SAP Integrated Business Planning (IBP) Introduction Series

2: Sales and Operations Planning with SAP IBP

Jay Foster, SAP Solution Management
Raghav Jandhyala, SAP Product Management
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# SAP Integrated Business Planning (IBP) Introduction Series

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<thead>
<tr>
<th>Date</th>
<th>Session Focus</th>
<th>Presenters (Solution Management + Product Management)</th>
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<tr>
<td>Sep. 27, 2018: 10-11:30 AM EST</td>
<td>SAP IBP Overview</td>
<td>Anna Linden</td>
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<tr>
<td>Oct. 29, 2018: 10-11:30 AM EST</td>
<td>Demand Planning using SAP IBP</td>
<td>Tod Stenger + Rainer Moritz</td>
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<tr>
<td>Dec. 5, 2018: 10-11:30 AM EST</td>
<td>Tactical and Operational Supply Planning using SAP IBP</td>
<td>Eric Simonson + Michael Mack + Pramod Mane</td>
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<td>Dec. 11, 2018: 10-11:30 AM EST</td>
<td>Inventory Planning using SAP IBP</td>
<td>Beatrice Hulde + Alexis Lozada</td>
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<td>Jan. 8, 2018: 11-12:30 AM EST</td>
<td>Business Network Collaboration and Alerts for SAP IBP</td>
<td>Volker Wilhelm + Kent Harman</td>
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Agenda

- Defining S&OP/IBP… What Is it Really?
- Breaking Down the Classic Steps
- S&OP at SAP
- How does the solution work? (Demo)
- Q&A
Defining S&OP/IBP… What Is it Really?
Planning Horizons and Detail Levels

**Short Term**
- Inside Frozen Fence
- Pure Execution
- Transaction Level
  - *How* Can We Do
    - Expeditive
    - Smoke Jumper
    - Crisis Management

**Mid-Term**
- Inside Lead Time
- Tactical
- Aggregate Level
  - *What* Can We Do
    - Reactive
    - Fire Mitigation

**Long Term**
- Outside Lead Time
- Strategic
- Aggregate Level
  - *What Should* We Do
    - Predictive
    - Smokey the Bear

**Response Management**
**Sales & Operations Planning**
**Integrated Business Planning**
What is Integrated Business Planning?

“Integrated Business Planning (IBP) is the business planning process for the post-recession era, extending the principles of S&OP throughout the supply chain, product and customer portfolios, customer demand and strategic planning, to deliver one seamless management process.”
What Is S&OP…Really?

A process led by senior management that evaluates and revises time-phased projections for demand, supply, product and portfolio changes, strategic projects, and the resulting financial plans over the mid-to long-term planning horizon.

1. S&OP is a monthly management process that ensures that the company is focused, aligned, and engaged in those efforts the management team collectively decides are the priorities of the enterprise.

2. S&OP deals with continuous change that occurs in the business and is a process to effectively manage ongoing change. In practice, it is called a re-planning process.

3. S&OP is owned by the GM or CEO. It is a cross functional process and includes all the functions of the company. Correctly implemented, it is a demand and strategy driven process.

4. S&OP addresses the management of key company resources in support of anticipated customer demands and expectations, new product development, and company initiatives.

5. S&OP provides senior management control of the business. It is sophisticated simplicity resulting in organized common sense.
## Value of a Mature Sales & Operations Planning Process
(or, “Why do we even do this?”)

<table>
<thead>
<tr>
<th>Tangible Benefits*</th>
<th>% impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Top line revenue growth</td>
<td>1-2%</td>
</tr>
<tr>
<td>In-stock % improvement</td>
<td>20-30%</td>
</tr>
<tr>
<td>Service level increase</td>
<td>5-10%</td>
</tr>
<tr>
<td><strong>Operating cost</strong></td>
<td></td>
</tr>
<tr>
<td>Improved planner productivity</td>
<td>20-30%</td>
</tr>
<tr>
<td>Order fulfillment lead time reduction</td>
<td>10-20%</td>
</tr>
<tr>
<td>Inventory carrying cost reduction</td>
<td>5-10%</td>
</tr>
<tr>
<td><strong>Asset Utilization/Working capital</strong></td>
<td></td>
</tr>
<tr>
<td>Reduction in inventory levels</td>
<td>5-15%</td>
</tr>
<tr>
<td>Inventory turns increase</td>
<td>5-10%</td>
</tr>
<tr>
<td>Cash-to-Cash cycle time reduction</td>
<td>5-10%</td>
</tr>
</tbody>
</table>

* IBM, Aberdeen & Gartner Case Studies & Benchmarks from SAP Value Engineering
Breaking Down the Classic Steps
Breaking Down the Classic Steps
Classic or Traditional or Academic S&OP or IBP
Phase 1: Product/Portfolio Review

1. Where are we in the product lifecycle(s)?

2. What are the competitive pressures?

3. How are our product(s)/families performing compared to projections?

4. What products are phasing out?

5. What new products are planned?

6. Conducted by senior product person. Participated in by individual contributors from product, engineering, brand management and middle management representatives from all disciplines.
Phase 2: Demand Review

1. Everyone Participates. **Senior revenue person conducts**
2. All Inputs are Valuable
3. Consensus Means Consensus
1. Produce/procure on schedule

2. Produce /procure at the lowest reasonable cost

3. Manage capacity

4. Produce to forecast, order

5. How do I buffer for variability?

6. Conducted by senior supply chain person, Participated in by individual contributors in supply chain and middle management representation from all areas
Step 4: Reconciliation Review

1. Compromises and concessions made

2. Performance reports (KPI measurements) reviewed and supporting documentation prepared

3. Recommendations documented and prepared for management decision

4. Agenda for Management Business Review prepared

5. Conducted by S&OP process owner and participated in by middle management
Step 5: Management Business Review:
Is this your Executive S&OP Meeting?
Step 5: Management Business Review

1. KPI review: < 30 minutes

2. Recommendations reviewed and decisions made

3. Conducted by S&OP/IBP process owner and participated in by senior management as decision makers and middle management representatives from each discipline. Owned by Executive Management

4. Approved plan is to be released to execution.

I want you to bring me the answers **BEFORE** I ask the questions
# The Supply Chain Planning Maturity Curve

<table>
<thead>
<tr>
<th>Stage</th>
<th>React</th>
<th>Anticipate</th>
<th>Integrate</th>
<th>Collaborate</th>
<th>Orchestrate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Owned by Supply Chain, No Executive Sponsorship</td>
<td>Owned by Supply Chain, No Executive Sponsorship</td>
<td>Owned &amp; Sponsored by Supply Chain with Involvement</td>
<td>Coordinated by C-Level Executive</td>
<td>Coordinated by Supply Chain, Managed by BU/P&amp;L Executive</td>
</tr>
<tr>
<td>Scope</td>
<td>Single Location, Volume Based, Short Term Time Horizon</td>
<td>Integrated Plan, Active Participation by Business Functions</td>
<td>Profit Oriented Plans Across the Extended Enterprise</td>
<td>Trade-Offs and Scenario Comparisons Extended Through the Entire Value Chain</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>Spreadsheets, Functional Systems of Record, Regional Support</td>
<td>Spreadsheets, Functional Systems of Record, Regional Support</td>
<td>Unified Planning Platform Supporting Demand Supply Balancing</td>
<td>Trading Partner Connectivity, Translate Volume Plans into Revenue and Profit Projections</td>
<td></td>
</tr>
<tr>
<td>Impact</td>
<td>Expedites, Crisis Management, Labor Intensive, High Inventory</td>
<td>Labor Intensive, Single Location Inventory Optimization</td>
<td>Balanced Demand &amp; Supply Plan in Volumes Aligned with Financial Plans</td>
<td>Creation of a Demand Driven, Profitable Response Across the Extended Supply Chain</td>
<td></td>
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</table>

More Profitable Decisions
S&OP at SAP
What Specific Problem are We Solving?

**Consequences**
- Miss the quarter
- Lose market share
- Miss growth opportunity
- ???

**Can't:**
1. Plan across the organization in time,
2. Don’t have the right information,
3. Can’t easily test assumptions

**Finance:**
“How’s our overall margin impacted by the proposed plan?”

**Sales:**
“How closely is our sales plan tracking revenue goals?”

**GM/CXO:**
“How do we make sure we don’t miss the quarter?”

**Marketing:**
“How will a pricing change impact demand of my highest volume product family?”

**Supply Chain:**
“Where/when am I going to source this new product?”

**Finance:**
“Where/when am I going to source this new product?”

**Supply Chain:**
“Where/when am I going to source this new product?”

**Finance:**
“Where/when am I going to source this new product?”
Sales & Operations Planning Enabling Architecture

SAP Integrated Business Planning

SAP HANA™
IBP Model & Engine
- Attributes
- Key Figures
- Scenarios & Simulation
- Analytics
- Heuristics
- Process Management
- Alerts

Excel: Plan

Web: Analyze

Mobile: Collaborate

ERP
CRM
BPC
APO
BW
Any other system
Files

Sales/Marketing
Demand Planning
Finance
Supply Chain
Executives
Sales & Operations Planning: Unified Planning Environment

Unified Planning Environment

- Single unified data model across Demand, Finance, Supply Chain to support both tactical and operational planning at any level of granularity & dimension
- Flexible process modeling
- Planning, Analytics and Collaboration driven off of this single model
Real-Time Planning & Simulation

- Consensus demand planning, rough-cut capacity planning, volume and revenue modeling
- Alternative what-if scenarios for rapid decision-making across multiple key figures and dimensions
- Constraints at both detailed and aggregate level, real-time aggregation and disaggregation
- Use parameter driven solvers to optimize plans and resolve issues
Sales & Operations Planning: Collaboration

Contextual Process Orchestration

- Contextually organize People, Documents, S&OP Process Steps, S&OP Data, Action items, Decisions, Alerts, etc. around the S&OP Process
- Define and orchestrate the S&OP process(s)
- Enable People to stay on top of relevant, contextual updates
Sales & Operations Planning: Visibility

Advanced Analytics

- Evaluation of multiple levers to shape profitable demand
- Faster identification of problems through better visualization
- Compare scenarios, track KPIs, monitor trends across multiple dimensions, granularities in real-time
- End user personalization and sharing
Achieve the Right Balance Between Inventory & Service Levels & Working Capital.

Embed Optimized Inventory Targets into the Supply Plan for S&OP

Account for Variability in the Supply Chain
Sales & Operations Planning: Key Capabilities

- Process Orchestration – Define and manage your S&OP process(es)
- Version and scenario creation and management for simulations and what-ifs
- Perform multi-level supply planning (Heuristic & Optimizer)
- Collaboration - Define and use groups, tasks, feed posts, and content
- Alerts - Configure alert key figures for management by exception.
- Create historical copies of plans with plan snapshots
- ABC segmentation calculations
- Configure and change model and calculations
- Business network collaboration integration (maturity level 4+)
- Incorporate optimized inventory targets in supply plan (SIOP)
- Product Life Cycle (phase-in, phase-out)
Solution Demo
Unified planning process flow: Internal and external processes

**Tactical**
- Frequency: Monthly
- Horizon: 1-3 years
- Buckets: Months, Weeks
- Financial Planning: Annual Operating Plan
- Marketing Planning: Marketing Plan

**Mid-Term Operational**
- Frequency: Weekly
- Horizon: 1-12 months
- Buckets: Weeks, Days
- Demand Planning: Global Demand Plan
- Demand Sensing: Sensed Demand
- Sales Planning: Sales Forecast

**Short-Term Operational**
- Frequency: Daily
- Horizon: 1-12 weeks
- Buckets: Days
- Demand Review: Consensus Demand Plan
- Supply Review: Heuristic, Optimizer
- Reconciliation Review: Constrained Demand Plan
- Management Business Review: Final Consensus Demand Plan

**Execution**
- Sales Orders Processing: Open, Confirmed, Delivered Sales Orders
- Procurement: Purchase Orders
- Available-to-Promise Processing: Sales Order Confirmations

**Financial Planning**
- Annual Operating Plan

**Marketing Planning**
- Marketing Plan

**Demand Review**
- Consensus Demand Plan

**Supply Review**
- Heuristic, Optimizer
- Constrained Demand Plan

**Reconciliation Review**
- Constrained Demand Plan

**Management Business Review**
- Final Consensus Demand Plan

**Inventory Optimization**
- Inventory Plans

**Supplier Commit**
- with SAP Ariba
- Committed Forecast

**Supply and Allocations Planning**
- Supply Proposals, Product Allocations

**Response Planning**
- Supply Proposals, Sales Order Confirmations

**Demand Planning**
- Global Demand Plan

**Demand Sensing**
- Sensed Demand

**Sales Order Processing**
- Open, Confirmed, Delivered Sales Orders

**Procurement**
- Purchase Orders

**Available-to-Promise Processing**
- Sales Order Confirmations

**Stock Transfer**
- Stock Transfer Requisitions

**Production**
- Production Orders

**SAP IBP Process**

**External Process**

**Supply Chain Control Tower**
- Managed Cases and Exceptions

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IBP for sales and operations – demand review

Process flow

Sales & Operations Planning July 2017: Demand Review

Status: In Progress

Step Owners: Christian Sepp, Sherry Gong, Thomas Fiebig, Frank Hortacker, Abhisheka Patra

Process Owner: Christian Sepp, Andreas Munk, Thomas Fiebig, Frank Hortacker, Abhisheka Patra

Start Date: 2017-07-01
End Date: 2017-07-07

Jam Group N.: Demand_Review

Tasks (1 of 19 completed)

<table>
<thead>
<tr>
<th>Participant</th>
<th>Task</th>
<th>Status</th>
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<tbody>
<tr>
<td>Winnie Wei</td>
<td>Create Cons. Demand</td>
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</tr>
<tr>
<td>Sherry Gong</td>
<td>Create Cons. Demand</td>
<td>Not Started</td>
</tr>
<tr>
<td>Thomas Fiebig</td>
<td>Create Cons. Demand</td>
<td>Completed</td>
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Sales Planning
- ABC-XYZ Segmentation
- Segmented Products

Marketing Planning
- Review Sales Forecast
- Marketing Plan

Financial Planning
- Review Marketing Forecast
- Annual Operating Plan

Demand Planning
- Create Consensus Demand
- Consensus Demand Plan

Supply Review
- Optimizer
- Constrained Demand Plan

Supply Review – Heuristic
- Constrained Demand Plan

In Progress (6%)
- Demand Review
- Not Started (6%)
- Supply Review
- Not Started (0%)
- Reconciliation Review
- Not Started (0%)
- Management Review

SAP IBP Process

Demand Review

External Process

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IBP for sales and operations – supply review – heuristic

Process flow

- **ABC-XYZ Segmentation**
  - Segmented Products

- **Demand Review**
  - Consensus Demand Plan

- **Inventory Optimization**
  - Inventory Plans

- **Run Supply Heuristic**
  - Constrained Demand Plan

- **Check Capacity Alerts**
  - Constrained Demand Plan

- **Carry Out Capacity Leveling**
  - Constrained Demand Plan

- **Prepare Supply Scenarios**
  - Constrained Demand Plan

- **Reconciliation Review**
  - Constrained Demand Plan

**SAP IBP Process**

**External Process**
IBP for sales and operations – supply review – optimizer

Process flow

ABC-XYZ Segmentation
   Segmented Products

Demand Review
   Consensus Demand Plan

Inventory Optimization
   Inventory Plans

Run Supply Optimizer
   Constrained Demand Plan

Prepare Supply Scenarios
   Constrained Demand Plan

Reconciliation Review
   Constrained Demand Plan

SIP/108 New Product: Capacity Usage by PLM status
IBP for sales and operations – reconciliation review

Process flow

Supply Review –
Heuristic
Constrained Demand Plan

Supply Review –
Optimizer
Constrained Demand Plan

Review
Supply Scenarios
Constrained Demand Plan

Agree on
Executive Proposal
Constrained Demand Plan

Management
Business Review
Final Consensus
Demand Plan

Reconciliation Review
SAP IBP Process
External Process
IBP for sales and operations – management business review

Process flow

Reconciliation Review
Constrained Demand Plan

Review Executive Proposal
Constrained Demand Plan

Approve Final Plan
Final Consensus Demand Plan

S&OP – forecast error calculation and analysis
Forecast Errors

Demand Planning
Global Demand Plan

Supply Chain Control Tower
Managed Cases

Operational Planning & Execution Processes

Management Business Review
SAP IBP Process
External Process

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Demo Screenshots
S&OP Monthly Process Cycle setup

Process Automations and Orchestration of Planning operations

Global and Local Processes
S&OP Process Monitoring

Process Overview

Product and Portfolio Review

Demand Review

Supply Review

Integrated Reconciliation

Raghu Jodhupala set the step to Not Started
Today at 05:55
Setting step 'Integrated Reconciliation of process 01 Monthly S&OP Country B manually' to Not Started.

Raghu Jodhupala started the step
Today at 05:56
Starting step 'Integrated Reconciliation of process 01 Monthly S&OP Country B manually'.

SAP Jars task was created
Today at 03:42
Assigning task 'Analyze financial impact of plan for step 'Integrated Reconciliation to user Henrik Paever'.

Error when assigning permission filter
Today at 03:26
Error when assigning permission filter 'Drk_601' for step 'Integrated Reconciliation'.

THE BEST RUN SAP
Demand Review Dashboard – Compare plans with Financial Targets

Collaborate on Assumptions, Risks and Opportunities
Sales Rep Planning

Sales Manager Planning – User Defined Scenarios to evaluate large Sales Opportunity

Build Consensus Plan and mark task as completed
Run Unconstrained Supply Heuristics

Capacity Overloads

Products consuming maximum Capacity
Supply Dashboard

Collaborate on Supply Scenarios to evaluate

View Capacity Overload Alerts

Profit Optimization to get to a feasible plan
Integrated Reconciliation Dashboard

Evaluate Make vs Buy Decisions and provide recommendations to MBR meeting

Meeting Agenda in JAM
Evaluate KPIs and Accuracy metrics

Waterfall Analysis

Promote the approved version

Complete Process Cycle and Operationalize the plan
Summary: SAP Integrated Business Planning for Sales and Operations

- Create the optimal business plan to drive revenue growth and increase market share
- Effectively balance demand and supply and attain financial targets
- Increase speed and agility of planning and drive most profitable responses
- Enable cross-functional process orchestration and collaboration

Consensus Demand Planning

Tactical Supply Planning

Financial Reconciliation

Process Management

What-If Analysis

Configurability

Demand Signal Management

SAP S/4HANA
Available to Promise
Production Planning
MRP

SAP Ariba
Supply Chain Collaboration

IBP
Supply Chain Control Tower
Sales & Operations Planning
Demand Inventory Response & Supply

SAP Integrated Business Planning

Create the optimal business plan to drive revenue growth and increase market share
Effectively balance demand and supply and attain financial targets
Increase speed and agility of planning and drive most profitable responses
Enable cross-functional process orchestration and collaboration

Consensus
Demand Planning

Tactical Supply Planning

Financial Reconciliation

Process Management

What-If Analysis

Configurability
Easy to Learn More

- **SAP Integrated Business Planning - Functionality and Implementation**
- **Sales and Operations Planning with SAP IBP**
- **Integrated Business Planning** – Leverage SAP Technology
Q & A
Thank you.

Jay Foster
IBP Solution Management
SAP SE
E jay.foster@sap.com

Raghav Jandhyala
IBP Product Management
SAP SE
E raghav.jandhyala@sap.com