

COLLABORATIVE DEMAND AND SUPPLY PLANNING

HELP CONSUMER PRODUCTS COMPANIES SYNCHRONIZE SUPPLY TO DEMAND

Collaborative demand and supply planning allows consumer products companies to develop winning strategies and tactics across the supply network. SAP® software helps your company improve visibility and control throughout the supply network, so you can respond to market changes quickly and cost-effectively.



Globalization is proving to be both a blessing and a curse for consumer products (CP) companies. With access to new regions, consumers, and suppliers, CP manufacturers enjoy an expanding world of selling and sourcing opportunities. But with this expansion comes complexity. Retailers demand shorter intervals, favorable prices, and high product availability. Consumers want to find items on the shelf. And, with components and raw materials being furnished via a complex web spread over many locations and time zones, there are more places than ever for things to go wrong.

This double-sided dilemma makes it extremely difficult to put the right products on the right shelves at the right time – and at the right level of profitability. To overcome these challenges you need to balance demand and supply within your own supply chain as well as partner with suppliers and customers and establish new levels of collaboration across functional and departmental boundaries. SAP can help – with solutions that help you proactively manage your internal as well as extended supply network, enabling you to track fluctuations in demand, respond to supplier delivery volatility, and recover from operational disruptions.

Improve Visibility Through Collaborative Demand Management

Forecasting, the traditional gauge of market demand, has been viewed as half art and half science, and almost always does not predict demand as accurately as needed. To get a more comprehensive view of demand, you have to collect and

digest data from many different sources. Whether it's point of sale data from retailers, actual orders from customers, promotional plans from marketing, or forecasts from your sales team, you must harmonize and consolidate these data streams to get a clear picture of demand. Armed with an accurate projection of what the market will bear, you are better equipped to manage planning processes, synchronize supply activities, and mitigate supply risks.

SAP® software supports a full spectrum of demand management processes. With applications that integrate and synthesize demand creation initiatives, internal and external forecasts, customer demands, and consumer buying trends, you can blend multiple sources of information to increase demand accuracy and improve your responsiveness to ever-shifting consumer buying patterns. As you move from a forecast-driven to a demand-driven approach, your company can lower safety stocks and inventory, streamline production runs, and cut distribution costs – all while maintaining or even improving delivery service targets.

Respond Faster and Smarter with Integrated Supply Planning

Inefficient or short-sighted supply planning can result in poor resource utilization, excess inventory, high supply chain costs, and dissatisfied customers. With uncertainty at all levels of the demand/supply continuum, CP companies must expand supply planning activities across the supply network rather than relying on a top-down, centrally managed approach. With distributed supply planning that

links all partners, facilities, and functionalities, your company can establish optimum safety-stock levels and synchronize delivery schedules for both finished products and materials.

SAP solutions help you improve supply planning by integrating purchasing, manufacturing, distribution, and transportation plans into a comprehensive supply planning approach. With applications that enhance key processes such as safety-stock planning, supply network planning, distribution planning, procurement, and materials management, you can manage end-to-end supply chain processes with optimal agility and visibility. Your company can make more informed decisions about quantities to be produced and delivered to appropriate locations, matching customer demand and maintaining targeted service levels.

Balance Demand and Supply with Sales and Operations Planning

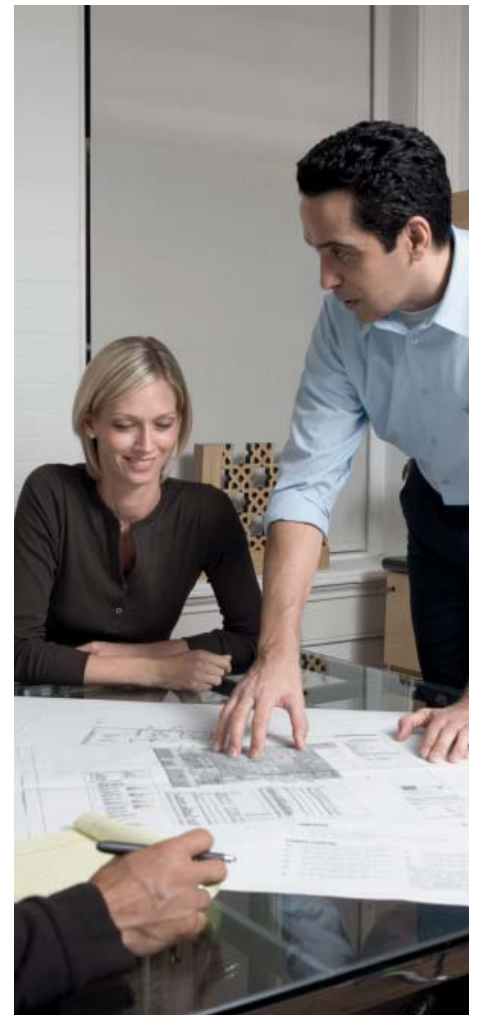
Many CP manufacturers face challenges when responding to disruptions on both the demand and supply side of the value chain. If you manage sales and operations planning (S&OP) with disparate procedures, systems, data sources, and network partners, you may not learn about exceptions quickly enough to respond effectively. Without optimized capacity and inventory, your company becomes vulnerable to inflated supply chain costs and poor in-stock rates.

Another problem for CP manufacturers is the differing views found in functional areas such as supply chain management, purchasing, production, and budgeting.

The plans developed in each of these departments may be independently valid but out of sync with each other or with broader corporate goals. To ensure a balance between demand and supply, these diverse plans need to be aligned through cross-departmental collaboration. S&OP processes should be part of a consolidated plan that accommodates your company's financial goals, marketing efforts, and inventory targets.

To profitably fulfill demand, consumer products companies need to extend their supply strategy across the network, establish optimum safety-stock levels, and synchronize delivery schedules for both finished products and materials.

SAP software helps you collaborate across departmental and enterprise boundaries to balance demand and supply over a distributed network. This enables your company to fine-tune operations and inventory so you can seize market opportunities and mitigate supply risks. When all relevant data, processes, and applications are integrated, you have better visibility, intelligence, and control across the extended enterprise. As you enhance S&OP with relevant information from distribution, supply, purchasing, and marketing units, your company becomes more agile, more responsive, and more profitable. Armed with real-time data from across



your supply network, you can allocate resources to meet strategic or tactical goals, create or alter a promotional plan, adjust inventory positions, leverage capacity at a contract manufacturer, or fine-tune production runs.

Solutions to Enable Collaborative Demand and Supply Planning

SAP and partner solutions enable CP companies to build collaborative demand and supply planning processes that continuously sense demand fluctuations, supplier delivery volatility, and operational disruptions. Supported business processes include:

Collaborative Demand Management

- Demand signal capture
Improve forecast accuracy and reduce stock outs with the Vision Chain Demand Signal Adapter solution. Certified integration with the SAP NetWeaver® technology platform allows the solution to deliver cleansed and harmonized demand signals from retailers.

- Sales forecast collaboration
Improve productivity and enhance decision making with Duet™ software. Leverage demand planning in the SAP Supply Chain Management application through a Microsoft Excel user interface. Information workers across the supply network can contribute to planning efforts without having to master unfamiliar applications.
- Demand planning and forecasting
Leverage state-of-the-art forecasting algorithms to anticipate demand for products while supporting close collaboration with your customers to exchange and enhance demand data. Improve forecast quality with a consolidated demand plan across regions, companies, and departments.
- Vendor-managed inventory and responsive replenishment
Improve inventory replenishment and collaboration through state-of-the-art vendor-managed inventory functionality. SAP applications enable true demand-driven replenishment based on forecasting, replenishment planning, and truckload building with or without promotion management.
- Trade promotion planning
Increase sales and solidify retailer relationships with integrated head-quarters and field planning, customer sell-in and negotiation, execution, validation, and evaluation of trade promotions

Supply Planning

- Safety-stock planning
Determine the optimal levels of safety stock to satisfy unexpected demand,

and then apply these levels across the entire supply network to reduce inventory costs

- Supply network planning
Increase visibility across the overall supply chain by integrating purchasing, manufacturing, distribution, and transportation plans into an overall supply picture. Simulate different market conditions and implement sourcing decisions based on a single, globally-consistent model.
- Multiechelon inventory optimization
Reduce inventory costs with the SmartOps Multistage Inventory Planning & Optimization solution, an SAP-endorsed business solution that helps you calculate how much of each item you should carry – why, where, and when
- Rough-cut production planning
Improve medium- to short-term planning to maximize the product mix per time period and determine the amount of capacity to be used
- Procurement planning
Leverage the results of rough-cut production planning to optimize the procurement of direct materials, consolidate purchasing activities, and determine volumes for mid- to long-term contracts with suppliers
- Supplier collaboration
Collaborate with suppliers and subcontractors to enable collaborative planning with direct interaction and data exchange

SAP software enables end-to-end supply planning across distribution, manufacturing, procurement, and partner organizations for faster and smarter responsiveness at the lowest possible cost.

- Distribution planning
Determine which demands can be fulfilled using existing resources and calculate optimal strategies for allocating supply and replenishing stocking locations

Sales and Operations Planning

- Cross-company and departmental data analysis
Transform information into insight with business intelligence software from SAP and Business Objects, an SAP company. With a comprehensive set of tools, planning and simulation functionality, and a data warehouse, you can make sound decisions and take targeted actions.
- Demand and supply planning
Optimize operating margins by balancing global demand and supply across enterprise functions and network participants, while establishing the right resources to fulfill demand profitably.

Summary

Effective supply network management depends on synchronizing and balancing ever-changing demand and supply dynamics. SAP® software helps consumer products manufacturers gain the visibility and collaboration they need to meet customer expectations and optimize profits.

Challenges

- Serve more customers in more markets
- Manage growing product and network complexity
- Reduce inventories, lead times, stock outs, and supply chain costs
- Improve efficiency and agility so the right product is on the right shelf at the right time

Supported Business Processes and Software Functions

- **Collaborative demand management** – Integrate all relevant demand processes and data sources across functional and enterprise boundaries
- **Supply planning** – Integrate distribution, production, and inventory planning to improve your responsiveness to missed deliveries, product shortages, and other disruptions in the supply network
- **Sales and operations planning** – Create a more profitable comprehensive plan by blending information across functional and organizational boundaries while providing a flexible tool set for preparing and executing sales and operations planning initiatives

Business Benefits

- **Seize revenue opportunities, eliminate stock outs, and provide a better shopper experience** by gaining better visibility into customer and consumer demand
- **Improve in-stock rates and service levels, optimize network inventories, and reduce supply chain costs** by responding quickly and profitably across the supply network
- **Profitably meet customer expectations and be a better partner for growth** by out-executing your competition and balancing demand and supply

For More Information

To learn more how SAP solutions support collaborative demand and supply planning, contact your SAP representative or visit us on the Web at www.sap.com/solutions/executiveview/supply-chain/index.epx.

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