Quantum Profit Gram #0

QUANTUM PROFIT™ MANAGEMENT

When you apply cost-to-serve analytics to your business, the big profit / loss cross-subsidies with both your customers and suppliers are easy to see. You're most likely making double, triple or more than your bottom line, but losing it to hidden losses on small groups of money-losing customers and products.

If your operation is typical, you're losing 20% of your peak profit total on the last few customers on your profit ranking report. How!? Pulling the profit breakdown on the super-losers will reveal a dysfunctional service model where the cost-to-serve is swamping the gross profit in the accounts.

What's amazing about super-losing customers (and suppliers) is that wherever you're losing money, they are, too. If you're dragged down by the costs of too many orders, invoices and shipments for the customer's volume, you can bet they're being dragged down by too much PO, payment and receiving cost. High-frequency reorder customers will lose even more to stock-outs, late arrivals and downtime. Simple tweaks to your mutual buy-sell process can often save tens of thousands for both parties. And, as partners co-create new "win-win process", it's common to drive higher volumes as a broader range of items are drawn into the new-found process.

On the vendor side, every manufacturer is apt to have both profitable and unprofitable items in their line. Good analytics will show that your unprofitable suppliers have losing items that fall into two main sub-groups:

- Frequently picked warehouse items with low dollar values, where picking costs can swamp the gross profit they generate.
- Rarely-needed special-order items supporting small-orders for a vast list of "long-tail" parts and pieces. (Don't forget the carrying costs on related dead items).

Too often, companies don't fully account for the unmeasured costs for channel paperwork, dead inventory, and delay costs for end-users, so they don't realize the real costs greatly exceed the margin dollars generated.

If one distributor is losing on a vendor's line, than so are others. Would the vendor want this insight to be come common channel knowledge? Manufacturers with subsets of losing items are starting to realize that one general buy-sell process doesn't work for an entire line. Breaking the line into segments and adopting proven processes (from other channels) tailored for the challenging long-tail and popular small-dollar-pick items is delivering new profits. You likely want to develop your own breakthrough economics with your partners before your competitors catch on.

In this still de-leveraging economy, you and your partners can make more without selling more by consolidating the transactional activities supporting what you do. If you'd like to see this with some real numbers, call me and I'll spend an hour with you and your team, showing you precisely what we're seeing.

For detailed how-to's, see http://www.merrifield.com/exhibits/Ex%2059%20BSPI%20exhibit.pdf

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