



CASE STUDY

Sales & Operations Planning

TerraSource

■ PROBLEM / CHALLENGE

TerraSource is a mining equipment and replacement parts manufacturer. The organization produces wearable (standard) parts, engineered-to-order parts and large material grinders and transport systems. With a high SKU count and significant demand variability, the organization struggled to meet customer expected lead times. This challenge became more significant as supply chain lead times extended. Despite high levels of inventory, the long lead times led to missed sales opportunities.

■ S&OP Kaizen

We utilized a week-long cross-functional team-based Kaizen event to develop the sales and operations process. Key outputs from the Kaizen: Current State Process Map, S&OP Design (Product Families, UoM, Capacity Units, Time Fence), Quote-to-Demand Forecast logic.

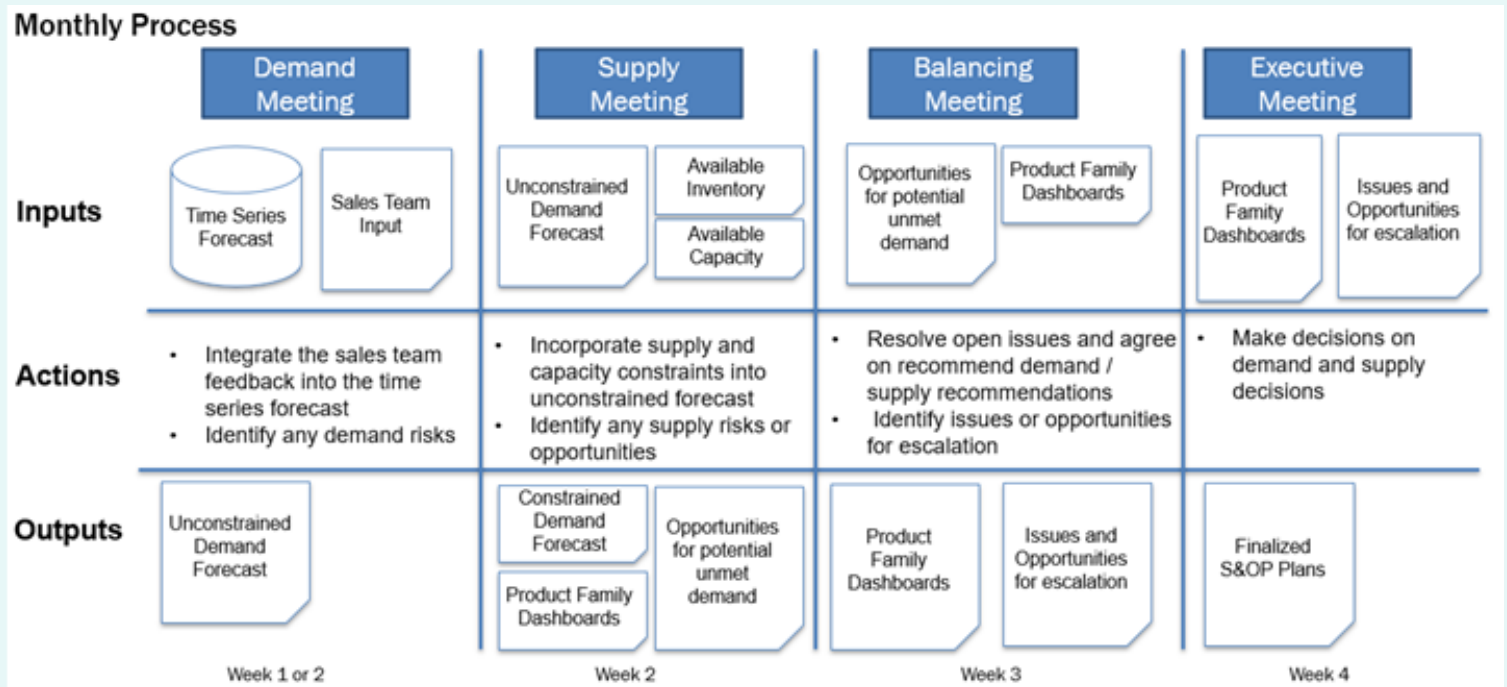
■ IMPLEMENTATION DETAILS: Quote to Sales Forecast

- Formed a cross functional team with engineering, sales, and customer service to use sales-rep intelligence in the forecast
- Developed logic to incorporate quote data win % assumption into algorithmic forecast
- Developed monthly process for sales representatives to review their forecast and quotes and provide insight into expected win rate and expected timing of lead
- Once forecast was completed with improved information, the supply team had visibility of inventory and lead time challenges that could impact customers

■ Lead Time / Inventory Bets

With the improved information provided by the sales team, we understood where we might miss an opportunity due to slow lead times and customer requirements. Based on the sales teams' confidence in the prospect, the inventory investment required and associated risks, the S&OP team would recommend inventory "bets" to support advanced purchase of materials prior to receiving the customer order to enable manufacturing to meet the customers expected timeline

■ S&OP MONTHLY PROCESS



■ IMPLEMENTATION DETAILS: S&OP

- Formed a cross functional S&OP team with Sales Management, Quoting, Customer Service, Finance, Supply Chain, Manufacturing and Warehouse Operations
- Used customer quotes to create a new order forecast, which was used to adjust the algorithmic forecast, allowing TerraSource to meet demand of large and profitable parts orders
- Aligned Sales, Operations and Finance on tactical decisions (procurement and capacity decisions) that will affect customers over a 3 to 12 month timeframe

■ DIFFICULTIES ENCOUNTERED

- It took the buy-in and leadership of the VP of Sales to integrate the sales-rep forecast of potential orders to create a robust forecast

RESULTS

- Initial Wins:**
 - \$300K of revenue pulled into Q4 in initial pilot month
 - Customer lead time reduced by 3 weeks
 - 98% hit rate on decisions in pilot month
- Integrated Global Market indicators into decision (2020 Supplier Disruptions)
- Including Engineering in forecasting discussion uncovered alternative options early

Reference: Daniel Watkins, Senior Manager, Global Supply Chain and Procurement
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