

S&OP – Making your Supply Chain Productive and Profitable

In times of volatile market fluctuations, Asian subsidy policy and American protective duties, metal producers and processors are asking themselves how they can make their own supply chain productive and profitable.

The risk of high inventory and rising costs must be absorbed through a stronger market orientation and increasing flexibility of the supply chain. The S&OP process (Sales & Operational Planning) with perfectly aligned sales, planning and execution processes, provides the foundation on which to secure the profitability of the supply chain. S&OP balances demands (market view) and equipment capacities (production view) and supports important steering decisions, such as:

- » Which product mix will provide the best margin?
- » Which market segmentation is most profitable?
- » Which customer demands should be prioritized?
- » Which supply chain setup best fulfills the market requirements?

Key to Supply Chain Excellence - the Sales Forecast

The central piece of the S&OP process, and the basis of all supply chain decisions, is a rolling sales forecast spanning 12 to 18 months, which is produced, i.e. checked and updated, monthly. This has been, and still is, a very laborious process in many companies, but modern planning tools and BI support provide the possibility to disaggregate the sales forecast to a required and meaningful level of detail with very few clicks. Thus, important customer information can be considered or gaps of relevant information can be identified and closed respectively, to provide a “total picture”.

Organization of Supply Chain Performance - the Operational Plan

A supply chain set up for profitability optimally fulfills the market requirements on the basis of a sales forecast. Typical decisions to be made within the scope of the operational plan include:

- » Capacity in- and decrease
- » Choice of production routes
- » Inventory planning (across all value creation steps)
- » Service level (possibly according to product and customer clusters)

Modern planning tools support this process with the option to simulate different scenarios, in order to evaluate the decisions mentioned above regarding different target dimensions:

- » Profitability
- » Inventory (net working capital)
- » Cost
- » Throughput



A rolling monthly operational plan should optimally respect and monitor these targets and in case of, e.g. new results of the sales forecast, enable a new and performant set-up of the supply chain.

Implementing S&OP

Besides a basic understanding of S&OP and clearly formulated targets,

METAL MEETS
AGILE

B&C CUSTOMER SUMMIT 2019

B&C introduces the third round of „Metal meets“, this time under the motto “Agile”. On 21.02.2019 the Metal meets community will examine this topic intensively from all sides to find out how to achieve the highest possible benefit from this management approach. So: „Save the Date!“

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new, organization-specific planning and execution processes must be implemented and, due to the high complexity of modern supply chains, supported by an S&OP tool.

B&C not only develops suitable processes and implementation strategies for its clients, but also supports in the implementation of BI tools, for example by developing prototypes, which can be utilized directly in the daily business, and thus make the benefits of an S&OP project tangible for the employees.

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Stahlwerk
Bous GmbH



B&C and the steel producer Bous are cooperating in a project to ensure future sustainability by optimizing production and other core processes. The “B&C Project Control” tool is being employed successfully here.

thyssenkrupp
Electrical Steel GmbH



B&C is working with thyssenkrupp Electrical Steel on determining an algorithm to optimize the strip allocation under consideration of the following target criteria at the same time: increasing throughput and improving service level.

OEE – Stabilizing Supply Chain Performance and Activating “Hidden Reserves”

The deployment of available resources can be steered most efficiently when the machines can be run at a stable rate with high output. Due to complex products and supply chains, this is not always easy to achieve.

In order to improve cost depression the actual production time of the equipment should be as high as possible and the quality requirements should be fulfilled to 100% most of the time. These requirements mean that production managers face very specific challenges all the time.

To clearly identify the causes of variances in availability, productivity or quality and thus increase cost efficiency, as well as to unveil hidden reserves in the bottleneck, B&C employs the OEE („Overall Equipment Effectiveness“) approach.

In this approach, B&C uses intelligent BI tools, to allow standardized and structured processing of as much production data as possible. This creates

the necessary transparency to localize the causes of efficiency losses and to quickly develop and test approaches to systematic optimization.

Mr. Alfred Weiß, Operational Manager Hot Mill and Finishing at Georgsmarienhütte GmbH, has had positive experiences with OEE: “OEE has helped us to stabilize our production plan due to improved transparency. Also, we have managed to synchronize the interaction of all machines with adjacent activities in the whole plant. Through this, a higher throughput has helped us generate additional margin for the company, without the need for further investment.”

Advantage of OEE compared to classical Operational Measurement Parameters

In many companies of metal industry the operational capacity is still primar-

ily measured by tonnage produced or cost per ton. These are indisputably necessary measurement parameters, but they are insufficient to allow identification of improvement potential. The GAE indicator therefore comprises of three factors:
[Availability * Performance * Quality]

This aggregated performance indicator provides holistic transparency over equipment performance and allows a quick overview of where efficiency losses occur.

The OEE Project – more than a new KPI

In our projects we often implement OEE with our own OEE toolbox, a sophisticated BI solution, with which we are quickly able to create transparency and identify potential for improvement.

Besides the development of approaches to stabilize production processes and increase equipment effectiveness respectively, the transfer of OEE measurement and optimization in daily operations is a core part of an OEE project. Thus, the continuous deployment of an OEE-Management increases sustainably equipment effectiveness and improves the entire supply chain regarding service level and profitability.

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