

# Global Sales and Operations Planning



May 2010



# Agenda

- Definitions and Purpose of SOP
- Hollister's Process
- Continuous Improvement



# Definitions of SOP

## ■ Formal

- An integrated business management process through which the executive team continually achieves focus, alignment, and synchronization among all the functions of the organization.

## ■ Direct

- The SOP process creates a balance between supply and demand while achieving service levels.



# Effective S&OP is a business imperative

- Addressing discrepancies between projected and actual numbers early in the process **reduces costs and improves service**
- Operational transparency **leads to better decisions**
- Consensus driven strategies and tactics **lead to more effective execution**
- Organizing around People, Process, Technology **creates tight alignment**

# The Value / Outcome of SOP



- Forecast accuracy
- Inventory optimization
- Obsolescence reduction
- High customer service
- Improved portfolio management
- Increased collaboration, accountability, and focus on improvement



# Hollister's Process



# SOP Evolution at Hollister

- “Orchestrating Success” and SAP implementation necessitated SOP changes (1999)
- Org Structure and APO changes led to further globalization and standardization (2004)
- Internal and external assessments have been used to improve the process (2007)
- Annual continuous improvement discussions



# Buy-in

- Executive management says so
- Internal and external assessments always include comprehensive participation and feedback
- Incremental changes are prioritized over step changes
- Annual continuous improvement reviews are conducted at all levels





# The SOP process is focused on:

- Agreeing on a single set of numbers
- Balancing supply and demand
- Resolving gaps and issues
- Aligning with strategic goals
- Measuring the organization
- Using analysis, facts, and straight talk



# Attributes of Effective SOP

- Connection to corporate goals with Senior Management buy-in
- Realistic single number forecast
- Regular review cycle with a forward looking focus
- Incorporation of external business trends and lifecycle management
- Relevant and regular measures



# Hollister's SOP Process

- A monthly calendar cycle is in place with actionable follow-ups
- Reports are structured and presented in numerous views
- Meetings are structured with consistent content
- An Executive SOP Committee oversees and manages the process, publishes feedback
- There is constructive dialogue among Sales, Marketing, and Operations



# Overall Structure

## ■ Divisional Focus

- EMEA
- ALMA (Mexico, Argentina, Brazil, Australia, Japan)
- North America (U.S., Canada)

## ■ Monthly Reviews

- Global Demand Planning
- Plant Supply Planning
- Divisional Pre-SOP
- Global Executive



# Hollister's Global SOP Calendar

Day	Process Review	Area
1 - 4	Forecasting	All locations
5 - 6	Demand Planning	EMEA & ALMA
5 - 6	Replenishment Planning	All locations
7	Demand Planning	North America
8	Pre-SOP	ALMA
9	Supply Planning	U.S.
9	Pre-SOP	EMEA
10	Pre-SOP	North America
12	SOP	All locations



# Participants

- Executive Review
  - CEO plus VP level for Global Operations, Finance, Global Marketing / Business Development, Global Business Units, Global Quality/Regulatory,
  
- Pre-SOP Review – EMEA, N.A., ALMA
  - Plant Manager, Supply Chain Manager, Business Unit leadership
  
- Supply Review
  - Plant staff, U.S. review is multiple plants
  
- Demand Review – EMEA, N.A., ALMA
  - Planners, Forecast Analyst (U.S.), Product Managers (U.S.), Marketing Managers (EMEA)



# KPI's

## ■ Demand Planning

- Forecast Error & Bias based on “current + 1 month”
- 18 month rolling demand plan; monthly saved off version

## ■ Supply Planning

- Labor hours vs. plan
- Inventory DOH
- Fill rate

## ■ Portfolio Planning

- tbd



# Accountabilities

- CEO: Chairman of the SOP Committee
- Marketing / Sales: Event forecast error
- Operations: Baseline forecast error, fill rate, inventory
- Finance: Reconciliation to revenue and strategic plans





# Outputs

- Imbalances and resolutions
- Inventory reserves
- Launches and discontinuations (parallel processes)
- Volume baselines for standard costing and revenue



# Sample Minutes from SOP

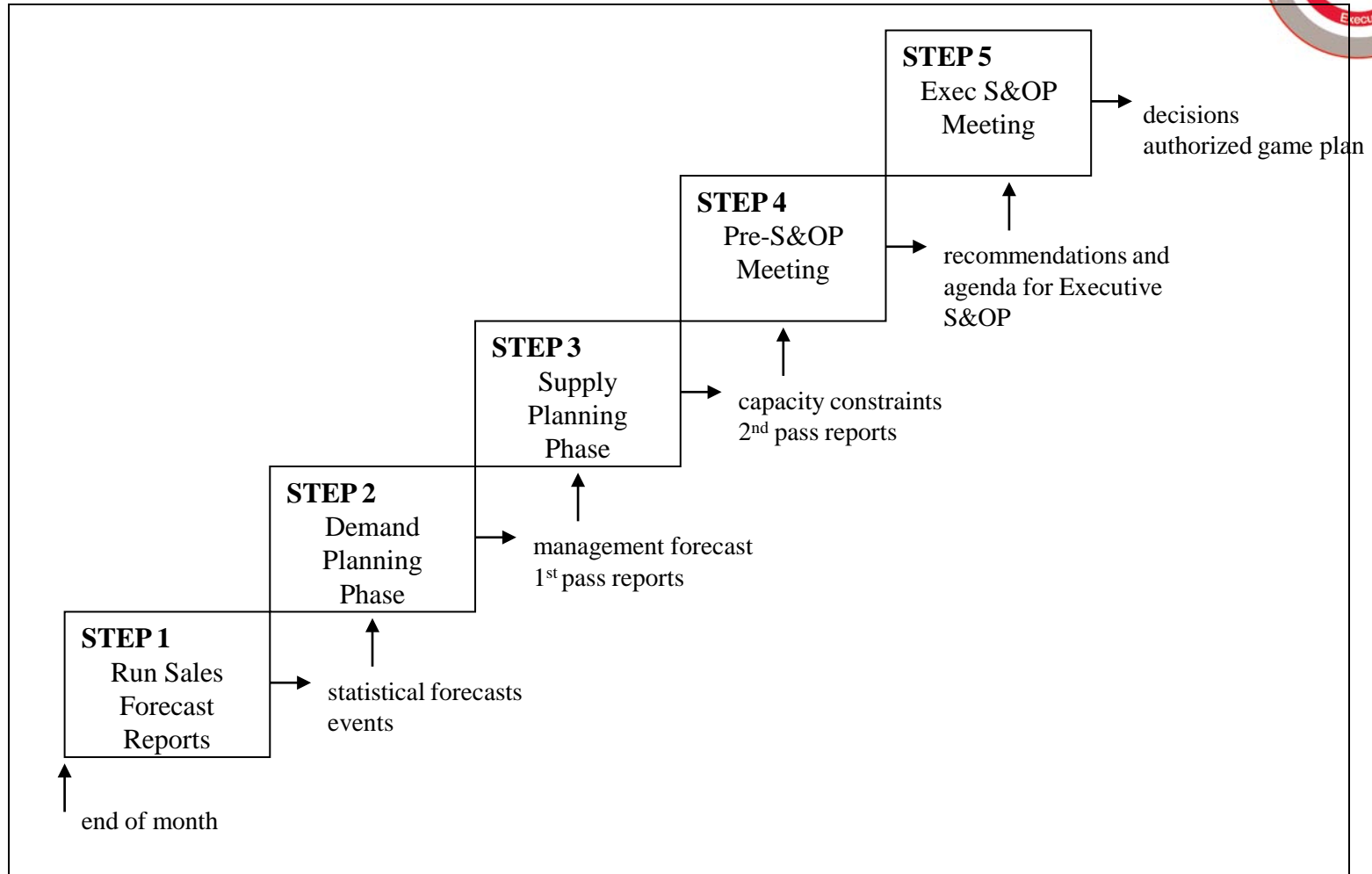
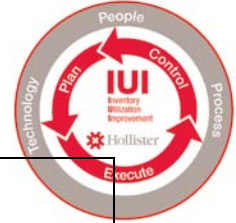
- “K. Straup noted comments about the delay in shipping from the NEDC U.K. warehouse to Australia instead of shipping from Ballina and Fredensborg. A. Dolby confirmed that this capability will be planned after the SAP upgrade is completed.”
  
- “M. Gresavage asked for confirmation about **xxxx** availability in June. J. Humphries said inventory will be available for the July 1 launch. M. Gresavage asked if limited quantities could be available by the second week of June.
  - Follow-up: M. Gresavage will ask L. Fells to address this option with the launch team.”

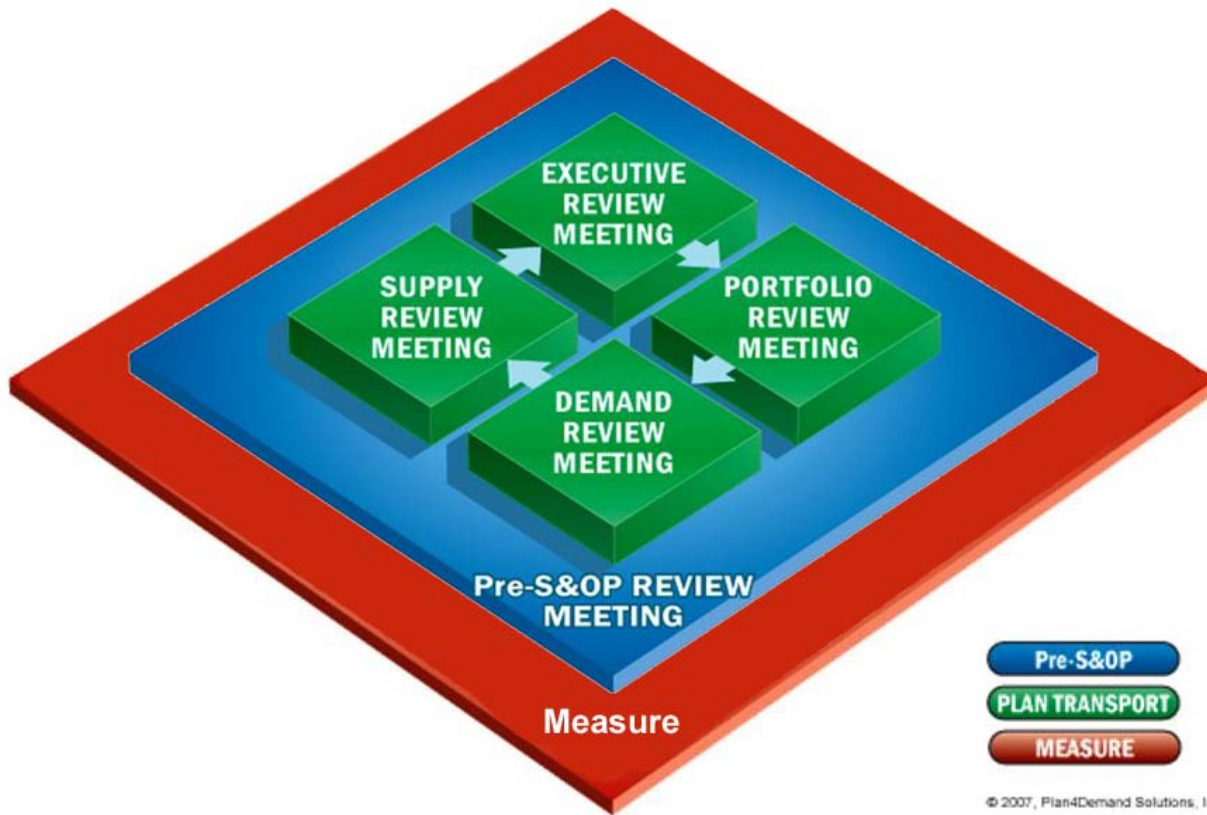
# Hollister's SOP Evolution - 2009



	2003	2010
Scope	U.S. centric, disconnected global processes	80%+ of Hollister volume managed with same process
KPI's	Inconsistent metrics and approaches	Forecast Error, Service Level, Inventory, and Volume measured the same way
Planning	Disconnected geographic and functional planning	Integrated global demand, replenishment, and supply planning
Inventory		16.2% DOH reduction
Imbalances	Detected after the fact	Proactively detected and resolved

# The Traditional Model







# Continuous Improvement

# Continuous Improvement Areas



- Strengthen Demand Planning
  - More consistency and skill leverage across BU's
  - Broader application
  
- Establish Global Pre-SOP Review
  - Higher level participation to reflect global integration
  - More decisions made faster
  
- Develop and apply constrained plans
  - Finite capacity planning
  - Decision-making based on tradeoffs
  
- Implementing More Portfolio Management
  - Formal reviews to identify total delivered cost opportunities
  - More effective time to market execution



# Other material





# Assessment Findings

## ■ Strengths

- Structured reports and meetings
- Executive SOP feedback is referenced throughout
- High interest level, even from non-participants

## ■ Gaps

- Very little decision-making
- Issues are almost exclusively tactical
- NPD and other portfolio activities are not integrated well
- Not enough 'planning' time is allowed between meetings
- Capacity is assumed to be unconstrained
- Functional responsibilities are not well understood by the organization
- Global decisions made only at the executive level
- No PLM system to manage phase-out processes



# Interview comments

## ■ Executive

- Would like to see issue reporting and resolution at ESOP
- We could be better at disseminating information... people below could make better decisions
- Too much information and decision-making at the top levels
- More succinct data presentation
- Various meetings need better linkage or integration
- Overlap with SPRING, Op Committee, MMR, DMC
  - Same issues on multiple agendas
- Would like Executive SOP to be used for decision-making and exceptions
- Would like to be presented with strategic views. E.g., how to double inventory v. service, distribution networks
- PLM needs to be better integrated