Sometimes a fresh set of eyes is all it takes to pinpoint opportunities for improving even the most well-developed business operations. Such was the case when Spinnaker performed a supply chain assessment for this Fortune 1000 manufacturer of specialty chemicals. While it was apparent that company planners had invested much thoughtful effort in the development of their S&OP-based demand planning/forecasting operations, the process nonetheless took far too long. Our specialists soon revealed a number of ways to speed planning time and improve accuracy.

**Getting to the Root of “Business as Usual”**

Imagine being a supply planning manager and having to wait 25 days for your first glimpse of a forecast. This was the situation Spinnaker specialists encountered when they commenced their assessment. Our client's forecasting process started on Day 1 of each new month and took an average of 25 days to complete. This left supply planning members of the organization with only two to three days to review the forecast and identify risks and opportunities before presenting gaps and capacity issues as part of an S&OP supply review process.

A fundamental work study analysis revealed that forecast creation and tuning within the demand planning group actually required just two to three days to complete. And subsequent discussion/input of judgmental data by the company’s sales group required only a few day’s worth of time — a total of just six days for demand planning. The existing 25-day process was burdened by 19 days of wasted time. Business leaders realized that their forecasting process was long, but they didn’t have any urgency or insights to effectively reduce the cycle time.
Identifying Classic Improvement Opportunities

A deep look into our client’s installed planning applications revealed that system-specific events contributed to some of the delay. The systems were configured to archive the forecast on Day 10, for example, to provide a baseline for measuring the effectiveness of the demand planning group. That left the sales group waiting until Day 11 to add their input; then the forecast was archived again on Day 20 — to provide a baseline for assessing the input from sales planners.

While this system-configured effort to measure the inputs of different groups reflected noble intentions, it resulted in a rigid structure that generated artificial time delays. Worse yet, the archived forecasts and resulting metrics were rarely used to improve the accuracy of the demand planning process.

In addition, Spinnaker’s team discovered that many activities were usually undefined. Demand review meetings, for instance, were not scheduled in advance but were instead conducted “when the forecast was ready.” With no specific time frame, many key players could not attend these discussions, and the potential to capture important benefits from this vital S&OP step was often lost or weakened due to poor planning and a resulting lack of participation.

Spinnaker’s Suggestions For Improving Cycle Time

1) Reduce rigid time horizons — when surveyed, our client’s demand planners indicated they could generate and tune a statistical forecast in five working days. Likewise, members of the sales organization indicated they could complete their input in five days. With clear potential to eliminate 10 days from the DP cycle, we recommended changing the archive dates to Days 5 and 10 instead of Days 10 and 20.

2) Further enable cycle time reduction — Because this company’s existing exception reporting was very limited and did not focus on demand related issues like forecast bias and trend differentials, our demand specialists suggested an increase in forecast-related reporting — to enable a classic forecasting-by-exception process. Since the existing demand and sales planning process consisted of a “full SKU review,” Spinnaker's approach would enable members of the demand planning organization and the sales group to focus only on problems — not every SKU — a more concise approach.

3) Develop customized training to ensure excellence — It was evident to Spinnaker’s project leaders that members of the demand planning organization were struggling to use their installed software tools. Most planners learned “on the job” and lacked a basic understanding of the tools’ full capabilities, the proper ways to use them, and the optimal configuration settings for the forecasting algorithms. Our team proposed a customized training program, based on actual data and real-world user scenarios, to improve the process of generating statistical forecasts and thereby reduce cycle times and increase forecast accuracy.

4) Consider making minor administrative changes — even simple recommendations like scheduling demand-related meetings and pre-circulating data so attendees could preview potential issues had great potential to help improve operations by increasing participation of key decision makers.
Early Visibility Improves Downstream Abilities

Spinnaker’s S&OP experts left our client with a full set of high-value options — to give supply planners earlier access to the forecast, to enable improved customer service and more complete capacity/inventory planning, to make gap-closing sales activity more visible, and to provide Financial Planning with a more accurate demand plan for financial forecasting.

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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