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ROYAL PINES RESORT
GOLD COAST
11-12 NOVEMBER 2024

From Insight to Action

Lizbeth Zuniga

Founder & CEO

Acquire Beauty

MASTERINGSAP
An SAPinsider Company

From Insight to Action:

Leveraging Reporting and Analytics in Supply Chain for Effective Decision Making

By

LIZBETH ZUNIGA, Founder & CEO

Lizbeth Zuniga

MY JOURNEY

From Insight to Action

1988-1994

1988: Born in Peru
1994: Moved to the USA
at 6 years old.

2010

RUTGERS

B.S Industrial and
Systems Engineering

2010-2015

SAP

2010: Analyst
2011: Senior Analyst
2012: Manager
2014: Senior Manager
2015: Director

L'ORÉAL

ROGER&GALLET PARIS · LA ROCHE-POSAY LABORATOIRE PHARMACEUTIQUE · GARNIER
YVES SAINT LAURENT · DERMABLEND PROFESSIONAL · SKINCEUTICALS ADVANCED SKINCARE BACKED BY SCIENCE · Carol's Daughter
GIORGIO ARMANI beauty · LANCÔME PARIS · NYX PROFESSIONAL MAKEUP · L'ORÉAL PARIS

2016-2017

tarte

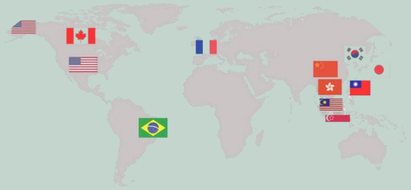
2016: Director
2017: Executive Director

2018-2019

SAP

2018: Executive Director
2019: Global Project Lead

SHISEIDO



2020

PAT McGRATH LABS

Vice President,
Global Supply Chain Operations

2021-Current

ACQUIRE BEAUTY®

Lizbeth Zuniga

From Insight to Action

We focus on partnering with clients to address hidden challenges and increase profitability.

The Acquire Beauty Team

The Executive Team

Lizbeth Zuniga
Founder & CEO

Andrew Dickler
Chief Operating Officer

Carlos Zuniga
Chief Financial Officer

Desirey Nasser
Chief Relationship Officer

Gregory Nasser
Executive Director, Sales

The Expertise Our Team Brings

Change Management
Financial/Operational Auditing
Mergers & Acquisitions
Process Improvement
External Operations
Demand Planning
3PL Optimization
ERP Implementation
End to End Supply Chain
New Product Development
Quality

Supply Planning
Inventory Management
Sales Ops
Capacity Planning
Internal Manufacturing
Business Intelligence
Data Analytics
Contract Manufacturing
Procurement
Brand Integrations
Master Data

WHAT YOU CAN EXPECT

01 Understanding KPIs: Importance and Impact

02 Scenario Trivia

03 Exploring Real-World Scenarios

04 Key Takeaways and Insights

05 Q & A

Importance and Impact

01

KPI

Accuracy and Bias

What is it?

A metric that provides visibility on how good/bad the forecast is compared to actual sales.

What is it used for:

- Understanding of demand predictability
- Make informed inventory management decisions, such as adjusting safety stock levels
- Assess financial risks to stay within budget
- Conduct root cause analysis to develop effective improvement plans

Calculation: Forecast Accuracy

- 1-SUM(Min(absolute(Actuals-FCST),Actuals)) / SUM(Actuals)
- Can NEVER be more than 100% or less than 0%
- It doesn't matter if you are over/under forecasting, what matters is the overall error
- Target is 100%

Calculation: Forecast BIAS

- (Actuals-FCST) / Actuals
- Can be more than 100% or less than 0%
- Reflects directionally if you are over or under forecasting
- Target is 0%

Demand forecasting impacts inventory management and financial budgets

KPI
Fill Rate

What is it?

- A metric that provides visibility on how you are servicing customers' orders.

What is it used for:

- Identify missed sales
- Adjust safety stock
- Calculate financial risk
- Analyze causes for improvement
- Detect issues in the supply chain
- Don’t blame FCST 1st; SS covers variability

Calculation:

($ Sales- $ Cuts) / $Sales X = Fill Rate %

STORY TIME!

Cuts and Lost Sales are not the same. A brand kept claiming they were losing $10M in sales due to the cuts they saw from the orders. When we ran the analysis, we discovered that 70% of the cuts were duplicate cuts. Sephora ordered weekly; therefore, the cuts kept duplicating.

Toll Waterfall

Month		Target	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Month of Demand Pass	Sep-23		100	100	100	100	100	100	100	100	100	100	100	100
	Oct-23		100	100	100	100	100	100	100	100	100	100	100	100
	Nov-23		100	100	100	100	100	100	100	100	100	100	100	100
	Dec-23		100	100	100	100	100	100	100	100	100	100	100	100
	Jan-24		100	100	100	100	100	100	100	100	100	100	100	100
	Feb-24			200	200	200	200	200	200	200	200	200	200	200
	Mar-24				300	300	300	300	300	300	300	300	300	300
	Apr-24					400	400	400	400	400	400	400	400	400
Actuals		-	100	150	50	400								
Cuts		-	25	0	200	0								
Max Cuts		-	25	0	50	0								
Error		-	0	50	-50	300								
Abs Error		-	0	50	50	300								
Accuracy		100%	100%	50%	50%	0%								
Bias		0%	0%	33%	-100%	75%								

What is it:
A tool that allows you to see the demand evolution over time vs sales actuals.

What is it used for:
When looking at Root Cause Analysis for KPIs such as Fill Rate, Accuracy and Bias, it helps understand what truly happened.

KPI

Profit and Cost Margins

What is it?
To understand how much profit is being made from a specific product.

Profit Margin:

$10 (Selling Price) - $4 (Standard Cost) /

$10 (Selling Price)= 0.60 (60% Profit Margin)

What is it used for:

- When trying to make decisions for catalogue rationalization, it is important to keep in mind how profitable the products are.
- When looking for cost savings improvement projects, understanding this will allow procurement to concentrate on the right areas.

Cost Margin:

- 1 - .60 (PROFIT MARGIN) = 0.40 (40% COST MARGIN)

- Top 80% of your sales is 5% of the active core SKU count.
- Bottom 20% of your sales is 80% of the active SKU count.
- One in, One out.
- Always consider Cost Margin.

"80% of a company's profits come from 20% of its customers. 80% of road traffic accidents are caused by 20% of drivers. 80% of software usage is by 20% of users. 80% of a company's complaints come from 20% of its customers. 80% of wealth is owned by 20% of people. Woody Allen even noted that 80% of success is showing up." [1]

KPI

Manufacturing Reactivity

What is it?

How Reactive a certain SKU is to the uncertainties of the business and forecast

What is it used for:

- Calculate risk level with forecast accuracy to set appropriate safety stock.
- Optimize inventory position.
- Improve reaction time and focus on key areas.

Lead Times

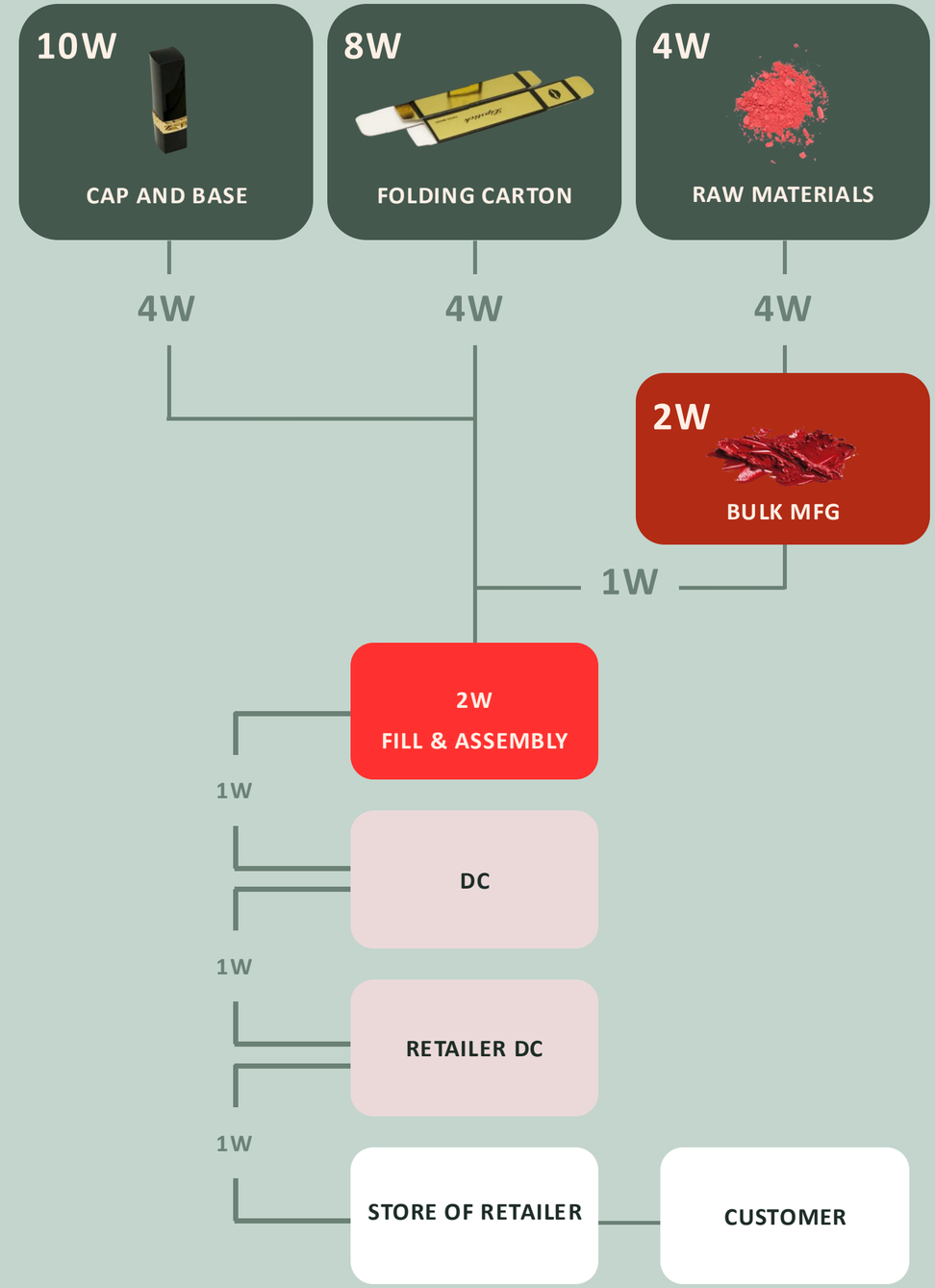
Manufacturing Lead Time: *13W*

- 4W Raw Materials
- 4W Transit Time
- 2W Bulk MFG
- 1W Transit Time
- 2W Fill & Assembly

Total Lead Time: *16W*

- 14W Max
  - Folding Carton + Transit = 12W
  - Cap and Base + Transit = 14W
  - Raw Materials + Transit+ Bulk MFG + Transit = 11W
- 2W Fill & Assembly

*** Lead times all include Quality Inspection and release time.
W = WEEKS



Planning Parameters

How do we Protect it?

RMSE:

- Root Mean Squared Error of the last 6M demand vs sales variance
- A statistical calculation of the avg. variance

SS (Safety Stock):
Inventory to reduce the risk of out of stocks considering demand variability & lead times

Safety Stock:
Service Factor x RMSE x Leadtime

ROOT MEAN SQUARE ERROR	SERVICE LEVEL	LEAD TIME	SAFETY STOCK CALCUATION
2,316	0.98	150	10,898

KPI

Inventory Target

What is it?
Serves as a guide for inventory levels to support efficient operations

What is it used for:
To accurately assess your current inventory and develop an action plan for inventory management, ensuring the business can meet its needs effectively.

- **Assumption:**
  - $100M Gross Sales
- **Inventory Breakdown:**
  - 3% Components + RMs
  - 2% Obsolete
  - 15% Active Saleable
- **Target Inventory Guidelines:**
  - 2 to 3 times a year = avg 4 to 6M of Coverage
- **Profit margin:**
  - $10 (Selling Price) - $4 (Standard Cost) / $10 (Selling Price) = 0.60 (60% Profit Margin)
- **Cost Margin:**
  - 1 - .60 (Profit Margin) = 0.40 (40% Cost Margin)
- **Inventory $ Target Range:**
  - .40 (Cost Margin) x $100M (Gross Sales) / Target Turns = $13.3M to $20M

KPI

Excess and Obsolete

What is it?

Excess is stock that is greater than X months of demand and Obsolete is stock with no demand.

What is it used for:

These are high risk inventory that need to be actioned upon before it becomes non usable and a destruction that hits the P&L

- Finance will accrue a % risk factor to each bucket of inventory to be properly prepared in case the inventory doesn't move
- This is used for all inventory types, inclusive of components, raw materials, POSM, Saleable etc.

Tool
Stock Equation

Visibility
Dependent demand, independent demand, and expiration risks.

Reactivity
Purchase orders executed and forecasted to properly support needs.

Flexibility and Agility
Put $ in right places and maximize investments.

Proper Financial
Planning for spend and risk of liabilities.

Category	Start	M	M+1	M+2	M+3	M+4	M+5	M+6	M+7	M+8	M+9	M+10	M+11
Forecast		5,000	5,000	5,000	5,000	10,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000
Dependent Demand	-		1,000	-	-	-	-	-	1,000	-	-	-	-
TOTAL Demand		5,000	6,000	5,000	5,000	10,000	5,000	5,000	6,000	5,000	5,000	5,000	10,000
Expiration Risk	-	-	-	-	-	-	5,000	-	-	-	-	-	-
Open PO		-	5,000	10,000	-	-	-	-	-	-	-	-	-
Production Plan		-	-	-	5,000	10,000	10,000	-	5,000	5,000	20,000	-	-
Intransit Stock=													
Offset by Transit LT	-	-	-	5,000	10,000	5,000	10,000	10,000	-	5,000	5,000	20,000	-
(Open PO + Production Plan)													
TOTAL Prod Arrival		-	-	5,000	10,000	5,000	10,000	10,000	-	5,000	5,000	20,000	-
QC Stock	5,000	-	-	-	-	-	-	-	-	-	-	-	-
DC	16,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Ending Stock=													
+ M-1 Ending Stock	21,000	16,000	10,000	10,000	15,000	10,000	10,000	15,000	9,000	9,000	9,000	24,000	14,000
+ Total Prod Arrival													
- Total Demand													
Coverage (DOS)	120	90	60	45	60	60	55	84	54	54	42	999	999
Target Stock=													
+Safety Time	10,000	11,000	10,000	10,000	15,000	10,000	10,000	11,000	10,000	10,000	10,000	15,000	5,000
+Safety Stock													
Target Coverage (DOS)=	55	60	60	45	60	60	55	60	60	60	45	999	999
Target Stock Converted to Days													
Total Stock=													
(+ Intransit	$35,085	$26,731	$16,707	$25,061	$41,768	$25,061	$41,768	$41,768	$15,036	$23,390	$23,390	$73,511	$23,390
+ Total Ending Stock													
+ Expiration) *Std Cost													
Total Spend:													
(+ Open PO	$-	$-	$2,835	$5,670	$2,835	$5,670	$5,670	$-	$2,835	$2,835	$11,340	$-	$-
+ Production Plan)*MGF Cost													

Scenario Trivia

02

Supply Chain *Trivia*

OBJECTIVE:

- Engage participants interactively while reinforcing key concepts related to Supply Chain Strategies

SETUP:

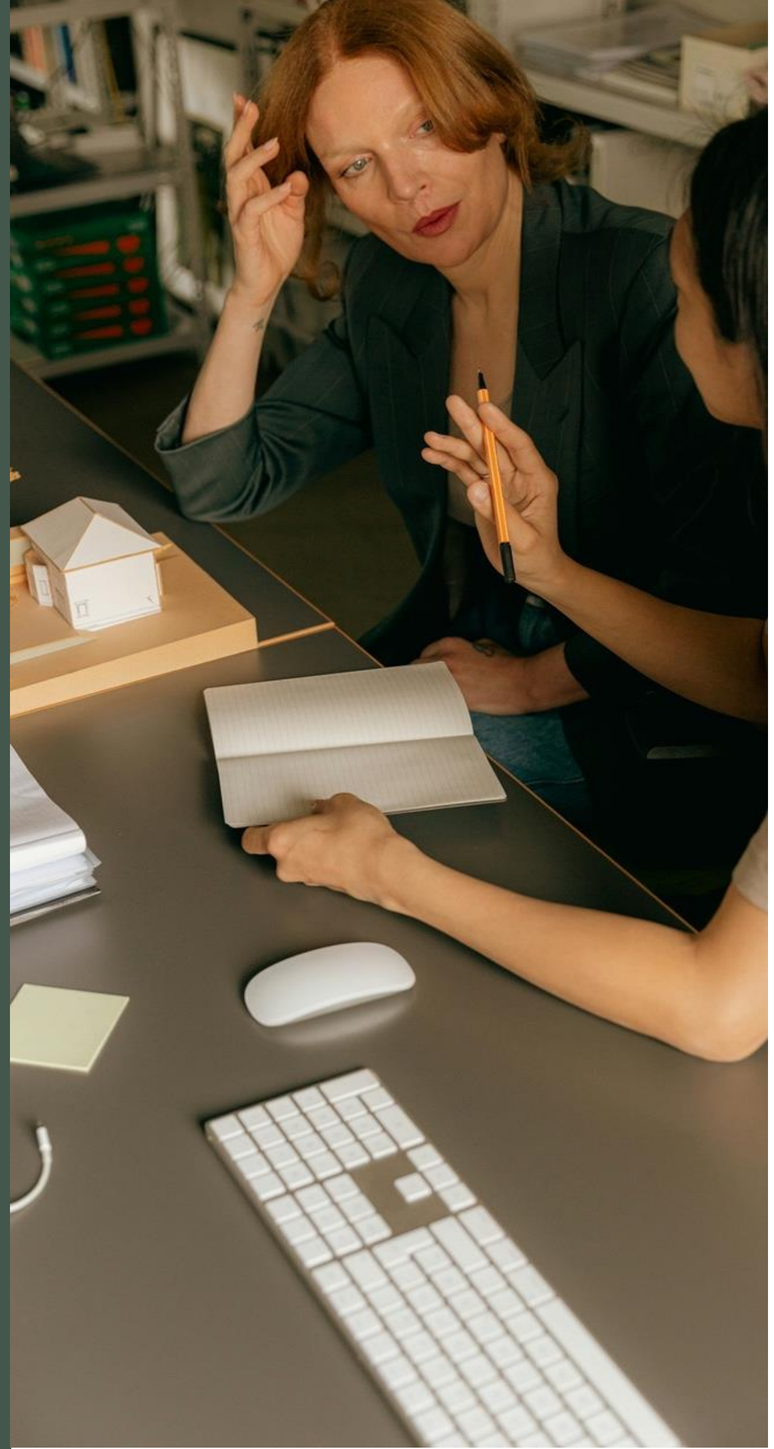
- Scan QR code

INSTRUCTIONS:

- Answer each question displayed on your device
- Points will be awarded based on the accuracy and speed of responses

Real-World Scenarios

03



Scenario 1

Failure to Launch

Scenario

Two months after the on-counter date, a new product launch did not meet sales expectations. Retailers are now reducing their orders, ordering close to nothing. Your DTC orders are 20% of what was forecasted.

Potential Problem

- Excess inventory on Finished Goods, Components and/or Raw Materials resulting in:
  - Storage costs
  - Warehouse space constraints
  - Expiration Risk
- Offering a deep discount to mitigate excess risk could devalue the brand image or erode profit margins
- Misalignment between cross functional teams

Scenario 2
Missed Flight

Scenario

In the final preparations before the launch date, you discover that a significant portion of the inventory intended for the product launch was mistakenly shipped by ocean freight instead of air, as originally planned.

Potential Problem

- Delayed Launch due to longer transit time
  - Missed sales opportunities
  - Penalty fees from Retailers
  - Customer Dissatisfaction
- Marketing Promotions won’t align with availability date of inventory

Scenario 3

Unexpected Opportunity

Scenario

A major retailer expresses interest in featuring one of your Core Top products, offering a significant opportunity to boost demand and visibility. However, there's a catch—the retailer requires a large quantity of inventory which will deplete your inventory 3 months earlier than expected.

Potential Problem

- Stockouts
  - Impacting other key retailers and strategic relationships
  - Reducing sales momentum for existing customers
- Expediting production can lead to increased costs reducing in reduced profit margins
  - Air shipments
  - Overtime charges

Scenario 4
Oversells

Scenario

You are projecting to be Out of Stock of a Product this month that was not expected. It is a low selling SKU according to forecast and it was in the Excess and Obsolete list a few months ago. Forecast looks the same for the last 5 monthly demand passes.

Potential Problem

- A long term out of stock risk due to no production order in place as not expected to be Out of Stock
- Missed opportunity on product becoming a top seller due to not meeting demand.

Takeaway and Insights

04

Key Learnings

- **All risks are NOT created equal.**
- It’s a balancing act, risk vs cost. **KPIS and Reporting are crucial to find this BALANCE.**
- Strategy is crucial to react and adapt swiftly to changes.
- Transparency and visibility allows for proactive and informed decision making. **The system has the data, what matters is how you use it.**
- You don’t know what you don’t know.

Any Questions?

05

How to Connect with Me

MASTERINGSAP Connect

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Li: linkedin.com/in/lizbeth-Zuniga

@Acquirebeauty

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