



Putting a Stake in the Ground for TPM-TPO and Collaborative Marketing

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Transforming Sales & Operations Planning into a Competitive Advantage

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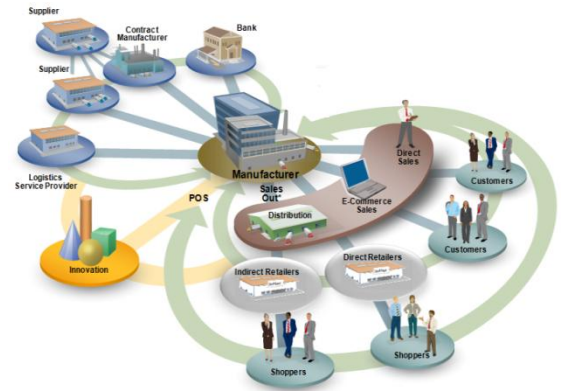


How was this session “advertised”

Transforming Sales & Operations Planning into a Competitive Advantage

A robust and mature sales & operations planning (S&OP) process is essential for creating and sustaining competitive advantage. However, what was once a periodic exercise in simply balancing supply and demand has now transformed into a highly collaborative real-time exercise in reconciling varying perspectives on inter- and intra-enterprise demand to dramatically improve both demand and supply side forecasting and fulfillment. In this session, learn how Kraft is considering recent technology innovations to address the challenges of consensus demand building and financial integration.

Who is this guy in front of you...



Kraft at a Glance



- Our products are found in 98% of U.S. households, 99% in Canada
- 10 brands with more than \$500MM in 2011 annual sales
- Another 17 brands over \$100MM
- \$19B net revenue
- More than 25,000 people

Source: Kraft Foods Group, Nielsen

Kraft's Beverage Business Unit



What are we going to discuss today?

- 1 Challenges facing the consumer products industry
- 2 S&OP evolution
- 3 How Kraft views IBP
- 4 Questions and discussion

S&OP has been and still is a process that can help organizations overcome these challenges and be successful

S&OP

Strenuous and Often Painful

S&OP has been and still is a process that can help organizations overcome these challenges and be successful

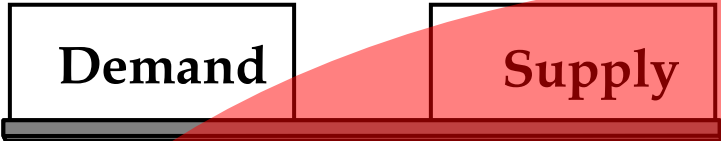
S&OP

~~Strenuous and Often Painful~~

Sales and Operations Planning



S&OP "in the beginning"



Early
80's

	Mon	Tue	Wed	Thu	Fri	Sa
Sun			1	2	3	4
5		7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		
31						

A collage of various spreadsheets and data visualizations. On the left, there are several overlapping spreadsheets, some showing line graphs. In the center, there are more spreadsheets, some with detailed data tables. On the right, a prominent spreadsheet titled "FY11 P5 Consensus Cycle Detail - Meals" is shown, featuring a grid of data with columns for dates and rows for different categories. A blue arrow points from the central area towards this specific spreadsheet.

Consumers are changing...making companies rethink their S&OP processes

Consumers today are savvy, fickle, demanding – and “always on”

Now more than ever, consumers want to be associated with brands that are relevant and compelling



Trends spread at lightning speed based on positive or negative consumer sentiment

Consumers can buy from anyone, anytime anywhere, and they want what they want when they want it

Demand and supply volatility is causing companies to investigate if their S&OP process is working

Channel complexity –

Explosion of channels and store formats, including direct-to-consumer and hybrid models (e.g. buy online, fulfill in store)



The connected consumer –

always on, and connected with one another, using a new path to purchase

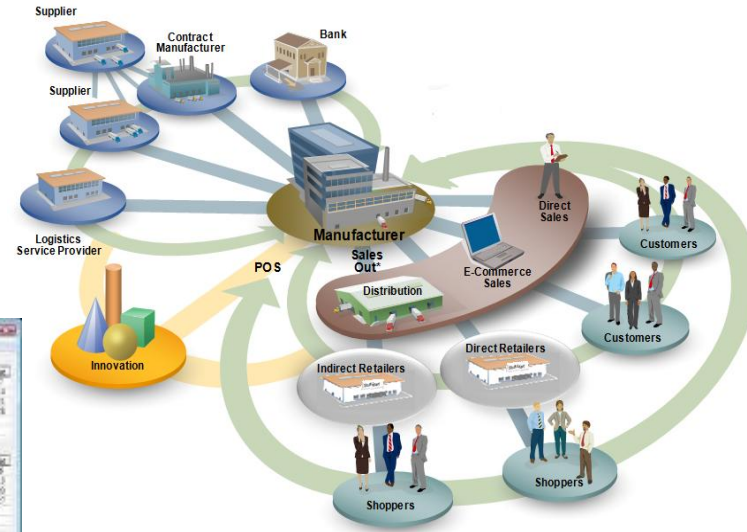
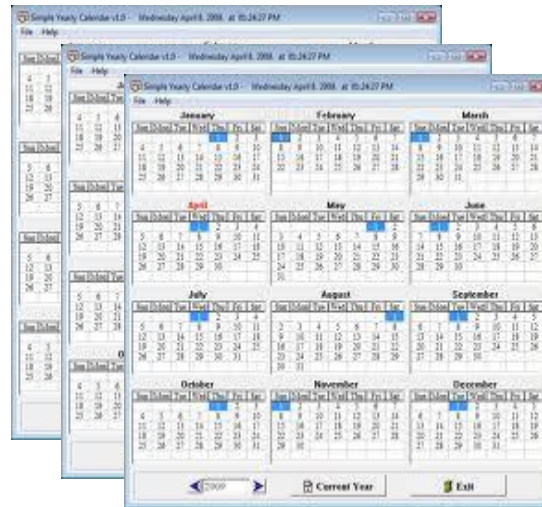
Global sourcing – Sourcing from a complex global network of suppliers, along with associated lead time, visibility, compliance and regulatory challenges

Commodity availability / price volatility – Availability and pricing of manufacturing inputs is much more variable and volatile

Price and margin management – No longer “one size fits all” pricing and offers

S&OP is evolving to...

At Kraft we call it IBP



What is Kraft expecting to get from their IBP efforts?

Improved Cash Flow

Reduced inventory
Improved forecasting accuracy

Increased Revenues

Better visibility into KPIs that are driving our business

Improved Collaboration – internally and externally

Higher Market Share

Less stock-outs at retailers shelves

Improved customer service metrics

Organizational Strength

Improved Annual and Long-term Planning Processes

Faster and improved decision making with “BIG DATA”

Consistent and Reliable achievement of organizational goals, targets and commitments!!

Ultimately, we want to have the ability to make faster and more effective business decisions

**Forecast
Demand**

**Create multiple
demand
scenarios**

**Check
Inventory**

**Understand impact
on inventory
levels instantly**

**Adjust
Capacity**

**Explore what-ifs
to confidently
commit**

**Measure
Financial
Impact**

**Make decisions
with a full view of
the impact across
your organization**

Best Practice for demand

Forecast
Demand

Check
Inventory

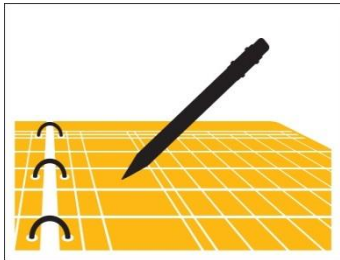
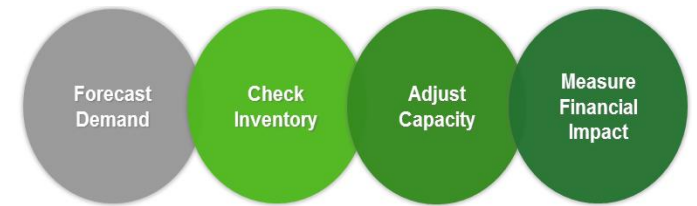
Adjust
Capacity

Measure
Financial
Impact



- Collaborate with suppliers and customers and don't forget internal teams
- Forecast modeling in "like groups" – segmenting and categorizing demand forecasting units. Using the best algorithm for the right product grouping
- Incorporate demand signals: point of sale data, syndicated data, wholesaler / distributor data, weather data, consensus data, ERP data...now we are talking "BIG DATA"
- Being able to quickly aggregate and disaggregate demand to see how changes impacted other views
- Get to a "one number" , "one plan" throughout the organization
- Integrate IBP demand consensus back into the business
- Single source for data repository and reporting

Best practice for measuring financial impact

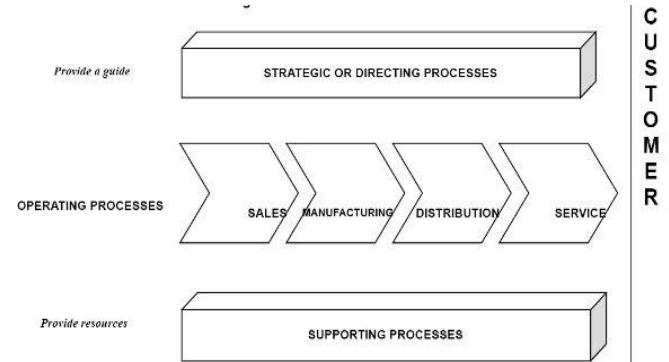


- Convert volume into revenue, margin, profitability instantly
- Decision matrix to help facilitate lower level decisions
- Multiple period view – operational to tactical to strategic
- Integrated annual operating plan and long range planning with IBP
- Make decisions confidently understanding impact to all alternatives
- Measure assumptions accuracy, not the number
- Turn analysis into insight to drive the business

Kraft needed to look at their processes in a different way



The way we think...



Rethink our processes...



And our use of technology...



The way we behave...

Today's technology is allowing Kraft to rethink how we meet our requirements

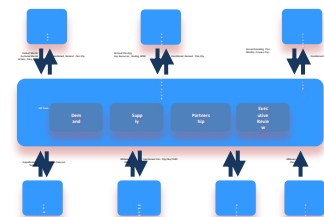
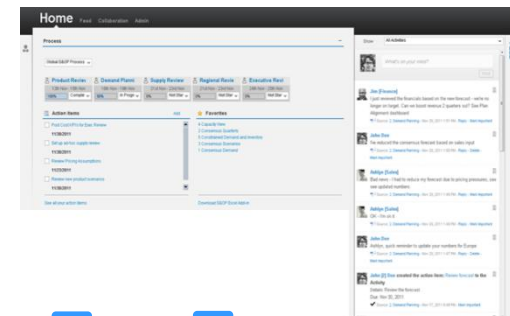
Highly scalable and flexible technology deployment with low-cost, low-risk deployment options

Real-time access to broad categories of highly granular internal and external data for cross-functional analytics, modeling and forecasting

Embedded analytics for real-time process and decision support tightly integrated with corresponding, complementary business processes

Highly connected environment supported by commonly available social collaboration tools available across business stakeholder functions

Totally integrated solution; exchanging and passing details in and out of solutions creating an aligned and transparent organization.



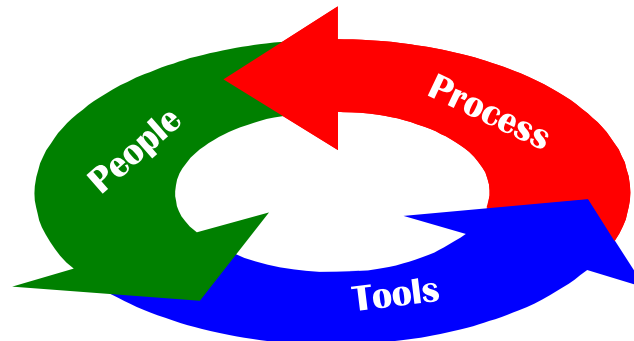
Kraft is on it's journey



Successfully implement and sustain a common Integrated Business Planning Process across Kraft as the “way of managing our business”.

Enabled by common processes

Supported by common systems solutions



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Questions

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