



When supply meets demand: Customer success in sales and operations planning

Meeting and understanding customer demand and providing optimal operational efficiency drive the need for effective sales and operations planning (S&OP).

Yet many industrial sector organizations manage the S&OP process in departmental silos. Predictable results include: different goals for marketing, sales and manufacturing groups; inconsistent plans; and an inability to react quickly to shifting customer trends.

In a highly competitive and global economy, companies can't afford this kind of lackluster performance. Instead, collaboration must occur throughout the enterprise for sales demand to be profitably supported by production capacity.

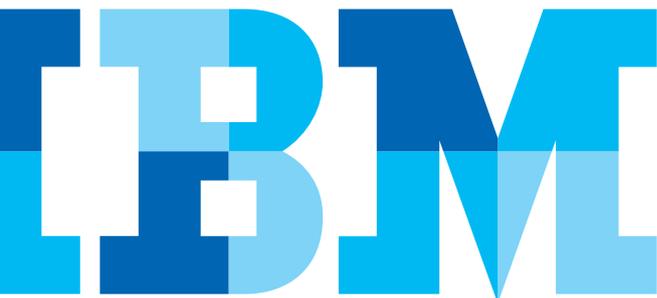
Organizations need to actively monitor sales and operations, and employ a common, integrated planning process to guide their decisions and results. So they can stay on top of customer requirements, and quickly adapt and evolve as needs and challenges arise.

IBM® Cognos® Business Analytics provides the foundation industrial sector organizations need to manage sales and operations. Business intelligence (BI) software lets them consolidate, track, analyze and report on relevant data. Financial performance and strategy management software provides planning, budgeting and consolidation for linking strategy to dynamic plans and targets.

With IBM Cognos Business Analytics software, industrial sector companies are:

- Aligning purchasing, manufacturing, operations, sales, marketing and finance.
- Reconciling sales and demand forecasts with supply chain and production plans.
- Standardizing the planning process, consolidating and gaining consensus between top-down and bottom-up operational plans, and ensuring all parts of the company are managing to a single set of financial measures and business goals.

Many of the top industrial sector businesses worldwide already use Cognos software to optimize their sales and operations planning. Read on to learn more about how:



- With the help of Cognos planning and BI, PKC Group can create forecasts 30 percent faster than before. As a result, the company can generate new 12-month forecasts every month – helping it to respond to changing economic conditions.
- Using Cognos planning and BI software, McNichols has achieved integrated views of all business and financial data in a single Web-based portal, improved ease-of-use for business users, improved accuracy and quality of data, and reduced manual reporting efforts up to two weeks per quarter.
- Reichle & De-Massari AG has used Cognos software to achieve simplified, efficient global planning for a clearer view, particularly in difficult markets; simplified controlling throughout all branches; planning and reporting based on ERP data; and quarterly updates of the outlook for the current year.
- Philips Consumer Lifestyle has expanded its use of IBM Cognos Planning to integrate planning across their global operations. They've optimized margins, sales volume and turnover; lowered storage costs; and improved service levels.

PKC Group

“With IBM Cognos Planning, our 12-month forecasts for sales, production and investment and fixed costs can be updated every month, instead of on a quarterly basis. This means that if the economic climate changes suddenly, we are able to adapt more quickly – potentially making us more efficient and giving us an advantage over less agile companies.”

Marja Sarajärvi,
Chief Financial Officer at PKC Group

The PKC Group offers design and contract manufacturing services for wiring harnesses, cabling and electronics. The group has production facilities in Finland, Brazil, China, Mexico, Poland, Estonia and Russia, and employs about 5,000 people. PKC Group Oyj is listed on NASDAQ OMX Helsinki, and achieved net sales of 311.7 million Euros in 2008.

In an often volatile economic climate, PKC Group needs to be able to keep its operations in close alignment with its finances. Budgets for investments and fixed costs, sales forecasts and production plans need to be created and updated regularly to help the group deal effectively with changing market conditions.

Marja Sarajärvi, Chief Financial Officer at PKC Group, comments: “The group has subsidiaries around the world, and works in many different currencies – which makes centralized financial planning a complex proposition. Collecting and checking all the data used to be a major task for our finance department. It took around two weeks to prepare each forecast, which meant that in practice it was difficult to update our forecasts more frequently than four times a year.”

Looking to improve this situation, PKC Group asked Soleno, a Finnish IT consultancy that specializes in IBM Cognos technologies, to find a new solution.

“Soleno has an excellent reputation in Finland, and has worked on several important projects for us in the past,” says Sarajärvi. “The Soleno consultants understand the way our company works, and the solutions they have delivered make a real contribution to our business.”

Soleno advised utilizing the ETL capability within IBM Cognos software to integrate and manage data from the subsidiary companies, and provide it to IBM Cognos Planning for forecasting. Reporting and analysis would then be performed by IBM Cognos Business Intelligence, which would deliver the results to users via a simple Web interface.

“The whole project took about six months,” comments Hannele Rinne, Controller at PKC Group. “We did it in three stages – first the sales forecasts, then the production planning, and finally the investment and fixed cost planning. Soleno did an excellent job: the consultants were totally committed to planning and delivering the implementation successfully, and coped well with the challenges of coordinating such a large project across several countries.”

With the Cognos solution in place, PKC Group has seen numerous improvements in its planning processes. For example, the solution provides a simple Web-based interface, and does not require the installation of any client software. As a result, it has been easy to introduce more users to the solution and promote teamwork, without increasing IT maintenance costs.

“Collecting the data is much easier now,” explains Rinne. “A lot of the work has been automated, and we can manage the manual parts of the process more easily. Previously our central finance department had to input all of the data themselves; now the local sales organizations can help too. Using the simple Web interface, they can enter and check data themselves – so we have 50 or 60 people collaborating on the forecasts instead of a few staff working full-time.”

As a result, data quality has improved significantly, and the forecasts can be created much more quickly – approximately 30 percent faster than before.

“Making forecasting a quicker and easier process means that we can afford to do it more frequently,” says Sarajärvi. “With IBM Cognos Planning, our 12-month forecasts for sales, production and investment and fixed costs can be updated every month, instead of on a quarterly basis.”

“This means that if the economic climate changes suddenly, we are able to adapt more quickly – potentially making us more efficient and giving us an advantage over less agile companies.”

IBM Cognos Business Intelligence delivers the forecasts to business users in the form of intuitive graphical reports, helping them to analyze business performance easily and take decisions rapidly, based on accurate, up-to-date information. As a result, the business can potentially operate more efficiently in response to changing market conditions.

Hannele Rinne concludes: “The combination of IBM Cognos software and Soleno’s expertise has enabled us to simplify our planning and forecasting processes while increasing accuracy and flexibility. The increased insight into our operations should help us make better decisions and react more effectively to the needs of our customers.”

McNichols

“IBM Cognos gives us so many opportunities to grow the business. Our business becomes more complex all the time and daily we are asked to do more, accomplish more with less. With IBM Cognos TM1 we are able to do more with more. We can provide the highest level of service to our customers internally and externally with greater functionality and efficiency – even though we have fewer resources devoted to reporting and analytics.”

Dino DePaolis,
Finance Director, McNichols

As the worldwide leader in providing a variety of “hole” metal products (perforated metal, wire mesh, decorative metal grating, etc.), McNichols caters to a wide range of customers and industries.

From universities, government institutions, municipalities, commercial construction, manufacturers, wholesalers, retailers and more, McNichols delivers a diverse portfolio of products as well as custom fabrication.

“Customers want everything right now or they need things yesterday,” says Dino DePaolis, Finance Director at McNichols. “A lot of what we do is project-driven, and we have to ensure that we have the right inventory at the right time.”

That’s no small task, considering that McNichols guarantees 24-hour turnaround time. “To be successful, we need good metrics in place to measure profitability, sales success and inventory availability.”

Since 2008, McNichols had used IBM Cognos Business Intelligence, which replaced Microsoft Access, Excel and various other applications.

“IBM Cognos streamlined all of our data resources in one place and consolidated our transactional data into executive dashboards to deliver information to District Managers, the CFO, CEO, and Vice Presidents,” DePaolis explains. “Cognos helps us quickly measure all our key performance indicators such as sales, gross profit dollars, inquiries, invoice counts and many others.”

From its first implementation, McNichols intended to expand the footprint of Cognos software within the company. And at the end of 2009 they began to look at how best to implement the software for the Finance department.

A cumbersome planning process

“In today’s business environment, everyone needs to watch their budgets much closer,” says DePaolis. “A yearly cycle isn’t enough anymore. We had to move towards a rolling quarterly budget, but that required more resources to devote to the budget cycle. We needed a better way to get the info out faster and in a more streamlined fashion.”

That just wasn’t happening with McNichols’ mostly manual quarterly budget process, which involved various MS Access databases for different pieces of the budget and spreadsheets scattered throughout the organization.

DePaolis compares the former budgeting lifecycle to an octopus with far-reaching tentacles. The body was an MS Access database. The tentacles were Excel spreadsheets that reached throughout the organization’s districts, which were tasked with contributing daily sales data.

“The budget lifecycle was taking weeks to manage and we had limited resources to handle it. At the end of every quarter we were in rush mode,” DePaolis recalls. “Collecting sales data and moving it into other spreadsheets to feed into Access was very, very cumbersome and required constant review to ensure the accuracy of the data.”

McNichols wanted a tool that would provide visibility and a sound forecast to senior managers, enabling them to make quick and effective decisions.

Selecting IBM Cognos TM1

“I wanted it all,” says DePaolis of his requirements for a financial planning solution. “Accuracy in the numbers, integrity of the financials, a tool to answer complex financial scenarios, flexibility, ease of use, speed and performance, fast answers.”

Although DePaolis hoped that Cognos software could be expanded to the Finance department, McNichols did look at other financial planning solutions. Working with IBM Software ValueNet reselling partner, BlueNET, McNichols quickly discovered that the IBM Cognos TM1 solution “far surpassed anything that any other vendor was offering,” DePaolis says.

“You want something with all the bells and whistles, but for the business user – for someone like me who is managing the solution – it has to be easy to use. TM1 introduced that combination of capability and ease of use.”

“In the fall of 2009 BlueNET Technologies was chartered with upgrading and optimizing our Cognos platform to the latest stable release,” says Matthew Domit, Director of Information Services. “As they delivered on this first initiative, their strong competencies (technical and functional) became evident, which added immediate and much needed value to our analytics program. From the beginning it was clear that they were truly committed to customer service and satisfaction.

“I can say for certain that, based on my experience and the level of difficulty that this type of an implementation presents, the project was almost flawless from beginning to end. This is a rarity even in a well-understood scenario. Hats off to BlueNET, the stakeholders themselves for their commitment, and to the internal technology team for what will be remembered as a big success as well as a milestone in the ability of McNichols to analyze key metrics.”

BlueNET had been running a beta version of TM1 and knew that it, on top of IBM Cognos Business Intelligence, would bring exceptional new capabilities. In particular, “the Contributor tool makes it so easy for District Managers to enter their rolling quarterly budget data and they can immediately view results on their individual budget district P&L statements during the process,” DePaolis notes. “They don’t have to speculate any more.”

“This was one of the reasons for BlueNET to go with TM1. In addition to its seamless integration with Cognos BI, TM1 also leveraged Contributor’s workflow process. The ability for District Managers to contribute and submit their regional budget in a secure and timely fashion was one of the key requirements of the project,” Sukru Tutak, BlueNET Project Manager, adds.

Another value-add for McNichols was the flexibility of the solution, which enhances user adoption.

“TM1 has a nice application where you can move the data from the Web-based app into an Excel spreadsheet – this is good for some of my users who still prefer spreadsheets,” DePaolis explains. “But TM1 can also write the data changes in the spreadsheet back into the queue – it’s so easy!”

The entire project – including upgrade and TM1 delivery – was completed in just three months.

“I can’t express how seamless the integration and launch has been,” DePaolis says. “One of the keys to success was ensuring that we got the proper support and training, because at the end of the day, we have to conduct our business and run the system.”

Engaging business users, saving time

Careful attention to business users’ needs was also critical to the project’s success.

“Something that really stands out in this project is BlueNET’s commitment to us as the customer,” DePaolis says. “They met with us daily and provided whatever it took to see that our needs were met to our expectations. They are easy to talk to and committed to help us improve our business.”

Hilmi Ozturk, Managing Director of BlueNET, adds: “McNichols increased our involvement throughout the entire process and we had a clear path to shift ownership to their team, so that we have moved into support mode as well as other areas of enhancements.

“Our goal was not to remain as a consultant to McNichols but rather to be a true IBM Cognos partner to them to ensure that McNichols IBM Cognos investment was utilized in full capacity.”

For the business users, DePaolis and the BlueNET team focused on familiarity. He explains: “We focused on a seamless transition to the Web-based environment by starting with targeted reports that the District Managers were already used to seeing, such as income statements, quarter-to-date and year-to-date results.”

“They saw how easy it was to enter their information and they were astonished at how quickly they could see their results. They were excited and energized by the web-based environment and the simplicity of the tool.”

DePaolis and the Finance team have also benefitted from an expedited budget process. “What used to take 7-10 days every quarter end plus hours every month to support is now done in seconds,” he says. “I’m saving nearly two weeks every quarter just in man hours.”

And, because the solution is seamlessly integrated with IBM Cognos Business Intelligence, “the existing investment in BI is fully leveraged, with one portal for access to the BI and the financial planning,” Ozturk notes.

DePaolis adds, “The one-stop shopping effect is critical. With IBM Cognos fully integrated with TM1, we’re blending our sales analytics together with budgeting modules, actuals – everything. It’s easier to get a perspective on how to run the company and it will make us more efficient and effective in our business strategies and markets.”

The future looks bright

McNichols is already looking for new opportunities to leverage the full Cognos solution. DePaolis hopes to transition the company’s entire fabrication business over to the integrated BI and financial planning system.

“A big part of our business is fabrication orders. We already have marketing dashboards up and running so this would help us integrate and see the profitability of all aspects of our business.”

Ozturk also sees opportunities for metrics management at McNichols.

“With the BI implementation, we now have a good handle on actual transactions. With TM1 we have now introduced forecasts and targets. The next step would be to take those and put them into a scorecard with tolerance levels to provide a high level of visibility to the entire organization.”

“IBM Cognos gives us so many opportunities to grow the business,” DePaolis agrees. “Our business becomes more complex all the time. Daily, we are challenged to do more and accomplish more with less.

“With IBM Cognos TM1 we are able to do more with more. We can provide the highest level of service to our customers internally and externally with greater functionality and efficiency – even though we have fewer resources devoted to reporting and analytics.”

Reichle & De-Massari AG

“The planning process is smoother now, not to mention faster and more efficient. We have a central overview of plans, which are implemented entirely by business users in our international subsidiaries through the Web. R&M has been pursuing an IBM Cognos strategy for several years now. Users find the solution to be user-friendly and reliable, and roll-outs have always gone smoothly.”

Andreas Zill,
Corporate Controlling, R&M

Reichle & De-Massari AG (R&M) develops and produces passive cabling solutions for communication networks. Outstanding products in the copper and fiber optics sector have earned the company a reputation as a leader in quality.

The Swiss market leader, R&M has established its own market organization in 30 countries, with 75 percent of its turnover of around a quarter billion Swiss francs generated abroad. Every year, R&M invests more than 7 million Swiss francs in research and development. R&M is one of Switzerland’s 500 biggest companies and employs more than 650 people.

The company is fully owned by the Reichle family and is managed as an independent family business in the second generation.

Challenges faced

R&M’s journey from spreadsheet-based planning to its current performance management system comprised several steps. During an initial phase, the implementation of IBM Cognos Controller followed by IBM Cognos Planning brought improvements in planning and controlling.

The second phase involved the creation of a central data warehouse, and the third phase focused on setting up all aspects of business planning and control – with the introduction of IBM Cognos Business Intelligence and the integration of all components.

Before 2006, R&M’s controlling process, including planning and budgeting, relied primarily on spreadsheets. The high number of international subsidiaries made this a very complex and time-consuming task, requiring a whole range of steps through to the consolidated view and budget decision. The planning process was too long and lacked flexibility, and the budget was usually quickly overtaken by world events.

Strategy followed

The search for a planning solution ended with the selection of IBM Cognos Controller as the database and IBM Cognos Planning for the entire planning process, including budgeting. On completion of a brief implementation phase with IBM Cognos partner ENTECH Enterprise Technology AG, R&M's planning process was streamlined, including quarterly updates of the outlook for the current year.

All of R&M's branches throughout the world are integrated into the system through the Web, allowing head office to gather all the data required to produce a consolidated profit and loss overview easily.

In the course of this implementation, the focus of the planning process was switched to key profit and loss performance indicators such as sales, margin, OPEX and EBIT. The increased planning frequency has provided the company with a clearer view, particularly in difficult markets.

The next step involved checking and improving existing processes, expanding the planning solution and creating a data warehouse solution based on Microsoft® SQL Server®, with master data management tailored to the needs of the company's global organization.

The initially selected Microsoft analysis solution proved unable to meet all of R&M's requirements for its network of branches. Further to a brief evaluation based on a catalogue of requirements and the creation of a prototype, the company opted for IBM Cognos Business Intelligence.

In addition to the fact that Microsoft could not meet the requirements for this expansion step, synergies with the existing planning and controlling solution and the lower technical requirements for users helped to sway the decision in favor of IBM Cognos Business Intelligence. The solution also opened up a whole range of additional possibilities for performance management.

Once the data warehouse was in place, Cognos software was implemented and integrated with planning and consolidation, laying the foundation for the creation of dashboards. R&M now has a stable, efficient planning and consolidation solution and BI capable of producing reports based on ERP data, as well as an overall dashboard for planning and reporting data for management.

R&M's streamlined performance management environment is also the result of successful cooperation between various specialist IBM Cognos partners.

ENTECH Enterprise Technology AG was responsible for the entire planning solution and the technical installation of the Cognos software. While saracus consulting AG handled the creation of the data warehouse, including loading processes, definition of the data model, and interfaces with applications closely linked to the data warehouse and creation of the data models. Saracus consulting AG also handled the BI environment and supported R&M during the technical implementation of BI.

Benefits realized

The new solution provides an immediate overview of business all over the world – in terms of costs, sales and customers – and provides managers with a rapid, secure and user-friendly planning process.

The company's future plans include linking sales forecasts to the supply chain (production planning) and financial results to production data, as well as creating additional dashboards for the R&D, sales, supply chain and product management areas. The ERP environment will also be replaced with a more effective system.

Philips Consumer Lifestyle

"We now have a far better insight into the financial effects of changes to our sales plans. This enables us to adjust our course in plenty of time if market conditions change."

Eelco van den Akker,
Director Planning processes, Global Logistics,
Philips Consumer Lifestyle

Philips Consumer Lifestyle is a worldwide manufacturer of electronic lifestyle products for consumers. The company's product groups include health and wellbeing, domestic appliances, shaving and body care, television, audio and multimedia, plus peripherals and accessories. Philips Consumer Lifestyle employs a staff of approximately 17,000 in 50 countries.

The organization's head office is located in Amsterdam in the Netherlands. Philips Consumer Lifestyle is a division of Koninklijke Philips Electronics N.V.

Challenges faced

The 2008 merger of Philips Domestic Appliances and Philips Consumer Electronics into Philips Consumer Lifestyle created one of the world's biggest providers of electronic consumer lifestyle products. Each year, hundreds of millions of Philips Consumer Lifestyle products are sold over the counter. Planning worldwide sales is a complex process.

"We make more than eight thousand products that are sold in hundreds of countries. Our fifty local sales and marketing organizations produce forecasts that then have to be brought into line with one another worldwide. In total, more than a thousand people are involved in the overall planning and forecasting process." That's how Eelco van den Akker, Director Planning processes, Global Logistics, explains the situation.

The market dynamics in which the company operates are also on a grand scale.

"On the demand side, we have to deal with powerful store chains," explains Van den Akker. "It's a strongly promotion-driven business where products have a short lifecycle and price erosion is the order of the day.

"Then, on the supply side, we are under pressure to bring our products to market as quickly as possible and in the right volumes. And being able to adjust our capacity in good time to take advantage of market developments requires a great deal of flexibility in terms of purchasing and production, both regionally and worldwide."

Strategy followed

To achieve the best possible balance between supply and demand, Philips Consumer Lifestyle decided to streamline the planning and forecasting process.

"At Philips Domestic Appliances we had for a number of years been working with an integrated financial and operational planning process based on IBM Cognos Planning. So we took the concept and within a few months implemented it for the whole of Philips Consumer Lifestyle," says Van den Akker.

The company operates based on a core concept that local sales plans lead the way. Every month the sales organizations use their knowledge of the local market to produce forecasts based on business targets. These forecasts include expected sales volumes and selling prices, supplemented once a quarter by promotional spending.

They then enter their plans into the central planning application via a web portal. The forecasts are used as the basis for purchasing and production planning. If the required volumes can't be met, feedback is generated from the logistics chain. A direct link between the planning application and the logistics system facilitates this interaction.

Each quarter, a snapshot of the sales plans is taken at head office. These snapshots are enhanced with a range of financial details and processed into rolling forecasts. After the forecasts have been discussed with the business units in question and any adjustments made, all the data is consolidated.

The whole process, from snapshot to consolidation, is completed within two weeks. The Board of Directors can then deliberate over the information, determine whether it is in line with targets and implement corrective measures, if required.

Benefits realized

Philips Consumer Lifestyle has derived many benefits from streamlining and integrating their worldwide planning and forecasting process.

"We now have far better insight into the financial effects of changes to the sales plans," says Van den Akker. "We are able to optimize our margins, sales volume and turnover because we know what product and market combinations we need to focus on. That creates improvements to our level of service, because we can plan our stock situation accurately."

Another vitally important feature is that Philips Consumer Lifestyle can now adjust its course in good time if market conditions change. This benefit came to light immediately after the new application was implemented.

"When it came to dealing with the effects of the global financial crisis, the planning solution enabled us to take the appropriate measures quickly," says Van den Akker. "We started seeing results within two months, such as reducing our storage costs by double digits."

And because the financial planning is based on operational planning, there is still only one version of the truth throughout the worldwide organization.

"The snapshots of the sales volumes and market prices form the basis for all our financial calculations and projections. That prevents too much discussion. Now we can talk about assumptions instead of just figures."

About IBM Business Analytics

IBM Business Analytics solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Business Analytics solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Business Analytics solutions.



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