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WHITE PAPER

# The Mid-Market S&OP Playbook

Building a demand planning and forecasting process that actually works — without enterprise software, a large team, or a six-month implementation

Josh Isenberg, Founder — JSI Partners
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jsipartners.com · 610-348-5761

Serving manufacturing, CPG, food & beverage, and distribution companies $5M–$150M

EXECUTIVE SUMMARY

# What This Playbook Covers

Sales & Operations Planning (S&OP) is consistently cited as one of the highest-ROI process improvements available to product companies. Studies show that companies with mature S&OP processes achieve **15–20% higher on-time delivery rates**, **20–30% lower inventory levels**, and **10–15% better forecast accuracy** than those without.

Yet most mid-market companies either have no S&OP process at all, or have one that has degraded into a monthly status meeting that no one believes in. This playbook provides a complete, implementable S&OP model for companies with $5M–$150M in revenue, including a meeting agenda template, demand signal construction guide, metrics framework, and 90-day implementation roadmap.

> **THE CORE ARGUMENT**
>
> A well-run S&OP process does not require Kinaxis, SAP IBP, or any enterprise planning software. It requires a structured agenda, the right four to six people in the room, a shared template, and consistent execution. **The discipline is the differentiator — not the technology.**

| **20–30%** | **90 min** | **$0** |
|---|---|---|
| forecast error reduction from a well-run monthly S&OP | is all the time a lean S&OP meeting needs each month | in new software required to implement this model |

SECTION 1

# Why S&OP Fails at Mid-Market Companies

Before describing what a good S&OP looks like, it is worth being honest about why most mid-market S&OP processes fail. There are five patterns that show up repeatedly.

## The Five Failure Patterns

**1. It becomes a status meeting.** The most common failure mode: the process starts with good intentions and devolves into a monthly reporting session. Each team presents their own numbers, no one challenges the assumptions, and the meeting ends without a single shared number or accountable decision. The tell: if your S&OP meeting produces a PowerPoint deck that gets filed rather than a published demand plan that drives purchasing, it has become a status meeting.

**2. No single owner.** S&OP requires one person accountable for producing the consensus forecast before the meeting, publishing the output after it, and tracking accuracy against it the following month. When ownership is diffuse — "we all own it" — no one owns it, and the process drifts.

> **CRITICAL SUCCESS FACTOR**
>
> The S&OP owner does not need to be a supply chain professional. What matters is clear accountability, not title. An operations manager or finance analyst can run a highly effective S&OP.

**3. Wrong attendees.** S&OP requires commercial perspective (sales, marketing), operational perspective (ops, procurement), and financial perspective (finance or CFO). All three are required for the output to mean anything. Missing any one of them produces a plan that the missing function will not commit to.

**4. Fighting the forecast instead of using it.** When there is no baseline statistical forecast, teams are arguing about opinions instead of reviewing deviations from a data-anchored baseline. The meeting becomes a debate, not a decision process.

**5. No feedback loop.** S&OP improves through learning. If the team never reviews last month's forecast accuracy against actuals, they never identify where the forecast consistently fails and they never get better.

| Failure Pattern | Symptom | Fix |
|---|---|---|
| Status meeting drift | Meeting produces a deck, not a decision | **Structured agenda with required outputs** |
| No single owner | Forecast changes without tracking | **Named owner, single published version** |
| Wrong attendees | Sales or ops missing | **Mandatory attendance from 3 functions** |
| Debating the forecast | Meetings run long, no resolution | **Statistical baseline + exception-based review** |
| No feedback loop | Same errors repeat every quarter | **Forecast vs. actual opens every meeting** |

SECTION 2

# The Right-Sized S&OP Model

Enterprise S&OP processes at large companies involve dedicated planning teams, multi-week monthly cycles, and integrated business planning software. That model is not appropriate — or necessary — for a $30M food & beverage company or a $75M manufacturer. The right-sized mid-market S&OP has five design principles.

## The Five Design Principles

**Principle 1: Monthly cadence, 90-minute meeting.** Monthly is the right frequency for most mid-market companies. Weekly is too intensive. Quarterly misses too much. Monthly, with a tight agenda and pre-work completed before the meeting, delivers the right balance.

**Principle 2: Four to six attendees — no more.** The meeting needs one commercial representative, one operations representative, one finance representative, and the S&OP owner. Larger meetings lose the ability to make decisions.

**Principle 3: One number, published in advance.** The S&OP owner produces a draft consensus forecast before the meeting — not during it. The meeting reviews the draft, discusses exceptions and overrides, and approves the final number. The approved forecast is published the same day and drives all downstream purchasing and production decisions until the next cycle.

> **THE ONE NUMBER RULE**
>
> After the S&OP meeting, there is exactly one demand forecast in the business. Sales does not have a different version. Finance does not have a different budget number. If there are multiple versions of the plan, the S&OP is not working.

**Principle 4: Exception-based review.** The meeting does not review every SKU. It reviews items that have deviated more than ±20% from the statistical baseline, items with upcoming constraint risks, and items where the commercial team has specific intelligence. The statistical baseline handles the majority; the meeting handles the exceptions.

**Principle 5: Metrics reviewed every meeting.** Three metrics open every S&OP meeting before any forward-looking discussion: forecast accuracy vs. last month's plan, current fill rate by SKU tier, and inventory turns vs. target.

| 4–6 | 1 | 3 |
|---|---|---|
| attendees maximum for effective decision-making | forecast version published after every meeting | trailing metrics reviewed before forward discussion |

SECTION 3

# The Monthly Meeting Agenda Template

The following agenda is designed for a 90-minute monthly S&OP meeting. Pre-work is completed by the S&OP owner before the meeting; the meeting itself is for review, exception discussion, and decision-making.

**Monthly S&OP Meeting — 90-Minute Agenda**

| Time | Item | Owner |
|---|---|---|
| 0:00–0:15 | **Trailing Performance Review** — Forecast accuracy vs. last month. Fill rate vs. target. Inventory turns vs. target. Flag items with the largest deviations. | S&OP Owner |
| 0:15–0:35 | **Commercial Demand Update** — New customer wins/losses. Promotional calendar for next 13 weeks. Known demand changes vs. statistical baseline. | Sales / Commercial |
| 0:35–0:50 | **Supply & Constraint Review** — Supplier lead time updates. Production capacity vs. demand plan. Items at risk of stockout in next 8 weeks. | Ops / Procurement |
| 0:50–1:05 | **Exception Resolution** — Review items with deviations >20%. Agree on overrides to the statistical baseline. Document rationale for each override. | All |
| 1:05–1:20 | **Consensus Forecast Approval** — Review final draft incorporating all overrides. Approve the consensus number. Confirm publication date. | All / S&OP Owner |
| 1:20–1:30 | **Actions & Next Steps** — Capture open items, owners, and due dates. S&OP owner publishes consensus forecast by end of day. | S&OP Owner |

PRE-WORK CHECKLIST (COMPLETED BEFORE THE MEETING)

① Update statistical baseline with latest 4 weeks of actuals ② Calculate forecast accuracy vs. last month by SKU tier ③ Flag items with deviation >20% for exception review ④ Circulate draft agenda 48 hours before the meeting ⑤ Confirm attendance from all required functions

SECTION 4

# Building the Demand Signal

The quality of the S&OP output is only as good as the demand signal that feeds it. A demand signal is not a sales forecast, and it is not a budget. It is an operational number — the best estimate of what customers will actually order in each of the next 13 weeks, by SKU. An effective mid-market demand signal has three layers.

## The Three-Layer Demand Signal

**Layer 1: Statistical Baseline.** Generated from historical shipment data using a time-series model — a 13-week rolling average with seasonal adjustment captures most of the predictable demand pattern. Use shipment data, not order data or invoiced revenue. Answers: *if nothing unusual happens, what will demand look like?*

**Layer 2: Commercial Overlay.** The adjustment the sales and marketing team makes based on what they know about the future — a major promotion, a new account going live, a competitor disruption, a product launch. Overlays should be documented with a rationale and a confidence level. "Sales thinks Q3 will be 20% higher" is not an overlay — it is a hope.

IMPORTANT

An overlay supported by a signed customer commitment or confirmed promotional plan is an overlay the operations team can act on. An overlay supported only by sales optimism is a liability.

**Layer 3: Constraint Adjustment.** The operations team's check on whether the demand plan is actually achievable. It identifies capacity constraints, supplier lead time issues, and pending POs that may limit fulfillment. Where a constraint cannot be resolved, the demand plan is adjusted downward and the gap is flagged commercially.

| Input Type | Source | Reliability | Use |
|---|---|---|---|
| Committed customer orders | Order management / ERP | **High** | Replace statistical baseline for weeks 1–4 |
| Signed promotional commitments | Sales / marketing | **High** | Override baseline in promotion windows |
| Sales pipeline & opportunities | CRM / sales team | **Medium** | Apply probability weighting before using |
| Market intelligence | Sales team / industry data | **Medium** | Qualitative adjustment only |
| Statistical history alone | ERP / sales data | **Medium** | Baseline only — never use without commercial check |

SECTION 5

# The Metrics That Matter

A mid-market S&OP process needs exactly three core metrics reviewed every month. More metrics than this creates noise without clarity.

## Core Metric 1: Forecast Accuracy (MAPE by SKU Tier)

Mean Absolute Percentage Error measures how far the forecast deviated from actual demand. Track it at the SKU level and roll it up to tier — not just in aggregate. Targets: A-items below 25% MAPE is good; above 35% requires immediate attention. B-items below 40%. C-items — do not over-optimize.

## Core Metric 2: Fill Rate (by SKU Tier)

What percentage of customer demand was fulfilled on time and in full. Track separately for A, B, and C items. Targets: A-items 98–99% (below 95% is a red flag); B-items 95–97%; C-items 90–95%.

## Core Metric 3: Inventory Turns (by Category)

Inventory turns = Annual COGS ÷ Average inventory value. A company with declining turns is accumulating excess inventory relative to demand — a leading indicator of upcoming write-offs or working capital pressure.

| Industry | Good Performance | Requires Attention |
|---|---|---|
| Manufacturing (discrete) | **6–10x turns** | Below 4x |
| Food & Beverage | **8–15x turns** | Below 6x |
| Consumer Packaged Goods | **6–12x turns** | Below 5x |
| Distribution | **8–20x turns** | Below 6x |

## Supporting Diagnostic Metrics

Reviewed only when core metrics flag an issue: days of supply by SKU, supplier on-time delivery rate (distinguishes forecast failure from supplier failure), forecast bias (persistent over- or under-forecasting indicates a systematic error), and excess & obsolete inventory as a percentage of total.

SECTION 6

# Implementation Roadmap

The following roadmap organizes S&OP implementation into three phases over 90 days. The goal is a functioning, repeating monthly process by day 90 — not a perfect process, but a running one.

PHASE 1 Days 1–30: Foundation

### 1 Name the S&OP owner

The most important decision. The owner must have enough organizational credibility to get cross-functional attendance and enough process discipline to prepare and publish consistently. Give them a clear mandate and air cover from the CEO or COO.

### 2 Build the statistical baseline

Pull 24 months of shipment data from the ERP. Calculate a 13-week rolling forecast by SKU using a simple average with seasonal adjustment. This becomes the anchor for all future S&OP discussions.

### 3 Define your SKU tiers (ABC analysis)

Rank all active SKUs by trailing 12-month revenue contribution. Top 20% = A. Next 30% = B. Bottom 50% = C. Apply different service level targets and safety stock logic to each tier.

### 4 Schedule the first meeting

Book the recurring monthly slot. Confirm attendees from commercial, operations, and finance. Distribute the agenda template and pre-work checklist two weeks before the first meeting.

## PHASE 2 Days 31–60: First Cycles

### 5 Run the first two S&OP meetings

Do not aim for perfection in the first cycle. Aim for completion. Get through the agenda. Produce a published consensus forecast. Track what was hard and fix it for month two.

### 6 Establish the feedback loop

After the second meeting, begin reviewing forecast accuracy vs. actuals as the first agenda item. This is the moment the process starts self-correcting. Without this step, the same errors repeat indefinitely.

## PHASE 3 Days 61–90: Tighten and Sustain

### 7 Recalibrate safety stock using new forecast data

Use the first two months of S&OP output to recalculate safety stock levels using real demand variability and lead time distribution data. This is where working capital release begins to accelerate.

### 8 Document the process

Write down the S&OP process — inputs, outputs, owner, agenda, metrics, and escalation paths. This documentation is what survives personnel changes and ensures the process is repeatable regardless of who is in the owner role.

### 9 Set 6-month targets

Define specific targets for forecast accuracy improvement, fill rate improvement, and inventory turns improvement. Make them visible to leadership. The process needs to demonstrate measurable value to sustain organizational commitment.

> **EXPECTED OUTCOMES AT 90 DAYS**
>
> A functioning monthly S&OP cycle. A single published consensus forecast driving purchasing decisions. Baseline forecast accuracy metrics established. Initial safety stock recalibration completed. Early signs of inventory reduction on overstock items, fill rate improvement on A-items, and cross-functional alignment that reduces the weekly firefighting burden.

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# Ready to Build a Demand Planning Process That Actually Works?

BetterDemand delivers a live AI-powered 13-week demand forecast built on your actual data, plus dedicated senior supply chain expert hours every month to design, run, and continuously improve your S&OP process — starting at $1,000/month.

**THE BETTERDEMAND GUARANTEE**

We will identify savings worth at least 2x your annual subscription cost within 90 days — or we refund your first month. No conditions. One email. At the Starter tier ($12,000/year), that means we find you $24,000 or more in savings in 90 days, or you get $1,000 back.

**Josh Isenberg** · Founder, JSI Partners

jsipartners.com · 610-348-5761

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