



Sales & Operations Planning

The key to balancing supply & demand

Introduction

Over the past few years, variations in both demand and supply have increased drastically, making demand and supply planning even more important to meet customer expectations. In 2025, while interest rates have stabilized, new cost pressures are emerging. The potential for increased tariffs, ongoing geopolitical uncertainties, and persistent inflation in logistics and raw materials, continue to impact supply chains.

Holding higher inventory levels is no longer as financially punishing as during the peak of rising interest rates, excess stock still ties up capital and increases exposure to shifting trade politics and cost fluctuations. Sales & Operations Planning (S&OP) remains essential for balancing demand and supply, ensuring companies can optimize costs, secure sales and maintain a strategy inventory mix in an evolving global trade landscape. Sales and operations planning is the process of balancing demand and supply, and having a stable process is key to secure sales, delivery service and keeping a good inventory mix.

In this white paper will provide basic theory on the subject and a list of key elements for a successful implementation. Our ambition is that you will find this white paper interesting no matter if you work in a smaller or larger company. As we see it, the basics are the same and having a process in place is important regardless of company size.

Table of content

1 The supply chain's end in mind

2 The process

3 Key points for implementation & development

4 Results and benefits

The supply chain's end in mind

Management experts say that successful organizations define their why or their end in mind. What is the why and end in mind for a supply chain?

For us at Knowit, the end in mind for supply chain is supporting the business in a resilient and sustainable way. To do that, supply chain leaders need to understand not only the supply chain, but also the business, the customers, and the priorities of the organization. With that knowledge commercial set-ups can be challenged, the supply chain perspective added, and the business supported in a resilient and sustainable way.

The supply chain organization needs to take the lead in securing the sales and operations planning process. This approach enables a process that delivers business knowledge in the required format and timing, such as unit forecasts, while taking lead times and capacity constraints into consideration.



The process

Sales and operations planning is an iterative process, a cycle. A typical approach follows a monthly cycle with a planning horizon of 12 to 18 months. A monthly cycle gives regularity, and in many businesses, data is related to the calendar months. Reviews of assortment, profit margins and customers are preferably added every 6-12 months. Below is a guide for each step of the cycle.

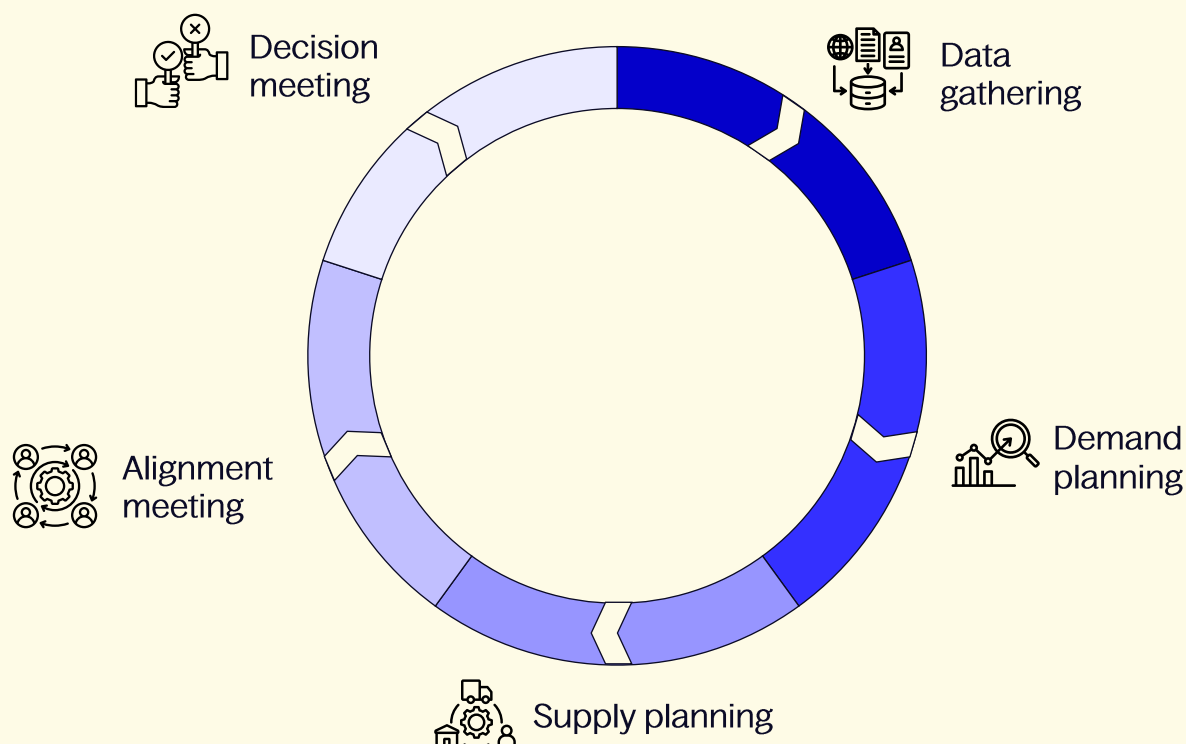
1. Data gathering

Data forms the foundation for all decisions. Each business has unique sales patterns, requirements, and data. Map and structure the available sales and market data, add strategic plans for the business such as growth, entering new markets or other important information. Historical information is a good starting point for internal data. Customer sales and inventory information could be valuable, and for some businesses point-of-sales data from specific suppliers.

2. Demand planning

Once the data has been collected the planning starts. The demand plan represents commercial's wish list - what the business aims to sell and when. This is also called the unconstrained demand. Meet with marketing and commercial teams to understand, review and align forecast numbers. Make sure to separate the meetings per business unit, sales unit, or part of the product portfolio to ensure the meeting is relevant for all participants.

Figure 1. The S&OP process



The data analysis reveals any underperformance or overperformance compared to previous forecasts and raises questions regarding whether any forecast changes are required. Questions to consider during this phase could be:

- * Are there any specific sales- or marketing activities planned going forward?
- * Are competitors having delivery issues or promotional activities?

3. Supply planning

Once demand planning has been completed, supply planning starts.

- * What are the delivery and production capacity of suppliers and the inhouse production operations?
- * How much is currently in stock?
- * Is it possible to meet the full unconstrained demand, or are prioritizations required?

The outcome of supply planning is called constrained demand. The reason for the constraint can be bottlenecks in production, a specific component or raw material and can affect the entire product portfolio or parts of it.

Clearly communicate what defines the constraints during discussions with the commercial team. The business determines the optimal prioritization approach and can be made based on customer size and importance, product margin, or long-term strategic relationships.

Having pre-defined priorities will help the discussions and decisions. We see situations where sales and marketing push products that are difficult to produce or source for different reasons. It is therefore important to have an open dialogue about which products in your product portfolio cause difficulties in production or for sourcing. Furthermore, another aspect of supply planning is identifying slow-moving or soon-to-be obsolete stock and collaborating with the commercial team to develop sell-out plans.

4. Alignment meeting

Once supply planning is complete, alignment and decision-making are required. In larger or more complex organizations, pre-alignment meetings may be necessary to ensure a smooth decision-making progress.

5. Decision meeting

The decision meeting is the last step of the cycle. All participants need to have a clear mandate so that decisions can be made in the meeting. All functions that are part of the process should be included: supply chain, sales, marketing, finance, and the CEO.

Below is an example of a meeting agenda:

Decision meeting agenda

	Review KPI:s and results from previous periods	<ul style="list-style-type: none"> Service level by business unit / country / product range Forecasting accuracy Forecasting bias
	Forecast changes	<ul style="list-style-type: none"> Forecast vs. budget Over-/underperformance by business unit, sales unit and product range Required actions
	Prioritization	<ul style="list-style-type: none"> If applicable: Suggestions from supply planning and pre-alignment meetings of how constrained demand should be prioritized, including implications and alternatives
	Inventory and obsolescence	<ul style="list-style-type: none"> Inventory coverage, -days, and -value versus targets and budget Obsolete inventory and products risking obsolescence if not sold within the next 3-6 months

Key points when implementing or developing the sales and operations planning process

We have summarized some key learnings when implementing the sales and operations planning process.

1. Management commitment

It may be one of the more used phrases in management literature, but management commitment is key. If there is no alignment in the leadership team, the journey will be much tougher or in some cases not possible. The CEO needs to be an ambassador and commercial and marketing directors need to walk the talk.

2. Set up the organization for success

Secure the right sales and operations planning competence, either by recruiting or bringing in consultants. Everyone in the team does not need to be an expert, but having some experience helps. Establish specific demand planning roles instead of adding the tasks to an existing role. Analytical skills and structure, together with people management, are skills of importance.

3. Define KPI:s and targets

What are the targets, and how will status and progress of the sales and operations planning be measured? Forecasting accuracy and forecasting bias are key performance indicators for sales and operations planning, indicating how close the forecast was to actual sales, and if there is a tendency to over or under forecast. Other KPI:s that should improve with improved forecasting are delivery service to customers, inventory turnover, and production efficiency.

4. Plan the forecasting cycle

What meetings are needed to collect forecast information and verify the forecast? Which roles in the organization should attend the meetings? Which individuals should be part of the final decision forum. Plan for a forecasting cycle of a month where the decision forum is the last meeting in the cycle.

5. Preparations of data and meeting agendas

Prepare the data, take the lead as supply chain organization, and make it easy for sales and marketing to give input. It is often easier to give input on available data, than starting from scratch by yourself. The same goes for meeting agendas – prepare clear meeting agendas, participants and expectations on participants, input, and output per meeting. Participants in the final decision meeting need to have the mandate to make decisions.

6. Continuous improvement

Reflect upon how meetings and the process can be improved. Review meeting agendas and input every 6-12 months, too frequent changes might confuse the participants. Implementing a new process takes time. The more functions and the more complex it is the longer it takes. Small steps, grit and patience are key.

7. Celebrating success

Finally, celebrate successes. Recognizing milestones helps reinforce the value of S&OP and keeps teams engaged. Reflect with the team on the progress made, challenges overcome, and tangible benefits achieved. This could include formal recognition, sharing best practices, or team retrospectives. Acknowledging these wins fosters the culture of continuous improvement and motivates teams to sustain and further refine the S&OP process.

Results and benefits

With a well-functioning sales and operations planning process, your supply chain will support the business in a sustainable and effective way. The process enables collaboration in the organization, working in a more proactive way when it comes to customer plans, financial planning, supplier forecasts and production planning.

- * Increased delivery service – happy customers
- * Enhanced organizational awareness of delivery prerequisites
- * Tool to manage a profitable product portfolio
- * Inventory levels based on product significance and demand variability
- * Reduction of scrap and obsolete material
- * Basis for future investments

We hope this white paper has given you inspiration and insights on your Sales and operations planning journey. Best of luck with your continued work! Please reach out to us if you would like to discuss your journey further.

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