

Why S&OP Needs to Happen More Frequently During COVID-19 and Beyond

Realistic demand planning is at the heart of any good S&OP program. In normal times, best practices call for getting the sales team to sit down with the operations and finance teams once a month to have meaningful discussions around expected demand for the next 30 days and the company's ability to profitably meet it. And, even while customer demands are changing quickly, supply is too. Amidst all this volatility, S&OP conversations have to happen at least on a weekly basis, and potentially as often as every day.

Key Takeaways:

- Many middle market manufacturers are running full out above capacity to meet the need for essential products while others have seen demand all but disappear.
- Managing through wild disruptions and daily fluctuation in supply and demand means the cadence and discipline of S&OP has to increase right now.
- Holding mini S&OP meetings every week or even every day can help manufacturers manage through the current crisis as well as the recovery period that will follow.

4 Ways S&OP Can Improve Crisis Management

Upping the frequency of S&OP meetings can help your organization:

RESPOND IN REAL-TIME TO ACTUAL DEMAND INSTEAD OF FORECASTS

Even as demand for your products is fluctuating, so is your ability to access supplies. Especially if you are shifting away from manufacturing your core products in order to respond to the world's increased need for certain items, it's more critical than ever for all functions of your business to be on the same page. Frequent conversations and constant monitoring of the situation both up and down the supply chain are the best ways to expedite decision making, align everyone around new suppliers you may need to bring into the mix, keep the entire team moving in the same direction, and profitably meet customer needs to the best of your ability.

MANAGE THROUGH UNCERTAINTIES AND KEEP INFORMATION AS UP TO DATE AS POSSIBLE

Just as the situation is constantly evolving for you, things are changing by the minute for your suppliers and customers, too. Regular S&OP meetings help ensure the newest information is entered into the equation the moment it becomes available. These meetings are key to ensuring everyone on your team has access to the latest updates, decision makers can work together to act on those updates quickly, and everyone has a grasp of the implications for the business.

MAKE STRATEGIC ALLOCATION DECISIONS

Manufacturers that serve retailers deal with seasonal spikes during holiday time and have an understanding of allocation. But many other organizations are finding themselves facing this challenge for the first time. They are learning on the fly as they realize they do not have the capacity or the access to supplies to satisfy 100% of the demand influx for certain products.

In addition to the regular rules for allocation—stratifying customers based on things like volume and margin dollars, for example, and adjusting pricing accordingly—there is now another factor in the equation: Need. As manufacturers look to do their part to help the world fight the war against COVID-19, allocating product to customers in areas with the greatest need may trump allocation decisions driven purely by profit. Devoting additional time and attention to these decisions is necessary to stay up with changes, to plan for communications with customers and suppliers that will be affected, and to regularly assess the impact on the business.

PREPARE FOR THE RECOVERY

When the pandemic begins to come under control, many manufacturers will find themselves facing dramatic fluctuations in demand and supply once again. In the “new normal,” demand for some crisis-related products will taper off while staying the same for other items. And demand for the traditional products you make will either come roaring back or trickle in. Staying on top of the rate of change, as well as the rate of change for your suppliers—who will likely be ramping back up and down at different speeds than you—will require ongoing diligence to the S&OP process for some time until demand and supply relax back into more stable patterns.

The good news is, the work that manufacturers do now to build up their processes, understand supply constraints, and accelerate their demand planning processes will deliver sustainable benefits going forward. Companies will be better prepared to maximize their revenues, reduce their costs, and serve their customers. And they will have gained nimbleness and flexibility that will help them respond more quickly to future spikes in demand or periods of volatility.

Meet the TBM Supply Chain Experts



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