

The Business Value of Operational Analytics

Operational analytics are vital in today's uncertain business environment because they enable companies to better understand, predict and influence the behavior of their customers and to plan, evaluate and monitor their supply chains, as well. Such analytics are particularly valuable to manufacturing and distribution organizations, and that value carries over to many businesses in non-related industries, too.

This paper documents how the application of operational analytics to the high volumes of data captured by ERP, SCM, WMS, and other business systems and data sources improves performance outcomes in areas like those listed in blue below.

We hope you enjoy it and welcome you to contact us if you are interested in learning more about operational analytics and how they can benefit your business specifically.

- ✓ **Manage Operational Performance with Customer & Supply Chain-Centric Analysis**
- ✓ **Identify New Sales Opportunities & Improve Sales Effectiveness**
- ✓ **Better Match Supply & Demand While Improving Inventory/Service Levels**
- ✓ **Drive Manufacturing Efficiencies**
- ✓ **Improve Sourcing Abilities**
- ✓ **Align Financial Strategy w/Operational Performance**

Manage Performance Across the Business

Gain Insights About Customers & The Supply Chain

The right operational analytics and reporting technology helps tie execution to strategy by controlling & managing the full lifecycle of business decision-making.

Manufacturers and distributors constantly strive for better performance: higher returns on invested capital, lower product and overhead costs, better asset utilization, faster delivery, greater customer retention, higher perfect order rates, reduced working capital needs, faster product innovation, greater sales and marketing productivity, pivoting in response to world events ... the list goes on. To achieve these goals, you need dependable operational analytics to analyze and manage enterprise performance.

Operational analytics cross departmental boundaries to embrace supply chain, customer management, finance and production-based performance management. Their utilization encourages continuous business planning, real-time performance analysis against objectives (presenting performance indicators to managers in scorecards or dashboards), guidance on what should be done when performance variances occur, and continuous response to changing business conditions.

Customer Side of Operational Analytics

- **Understand Customer Behavior & Profitability:** Operational analytics offer numerous capabilities for measuring customer profitability and ranking or scorecarding customers across many areas. This helps companies ensure their most profitable clients remain satisfied and that sales/marketing efforts are aimed at retaining and optimizing the right customers and attracting the right prospects.
- **Predict Customer Demand:** Operational analytics help planning teams improve forecast accuracy and the overall sales & operations planning process. This is accomplished through collaborative forecasting and demand planning applications, open order analysis, and sales performance measurements.
- **Influence Customer Behavior:** Customer-focused analytics help organizations segment their customer bases for cross-selling and up-selling opportunities. And when integrated with marketing-focused analytics, they can help users better allocate and manage their trade funds and promotions in order to influence customer (retail partner) participation and ultimate end-consumer purchases.

Supply Chain Side of Operational Analytics

- **Plan What the Supply Chain Should Do:** More advanced, predictive analytics offer statistical forecasting down to the product SKU level. With them, you can determine safety stock and re-order points more accurately by optimizing service levels and measuring supplier variability with inventory optimization as the bottom-line result.
- **Evaluate Supply Chain Performance:** By leveraging operational analytics from generated forecasts, supply chain performance can be evaluated in a number of areas – Inventory, Purchasing and Manufacturing. These analytics help drive cost reductions on the sourcing side, reduce sourcing cycle time and decrease assets on the balance sheet by helping them cross-functionally manage spending and their supplier networks. Also, you can use the analytics to assess and optimize assets in the areas of cash, inventory and both warehousing and manufacturing capacity.
- **Monitor Supply Chain Variances:** Increased velocity of the supply chain means planning and analysis must be tightly integrated. Operational analytics offer event/exception management, which is vital for monitoring operational vs. planned performance in real-time with the goal of proactively identifying and addressing any variances that may arise.

Identify New Sales Opportunities

Profile, Segment, & Rank Customers With The Right Analytics

Operational analytics can offer a 360-degree view of customers to help decision makers better understand who customers are, what they need & what they may do in the future.

The success of your sales teams largely depends on how well they know their customers and can react to changing customer needs and business conditions. Accelerated customer life cycles, increased customer service requirements, underutilized or unfocused sales teams, informal budgeting processes and ineffective use of promotional monies are major challenges facing sales organizations.

Analytics help your sales and marketing teams examine customer and channel “value” from multiple perspectives. Knowing the relative value of each customer focuses marketing efforts to those with the most profit potential. Understanding profitable customers and products, together with pinpointing customer buying patterns and requirements, is key to closing profitable deals faster, balancing the right product variety, and identifying the best targets for new product introductions.

Understand Sales Performance Influencers

Customer-focused analytics can profile, segment and rank customers based on propensity to buy, order frequency, and overall purchasing behavior to build specific promotions or sales efforts around select customer groups. Plus, these analytics assist in better understanding the impact of order fulfillment, returns and call-center activity on actual sales performance.

Build Better “What If” Scenarios

Integrating customer analytics with marketing-related intelligence yields greater benefits for category management. When integrated, the analytics help you answer questions about which products are selling the least and cost the most, who is buying these products, and whether there is a substitute item. They can help you discover which categories and SKUs have the best growth potential. And they can reduce the level of risk for new product launches by easily segmenting market data, forecasting new product performance, and analyzing a new product’s profitability and its impact on category revenue.

Improve Sales Effectiveness

For sales teams to be successful, your demand-driven enterprise requires:

- Detailed insight about when, how often and which products customers purchase.
- Real-time knowledge of sales rep performance to plan
- A collaborative framework for creating and managing sales plans and budgets.
- The ability to plan and accurately monitor trade funds and promotional programs.

Operational analytics satisfy these requirements. For organizations that sell their products through retail channels, they also can analyze point-of-sale (POS) data to keep a pulse on what products are selling in the market and where inventory still exists. Detailed analysis of sell-thru data enables consumer goods manufacturers and distributors to assess consumption performance by product, category, store and chain. The insight gleaned from this analysis can be shared with retailer accounts and leveraged to improve service levels, to help them better merchandise and sell items, and to increase the overall value provided by our customers to their retail accounts in their respective product categories.

Better Match Supply & Demand

Right-Size Inventory Without Compromising Service Levels

Real-time inventory visibility, performance monitoring and automated alerts give supply chain players the tools they need to operate more smoothly and pivot to meet demand.

A significant cost to manufacturing, distribution and retail organizations is the inventory carried to support customers and sales, which can represent 40-50% of a company's capital investments. Right-sizing inventory without compromising service levels provides a beneficial way to increase the "return on inventory investment." Accomplishing this can be challenging unless you have complete visibility for the products on hand, or the right planning and optimization tools in place for segmenting inventories and building optimal plans that take demand variance, supply visibility and product obsolescence into consideration. Your operational analytics solution should provide that visibility through careful collection of supply chain data plus user-friendly analytics that organize and capture insights from the data.

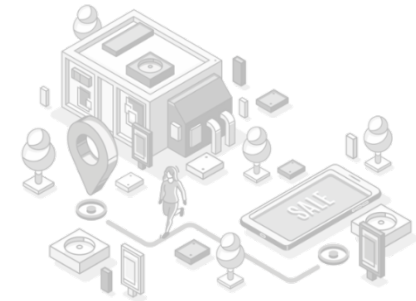


Predictive Analytics For Supply Chains

Demand Forecasting: It's estimated that collaboration improves the accuracy of plans and forecasts by as much as 30%, resulting in less variability across the supply chain, lower inventories, and improved customer satisfaction. Predictive analytics produce accurate, statistics-based demand forecasts that leverage current, historical and external information like point-of-sale data. In addition, plans and forecasts can be published on-line for others to view and adjust based on real-time information related to supply and demand variances.

Demand Management: Analytic solutions also help manage demand through pricing what-if scenarios that gauge the impact of forecasted demand on sales revenue. You can also add event schedules to the mix to better assess the impact of promotions, calendar events and other activities on demand projections.

Supply Planning: Operational analytics provide clarity into how the Sales and Operations Plan will be covered in terms of supply. This involves pulling all sales plans, demand forecasts, open orders, shipments, production plans and inventory into a single repository then using analytics and alerts to find out what's required to meet both projected and actual demand.



Real-Time Inventory Visibility

Operational analytics can help managers effectively classify products based on ABC analysis. You can use them to set inventory targets based on classification schemes and identify excessive or outdated inventories that need to be addressed. You can also leverage analytics to accurately plan and optimize inventory based on historical sales, shipment, point-of-sale (POS) and other performance data such as trends in inventory turns. Real-time visibility, performance monitoring and automated alerts about unexpected variances or events give managers the insight required to make better operational decisions that can ultimately drive down safety stock, reduce lost sales and minimize the costs and time related to inventory management.

Drive Manufacturing Efficiencies

Pinpoint Opportunities To Improve, Optimize Asset Utilization

Manufacturers need an edge to stay in tune and ahead of customer demand. Operational analytics fill that role, allowing for smarter decision making about production resources.

Manufacturers are facing more complex business challenges than ever before. A global marketplace is demanding production of higher quality goods and faster response times at lower costs. Mass customization, outsourcing, and leaner margins are increasing competitive pressures. Labor and machine resources may rapidly shift from being underutilized to stretched to thin depending on the impact of customer demand and world events. And many businesses still have limited insight to the production costs they actually incur.

With an operational analytics solution, you can cut through the complexity and lessen the challenges by monitoring day-to-day operational information, ensuring that your business can accommodate customer demand and that your resources are optimally utilized.

Stay Ahead Of Day-To-Day Variables

On any given day production managers, shift supervisors and business managers are faced with numerous questions about manufacturing processes:

- How are overtime costs impacting overall profitability on a per product basis?
- What are the production efficiency rates by plant, product or shift?
- What resources or operations takes the longest and are the highest in cost?

Production (or manufacturing) analytics answers these questions by enabling companies to analyze the effectiveness of their lean manufacturing efforts, assess the efficiency and utilization of their production operations, and pinpoint any variances that may occur relative to labor, material and overhead.



Shifting world events cause fluctuations in resource availability & delivery time. Operational analytics are critical to navigating the day-to-day & long-term complexity of events that impact sourcing tasks.

Improve Sourcing Abilities

Bring Better Visibility To Procurement Activity

Organizations are spending as much as 60 percent of their revenue acquiring the goods and services needed to support their business. Such large procurement budgets and a reliance on numerous suppliers and hundreds to thousands of products can make business goals increasingly complex, particularly when there is limited visibility to procurement expenses or the actual performance of vendors.

Supplier-focused analytics offers the visibility and insight required to achieve corporate sourcing goals through detailed analysis of the purchasing operation, including vendor activity and both current and future inventory positions based on expected receipts. These types of analytics can help to improve supplier relationships by tracking, evaluating and flagging vendor delivery and fill rates that fall below acceptable levels. They can be used to measure the performance of buyers by lead times and pricing variances. Plus, they can assess procurement budgets to ensure that purchase prices are not trending upward.



Find Ways To Spend & Partner Wisely

Inadequate spend analysis costs companies billions in missed savings. Vendors and suppliers can make or break spending strategies, but procurement officers can create significant savings by using the suppliers that serve them best and eliminating those that hurt the bottom line. For instance, it may be more cost effective to consolidate multiple orders under one vendor to receive a bulk discount, than use 3-4 vendors to manage smaller orders. Operational analytics let you keep score on suppliers so you can uncover those insights.

With insight from analytics, purchasing professionals can develop stronger relationships with both internal business units and external suppliers, making the most of each relationship.

Align Financial Strategy With Operational Performance

Sync Up “Big Picture” Goals With Activities Across Departments

Corporate finance teams take their organizations to the next level when they actively partner in business processes throughout the organization, helping to make the performance of their enterprises more measurable and predictable. Operational reporting solutions should help both financial and operational executives better align strategy with operational performance by allowing them to link corporate financials with operational analytics.

An integrated corporate data hub and analytics platform is vital in giving finance, planning & other analysts a well-rounded view of business as they build out strategies and later judge the results.

Broaden Your Approach To Planning

Backed by company-wide analytics, activities and costs associated with processes across departments can be evaluated fully by finance teams. Analysts are empowered to better manage budgets and expenses and to monitor your organization’s financial performance on a more proactive basis.

Plus, the analytics enable financial executives to gain a comprehensive understanding of costs tied to all activities within the business, including product manufacturing, procurement, distribution, customer service, marketing and sales. This information can be leveraged into strategic decisions that improve business performance and profitability, such as pricing strategy or resource allocation.

The Stratum operational analytics solution by Silvon offers built-in analytics for measuring performance across the enterprise, a secure Data Hub for managing multi-source data used to drive reporting and analytics, and tight integration with 3rd party apps like Power BI and Excel to provide ultimate value.

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