Succeeding in Uncertain Markets

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Disclaimers

#1
- Simple ≠ Easy

#2
- “Guts” of Executive S&OP left to next speakers to address
Uncertainty is Ubiquitous

Uncertainty
- Economy
- Regulations
- Taxes
- Health Care
- Employment

Variability
- Customers
- Suppliers
- Shoppers
- Timing

Your Co.
What to do about Uncertainty

MANAGE THRU External Uncertainty

Uncertainty Variability

Your Co.

ELIMINATE Internal Uncertainty
Focus is on Uncertainty in the context of (variability of) demand
Typical Responses to Uncertainty are (Natural, but) Flawed

Seek more detail, farther out

Hunker down… internally focused, self-preservation mode
The Farther Out One Goes, the Less Valuable Detail Becomes
Most Fruitful Opportunities Lie Outside Your Company
Priority #1 – Get On the Same Page

Maximize your ability to react within the financial constraints you can tolerate
Priority #2 – Simplify

Plethora of data… see the forest

(Mis)Perception of precision and predictability

Demand models need only be as “accurate” as your tolerance window requires
Priority #3 – Engage

Goal is to understand the tolerance windows across each piece of the supply chain
Engaging a Supplier: Home Canning Example

- Open conversation, ask questions & seek to understand
- Maximize their ability to react to your needs
- Minimize your cost (disruption) to them
Engaging a Customer: Office Products Example

- Identify sources of demand fluctuation
- Uncover leading indicator data
- Become a more reliable supplier with shorter lead times

✓ New contract bids
✓ School renovation bids
Result = Shift of the Uncertainty Curve

- Pre-discovery
- Post-discovery
Keys to “Managing Thru”

- Simplify
- Maximize flexibility
- Engage entire organization
- Engage entire supply chain
- Understand others’ constraints
- Be transparent, especially with assumptions
Executive S&OP

• **Process** to utilize, not a silver bullet
  – Discipline / rigor
  – Robust dialogue
  – Engagement

• Critical to managing thru uncertainty
A CEO’S Perspective on S&OP

“The measureable benefits are easy...

– Service levels are up and inventory is down.

– For example, the two largest businesses in my portfolio today each have service levels above 99.5% with inventory that is 20% less than 3 years ago.”

An Interview* with Phil Dolci, President and CEO Jarden Branded Consumables

*In Foresight: The International Journal of Applied Forecasting, Winter 2012

(www.forecasters.org/foresight)
A CEO’S Perspective on S&OP

“I could argue, however, that the intangible benefits are just as valuable. We have much better teamwork because of the engagement and constructive conflicts that are natural components of S&OP. This approach has extended to almost every process and function within the business…

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Key Takeaways

• Accept that uncertainty / variability is inherently uncontrollable

• Use S&OP to manage thru uncertainty by engaging all stakeholders
  – Inside your enterprise
  – Upstream and downstream your supply chain