

# BP Castrol

## A S&OP Case Study



### HIGHLIGHTS

- Needed improved Sales and Operations Planning (S&OP) process
- Incorporated inventory optimisation to achieve desired service levels
- KPIs improved dramatically

### FACED WITH A TOUGH CHALLENGE

BP Castrol initiated a program to improve their Sales and Operations Planning (S&OP) processes. A team was assembled and Alessandro Tenaglia was charged with leading a project to overhaul systems across Europe.

The team was faced with reactive supply chains caused by forecasts that were inaccurate, unreliable and incomplete. The forecast did not extend to all SKUs and calculations required intensive manual work. The supply chain was still widely order-driven and structured to be reactive, rather than proactive.

**Alessandro described some of the demand planning problems, “The demand forecast was carried out by sales and marketing, so the supply chain people reworked the forecast in order to trigger replenishments. We had a lot of uncertainty due to poor forecast practices.”**

The inventory side was also challenging. Most slow moving products had excess inventory. Fast moving products were often out-of-stock. Safety stocks had been set manually, based largely on personal experience. In the calculations, there was little formal sense of supply and demand uncertainty. Safety stocks were infrequently adjusted, and when they were, it was often in reaction to a single event. For instance, an under stock situation would often trigger an increase in safety stock levels.

In addition, planners were expediting to constantly to overcome the poorly derived inventory targets. This expediting was triggering production reschedules and urgent deliveries, increasing costs and amplifying supply chain noise.

### GOING BEYOND S&OP TO SIOP

Alessandro and his team identified the need to build an effective S&OP planning process which they would implement in one country and then roll out across Europe. The resulting system would coordinate ten independent systems into one global and unified coherent planning process, encompassing the “downstream” portion of Castrol’s supply chain, from blended oils and packaging through to the end user customer. The system would insure high service levels to customers, reduce stock-outs and cut back on manual expediting.

**BP Castrol quickly came to the conclusion that to accomplish the above, they needed to include inventory in their S&OP process.** Improving the forecasting process was clearly required, but alone it would not achieve the high customer-service levels they wanted. The replenishment flows had to be synchronised with the demand signal through optimized inventories.

Tenaglia’s team created a two-pronged solution based on ToolsGroup’s SO99+; one that addressed both demand sensing and demand response.

**They improved demand sensing by generating more robust and reliable forecasts.** They implemented an improved and standardised monthly demand forecast process cycle. A single point of accountability was instituted. Promotion planning and monitoring was also improved.

**They improved demand response by improving safety stocks using a solution provided by ToolsGroup.** Reliable statistical modeling accurately measured demand and supply chain volatility. Reliable inventory modeling and mix optimisation techniques accommodated this volatility and accurately set the inventory targets required to achieve a responsive inventory mix.



Castrol is an automotive aftermarket brand leading lubricants manufacturer available in more than 140 countries lubricants manufacturer.