Sales and Operational Planning (S&OP) in Telecommunications

INTRODUCTION

Since 1998, Enchange has been working with some of the world’s foremost Telecommunications Companies (Tel Cos) including Vodaphone, Orange, Celtel (Zain Africa) and Ericsson. During that time we have developed an approach to supply chain performance improvement designed specifically for the challenges faced by Telecommunications organisations including in Africa & Central & Eastern Europe.

Many Telecommunications Organisations suffer from disorganised and reactive supply chain planning. This significantly affects supply chain costs and adversely impacts P&L, working capital and customer service levels.

The Enchange Fast Track S&OP Programme establishes an S&OP process within 3 months and usually makes an immediate positive P&L and Balance Sheet impact.

INTRODUCTION TO S&OP

Although Sales & Operational Planning (S&OP) should be defined for each organisation, certain characteristics apply:

- S&OP is a collaborative cross-functional process that engages all functions to produce an integrated set of operational plans that all are committed to support.
- The plans cover a sufficient time horizon to enable resource planning & support the annual & strategic planning processes.
- Its purpose is to balance demand & supply in the supply chain.
- It is performed periodically—usually monthly.
- It aligns weekly & monthly operational plans to high level business & strategic plans.
- At its core is a single set of numbers for the business.
- It uses standardised processes, calendars of events, meetings and KPIs.

Diagrammatically, for Tel Cos the process can be:
Enchange experience of S&OP projects is that considerable improvements in supply chain performance and business performance is possible. A business case is normally built upon improvements in P&L and working capital as follows:

- **Strategic Benefits**
  - A key enabler of growth.
  - Risk mitigation - Enchange experience is that poorly performing supply chain operations can significantly hinder growth including expansion of portfolio.

- **P&L impact**
  - Sales uplift e.g. from improved customer service, reduced stock outs (mobile phones, pre-paid cards, network spares) & improved distributor performance
  - Reduced supply chain costs
  - Reduced stock loss

- **Balance sheet impact**
  - Reduced working capital as inventory is optimised to support service levels

- **People**
  - Increased accountability as decision making is taken at the correct level of the organisation.
  - Improved communication.
  - Improved supply chain skills in areas impacted by the programme
  - Reduced workload as rework is reduced

Enchange S&OP projects typically deliver an ROI (Return on Investment) of well over 500%; indeed Enchange projects have had ROIs exceeding 1,000% & beyond.
Enchange has developed a specific methodology suitable to the requirements of Telecommunications Organisations. "Enchange Fast Track" is an approach that we pioneered some years ago and is designed to make a high impact and deliver quick results in the supply chain. For S&OP it is normally completed within 13 weeks and includes the following elements:

- **Assessment** of current performance
- **Design** of new processes and procedures where applicable
- **Systems** - optimisation within current ERP system and / or interim IT Tools where applicable.
- **Training** of management in the new processes
- **Implementation** / Go-Live

### S&OP Case Study – Mobile Telecommunications

- Enchange was selected to design & implement a Sales & Operational Planning (S&OP) Programme in Africa for this multinational Mobile Telecoms provider.
- Enchange designed a simple, standardised, set of S&OP & related processes & KPIs. The programme was piloted and rolled out throughout Africa.
- The project delivered a suite of IT Tools (Sales Forecasting, Procurement Planning, Inventory Planning) integrated with the ERP System.

"We now have a structured way of running the operations of our business,... at last Marketing, Sales & Operations are talking to each other,... they are running out of fires to fight,... and our new Customer Service KPIs are moving in the right direction.”

CEO, Operating Company, Mobile Telecoms Multinational

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**S&OP Methodology - Enchange Fast Track Approach**

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In the mid 1990s, one of the largest telecommunications and data services providers in the United States realized that its business would benefit significantly from improved collaboration between suppliers and internal operations. The company was challenged with balancing supply and demand because of the extremely short life cycle of its cell phone products. Additionally, order lead times for handset accessories were as long as 16-18 weeks, making it difficult to achieve forecast accuracy and supply chain responsiveness. The repercussions of this environment were significant. Limited product availability meant that the company lost customers to competitors with little hope of recapturing them in the future. Excess inventory produced lower margins as incentives were used to sell product or disposal costs were accrued for obsolete product. The company recognized that the challenging nature of phone supply, short product life cycles, and the competitive market pressures made it critical to collaborate better with suppliers and internal stakeholders to improve forecast accuracy while maintaining supplier fill rates.

A Business Transformation

What the company needed was a way to understand its demand drivers and supply risk so that it could make sourcing decisions that ensured product availability while minimizing inventory. Good decision making was especially critical at the end of the product’s life cycle. Inventory varied significantly because constant changes in pricing and promotions made demand unpredictable. However, rather than allow the market to dictate demand, the company decided it would adjust its promotion strategies to increase consumer interest in products at the end of life that were slow to sell or that were in short supply. The company implemented a multi-step process to initiate and drive S&OP across the organization. A formal, monthly S&OP meeting was conducted with the stakeholders to review demand patterns and supply risks and to establish the supply plan for the next quarter. Participants of these regular meetings included executive staff and key stakeholders from operations, marketing, and finance. The S&OP team meetings were organized around a “stoplight” system (green=okay, yellow=warning, red=problem), where all products were reviewed to identify the opportunities, risks, and areas that need the most attention. Once the supply chain plan had been developed during the S&OP process, the marketing organization committed to making sure that pricing and promotion programs consistently supported the supply plan. Between monthly S&OP meetings, a portion of the S&OP team began to hold weekly meetings to analyze the current sales pace. The goal of these meetings was to determine what was working and what was not and to project performance eight weeks into the future. A second meeting involved suppliers in order to complete weekly collaborative planning, forecasting, and replenishment. A critical success factor for this company’s S&OP process was uniting the key stakeholders. For this reason, suppliers were engaged in the formal process. This resulted in improvements in the supply base in the areas of cost, product availability, and capability.
Technology Enablers

As part of the S&OP process, the telecommunications leader created unconstrained demand plans using a demand planning software. This functionality enabled marketing to manage changes to the current product forecast, the introduction of new products, and the retirement of selected current products. Then a constrained plan was created and utilized, acknowledging supplier shortages and taking into account the need to drive unfulfilled demand to other suppliers. The company used price and promotion changes to manipulate demand. Finally an advanced supply chain planning solution was leveraged to create planned orders, drop requisitions, and plan the final packaging. Relying on the demand planning software, the telecommunications company was able to sustain S&OP best practices in a high-volume, data-intensive environment. The solution served as an S&OP “demand hub” data repository, which alleviated the burden of data collection. All relevant sources of critical information were consolidated, enabling data transfer and validation. As a result of implementing S&OP, the telecommunications company realized substantial benefits. First, the company demonstrated the ability to triple the number of products offered. Through the course of an eight-year period, forecast accuracy was improved by 36 percent and inventory-related working capital was reduced by 25 percent. Finally, store service levels increased to 98 percent or better.

Authors’ note: This case study is based on material appearing in the Aberdeen Group’s Sales & Operations Planning Benchmark, 2004.
ENCHANGE BACKGROUND

Enchange is an international supply chain consultancy founded in 1993. Working in Europe, Central & Eastern Europe, Africa & the Middle East, Enchange has delivered in excess of 500 projects for more than 100 clients in over 60 countries. Our sector expertise is FMCG, Pharmaceuticals and Telecommunications.

**Why do clients use Enchange?**

*We make things happen.*  
*We do it quickly.*  
*It delivers bottom line results.*

Client Testimonials

Regional S&OP Programme, FMCG, Pan Africa & Middle East

“Enchange proved outstanding at identifying key issues and putting together a process that allowed us to work in a structured way towards finding a solution. A great deal of expertise and knowledge was contributed by the consultants but most importantly Enchange personnel created a situation where staff who had been associated with a problem recognised the problem and became part of the solution.”
Manufacturing Manager, Africa Middle East, FMCG Multinational

Regional Supply Chain & S&OP Redesign Project, FMCG, CEE,

“... very impressed by them [Enchange Project Managers] .... you guys [Enchange] are really helping the business here. [Enchange Project Manager] is an expert ... could not have made a better choice.... Great value for money.”
Regional Supply Chain Manager, FMCG Multinational

Post Acquisition Supply Chain & S&OP Integration, FMCG, Poland

“... we cannot believe the progress you (Enchange client) have made in less than 2 years ...”
(Post-acquisition internal audit following supply chain redesign &S&OP implementation by Enchange).
Regional Internal Auditor

Regional Supply Chain ERP Rollout, FMCG, Africa Middle East (AME)

“Enchange advisors have become accepted almost as part of our own staff and are widely respected in our organisation. It is rare to find consultants of this calibre who can travel at short notice, demonstrate an awareness of local business conventions and integrate effectively with management and operatives while introducing new methodologies that gain immediate acceptance.”
Senior Vice President, FMCG Multinational, AME
Enchange Clients

- Advent (Private Equity)
- Agip
- Agrigel (Frozen Food)
- AIG Central European Trust (Private Equity)
- Akrikhin (Pharmaceuticals)
- Arctic (White Goods)
- Astral (Telecommunications)
- Bata Shoes
- Bere Mures (Brewing)
- Brau Union
- Brewery Holdings (Romania)
- British American Tobacco
- Celtel Telecommunications
- Coca Cola
- Cogesal (Frozen Food)
- Department for International Development (UK)
- East Africa Industries (FMCG)
- Ericsson
- EBRD European Bank for Reconstruction & Development
- Firestone
- GED Capital (Private Equity)
- Glaxo Wellcome
- Global Finance (Private Equity)
- GSK GlaxoSmithKline
- Guinness
- Heineken
- IGAD (Intergovernmental Authority Djibouti)
- Kenya Reinsurance
- Krajaz Milos (Beverages, Serbia)
- La Fourmi (Supermarkets)
- London Economics
- Nigerian Breweries
- Orange (Mobilrom)
- Overseas Development Agency (Ghana)
- Ozone Pharmaceuticals
- Pharmax (Pharmaceuticals)
- Polpharma (Pharmaceuticals)
- Rolast (Industrial, Romania)
- Romania American Enterprise Fund (Private Equity)
- Romanian Post Privatisation Fund
- Romstal (Construction, Romania)
- SABMiller
- Scottish Woodland
- SDAL (Software Distributors Africa Limited)
- Shell
- Sicomed (Pharmaceuticals)
- SMC International
- SmithKline Beecham
- Tata
- Terapia (Pharmaceuticals)
- Trade Partners UK
- Uganda Associated Industries (FMCG)
- Unilever
- United Biscuits
- Ursus (Brewing, Romania)
- Valrom (Construction, Romania)
- Vincon Vrancea (Wine)
- Vodaphone (Connex)