



Quantum Profit Gram #12

The new martial art of Quantum Profit Management codifies the wisdom and knowledge of the ancients in the technology framework of the present and future. Use these simple principles to transform into a high-performance market leader.

1) You're Making More Money than You Know You have internal profits generated by the most profitable items sold to the most profitable customers. Most internal profits are consumed by money-losing business, leaving only the tip-of-the-iceberg on the bottom line. Retaining more internal profits can deliver 4x to 10x your best earnings — with no additional sales.

2) Measure and Evaluate at the Quantum Level Scientists discover how the world works by breaking it down to the quantum (smallest possible) level. Do the same in your business and invent perfect profitable strategies for every piece.

3) Measure on Net Profit Nearly everyone uses Gross Margin rates to evaluate sales, products, customers, etc. In practice, margin rates are a poor indicator of profitability and can lead to equally poor decision-making. Use Net Profit instead.

4) Financial Averages Mask Reality Don't rely on numbers above the quantum level. A \$2,000 loss in one segment can be hiding a \$199,000 profit and a \$201,000 loss, combined into a total. How can you know there's significant profit to protect, and a significant loss to eliminate, for an instant \$200,000+ improvement?

5) Identify and Manage Cross-Subsidies Your operation has areas where profitable business is subsidizing money-losing business with dysfunctional service models. Identify the cross-subsidies and divert those profits to the bottom line.

6) Cost-to-Serve is the Core of Performance Cost-to-Serve is the total amount you spend to deliver goods and services. CTS in every quantum of your business needs to be less than the Gross Profit the segment generates.

7) Understand and Manage Service Models Review and re-design dysfunctional service models -- areas where you're spending more money to service the accounts than they generate in Gross Profit. Curtail or eliminate activities and other cost inputs that aren't essential to the business. Resegment where certain costs are necessary to one group, but not to another.

8) Align Goals & Incentives with Net Profit Make sure all incentives are directly connected to the same goals you have — bottom-line profit. Don't let incentives reward your people for driving cost and dysfunction into your system.

Be a QPM black belt, and your operation will out-perform the market and your expectations. Be the first in your sector, and you'll have an un-matched advantage and the opportunity to dominate.

QUANTUM
PROFIT™
MANAGEMENT

The Eight Principles of QPM



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