Exhibit 59

Co-creating Buy-Sell Process Improvements (BSPIs) with Key Accounts

INTRODUCTION:

This is a "training guide" requested by clients of Waypoint Analytics' "Quantum Profit Management Service" (QPMS). These clients received - within three weeks of signing for the service - many "element" profitability ranking reports, the most powerful being for customers.

Once any distributor understands how very few accounts (typically less than 5% of all active accounts) fall into one of three categories of "high-profit-impact" customers, they are compelled to figure out how to reallocate management time and ingenuity to taking each of these groups of accounts to the "next level". But, both management and sales reps have never really done this or developed the necessary skill set to do it well.

This document is a first-pass at filling that training need. I would appreciate any type of feedback from any readers (Waypoint clients or not). This document and the need it addresses will be reviewed at an upcoming Waypoint Advisory Group Meeting in early March ('10). I envision trying to recast the current contents and more (especially successful case studies) in a web of youtube-type video clips no longer than 5 minutes.

For now, I hope that this is helpful to many of our site followers whether they happen to be QPMS clients or not. For those who may have interest in QPMS, please go to three different links:

www.waypointanalytics.info (brochureware)
www.quantumprofitmanagement.com (17+ "profitgrams; sign up for webinars)
www.merrifield.com/quantum (how-to plays for radical profit improvement)

If you have more interest in QPMS, contact me for information about the next general webinar on Waypoint's service. You may also decide to go directly to a team demo session via "go-to-meeting" which we can schedule at your convenience.

THE OPPORTUNITY/PROBLEM:

From (Waypoint) customer profitability ranking reports we know that distributors (that go to market with outside sales reps) have three small groups of high-profit impact customers:

- Core, super-profitable accounts ("core or gold");
- Super-losing accounts ("lead" like the element; the bottom 1% that eat 20% of the profits made by all profitable accounts; transform "lead to gold"); and,
- High-growth "gazelles"[1]

These three sub-sets of accounts will typically total about 5-10% of all active customers.

[1] David Birch research in the '90s concluded that in every industry, there seemed to be 1-4% of the players that were perpetual innovators/great implementers that grew 2-5 times faster than the industry average and made premium profit margins that yielded 4-6 times the shareholder returns as the industry average. He called them "gazelles". Marry them and they will grow you. Gazelles will generate about 80% of all of the future profit growth for would be suppliers over the next 5 years and much of those profits will be at the expense of competitors (other distributor customers) that the gazelle is putting out of business.

Perhaps up to 30% of all active accounts still have the annual margin potential and average margin per transaction potential to be serviced profitably by the outside sales service model. The other 70% of the active accounts are too small and non-growing (for years) to support traditional wholesale services. Offering these customers a service bundle that includes – inside sales reps; pick, pack and ship; and trade credit – is a loser, especially if an outside rep commission is added (whether the rep still calls on them, or not, but still earns a commission).

The chronically-small 70% may be served profitably, however, with an alternative business model involving:

- Some form of semi-automated, proactive love like e-grams, faxgrams, and/or outbound telemarketing
- Higher pricing
- Un-bundled shipping and
- Credit cards for receivables.
- Or, a spin-out or joint venture that has a "wholetail" model

"Wholetail stores" – exemplified by the Fastenal and Grainger – locations, help-yourself-picking format, prices and terms – have been an expanding and profitable model for some time. More on how to handle the small-customer, small-order sub-set problem in these documents at www.merrifield.com ("the site"): articles 4.11; 2.15; 2.19 .

THE HIGH-PROFIT-IMPACT ACCOUNTS SOLUTION:
If selling commodities for a price in against competitors with the same commodities and "good" rep/service model in de facto reverse auctions is a losing strategy, what is a better solution? The time has come for all distributors to envision getting at least: *last look plus extra points for both the rep and the company's measurably better value equation.*

This better value equation would include offering:

- Brilliant basic service metrics including: best one-stop-shop, in stock fill-rates; and guaranteed zero errors and on-time delivery.
- Enwrapped in the most friendly and efficient buy-sell processes that lower some or all elements of total procurement cost measurably better than any other competitor.

If we already think we have "good", people, service and processes on an unmeasured basis in the customers' eyes, then we don't. There is more upside improvement potential. We have to start thinking of all of our service capabilities like martial art students: what belt color are we currently? What measurably defines "black belt"? How do we take our (personal sales) performance to the "next level"?

We most likely will never achieve the economic efficiencies delivered by suppliers to Wal-Mart through Wal-Mart's continuous replenishment platform (or even the best integrated, sole supply contracts for MRO goods from independent distributors to big end-users). For starters, we aren't, at least today, "supply-chain consultants" who specialize in "Automated, Inter-Business, Process Re-engineering". And, most of our customers may not yet be proactively shopping for that level of expertise.

But, the trend for more customers wanting better BSPIs is strong evidenced by two name changes. In 2001, the "National Association of Purchasing Mangers" became the "Institute of Supply Management". And, many VP's of Purchasing are now titled "VP Supply Chain".

As rookie "supply chain solution" sellers we can, however:

- Use about 10% of the fancy consultants' most basic tricks to deliver about 50% of the expert's potential efficiency improvements.
- Identify some small, simple, process-improvement steps towards the economics that the big-volume, supply-chain stories (vision) do deliver.
- Deliver some simple win-win process solutions that deliver greater value improvement than just cutting the price, which any competitor can immediately meet or beat if they choose[2]

<u>HOW TO FIND SPECIFIC OPPORTUNITIES AND FIXES?</u>

How do we know what and where the "inefficiencies" are? Waypoint Analytics' "quantum profit management service" (QPMS) readily identifies 10's of thousands of dollars of inefficiencies that currently exist between our company and both our most profitable and unprofitable customers and suppliers. When experienced managers and reps look at the (sub) profitability-rankings for both transactions and items for each customer or supplier, immediate ideas for reducing inefficiencies start to be identified.

Why haven't other distributors already done this? Most distributors don't hyper-focus on in-depth opportunities with high-profit-impact customers (and suppliers), because they are:

a. Not users of Waypoint and therefore un-able to re-think their businesses around true net profitability (and supply chain effectiveness) at the line item level. Instead they assume all and more margin dollars are profitable.
b. To grow margin dollars, they in turn get distracted by trying to sell too many different niches and sizes with the same general service model which result in:
    a. Having shallow, mediocre service value for all which in turn defaults into (on defense) hoping for last-look to meet the price or (on offense) shooting yet lower prices to win incremental business.
    b. Accumulating a sea of chronically-small, small-order, losing customers.
    c. Being so lean to make up for lack of profit power that there is no extra time or resources to even read this training guide let alone act.

If we can focus a lot more resources on a few key accounts with QPMS-guided information, we can:

- Create breakthrough value-improvement relationships;
- Increase profit streams from core accounts; and
- Steal best accounts from competitors.

It's like having automatic weapons against competitors with bows and arrows.

[2] For more on selling different levels of integrated supply systems see Exhibit 1 attached

NEW-PROCESS SOLUTIONS FOR CUSTOMERS? WHAT, WHO AND HOW?
Although specific details and solutions will vary for each customer and customer niche, the 19 general guidelines for co-creating "Buy-Sell Process Improvements" (BSPIs) that follow below are the same for all key accounts. These guidelines can be organized by the 9 chronological steps we should use for "relationship selling" in the slide below.

Step 1: Qualify:

1. **Step One and Two** will have already been done for both our biggest winners and losers (which we did not know were such losers until now). But, for choosing which best gazelles to target and hyper-focus on – going forward- Step One is crucial.[3] The "gazelle" accounts may already be potentially big, but buying primarily from a competitor. They are growing so rapidly and profitably, however, that the "net present value" (NPV) of their future profit stream for some "lucky" distributor may dwarf that of our slow-growing core accounts……. Back to "qualifying" our own super-winners and losers: put them into sub categories of open-mindedness/friendliness:
   a. Easy to approach and open to ideas (co-create new skills with them first);
   b. Defensive and adversarial (do these guys last); or,
   c. Somewhere in the middle.

   Cultivate and Penetrate:

   d. This step has also been done for biggest winners and losers. The "penetration" is for most of our products (usually not all; there are almost always, mutual-oversight items to discover). If we start our next-level, tuning and tweaking BSPI efforts

[3]. For more specific info on "Cracking Target Accounts" see this slide show at: http://www.merrifield.com/articles/Cracking_Target_Accounts.pdf

with our most-friendly customers, they will be delighted to (unknowingly) help us to become semi-competent, “inter-business, process re-engineering consultants”

Sell Total Economic Feasibility Study

A branch manager or top manager communicates initially with their counter-part on a customer’s organizational chart. This target contact must be someone who is intellectually able and organizationally expected to see, understand and continuously improve buying processes. If the account is big enough, this person might have a title similar to “VP Supply Chain” as opposed to a purchasing-category buyer with whom our sales rep may primarily interact. (See article 4.10 for: “How to turn losing accounts into winners.)

When we make visits that we (and hopefully our competitors) have never done before, our hosts might ask our rep initially: *“Why, specifically, does your honcho want to visit us? Everything is fine here.”* The answers are (and these can be written down and handed/mailed situationally to a customer):

a. First, to personally thank you for being a wonderful customer.
b. Next, to briefly visit with, thank and survey all of the folks who inter-act with or are impacted by our: people, services, products and paper process-flows.
c. We want to test the theory that: if both companies increase and deepen the communication between the respective teams that we can take the total economic effectiveness of how we work together up a level or two.
d. More specifically, using in-depth product-activity data from your past purchases (more Waypoint tools), we want to explore the possibility that we can figure out how to measurably lower one or more of the (perhaps not currently measured) elements of “total procurement cost”. Key metrics that we will hope to improve are: [4]
    i. On-hand, supply-need productivity which can be measured by…
    ii. Uptime (or less downtime) due to on-hand goods which leads to. . .
    iii. More tasks “done right the first time and on-time”
    iv. All with less purchasing time and paperwork cost positively traded-off against in-house, inventory carrying costs.[5]
e. A second major process objective will be to reduce the total time from: identification of a new need to best procured solution from us as a supplier.
f. While reviewing “special order” needs, we may find one or more extra services that we might provide the customer. Examples of extra service are in Exhibit 3 of this guide.
g. A third process area (which may not be applicable) we may be able to improve would be to reduce the time that your in-house people take to quote next-users (customers) by 50% to 80% with more timely and accurate cost inputs in order to win more business simply due to rapid response. (This is a big opportunity within channels in which distribution customers constantly quote “jobs” that used distributor goods.)
h. As you (the customer) review this ambitious list of objectives is there anything that you would like to add to the agenda or other/modified “key performance indicators” (KPIs)?

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[4] For more on TPC see: articles 4.2, 4.3 and Exhibit 3 at merrifield.com)
[5] For more on optimum order size to balance paperwork costs v. carrying costs see Exhibit 2 attached.

i. And finally, for whatever insights that we might discover together about how to lower your costs or increase your value-added, we will be delighted to summarize them in <u>a follow up memo</u> along with ways that we might be able to help you implement those ideas.

j. Optional: if the rapport and visit will allow it, we may ask to review all of the purchasing records from miscellaneous/small (trade credit) vendors to see if there are any miscellaneous items that they could switch over to us.

   a. As a general (power-law) rule, the bottom 50% of trade credit vendors only account for about 10% of the spent dollars, but perhaps as much as 50% of the purchasing, paper-work activity. If small orders from small vendors can be consolidated into supply-flow from big vendors, then all 11 elements of TPC tend to drop.

   b. We want to systematically review all of the possible items that we already stock which the customer could be buying from us, but is not. There are always mutual oversight opportunities in spite of both reps and buyers thinking that they have (informally and unsystematically) reviewed all of the item buying consolidation possibilities.

4. Analysis

The distributor team that will follow total scenarios and the related, underlying, process flows for – paperwork, product and product information requests – through a customer's business should do some homework in advance to:

a. Have some fluency with and conceptual flexibility about:
   i. "total procurement cost" and how some or all elements of TPC can go up and down with different supplier service inputs;
   ii. process (re) engineering flow-charting (Ex. 3 at www.merrifield.com);

c. inventory replenishment economics and physical storage and replenishment systems integrity.

b. Know all of the item usage history and patterns for the customer from our in-house transactional database to generate some interpretative theories for how to reduce small – line-item and order – transactional activity for both parties and other possible experiments to explore.

c. Know what items we have been selling to similar types of customers, but which a specific customer has not been buying.

d. Brainstorm and summarize in writing all that the team collectively knows and would ideally like to find out about the account's: personnel; buying philosophy; supplier history; internal systems; metrics for doing a good job, etc.

e. Write down as many thoughtful questions in the right, best order for each person with whom the team will visit (the team may only be a manager and the rep on the account). These questions, if appropriate, can even be handed to some of the interviewees upfront or just serve as a pre-thought-out script for the team.

f. This may sound like a lot of work. But,
   i. Total time to do all of this account research and question writing will drop in half for each time the process is done (the learning curve effect). By the fourth time, much of the script, questions, etc. will be quite standardized.
   ii. We will only be doing it for 5%+ of all of our active accounts, and we should have the resources to hyper-focus if we solve both the small-

account, small-order problem along with re-focusing and re-compensating the sales force (article 4.11).

    iii. <u>There is no better Return On Management Energy **(ROME)** within a distribution business, than getting big chunks of improvement in the bottom line profit from the 5-5-5 accounts!</u>

g. All through this process, we don't need to feel like or pretend that we are expert, "inter-business process re-engineering" consultants. We are just good-old-boy, appreciative suppliers who want to "**tweak and tune"** what ever is going on. <u>Our initial goals for the customer should be simple:</u>

h. We're surveying everyone who has direct or indirect "touch points" with our <u>company in search of one to a few: obvious, big, opportunities to remove some customer personnel pain and/or unmet needs.</u> We are looking for continuous improvement refinements for the BSPs that are already in place. And, we may find a custom-service or two that we can do for a huge account that delivers some value (Ex. 3.). We are not trying to automate away all of the people and paper between two companies as Wal-Mart has done or that B2B commerce consultants are trying to sell to big buyers with big ERP systems. (We may, however, do **some simple, "California-closet" type work** for wherever their on-site physical storage of our products are to streamline the inventory replenishment process for both parties.)

i. The goal is to **start off with some quick, easy wins** in an on-going journey for a new type of relationship. We don't just want to sell them tangible commodity products, but to also help them to <u>measurably</u> increase their bottom line and to give better service value to the next folks in the value-chain of which we are all a part. (A goal would be to have customer employees intuitively understand if not say something (probably) simpler than: *"We know that we can always get a lower price on any of the commodities that we buy from our current supplier. Even though their prices are higher, their measurably delivered total-value and total-cost system solution is compellingly better. We give them last look plus a couple of points, because it is still a better value than the alternative bargain-price, bargain-value total service scenarios from other vendors.")*

j. To deepen the understanding and communication between as many of our people and their people who may get involved in one or more process "touch points". Have faith that if more of our people tour the customer's premise, systems and meet their counterparts, the two teams will come up with a lot of quick, simple helpful ideas for how to do business measurably better.

k. We do want to identify and better measure one or more "key performance indicators" (KPIs) from our customer's perspective. We can do this by:

    i. Asking each customer contact: how they will be (measurably?) judged for doing a continually improving job at year end? By who? (How can we supply product needs AND make them look good?!) No guarantees, but we will do our creative best.

    ii. Suggesting that as a result of the walk-through survey, we would like to generate a lot of "good ideas" to then <u>do some simple, fast **prototype experiments** to either refine or winnow down the idea list to quickly move to something that will work for both of us</u>. **These words – "***lots of good ideas to find one or two best ideas; rapid prototype to learn from and* *experiment forward"* – should convey that we are humble, non-experts who want to co-create friendly solutions for both sides. [6]

l. Our ulterior motives, which we may situationally share with some customers – as previously covered – will be:
   i. To increase the relationship bonds with the customer. This will reduce the odds of our ever loosing the account or chunks of business, because we will have more spies, sponsors and fans on premise who will keep us abreast of any and all potential changes. And, on the upside, the same bonds will increase the odds for getting the jump on all potential new product needs.
   ii. To get our own inside people on tours of high-leverage accounts to better motivate, educate and equip them to do subsequent, proactive, extra-effort service efforts (aka, "heroic service acts") which are often the key to not only building loyalty, but winning every new potential piece of business.

m. Improve the customer's physical storage of , labeling for and local re-ordering of the goods we sell them all towards increasing average order size and reducing our total cost to serve the customer.

n. With more adversarial, cynical customers who insist that *"lower prices" are all that matter,* we can counter with. *"Why stop at trying to lower just price; why not work with us on lowering all of the elements of TPC in a way that also lowers our 'total cost to serve' you. We can then split our cost savings with you as well as increase your uptime, on-time, etc. metrics. If we flow-chart what's going on and what could be, we can co-create win-win solutions"*.
   i. This will call most buyers bluff, because they really don't want to work that hard; change; rock any process boats; or reduce purchasing department activity which is their job security. As graduates of the bully-school of price negotiation which teaches them to pound the desk threatening to switch suppliers for a lower price, they often get lower prices from an existing supplier without even doing a formal bidding process.
   ii. We can be guilty of historically reinforcing this bully behavior, because we did cave and didn't have the comeback that we are now developing: *"but we deliver better total value and (hidden) cost savings to your bottom line. Our higher-priced, total-service solution is the best economic value!"*

o. Look for more "old items" to sell to an "old customer" ideally on a larger average order sized basis to maximize the incremental flow of incremental margin dollars to the bottom line.
   i. If possible we will ask to look through the purchasing files for other miscellaneous, trade-credit vendors with the goal of helping the customer to reduce the smallest 50% of their vendors from whom they only buy 10%+ of their product spend.
   ii. When new ideas are identified it is important to change the physical storage labels and whatever else is necessary to insure that the customer's people will reflexively and systematically re-order from us rather than continue to habitually do what they have done in the past.
   iii. Identify a pool of branch people and some extra-budget money to apply to all improvement fixes we identify for and agree upon with the customer.

[6] For more on "Failing forward with small, prototype experiments" see at my site: article 2.34 & slide show #22.

Some reps may be reluctant to participate in this "new change" and just keep doing their routines. They will, however, later be happy to see the improvements, the increase in business and potential compensation. Be prepared to have to augment the follow-up implementation work.

p. As we continue to work from our most friendly, open-minded and change-accepting customers to the more hide-bound, we will start to accumulate:
   i. Expertise;
   ii. Ever-more-canned solutions for the common problems/opportunities that similar types of customers within a common niche will tend to have;
   iii. General confidence; and even…
   iv. Testimonial case studies with before and after pictures. It's important, though, <u>not to have "premature elucidation"</u> and say stuff like*: "Oh, I see something that you are doing that is inefficient, we have solved that problem in other places by just doing this…."* <u>If we want customer buy-in to changing how we both do business together, they must lead and set the pace.</u>

Consider taking a digital video camera to <u>make a simple, home-made-movie documentary</u> (or at least cell phone photos) of the people you meet along the way and the physical spaces and places that our paper, product and information flows to and through. This will help to create a story of before and after for both teams of people and for educating new trainees at our company who will interface with our key customers. (I've been doing some work with Kiva System warehouse robots. For a great youtube video on how the robots work in Zappos' warehouse v. humans with state-of-the-art, traditional automation, check out this link and ask: could we create some testimonial videos like that? http://www.youtube.com/watch?v=Fdd6sQ8Cbe0&feature=fvw .

Ask to be able to check back with any and all people about subsequent questions that will arise. In a genuine co-creative, semi-customized, inter-business process improvement exercise, there should always be more new questions than answers which will take longer to emerge.

<u>For super-loser accounts</u>, we can lead with our apologies for the huge amounts of presumably lose-lose transactional (paperwork for them; paperwork and delivery for us) costs. *"We know that on our side we have abnormally high transactional activity, so we are wondering: are you suffering from the same (hidden) paperwork costs as well as potential stock out/downtime/next-customer, service delay cost(s)?"* We can tell them that the problem isn't anyone's fault, although we are concerned that possibly we may be causing it. And, regardless of the structural, root causes of the high-activity, we assume that between us we can come up with some sort of custom, extra-service work-around that will turn a lose-lose paper-processing activity cost opportunity (if not more benefits; downtime, etc.) into a win-win. And, our solution goals will be to:

a. Honor the customer's original purchasing objectives;
b. Lower other previously unmeasured costs; and perhaps
c. Increase the customer's productivity and value-added.

From my experiences: 40% of customers will be open to change; 40% will be reluctant to admit that they don't already have a perfect purchasing process; and 10 to 20% will be adamantly opposed to any change or are just cherry-pickers who have been buying all of the rest of their needs from a competitor(s). With the last 10-20%, we may eventually have to dictate new pricing and terms which will allow the company to make money on the account. They may go on strike, but will often come back, because we still have the cherries that they need; and/or, no other supplier will put up with their super-losing requests.

5. **Proposal**

   What we finally propose to a customer should be in a simple, written memo summary (don't have to call it an "audit report"). Writing things down will help us to clarify our: thoughts, actions, costs and timetables. This "report" will vary by each customer. And, we shouldn't be afraid to include an exhibit about "next round: questions, theories, investigations, etc." It's important to realize that there will never be one final and ever-after static solution for how two companies can do business better together, especially given how much change in the business environment affects in turn purchasing needs. *"Let's take our mutual productivity to the "next level" as best we can right now and agree to monitor and co-evolve our buy-sell processes on an on-going basis."*

   a. Splitting the cost of the implementations and the benefits. For some reason in most inter-business, supply-chain solutions the seller has greater, if not all, upfront costs and the buyer gets the greater upfront benefit. How the costs and benefits are calculated and re-balanced, if at all, is a situational call. In my personal experience, I have – as the vendor – eaten upfront physical replenishment system improvements and software investments with the first few customers to get experience and to create new "extra services" that measurably work with happy testimonial customers. Then, as I have "productized" the audit process and "extra services" that can apply to multiple customers within a common niche, things change. How much the customer may pay for the upfront implementation costs and/or on-going extra services becomes a highly situational negotiation. Just make sure good estimates of upfront costs and benefits for both parties are quantified and recognized by both parties. Otherwise, in the customers' minds out-of-sight will be out of mind. They will minimize both the seller's costs and their benefits to avoid having to give up any future bargaining chips to us.
   b. In any formal proposals, there should be upfront agreements on what both parties will do for Steps 6-9 in the original slide above.
   c. For <u>installation</u>: both sides should ideally choose a project coordinator or champion. These two should be joined at the hip and have common measurables that they are trying to improve. Otherwise, out of sight will be out of mind for the customer's perceptions of their improved benefits.
   d. For <u>measurements</u>: if metrics for before, during and on-going can't be agreed upon, then the theoretical benefits that we are shooting for will be under-achieved (the reality will fall short of the theoretical benefits) and then results will erode back to "business as before". Metrics and champions trying to improve them will increase the odds that the new order of things will get installed, fine-tuned, well-maintained and beneficially appreciated by both parties. To paraphrase the "second law of thermodynamics": we can not achieve a higher-order of coordinated economics if we don't put improvement energy into the current "system". And, if we don't continue to put maintenance energy into the system, it will tend to degenerate to a minimum level of effectiveness.

e. For on-going maintenance: both parties should agree to re-audit all buy-sell processes as needed to update them with technology and changes both within and external to the two companies that require adaptations.
f. For testimonials, two types: internal and external. Focus primarily on "internal testimonials" in both writing and video (before and after if the physical environment changes for replenishment systems). The concern is that as the initial generation of customer team-members begins to turnover, the new people will not understand or appreciate the hidden economic benefits of what is going on between the two companies. A common scenario:
    i. A new buyer comes in from outside the company.
    ii. A competitor offers to do everything we are doing and at a lower price for the goods.
    iii. The buyer can be an instant hero and agrees on the deal without consulting anyone who might be affected by a new supplier's ham-handed attempt to copy what we have been doing.
    iv. Neither the competitor nor the new buyer anticipate how big the switching and imitation costs and skills might be, and the competitors falls short and takes too long.
    v. Eventually the competitor realizes that at the lower prices they can't afford to do the extra services and wants a price increase that equals or exceeds what we were initially charging.
g. So, to protect the customer (and us) from the customer's own potential turnover problems, we need documentation for before and after economic stories to educate each new person that joins the team. This will insure that a higher-order system's economics will be understood, appreciated, preserved and improved. Otherwise, systems naturally devolve to pursuit of lower prices for inferior service where the hidden costs of the lousy service exceed the measured price savings.
h. THE EXTERNAL testimonials are a request that only if the customer is truly, measurably happy will they give a testimonial as in the Zappos video, because they are generally happy to share a great idea with other businesses who could benefit.

Objections/Resistance To Any Aspects of This Win-Win "Proposal" Step Thinking

i. We will attempt to at first minimize any resistance by any and all customer personnel by first working with the easiest, they'll-do-anything-we-suggest customers. This will allow us to get more skilled and versatile with buy-sell process improvement thinking and chat as well as objections of different types from different buy-side folks.
j. As we visit with different people who interface with our company in different ways and have different narrow interests, we will get different reactions. Most everyone (bottom-up) - except the full-time, "professional" buyer(s) - will be open to our listening to their problems and trying to help alleviate their pain. The full-time buyers are typically the biggest resistors, because:
    i. They were schooled to be difficult and concede nothing without a price reduction at (win-lose) negotiation school. To admit to liking any value-added moves from a supplier is to lose leverage in the next reverse auction for commodity goods.

ii. They are typically not systems thinkers; if they can't count it, price it and check it off, they struggle to get it. Who wants to say: "I don't get it", especially when they should be responsible for seeing (hidden) inefficiencies within the buying processes.
iii. With lots of fawning sales people calling on them, they can become arrogant and out of touch with reality which adds to problem "b".
iv. If paperwork gets consolidated/automated and/or their associates short-cut an old system by going directly to our people, their job activity and control seems diminished. They may fear for their job.
v. This is why we must get to a higher-level supply-chain process, systems thinker who will get the big picture and next level benefit story. They also will have the power to change the internal processes and assure those who will see activity reduction that they will not only still be employed, but given higher-level productivity, value-added things to do.

j. Another main source of resistance will come from Branch Managers and their reps, neither of whom have never done systems (re-engineering) selling before. The rep may feel (like the buyer) that:
   a. They are being compromised; their competency questioned or exposed;
   b. Their perceived value to the account might drop, and their job-security, "control of the customer" in the eyes of the company will be diminished as more the key account's people create more and deeper bonds with our people.

k. We can reduce the local manager's anxiety of being an unsure rookie at all of this by:
   a. Starting with most friendly customers
   b. Framing it as a simple walk-through looking for simple improvements to make (were not installing computer-to-computer, vendor-managed-inventory solutions).
   c. Framing any improvements as cheap, quick prototypes which won't be the final solution, but may lead to one after we both learn from it.
   d. Generally, taking baby steps until we feel confident and comfortable at doing bigger, bolder action with subsequent customers (For "failing forward with brilliant mistakes" reading/philosophy see article # 2.34 and slide show # 22)
   e. Having a de facto "VP of Strategic Accounts" coach them through enough visits and next-level cases to grow confidence.

6. INSTALL

What ever ideas we come up with for improving the BSPs with key accounts should be:

a. Written down
b. Ranked on a cost/benefit time to install basis (What will give one for both parties the biggest benefit for the least effort the quickest?)
c. Assigned to a floating crew of our people to get done
d. Who will be the project co-managers on both sides of the fence?
e. How will we measure before and after effectiveness?
f. At the beginning, keep it all simple remember the 9 F guidelines in slide show # 22 above. We are going for first generation prototype, demonstration solutions with a plan to continuously improve as possible.

7. **Measure**

When we think about what are valuable inputs and outputs of a BSP, what we imagine would be most useful is not always easily accessible or precisely knowable. But, we can – with a little imagination and ingenuity – come up with some quick-and-dirty metrics which are good approximations for what is going on. Then, as long as the metric stays the same, we can measure whether it is trending for the better thanks to our numerous intervention experiments on the system to make that system more effective.

8. **Maintain and Expand**
   a. A paraphrasing of the second law of thermodynamics informs us that: Any higher order system in the universe must have constant maintenance energy put into it in order to maintain its effectiveness or it will in time run-down and back into random or chaotic form.
   b. A second key principle is that world of business thrives on changing the rules through innovation to have either or both a cost or value edge. All of this change in turn changes the general economic environment. All companies (and their BSPs) must there fore reactively change to adapt to the demands of the changing environment as well as look to innovatively improve in order to deliver economic growth for all stakeholders of a business.
   c. These questions when asked on a periodic basis reveal new improvement opportunties for BSPs:
      - What's not working so well any longer?
      - What are new points of error, delay, friction or lack of speed have not been addressed and solved?
      - What products need to be dropped, added, upgraded or downgraded?

9. **Testimonials**

The goals are:
   a. To create documentation with which to educate next-generation employees at our customers locations on the hidden benefits of the better BSPs that we co-create, so that they will appreciate and maintain them as opposed to let them run down in effectiveness and/or be thrown out for a simplistic got-a-lower-price deal with inferior service and productivity economics.
   b. Have the customers people be so excited with what we have done for them that they would be glad to be positive testimonials for other prospective customers of ours who we would like to take to the next-level of BSPs.

FINAL CONCLUSIONS

For distributors who go to market with outside reps as a key element of the business/service model, customer profitability reports reveal that precious few of a profit center's active accounts (typically 10 to 20):

a. Generate an enormous percent of their true internal profits;
b. Destroy an enormous amount of their profits, which can most often be transformed to big winners;

c. Or, are perhaps big now, but very fast growing, profitable accounts that have the highest Net Present Value (NPV) for future profits of all accounts.

These three sub-sets of high-profit-impact accounts will respond significantly to:

- Hyper, team-focused relationship selling that focuses on BSPIs;
- “5x5, “delta net profit and incentives paid on net profit delta” (all from Waypoint) .

Most distributors with outside sales forces are also enormously distracted by too many, chronically-small accounts that haven’t grown in the past 5 to 10 years and will not, under present management, grow in the foreseeable future. These can be 50 to 70% of all active accounts that total about 10% of sales and margins, but up to 40%+ of activity costs. They need a different service model to become profitable. If they leave for other full-service competitors due to our reduced service value offering, then we can either lay off more people (transactional activity) costs than we lose in margin dollars for a profit gain and better focus on key customers. Or, we can redeploy the slack personnel energy into more extra and proactive services for the key accounts.(Small order program information in articles #-ed 2.14 and 2.19 and in my DVD training program, modules #-ed: 3.6-3.11)

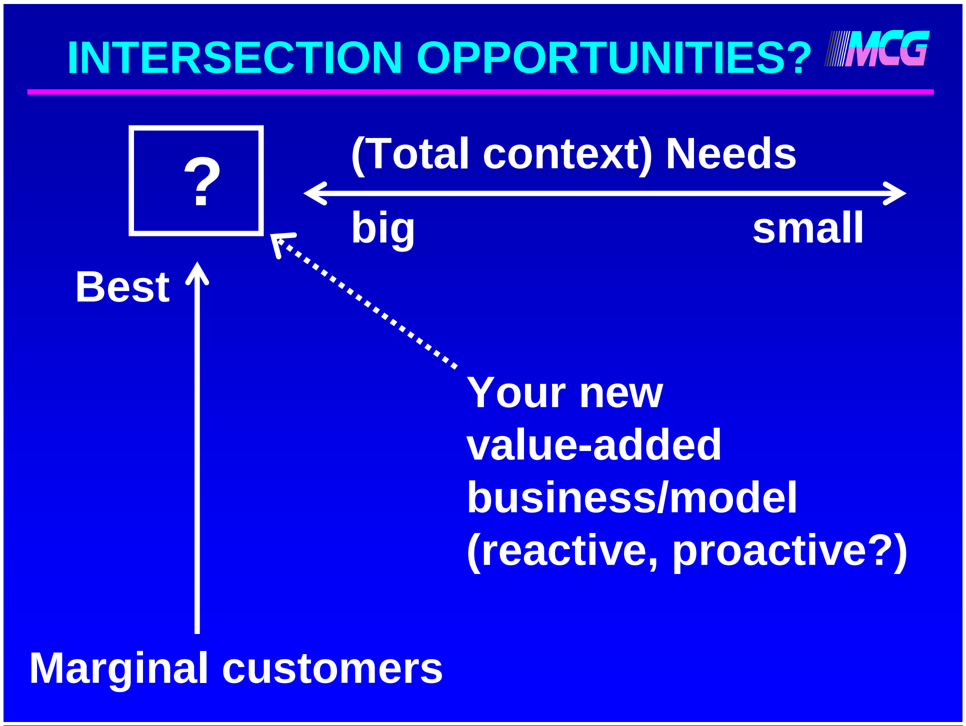
Because both management and reps have typically not team-sold key accounts with BPSIs in mind, it can be a bit new and un-nerving. It may seem novel to customers too, but all next-level, service-value innovation is “new” to both seller and customer. Nothing ventured, nothing gained. The philosophical key though is to “think big, act small” (TBAS)and take baby-steps towards better win-win BSP results (read the docs on the TBAS philosophy in footnote above).

Big, measurable, economic improvements can come from a few, simple changes within key accounts, because few to no competitors have even begun this entire line of strategic thinking and action.

Start exploring and co-creating simple, BSPI experiments with high-leverage accounts now. There is more profit to be made in removing unintentional friction - that exists between channel partners hidden within the general financial average- than trying to sell harder to more accounts that have less to buy from regular suppliers in this tough economy.

Exhibit 1

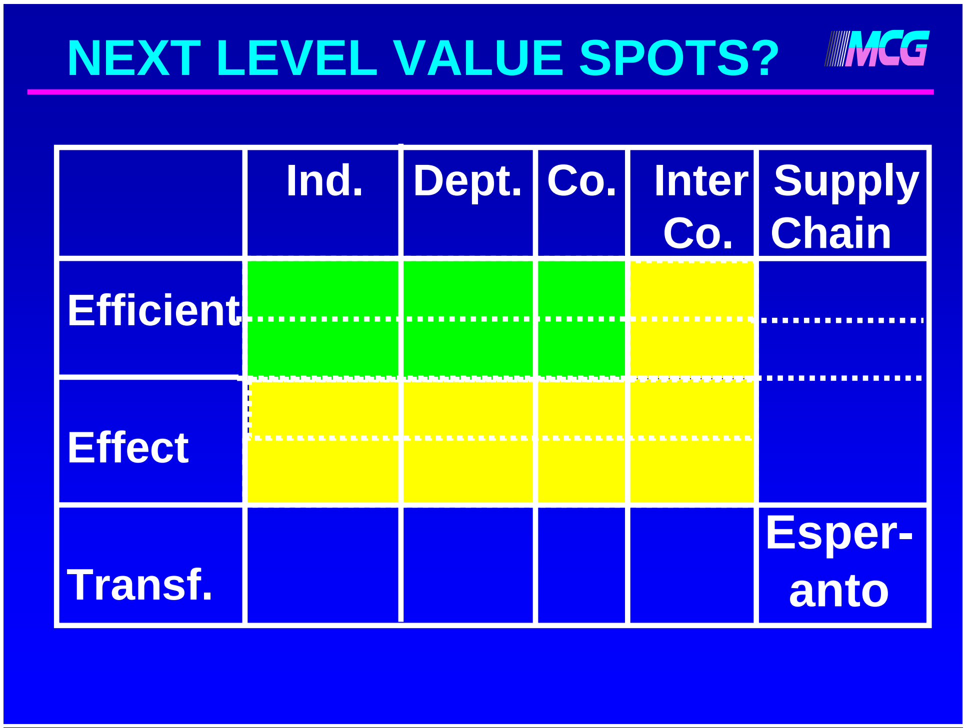
PROCESS RE-ENGINEERING LEVELS OF THE GAME



Slide One

The first slide (above) graphically illustrates where we are looking for next level ("latent") service-value needs within the BSPs at current and potential high-leverage accounts. (The three categories of key accounts – core, gazelles, lead plus most up and down – are all tracked by Waypoint's 5x5 report).

In the slide on the next page), the next question is exactly what type of new-service, ideas might we focus on and which ones should we solve first:



Slide Two

In this slide, the horizontal bands ask: What <u>type of improvement do we seek?</u>

a. **"Efficiency"** is doing exactly the same activity, but just better: faster, error-free, cheaper. It may be a strategically worthless activity, but we do it better.
b. **"Effectiveness"** means that we are modifying the activity to be doing the smart, right thing in more of the right way, especially in light of what continuous change around us is demanding from us.
c. **"Transformation"** involves fundamentally changing how an immutable need is met. To go west in a modern commercial jet is better than a covered wagon. In the transportation analogy, each new transformational mode requires new, comprehensive ecosystems which makes industry transformations very difficult to pull off and quite destructive to all of the players in the old order.

The vertical columns ask: How <u>wide a scope will our problem/need/solution affect?</u>

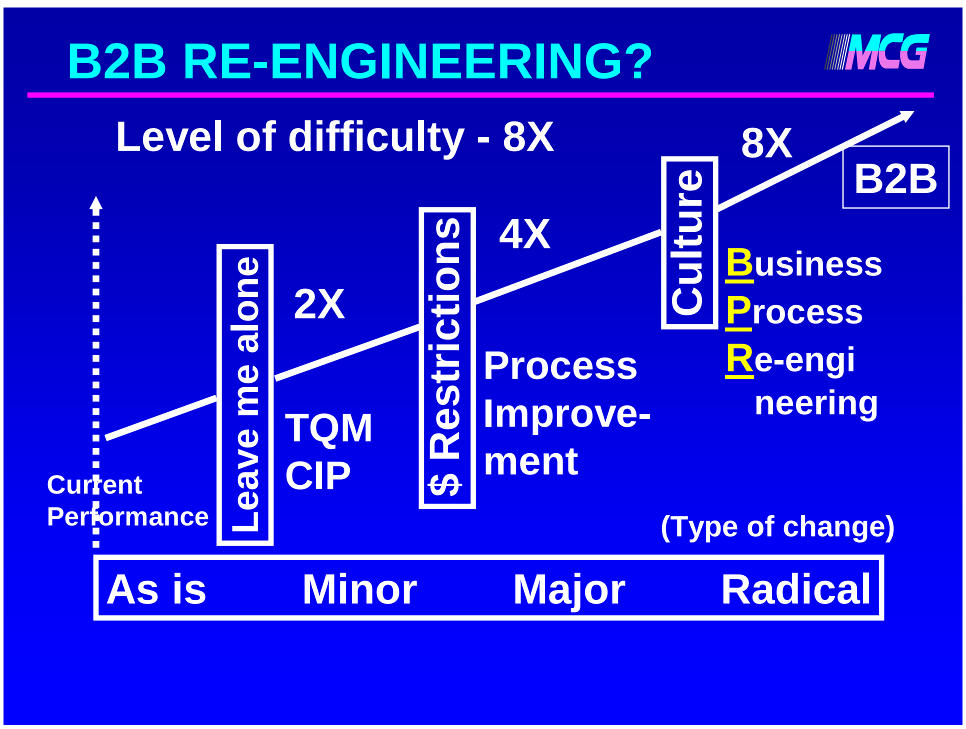
a. "**Individual**'s world": we all come up with our own "systems" or habits for dealing with everyday activities more efficiently, sometimes effectively and most rarely transformationally. Artisans are always appreciative, for example, of next generation tools to do whatever they do more efficiently.
b. "**Department**" level: in larger corporations we may have a number of people doing the same task in a department. Sometimes solutions to their problems not only make them more efficient, but they are more effective in answering more customer questions with more depth and speed, because of access to new databases of information.
c. "**Company**" (or inter-department) level: If we flowchart a process that snakes through a number of departments and then re-design it to be more efficient, effective and friendly for both employees and customers, that would be great. But, each job in each department will be affected and have to be rebalanced. If buyers were told we

had a plan to dramatically reduce and automate all of the paperwork that they process, they would fear for their jobs and resist. If upfront they are assured of job security and a list of new tasks that are more interesting and more valuable to the company, then resistance to the proposed change will drop.

d. "**Inter-company**": Customers enter their own orders and answer many of their own questions via the web rather than through inside sales.
e. "**Supply Chain**": Wal-Mart's "continuous replenishment" platform.

Comments on slide two:

a. The upper-left corner (individual efficiency) innovations are the easiest to see, desire and implement and have the lowest economic impact. The lower-right corner (industry transformation) changes are the most difficult to see and implement, but have the biggest economic impact on society.
b. If we survey our customers for ideas on how to help them do what they are doing more efficiently or effectively we will find opportunities within every vertical column. We should start solving the solutions in the upper-left and progress to the right and then down.



Slide Three

This slide attempts to illustrate how difficult it is to go from historical, paper-based Buy-Sell-Processes to integrated, paperless activity over the net. It plots the scope of the proposed change along the horizontal axis from no change to radical. And, the degree of difficulty in succeeding with the change up the vertical axis.

a. In the bottom, left-hand corner (0,0), we start off with an individual doing what they have been doing and leaving them alone ("as is").
b. Moving to the right, we can endeavor to apply "total quality management" (TQM) and continuous improvement (CIP)" ideas to an existing process which moves up

vertically to a “minor” degree of difficulty. This is where most of our early BSPI opportunities will fall.

c. If we flowchart an end-to-end process that flows through 2 or more departments and/or crosses company boundaries to become “inter-company” instead of just “intra-company”, the difficulty goes way up. This is why the “automated re-engineering” projects (trend) that started in the early ‘90s with the ascent of SAP and other ERP vendors was enormously expensive and failed a majority of the time.
d. If we try to: 1) redesign a process; 2) automate it; and 3) have the solution work between two independent businesses each with its own internal culture and IT legacy systems, then we are looking at extreme difficulty, expense, and risk of failure. Why and how Wal-Mart was able to make “quick response” work first with the textile (supply chain) vendors (’83-’86) then P&G (’86-’90) and become the channel captain for transforming consumable supply chains is a remarkable and unique story. The other side of WMT”s perpetual innovation is that 95% of the traditional discount retailers (including K-Mart) and then grocery stores could not imitate (change) and went out of business because of it.

When a distributor first explores a high-leverage account for “process improvement” opportunities, they should remember to: **crawl, walk, run and then finally, consider flying**. This entire training document is about doing “minor” TQM and CIP types of things, because for right now that is enough to take the customer value proposition and win-win, buy-sell economics up significantly (at high-leverage accounts). A big reason it is possible, is that no other distributors have gotten the insights that this document is based upon. HAVE FUN BABY-STEPPING YOUR WAY TO INCREASED PROFITABILITY.

Case Study on Transforming a Super-Losing Account to a Winner

Key Questions

1. **Is the customer (XYZ) getting killed on transaction costs too?**
2. **Is XYZ suffering from some stock-out, down-time, not serving their customers on time costs, because of too rapidly turning inventory?**
3. **If XYZ ordered 25% as often but with 4X the spend per PO, what would be the trade off between higher carrying costs and lower paper and stock out costs?**

THE HIGH COST-TO-SERVE, LOSING MONEY STORY:

One of a packaging-supply distributor's (PSD, Inc.) biggest losing accounts, "XYZ, Inc.", had the following statistical profile:

Sales$s:	113, 774.00
GM$	50, 431
GM%	44.3%
Cost-to-serve$s	100,934
Profit	(50,503)
# Invoices (12 mos)	277
Total Line items	2014
Lines/Invoice	7.3
#Unique SKUs	36
Cost/Inv for PSD	$364.38
Sales/Invoice	$411
XYZ Locations	5
Orders/Week/locat'n	1+ (277 invoices divided by 5 locations divided by 52 weeks)
Est. Cost/Inv to XYZ	$20-80 (i.e. What are the variable and full-costs for XYZ to do all of the paperwork involved in cutting a Purchase Order (PO))

Background info on the distributor:

1. This distributor has about 2800 active accounts out of one location.
2. The type of products that they sell can be bought by a huge swath of small businesses.
3. After years of hiring young, inexperienced reps on a "draw" with promise to go to straight commission quickly, these waves of reps (many of whom did not survive) called on lots of ever smaller and more remote accounts. Why? Because the established reps had already found and then started to inherit the best, closest "A" accounts.
4. When the reps didn't make it economically, their new accounts became "house accounts" with high GM%, but on orders so small that the GM$ did not equal the cost per transaction even without rep comp included. .
5. This distributor has a reasonably high-turning warehouse inventory (8X). The product is very bulky and freight-sensitive, so this type of distributor typically has their own truck fleet to make deliveries within a 100 mile radius of the warehouse.

6. If a distribution company has enough accounts (in this case - 2800) and has not been knowledgeable about and proactive with “cost to sell & serve” economics, then their first customer profitability ranking report reveals big surprises at the extremes. There will be a few super-profitable and super-unprofitable accounts. At the most profitable account, every ideal condition will have luckily lined up to deliver fantastic profitability and free internal cash flow from the customer. Such as:
    a. Buying large orders in large quantities with large volume per line-item to deliver economies for: order entry; warehouse picking; and margin dollar payload for the fixed costs of both stopping a truck for delivery and doing all of the related paperwork involved in extending follow up trade credit.
    b. Buying most profitable items (the company buys them in big volume on a frequent basis);
    c. Delivered easily to one location close to the warehouse (v. the trucking costs of delivering 100 miles away)
    d. No special service needs; and
    e. They pay promptly.

    At the other extreme, a distributor will have a few accounts like XYZ, for which, small orders with lots of small-line item buys (high picking costs) were being delivered (freight free!) to many locations remote from the warehouse.

Specific Analysis of XYZ, Inc.

7. This particular super-loser looks very good at the sales, GM$ and GM% level. And, some rep who might be getting paid 20% of the margin dollars should be delighted to be making about $10K in commissions on the account.
8. This account, however, has 5 locations spread evenly over the metro area that all need a laundry list of misc. packaging supplies. So, 52 weekly orders times 5 locations explains 277 delivered orders per year.
9. Because the account is not a heavy packaging supply user, they don’t buy skids of a few items, but a laundry list (36 different items) in small quantities.
    a. The average order has 7.2 line items to pick in the warehouse v. a company wide average of 3 lines/invoice.
    b. The sales/line item for this account averages $56.49.
    c. The distributor’s most profitable customer, ABC, Inc. did, by contrast:
        i. 699,957 in total sales on 1536 lines and 381 orders.
        ii. Or, $1836/invoice (5 times greater); $455.70/line (8X); and 4 lines/invoice.
10. What are XYZ’s approximate costs for – paperwork/invoice; stock outs; and carrying costs – considering the flow of purchasing that they are doing?
    a. When PSD’s truck delivers goods to a location, there is a paperwork process that feeds into a “three way match (delivery paperwork; PO; and billed invoice) for both the buyer and seller (delivery; invoice; and check payment). The average cost of a purchase order for a business will range from a low of about $20 for just variable costs to $80 and beyond when all overhead costs are allocated.
    b. At the low end of the range, XYZ is spending $20 divided by $411/order or 5% of the cost of the goods on the paperwork to buy the goods. At the high end ($80/purchase order), they would be spending 20% of the price of the goods.

c. What is the carrying cost for $411 of supply goods that turn over about 50 times per year? Assuming it is 24% per year and all year around, each location would have on average about $205 of inventory, *the carrying costs are negligible in comparison to the paperwork costs for 277 PO's per year.*
d. What is the cost of not having the supplies needed to take care of the operational problem or the next customer in the value chain? How often might an unusual spike in demand during a given week, wipe out stock causing a rush order from PSD? And, what happens to productivity and service value while the employee at XYZ waits for the delivery in 24 hours? Who knows? *But, down-time costs for lack of product will also be a magnitude greater than the negligible carrying costs*.

11. How do we turn a lose-lose, total-activity-cost relationship into a win-win one?
12. If XYZ had its 5 locations re-order supplies on a monthly basis, the average order size would increase to about $1600. How much would carrying costs increase per location and over all for XYZ?
    i. $411 divided by 2 equals the average inventory investment <u>currently</u> on hand which equals roughly $205.
    ii. $205 x 24% annual carrying cost = $49 per location
    iii. Monthly orders of $1600 divided by 2 equals $800 of inventory investment on hand x 24% = $192
    iv. Or, $192 – 49= 143 x 5 locations <u>= $715 increase in annual carrying costs for XYZ</u>
13. How much would paperwork costs drop?
    i. 277 invoices divided by 4 = roughly 70 invoices; or 207 less
    ii. 207 x $20 per P.O. = <u>$4140 in paperwork savings</u>
    <u>(@ $40/P.O. = $8280;</u> <u>at $80 => $16, 560</u>)
14. How much would productivity and/or customer satisfaction increase for lack of less stocking out of supplies? Who knows? But, the figure would be much bigger than the annual increase in carrying costs.
15. What would be the grand total for lowering XYZ's "total procurement cost"? Assuming $40 per PO, it could potentially be more than $8280 if XYZ could either lay-off or redeploy the paper processing people and their associated overhead to other innovative, continuous-improvement opportunities. The same would be true for the users of supplies. Right now XYZ is staffed to be able to have people sit around and wait for the supplies that they are stocked out on. If supply-user productivity and value increased what should we do with the slack? How would it naturally redeploy itself or not?
16. How much would PSD save by having to process and deliver 207 fewer orders?
    i. Simplistically on a gross number basis: 207 fewer invoices x $364 = $75,427 which would <u>turn a $50K+ loss into a $25K+ profit</u>
    ii. If PSD looked at variable cost elements per order slack that would be freed up and didn't initially count overhead allocations, it would be less.
    iii. If PSD, however, was able to convert a number of unprofitable customers with small orders into profitable ones with bigger orders, they could <u>track their overall transactional activity per employee and know when to lay off unnecessary trucks, drivers, warehouse and inside personnel. They would</u>

<u>also presumably free up overhead support personnel and related costs to work on continuous improvement in all other aspects of the business.</u>

HOW TO OVERCOME STATIC THINKING ABOUT OVERHEAD COSTS

17. Both partners, PSD and XYZ, could be victims of static thinking and economics and conclude that "overhead costs and operational slack could not be redeployed. I suggest that each management team brainstorm with all personnel and themselves about what they would ideally like to be proactively working on to: lower costs, improve service quality and partner better with core and target accounts. Then, narrow all of the possibilities down to the most important ones and create a management by measurable objectives program for those and get to work on them.
18. You know what will happen? Everyone will complain that they can't do all of the activities that they are currently doing and the new ones too. To, therefore, free up time to work on innovative opportunities, we must first weed or consolidated wasteful activity to be able to then feed that employee slack into new TO DO Lists. If one or both partners think that they can or can not figure out how to redeploy (or lay off) the activity slack/savings that they can co-create, then they are right.

FINAL CONCLUSIONS/ACTION STEPS

19. From a first-level analysis, it seems that XYZ is an outstanding account with big sales, big margin dollars and a high margin percent to boot. We should be delighted to pay a rep $10k in commissions for such an account. XYZ might not be too thrilled to know that they are indirectly paying $10K for what the rep might be doing for them on an annual basis, but that's another case study.
20. At a "quantum profit analysis" level, however, both "partners" PSD and XYZ could save a lot on hidden activity costs if they could agree on a new pattern for doing business. With Waypoint's QPMS, we could "right-click" at look at the annual item-activity profit ranking report for all 36 items as well as the profit ranking report for all 277 transactions. There usually are additional insights that reveal themselves from these deeper-dive reports. But, for now the hypothetical scenario of ordering monthly instead of weekly would save XXZ over $8000 in paperwork costs, and their increased carrying costs would be more than offset by on-hand productivity benefits. And, PSD could save in the longer-run $75K in total costs and in the short run an immediate $20K+ in incremental paperwork and delivery costs.
21. If an owner/operator or branch manager could follow the guidelines in the BSPI memo and sell a new BSP to XYZ in one or two visits, what else could they do with their time that would deliver such big economic benefits to both partners?
22. If PSD could sell and implement new BSPIs at their biggest 15 super-losers on which they lost $(283,464) in 2009, imagine what that would do for PSD's bottom line in 2010. Time for them to get to work on turning lead accounts into gold!

SPECIAL-ORDER SUPPORT SERVICES

NOMENCLATURE

When customers need to buy something that has to be made at the factory specifically for them (it is not a regularly stocked item for the distributor), then that order will typically be called a "special order" and it may be delivered two ways from the factory:

1. It may be shipped directly from the factory to the end-user **("dropped shipped")**. Or,
2. If the goods have big bulk and freight-sensitivity, they may be shipped along with the rest of a full truckload of goods that the distributor is routinely ordering for re-stocking warehouse items. The special ordered goods will then arrive at the distributor's dock, pre-sold, and be promptly delivered to the customer. The specific ordered goods are never entered into the distributor's inventory. This is often called **"an indirect order**).

BUYER'S SPEED-NEEDS FOR PRICE and AVAILABILITY (P&A)

By example: printers and contractors that are asked to submit quotes on large contracts will call distributors for P&A information which has to be incorporated into quotes that the customer's estimators are doing to bid on potential contracts. The faster a distributor can get the P&A information to the customer's estimators, the faster the customer can get the quote to the end-user. Often end-users will solicit 2 or 3 quotes. What will happen if one contractor submits a quote a few days before the others? If the price seems to be in the ballpark, the customer may just go with the fast response, especially if the customer wants the job done ASAP. Speed can be a key service value metric.

If this need/opportunity exists at a key account, then what if the distributor did special process for these account(s) by:

1. Giving the estimators (keep the buyer in the loop) a direct line to a distributor service rep who would drop everything and get the P&A ASAP.
2. Persuade key vendors that they too need to accommodate the distributor/key end-user on dropping everything and providing the best P&A info to the distributor to relay on.

In a case example, a printing paper distributor was able to cut the average elapsed time from when the estimator knew what P&A information they needed from 3 to 4 days to a half-day. As a result both the printer and the distributor earned huge amounts of new business by getting back to end-customers with competitive-enough quotes days before the competitors.

CUSTOMER'S NEED TO SYNCHRONIZE JOB-SCHEDULING WITH THE ARRIVAL OF THE SPECIAL ORDERED GOODS

Once a contractor, printer, job-shop-type of customer has won a job that will incorporate special-ordered goods (whether they be arriving directly or indirectly), they may need to schedule their people (and equipment) to be ready to go to work as soon as the goods arrive.

1. What if a job requires one or more special-order goods inputs, and one of the factories ships some of the goods a day or more late?
2. Who monitors whether the factories are shipping the right (quantity) of goods at the right time to the right project site and

3. then proactively expedites slow ones and/or gives as early a warning as possible to the customer that expected goods are not arriving on time?
4. And, finally measures and rates suppliers on their on-time delivery of the right quantity of goods?

I have had a few clients who have dedicated resources to answering these questions for their key accounts' project needs and of their key suppliers that do the most direct shipping. These distributors have, furthermore, taught the customers to measure the amount of downtime they do have for people and equipment, because of lack of product on hand. Then, the customers realize that by doing business with the extra-service distributor they can on average cut their downtime so significantly that they can't afford not to give all of the business to the super-service guarantee distributor at a higher competitive price to still save money on a total cost basis and achieve more on time performance for the end-users.

CUSTOMER NEEDS A HANDY SUMMARY SHEET OF WHEN ALL OUTSTANDING SPECIAL ORDERS AND BACK-ORDERS ARE SCHEDULED TO ARRIVE

I have been involved in channel contexts in which a buyer and/or scheduler for a customer needs to double-check when specific goods are to arrive. They have much appreciated being able to refer to a hard-copy summary of this information (mailed out twice a month) or to check the same information through the distributor's secure web site. Of course, a customer can't check for any and all goods off of one report or at one web site unless they buy 100% of all of the special order and back-ordered goods from one best-service-value distributor.

CUSTOMER NEEDS A THIRD-PARTY LOGISTICS SERVICE FOR STORING BULKY DIRECTLY PURCHASED GOODS

Many distribution customers will buy some categories of goods from distributors and other ones directly from factories. When the latter arrives, the customer must have their own internal warehousing capability. There may be opportunities for customers to have their directly bought supply items shipped directly to the distributor's warehouse. The distributor, like a third-party logistics company, will charge fees for – receiving, storing, picking and delivering – the goods as needed to the customer's plant. This can be valuable and economical if:

1. The goods are super-bulky (e.g. custom foam blocks for shipping out small manufactured pieces)
2. The distributor has trucks going to the customer's plant with a normal flow of goods frequently enough.
3. The same person and paperwork that orders from the distributor is involved in requesting internal bulk-storage and handling to the consumption point.
4. The customer has run out of space for doing what they normally do and needs to create new space by outsourcing the stocking of bulky goods.

So, the final solution is to order the directly bought goods from the distributor as another line item on a normal order going to the distributor. Then, the distributor delivers those already paid for goods directly to the consumption point saving the customer extra internal paperwork and handling.

CONCLUSIONS

1. When we tour through a customer's facility we have to think outside of the traditional BSPs that we have been doing. We have to ask each customer contact about their total

job context and what other problems that they may have with flow of goods and paperwork whether it is ours or not.

2. Outsourcing internal process activity that is not core to what the customer does to someone who is a specialist at doing that activity is an opportunity that every savvy customer is always thinking about. So, what are other supply items (not from us or even competitors like us) for which we might provide 3PL services?
3. Some of the services described in this note may seem complicated, but remember we may only do them for one to a few per location. And, for the very first customer we can do a manual prototype experiment to test, learn, co-create and fail forward together. Based on successful crawling, we can then decide whether to extend the services to more customers and invest more into the solution for release 2.0, 3.0, etc.