

**PBIT RANKING NOTES**

- I. Analysis/action
- A. Any homogeneous group within top 10 most profitable?
1. Our #1 historically best niche?
  2. Forced us into 1-stop-shop array of items, well-stocked, frequently ordered allows for higher fill rates too.
- B. Best defense a good offense. Steps to take:
1. Interview top 10, to retune total product offering
  2. What are our: expected, extra and/or niche-specific services?
  3. Team-sell to build multi-strand relationship rope (magic act push-back?)
- C. Biggest losers → Winners (Lead → Gold)
1. What are the hidden costs with lots of small orders for them?
  2. Do they think they buy and pick-up for free (too)?
  3. Offer an audit to: lower your “TPC” and boost productivity
  4. Retune their purchasing assumptions and “system” and sell more
  5. Batting averages:
 

20 – 30%!	Yes! Buy more
50% +	OK, but volume follows more slowly
20%	No! So? What should we do? “It depends”
- D. What to do with the other 80% of all accounts that are marginally profitable or un-profitable?
1. Segment to sell and serve differently
    - a. Where are the boundary lines for A, B, C and D?
    - b. Rethinking your marketing, selling skills and allocation?
  2. How to manage the small customer and/or order problem?

II. Small order opportunity

- A. “What if” stats:
  - 1. Bottom 40% of all transactions → 5% of GM\$  
*but*, take 40% of operational cost load
  - 2. 40% transaction → 10%; 5% of GM\$ → 3% GM\$  
(30% operational slack) + (2% GM\$ leave!)
  
- B. Divide and conquer
  - 1. Stop making in-house small orders
    - a. Splinter products and customers?
    - b. Don’t back-order a small order, if OK with customer
    - c. Same day receiving (+) 95% cycle accuracy on A’s
    - d. Good substitution skills (+) correct demand assignment
    - e. ?
  - 2. Big customers with “good” (?) average order size?
    - a. “Do nothing” (?)
    - b. Reps constantly tune systems for “good target order size zone” (an incentive plan)
  - 3. Small customer, small order → re-segment, re-price and re-term (e.g. special orders?)
  - 4. Big offenders → visit and audit → retune and sell more

III. The salesforce?

- A. ABC Supply’s A, B, C, D customer breakdown of 1105 accounts “called on” by 13 sales reps.

Strata	Sales/year	# of Accounts
A	24K +	256
B	12 – 24K	187
C	3 – 12K	501
D	0 – 3K	200

How many outside sales people to cover 256 A accounts? 13?

- B. See spreadsheet stats (Exhibit 1)
  - 1. What to do with 7 “un-profitable” territories?
  - 2. Relationship between GM% and PBIT/territory?

ABC Bakery Supply Case Study  
(Ranked by Column 8)

1	2	3	4	5	6	7	8	9	
Sales Rep	# of Accts	\$ Sales	Gross Margin	GM %	# of trxs.	GM\$/trx.	Profit Factor	PBIT	PBIT/trx.
1	4	1437691.53	268761.28	18.6939461	357	752.83	140.78	221637.28	620.83
2	80	1692797.60	291184.8	17.2013949	1063	273.93	47.12	150868.80	141.93
3	61	1085723.29	211375.82	19.4686640	663	318.82	62.17	123859.82	186.82
4	180	3387318.35	673083.27	19.8706823	3032	140.52	27.96	40803.27	8.52
5	89	1552267.47	343176.52	22.1080790	2346	146.28	27.65	33504.52	14.28
6	?	1135571.02	229665.67	20.2246857	1569	146.38	29.57	22557.67	14.38
7	3	2436.31	532.55	21.8588767	7	76.08	16.66	-391.45	-55.92
8	48	98932.94	26554.22	26.8406255	240	110.64	29.65	-5125.78	-21.36
9	41	630343.37	130948.39	20.7741361	1067	122.73	25.53	-9895.61	-9.27
10	119	1209238.31	282505.31	23.3622527	2502	112.91	26.42	-47758.69	-19.09
11	196	3233877.09	610556.85	18.8800264	5175	117.98	22.30	-72543.15	-14.02
12	130	1403532.13	316240.10	22.5317321	3032	104.30	23.47	-83983.90	-17.70
13	154	2805491.02	528093.09	18.8235530	5003	105.56	19.85	-132302.91	-26.44
<b>Totals</b>	<b>1105</b>	<b>19675220.43</b>	<b>3912677.87</b>		<b>26056</b>			<b>241229.87</b>	

Column 8 = GM% x GM\$/transaction  
 Column 9 = GM\$ - [3 of invoices X \$132/invoice]