

Module 2
Section A: S&OP Purpose and Process

Term
Aggregate inventory

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Backlog

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Demand planning

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Finishing lead time

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Order backlog

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Planning horizon

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Product family

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Product line

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All the customer orders received but not yet shipped. Sometimes referred to as open orders or the order board. See: order backlog, past due order.

The inventory for any grouping of items or products involving multiple stockkeeping units. See: base inventory level.

1) The time that is necessary to finish manufacturing a good after receipt of a customer order. 2) The time allowed for completing the good based on the final assembly schedule.

The process of combining statistical forecasting techniques and judgment to construct demand estimates for products or services (both high and low volume; lumpy and continuous) across the supply chain from the suppliers' raw materials to the consumer's needs. Items can be aggregated by product family, geographical location, product life cycle, and so forth, to determine an estimate of consumer demand for finished products, service parts, and services. Numerous forecasting models are tested and combined with judgment from marketing, sales, distributors, warehousing, service parts, and other functions. Actual sales are compared to forecasts provided by various models and judgments to determine the best integration of techniques and judgment to minimize forecast error. See: demand management.

The amount of time a plan extends into the future. For a master schedule, this is normally set to cover a minimum of cumulative lead time plus time for lot sizing low-level components and time for capacity changes of primary work centers or of key suppliers. For longer-term plans, [this] must be long enough to permit any needed additions to capacity. See: cumulative lead time, planning time fence.

A past due order or open order yet to be fulfilled. Syn.: backlog.

A group of products associated by function, consumer group, distribution channel, manufacturing characteristics, or price range. Typically reflects the marketing and sales aspects of a product or service (similar in customer needs) and used in aggregate planning, marketing, costing, and sales planning. See: product family, product group.

A group of products or services that pass through similar processing steps, have similar characteristics, and share common equipment prior to shipment or delivery to the customer. Can be from different overlapping product lines that are produced in one factory and often used in production planning (or sales and operations planning). See: product line.

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Product mix

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Product/service hierarchy

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Sales and operations planning

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Sales plan

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Tactical plan

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Unit of measure

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In sales and operations planning, a general approach to dividing products or services into families, brands, and subfamilies for various planning levels. This ensures that a correct top-down or bottom-up approach is taken to grouping (or aggregating) demand at each subsequent level. Forecasts are more accurate the higher up the product hierarchy they are developed; consequently, forecasts should usually be driven down from the top.

The proportion of individual products that make up the total production or sales volume. Changes in [this] can mean drastic changes in the manufacturing requirements for certain types of labor and material.

A time-phased statement of expected customer orders anticipated to be received (incoming sales, not outgoing shipments) for each major product family or item. Represents sales and marketing management's commitment to take all reasonable steps necessary to achieve this level of actual customer orders. Is a necessary input to the production planning process (or sales and operations planning process). Expressed in units identical to those used for the production plan (as well as in sales dollars). See: aggregate planning, production plan, production planning, sales and operations planning.

A process to develop tactical plans that provide management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer-focused marketing plans for new and existing products with the management of the supply chain. The process brings together all the plans for the business (sales, marketing, development, manufacturing, sourcing, and financial) into one integrated set of plans. [This] is performed at least once a month and is reviewed by management at an aggregate (product family) level. The process must reconcile all supply, demand, and new product plans at both the detail and aggregate levels and tie to the business plan. It is the definitive statement of the company's plans for the near to intermediate term, covering a horizon sufficient to plan for resources and to support the annual business planning process. Executed properly, [this] process links the strategic plans for the business with its execution and reviews performance measurements for continuous improvement. See: aggregate planning, executive sales and operations planning, production plan, production planning, sales plan, tactical planning.

The unit in which the quantity of an item is managed (e.g., pounds, each, box of 12, package of 20, case of 144).

The set of functional plans (e.g., production plan, sales plan, marketing plan) synchronizing activities across functions that specify production levels, capacity levels, staffing levels, funding levels, and so on, for achieving the intermediate goals and objectives to support the organization's strategic plan. See: aggregate planning, operational plan, production planning, sales and operations planning, strategic plan, tactical planning.