



Quantum Profit Gram #1

Hi there!

This is the first of a series of short postcards from the living edge of a new management space for distributors that I'm calling "**Quantum Profit Management**" or QPM¹.

I'm borrowing the term "quantum" from the world of physics where it refers to the "smallest physical quantity (or unit) that can exist independently". (Because profits — at an elemental level — can be measured in different ways, I also use "quanta", the plural of quantum.)

With the current economy crushing profits, and our shrunken market a barren place to find new business, it's essential to find other ways to maintain profits and cash flows, and QPM is the key.

The financial profit we're all familiar with is an aggregate that averages all subsidiary elements — items, orders, customers and suppliers — (both profitable and unprofitable) into a single number. When you consider that the single number is the sum of both significant profits and significant losses, you can quickly understand that capitalizing on the profits and curtailing the losses can quickly move the profit needle in a positive direction.

First, you must be able to accurately cost every aspect of your business. Using detailed activity-based costing methods, or better still, a modern analytical system like **WayPoint Analytics™** to get detailed net profit numbers, you can identify the profit leaks that are being cross-subsidized by the better parts of your business.

For example, I was looking into the numbers of a mid-sized operation and found that one market segment showed a \$7,000 loss for the first half. Digging deeper into WayPoint, I saw the segment was made of several sub-segments, all of which were reasonably profitable, but were wiped out by a single sub-segment which had a \$230,000 loss! Correcting the issues in that single segment could potentially turn the \$7,000 loss into a \$223,000 profit, so we immediately began to formulate a plan to address the structural issues in the sub-segment.

Smart players can make big gains when component profits and losses are identified and exploited to gain instant access to hidden cash flows in their current business. There are tens of thousands, or even hundreds of thousands of dollars in existing profits in your business right now that are being drained away. Act today to fix the leaks!

D. Bruce Merrifield, Jr.

¹For more detail on QPM, see www.merrifield.com, article #2.32

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