



TPL SOLUTIONS Extracts

The Eternal Balancing Act

Balancing supply and demand is a painfully obvious goal for large companies. Painful, because they know they need to do it, but they also know it takes a lot of effort to implement the measures necessary to achieve a genuine balance.

The concept of **Joint Demand Reviews**, or **Sales and Operations Planning (S&OP)** has been with us for some years, so it is perhaps surprising how ineffective many operations still are. S&OP refers to the package of measures companies can take to wrest maximum power and profit from an effective balance of resources.

It's an alluring concept, and one that can be relatively simple for small operations. Not only does S&OP show how manufacturing can meet sales and marketing objectives but it also provides a precise forecast of financial output: it helps deliver key business objectives.

For larger companies that operate in a pan-European context, though, achieving this elusive balance is made doubly complex. Their challenge is to blend different approaches from different functions to create a more effective overall process. The problem is that the system of supply and demand becomes more complex by the year, and if you are working across several sites – or even several countries – the overall goal can easily become obscured beneath a welter of differing emotional, political and logistical issues.

“If this issue is to be dealt with at the pan-European level, the only solution is for senior management to put in place a structure that allocates the right calibre of senior influencers to resolve the high level issues,” says Bob Wileman, commercial director of TPL Logistics Management. “If this isn’t done, continued failure is guaranteed.”

The internationalisation of manufacturing, he adds, means that solving the conflicts inherent in S&OP is an absolute priority for multi-national manufacturers across the continent.

There's another big problem here: for obvious reasons, it's hard to persuade sales people to accept forecasts if they fall short of the target to which they have committed. In other words, S&OP is strongly influenced by hard-to-predict behavioural forces, as well as more familiar managerial and logistical issues.

Bob Wileman encapsulates the issue: “Unless you invest in the right internal communications, manage country expectations to take account of the consequences, and professionalise the forecasting process, you are doomed to the frustrations of apparently intractable ongoing supply chain problems.”

TPL now offer a senior management briefing, advisory, and implementation service, based around the theme of S&OP and intended to help their clients balance their sales effort, manufacturing and delivery capability and resource investment plans.

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The Power of Knowledge ■■■

Since its inception, suppliers have complained that they get a raw deal from Factory Gate Pricing. Yet in most cases, the problem is fairly simple to define: their negotiation power is hampered by the difficulty they have in calculating **Cost To Serve (CTS)**.

When TESCO first mooted FGP four years ago, TPL Logistics Management asked a group of clients: how much does it cost you to serve TESCO? At the time, just 10% could give an accurate answer.

That the figure is now closer to 90% is testament to the growing recognition of the need to act. However, many companies still produce CTS only on a Project by Project basis. Big spending on IT projects tends to be equally unsuccessful, because they don't necessarily give the most useful information.

The TPL method is different, not least because it can be done in one or two

months by consultants. Suppliers are then trained to use it so they get useful CTS information each month. The TPL approach involves simple downloading from a company's existing systems to produce useful CTS information.

The key point is this: CTS protects suppliers against challenges from retailers.. **“Unless you have a valid point of reference, it's difficult to argue,” says Bob Wileman. “So you end up cutting the cake somewhere in the middle.”** Retailers tend to provoke conflict by arguing that FGP saves suppliers money.

That some suppliers secure better deals than others largely depends on their approach to CTS and whether they can use it to show what is truly in both parties' interests.

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The Shelf Ready Packaging Dilemma ■■■

Fit for TESCO or Multiple Solution ?

On 10 May 2005, in Swindon, Group Members will be debating the implications of **SRP** with senior executives from ASDA, SAINSBURY'S, BOOTS and the CO-OP.

To join them and **TPL MANDI,** ■ please contact **Rhiannon Spurgeon**

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TPL In Action ■■■

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