

# Case Study - Chemicals



**Client:** Global Chemicals

## S&OP and a new supply chain organization lead end-to-end supply chain improvements.

### Challenge

This \$1B division of a global chemicals producer was seeing shrinking and negative margins. Competition from lower cost producers was resulting in lost sales, and the company was having trouble matching supply to demand. Business unit General Managers would often have to break production schedules to meet order commitments, as the wrong inventory was in the distribution network. Something had to be done about reducing costs and inventory, as well as improving planning and on-time-in-full.

### Solution

We knew that implementing S&OP would help immensely, but a more in-depth look across the supply chain yielded a benefits case in procurement and packaging, as well as distribution & logistics. We implemented best practices in strategic sourcing and procurement which included rationalizing suppliers, improving alliance and supplier management, analyzing commodity categories, and improving transaction processes. We consolidated the warehouses and sourced 3PL partners to redesign transportation routes yielding significant savings. We also right-sized the railcar fleet to improve railcar turns. Our Supply Management team created a new product wheel and we worked with the five plants to optimize run lengths and manage to inventory targets determined by models. The Demand team improved the forecasting process and worked with the sales teams to tighten up the process to gather their

inputs. Our team created a new supply chain organization that centralized planning and scheduling roles for demand, supply, and logistics. These roles were assigned to a central leader which enabled consistent supply chain planning and executional processes across four commercial business units and five plants.

We designed the S&OP process from the ground up, implementing demand reviews for each business unit, supply reviews for each plant, a pre-S&OP, and an executive S&OP that was integrated with the executive meeting structure. We adapted generally accepted S&OP best practices on planning horizon to accommodate short procurement and production leads times. Our horizon was only 3 months long which suited the immediate need. Next steps would be to increase that horizon for full integration with financial planning. Also, to accommodate resource constraints, we only focused on the main product lines, which covered 80% of the business. Each S&OP component had its own KPI scorecard for the view and level of the business that fit its purpose.

### Outcomes

The project significantly improved the organizational capability in supply chain planning & execution as well as simplified distribution & logistics. The organization became much more process dependent rather than people dependent and reactionary.

The project resulted in an initial recurring savings of \$15MM and an inventory reduction of \$8MM.

### Business Challenges:

- Shrinking margins
- Competition from lower cost producers
- Difficulty in responding to volatile commodities markets
- OTIF challenges despite high inventories
- Producing the right products at the right times
- Lack of a structured process to plan consistently and collaboratively