



Quantum Profit Gram #15

Is business volume in your channel off 20% or more and not coming back soon? After several downsizing plans are you still profitless and dealing with too much competitive capacity? Then follow these proven turnaround and revival guidelines:

- Rank all of your business elements — customers, customer niches, items, suppliers, and sales territories — by their true profitability using an effective cost model. Gross margin dollar rankings or gross margin percentage rankings are not good enough. (They don't reflect the true costs of all the service activity steps that go into delivering orders to customers.)
- Determine why the extremely profitable and unprofitable elements are such so you can:
 - Serve the most profitable even better to both retain and grow them.
 - Either transform or weed the biggest losing elements to free cost-to-serve capacity. Either cure will create operational slack that can be reinvested into better service for best elements or laid off. Typically, expense reductions will exceed any lost margin dollar contribution by about 2:1. You will instantly make a lot more money on slightly less volume, and have operational energy to do best things better, and to increase future sales growth rates.
- Identify your most profitable customer niches and set goals to be the dominant owner of the “profit pool” (50%+) in that niche. (Start by becoming a strong #2 to an unfocused, #1 competitor.)
- Within the target niche, have the entire team focus on: the top five most profitable accounts; the top five most potentially profitable accounts; and the five biggest money losers. (To begin, identify the losers that are so because of inefficient ordering practices by the customer -- they'll be the quickest to set right.)

Whenever you embark on significant change within a company, make sure that you have re-aligned all important aspects of the business. From “leadership” to “incentives”, all factors must be internally consistent with, and mutually supportive of one another. And, sign up with me for an as-needed, virtual, change-management support group for no extra cost.

These guidelines are tough to do on your own. But, with Waypoint's Quantum Management Profit (and Virtual Change Management) service, many things become possible and highly profitable. Find out more at using the links elsewhere on this page; at the next QPM webinar; and / or request a management team interactive demo. (Contact us directly - we'd be pleased to help.)

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