

# FMCG Manufacturing: - IBP Delivery [Integrated Business Planning]

## Background

- Business was in crisis in its IBP and S&OP process and suffering significant drift from budget, not able to grip the key commercial issues with the lead functions in open conflict on where the blame lay.

## The Issues

- Conflict between key parties – finance, commercial, operations meant teams not working together
- Existing process resulted in multiple different interpretations of the plan at any time, leading to a “that’s not my number” syndrome when key challenges were made
- Business did not have a grip on key reasons to gap from budget
- Forecast error reported to be in excess of 70%
- In certain categories over 90% of sales from promotions – weighted total 75%

## Actions Taken

- Conducted thorough review of planning process inputs & outputs and behaviours within processes
- Reinvigorated process along lines of best practice process with establishment of
  - ↪ Demand review
  - ↪ Supply review
  - ↪ Market & Product review
  - ↪ Summary Management Review
- Established gap planning process whereby commercial owners presented their demand plans with key assumptions risks & opportunities
  - ↪ in so doing moved planning process from focus on what is the number to the key assumptions and issues
  - ↪ encouraged openness and honesty in this review so the real issues could be seen
- Summary Management Review was then focussed on dealing with the consequences of the owned demand plan rather than what the demand plan should be

## Results

- Rhythmic monthly cycle established that everyone knew what was expected of them when
- Commercial teams regained grip of demand plan
  - ↪ Budget renegotiated to be based on bottom up view of deliverable plus agreed management task that was linked to key projects and initiatives
  - ↪ Marketing plan refocused to support core categories rather than peripheral product initiatives
  - ↪ Commercial plan was measureable in terms of key initiatives as well as numbers
- Forecast accuracy improved from >70% error to <30% error
- Forecast bias improved from >15% to <5% bias
- Operations & Procurement given & accepted challenge to close gap between original undeliverable budget and revised budget