

S&OP EXECUTIVE REVIEW MEETING MINUTES

Date: August 15, 2024

Time: 9:00 AM - 11:00 AM EST

Location: Corporate HQ, Conference Room A / Virtual

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ATTENDEES

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Present:

- Sarah Williams, VP Supply Chain (Chair)
- Michael Chen, VP Marketing
- Robert Thompson, VP Operations
- Jennifer Martinez, Director of Demand Planning
- David Kim, Director of Logistics
- Amanda Foster, Finance Business Partner
- James Wilson, IT/Analytics Lead

Apologies:

- Thomas Anderson, CEO (delegate: Sarah Williams)

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AGENDA

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1. Review of July Performance
2. Demand Review: Q4 Outlook

3. Supply Review: Production Capacity
 4. Inventory & Logistics Review
 5. Financial Review
 6. Executive Decisions Required
 7. Action Items
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1. REVIEW OF JULY PERFORMANCE

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Jennifer Martinez presented July actuals vs. forecast:

Key Metrics:

- Demand forecast accuracy: 94% (target: 90%) ✓
- Production attainment: 97% (target: 95%) ✓
- On-time delivery: 98.2% (target: 98%) ✓
- Inventory days on hand: 32 days (target: 35 days) ✓

Notable variances:

- Electronics category exceeded forecast by 8%
- Power Tools underperformed by 5% (retail inventory correction)

DECISION: July performance approved. No corrective actions required.

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2. DEMAND REVIEW: Q4 OUTLOOK

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Michael Chen presented the Q4 Marketing Push scenario:

Marketing Initiatives Planned:

- Black Friday campaign: 40% discount on select SKUs
- Cyber Monday extended sale: November 25 - December 2
- Holiday promotion bundle: Electronics + Accessories

Demand Impact Forecast:

Month	Baseline Growth	Marketing Push Impact	Total Growth
October	+5%	+8%	+13%
November	+15%	+20%	+35%
December	+20%	+15%	+35%

Jennifer Martinez raised concern:

"The Q4 Push scenario represents a 30% average increase over baseline. Our current warehouse capacity planning assumes baseline growth only. We need to validate logistics feasibility before committing to this marketing plan."

DISCUSSION:

- Northeast DC is currently at 87% capacity
 - Q4 Push could drive Northeast to 110%+ utilization
 - Pre-build strategy proposed to smooth capacity impact
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3. SUPPLY REVIEW: PRODUCTION CAPACITY

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Robert Thompson presented production readiness:

Current Capacity Status:

- Western Plant: 78% utilized, room for overtime
- Central Plant: 82% utilized, 3rd shift available

Q4 Push Capacity Assessment:

Plant	Current Capacity	Q4 Push Requirement	Gap
Western	50,000 units/mo	62,000 units/mo	+12,000
Central	75,000 units/mo	95,000 units/mo	+20,000

Capacity Solutions Proposed:

1. Activate 3rd shift at Central Plant (+18,000 units/mo)
2. Weekend overtime at Western Plant (+8,000 units/mo)
3. Q3 Pre-build: produce ahead of demand (+6,000 units/mo buffer)

Cost Impact:

- Overtime premium: \$180,000/month
- 3rd shift activation: \$320,000/month
- Total additional labor cost: \$500,000/month for Nov-Dec

DECISION: Approved production capacity expansion. HR to begin hiring for 3rd shift by August 30.

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4. INVENTORY & LOGISTICS REVIEW

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David Kim presented warehouse capacity analysis:

Current State (as of August 12):

Facility	Capacity	Current %	Q4 Projected %
WH-WEST	25,000	68%	82%
WH-CENT	30,000	72%	85%
WH-NE	20,000	87%	108%

CRITICAL ISSUE: Northeast DC Overflow Risk

David Kim explained:

"Northeast DC is already at 87% capacity. With Q4 Push volumes, we project 108% utilization - that's 1,600 pallets over capacity. At the 3PL penalty rate of \$5/pallet/day, we're looking at \$240,000/month in overflow penalties."

Pre-Build Strategy Proposal:

- Begin building Q4 inventory in September
- Target: accumulate 3,000 extra pallets by October 1
- Spreads the capacity peak across 4 months instead of 3
- Reduces November peak from 108% to 95%

Cost-Benefit Analysis:

Approach	Overflow Penalty	Additional Storage	Net Cost
No pre-build	\$720,000	\$0	\$720,000
September pre-build	\$180,000	\$135,000	\$315,000
Aug-Sept pre-build	\$45,000	\$240,000	\$285,000

RECOMMENDATION: August-September pre-build saves \$435,000 vs. no action.

Sarah Williams:

"This is exactly the kind of cross-functional planning S&OP is designed for. Marketing's campaign is great for revenue, but we need to fund the capacity to support it. What's the warehousing budget impact?"

Amanda Foster:

"Q4 Push scenario requires approximately 20% higher warehousing budget compared to baseline - that's roughly \$285,000 incremental. The margin contribution from additional sales more than covers this, with estimated net benefit of \$1.2M."

DECISION: Approved pre-build strategy. Begin building inventory week of August 26. Logistics to secure overflow capacity contracts as backup.

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5. FINANCIAL REVIEW

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Amanda Foster presented financial scenarios:

Scenario	Revenue	COGS	Gross Margin	Warehousing	Net Margin
Baseline	\$45.2M	\$27.1M	\$18.1M	\$1.42M	\$16.68M
Q4 Push	\$58.8M	\$35.3M	\$23.5M	\$1.71M	\$21.79M
Delta	+\$13.6M	+\$8.2M	+\$5.4M	+\$0.29M	+\$5.11M

Key Insight:

"The 20% increase in warehousing costs (\$290K) is offset by \$5.1M in additional net margin. ROI on the warehousing investment is 17x."

DECISION: Q4 Push scenario approved from financial perspective.

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6. EXECUTIVE DECISIONS REQUIRED

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DECISION 1: Q4 Marketing Push Scenario

- Status: APPROVED
- Condition: Pre-build strategy must be executed
- Owner: Michael Chen (Marketing) + Jennifer Martinez (Demand Planning)

DECISION 2: Production Capacity Expansion

- Status: APPROVED
- Budget: \$500,000/month for Nov-Dec
- Owner: Robert Thompson (Operations)

DECISION 3: Pre-Build Strategy

- Status: APPROVED
- Timeline: August 26 - September 30
- Target: 3,000 pallets of Q4 inventory
- Owner: David Kim (Logistics)

DECISION 4: Warehousing Budget Increase

- Status: APPROVED
- Amount: \$290,000 incremental for Q4
- Owner: Amanda Foster (Finance)

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7. ACTION ITEMS

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ID	Action	Owner	Due Date
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A-01	Finalize Q4 Push demand plan	J. Martinez	Aug 22
A-02	Begin 3rd shift hiring at Central Plant	R. Thompson	Aug 30
A-03	Negotiate overflow capacity with NE 3PL	D. Kim	Aug 25
A-04	Initiate pre-build production schedule	R. Thompson	Aug 26
A-05	Update warehousing budget forecast	A. Foster	Aug 20
A-06	Deploy capacity monitoring dashboard	J. Wilson	Sep 1
A-07	Schedule weekly logistics status calls	D. Kim	Ongoing

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NEXT MEETING

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Date: September 12, 2024

Time: 9:00 AM - 11:00 AM EST

Focus: Pre-build progress review, September forecast update

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DOCUMENT APPROVAL

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Minutes prepared by: Jennifer Martinez

Reviewed by: Sarah Williams

Distribution: S&OP Executive Committee, Department Heads

Classification: Internal - Confidential