



Management briefing

5 tips for better S&OP scenario planning

Are sub-optimal distribution decisions costing your company dearly? Get the answers here.

SALES AND OPERATIONS PLANNING





Uncover your most profitable strategies with better scenario planning

Many companies recognize the importance of scenario planning for effective S&OP (Sales and Operations Planning). However the full benefits of scenario planning may not be realized unless certain key conditions are met.

Five tips for better scenario planning

Scenario planning has been described as a disciplined method for imagining possible futures – specifically, futures that are aligned with a company’s business goals. Scenario planning gives you the freedom to explore different options which can improve the effectiveness of the S&OP process dramatically. Here are our top five tips for ensuring that scenario planning becomes a natural and beneficial part of your S&OP.

Tip 1: Look for effortless data manipulation

Scenarios free our thinking. However if creating them requires considerable IT effort or technical support, most people simply won’t bother.

Some tools are very good at modeling existing data, but aren’t so good at allowing you to change that data quickly.

Let’s say you want to create a scenario in which demand from all your US customers increases by 10%. An effective tool would allow you to edit many data elements in one quick action – instead of one by one.

Look for a solution that gives you the flexibility to create alternative sets of data quickly and easily.



It's crucial to be able to compare scenarios quickly based on high-level KPIs.

Tip 2: Create scenarios when and as needed

You should be able to create scenarios in minutes. Being able to manipulate data easily is part of this. But so is being able to calculate the effects of those changes on the entire plan, and optimize the results.

If an alternative scenario is raised during an S&OP meeting, it is extremely useful to be able to evaluate that alternative on the spot. The insights you gain from this kind of on-the-fly scenario planning can be invaluable.

Organizations lacking this capability often find themselves making sub-optimal decisions; such as sourcing material from an external supplier when a sister plant is holding the required inventory.

Ensure that you can create multiple scenarios rapidly.

Tip 3: Limit the scope of your scenarios

It's better to have many focused scenarios with an appropriate level of detail, rather than one huge one that tries to be all-encompassing.

A common mistake is to merge an organization's long-term strategic plan with its monthly S&OP plan. They may sound appealing but in reality all-encompassing scenarios greatly complicate scenario planning while adding no value. Feeding details related to monthly S&OP into a long planning horizon is unhelpful. While many of these inputs can be accurately estimated over the short term, they become much less certain over a longer period.

Don't squeeze all your data into one big scenario. Use different scopes, with different levels of detail, for different purposes.



Tip 4: Compare your scenarios

The importance of comparing scenarios may seem self-evident. Unfortunately, many tools just aren't up to this.

Besides having the right tool, it's also crucial to be able to compare scenarios quickly based on high-level KPIs. These KPIs help to ensure that your S&OP is aligned with your business strategy, and give you a quick way of identifying the most promising scenarios.

You should be able to compare scenarios at a glance, before drilling down on the most interesting high-level KPIs.

Tip 5: Keep track of your leading scenario

With Excel, it isn't always easy to identify the leading scenario. All too often people update the wrong plan and even end up implementing it. An effective S&OP process will naturally involve creating many scenarios. An effective S&OP tool should therefore enable you to flag the leading scenario so that everyone knows exactly which one to use.

Keep all planners informed of the leading scenario – or use a planning tool that can do this for you.

Scenario planning doesn't have to be tedious. Following these five simple tips will go a long way in helping you realize the benefits of this powerful S&OP enabler.

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