

# 6 Critical Reports Every Company Must Have

Without the right information, leaders are essentially flying blind. Make sure you get your team advanced profit visibility before your competition does.



## Whale Curve

Whale curves are cumulative profitability charts, and are the best visualization of the company's internal profits. With whale curve charts, you can quickly visualize how much internal profit is being generated, and how much of that profit is being lost on dysfunctional accounts. With this powerful tool, you can quickly assess the profit potential in any category, and identify profit drains that are preventing peak performance.

Whale curves can be generated for accounts, products, vendors or territories and are useful for subsets of any of those groupings.

**Takeaway:** Generate whale curves for every significant business segment, and work to reduce or eliminate profit drains that are destroying the segment's true potential.

## Customer NBC Ranking

The definitive metric for customer profitability is NBC or Net Before Compensation. NBC shows the profit of a territory or customer after paying for the product and the infrastructure required for delivering the product into the customer's hands. The usual analytical distortions of sales compensation are eliminated, giving a clear picture of account or territory profitability.

NBC ranking reports are essential because they can keep focus on the greatest contributors and detractors of company profits. Every organization needs to protect, preserve and penetrate the accounts at the top of the list, and reform and improve those at the bottom.

**Takeaway:** Obtain or develop NBC ranking reports for accounts, territories, products and vendors. Use the NBC rankings to keep the company focused on those things with the greatest impact on the bottom line.

## Territory 5 x 5

The 5 x 5 reports help focus on the five critical accounts in the five most important account groups in each territory. The five segments are: most profitable accounts; best opportunity accounts; most unprofitable accounts; fastest-growing accounts; and fastest declining accounts. Each of these groups needs to have its own set of strategies and tactics tailored to the group.

Companies need to have 5 x 5 reports for every rep or territory, and at the branch, district and regional level. For best results, the reports need to be NBC, not gross margin oriented. This way, the entire sales organization can be focused on the groups of accounts most critical to the success of their particular level in the company.

**Takeaway:** Obtain or develop a system of 5 x 5 reports for every level of your sales organization, and make them the cornerstone of a company-wide sales management process. In addition, develop 5 x 5 reports narrowed to the product line or vendor.

## Account Margin Targets

Since every account imposes its particular cost structure on the relationship, it's essential to recognize that each account will require its own unique margin target. One-size-fits-all margins are ineffective in achieving and maintaining profitability. With margin targets that properly take each customer's costs into account, the company is less likely to overprice low-cost accounts, losing potentially profitable business. High-cost accounts present opportunities to work with the customer to reduce costs on both sides of the deal, or ensure there's sufficient margin to cover them.

High-end strategic pricing programs take these same elements into account and have generated millions in profit gains. Consider taking this kind of reporting to a much higher level with Strategic Pricing.

**Takeaway:** Obtain or develop account margin target reports that use each account's cost structure and product mix. These reports can be a central tool for guiding the sales force to significant profit gains.

## Comparative P & L

A comparative Profit & Loss report will segment your business along any dimension, and produce side-by-side detailed P&L reports for each segment. With this critical tool, companies can quickly evaluate profit potential within each segment, and identify those where cost structures are out of line. You can quickly understand the dynamics of the business at a much deeper level of detail, and can gain insights not generally known in the market. This can confer a huge advantage, focusing resources on critical areas that directly affect company performance.

The best of these systems can break out segments by: location; territory; rep; distribution type; warehouse; delivery type; product category; buyer; order method and much more.

**Takeaway:** Obtain or develop a system that can quickly and conveniently slice the business on every dimension, showing profitability all the way to the bottom line for every slice.

## Profit Delta Reports

To drive and maintain profit gains, it's essential to know which accounts, territories and product categories are showing increases across time, and which are doing the opposite. For every one that's generating less profit than it was, new profits will have to be found just to

stay even. When you can see where positive and negative change is occurring, you can take action to reduce or replace loses, and to protect and grow the gains.

**Takeaway:** Obtain or develop profit delta reports that show how NBC is changing at the account, territory and product level. Use these to actively manage profit growth at every level of the business.

**WayPoint Analytics** is a low-cost, add-on system specifically designed to generate the exact reports needed for effective profit management. It uses a highly detailed and very accurate internal costing system to distribute all your company's operating expenses across the transactions that imposed them, giving the most detailed and accurate cost and profitability information available anywhere.

Armed with precise profit information your team can move quickly to protect and grow the most profitable parts of your business, and to close off profit drains by changing the dynamics of what's dysfunctional.

Usually implemented in only a few weeks, wholesalers and distributors have been using this advanced system for years, and have gained millions in incremental profits without requiring new sales. You can, too!

**Randy MacLean** is the founder of WayPoint Analytics, the inventor of Quantum Costing, and the creator of the WayPoint system. His company provides analytical services and advisory services to companies that have become the profit-leaders in distribution.



Randy is a best-selling author, has founded more than a dozen companies and two conferences, and has been presented numerous corporate and industry awards.



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