



# Global Supply Chain Planning Study 2009

Orchestrate Your Supply Chain by Taking Planning to the Next Level



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# Introduction

Capgemini Consulting is pleased to present this report drawing from the results of our survey on Supply Chain Planning within companies across the world.

This report is a result of Capgemini's constant focus on innovation, trends and issues in the business market. As one of the top full-service consulting companies, Capgemini is at the forefront of thought leadership and Supply Chain Management leading practices.

The Supply Chain Planning function continues to face the challenges of negotiating the complexities of the ever-changing environment in which supply chains operate. In this context, our study captures a wide spectrum of perspectives, ideas and practice knowledge on this topic from seasoned executives representing a wide range of industries. We formally thank all the executives who contributed their valuable time and insights for this study.

We trust that you will find this report useful as you continue on your journey in pursuit of Supply Chain Management excellence within your organization, especially in the area of planning.



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# Executive Summary

In the current deteriorating global economic conditions, the pressure on the supply chain has only increased. Operating in an environment driven by unprecedented global competition, rapidly changing consumer preferences leading to increased volatility, variability and service requirements, globalization of sourcing and often dealing with a lack of visibility, the supply chain function is now more than ever heavily challenged to seek cost reductions.

By surveying supply chain executives from across the globe, this study aims to capture the latest thinking and perceptions regarding the current and future trends, challenges and opportunities for Supply Chain Management (SCM), especially from a planning perspective. The study uncovered a number of key findings:

Although viewed positively as a source of competitive advantage by some organizations, **Supply Chain Planning is not yet universally seen as a strategic, critical decision-making activity.** The majority of respondents perceived Supply Chain Planning as a support function/back-office execution process and many seek strategic direction and long-term plans from their global organizations.

**Only a few of the participating executives classify their organizations as innovators or best-in-class;** the majority are looking to adopt industry leading practices. Most companies have the basic processes with formalized support systems in place to support planning, but are still challenged with high levels of inventory and adjustments and have a limited ability to respond quickly to

changes in supply or demand. Therefore it is not surprising that further process improvements/enhancements were noted as the most likely changes to be made to improve performance.

While collaboration and information sharing is seen as a key to success, this is still largely accomplished in a non-formalized way with little or no structured processes or tools to enable them. **Accomplishing end-to-end supply chain integration (internally and externally) still seems to be a dream.** Though most respondents intend to improve collaboration with their suppliers and/or customers, many have not defined the collaboration mechanism and very few organizations share critical information like actual stock levels, gross demand or production plans with their upstream and downstream supply chain partners.

A significant majority of the organizations still rely on homegrown applications like spreadsheets for their planning processes while **sophisticated and fully integrated tools are not widely adopted.** Though the perception is that the core planning processes are well supported by the existing planning systems, more than half the respondents missed advanced planning and optimization functionality in their current systems. Most organizations do not have processes to ensure that they are fully exploiting the capabilities of their current systems.

**Sales and Operations Planning (S&OP) is widely adopted but the effectiveness of the process is limited.** Lack of S&OP functionality

and the previously mentioned integration with suppliers were other major shortcomings experienced. Adoption of specialized S&OP tools is not evident as most organizations use spreadsheet analysis and non-specialized reporting from their ERP systems.

**Most organizations do not factor in many of the risks associated with the dynamic environment in which they operate.** While risk associated with commodity-price fluctuation and availability are well recognized and incorporated in the planning process, exchange-rate fluctuations and product risks from low-cost country sourcing are not. Also, a significant majority of organizations do not consider energy use, reverse flows/returns, carbon footprint and logistical delays due to natural and geo-political factors critical to their planning.

Supply chain executives overwhelmingly responded that planning is a core process in their organization and could not be outsourced. However, **over half the participants mentioned that their competitors might consider or already are outsourcing some planning processes.**

While this top-line review provides a summary of key findings from the study, the sections that follow offer more in-depth data and analysis. We urge you to read the full report and recommendations to evaluate what actions you may need to take now to ensure that your company is ready for upcoming Supply Chain Planning challenges and opportunities.

## About the Study

The views of leading Supply Chain Management practitioners provide the best understanding of the current state of the art as well as insights into the future.

This study, conducted by Capgemini's Planning Center of Excellence, taps the extensive experience and perspectives of supply chain executives of major enterprises from all over the world.

### Objectives

The objective of this study is to draw executive attention to current challenges, emerging trends and improvement opportunities relating to the Supply Chain Planning area through the analysis of perspectives obtained from interviews and participants of a web-based survey on the following overarching questions:

- What are the current challenges, future trends and opportunities for improvement in the Supply Chain Planning area?
- What are the leading planning practices, planning capabilities and process maturity globally?

**“The purpose of planning is not to predict the future with prophetic certainty, but to ensure long-term success.”**

The scope of this study is limited to supply planning, demand planning, inventory planning, production planning and S&OP and covers the following aspects:

- Current business conditions and challenges
- Supply Chain Planning processes, tools and performance indicators
- Sales and Operations Planning (S&OP)
- Emerging trends and opportunities for improvement

### Methodology

The input for this study was gathered during fall 2008 through face-to-face interviews and a web-based survey that collected responses from 120 supply chain executives, with representation from all the major economic regions in the world. Participants were carefully chosen to ensure that they were all responsible for or actively involved with Supply Chain Planning activities in their organizations.

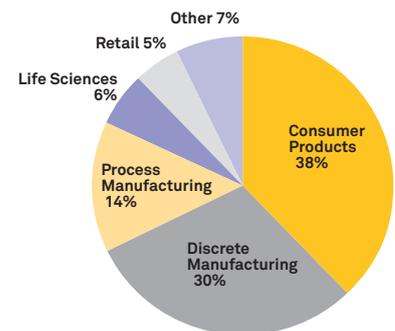
Survey participants were spread across the following four major industries:

- Consumer Products and Retail
- Discrete Manufacturing
- Process Manufacturing
- Life Sciences and other industries

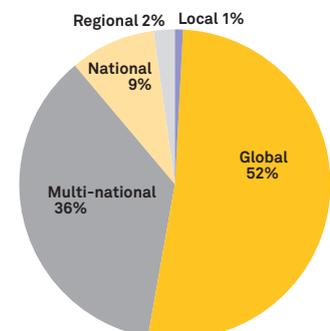
Participants from companies based in over 21 countries responded to the survey, with a respondent distribution of 37% from companies in Western Europe, 24% from Central and Eastern Europe, 19% from the Americas, 13% from the Nordics and 7% from the Asia Pacific region. Significant participation came from senior executives (44% were

Directors, VPs or CXOs in their organization). A large majority (88%) of the respondents identified the scope of their company's operations as global or multi-national.

### Industry representation



### Scope of operations



# The Operating Environment

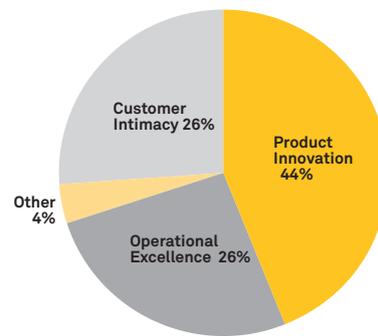
The macro environment in which organizations and their supply chains operate in today's world is fraught with major challenges. Some are traditional ones like pressure to support demanding business goals by reducing costs, aiding growth and providing better service, as well as increasing agility. Others are new challenges due to the constantly changing economic and geo-political scenario. These conditions create volatility and variability in demand, supplies and lead times, as well as increased complexity. Tax structures, regulations, and fluctuating exchange rates, fuel and commodity prices are adding new constraints to an already complex supply chain equation.

## Current Business Focus and Competitive Advantage

It is important to keep in mind that the research was conducted during a sustained period of deteriorating global economic conditions. Therefore, some of the focus areas identified in the survey may have gained even more importance of late. Many organizations would shift the focus back to innovation and growth once economic conditions stabilize.

Many organizations (44%) reported that their main business focus was growth and achieving increased profitability. Some (25%) were seeking efficiencies or were distracted by post-merger/acquisition integration challenges. Only a very small number of respondents revealed that they were in a downsizing, cost-cutting and survival mode. Some of these priorities might have changed over the recent months.

Main source of competitive advantage



Innovation, customer intimacy and operational excellence are necessary for survival and growth. Product innovation was reported as the source of competitive advantage for nearly half the participating organizations. Operational excellence and customer intimacy each received a quarter of the votes for competitive advantage.

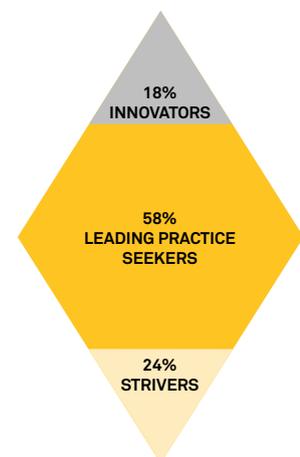
Very few supply chain executives consider their organizations to be "innovators" in Supply Chain Management. The majority of organizations classified themselves as "seekers," looking to adopt industry leading practices. Nearly a quarter of the participants consider themselves to be "strivers," those focused on reaching industry averages in terms of Supply Chain Management performance.

## Major Trends in a Challenging Environment

Continued pressure to reduce costs remains the top challenge for the supply chain function. The other major challenges include managing volatility and variability, lack of visibility, high levels of working capital requirement and unsatisfactory delivery performance.

Some interesting differences among industry sectors were observed. While cost pressures were paramount to consumer products companies, discrete manufacturing industries reported lack of visibility as the biggest challenge. Similarly, globalization and poor cash flow figured in the top challenges for both discrete and process manufacturing industries while they did not in the consumer products industry. In addition, managing volatility and variability appears to be a top challenge for consumer products businesses but is not so important to manufacturing industries.

Very few innovators in Supply Chain Management



Top trends discerned by the survey include increased requirements in terms of customer service, greater collaboration and transparency, increased focus on logistics improvement and expanding globalization of sourcing.

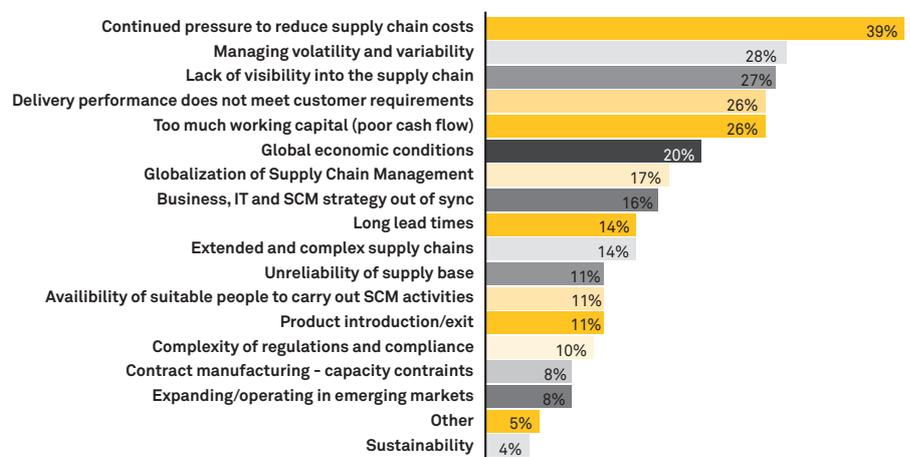
While there is a recognition of the challenges and need for solutions at the executive level, misalignment between IT and business groups is creating obstacles for implementing effective solutions.

### Global Sources, Global Markets, Global Supply Chains

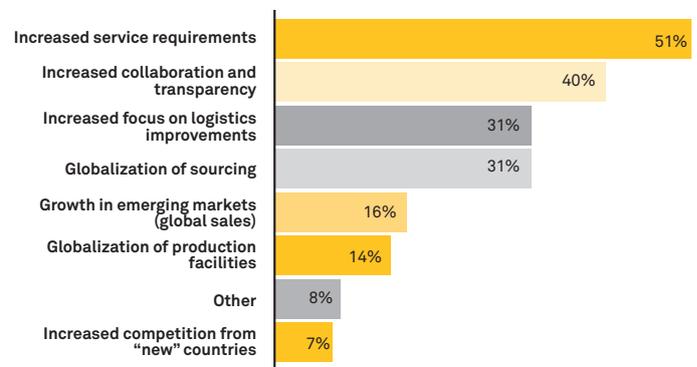
Globalization of supply chains is an irreversible trend. Global sourcing is now mainstream, with an overwhelming majority (81%) confirming that they source at least 10% of their supplies from outside their borders. Relatively speaking, sourcing from emerging economies in Asia (China, India and others) as well as Eastern Europe and Latin America is still quite small. Interestingly, emerging markets are gaining importance, with one in four respondents reporting that at least 10% of their final product deliveries were to these regions.

The biggest challenges in Supply Chain Management can be directly traced to globalization of supplies and markets. These include the increase in lead times and supply chain complexity, variability of demand and supplies owing to a host of external factors, challenges in visibility and coordination, and balancing costs with the need for flexibility.

### What are the top three challenges within your supply chain?



### What are the top two supply chain trends observed in your markets?

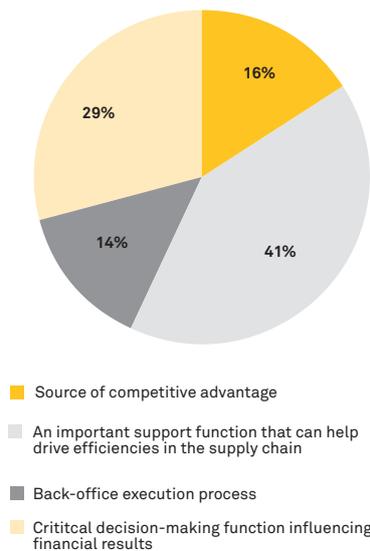


# The Fine Art of Supply Chain Planning

## Supply Chain Planning - Maturity, Challenges and Opportunities

Supply Chain Planning is viewed positively as a source of competitive advantage (16%) and a critical decision-making function (29%) by some of the organizations surveyed for this study. However, more than half the respondents perceived Supply Chain Planning as an important support function or a back-office execution process. Nearly 20% of the respondents from the manufacturing industry felt that planning was perceived as a back-office execution process.

**How is Supply Chain Planning perceived in your organization?**

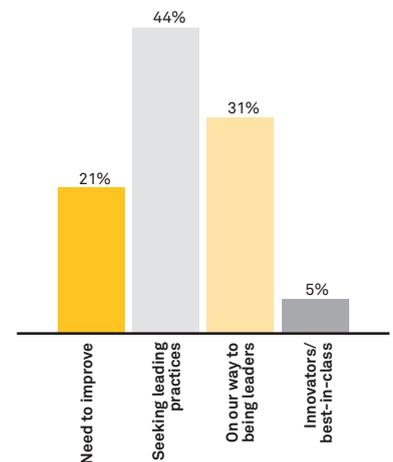


Very few organizations consider themselves to be innovators. Only 5% of participants considered their Supply Chain Planning processes and organization to be innovators and best-in-class.

More than three-quarters of the respondents reported having demand and supply planning processes and technology in place with at least a formalized support system available.

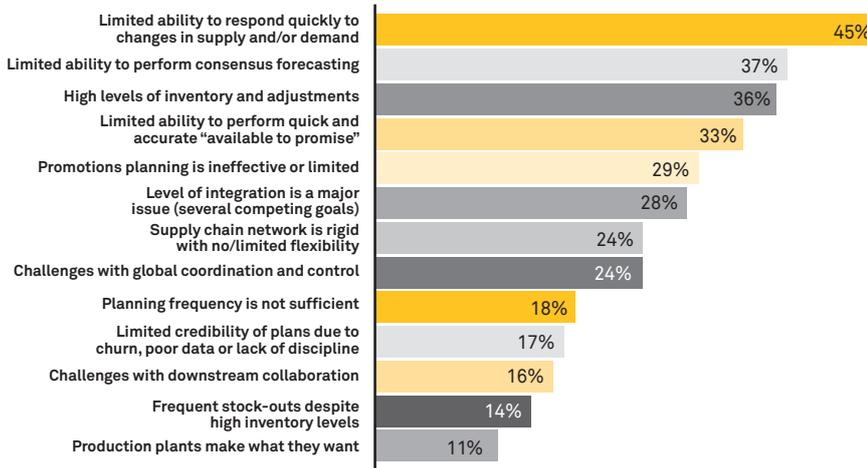
The top challenges faced in supply and demand planning include limited ability to respond quickly to changes in supply and/or demand, and limited ability to perform consensus forecasting. Other top challenges are problems in accurately calculating available-to-promise quantities (ATP), executing promotions planning, as well as maintaining high levels of inventory and a large number of adjustments. Important differences were found between the consumer

**How would you rate your company's planning process and organization?**



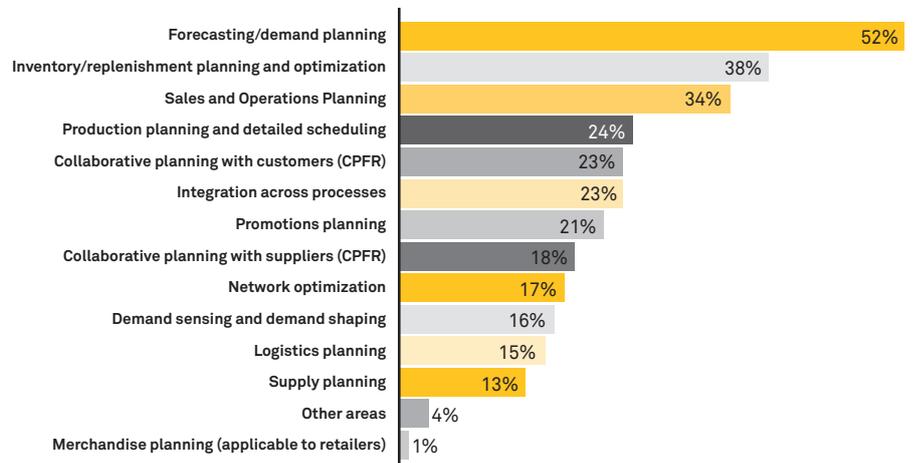


**What are your top three Supply Chain Planning challenges?**



products and manufacturing sectors in terms of challenges faced. While ineffective or limited promotions planning, lack of supply network flexibility and level of integration were considered among top planning challenges in consumer products, manufacturing companies reported a different set. Limited ability to perform consensus forecasting, high levels of inventory and adjustments and challenges with global coordination and control were considered major hurdles in discrete and process manufacturing industries.

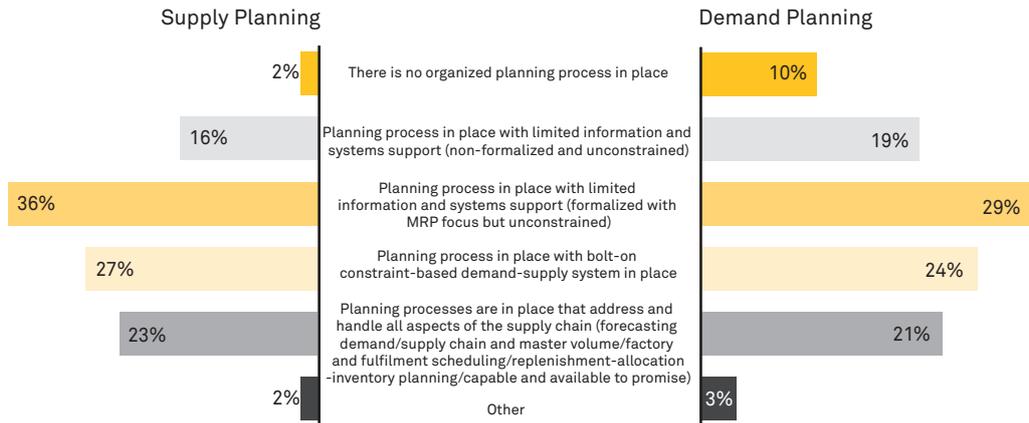
**What do you consider to be the biggest improvement opportunities for Supply Chain Planning in your company?**



**“Our planning systems delivered all the benefits that we expected, after 10 years of use.”**

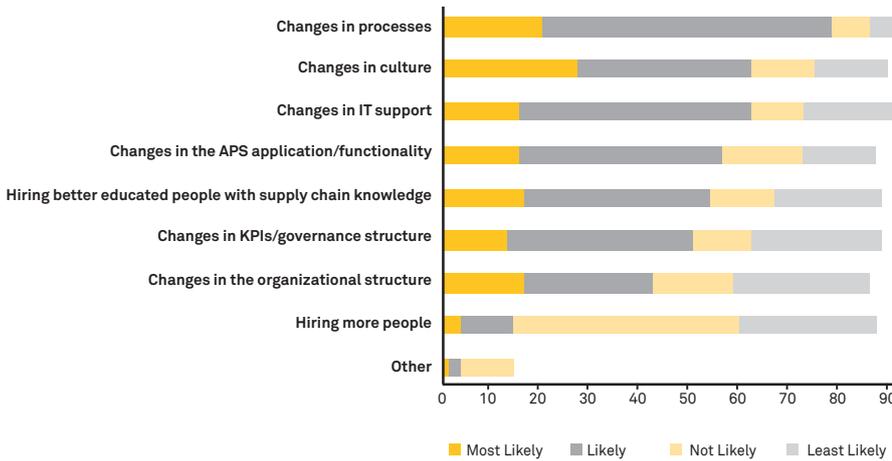
Manager, Demand and Supply Planning,  
Global Fortune 500 Manufacturing Company

**Which of these best describes your demand and supply planning processes?**



Note: Totals exceed 100% due to multiple responses.

**To what extent would the following changes in the planning area improve the supply chain performance?**



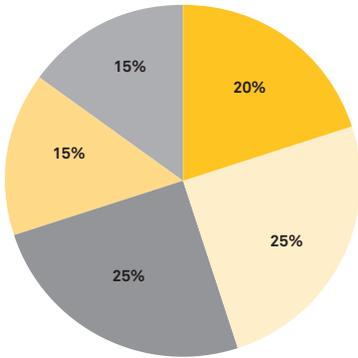
Forecasting and demand planning followed by inventory planning and optimization and S&OP offer the greatest opportunities to improve current Supply Chain Planning practices.

The majority (67%) of participants indicated that changes in planning processes were key to improving the supply chain performance, followed by the more difficult-to-implement changes in culture and somewhat easier changes in IT support.

**Planning Organization and Processes**

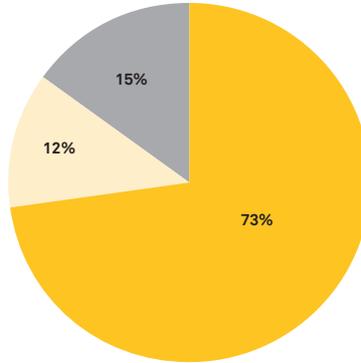
Supply Chain Planning is largely managed locally or regionally in a majority of the organizations (80%) though many (30%) seek strategic direction and long-term plans from the global organization.

**Where is planning managed?**



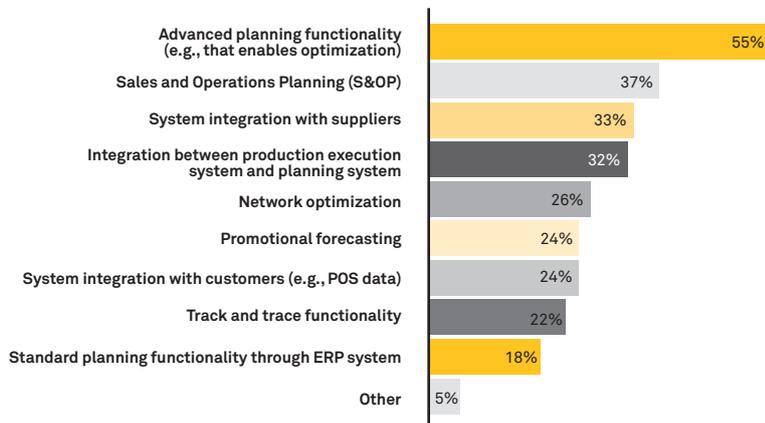
- Globally (centrally)
- Regionally within a geographical area/business unit
- Locally within the business area
- Global direction and local decision making
- Strategic/long-term planning done globally and operational/short-term planning done locally

**How would you rate your organization's use of installed planning systems?**



- Excellent – use all of the available functionality to support our changing business
- Fair – our core planning processes are supported by our systems, but we don't have a process to ensure we are fully exploiting our technology
- Poor – our current planning systems do not support our requirements and we are manually working around the shortcomings, thereby increasing business risk

**What planning functionality are you missing today?**



**“Our ERP is quite strict!”**

Logistics and Production Director,  
Global Consumer Products Company

Planning and forecasting, production/manufacturing and sales/account management executives are the key players in the demand/supply planning process in a majority of organizations. Interestingly, 19% of respondents from discrete and process manufacturing industries say the planning and forecasting function plays only a small part in the planning process. This is also true of 39% of respondents from manufacturing regarding the involvement of the sales/account management team.

Few organizations involved customers and suppliers in the demand/supply planning process.

Organizations use a variety of methods to match supply with demand. One in three participants revealed that though demand is considered for supply planning, the final production mix decisions, in case of capacity constraints, are somewhat arbitrary.

**Planning Tools: Limited Deployment and Utilization of Technology**

Most respondents rated their organization's use of the installed planning systems as reasonable and their core planning processes supported by the existing systems. The use of sophisticated technology is not widespread and most did not have processes to ensure that they are fully exploiting the capabilities of their current systems.

A survey of the planning technology landscape revealed that a majority (54%) still relied on homegrown applications, including spreadsheets, for their planning processes while enterprise-wide ERP systems came in a distant second. Less than 15% reported use of Advanced Planning Systems (APS) or best-of-breed planning solutions with ERP.

Based on the above facts, it isn't surprising that more than half the respondents felt the need for advanced planning and optimization functionality in their current systems.

In addition, S&OP functionality and integration with suppliers were other major shortcomings cited.

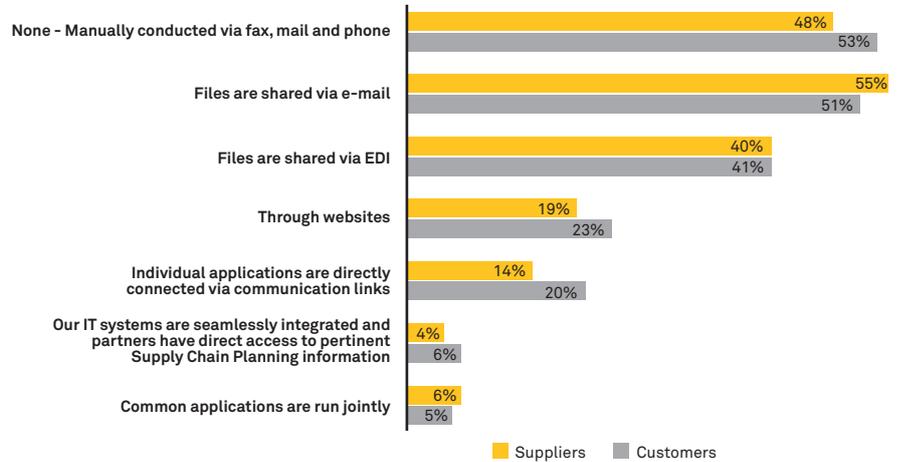
Potential SCM-related IT investments are expected to address these gaps, with 96% of the surveyed companies planning investments in the near future. Collaboration, optimization and scheduling tools topped the list of such investments.

A key fact to be noted is that several respondents felt that they were good at demand and supply planning without the use of sophisticated tools. This is interesting because most executives recognize the complexity and volatility of the operating environment and their organization's inability to quickly and effectively respond. Advanced tools are essential to effectively analyze information, collaborate with supply chain partners and execute planning activities. The best-in-class organizations and innovators recognize this need for advanced tools and robust processes.

### Collaboration Is Still the Key

In the context of globalization, collaboration is probably one of the most important factors in effective Supply Chain Management, especially in the planning space. However, few organizations currently involve customers (less than 30%) and suppliers (less than 20%) in their demand/supply planning process.

### Please indicate the different technologies used to share planning information with your customers and suppliers



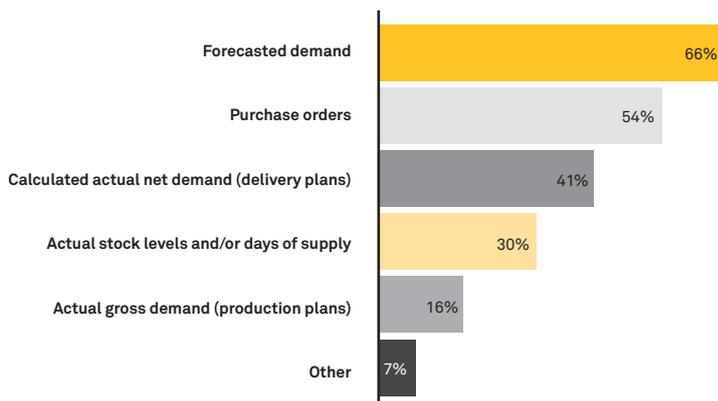
In addition, the study highlighted the fact that collaboration and information sharing is still largely accomplished in a non-formalized way with little or no structured processes or tools to enable it. Most companies rely on fax, mail, phone and e-mail to share information, with very few companies reporting a seamless integration of IT systems with the upstream and downstream supply chain partners. Though most respondents intend to improve collaboration with their suppliers, many have not defined the mechanism to enhance collaboration.

Finally, very few organizations are sharing critical information like actual stock levels and gross demand or production plans with their suppliers, relying instead on forecasts and purchase orders to do the job.

### Metrics and Benchmarks

Few executives were willing to share information about their key performance indicators (KPIs), especially the hard numbers. However, the study did reveal that organizations are utilizing a wide variety of metrics/KPIs to monitor their supply chain performance, with very little uniformity even within broad industry sectors.

### What information do you share with your suppliers?



Almost 90% of consumer products companies reported that they used customer service level (CSL) as a metric, compared with an average 74% across all industries.

Interestingly, only 45% of discrete manufacturers are using CSL as a planning metric. Instead the most popular metric was inventory turns. Process industries displayed a preference for on time in full (OTIF) and days of supply with 80% of the surveyed executives from this industry segment mentioning them.



### Popular Metrics

#### Consumer Products

Customer Service Level  
Forecast Accuracy  
On Time In Full (OTIF)  
Inventory Coverage

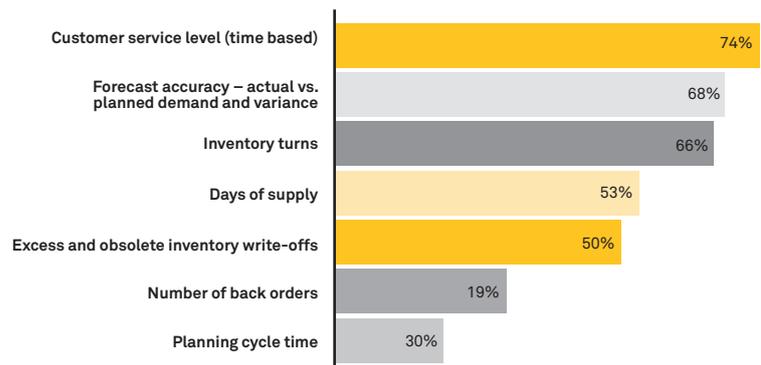
#### Discrete Manufacturing

Inventory Turns  
On Time In Full (OTIF)  
Inventory Coverage

#### Process Manufacturing

On Time In Full (OTIF)  
Days of Supply  
Inventory Turns

### Metrics used in Supply Chain Planning



Forecast accuracy is an important metric used by most of the consumer products companies to evaluate their forecasting and demand planning process. This metric was not popular among discrete manufacturing companies. The reason could be the increasing adoption of made-to-order or assemble-to-order strategies in the discrete manufacturing industry. Interestingly, across industry sectors, the best-in-class (top 20 percentile of respondents) had a median forecast accuracy\* of around 90%.

The average inventory turns\* among the best-in-class (top 20 percentile of responses) across industry sectors was more than three times the average turns across the responses. The superior inventory turnover performance of the top 20 percentile was especially true in the consumer products industry sector.

As a testament to growing planning complexity, more than half the respondents reported dealing with more than 1,000 SKUs on the supply, as well as demand side. Discrete manufacturing firms dealt with a relatively larger number of SKUs on the supply side than on the demand side, whereas the consumer products firms reported more or less similar SKU numbers for both sides of planning.

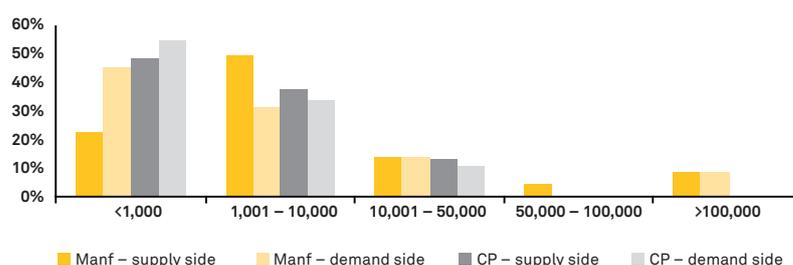
While a proliferation in the number of SKUs was reported, most organizations (81%) considered 100 or fewer product families for planning. This included companies of all sizes and geographic scope, as well as across industries. In fact, a significant majority (approximately 73%) reported that 50 or fewer product families were considered for planning.

Forecast Accuracy Levels	Cross-Industry	Consumer Products	Discrete Manufacturing	Process Manufacturing
Median	70%	70%	75%	50%
Best-in-class (Top 20 percentile)	90%	90%	90%	90%

Inventory Turns	Cross-Industry	Consumer Products	Discrete Manuf.	Process Manuf.	Retail	Life Sciences
Average	15.1	23.5	7.8	8.2	16.6	2.8
Best-in-class (Top 20 percentile)	49.8	82.6	18.6	16.0	NA	NA

Product Families	Cross-Industry	Consumer Products	Discrete Manufacturing	Process Manufacturing
100 or fewer families used in planning (% respondents)	81%	85%	85%	88%
50 or fewer families used in planning (% respondents)	73%	79%	69%	88%

Number of SKUs used in planning



\* A significant number of participants provided information on forecast accuracy and inventory turns to draw reasonable conclusions.

## S&OP: Strong Adoption but Challenges Remain

**In a world where focus on cash and capital is paramount, S&OP is a survival strategy. When cash is king, so is S&OP.**

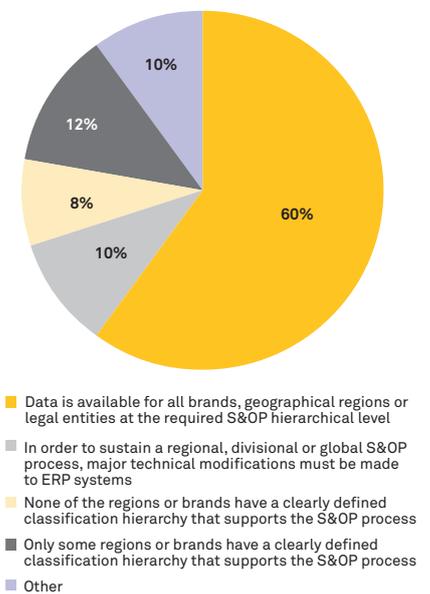
The results of the Global Supply Chain Planning Study tell two stories when it comes to Sales and Operations Planning. On one hand, there is a high rate of adoption in the organizations represented in the study. Specifically, 75% of survey respondents indicated that their organization has a regularly occurring S&OP process in place. On the other hand, the results make clear that challenges remain in implementing a robust S&OP process. Processes that have the right data, scope and level of participation to ensure that the process yields the maximum benefit possible are not yet in place in many organizations.

### Data Issues Remain an Impediment

Data availability and accuracy has been an issue since the introduction of S&OP as a fundamental planning process. While volumes of data are typically available, the data exists at different levels of aggregation, is not measured or reported consistently across functions, or is not in a readily available format. For example, many of us have probably experienced the paradoxical scenario whereby participants come to an S&OP meeting armed with tens or even hundreds of pages of reports but then find the assembled group unable to drive to a decision because of a “lack of data.” This usually occurs because the necessary data can’t be readily located, is not consistent from report to report or exists only in fragments but not in a single, consistently aggregated, easy-to-interpret manner.

When asked about the availability of data to support their process, 40% of respondents indicated shortcomings

**Which of the following best describes your data availability that clearly supports the S&OP process?**



in the availability of required data. These shortcomings result from technical difficulties in extracting the right data from enterprise applications and the lack of a consistently defined hierarchy across the organization.

A major contributor to these data issues appears to be a lack of adequate IT functionality to support the S&OP process. Most notably 35% of respondents indicated that they were missing S&OP functionality in their current planning systems. This is not a surprise, however, when one looks at the sources of information that organizations are relying on to support their S&OP processes. The vast majority of companies still rely on ERP reporting capabilities or spreadsheet analysis to meet their S&OP data reporting needs. Contrast

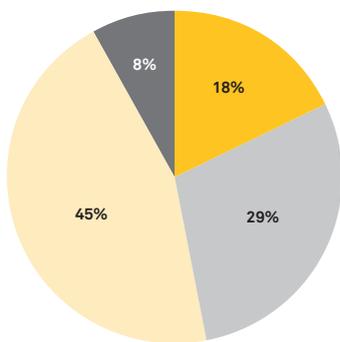
this with the fact that less than 20% of respondents report that they have a true collaborative planning tool available to support their S&OP process, and it is easy to see why so many respondents report dissatisfaction with the capabilities of their current planning systems relative to S&OP.

### S&OP Participation Has Not Extended Beyond the Four Walls

An additional challenge that many companies face with regard to their S&OP process is that participation in the process remains mostly limited to internal players. Even among the internal executives, many organizations do not attract participation from Finance executives (>50%) and Executive Leadership (>60%) necessary for effective S&OP. While involvement in the process by internal functions such as Demand Planning and Forecasting, Sales and Marketing, Finance and Manufacturing remains high, participation by either key customers or key suppliers sits in the single-digit range.

This is interesting given the emphasis on external collaboration that has accompanied the increased outsourcing of critical business functions. It is difficult to see how organizations will be able to sustain effective S&OP processes in their organizations without enabling key customers and suppliers to participate more directly in the S&OP process.

#### What tools are you using to specifically support your S&OP process?

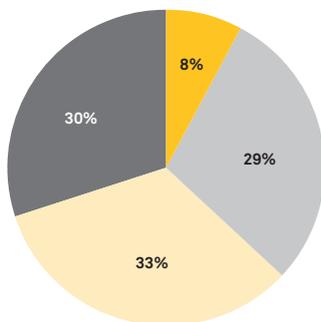


- Collaborative planning tool
- Reporting capabilities from an ERP system
- Spreadsheet analysis
- Other

### Consolidated Global S&OP Is the Exception, Not the Rule

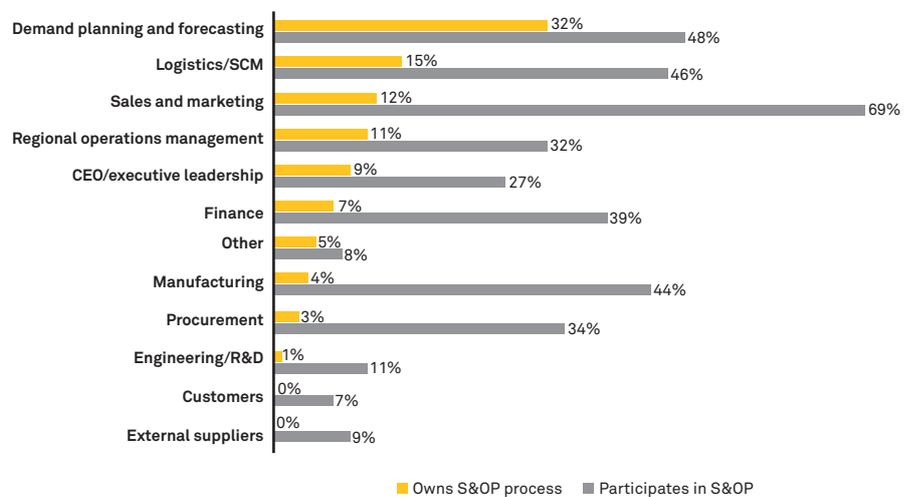
As business continues to become increasingly global and the trend towards offshoring means more supply resources are being shared across enterprises than ever before, being able to run an inter-divisional, global S&OP process is becoming increasingly important. The survey results indicate, however, that a single global S&OP process is not widely adopted. Less than one-third of the respondents in the study indicated that they utilized a single, global S&OP process that spanned all regions and all divisions. Most organizations are still saddled with regional S&OP processes that in some cases are further segmented by brand or division.

#### Which of the following best describes the scope of your S&OP process?



- Global but with a separate process for each brand or division
- Global with one process that runs across all brands and divisions
- Regional but with one process that runs across all brands and divisions in a given region
- Regional with a separate process for each brand or division

#### S&OP participants



## Additional Perspectives

### Incorporating Risk Factors Into the Planning Process

In addition to the previously discussed challenges, the global operating environment presents a unique set of potential supply chain risks that must be managed. Unfortunately, planning processes in most organizations do not yet factor in these risks. Some key findings were:

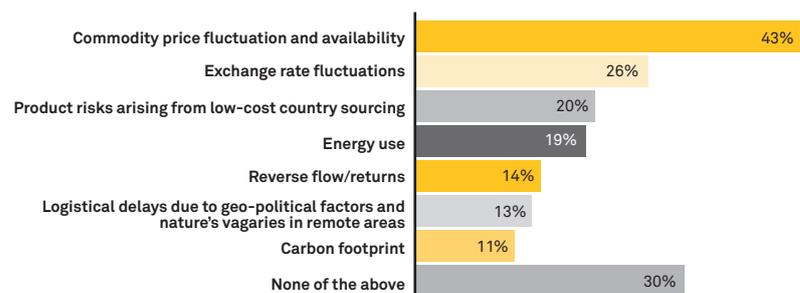
- Risk associated with commodity-price fluctuations and availability are well recognized and incorporated in the planning process.
- However, just one in four organizations surveyed incorporates exchange-rate fluctuations and only one in five considers product risks from low-cost country sourcing in their planning process.
- Planning in a majority of organizations does not consider energy use, reverse flows/returns, carbon footprint and logistical delays due to nature's vagaries and geo-political factors.

Of particular interest are the external trends that have affected planning activities in the recent past. The well-known aspects like changing customer preferences, higher service expectations, fluctuating commodity and fuel prices, globalization of supplies and markets as well as exchange rates significantly affected planning decisions, according to the participants.

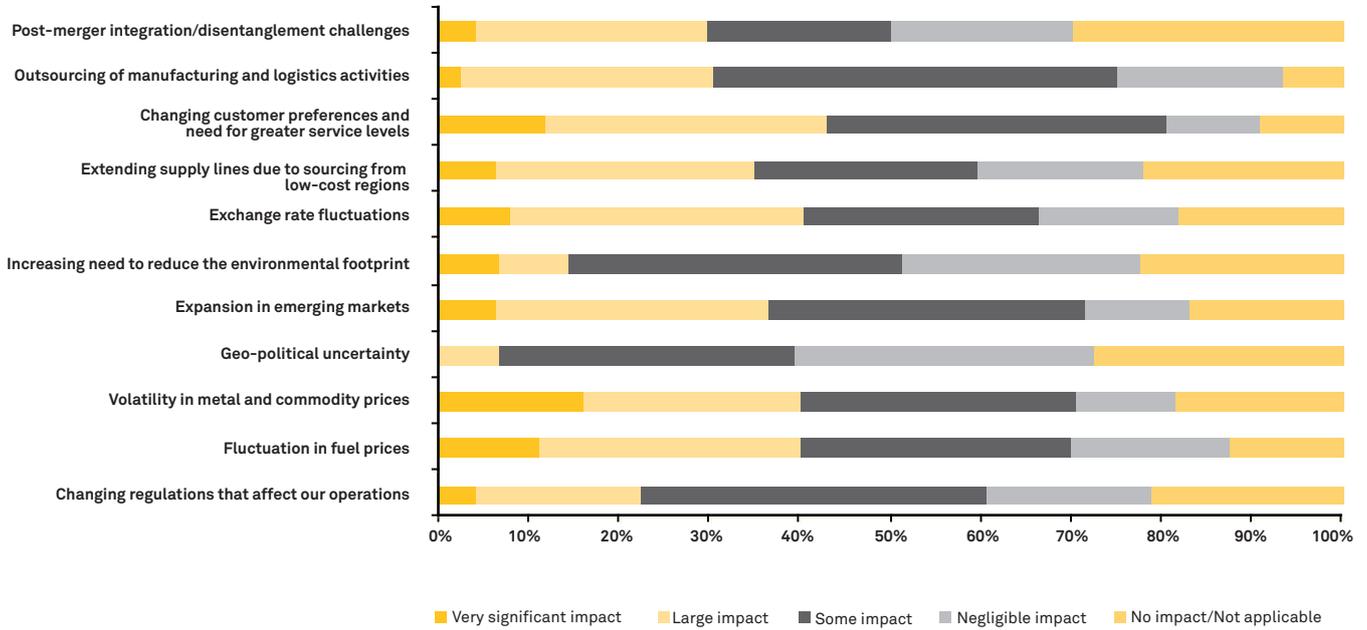
Nearly one in three also reported post-merger integration or disentanglement challenges and outsourcing of production and logistics as being significant factors in the recent past or expected to be factors in the near future.

Changing regulations, the need for reductions in carbon emissions and geo-political uncertainty were cited as having little or no impact on planning.

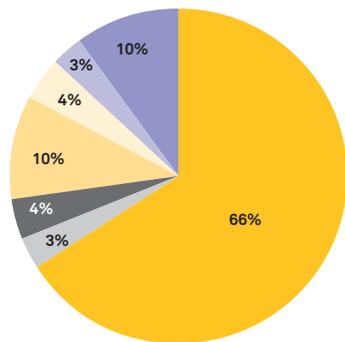
### Which of these potential risk factors have you incorporated in your planning processes to minimize risks?



**Have the following external trends affected your planning process in the recent past or are likely to affect it in the near future?**



**Would you consider outsourcing your Supply Chain Planning processes?**



- No, planning is a core process
- No, because we do not see capable partners that can perform this function
- No, as this will require sharing significant information about our operations, which is not possible
- No, we don't see any value and our industry is not ready for this transition
- Yes, we do see some value in engaging a specialist partner for tactical and operational planning processes
- Yes, we are already outsourcing/considering outsourcing some of our planning functions
- We are not sure; however we are open to the idea if a suitable partner can demonstrate value to our business

**“No, planning is a core process!”**

**83% of the global supply chain executives surveyed by Capgemini felt that planning should not be or could not be outsourced because of certain constraints.**

**17% felt there was value in outsourcing or were open to the idea if a clear business case can be demonstrated by capable partners.**

**“However, our competitors might.”**

**54% of the respondents believed that their competitors might outsource or already are outsourcing some of their planning processes.**

**Supply Chain Planning Outsourcing**

Would you consider outsourcing your Supply Chain Planning processes?

In response to this question, the majority of respondents (83%) stated that planning would not be outsourced or could not be outsourced because of certain constraints. Most executives (66%) feel that planning is a core process and thus is not an appropriate outsourcing candidate. Some (7%) expressed reservations that it was not feasible to outsource due to the confidential nature of planning information or they were not aware of capable partners that could take on this crucial process. A further 10% did not perceive tangible value from outsourcing the planning processes. A small group of executives recognized some value in outsourcing and reported that they were already outsourcing or considering outsourcing planning processes if suitable partners demonstrate value to their businesses.

Interestingly 54% of the respondents believed that their competitors might outsource or already are outsourcing some of their planning processes.

Some respondents felt that their organizations could consider outsourcing portions of the planning processes associated with finished goods distribution, international transport, material handling, inventory management, supply of commoditized materials, as well as short-term planning.

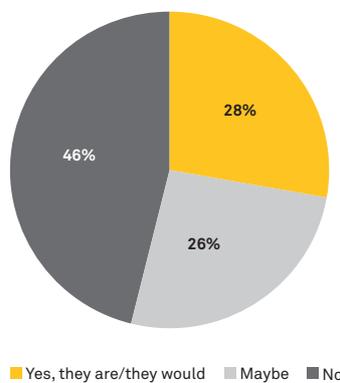
These respondents felt that potential candidates for outsourcing included planning processes associated with products that have a “low risk” (in terms of undermining reputation and profits), products with large volumes and stable demand with long lifecycles, product groups with low or historically predictable fluctuations, third-party goods, packaging materials, raw materials and spare parts.

Inventory planning and management, supply and demand planning were cited as potential candidates for outsourcing in the future.

Preferred partners for providing planning services are 4PLs (fourth-party logistics providers), suppliers and specialist planning business process outsourcing (BPO) providers.

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**Would your competitors consider outsourcing their Supply Chain Planning processes?**



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**Candidates for Planning Outsourcing**

**Organizations might be willing to outsource planning processes associated with finished goods distribution and international shipments, among others, especially if the products are “low risk,” with stable demand/low fluctuations in demand, as well as for non-core items like packaging material and spare parts.**



## Taking Planning to the Next Level

Effective planning is crucial to achieving a truly world-class supply chain, which, in turn, determines the success and often the survival of organizations in the current globalized world. Even today, for most companies, the traditional supply chain challenge of balancing operational costs, working capital, agility and increasing service requirements is still the most relevant. Herein lies the opportunity for the planning function to innovate and orchestrate the supply chain to effectively achieve business goals and gain competitive advantage.

Capgemini's study reveals that Supply Chain Planning in some organizations is still quite a distance away from being innovative or best-in-class. This is attributable to the fact that many organizations across industries and geographies:

- Do not perceive Supply Chain Planning as a strategic and critical decision making activity.
- Lack end-to-end integration across the supply chain (internally and externally).
- Have not adopted sophisticated and fully integrated tools to support planning.
- Do not factor into their planning processes many risks associated with dynamic operating environments.

Successful companies have designed their supply chains around the customer in order to deliver the best service, quality and cost. They have a formalized and mature demand and supply planning process handling both stakeholders and delivery

constraints. The supply chains are flexible and responsive and information technology is used effectively. In addition, they successfully leverage the competencies of their supply chain partners.

Capgemini has identified improvement opportunities that we believe are effective strategies for companies to achieve sustainable competitive advantage through improved management and execution of the planning process. Some of these opportunities for improvement that were inferred from the analysis of survey responses are as follows:

### **Engaging the End-to-End Evaluating processes and capabilities.**

Significant benefits can be obtained by organizations that are proactive and clearly identify their strengths and complementary skills and capabilities they might need to have a world-class Supply Chain Planning organization.

**Integration and collaboration.** Risk and volatility in predicting production and deliveries will be reduced by having better information from your customer. Managing and integrating the information flow internally (local and global) and externally (customers and suppliers) is fundamental to optimize the supply chain.

**Revisiting the forecasting/demand planning process might be worthwhile.** The importance of a reliable forecast for service levels and cost reduction is well known. Capgemini's experience has shown that organizations adopting a holistic

approach to forecasting have been able to achieve significant business improvements, such as a 5% to 40% reduction in inventory levels and improved order fill rates to more than 99%.<sup>1</sup> At the same time, companies have issues in the process of creating a reliable forecast. Recently, Capgemini and Tilburg University jointly developed a “quick scan” method that can provide a rapid assessment of the current methods, identify opportunities for improvement and improve the forecast reliability by utilizing robust quantitative analysis.

**Global S&OP process.** The challenges in implementing a single global S&OP process are varied and include data availability issues, organizational issues, and issues presented by the sheer complexity of trying to coordinate a process that is global in scope. However, as was noted in a recent article by Capgemini on this topic, there are five things that organizations can do to pave the way for the implementation of a global S&OP process<sup>2</sup>:

1. Stakeholders across the business need to be engaged and educated to understand the objectives, the principles, the decision rights and the benefits locally and globally.
2. All plans must be aligned to “one number” across the various functions in order to truly drive holistic business value.
3. A global S&OP model must have clear accountabilities and decision forums.
4. Business objectives and KPIs must be aligned globally.
5. The S&OP process needs to maintain a medium- to long-term focus.

## Leveraging the Tools

### Integrated planning tools.

Sophisticated and fully integrated tools are not yet widely adopted. Leveraging technology to make the “calculations” easier and more robust will leave more time for the human efforts to focus on analysis, gaining insight and decision making (science versus art).

The availability of powerful tools and near real-time data enables complex decision making. The massive improvements in computing performance that have been made in recent years have enabled application vendors to develop functionally rich, workable solutions and there is a resurgence of interest in the marketplace for these systems.

Despite being difficult to implement, APS can play a significant role in improving supply chain efficiencies. The selection of an advanced planning tool should be done in line with overall IT strategy, business context and the existing IT landscape, particularly when considering interfacing with other enterprise applications.

## Getting to Next

**From “support” to strategic.** The majority of organizations still perceive Supply Chain Planning as a support or even back-office execution function. The opportunity is to gain a competitive advantage and to orchestrate the supply chain to become more effective by moving planning into a strategic function.

## Holistic demand management

**solution.** By applying new tools, technologies and techniques that are available to integrate supply and

demand planning, companies can create a profit-driven planning and execution organization. Capgemini’s experience in implementing improved demand and supply planning capabilities for major automotive and industrial manufacturers has shown benefits to the tune of 10% increase in service levels, 20% reduction in total inventory levels, 56% drop in finished goods inventory and \$100 million improvement in working capital. Specific areas to consider include event management, demand shaping, dynamic profitable-to-promise fulfillment, customer-driven replenishment planning and collaborative planning and execution.

**Go beyond the basics.** The basic planning process is getting done and most organizations are simply trying to keep up, while only a few are innovators in their planning approach. With increasing pressure and complexity resulting from global supply chains, process innovation and planning as a differentiator could be leveraged to turn the supply chain into a competitive advantage.

This study has provided deeper insights into the strengths, challenges and opportunities across a number of areas with reference to Supply Chain Planning. We hope that you too have benefited from the findings and discussions presented in this report and invite you to share your thoughts through one of the contact addresses provided at the end of this report.

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<sup>1</sup> Ian Batey, “Forecasting Accuracy: Holy Grail or Fool’s Gold?” Capgemini, 2006.

<sup>2</sup> “Global Sales and Operations Planning – Releasing cash and capital while improving margins for global business,” Capgemini Consulting, 2009.

# Appendix

## Glossary

<b>4PL</b>	Fourth-Party Logistics Provider
<b>APS</b>	Advanced Planning Systems
<b>ATP</b>	Available-to-Promise quantity
<b>CP</b>	Consumer Products
<b>CPG</b>	Consumer Packaged Goods
<b>CPR</b>	Consumer Products and Retail
<b>CSL</b>	Customer Service Level
<b>ERP</b>	Enterprise Resource Planning
<b>KPI</b>	Key Performance Indicators
<b>SCM</b>	Supply Chain Management
<b>SCP</b>	Supply Chain Planning
<b>S&amp;OP</b>	Sales and Operations Planning
<b>OTIF</b>	On Time and In Full



# Capgemini Consulting and Supply Chain Management

Capgemini Consulting is the Global Strategy and Transformation Consulting brand of the Capgemini Group, specializing in advising and supporting organizations in transforming their business, from the development of innovative strategy through to execution, with a consistent focus on sustainable results. Capgemini Consulting proposes to leading companies and governments a

fresh approach which uses innovative methods, technology and the talents of over 4,000 consultants world-wide.

Capgemini Consulting's Supply Chain Management (SCM) practice supports clients in their procurement, manufacturing, research and development (R&D), planning, logistics and after-sales related projects.

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## Capgemini Global Supply Chain Management Framework





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