fact-based case for action.

Key Business Value Findings

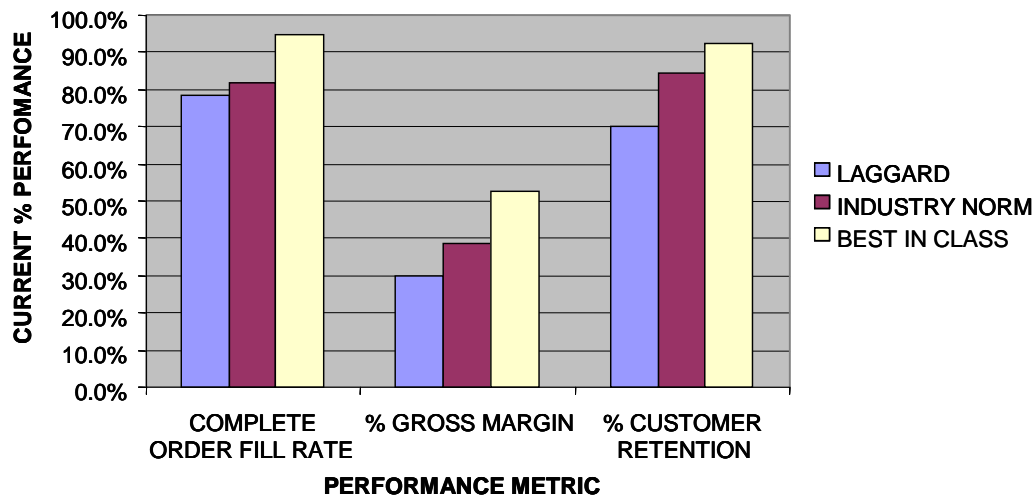
In a marketplace of constant change, sales and operations planning (S&OP) has become one of the most critical business processes required to enable companies to achieve profitable growth. S&OP strategies accomplish this goal by helping companies to make “right-timed” tactical planning decisions on the best combination of customers, products, and markets to serve within the normal tactical planning period of four weeks to as long as two years.

More than 70% of respondents to Aberdeen’s survey indicated that they are actively engaged in enhancing their existing S&OP capabilities. These respondents are driven mainly by a combination of shrinking profit margins, a slowdown in business growth, and competitive pressures.

Many enterprises today have continued expectations that improving S&OP practices drives key performance gains across the value chain — from sales and marketing, through distribution and manufacturing, and procurement. Very few enterprises today have no S&OP process to align demand and supply.

There is a growing gap in business performance between those enterprises that are focusing on a holistic S&OP strategy and those enterprises that operate S&OP tactically.

S&OP Practices Are a Prime Determinant of Business Performance



Source: Aberdeen Group, June 2004

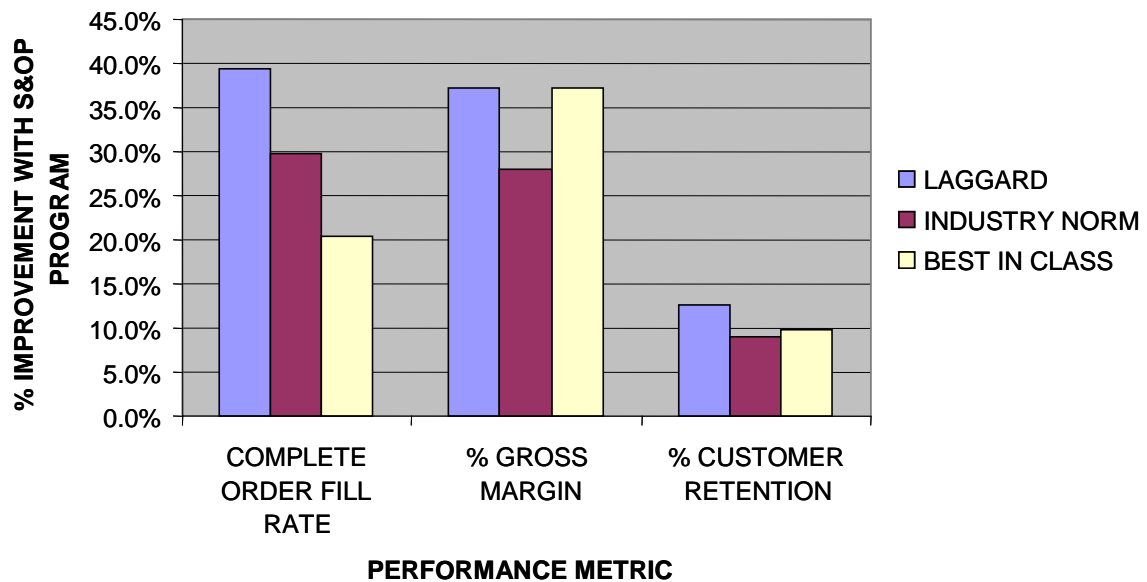


The enterprises with the best performance consistently display a common set of characteristics and capabilities different from weaker performers:

- *Profit focus* — plan and measure for profit and not just supply/demand volume balancing
- *Value chain focus* — includes decision makers both inside and outside of the enterprise
- *Continuous improvement* — systematically assessing and improving assumptions and the S&OP process against actual results
- *Decision making* — S&OP teams are empowered to change initial Demand and Supply Plans
- *Technology enablers* — integrating business intelligence, decision support and transaction systems as part of the S&OP infrastructure
- *Risk management* — multiple contingency and “what-if” simulations rather than a single pass through determination for the supply/demand plan

Although companies leveraging best S&OP practices have experienced the best overall performance, S&OP programs have generated significant positive improvements in gross margin, complete order fill rate, and customer retention for participants at all stages of S&OP practices.

S&OP Programs Drive Significant Benefits from All Starting Points



Source: Aberdeen Group, June 2004



Implications and Analysis

The value of an S&OP program is demonstrated by the fact that virtually all participants, across all company sizes and industries, generated major positive impact on at least 2 of the key business performance metrics.

Internal difficulties have presented the greatest challenges to the approval and implementation of an S&OP program. Successful companies consistently leverage broader team based approaches and value chain relationships to push these programs forward.

Key Challenges and Success Strategies

Key Challenges	Key Success Strategies
Misaligned organization structure	Executive order
Budget constraints	Interdisciplinary implementation teams
Lack of active executive support	Collaboration with customers
Lack of credible competitive benchmarks	Collaboration with suppliers

Source: Aberdeen Group, June 2004

Recommendations for Action

Aberdeen recommends that enterprises take the following actions to improve S&OP operations and business performance:

- Migrate toward an S&OP strategy and weekly, event driven metrics that target profit and are value chain centric.
- Leverage the capabilities and influence of customers and suppliers to expand the scope of potential improvements.
- Implement a rigorous program of documented plan/execute/monitor to continuously challenge base assumptions, processes, and technologies; this should include benchmarking your performance against industry best of class.
- Implement a single unconstrained demand forecast across all operations and finance.
- Develop and implement a technology enabler strategy that leverages transaction, decision support and business intelligence capabilities in a “right time” environment.
- Embed contingency and “what-if” simulations to ensure that there is clarity on how to respond when the actual demand and/or supply proves different from plan.



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Chapter One: Issues at Hand

Key Takeaways

- Shrinking profit margins and slowing growth are forcing companies to develop improved S&OP strategies to profitably satisfy selected demand.
- Market volatility is increasing the financial and customer service risk of inflexible and reactive S&OP strategies.
- Enterprise strategies that include suppliers as part of extended value chain strategies are increasing the value of collaborative approaches to mitigating market risk and integrating internal operations.
- Shrinking product life cycles are requiring more proactive, timely, and effective decision making on targeting the right product marketplace.

The last few years have seen a sharp acceleration in a set of marketplace trends that are putting growing pressure on traditional methods used to align enterprise demand and supply:

- Increased consumer demand for customized and configured solutions are rapidly increasing market volatility and pressuring predictability.
- Erosion of brand loyalty and growing global competition are causing a slowdown in traditional price increases, leading to shrinking gross profit margins.
- Following the explosive growth of the '90s, growth in developed countries has contracted sharply, and growth in developing nations is fraught with volatility and political and economic uncertainty.

This situation has caused significant pressure on enterprises to focus their scarce resources on the best customers, markets, products, and channels while continuously monitoring this volatile environment.

Sales and operations planning (S&OP) is the set of business processes and technologies that enable enterprises to determine the best alignment of demand and supply, over the normal tactical planning period of four weeks to as long as two years.

S&OP is normally based on selecting these best choices from a fixed set of value chain manufacturing and distribution nodes.

One result of these trends has been an increase in the risk and cost of poor decision making, especially in the area of aligning demand and supply. Whereas, historically, misalignment of demand and supply in the S&OP process could result in excess inventory, this was usually just a matter of time to sale, and generally not price discounted. Similarly, producing too little of a specific product usually drove the customer to select an alternative product, rather than losing the sale altogether.

The emerging environment is much riskier and less forgiving, with excess inventory frequently forced to be disposed of at severe discounts, hopefully in noncompeting chan-



nels. Unsatisfied customer demand now runs the real risk of lost primary and complementary sales.

S&OP Emerges as the Primary Weapon for Enterprise Profitability

Pressure has grown increasingly on the S&OP process as the single most important competitive weapon for ensuring that the enterprise is profitably servicing the right customers, through the right channels, with the right products.

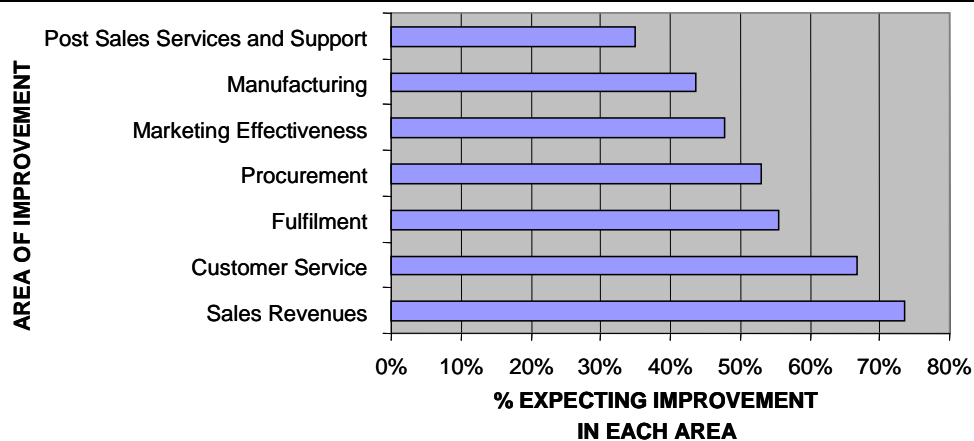
This pressure will only increase in the future as the global drive to strategic and tactical outsourcing compels enterprises to more rapidly and effectively integrate internal operations in order to be a more valuable trading partner.

The continuing compression in product life cycles has increased the need to quickly target and reinforce marketplaces with the greatest initial uptake of new or enhanced products. This requires a much more refined segmentation of the customer, channel and geographical marketplace, and the increased ability to be able to determine the profit optimal demand and supply trade-offs.

The continuing fragmentation of the market, combined with major pressure to eliminate “just in case” inventory and capacities, forces a whole new factor into the mix: the growing determination to support only those customers that are profitable. No longer is the S&OP process seen only as a means to satisfy unconstrained demand at the lowest cost — there is now emerging a strong assessment that not all demand should be satisfied and that profitability, and not just volume maximization, should define the successful program.

More than 70% of Aberdeen respondents indicated that they are or will shortly be improving their S&OP processes and technologies to better arm the enterprise competitively. As indicated in Figure 1, the majority of respondents indicated that they expect an enhanced S&OP program to materially improve operational performance across the value chain, from sales to procurement.

Figure 1: Expected Areas of Improvement from S&OP



Source: Aberdeen Group, June 2004

Chapter Two: Key Business Value Findings

Key Takeaways

- S&OP practices are a prime determinant of business performance.
- There is a growing gap in business performance between those enterprises that are focusing on a holistic S&OP strategy and those enterprises that operate S&OP tactically.
- S&OP programs drive significant performance gains in all industries, all company sizes, and at all stages of S&OP practices.
- Successful enterprises choose strategies focused on profitability, integration, proactive and contingency planning and closed-loop decision making.

Aberdeen research indicates that companies that leverage S&OP Best Practices clearly outperform those whose S&OP practices are less focused or robust. These findings hold across all industries and sizes of companies analyzed. Companies that use better S&OP practices may also leverage other best practices that may also explain, in part, their superior performance. Nonetheless, there is an explicit and clear relationship between the quality of an S&OP program and current business performance.

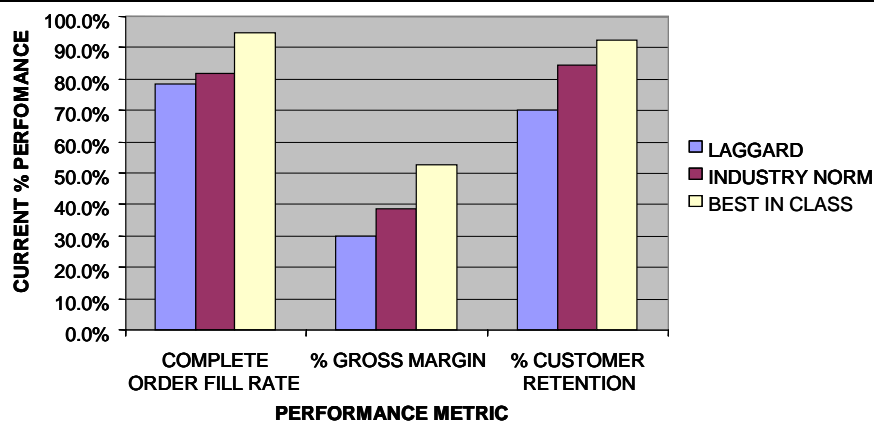
The Aberdeen Competitive Framework defines enterprises as falling into one of the three following levels of S&OP practices and performance (Figures 2 and 3):

Laggards (30%) — S&OP practices that are significantly behind the average of the industry, and result in below average performance

Industry norm (50%) — S&OP practices that represent the average or norm, and result in average industry performance.

Best in class (20%) — S&OP practices that are the best currently being employed and significantly superior to the industry norm, and result in the top industry performance.

Figure 2: S&OP Practices Are a Prime Determinant of Business Performance

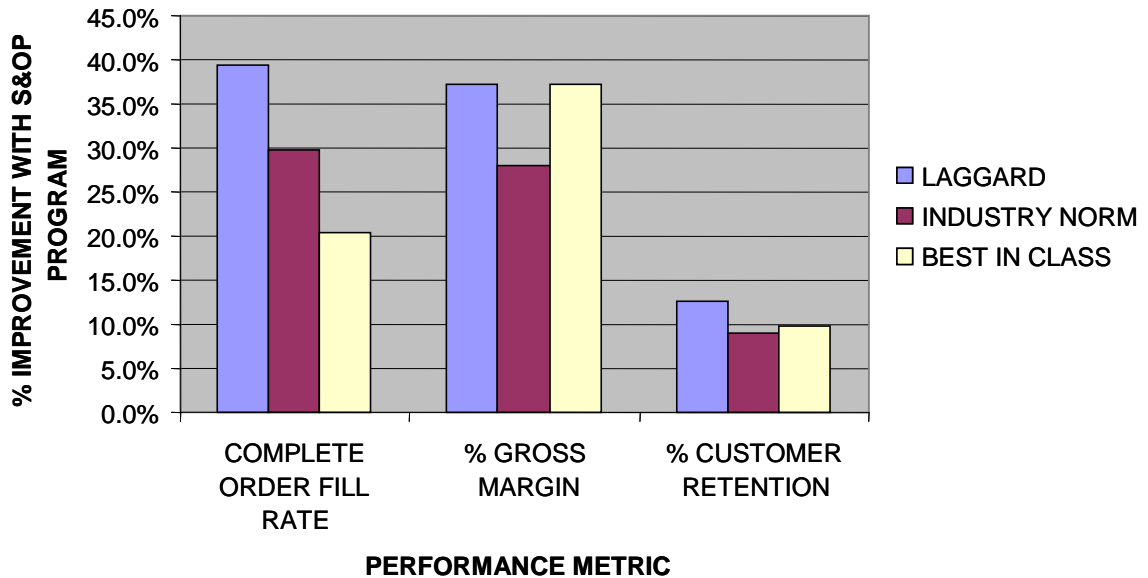


Source: Aberdeen Group, June 2004



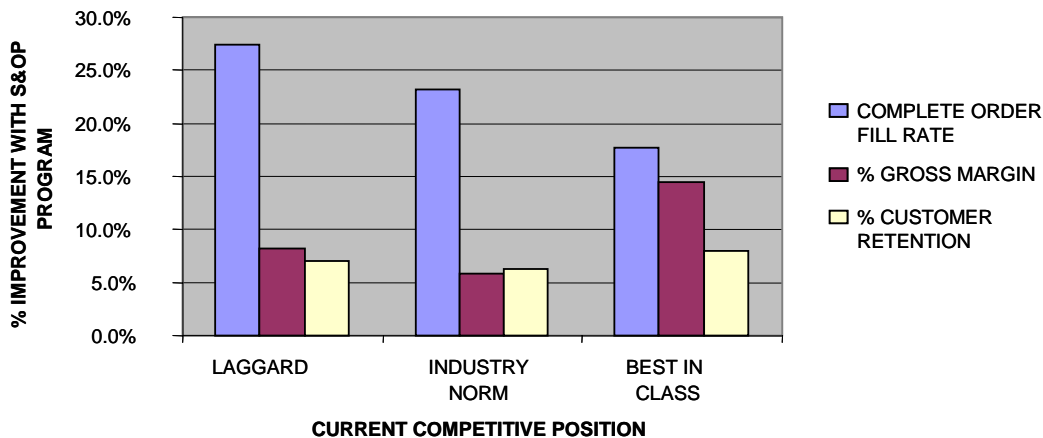
Although companies leveraging best S&OP practices have experienced the best overall performance, S&OP programs have generated significant positive improvements in gross margin, complete order fill rate, and customer retention for participants at all stages of S&OP practices. As may be expected, the lower the starting point of performance, the greater the improvement as the result of an S&OP program (Figure 4).

Figure 3: S&OP Programs Drive Significant Benefits from All Starting Points



Source: Aberdeen Group, June 2004

Figure 4: S&OP Programs Drive Dramatic Improvements

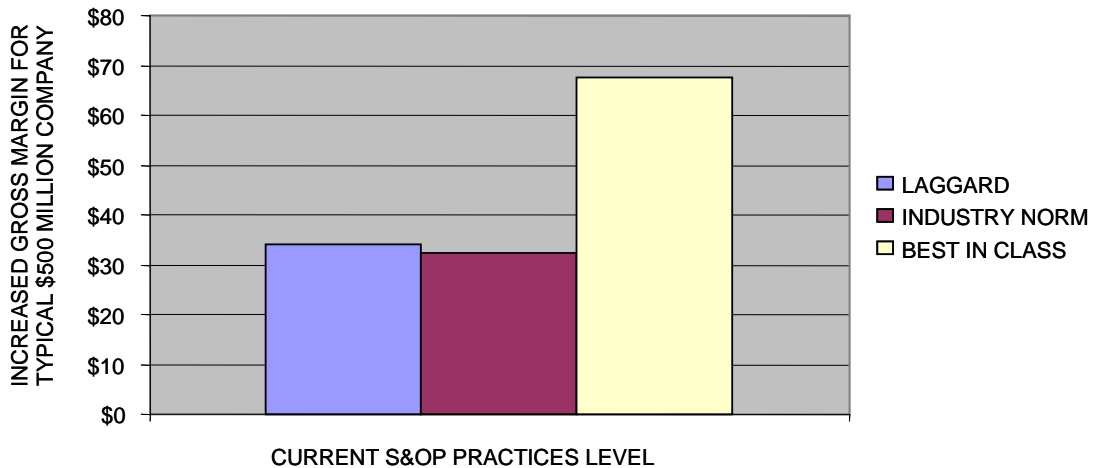


Source: Aberdeen Group, June 2004



The analysis further indicates that S&OP programs are likely to generate sufficient increased profit from improvements in gross margin alone to fully justify undertaking these programs. These results hold across all levels of S&OP practices (Figure 5).

Figure 5: Increased Gross Profit from Improved Gross Margin Alone



Source: Aberdeen Group, June 2004

Aberdeen research further indicates that successful companies consistently deploy specific and different strategies to drive competitive advantage and superior performance through S&OP.

Aberdeen Group uses the following market-centric PACE Framework (pressures, actions, capabilities, and enablers) to illustrate the components of a comprehensive S&OP program:

- *Prioritized pressures* — Market pressures and forces external to the enterprise, in order of impact that are compelling the enterprise to develop or refine their S&OP strategies and technologies. Identification of these drivers is key to monitoring those market forces most relevant to the selection of the most appropriate S&OP strategies.
- *Prioritized actions* — S&OP business strategies selected by the enterprise in order of expected positive impact on business performance to address these disruptive market pressures. Selection of the most appropriate S&OP strategies has the most profound impact on expected business performance.
- *Prioritized capabilities* — S&OP business capabilities and process enablers deployed by the enterprise in order of prioritized ability to ensure the success of the prioritized strategies.
- *Prioritized enablers* — S&OP technology solutions selected by the enterprise in prioritized order of most effective leverage and enabling of S&OP strategies and capabilities.



Table 1 indicates the prioritized PACE framework consistently selected by enterprises displaying best-in-class S&OP practices and performance.

Note that the table should be interpreted with each column as a separate set of prioritized vertical results and should not “read” horizontally.

**Table 1: PACE Framework: Sales and Operations Planning**

Priorities	Prioritized Pressures	Prioritized Actions	Prioritized Capabilities	Prioritized Enablers
1	- Shrinking % profit margins	- Iterate profitable demand/supply	- Closed-loop performance management	- Integrated sales and operations planning
2	- Slowdown in business growth	- Optimize total delivered cost	- Identify most valuable customers, markets, products	- Demand forecasting/planning
3	- Customer retention competitive pressures	- Optimize revenue growth	- Automation of manual data-driven processes	- Supply chain planning
4	- Rising customer order fill rate expectations	- Leverage market price elasticity	- Real-time decision making	- Automated alerts
5	- Complexity caused by growth in new products	- Set demand volume; then balance capacity	- Collaboration with customers	- Manufacturing planning

Source: Aberdeen Group, June 2004

Priority Strategy: Integrate Demand/Supply to Optimize Profitability

This is the most advanced way of using S&OP to drive business value of the prioritized strategies and requires the harmonization of a number of key elements:

- *Profit based* — The objective of the analysis is to optimize profitability and not just revenues or least delivered cost. This process involves establishing a target profit and having the detail in cost and product information to make detailed trade-offs amongst alternative marketplace and supply alternatives. The most advanced processes leverage price elasticity of demand in determining marketplace conditions, and include a layered approach to capacity utilization and direct and indirect costs.
- *Demand/supply integration* — Although most analysis starts with a demand forecast unconstrained by supply availability, the analysis is based on determining the best combination of demand and supply to drive profitability. This is a very different exercise than seeking the best supply answer to a fixed demand, as the analysis takes into account the ability of excess supply to impact on the optimal demand to be sourced – a two-way street.

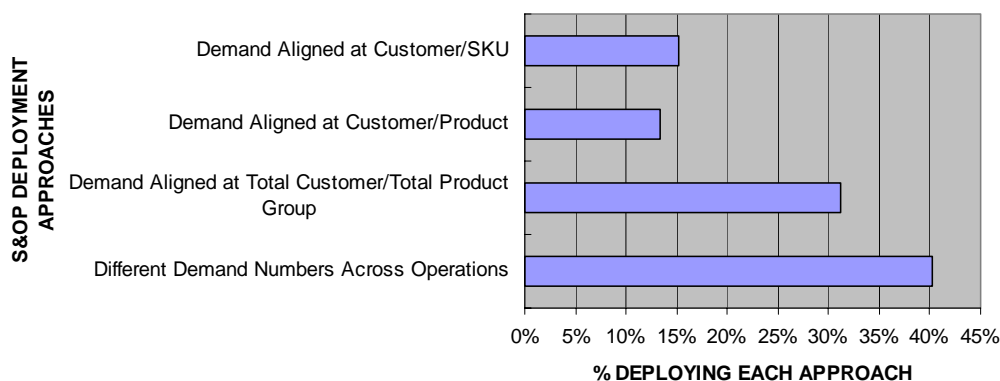


- *Iteration and contingency planning* — Although most S&OP plans emerge as the result of a number of iterations around assumptions of expected demand and supply performance, contingency planning is used to determine what are the vulnerabilities of the enterprise’ ability to perform based on significant and unforeseen demand and supply actualities. This gives the enterprise a much more flexible and well understood means for dealing with unexpected – but not unplanned for – circumstances.
- *Root cause analysis* — One of the most critical elements of a highly successful S&OP strategy is the ability to perform Root Cause Analysis — to determine precisely which action/decision/event was the true cause of the actual versus planned performance. Aberdeen research has determined that in many, if not most cases, the actual cause of performance differences lies outside of the specific activity where it is being measured. This is becoming increasingly the case as the drive for accelerated value chains and distributed enterprises reduce systemic “rubber” and mask true “cause and effect.” Best-in-class companies leverage business analytics and detailed data bases to effect root cause identification, and then cycle the results into the S&OP planning process.
- *Integrated technology capabilities* — To effectively plan and execute against these challenging requirements, enterprises need to ensure that the different technology components — transactions, decision support systems, business analysis, and performance dashboard reporting technologies — operate in a more seamless fashion. These technologies blend to enable the desired closed-loop decision-making cycle of plan/execute/monitor that is critical to driving a continuously enhanced S&OP program and performance.

Key S&OP Practices Findings

Nearly half of respondents used different demand numbers across the value chain, and only 17% deployed the best practice of analyzing S&OP down to the SKU level at each customer (Figure 6).

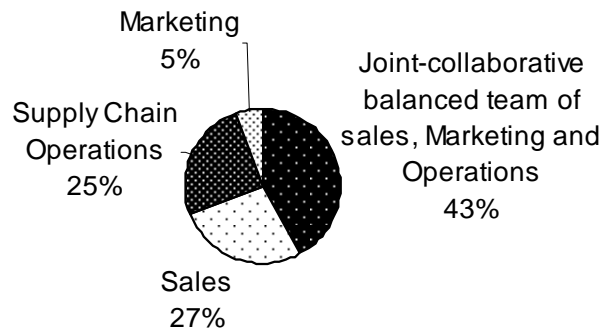
Figure 6: Only 15% Deploy Optimal Customer/SKU S&OP Planning



Source Aberdeen Group, June 2004

Almost half of respondents deploy integrated S&OP teams, including virtually all who are engaged in best-in-class S&OP practices and nearly half of those who are currently operating at the industry norm (Figure 7).

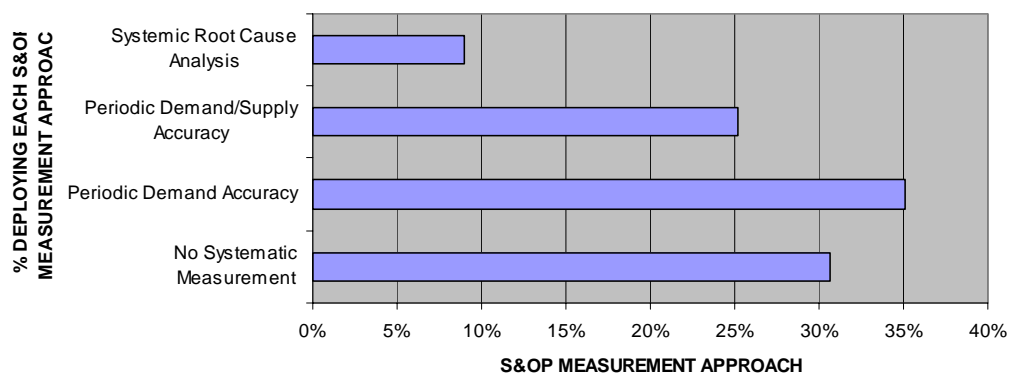
Figure 7: Integrated Value Chain Teams Preferred to Drive S&OP



Source Aberdeen Group, June 2004

Sixty-five percent of respondents either did not measure performance or restricted measurement to demand accuracy (Figure 8). Only about 30% of best-in-class companies performed root cause analysis, with the rest focused on periodic demand/supply accuracy. This is a significant area for improvement because without a more systematic and rigorous understanding of plan failure and success, future improvements are severely limited.

Figure 8: Only 10% of Enterprises Deploy Systematic Root Cause Analysis of S&OP Plan Accuracy



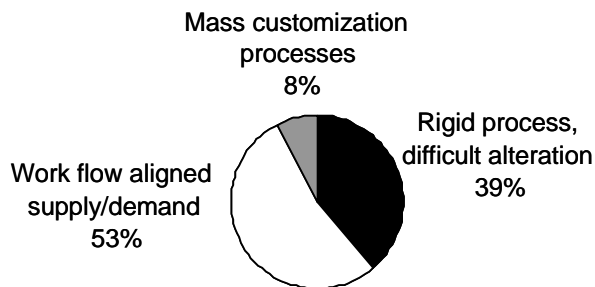
Source Aberdeen Group, June 2004

Less than 10% of respondents have efficient mass customization processes in place (Figure 9). With the widespread growth in demand for end-consumer and customer customization of products, packaging and distribution, S&OP programs can significantly im-



prove the enterprise' ability to focus on the most profitable and strategic customers, channels, products, and procurement.

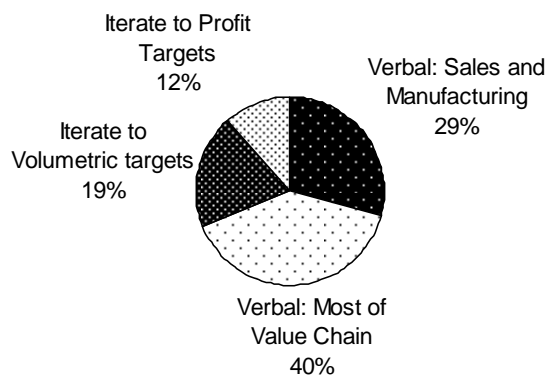
Figure 9: Few S&OP Processes Are Designed to Support Mass Customization Requirements



Source Aberdeen Group, June 2004

For less than 15% of respondents, but for 70% of best-in-class performers, the S&OP process is targeted or iterated to a range of profitability. In most cases the approval process is verbal, without written documentation of the assumptions and decisions that resulted in the agreed to S&OP plan (Figure 10). This makes continuous improvement much more difficult.

Figure 10: Few S&OP Plans Iterate to Profit Targets



Source Aberdeen Group, June 2004

Chapter Three: Implications and Analysis

Key Takeaways

- S&OP performance gains vary considerably across industries and company sizes, but all experienced major gains in % gross margin, % complete order fill rate, and % customer retention.
- The greatest challenges to a successful S&OP program are internal.
- Actions taken by best performing enterprises to overcome these challenges leverage both internal integration and key trading partners' requirements and demands.

This chapter displays the detailed results of the S&OP overall performance previously reported segmented by industry and by company revenue in order to determine the impact of these key market variables on the success of S&OP programs.

The specific challenges encountered by enterprises in seeking to deploy S&OP programs are identified and prioritized, as well as the actions taken by best-in-class companies to overcome these difficulties.

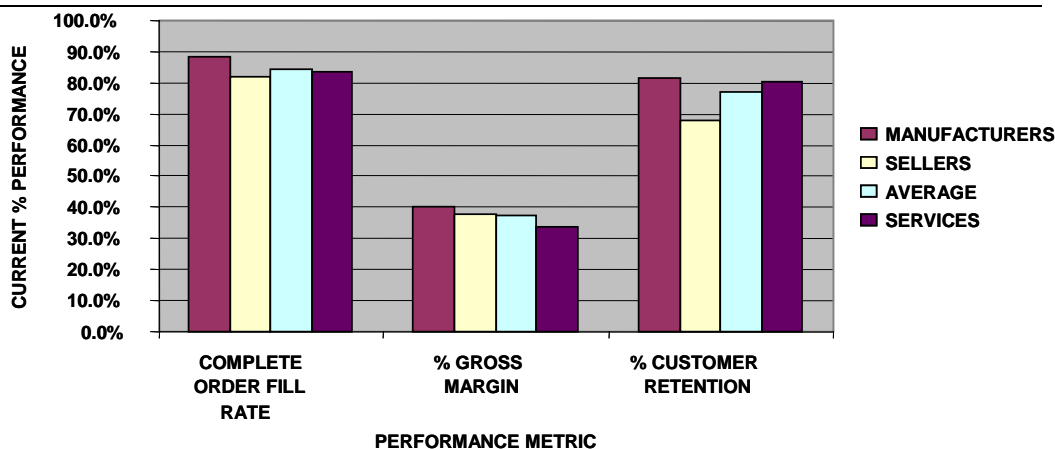
S&OP Performance: Variability by Industry

The analysis segmented the respondents into three different industry groups:

- *Sellers* — consisting of retailers, wholesalers, and distributors
- *Manufacturers* — consisting of prime and contract manufacturers
- *Services* — consisting of service providers, such as 3PL/4PL and post-sales service providers

The results displayed in Figure 11 indicate that manufacturers are currently experiencing the best overall business performance.

Figure 11: Current Performance across Industries

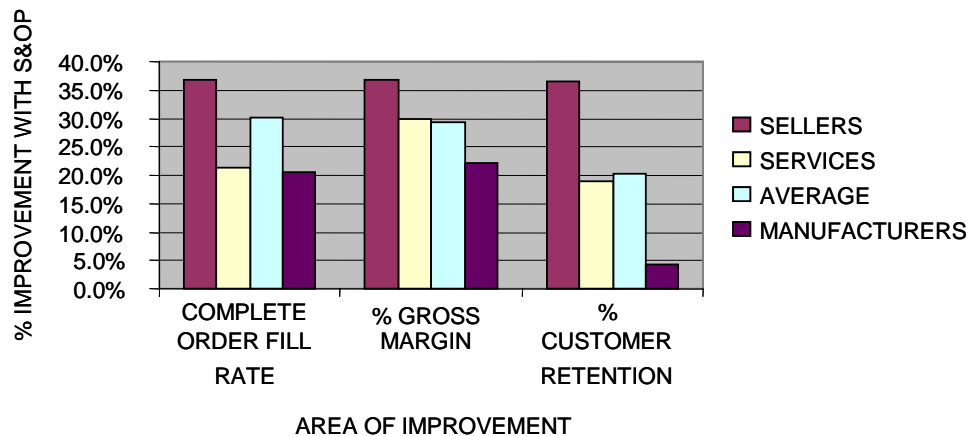


Source Aberdeen Group, June 2004



All industries benefited significantly from S&OP programs, with the scale of improvement paralleling the level of capital intensity and/or proximity to the end-consumer (Figure 12).

Figure 12: All Industries Improved Their Gross Margin by at Least 20%



Source Aberdeen Group, June 2004

S&OP programs were almost universally successful across virtually all participants in each industry analyzed, especially in improving gross margin and order fill rate.

S&OP Performance: Variability by Revenue

The analysis segmented the respondents into 3 different sizes, based on annual revenues:

- Larger (22%): revenues in excess of \$1.0 billion
- Medium (30%): revenues between \$100 million and \$1.0 billion
- Smaller (48%): revenues below \$100 million

Larger companies are currently experiencing the best overall business performance partially owing to the fact that these larger companies tend to have a more strategic and developed set of S&OP strategies and practices (Figure 13).

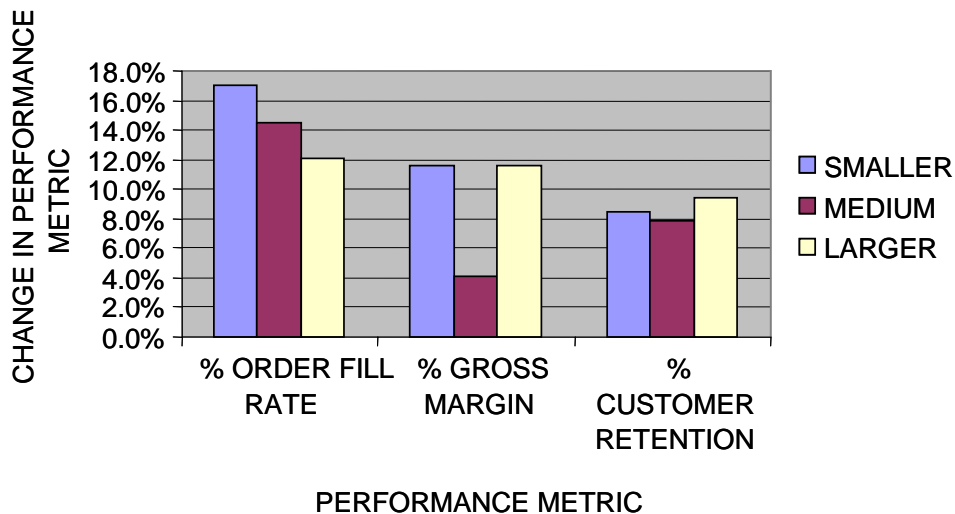
Figure 13: Larger Companies Enjoy Higher Gross Margins



Source Aberdeen Group, June 2004

Although smaller companies' current performance lags that of larger companies, the evidence indicates that smaller companies proportionately benefit the most from the introduction of an S&OP program (Figure 14).

Figure 14: Smaller Companies Experienced the Largest Absolute Performance Gains



Source Aberdeen Group, June 2004

For all company sizes, the introduction of an S&OP program has yielded significant improvement in business metrics for nearly all of the participants.



Key Challenges:

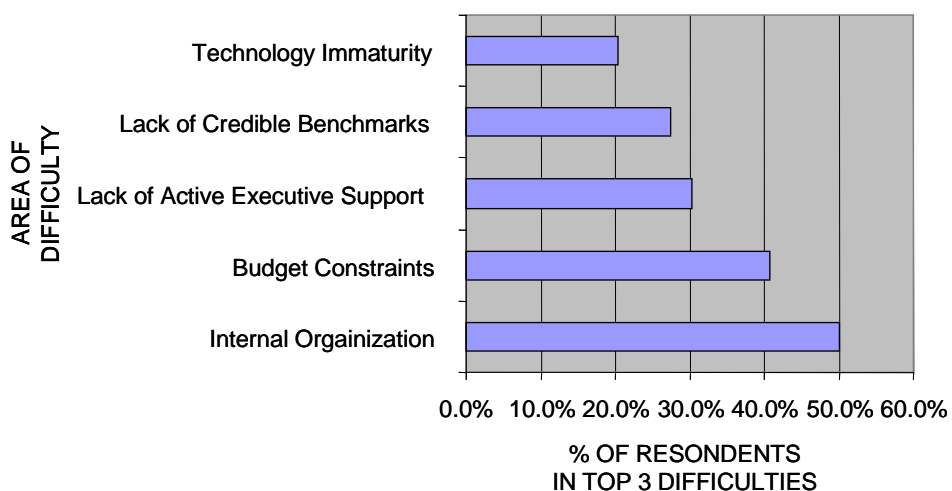
The challenges that appear most frequently and with the greatest negative impact are those most closely associated with internal factors (Figure 15). There was no meaningful difference in the priority of challenges faced by the best-in-class companies, compared with those with industry average or trailing S&OP practices (Table 2).

Table 2: Key Challenges and Success Strategies

Key Challenges	Key Success Strategies
Misaligned organization structure	Executive order
Budget constraints	Interdisciplinary implementation teams
Lack of active executive support	Collaboration with customers
Lack of credible competitive benchmarks	Collaboration with suppliers

Source Aberdeen Group, June 2004

Figure 15: Internal Are Prioritized Difficulties in S&OP Progression



Source Aberdeen Group, June 2004

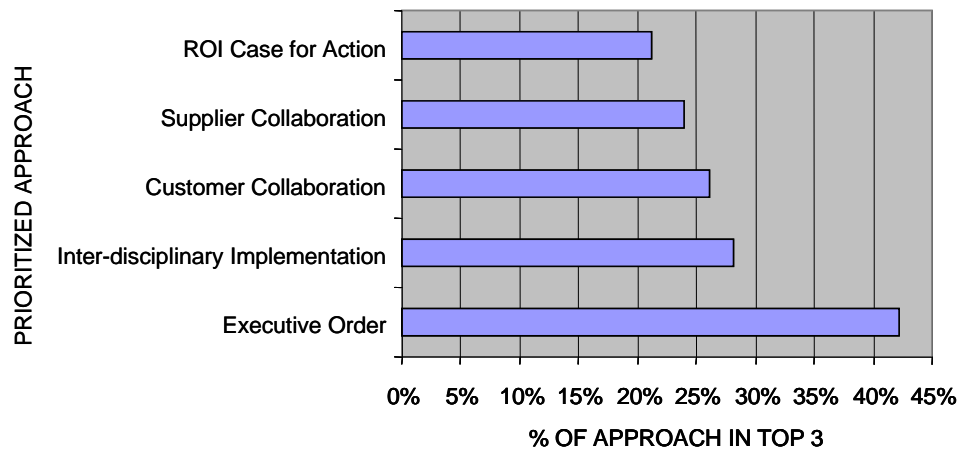
Key Success Actions

The successful actions taken by best-in-class enterprises to overcome these difficulties tend to fall into three categories:

- Executive directive
- Collaboration with trading partners
- Securing broader internal value chain team implementation support



Figure 16: Internal and External Leverage Key to Overcoming Challenges



Source Aberdeen Group, June 2004

The most interesting element here is the leverage that successful companies were able to draw from trading partners to help facilitate decisions to move forward with S&OP initiatives. This is a key finding, as it indicates the potential to use the needs and requirements of customers and suppliers to help drive S&OP initiatives (Figure 16).

This finding also clearly indicates, in actions by successful companies, that all value chain participants are becoming increasingly aware of the risks (and opportunities) to themselves inherent in customers' and suppliers' weak S&OP processes.

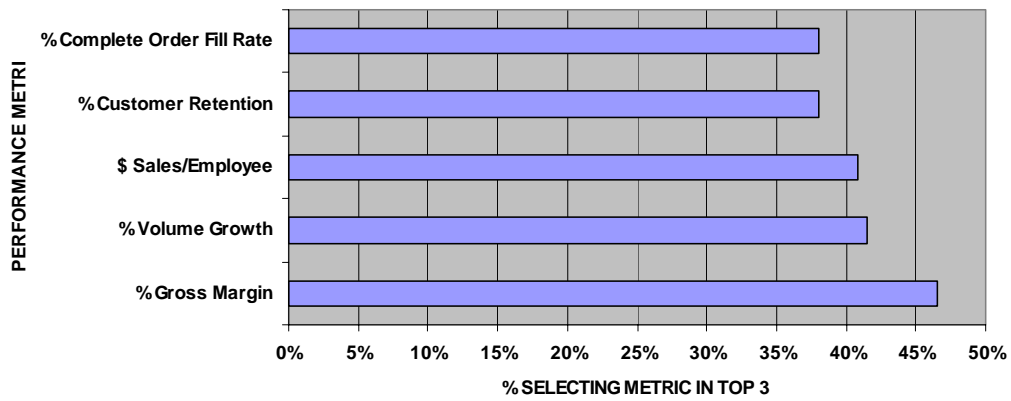
Implications for Business Metrics

The drive for S&OP competitive advantage has spurred a rethinking of the key business metrics used to define and determine the success of the S&OP program (Figure 17). Traditional metrics have tended to be single function specific (such as sales forecasting accuracy) and involve volumetric types of measurement, such as actual versus planned sales volumes.

The emerging best metrics, such as gross margin, span the implications of the two-way impact of demand and supply decisions, rather than having separate and unrelated metrics for each. These preferred metrics are also beginning to include the measurement of the effectiveness of leveraging key human resources.



Figure 17: Integrated/Value Chain Metrics Are Preferred



Source Aberdeen Group, June 2004



Chapter Four: Recommendations for Action

Key Takeaways

- The more successful enterprises focus their S&OP on profitability, continuous improvement, and empowered decision making from an integrated business information architecture.
- S&OP improvement strategies should include decisions based on profitability, include key trading partners, include a rigorous documented plan/execute/monitor workflow, and embed contingency and “what-if” simulations to manage risk.

The S&OP Competitive Framework outlined below provides a framework for enterprises to determine their relative competitive position, and, therefore, determine the most appropriate future course of action. This Framework is based on research that has indicated that there are six characteristics that combine to determine the effective and efficiency of an S&OP strategy:

- *Process* — the basic business process being used in the S&OP program
- *Organization* — the organization of the S&OP team, both in terms of formality, mandate and authorization
- *Resource effectiveness* — scope of resources included in the analysis, from scale of business to type of fixed and operating assets
- *Business information architecture* — types of core technologies relied upon and the degree of operational integration involved.
- *Decision making* — the scope of the decision-making process in terms of the value chain entities included and the degree of separate versus integrated decision making
- *Collaboration* — the degree to which the S&OP process includes collaborative interaction within the enterprise’ functional areas, as well as with trading partners.

In the competitive framework, as enterprises improve their capabilities they move from left to right across the framework, with a corresponding improvement in business and financial performance.



Table 3: S&OP Competitive Framework

	Laggards	Industry Average	Best in Class
S&OP Process	Infrequent, limited to volume balancing, limited number of iterations	Monthly, includes some cost optimization, iterate until in demonstrated balance	Multiple times per month and event-driven, profit-based, iterate until profit target reached
S&OP Organization Structure	No formal integrated S&OP team with authority	S&OP Team includes named individuals, limited authority to change sales or supply plans	S&OP is a core integrated team, authorized to adjust sales and supply plans
S&OP Resource Effectiveness	Based primarily on strategic business unit (SBU) manufacturing capacity balancing to demand	Based on an SBU combination of supply chain capacity balancing plus finished inventories	Based on a multi-SBU combination of supply chain capacities and inventories
S&OP Business Information Architecture	Spreadsheets plus some individual demand and supply planning applications	Demand planning applications feeds supply chain planning; also manufacturing and distribution planning linked dataflow	Profit optimization applications, integrated to balanced demand and supply applications.
S&OP Organizational Decision Making	S&OP decisions really made separately at the sales and supply areas with limited alignment	S&OP decisions require joint decisions of sales and manufacturing	S&OP decisions include marketing, distribution and procurement, as well as sales and manufacturing and finance.
S&OP Internal and External Collaboration	No cross functional integration, business systems are islands, little workflow integration	Integration between core ERP and at least one important business process point solution	Achieved real-time business process and technology integration for at least one critical operational business processes.

Source Aberdeen Group, June 2004

The study discerned the following success factors that are common to enterprises achieving the greatest benefit from their S&OP strategies and which achieved best-in-class performance in the competitive framework:

- *Profit focus* — plan and measure for profit and not just volume balancing
- *Value chain focus* — includes decision makers across the value chain
- *Continuous improvement* — systematically assessing and improving assumptions and the S&OP process against actual results
- *Decision making* — empowering S&OP teams to change initial demand and supply plans



- *Technology enablers* — integrating business intelligence, decision support, and transaction systems
- *Being proactive* — multiple contingency and “what-if” simulations rather than a single pass-through determination

Key Recommendations

Aberdeen recommends that enterprises take the following actions to improve S&OP operations and business performance:

- Migrate toward an S&OP strategy and weekly, event driven metrics that target profit and are value chain centric
- Leverage the capabilities and influence of customers and suppliers to expand the scope of potential improvements
- Implement a rigorous program of documented plan/execute/monitor to continuously challenge base assumptions, processes and technologies, including benchmarking against best-in-class enterprises
- Implement a single unconstrained demand forecast across all operations and finance (often called a consensus forecast)
- Develop and implement a technology enabler strategy that leverages transaction, decision support, and business intelligence capabilities in a “right time” environment
- Embed contingency and “what-if” simulations to ensure that there is clarity on how to respond when the actual demand and/or supply proves different from plan

These actions provide a programmatic approach for enterprises seeking to gain competitive advantage from their S&OP strategies.



Featured Sponsors



Logility: The S&OP Experts

Financially stable and debt free, Logility provides collaborative software solutions that optimize the supply chain. With a robust history of delivering comprehensive solutions that implement quickly and require minimal IT support, Logility has more than 400 customers worldwide, many of which have streamlined their sales and operations planning processes with Logility Voyager Solutions™.

Logility Voyager Solutions enable continuous business plan alignment for greater visibility of corporate performance, consistent accountability across the organization and more flexibility to adapt quickly to dynamic market conditions. Logility brings together disparate demand, supply, production, distribution, financial, sales and marketing plans to continuously synchronize supply and demand giving you the insight needed to achieve your corporate goals. With an Internet-based, collaborative framework that incorporates performance management and configurable sales and operations planning (S&OP) templates, Logility builds rigor and repeatability while accelerating the S&OP process. With a structured collaborative S&OP process, decision makers can evaluate alternatives based on a more accurate assessment of the business, improve the effectiveness of midcourse corrections, and gain full visibility of the impact of decisions on corporate financial goals.

On a broader scale, Logility Voyager Solutions address supply chain challenges with performance monitoring capabilities in a single Internet-based collaborative framework, including supply chain visibility; demand, inventory and replenishment planning; supply and global sourcing optimization; transportation planning and execution; and warehouse management. The products can function independently or as an integrated solution to address a wide range of global supply chain management challenges. Logility Voyager Solutions can also work with ERP systems or other supply chain management systems.

Hundreds of customers in distribution-intensive markets, such as consumer goods, apparel, specialty retail, and aftermarket service parts, turn to Logility to help run their businesses, including Bissell, ConAgra, Huhtamaki UK, Katun Corporation, McCain Foods, Mill's Pride, Pernod Ricard, Rand McNally, Sigma Aldrich, VF Corporation and xpedx. Most Logility customers realize substantial bottom-line results in record time. Typical benefits include increased revenues, reduced inventory costs, improved sales forecast accuracy, decreased order cycle times, optimized production scheduling, streamlined logistics operations, reduced transportation costs, and improved customer service.

For more information about Logility and its ability to help companies support S&OP processes, please call (404) 261-9777 or visit www.logility.com.



ORACLE®

Oracle's integrated supply chain planning solution helps organizations become more profitable by allowing them to make better decisions and to optimize the flow of materials, cash, and information across the supply chain. Oracle's extensive family of Supply Chain Planning applications include Demand Planning, Advanced Supply Chain Planning, Collaborative Planning, Inventory Optimization, Manufacturing Scheduling, Transportation Planning, and Global Order Promising and enables processes such as Sales and Operations Planning (S&OP) and Collaborative Planning, Forecasting and Replenishment (CPFR.)

Today, leading companies such as Alcoa, AT&T Wireless, and NCR utilize Oracle's Sales & Operations Planning (S&OP) solution to balance supply and demand and synchronize all operational plans. Oracle's comprehensive Sales & Operations Planning (S&OP) solution is based on best practices and provides the following capabilities:

- *Demand Hub* — Capture all demand data in a central place; collaborate internally and externally
- *Consensus Forecasting* — Use analytics and intelligence to achieve one demand number
- *Balance demand, supply, and budgets* — Make allocation decisions while trading off service level and cost
- *Adapt and adjust to changing business conditions* — Adjust demand or supply as conditions change; drive continuous improvement
- *Integrated solution with built-in intelligence* — Out-of-the-box integration with ERP; integrated performance management

With Oracle's Sales & Operations Planning (S&OP) solution, you can:

- Capture all demand data in a central place, including marketing, sales, operations, POS, and financial data
- Determine new product plan and product mix
- Determine consensus forecast while collaborating with customers and suppliers
- Determine inventory targets and postponement strategies
- Determine supply plan
- Evaluate and adjust plans, and drive continuous improvement

With Oracle's integrated supply chain solutions, companies can build and execute from a single unified plan, reduce inventory costs, improve predictability of demand, respond better to unforeseen events, and make accurate delivery commitments. Oracle's Supply Chain Planning solution, part of the Oracle E-Business Suite, not only provides visibility and real-time supply-chain intelligence but also enables collaboration across the extended supply chain.

For more information on Oracle Supply Chain solutions, contact: Maha Muzumdar at 650-607-6647 or maha.muzumdar@oracle.com or visit oracle.com.



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Stan Elbaum is a senior vice president with AberdeenGroup, responsible for the development and deployment of Aberdeen's interactive environments and tools that leverage actionable research for our community. He has more than 20 years of experience at the executive level in industry, management consulting and software, as well as market research and brings a strong end user perspective to the Aberdeen Solutions.

Elbaum has been deeply involved in the development and implementation of S&OP processes and technologies in a variety of multi-national corporations in industries as diverse as consumer packaged goods, petrochemicals, high-tech, and the pulp and paper industry. He has been a leader in introducing S&OP strategies that are aimed at providing competitive advantage through the leverage of technology and the focus on proactive, profit-centric approaches.

Elbaum currently leads the Aberdeen research that focuses on performance management across the value chain and deeper research into the leverage of S&OP.



About Aberdeen Group

Aberdeen *Group*

Aberdeen Group's Fulfillment Practice

Companies' inbound and outbound processes are sliding more out of synch — with larger, slower inbound shipments and smaller, more frequent outbound shipments. Add to this a new level of compliance issues — government regulatory mandates like traceability and security plus retailer mandates like RFID and data synchronization — and you have a unique situation that supply chain managers must tackle.

- How do you redesign and operate a **reliable, cost-efficient supply chain** while the carpet of rules keeps shifting underneath?
- How do you achieve **continuous cost-improvement** while maintaining product and distribution quality and employee morale?
- How do you manage **new inventory and security risks** as you build a global portfolio of trading partners?
- How do you create a set of **logistics capabilities** that will drive value for the enterprise and become a competitive differentiator?

Aberdeen looks at fulfillment as a portfolio of potential solutions in the four focus areas of fulfillment operations:

- Trading partner coordination
- Material flow optimization
- Daily operational capabilities
- Operational excellence

Our History of Integrity:

Aberdeen was founded in 1988 to conduct fact-based, unbiased research that delivers tangible value to executives trying to advance their businesses with technology-enabled solutions.

Aberdeen's integrity has always been and always will be beyond reproach. We provide independent research and analysis of the dynamics underlying specific technology-enabled business strategies, market trends, and technology solutions. While some reports or portions of reports may be underwritten by corporate sponsors, Aberdeen's research findings are never influenced by any of these sponsors.



Appendix A: Research Methodology

Between May and June 2004, Aberdeen Group and *Global Logistics and Supply Chain Strategies* magazine examined the S&OP business procedures, experiences, and intentions of more than 200 enterprises in consumer goods, automotive, high-tech, industrial products, and other industries.

Responding demand and supply chain, and operations executives completed an online survey that included questions designed to determine the following:

- The degree to which S&OP strategies impacts corporate strategies, operations, and financial results
- The structure and effectiveness of existing S&OP management procedures
- Current and planned use of automation to aid these activities
- The benefits that have been experienced by enterprises that have successfully leveraged S&OP capabilities for competitive advantage
- The key challenges to implementing an S&OP program and the strategies to overcome these obstacles

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on S&OP strategies, experiences, and results.

The study aimed to identify emerging best practices for S&OP management and provide a framework by which readers could assess their own service parts management capabilities.

Responding enterprises included the following:

- **Job title/function** — The research sample consisted of C-level or higher executives (34%), directors (25%), and managers (41%).
- **Industry** — The research sample included respondents predominantly from manufacturing industries.
- **Geography** — Nearly all study respondents were from North America, although 70% are engaged in multinational or global operations.
- **Company size** — About 22% of respondents were from large enterprises (annual revenues above US\$1.0 billion), 30% were from midsize enterprises (annual revenues between \$100 million and \$1.0 billion), and 48% of respondents were from small businesses (annual revenues of \$100 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the *S&OP Benchmark Report*. Their sponsorship has made it possible for Aberdeen Group and *Strategic Logistics and Supply Chain Strategies* to make these findings available to readers at no charge.



Appendix B: **Related Aberdeen Research and Tools**

Related Aberdeen research that forms a companion or reference to this report includes:

- *The Trade Promotions Benchmark Report: Pouring Money into a Leaky Bucket* (March 2004)

Information on these and any other Aberdeen publications can be found at www.supplychainaccess.com or by e-mail at sca@aberdeen.com.

Aberdeen Group, Inc.

This research study is the result of research performed by Aberdeen Group.

Founded in 1988, Aberdeen Group is the trusted advisor to the Global 5000 for value chain strategies and technology advice. Through its continued benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help G5000 executives assess their value chain performance, develop improvement strategies, and select value chain solution partners.

Aberdeen delivers unbiased primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help G5000 executives accomplish the following:

- **Improve** the financial and competitive position of their businesses now
- **Prioritize** operational improvement areas to drive immediate tangible value to their businesses
- **Leverage** information technology for tangible business value

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- **Create demand** by reaching the right level of executives in companies where their solutions can deliver differentiated results
- **Accelerate sales** by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- **Expand customers** by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

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