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INSIGHTS



SAP IBP SERIES:

REDUCE YOUR INVENTORY LEVELS WITH SAP IBP

In this white paper, we will dive deeper into the capabilities of SAP Integrated Planning (IBP), and how business can utilize this tool to reduce inventory levels, increase production capacity, and improve long-term planning. We will review some real-world examples and share the next steps for your business.

— Warren Norris, Managing Partner

The perfect storm:

We got the phone call late one Friday afternoon! One of our manufacturing customers was slashing their quarterly and yearly orders due to a slowdown in their business. Everyone was scrambling to assess the impact on revenue, inventory, demand plan, and supply chain.

The global business manager was on the hot seat! The demand planning processes weren't designed to quickly calculate the impact of this hit. **Executives wanted answers NOW!**

Could this happen to you?

Whether you are in the Make-to-Stock (MTS) or Make-to-Order (MTO) business, lacking visibility of your supply chain is a high-risk adventure.

This situation did happen to one of our clients. They have a mixed business model; finished goods are MTO with lower-level stockables i.e. Make-to-Stock. They manufacture large equipment that occupies significant floor space and consumes costly resources with long lead times. The outside of the equipment may look similar, but the inner components of the machine can be drastically different.



The business case was evident – monthly updates to the forecast and plans would not cut it! Too many things can happen in three weeks, and too much money was at risk.

The decision was to proceed with SAP Integrated Business Planning (IBP). IBP is SAP's cloud solution that replaces SAP APO, the on-premise supply chain optimizer solution.

The main requirements were:

- Run the forecast and demand plan weekly.
- A tool that the Planners could use and trust.
- Collaborate and communicate the requirements to our factories, suppliers, and logistics partners.

The current planning process is common in this industry; planners gather the Sales Forecast from multiple sources. The spreadsheets are updated monthly because it takes planners a significant amount of time to gather, consolidate, and obtain approval from various stakeholders.

Ten criteria were developed to guide the decision-making process. In this article, **we will elaborate on the top three.**

1. Time-to-results:

The evaluation took about three months. The implementation and adoption will take about six months. This is the time to design, build, integrate, and stabilize the current processes on IBP. For a complex, multi-site supplier network, this duration is advantageous.

Performing weekly updates to the forecast allows us to communicate these changes to our partners. Getting our

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various user groups and partners synchronized is a major benefit of this initiative. **This aspect alone justifies the investment.**

From a technology perspective, using SAP HCI (HANA Cloud Integration) simplifies the process of connecting IBP to both upstream and downstream systems. Pulling data from multiple systems such as ECC does not require the setup and maintenance typically associated with APO.

Pushing the results to our downstream factories and partners is also part of the HCI integration. Our planners and partners can get on the same page with the priorities of the plan. This helps to reduce our working capital through increased inventory turns, reduced stockables, and resource scheduling.



2. MS Excel Interface:

The planners are accustomed to working with Excel. **The Excel interface reduces our training time and increases the interaction and participation of the planners with the stakeholders.**

Additionally, the DIY nature of the tool and the planning processes will encourage our subject matter experts, the planners in most cases, to contribute improvements in the planning process.

3. Web Interface and Dashboards:

An impressive component that executives and planners appreciated is the web interface and dashboard. Our operations team interprets and responds effectively to the data visualization triggers in the dashboard. The dashboard presents the plan, impact, and exceptions in a visually appealing and intuitive manner.

We regularly review the App Store for updates and new ideas. SAP frequently publishes updates to the interface

through the App Store. It is also an excellent source of continuous improvement and insights shared by users and partners.

The anticipated benefits include:

1. Reduced Inventory on-hand by as much as 20%.
2. Better Collaboration with Planners and Partners.
3. Improved Forecasting, Demand Planning and Production Planning with accuracy and frequency.
4. Forecasting hours are spent on planning and collaborating, not updating spreadsheets.

So, when the phone rings on a Friday afternoon, no one panics. The Integrated Business Planning – Sales & Operation Planning (IBP-S&OP) and Demand Planning system will provide the answers for executives, planners, and partners.

Moving Forward:

Are you interested in learning more about SAP IBP, APO or Supply Chain? Our Advisory Services Consultants have the business process and technology experience to streamline your Supply Chain.

To find out more information about SAP IBP, ask your Titan Consulting Sales Director or visit our website at titanconsulting.net and click on the "Contact Us" link. **We look forward to connecting with you on your Digital Transformation journey!**