



LORA CECERE
Founder
Supply Chain Insights

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The Truth About S&OP

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MYTH

Integrated Business Planning is the mature form of Sales & Operations Planning.

REALITY

Sales and Operations Planning (S&OP), as a process, is over 30 years old. It is maturing and growing in importance. In the last decade, to improve cross-functional communication and planning, consultants pushed a new concept termed Integrated Business Planning (IBP).

IBP shifts the process focus from matching demand and supply at a volumetric level to analyzing the profitability of the decisions based on shifts in product mix and market strategies. Decision making based on profitability versus volume is a step in maturity, but I disagree that it is the most mature form of S&OP.

I feel that the most mature form of S&OP is market-driven or outside-in. While traditional S&OP processes, and the new IBP processes focus on enterprise data, they are not translating data market to market (from the channel to the supplier network). As companies mature, the focus shifts from inside-out to outside-in.

In outside-in processes, channel data from customers is analyzed to understand patterns and trends. The insights are then used in the building of demand shaping programs and market orchestration to build a plan that maximizes the business strategy based on the business goals of growth, profitability and costs. The most mature processes translate the probability of demand into buying strategies (execution of alternate bill of materials, sourcing strategies based on the plan.) This orchestration of volume, product mix and profitability market to market is the most mature form of S&OP.

On this journey, there are many barriers. One of the largest is organizational alignment to corporate goals. Another barrier is the ability to get to the right data and use conventional analytics. This type of analysis requires deeper analytics that can sense market shifts and orchestrate the changes. The good news is that the technologies are evolving to make this a reality. ❖