



## Quantum Profit Gram #10

Even though Customer Profitability Ranking Reports (CPRR) can be the most effective tool to immediately improve operating results, many distributors haven't been able to act on (and benefit from) their efforts to develop them. Too often, companies miss the opportunity and preserve the status quo.

Imagine if a company developed a terrific in-house costing capability, and its new CPRR showed results typical of distributors, in that:

- the top 0.5% of customers were generating 10% of all sales, delivered 11% Return on Sales (ROS) and more than 50% of the company's internal profits.
- the bottom 2% of the customers on the ranking report were losing 40% of their total internal profits.

CPRRs are so valuable because they show the results of the cross-subsidies that are powerful undercurrents in every distributor, and because they give the company a way to focus resources on the 2.5% of accounts really affect the business.

In the prior absence of this kind of detail, the management team would have deemed the overall results acceptable, assuming a heterogeneous performance within the customer group. The CPRR's revelation of such wide profitability variances is often such a shock that the instinctive reaction is, "That can't be right...", which all too often lets the team go back to business-as-usual.

Instead, the executive would be better served by getting started with an action plan that's proven successful time and again:

- Transforming the most approachable and amenable big-loser customers from a lose-lose, activity-cost relationship to win-win.
- Doing Honcho visits to the most approachable and amenable super-winners to thank them for the business and offer to do a free audit of how the two companies might work even better together. The assumptions being that:
  - it's important to protect the big, 11% ROS customers, so do more for them.
  - improving the quality of the relationships with the winners will lead to new, living-edge business and as build loyalty.
  - there's probably more miscellaneous, over-looked sales volume potential even at accounts where they're "getting all of the business".

Innovative profit improvement plays must begin with the new economic insights that are most important to your business. Some of the best insights are at the top and bottom of profitability ranking reports for: customers, suppliers, products and sales territories.

Waypoint Analytics for distributors provides many more steps than just the first ones – credible profitability ranking reports - in the fastest, most affordable and highest ROI way possible. How? See the links for more info.

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## Customer Profitability Analysis Paralysis



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