

CLOSE THE KNOWING-DOING GAP WITH “PROFIT SCRIPTS”

BOOK SUGGESTION ON “CHANGE”

Most of us know how to run our businesses better than we are doing. Are insufficient “change management” skills and tools holding us back? What are the latest thinking, methods, and tools for change programs that will work even through delegated, decentralized managers at distribution branches? The “thinking and methods” can be found in a brilliantly practical, easy-read book entitled **Switch** that has earned 92, “5.0” (out of 5.0) reviews at Amazon.com in just 4 months. The “tools” for identifying the small-bite, low-cost, high-profit-improvement opportunities require net-profit, at-the-line-item/pick or “quantum”, information level.

Because **Switch** is so good, we gave a copy to each company-team that attended our June, Waypoint Analytics’ “Quantum Profit Management” (QPM) workshop for both clients and guests. (Attend others in the fall?).¹ We then used the book’s key concept-terms throughout the workshop. Some of the key ones are:

“The rider”: the 10% of our brain that tries to be rational and disciplined.

“The elephant”: the other 90% of our brain that makes us predictably irrational and keeps us from fulfilling health resolutions, etc., because it wants what it wants now including no anxious discomfort from change.

“The path”: our total business environment including: leaders, systems, peers, tools and incentives. If we can re-tune all of these elements to be in supporting alignment with a change plan, then the elephant will gradually change course without being spooked.

And, “the script”: a small, low-risk, high-return, compellingly-designed recipe that is a carved out, first-bite of a bigger opportunity area. This helps: the rider stay focused; the elephant cooperative; and to build successful momentum to do next-step scripts in the same opportunity area. It’s like achieving “wellness” starting with one simple, health habit script at a time.

CASE-STUDY SCRIPT FOR MAXIMIZING “MORE-FROM-THE-CORE” PROFITS

With Waypoint’s “quantum profit management service” (QPMS), clients can zero in on the most intensely-profitable, intersection of sales of the most profitable items to most profitable customers. There are then some comprehensive QPMS “plays” that clients can do to grow these core profits by another 20 to 100% measured continuously by tracking reports.² But, what is the simplest script that we can carve out from the more-to-the-core opportunity area?

Why not pitch one of the most profitable suppliers to offer special dating for beefing up the inventory of only the top few most profitable/popular items in their line? In an actual case-study

¹ Contact us for more information and no-competitors, planning purposes.

² Article 2.35 at http://merrifield.com/quantum/2_35.asp.

underway, a QPMS client picked one supplier out of their 300+. From this supplier, they buy and stock 259 items out of a total of 5000 “active” SKUs. (“Active” means 1 or more picks in the past 12 months; most distributors also have too many non-active or honestly dead, but-not-written-off SKUs.)

The partners chose the top 20, most-profitable items that had been bought at least 48 times by at least 12 different customers in the past year. These 20 SKUS (only .4% of all active SKUs) generated:

- a. 25% of the firm’s reported net profit.
- b. And, 10% of all profits on all profitable items (the top 2000) before the unprofitable items (bottom 3000) dragged reported profits back down to reported income.

The supplier agreed to give 60-day, extra dating on the additional inventory investment in the 20 items. In turn, they will be privy to the exact, QPMS- tracked changes in both the sales and profits for the beefed items versus the rest of the line and all inventory sales. Sales of beefed items in past similar experiments have grown 15% to 30% more than the rest of non-beefed inventory sales; profits are expected to grow by even more. (Why?)³

Besides the possibility of expanding “script #1”, the partners are discussing subsequent scripts for:

1. The 30 out of 259 which are currently unprofitable for the distributor (and perhaps for the supplier).
2. And, how the supplier can participate in a close-out, switch-over program aimed at redundant, competitive supplier lines that are, according to QPM-data, net profit losers for the distributor.

The distributor is also negotiating similar experiments – to run in parallel – with the #1 or #2 most profitable supplier in the 18 different product categories that they stock overall. Agreement on the wisdom, design and scope of these experiments is quick and easy when using QPM-data-driven tools.

NEW-NORMAL ECONOMY MARKETING TACTICS

Our poor economy and too much industry capacity will make general marketing programs losers. We need instead finely-focused, profit improvement “scripts”. Hustling for any sales and margin dollar growth without a compelling value proposition and knowing our cost-to-service economics will lower profits and drive up debt. Is it time to book a team demo of QPMS to at least know what it is and what is now possible for distributor marketing?

³ For deep explanations on this script and two others, see exhibits 60-62B at <http://merrifield.com/exhibits/>