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Are You Ready for the Fourth Quarter?

Achieving Unprecedented Collaboration Across Competitors in the Supply Chain

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The story of an international 3PL operation that purchased and implemented a Sales and Operations Planning (S&OP) solution with exceptional results



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Agenda

- ☐ Introduction
- ☐ The Problem
- ☐ The Solution
- ☐ S&OP Vendor Selection
- ☐ Solution Implementation
- ☐ Results Achieved
- ☐ Q & A



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Introduction to Technicolor Supply Chain Services

- Largest 3PL for Home Entertainment with operations spanning 9M+ sq. ft.
- Capacity to manufacture 2B units per year, distribute 6M consumer packaged goods per day to 40K destinations and process daily returns of 1.4M units
- Clients include Disney, NBC Universal, Paramount, Warner Bros., Microsoft, Activision, Electronic Arts, Capcom, THQ, etc.
- Retailers include Walmart, Amazon, Costco, Netflix, Kmart, Target, Best Buy

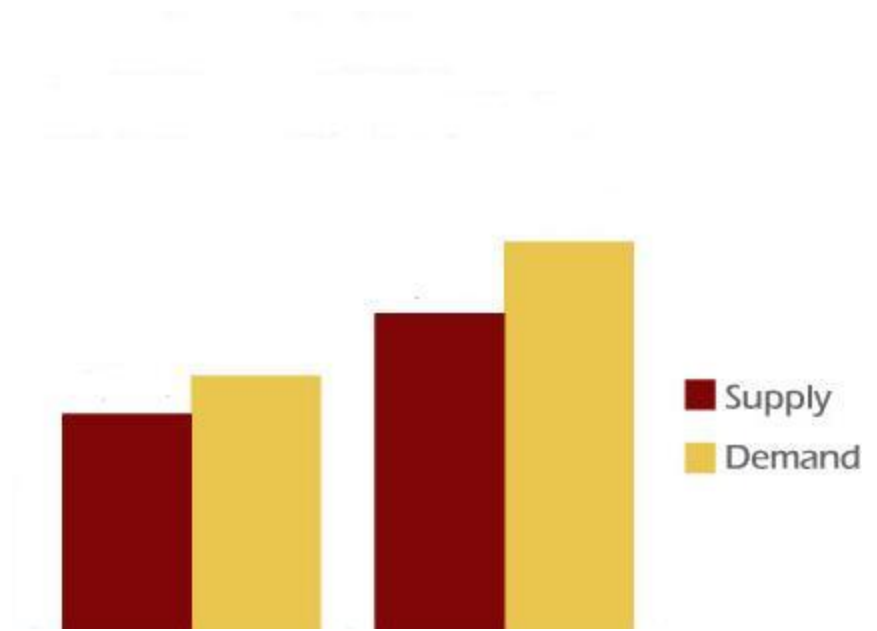
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~~The Problem~~

The Business Challenge

Demand Exceeded
Capacity in the 4th
Quarter 2010



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Factors Leading Up to the Business Challenge

- Increase in Client Demand
- Customer Forecast Accuracy
- Actual Performance vs. Planned Capacities
- Unforeseen Impact of Business Variables



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The Solution

Identify, select, and implement a sales and operations planning (S&OP) solution that facilitates entry of client retail forecasts, maps SKUs to required manufacturing, packaging, and distribution processes, and provides the ability to proactively balance supply and demand across 38 North American production centers accountable for producing \$1.8 billion dollars of annual revenue.

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Required Solution Capabilities

1. Receive Forecasted Demand from Clients
2. Receive Forecasted Capacity from Production Centers
3. Associate Forecasted Demand to Forecasted Capacity
4. Report Demand/Capacity Levels Across Production Centers
5. Support “What If” Scenario Sensitivity Analysis

➔ *Proactively Balance Forecasted Supply and Demand*

S&OP Solution Components



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Surveying the Landscape for S&OP Vendors



1. *Types of Solutions Available*
2. *Identifying Potential Vendors*

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Qualifying Considerations for S&OP Vendor / Solution

- Cost
- Ease of Use
- Functional Fit
- Delivery Timeframe
- Vendor Responsiveness
- Ability to Meet “Phase 2” Requirements



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Vendor Selection Process – 3 Months

- **March** – Initial RFI via e-mail & phone
 - 1st Round of Vendor Down Selection
- **Early April** – Iterative Requirements Definition / Vendor Demos via WebEx
 - 2nd Round of Vendor Down Selection
- **Mid April** – RFP Development / Vendor On-Site Demo Preparations via WebEx
- **Late April** – RFP Release / On-Site Vendor Demos / Scoring of Non-Price Criteria
- **May** – RFP Receipt / Evaluation & Scoring of All Selection Criteria
 - Vendor Selection, Reference Checks, and Contract Negotiation

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Vendor and Solution Decision



Pelyco Systems is the leading provider of Collaborative Visibility Solutions and Spreadsheet Management Solutions for logistics / supply chain intensive companies.



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Pelyco's SmartSpreadSheet & Smart S&OP Help to Answer the Following:

1. Do we have sufficient capacity to service forecasted demand?
2. Can we take on additional work and/or new customers?
3. If specific production centers are over-allocated, when will this be alleviated?
4. What would happen if we moved specific orders forward or backward on the production schedule?
5. What would happen if we increased production center capacity or balanced demand across sites?

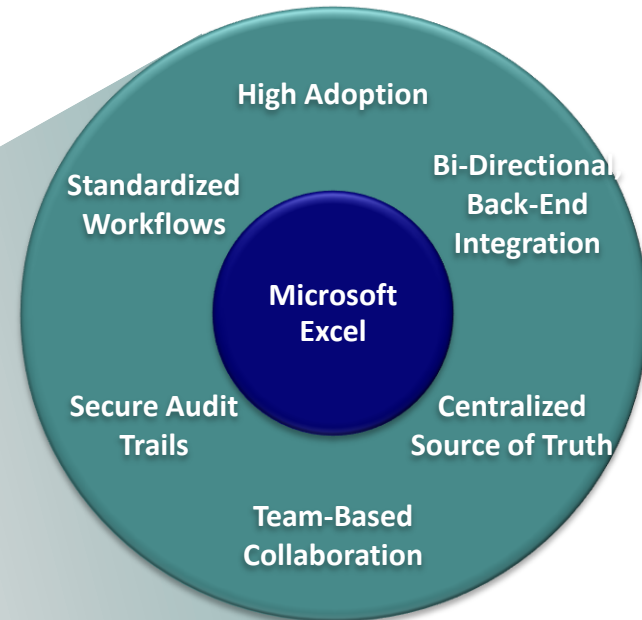
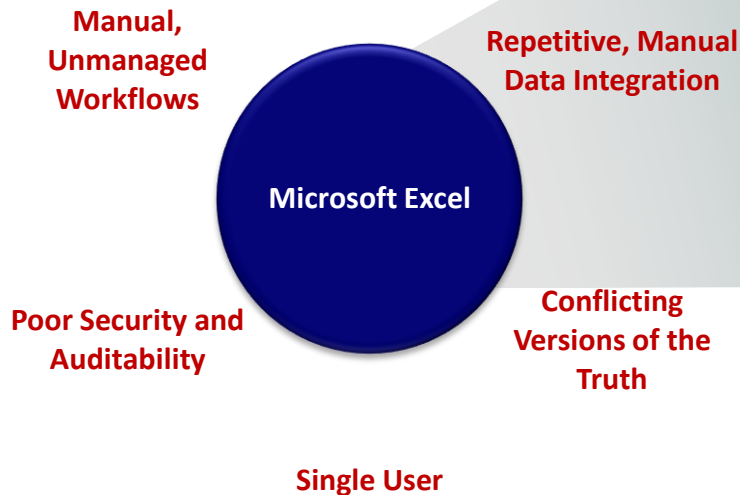


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SmartSpreadSheet Extends Excel

Excel spreadsheets are used by 150 million business people for planning, reporting and analysis, BUT Excel has some serious limitations as an enterprise application **Rogue Processes**



SmartSpreadSheet retains Excel's power, flexibility and simplicity, but complements them with features required for managing robust, mission-critical spreadsheets

SmartSpreadSheet Transforms Unmanaged Mission-Critical Spreadsheets into Enterprise Applications

ON-DEMAND, BI-DIRECTIONAL SYNCHRONIZATION WITH BACK-END SYSTEMS.

WORK ON-LINE OR OFF-LINE confident that all changes will be synchronized and any disputes will be resolved.

FULL EXCEL FUNCTIONALITY including formulas, macros, graphing, etc. Minimal training and high productivity.

USE CASES ACROSS THE ORGANIZATION: supply chain, demand planning, trade promotions, logistics, financial analysis, contracts, master data management, etc. In this case, users are collaborating on forecast updates.

SECURE FORMULAS from user access to maintain process consistency and data integrity. Use formulas of any complexity.

COMPLETE MODEL OF DIMENSIONS AND HIERARCHIES so users can specify summarization at any level of the hierarchy. Here, \$ are totaled for each customer.

AUTOMATICALLY CREATE GROUPINGS, SUMS, ETC. based on template and input parameters.

SECURE MACROS for workflow, business logic and synchronization.

WORKFLOW ENGINE to manage approval and review processes. Here, changed data is highlighted and may be subject to approval.

GENERATE MULTIPLE WORKSHEETS based on either grouping of customers, items, etc. Here, there is one sheet for each customer. System also supports a fixed format where each sheet has a different purpose.

DETAILED AUDIT TRAIL OF NOTES AND CHANGES in reports and/or worksheets to provide rich context for decisions.

DYNAMICALLY GENERATED CONTENT AND LAYOUT FROM MASTER TEMPLATES improve efficiency. Here, only items with trade spend show Units TPM and \$TPM...users don't see extraneous rows.

SIMPLY COMPARE MULTIPLE DATA VERSIONS. Here, user sees Jun 09 forecast, but different selection criteria might result in multiple forecast rows.

Formula Bar: =SUM(\$B\$2:\$B\$1000)

Worksheet: Pelyco Systems ALL ABOUT GUITAR

			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL	Current Year End Estimate
14	Update DB															
15	Edit Comment															
16	Changed															
65	Prod Cat	Demo Forecast - BODY AND NECK PARTS														
66	Item #	BB-365 UPC	Units ACT	2008	1,453	303	200	236	365	629	1,102	841	284	328		
67	Item Desc	Trans White Finished Body for \$	\$ ACT	2008	\$36,616	\$7,636	\$7,056	\$5,947	\$9,198	\$15,851	\$27,770	\$21,193	\$7,157	\$8,266		
68	cs/ct	0	Units ACT	2009	224	296										
69	\$ per case	\$25.20	\$ ACT	2009	\$6,645	\$7,459										
70	Cust item															
71	Yes	Jun 09	Units FCST	2009	385	356	400	420	520	600	700	485	365			
72			\$ FCST	2009	\$9,702	\$8,971	\$16,000	\$16,564	\$13,104	\$15,120	\$17,640	\$12,222	\$9,702			
73																
74																
75																
76																
77	Prod Cat	Demo Forecast - BODY AND NECK PARTS														
78	Item #	BB-371 UPC	Units ACT	2008	181	60	1,009	852	770	919	807	741	845	642	920	
79	Item Desc	Maple Nitro Finished Neck for \$	\$ ACT	2008	\$7,298	\$7,298	\$40,883	\$34,353	\$31,046	\$37,054	\$32,530	\$29,877	\$34,070	\$25,885	\$37,094	
80	cs/ct	24	Units ACT	2009	902	60										
81	\$ per case	\$40.32	\$ ACT	2009	\$36,369	\$2,400										
82	Cust item															
83	Yes	Jun 09	Units FCST	2009	833	833	1,042	833	833	900	900	1,020				
84			\$ FCST	2009	\$33,587	\$33,587	\$42,013	\$33,587	\$33,587	\$36,288	\$36,917	\$41,126				
85			Units TPM	2009												
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Notes: April/May promotion did not work as well as planned, so we will not conduct one in August.

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Studio Demand Forecasts



- Consistent format across studios
- EXCEL or web form
- Updated weekly
- New Release, Major Campaign, Catalog Replenishment
- Replication, Packaging, Custom Pack, Distribution
- Rolling 12-month view

New Capacity and Demand Planning Tool

- Translates studio forecasts into load at each supply chain operation
- Calculates capacity vs. demand in weekly buckets
- Provides what-if capabilities to model aggregate demand and capacity scenarios

Capacity-Demand Dashboard

- Capacity vs. Demand charts
- Weekly buckets

Capacity and Demand Planning Tool

- Capacity plan for each operation
- Updated weekly
- Rolling 12-month view
- ~ 10 - 12 operations spanning the supply chain



Automation of the manual process that exists today

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Implementation Schedule – 3-6 Months

▪ MAY:

- Functional Specifications Development & Approval – 6/6
- Budget Approval – 6/7
- Award of Business – 6/8

▪ JUN-JUL → AUG → SEP:

- Iterative Agile Development & Component Testing
- End-to-End & Client Testing

▪ OCT:

- Internal/External Client Training
- Go-Live – 9/26 (Internal) / 10/10 (External)

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Implementation Challenges

- S&OP Learning Curve
- Planning Team Re-Org
- Planning Process Re-Org
- Competition for Key Resources
- Customer Agreement on Forecast Template/Submission
- Forecast Data Quality



**Overcome by Active Engagement of All Parties to
*Ensure Team Success***

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Results Achieved

- ✓ Enhanced Demand Forecast and Capacity Visibility for Vendors, Clients, Sales Reps, Production Centers, and Retailers
- ✓ Improved Demand & Capacity Forecast Accuracy
- ✓ Ability to Effectively and Efficiently Model “What-If” Scenarios
- ✓ Reduced Supply Chain Planning Administrative Costs
- ✓ Reduced Stock-Outs / Increased Client Sales
- ✓ Improved Client Relationships
- ✓ Team-oriented Communication and Problem-solving



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Testimonials

“This project has been perceived as a real success by our customers. Senior client leadership has acknowledged that Technicolor made major strides in 2011 to improve its ability to manage supply and demand. The Pelyco Systems tool, along with our internal cross-studio initiatives, integrated perfectly. We are much more on top of our game in terms of order commitments, throughput, and communications...spending more time now on discussing future demand patterns...a noticeable shift from reactive to proactive management.” **Technicolor VP, Global Studios**

“One of the main comments / themes at today’s meeting was that this project has led to an unprecedented meeting of film industry leaders working together to coordinate their efforts with the sole aim of maximizing the efficiency, output and relationship with their supplier, Technicolor. This project has created something that is certainly unique in our industry and we struggled to think of any other industries where you find 4 world class competitors gathering on a monthly basis to work together for everyone’s benefit.” **Technicolor Director, Account Management**

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“Unprecedented collaboration across competitors in the supply chain”



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Questions & Answers

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Thank You

For more information: www.technicolor.com / www.pelyco.com