Integrated Business Planning

Enabled by SAP IBP

Robert Kepczynski | 8th November 2016
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<thead>
<tr>
<th>Topic</th>
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<th>Person responsible</th>
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<td>• Deloitte capabilities</td>
<td>Robert Kepczynski (Deloitte)</td>
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<td>Making an impact</td>
<td>• Customers experience and use cases</td>
<td>Robert Kepczynski (Deloitte)</td>
<td>20 min</td>
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Our credentials

Deloitte named the Leader in Supply Chain Management Consulting based on breadth and depth of capabilities by Kennedy

“Deloitte helps clients understand the strategic as well as the operational importance of their supply chains, using SCM as a way to generate competitive advantage for clients as well as operational efficiencies.”

“Deloitte’s highly integrated, globally standardized consulting delivery model and its formidable scale and global footprint are well suited to the European SCM consulting market, given the global nature of today’s supply chains.”

- Operational Planning & Supply Chain Network Design perceived as Deloitte’s biggest strengths in the marketplace
- Our path breaking work in end-to-end transformations of global supply chains delivering a competitive advantage to clients across geographies was recognized

Source: Kennedy Consulting Research & Advisory; Supply Chain Management Consulting in Europe 2015; Kennedy Consulting Research & Advisory estimate © 2015 ALM Media Properties, LLC. Reproduced under license
## Agenda

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Selected client examples
We have extensive experience delivering SAP IBP projects of various maturity levels to positively impact all major levers of shareholder value.

**Life Science company**

S&OP process implementation at a **£50bn Life Sciences company**

**Key challenges**
- Low S&OP maturity and no formal S&OP structures in place
- Inconsistent processes and siloed working with limited alignment on plans
- Data quality issues led to impaired decision-making

Focus on improving S&OP process and people capabilities and basic analytics

**Achievements**
- Inventory reduction by £220m
- Sales increase by £130m
- Harmonized global processes

**White goods manufacturer**

Post-merger process and system harmonization at a **$20bn white goods manufacturer**

**Key challenges**
- Inconsistent master data set and systems
- Fragmented and basic sales forecasting & demand planning process
- Poor S&OP decision making due to lack of integration between business units – need for harmonization of processes

**Achievements**
- 30% forecast accuracy increase
- Consistent data and improved S&OP decision making
- Harmonized processes

**Chemical company**

S&OP process and tool implementation at a **$70bn+ global chemical company**

**Key challenges**
- Unaligned functions, processes and tools
- Increasing pressure to cut cost – unit cost and inventory levels rising year-on-year
- Lack of established policies for S&OP process, short-term focus and poor inventory control
- Previous programs had been implemented but without success

**Achievements**
- Write-off reduction by 25%
- Cost to supply reduction by 15%
- Global implementation of SAP S&OP tool
Case study 1 – Construction equipment manufacturer
Deloitte drove end-to-end IBP and collaboration transformation

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<th>Challenges</th>
<th>Approach</th>
<th>Value delivered</th>
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<tr>
<td>▪ Decentralized S&amp;OP process</td>
<td>▪ Provide strong process guidance to establish real network planning</td>
<td>▪ Real time network planning capabilities</td>
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<tr>
<td>▪ No network planning capabilities</td>
<td>▪ Heavy change management to onboard stakeholders throughout the process</td>
<td>▪ Harmonized Rough Cut Capacity Planning</td>
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<td>▪ Burning platform for S&amp;OP</td>
<td>▪ Innovate S&amp;OP Process modeling leveraging IBP on HANA infrastructure</td>
<td>▪ Virtual mobile collaboration capabilities streamlining the IBP process with SAP JAM</td>
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<td>▪ Dispersed legacy master data architecture</td>
<td>▪ Full Demand, Supply and Finance design and implementation on IBP on HANA</td>
<td>▪ Improved supply chain visibility</td>
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<td></td>
<td></td>
<td>▪ Enabled financial intuition embedded in IBP process</td>
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<td>▪ Automated integration with SAP HCI</td>
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Case study 2 – White goods manufacturer
Deloitte was engaged in a post-merger integration to build a common consensus demand and future state S&OP platforms

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<td>▪ Previously independent companies with very different approach to demand planning</td>
<td>▪ Demand planning design and build on IBP on HANA</td>
<td>▪ Consensus demand process alignment as first step in S&amp;OP process alignment</td>
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<tr>
<td>▪ Distributed legacy master data architecture</td>
<td>▪ Strong focus on integration with back-end systems landscape, supported by SAP HCI</td>
<td>▪ Deployment of future roadmap for Integrated Business Planning Processes and IBP on HANA system</td>
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<tr>
<td>▪ Limited S&amp;OP process proficiency</td>
<td>▪ Aggressive timeline to deliver benefits in short timeframe</td>
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Case study 3 – Starch manufacturer

Improved supply chain visibility and finance integration enhanced the S&OP process, thus providing insights in product demand and meeting financial targets

Challenges

- Global S&OP process with decentralized sales forecast and account management, resulting in hidden forecasts
- Limitations in integrated dash boarding and analytics functionality
- Inadequate and slow scenario capabilities

Approach

- Setup for demand and supply planning functionality with finance integration
- Provide process and data guidance to establish integrated network planning
- Develop user friendly planning views and dashboards for analytics and planning updates

Value delivered

1. Integrated data model including demand, supply and finance data
2. Improved Supply Chain visibility across different locations and levels
3. Real time what-if scenario planning capabilities and collaboration platform
4. Excel-based planning views per function for analytics
S&OP vs IBP differentiators*
Our customers game changers

- Finance & pricing integration
- Strategic plans & strategic initiatives inclusion/integration
- Product introduction, registration, phase in vs phase out, substitutions
- Scenario planning to model business risks & opportunities
  (Product, demand, supply, in volume and value)
- Gaps identification & management
  (Gaps vs budget, unconstrained demand, supply response, demonstrated capacity)
- Translation between aggregated and detailed planning, granularity linked to horizon
- Improved trust between stakeholders

What value our customers extract from IBP?
Different S&OP types & levels may require different harmonization transformation efforts

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<tr>
<th></th>
<th>Operational</th>
<th>Tactical</th>
<th>Strategic</th>
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<tbody>
<tr>
<td>Frequency</td>
<td>Weekly / bi-weekly</td>
<td>Monthly</td>
<td>Annual / quarterly / monthly</td>
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<tr>
<td>Typical granularity</td>
<td>SKU-customer-plant</td>
<td>SKU-product group &amp; customer-customer group</td>
<td>Product line / active ingredient / key RM</td>
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<tr>
<td>Time buckets</td>
<td>Day / week / peak season</td>
<td>Peak season month / year</td>
<td>Year / quarter</td>
</tr>
<tr>
<td>Horizon</td>
<td>4-8 weeks</td>
<td>12-24 months</td>
<td>3-5 years</td>
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What value our customers extract from IBP?
Integrate operational, tactical with strategic plan on one SAP IBP system

- All S&OPs types on all levels could be integrated on SAP IBP in an unified planning area.
- No integration between SAP IBP modules/applications needed
- **Assumptions, volume** and **value** (volumetric plans, revenue/profits/COGS projections, gaps to budget)
Operational, Tactical / Strategic S&OP
Five building blocks

In Strategic S&OP, there might be a **Strategic Initiative Review** as well.

In Operational S&OP, all five process steps are typically addressed during the same meeting.
How our customers extract value from S&OP matured to IBP

Product – Identifying key risk and opportunities

- New product implementation (like modelling for same technology or new technology)
- Phase-in & phase-out (cannibalization)*
- Substitutions (operational, tactical)
- Samples / free of charge
- Risk & opportunities in scenario planning
- Registration*

Review of «commercialized» and «non commercialized» product range

*Leverage global/regional vs local on desired level in material hierarchy

Monthly country group
How our customers extract value from S&OP matured to IBP
Demand – Agreeing on consensus market potentials

Unconstrained consensus market potential

Leverage various ways of selling products in *various local organizational structures
How our customers extract value from S&OP matured to IBP

Supply – Defining a realistic supply & operations plan

- Detailed schedule review*
- Logistics & distribution review
- Internal & external manufacturing capacity & supply review*
- Inventory and safety stock planning*
- Implement substitutions

Monthly supply source

Realistic supply and operational plan
Leverage various ways of supplying and distributing products

* Partly still done outside IBP but planned to be in IBP
How our customers extract value from S&OP matured to IBP
Pre-S&OP – “Cooking the figures” & preparing the most profitable plan

- Product & market tactics
- Price & margin tactics
- Demand management of supply plan
- Most profitable allocation plan
- Non standard revenue drivers (licenses, services)
- Non standard cost drivers (returns, provisions)

Currency & Credit risks

Risk & opportunities in scenario planning

Constrained consolidated business scenario plans

*Agree volumetric, top line revenue, bottom line profit projections, budget gap, tactics & assumptions

Monthly P&L business unit

How our customers extract value from S&OP matured to IBP
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Monthly P&L business unit
How our customers extract value from S&OP matured to IBP
S&OP – Make the most profitable decisions, consider E2E view

Integrated business plan

* Sign off business scenarios, agree market & product tactics to be followed by action plan

Monthly P&L business unit

S&OP Meeting*

Business scenario plans review

Assumptions review (price, product, market tactics)

Key revenue & cost drivers

Regulatory input

Risk & Opportunities review

Action plan

Risk & Opportunities review
How our customers extract value from S&OP matured to IBP
Data integration – One single repository of data needed for IBP decisions

• **Hana Cloud Integration**: it is main & powerful data integration platform, where on premise HCI agent is to establish a connection between the cloud-based HCI and the on-premise databases (either SAP, external or flat files). *It was proven* in various projects e.g. in 20 systems being integrated providing data on various granularity, volume and frequency in one single data model.

• **SDI - SmartData Integration** – online integration between ECC and Cloud IBP will be explored by our customers.

• SAP IBP Data become **single end to end source of validated data** integrated with many system providing data in various formats, levels, frequency and volume. Some customer report that up to **95% of time spend on data integration & reconciliation is now spend on business scenario & data analysis instead**.
How our customers extract value from S&OP matured to IBP
Build capabilities for IBP responsibilities embedded in the process

**Sales & Marketing**
- Provide price elasticity inputs
- Provide market & products tactics
- Provide up to date market forecast on best insights level

**Demand planning & Demand management**
- Lead team to agree on consensus market forecast
- Identify risk & opportunity drivers
- Use Statistical forecasting and analytics
- Help to find an answer to whom to give if shortages exist

**Supply chain & Operations**
- Provide realistic and robust supply signal
- Clearly highlight supply and distribution constraints

**Finance & Pricing**
- Management of forecasted price, margin, budget gap, credit exposure,
- Input for scenario planning to cope with volumetric and financial risk & opportunities

**Executives**
- Sign off business scenario and assumptions
- Make team accountable to execute action plan
How our customer build their own IBP volume, value waterfall

Identify key volume, cost, revenue and margin drivers. Map them in the process and data model to reflect E2E view.
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