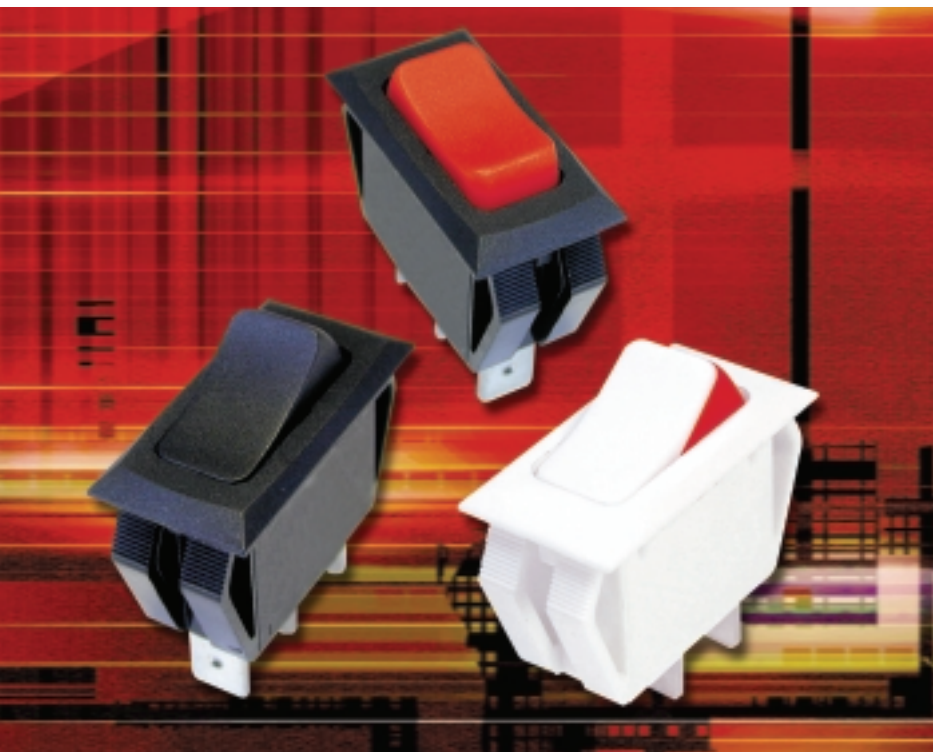


S&OP Slashes Meeting Time



CHERRY
ELECTRICAL
PRODUCTS
IMPLEMENTS A
SUCCESSFUL
SALES AND
OPERATIONS
PLANNING
PROCESS ON THE
SUPPLY AND
DEMAND SIDE OF
ITS BUSINESS.



ONE of the fundamental problems providing support for the Sales & Operations Planning (S&OP) process is that S&OP means different things to different companies and even within parts of the same company. There are a number of key issues to be resolved in order to deliver a successful S&OP process on the supply and demand side. One company that has implemented S&OP with great success is Cherry Electrical Products.

The company has manufacturing sites in Pleasant Prairie, Wis., and Juarez, Mexico, near El Paso, Texas. Cherry sells directly to OEMs and through independent distributors. The company concentrates on four product categories:

- Electrical/mechanical switches used by the appliance, automotive and photocopier industries;
- Sensor products for the appliance and automotive industry;
- Computer keyboards procured from Cherry's German facility and distributed by its U.S. operations; and
- Printed circuit board assemblies, which go in postal meters, pinball machines, medical devices, automotive and sports equipment.

Cherry has been using Demand Solutions Forecast Management (DS FM) and Demand Solutions S&OP for more than three years. The company chose the product for its flexibility and ease-of-use.

When Cherry first began using DS S&OP it had a delivery rate below 50 percent with one of its major customers. Within the first year percentages were already in the 90th percentile.

"Customer service levels are now at 95 percent or better, and we are anticipating further improvements," says Jim St. Peter, Cherry's demand manager.

ENJOYING THE RESULTS

Since implementation Cherry has enjoyed shortened cycle time in developing monthly plans and increased delivery performance by 15 to 20 percent. Scheduling practices decreased to 10 to 15 percent with forecasts hitting an incredible accuracy rate 30 percent greater than before. Excess inventory and obsolete items have been greatly reduced.

"With DS S&OP we have realized a more stable flow in all our production facilities," St. Peter says. Now, early in the month, we have a good handle on demand, inventory and the production floor schedule. The confidence in our plan provides finance the opportunity to better predict earnings and cash flow."

DS FM allows Cherry to put together a demand plan that feeds into the master scheduling process, a part of DS S&OP. At monthly meetings each part of the organization uses the same data to determine incoming demand and the impact on resources.

"With DS S&OP as a pivotal element in our business resource planning process, we've done away with redundancies by better defining roles and responsibilities, using one set of number for sales, finance, planning and production," St. Peter says.

DS S&OP also generates accurate supply plans and on-time deliveries. Cherry knows at all times when demand is going to stay the same or fluctuate—and whether it's going up or down.

"Our available-to-promise ensures salespeople can deliver on everything we commit to customers. If a customer demands something in eight weeks the salesperson knows immediately if that promise can be made. Salespeople have much more control over the process and can actively participate in keeping customers happy," says St. Peter.

Every company deals with individual working units creating programs and projects unknown to others in the organization. With DS S&OP Cherry Electrical has eliminated this cycle.

"When engineering brings in programs or sales secures new customers they immediately become part of the entire demand plan. We no longer have teams working on things that others down the line know nothing about," St. Peter says.

"Our executive team is very satisfied with the Demand Solutions software because it ties together the individual programs with month-to-month financial, resource and sales forecasts, as well as with the projected effect on the rest of the organization. This means that all the pieces of Cherry work together more effectively."

After the initial implementation of DS S&OP in one group, Cherry is now using Demand Solutions in three individual business units—Switches, Sensors and Electronics.

"All three groups achieved their goals with regard to demand, planning and execution in a short amount of time after implementation. These improvements eventually made their way to the EBIT line," St. Peter says. "We have one business unit left to implement the DS S&OP."

"We don't worry about tomorrow anymore," says Christine Gelicke, Cherry's master scheduler. "That's been taken care of long ago. We're looking at least six months out. That's really a comfortable position to be in. And the finance department loves the more reliable numbers from sales and operations."

With its continuous process improvement across the organization, Cherry Electrical has been awarded several certifications that rely on superior process performance. These include certification by ISO (International Organization for Standardization); VDA, a management systems registration outlining specific requirements for supplies to German Automotive Manufacturers; and QS, an industry-specific application developed by the big three automotive manufacturers (DaimlerChrysler, Ford and GM) to harmonize quality system's requirements by providing one system.

"The Demand Solutions program was chosen by my predecessor, and I've simply adopted the format he and others in the organization put together. We're glad to see that this large investment of both time and money continues to pay off for us as we implement DS S&OP to more business units," St. Peter says. **DS**