

WEBINAR

**HOW TO REINVIORATE
YOUR INVESTMENT IN
SAP APO FORECASTING**

NOV 30TH 11:00 AM - 12:00 PM EST

**Redefining Demand
Management**



Presenters



Bryan Semple,
FCILT | VP
Healthcare,
ToolsGroup



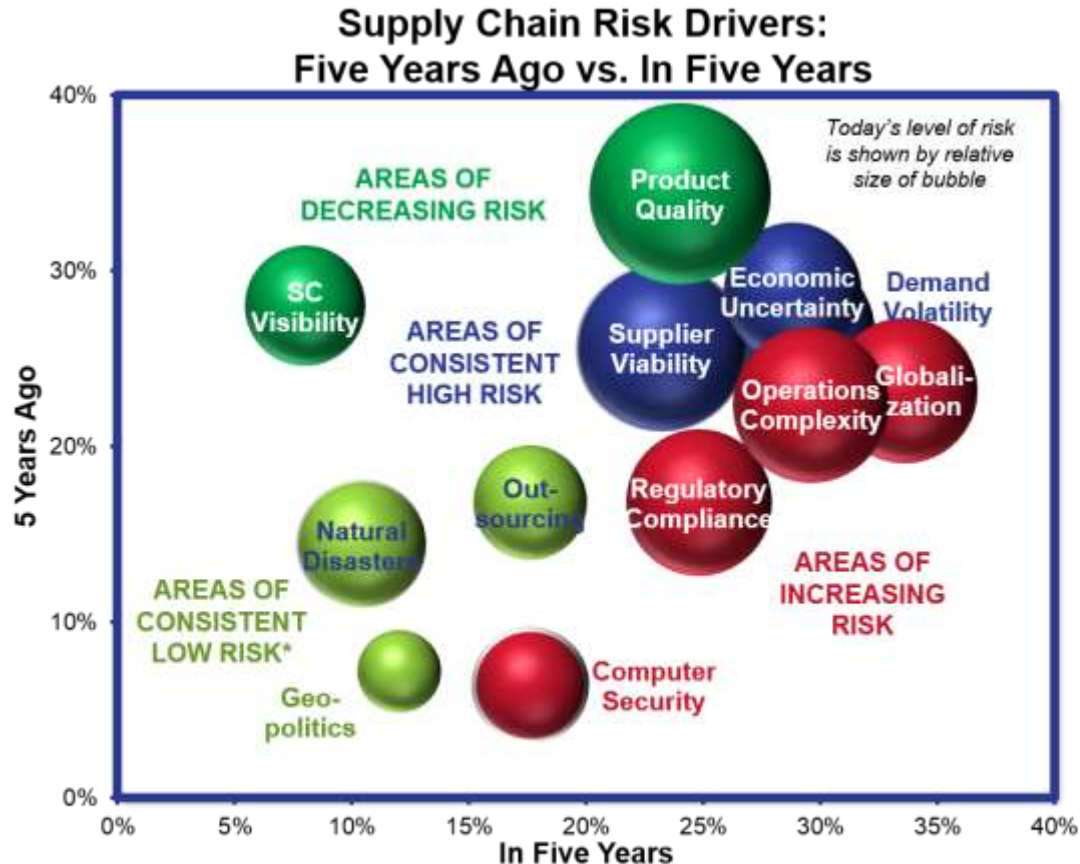
Lora Cecere,
Founder of
Supply Chain
Insights



**Gerrott
Faulkingham,**
Business
Development,
ToolsGroup



Demand Error and Uncertainty Growing



Source: Supply Chain Insights LLC, Supply Chain Risk Management Study (July 2015)

Base: Manufacturers, Retailers, Wholesalers / Distributors / Co-operatives Familiar with Risk Management at Company – Total (n=125)

Q8. What do you see as the top 3 drivers of supply chain risk at your company today? Please select no more than three.

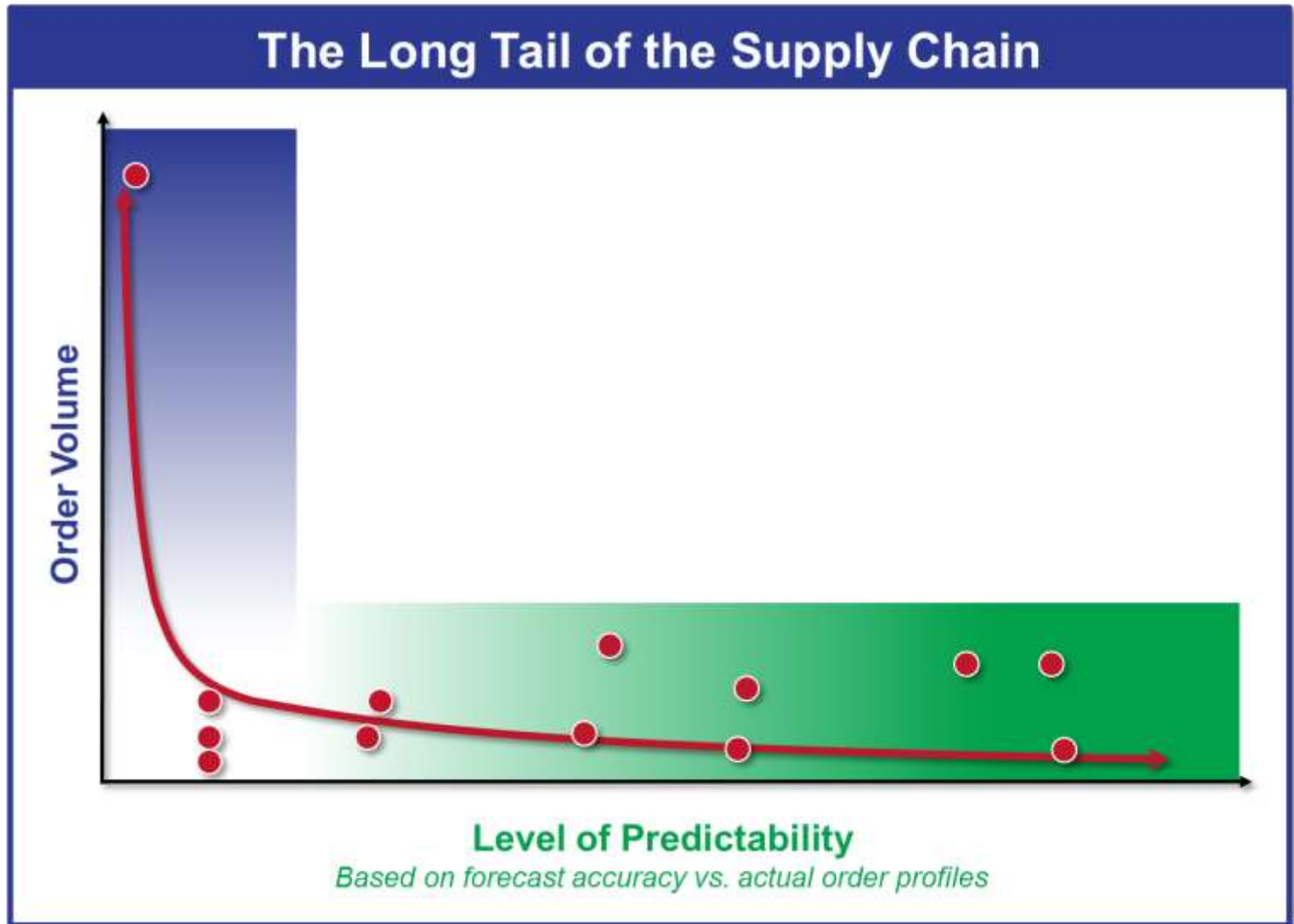
Q9. What were the top 3 drivers of supply chain risk at your company five years ago? Please select no more than three.

Q10. What do you expect will be the top 3 drivers of supply chain risk at your company in five years? Please select no more than three.

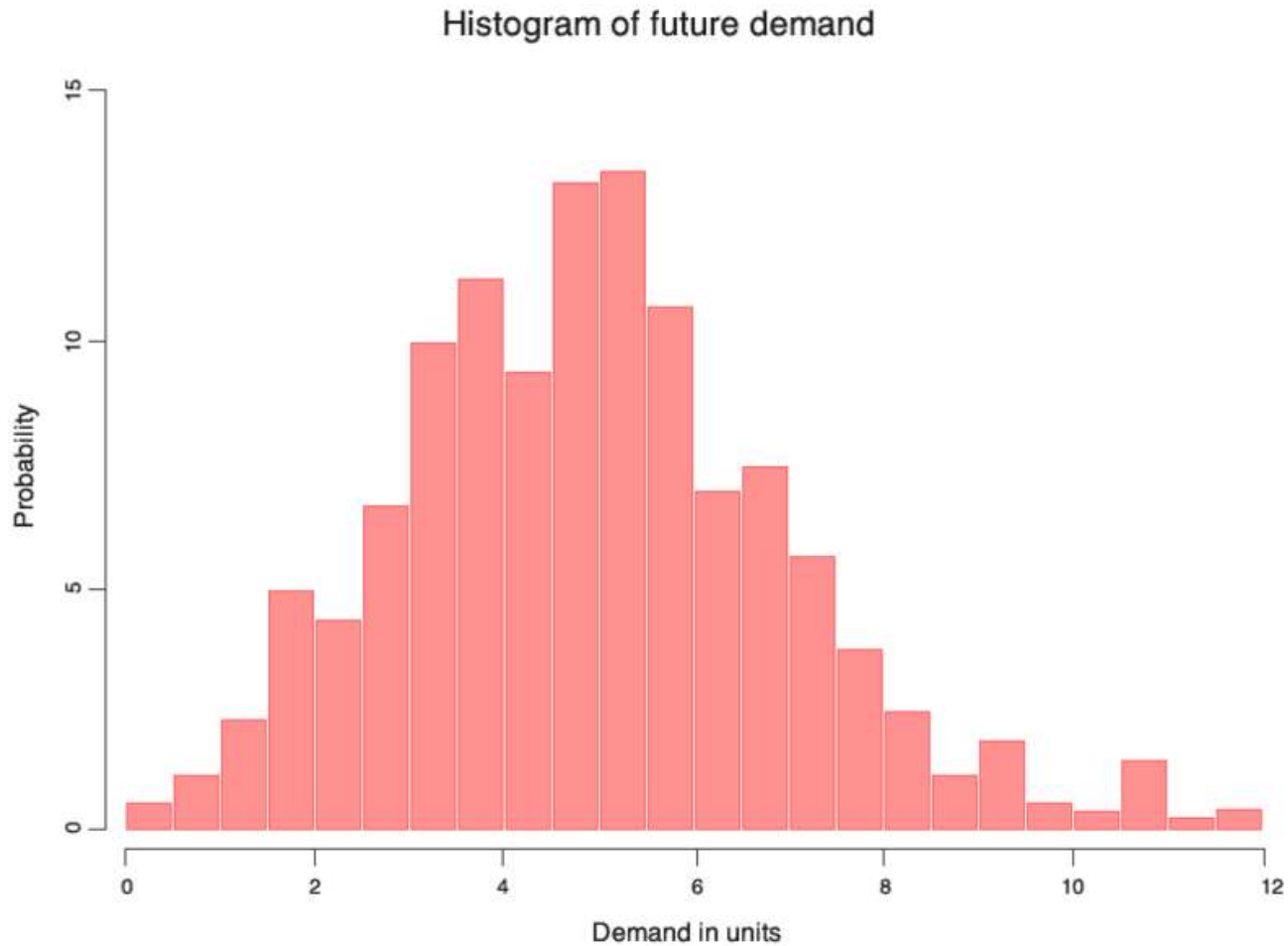
*Others with low risk not shown: Corruption, Intellectual Property Right, Energy & Water Scarcity and Increasing Consumer Power



The Long Tail is Growing

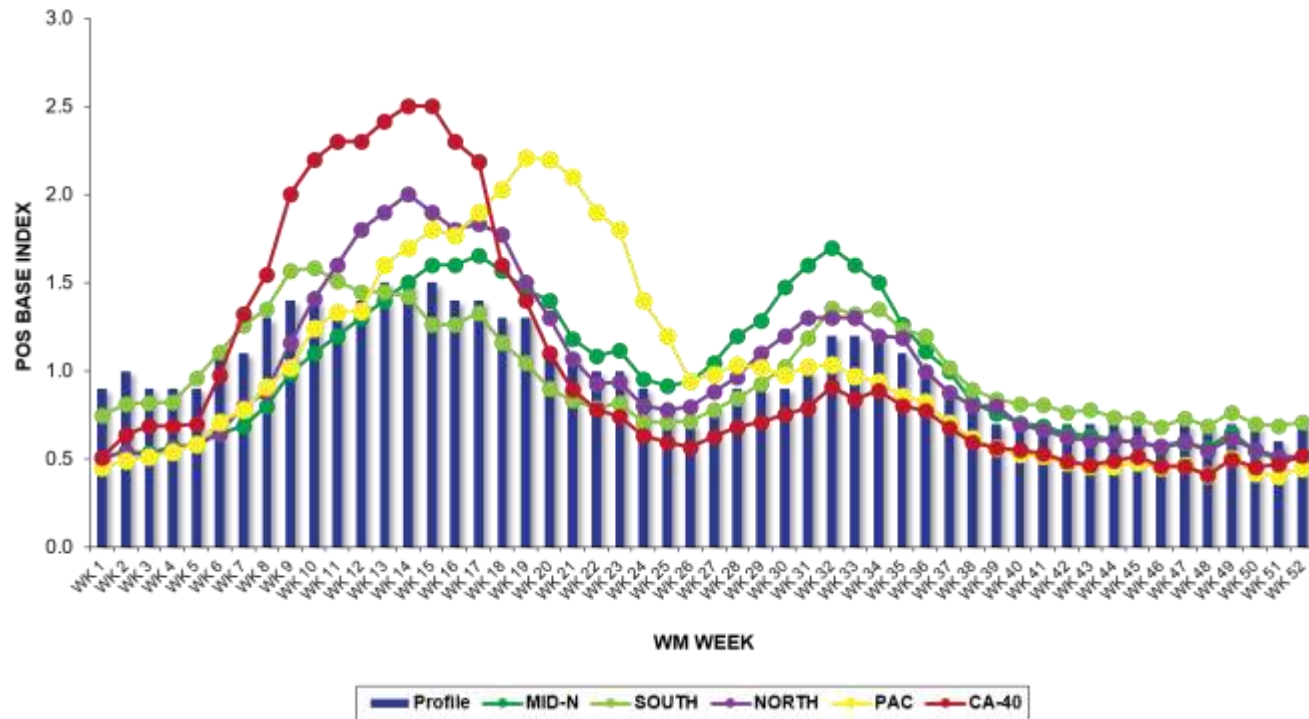


Probabilistic Approaches



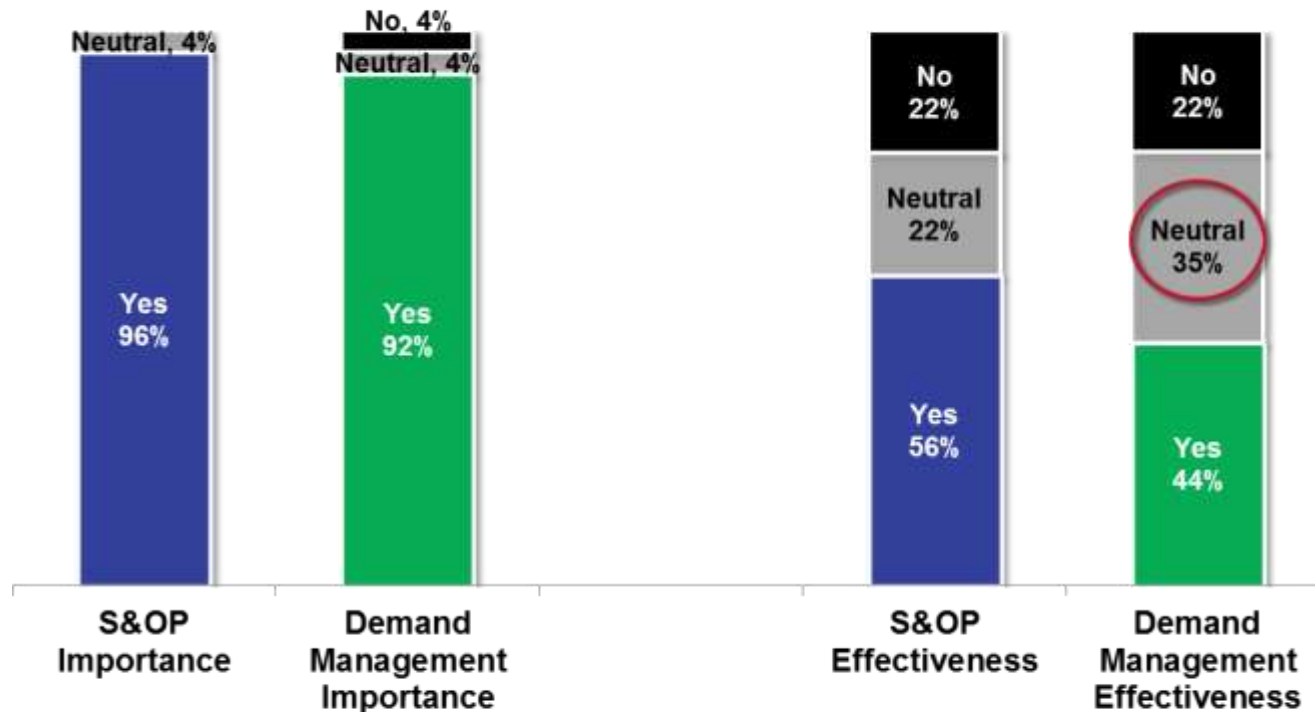
Impact of Localized Assortment

Aligning Demand Patterns



Demand Management Success Is Like a Flip of a Coin

**S&OP and Demand Management Processes:
Importance vs. Effectiveness**



Source: Supply Chain Insights LLC, S&OP and Demand Management Study (Feb-May, 2016)

Base: Manufacturers, Distributors, Retailers familiar with S&OP (n=77) and/or Demand Management processes at their company (n=78)

Q9. How important are the following decision-making processes to your supply chain organization? SCALE: 1=Not at all important, 7=Extremely important; Q10. How effective are these same processes at your company? SCALE: 1=Not at all effective, 7=Extremely effective

○ Higher than other group at 90% or higher level of confidence



Satisfaction with Demand Planning is Low

	Revenue Management	Demand Management	S&OP	Corporate Social Responsibility (CSR)	Supplier Development
Have the Process	32%	92%	94%	97%	41%
Consider it to be Effective	24%	44%	56%	61%	24%

Satisfaction

Experiences by Best of Breed vs. ERP Expansionist

		Best of Breed	ERP Expansionist
Who Implemented	Technology Provider	49%	14%
	Third-Party	22%	40%
	In-House	17%	33%
Time to Implement	12 Months or Less	71%	37%
	13 Months or More	23%	59%
Speed vs. Plan	Early / On Time	56%	37%
	Late	36%	56%
Cost vs. Budget	Under / On Budget	59%	40%
	Over Budget	32%	49%
Time to ROI	9 Months or Less	34%	11%
	10 Months or More	36%	48%
	No ROI (yet)	12%	19%
Satisfaction	Satisfied	81%	63%
	Neutral	9%	21%
	Not Satisfied	11%	16%

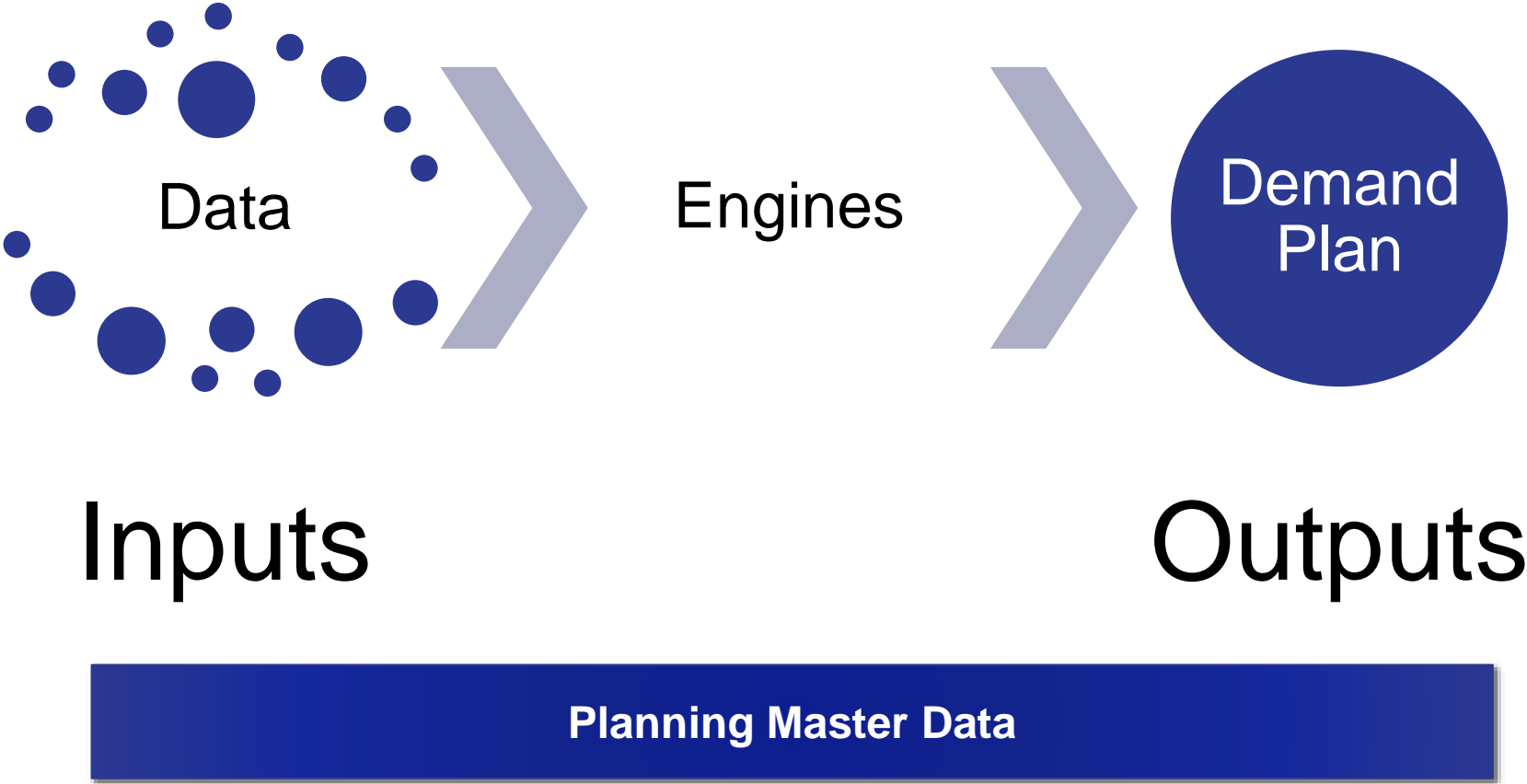
Source: Supply Chain Insights LLC, Planning Software Study (Feb – Oct 2014)

Base: Manufacturers, Retailers, Wholesalers/Distributors/Co-operatives and Third-Party Logistics Providers with Demand and/or Supply Planning Software and Know Number of Planning Instances – By vendor: Best of Breed (JDA, Kinaxis, Logility, OM Partners, Aspentech, Demand Solutions, Demand Works, Quintiq, SAS, Smart Software, Terra Tech) (n=94 instances), ERP Expansionist (SAP, Oracle, QAD, Quantrix, FuturMaster) (n=63 instances)

RED BOLD = Higher than other group at 90% or higher level of confidence



Align Engines with Outcomes



Companies Make the Mistake of
Trying to Get Precise on
Imprecise Numbers.

Instead, they need to manage
demand flows.

What Is a Demand Flow?

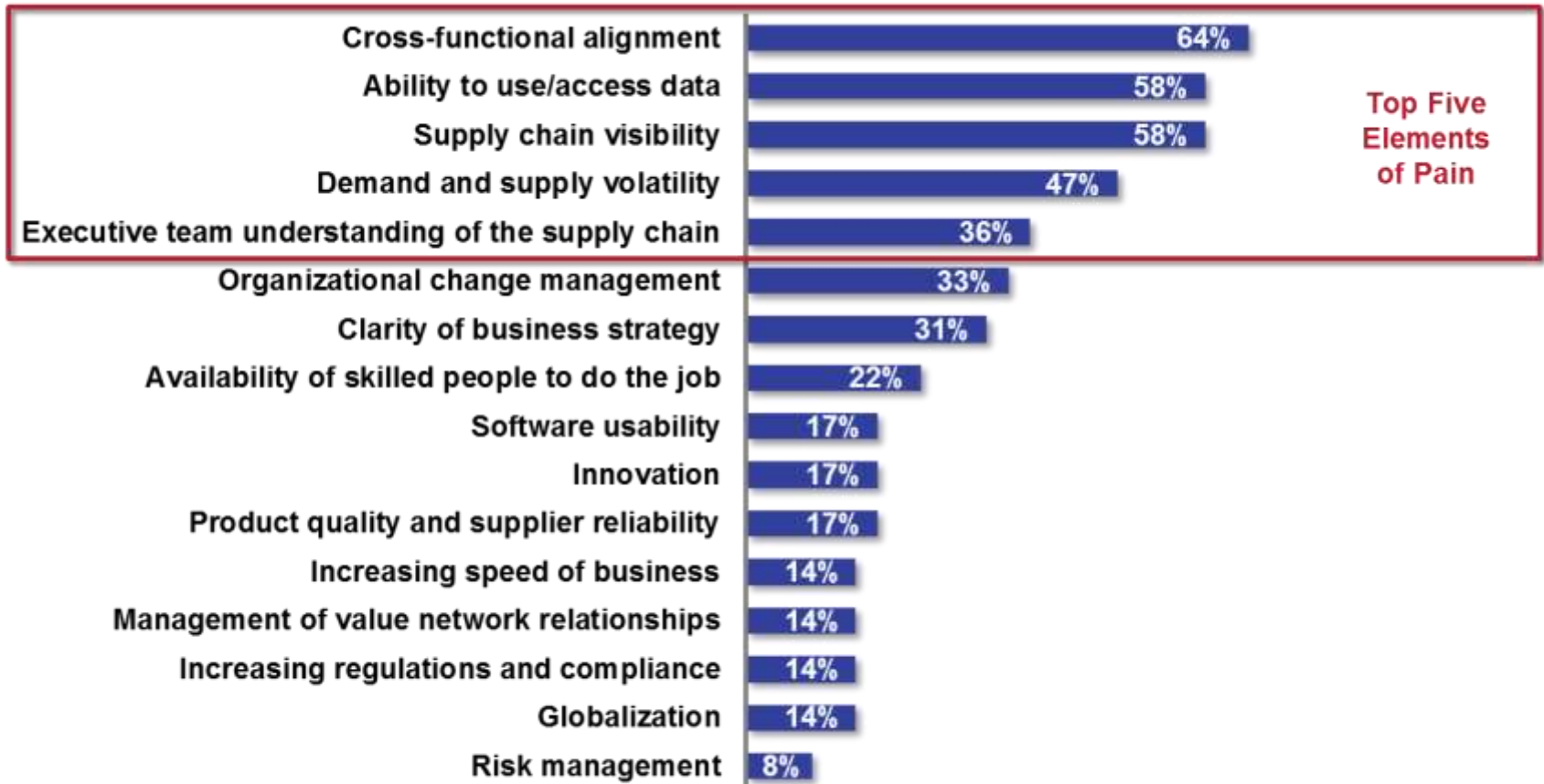
- A pattern caused by order frequency, order quantity or batch size.
- A type of demand: trade promotion, new product launch, seasonal consumption.
- A product build to execute a supply chain strategy.

The longer the tail, the more skewed the distribution.
Life for a supply chain planner is not as easy as it used to be.



Business Pain

Top Five Elements of Business Pain for Respondents



Source: Supply Chain Insights LLC, Sales & Operations Study (Jan-May, 2015)

Base: Manufacturers and distributors who sell items they manufacturer, have \$250M+ in revenue, have a S&OP process (n=36)

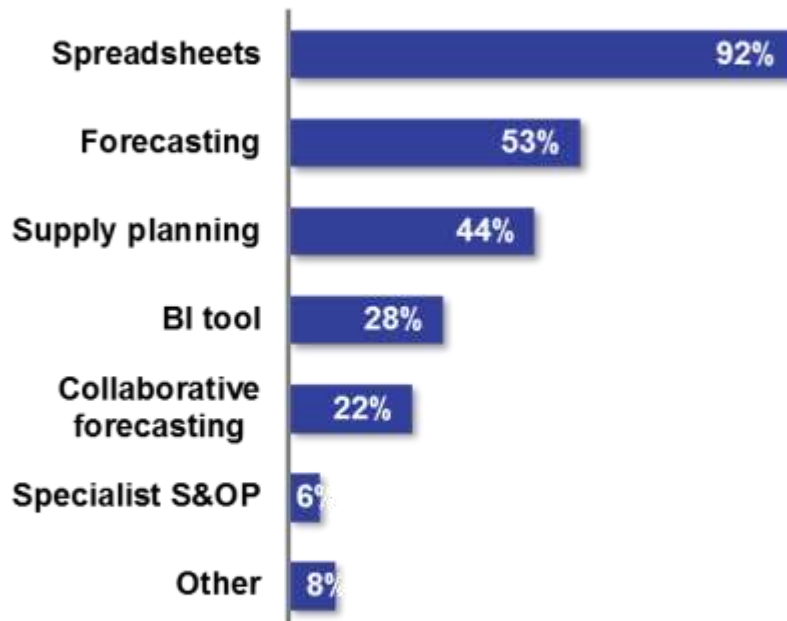
Q41. When it comes to doing your job, which of the following are your top 5 elements of business pain? Please select no more than five.

Because of Issues Most Companies Use Spreadsheets

S&OP Technologies

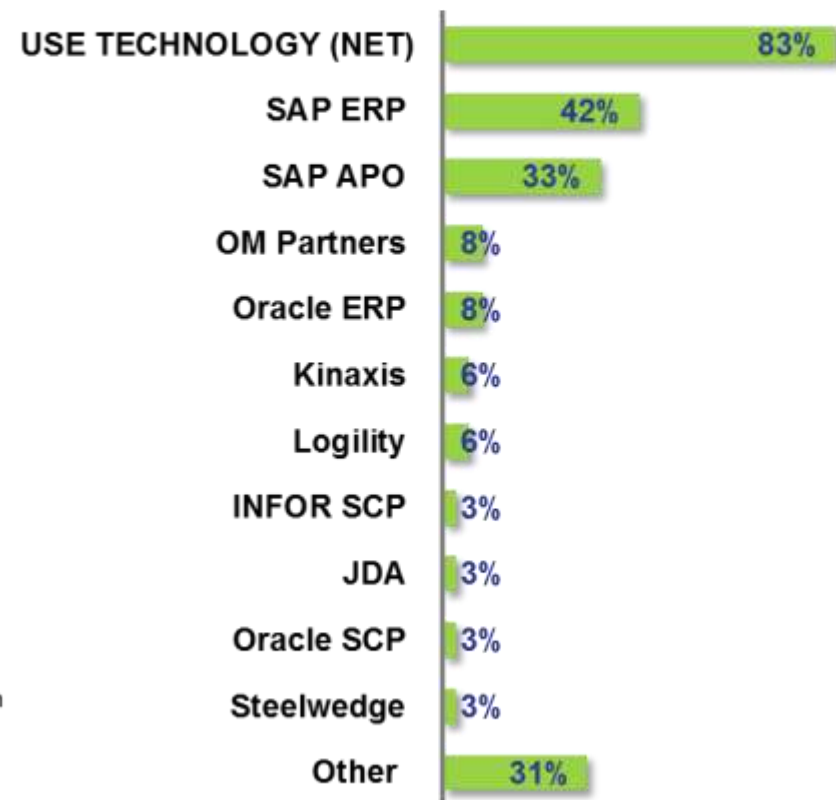
Types of Technologies Used

Use 2.5 on average



Specific Technologies Used

Use 1.7 on average



Source: Supply Chain Insights LLC, Sales & Operations Study (Jan-May, 2015)

Base: Manufacturers and distributors who sell items they manufacturer, have \$250M+ in revenue, have a S&OP process (n=36)

Q19. What type of S&OP technology, if any, does your company currently use?

Please select all that apply.

Q20. What specific S&OP technology, if any, does your company currently use?

Please select all that apply.

Summary



- Demand flows through the supply chain. It is a river.
- Outside-in processes, reduce demand latency.
- Engines should be aligned with flows.
- The fit of the engine is a more significant factor to user satisfaction than purchase from the same vendor.
- Test and Learn. Focus on outcomes.

Acelity

Restoring People's Lives

A woman with dark hair and glasses is looking upwards with a focused expression. In the background, a surgical team is performing an operation, with their hands in purple gloves and a bright surgical light illuminating the scene.

 **Systagenix**
An Acelity Company



Acelity™

Advanced Wound Therapeutics

Product brands

Focus

Development and commercialization of innovative healing solutions, including negative pressure wound therapy, negative pressure surgical management, and epidermal harvesting, specializing in advanced devices and advanced wound dressings.



V.A.C. ULTA™
Therapy Unit with V.A.C. VERAFLU™ Therapy



ACTIV.A.C.™
Therapy



CELLUTOME™
Epidermal Harvesting System



ABTHERA™ Open Abdomen Negative Pressure Therapy with **SENSAT.R.A.C.™** Dressing



TIELLE™ Silicone Border **TIELLE™** Hydropolymer **TIELLE™** Non-Adhesive with **LIQUALOCK™** Technology



ADAPTIC™
Non-Adhering Dressings



BIOSORB™ Gelling Fiber Dressing



PREVENA™ Incision Management System



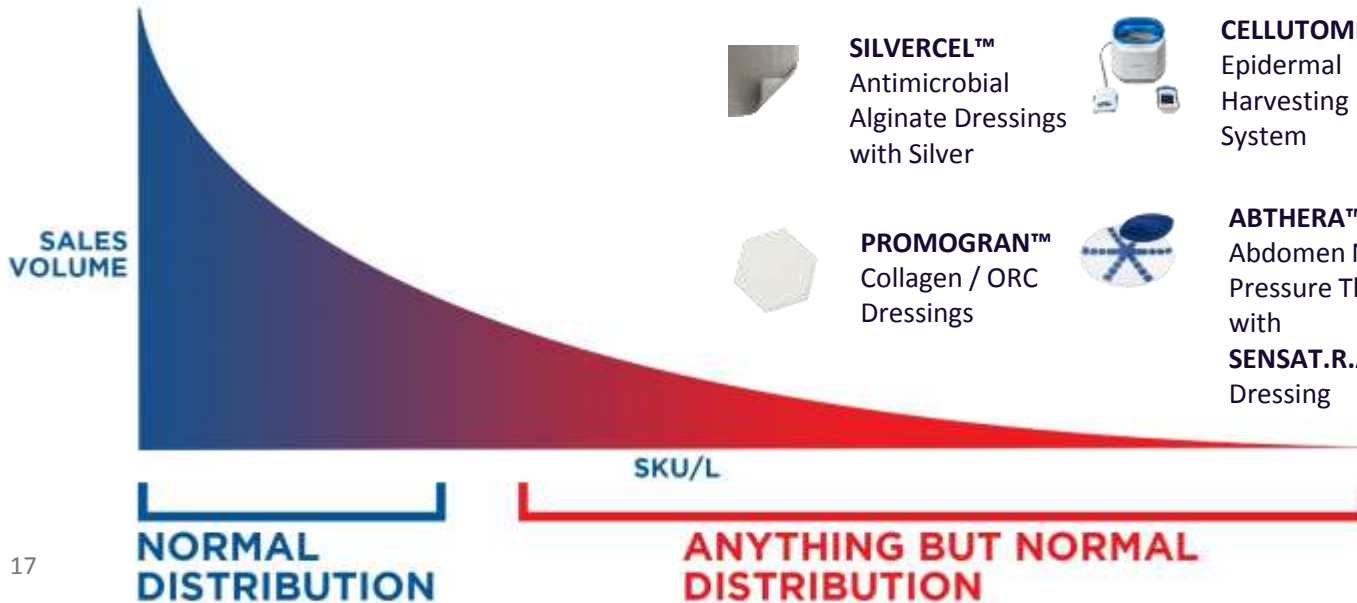
SNAP™ Therapy System



SILVERCEL™
Antimicrobial Alginate Dressings with Silver



PROMOGRAN™
Collagen / ORC Dressings



Our Global Footprint

With 5,000 global employees, Acelity offers products in more than 80 countries supported by world-class sales and service organizations around the globe.



Technology centers

- San Antonio, TX
- Ferndown, UK
- Gargrave, UK



Business centers

- San Antonio, TX
- Gatwick, UK



Manufacturing

- Athlone, Ireland
- Gargrave, UK
- Peer, Belgium

Support

- Dillon, MT
- San Antonio, TX
- Charlotte, NC
- Budapest, Hungary

Activities in Gargrave

- Product development
- Production / Sterilisation
- Distribution

Our planning challenges

Fast moving and long tail products

Mature, volatile and emerging markets

Continual innovation and NPI

Dynamic Demand Flows



Long timescale to deliver monthly forecast

Poor planner productivity due to time spent on data manipulation

Lack of consensus forecast

No real input to inventory and production plan to meet service levels

Difficult to capture market intelligence

Planning team second guessing commercial input

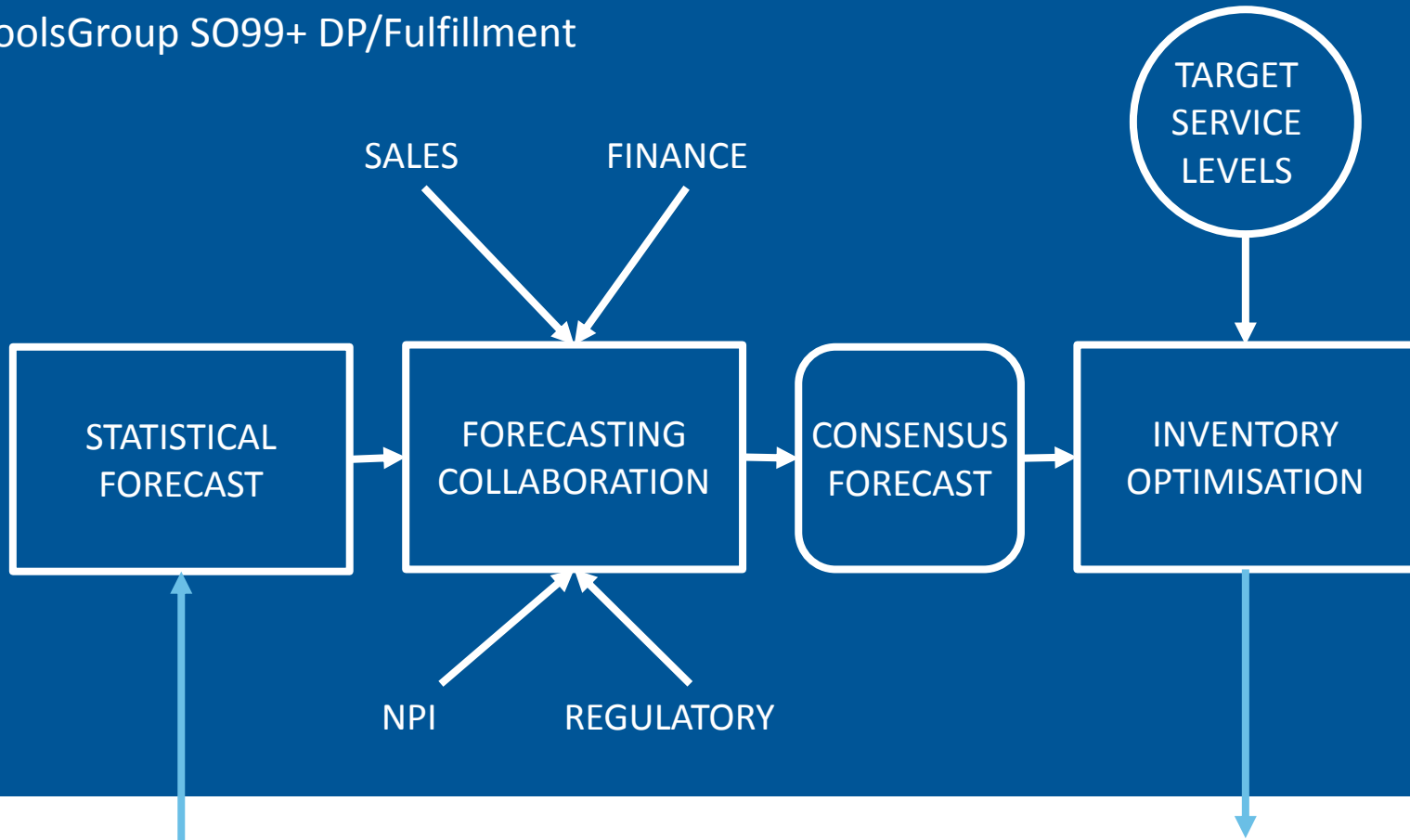
Cumbersome data capture and reporting tools

Limited Tools and Systems



Our solution

ToolsGroup SO99+ DP/Fulfillment



Historical Demand

SAP APO/SNP

Forecast & Safety Stock Levels for each location

98%

INCREASE IN
SERVICE LEVEL

99%



INVENTORY LEVELS
HAVE BEEN REDUCED BY
UP TO 15 PERCENT



10X IMPROVEMENT IN
PLANNING
PRODUCTIVITY



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Acelity™

SPEAKER



GERROTT FAULKINGHAM

**SOLUTION ARCHITECT
TOOLSGROUP INC.
BOSTON OFFICE**

PLEASE FEEL FREE TO CONTACT ME WITH ANY
QUESTIONS AT GFAULKINGHAM@TOOLSGROUP.COM

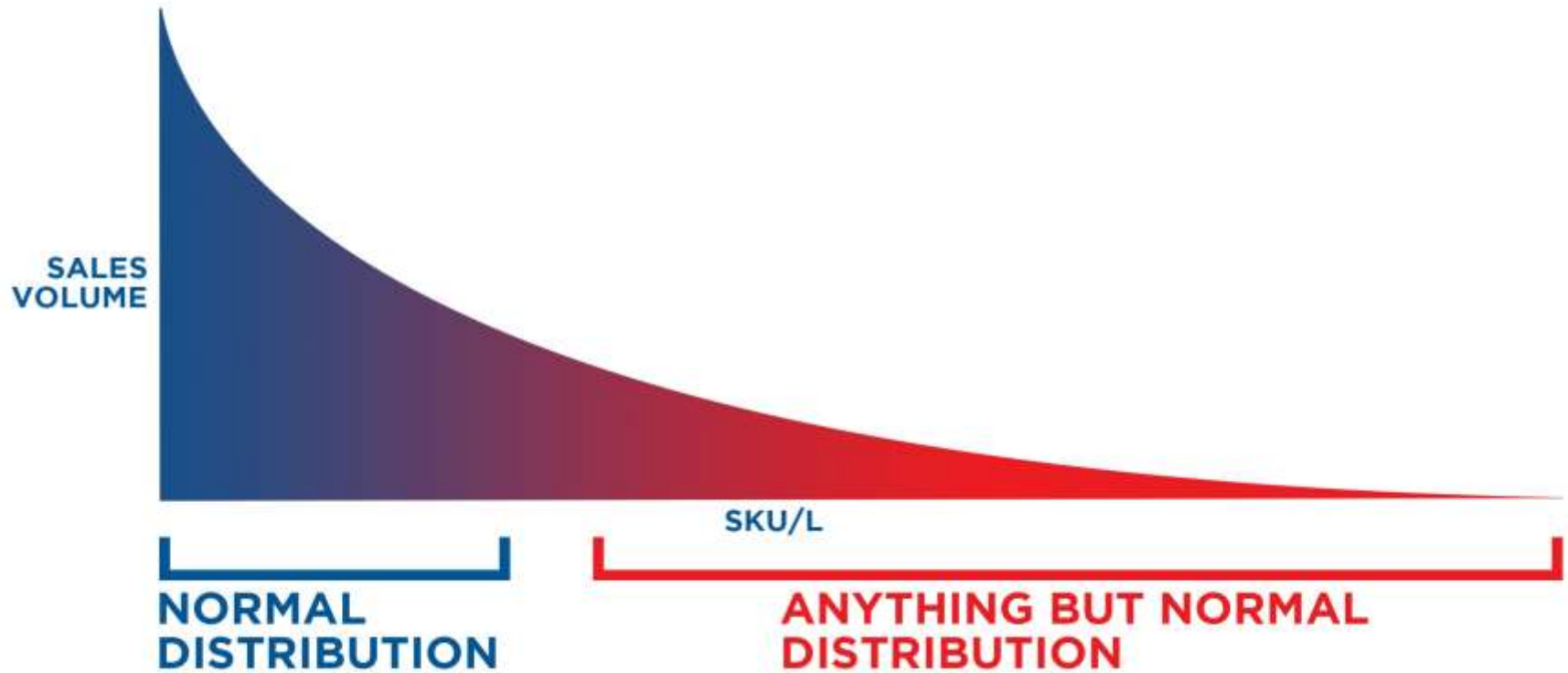
Traditional Forecast Methods

1. Are adequate at handling fast moving items
2. Do not leverage existing data
3. Cannot take advantage of additional data streams/external inputs

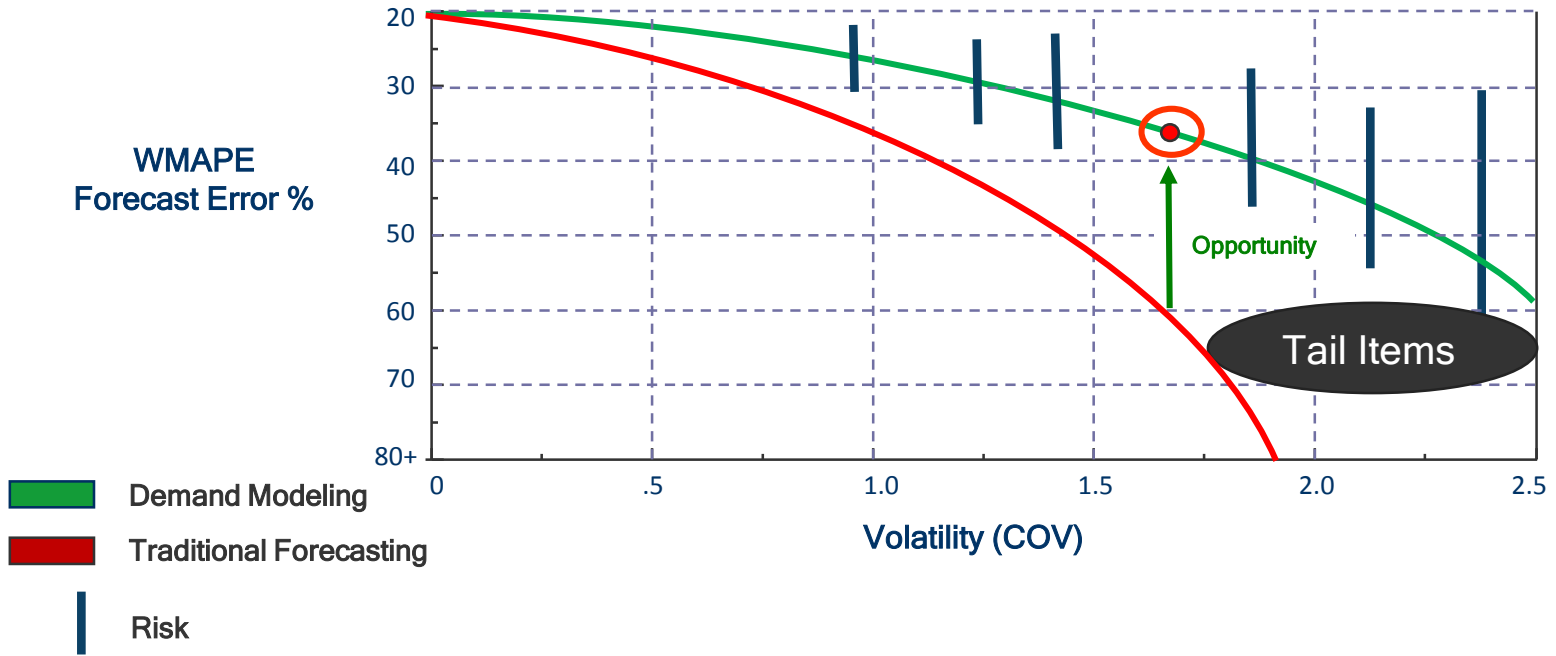
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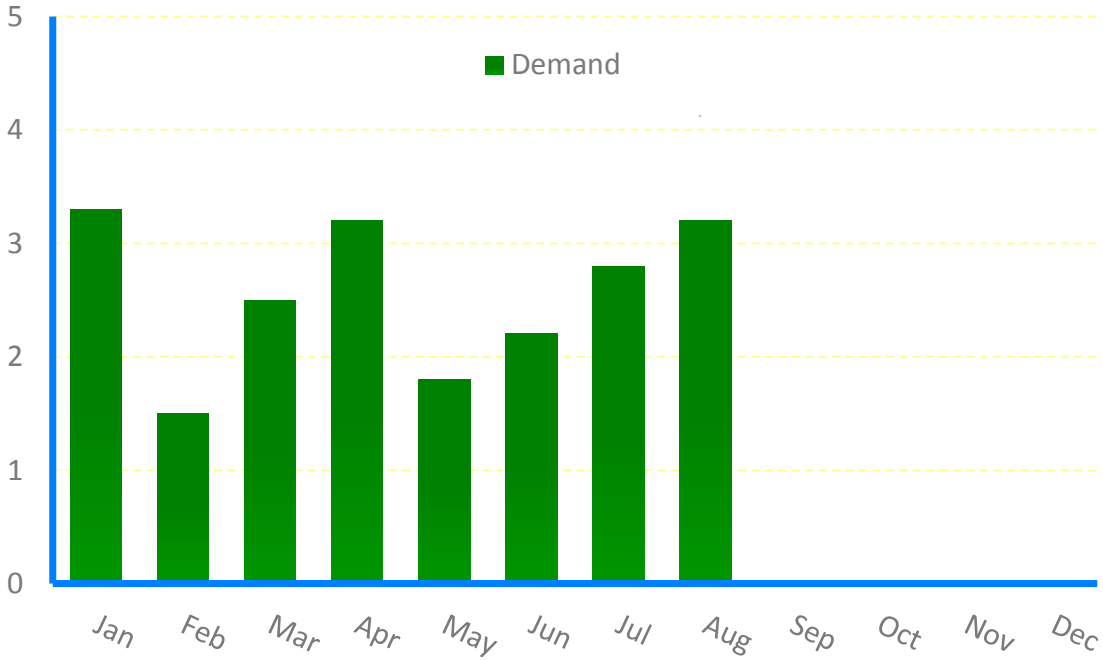


Forecast Error is a Difficult Problem to Manage



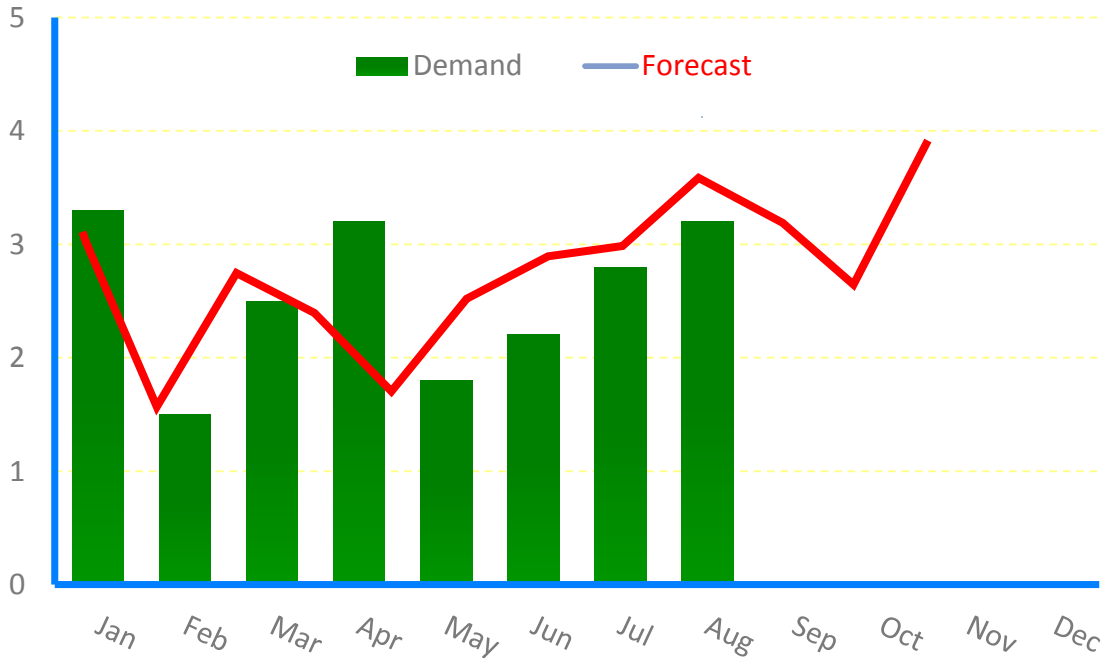
What is Demand Modeling

Demand Modeling is the Science of Calculating Probabilities or Ranges of How Demand Could Occur



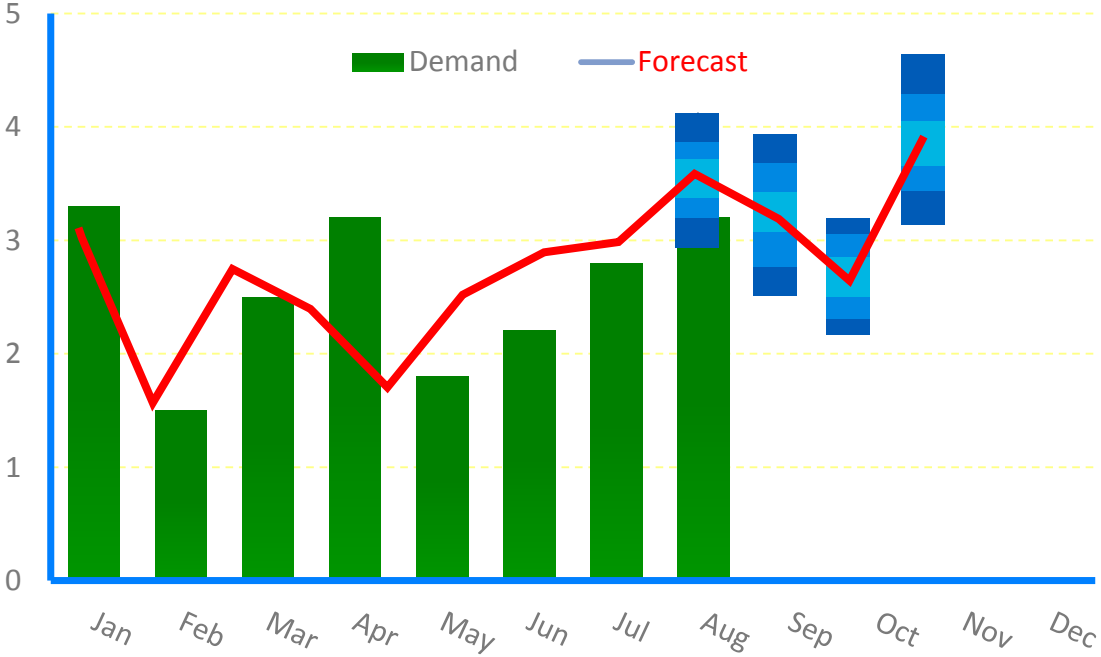
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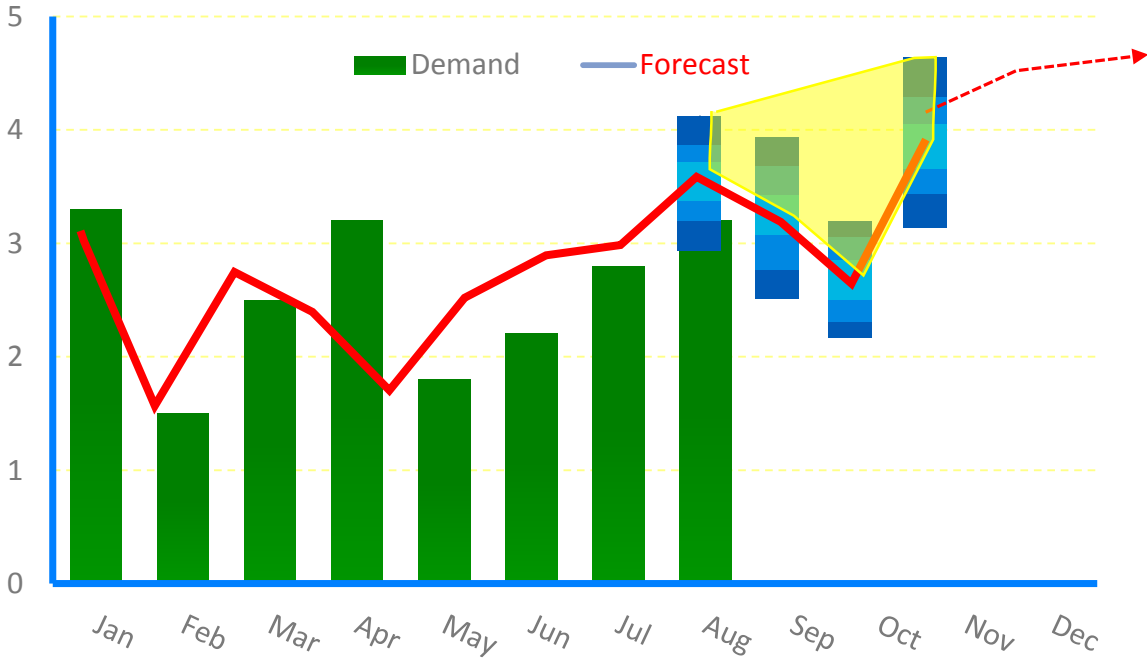
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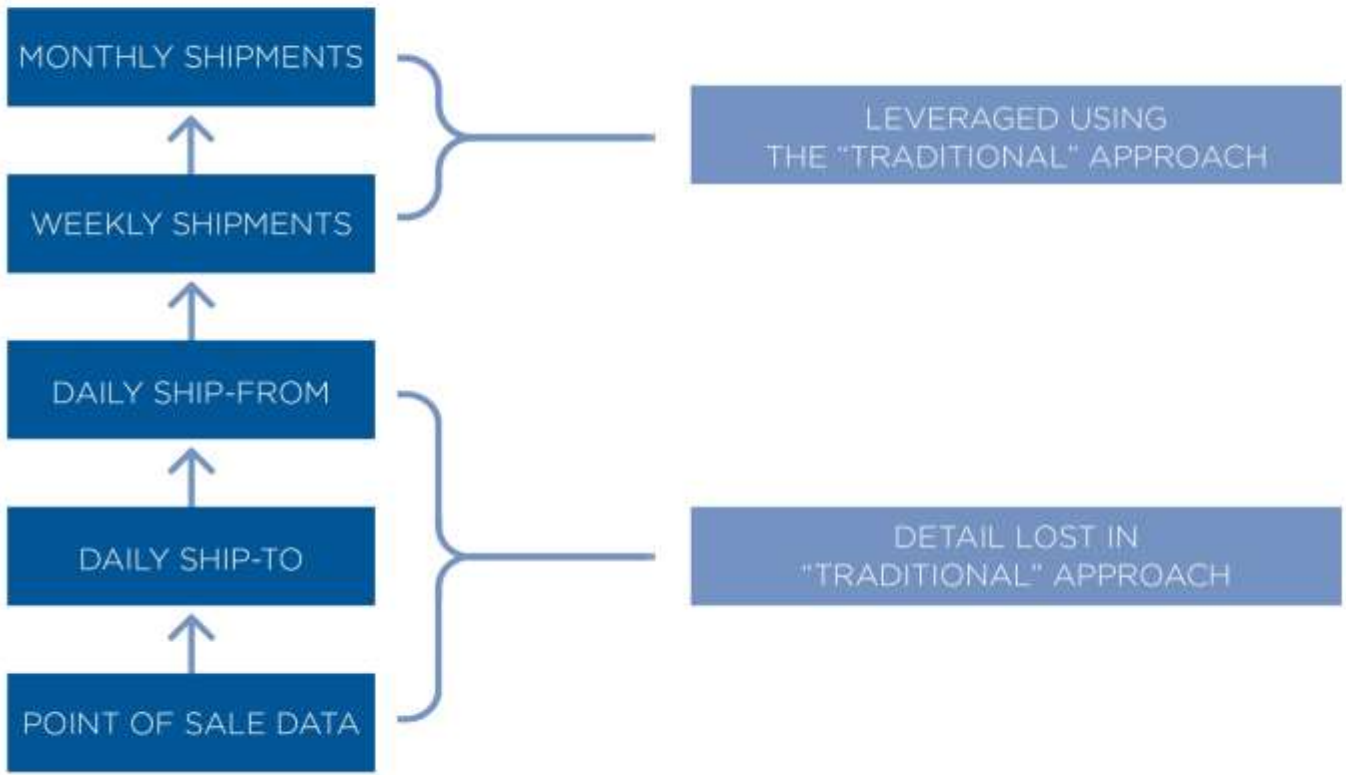


Demand modeling understands there is inherent uncertainty associated with future demand whether that SKU is a fast mover or a slow mover

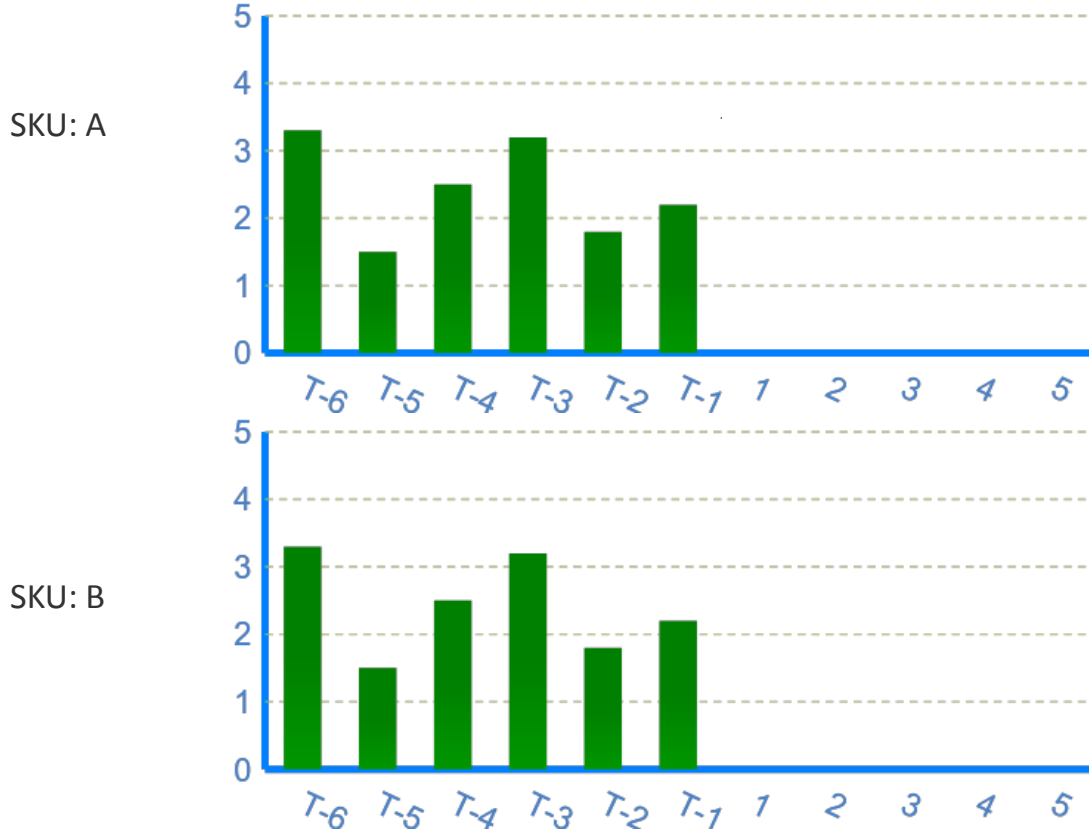
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Data Leveraged: Traditional vs. Probabilistic



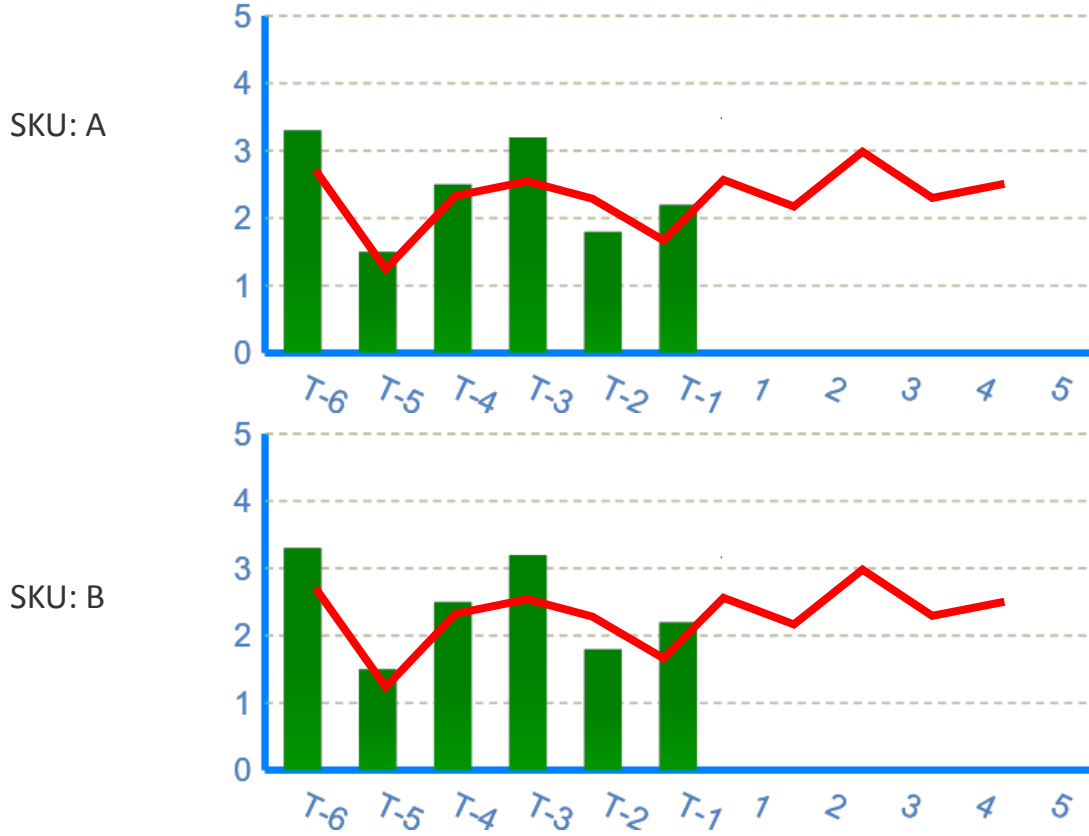
Why Demand Details Matter



Traditional

Same aggregate historical sales

Why Demand Details Matter

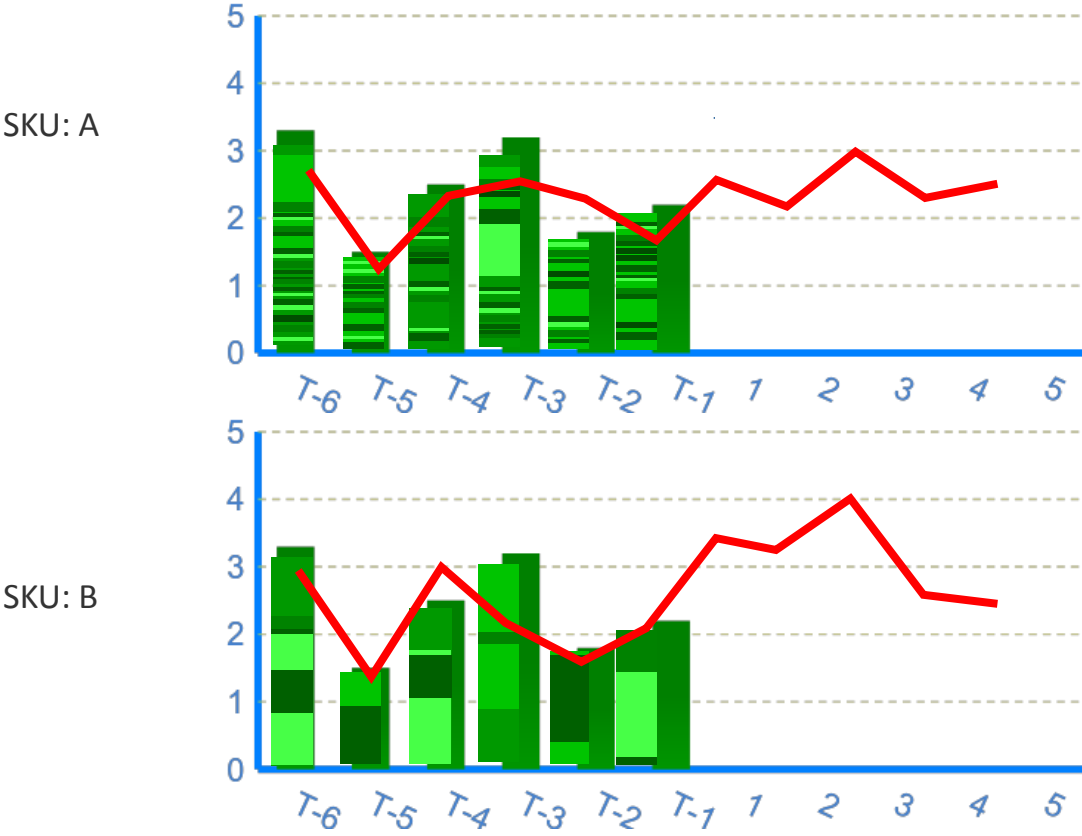


Traditional

Same aggregate historical sales

Same forecast result

Why Demand Details Matter



Traditional

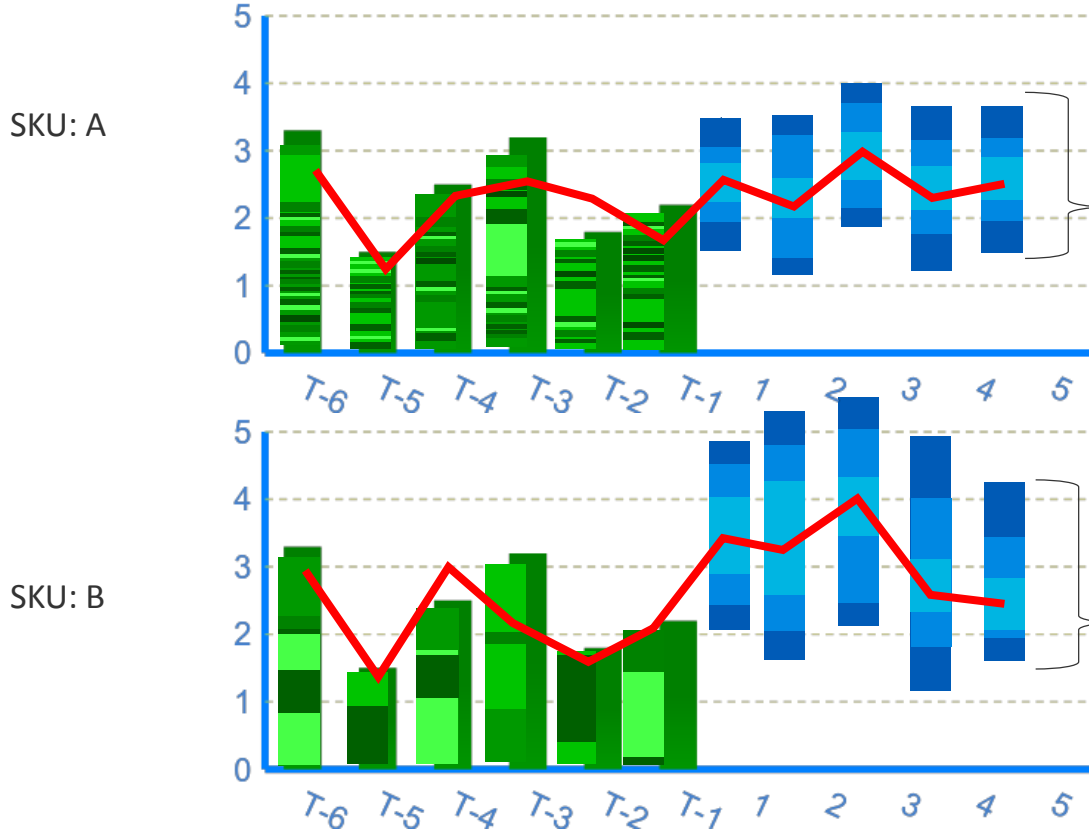
Same aggregate historical sales

Same forecast result

Probabilistic

Different detailed ordering pattern

Why Demand Details Matter



Traditional

Same aggregate historical sales
Same forecast result

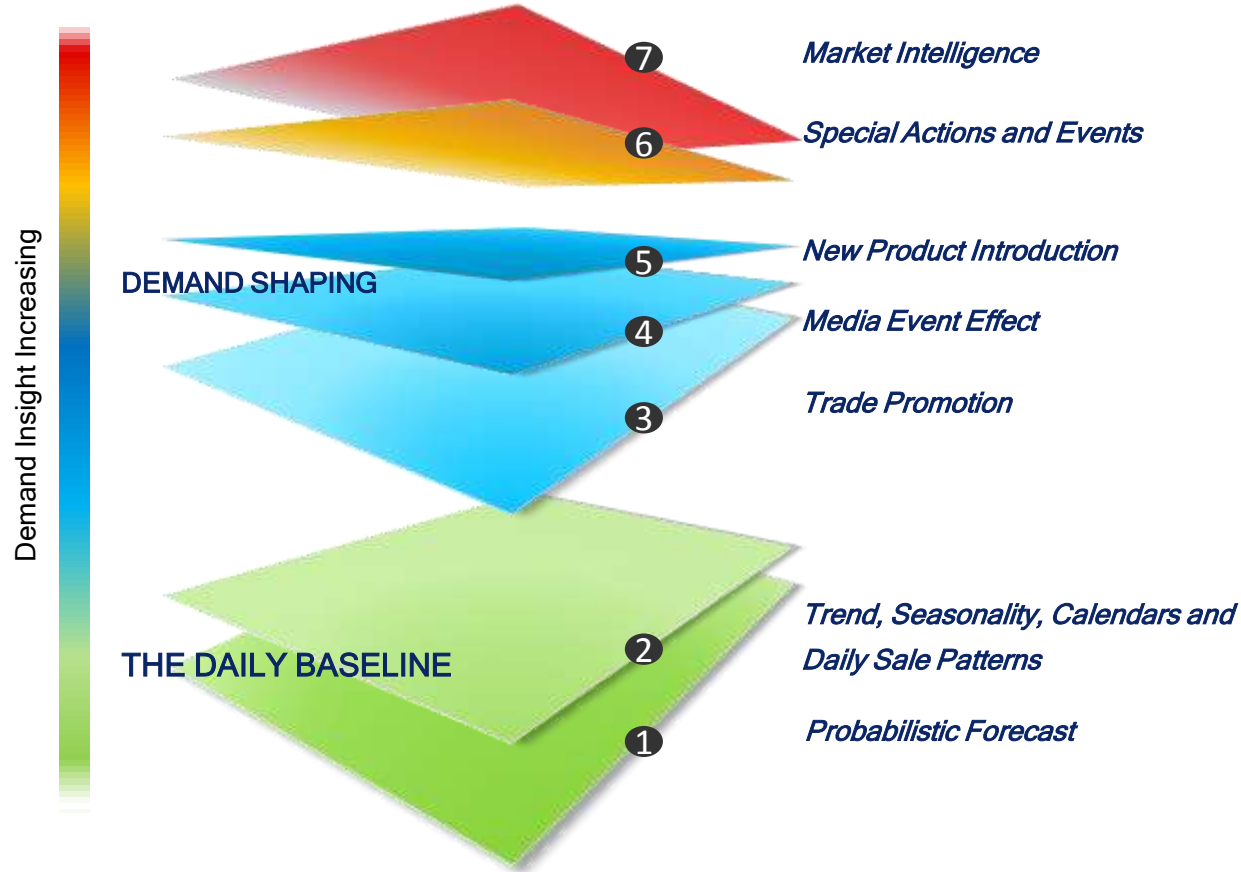
Probabilistic

Different detailed ordering pattern
Vastly different forecast certainty

Traditional Forecast Methods

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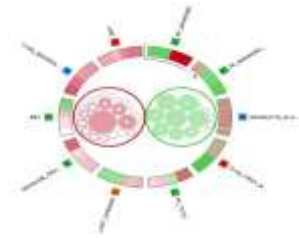
"Layers" of Demand Modeling



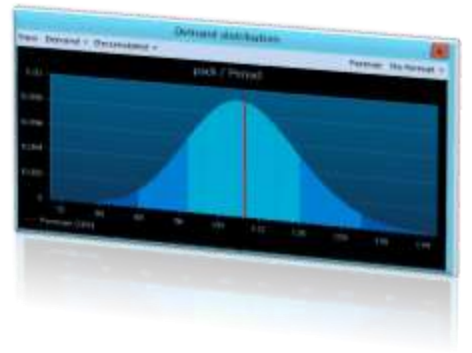
PLANNER



MACHINE LEARNING

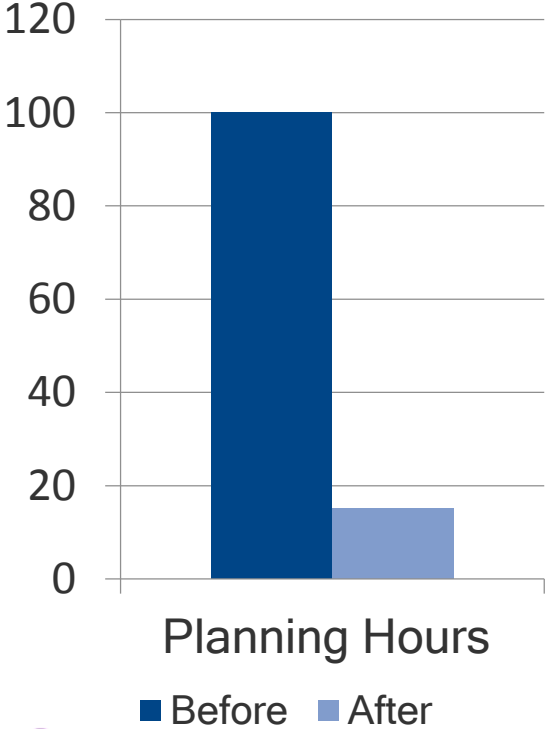
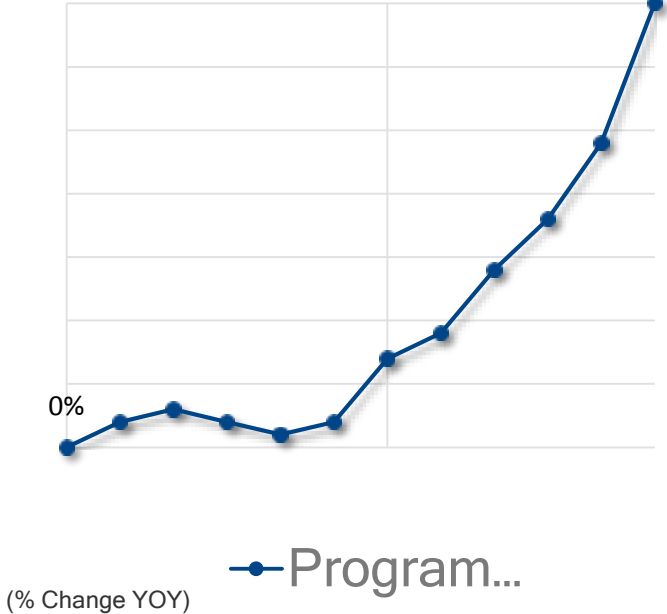


STOCHASTIC MODELING



Wayfair Results

Stocking Program Growth



Traditional Forecast Methods

1. Are adequate at handling fast moving items
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Why are companies still using the same traditional forecasting methods which have been around for decades to solve the business problems of today?



Questions?