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PL Developments Wins With S&OP

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Headquartered in Westbury, New York, [PL Developments](#) is a leading manufacturer, packager, and distributor of over-the-counter, FDA approved pharmaceutical products. This 630 person company services all major US retailers with private label products. Last year they sold over 10 billion dosages.

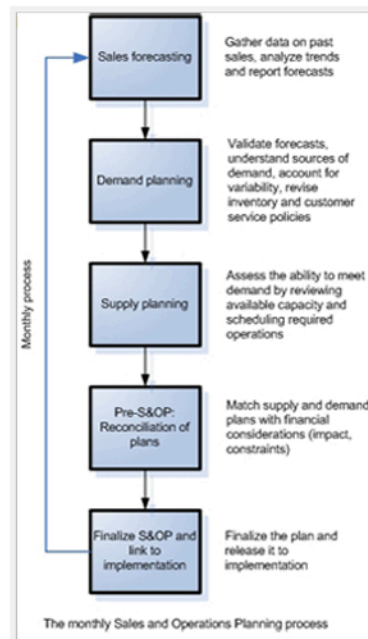
PL Developments has had double digit growth over the past five years, so they needed a [Sales & Operations Planning](#) (S&OP) process to support their growth. Tom Crowe, the CIO and Chief Supply Chain Officer, spoke at [Oracle OpenWorld](#) and shared details about their Sales & Operations Planning (S&OP) journey. (Oracle is an ARC client).

PL Developments started their S&OP process about a year ago. Tom was the executive sponsor. The collaborative process includes demand planning, sales, finance, operations, supply chain (the inventory group), logistics, and human resources (HR). The executive meeting is chaired by representatives from demand planning and finance.

Including finance in this process is a sign of a maturity – S&OP is morphing into [Integrated Business Planning](#).

However, giving HR a seat at the table is rare. PL Developments chose to do this because as their business scales up and down, they need to balance hiring new hourly workers with turnover. As a highly regulated industry, labor is a key constraint. FDA regulations lead to long training cycles, it takes them 60 days to train people and put them on the line.

While it is true that achieving S&OP excellence is far more about people and processes, the most robust and mature S&OP stories I have heard all involved companies that used advanced supply chain planning tools ([S&OP is Not About Technology. Wrong!](#)). PL Developments certainly invested in technology. They implemented Demantra Demand Planning and Sales & Operations Planning applications, and Oracle Advanced Supply Chain Planning, Production Scheduling, and Business Intelligence solutions.



Monthly S&OP Process (Photo credit: Wikipedia)

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Their executive meeting begins with a review of the results achieved in the previous month. They look at forecast accuracy and service levels; operational efficiency (throughput & resource utilization); they compare the end of month inventory levels to the targets; and because they have a large, diversified supplier base, they look at supplier scheduling issues, for example whether certain suppliers' goods are being held up at customs all too often. Finally they look at employee retention and recruiting results.

The next part of the meeting examines their future business over the next 60 days. As a make to stock manufacturer that meets demand with about six weeks of inventory, they have limited ability to react if the demand forecast is significantly wrong. But this part of the meeting does allow the different departments to understand how they will need to flex to meet demand that was reasonably well forecasted. For example, they can take the unit forecast and look at whether they will have enough warehouse space or whether they will need to contract for extra space. If they are forecasting a need for overtime on production lines, they can look at the staffing needs and how the overtime will affect profitability. They can look at the inventory they will need to carry and how inventory carrying costs will impact their financials. They can look at the phased procurement purchase plan and determine how that will affect cash availability.

The final part of the meeting takes a long term view of the business. It has a planning horizon that extends beyond 60 days. Their demand plan models out the units, inventory, and necessary subassemblies. Based on the products they make, the severity of the cough-cold season can significantly affect sales. They use Center for Disease Control (CDC) projections on the severity of the flu season to adjust the base forecast. They also have the sales department review opportunities and discuss planned auctions and promotions. The operations participants discuss the machine shutdowns and refurbishments that will be necessary and supplier reliability issues that may require sourcing changes.

PL Developments has realized significant benefits from the new process. An improved forecast for bulk and consumer goods has helped them reduce the amount of inventory they carry by \$3 million in less than seven months, all while maintaining or exceeding their 99.0 percent on time/in stock metric. They are bringing new products to market 30 percent quicker. And finally, they are managing through disruptions much more efficiently.

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