



Quantum Profit Gram #22

Small business America is bumping along the new, flat bottom of the “new-frugal” US economy. We’re no longer exporting into China’s infrastructure-building bubble, instead selling into a consumer-driven economy that has too few jobs, too much debt and declining home values.

Same store sales for retailers are “up” — after closing over 20,000 locations in the past 18 months. Sales in March are “up” — when compared to last March’s disastrous results, but still 4.4% off the old peak. Retailers and wholesalers are still stuck with too much competitive capacity for not enough on-going demand.

We can’t outsource labor costs to Asia, or book losses in high tax countries and report profits in low-tax ones. Without political clout, we get to share more in the cost of borrow-and-spend federal stimulus, than in the benefit.

Even in this environment, companies are making money by going back to basics — making more from less. When you measure the actual profitability of each of your customers and items/suppliers, then you can renew the core intersection of most profitable customers buying most profitable items.

Do your sales reps agree? Common responses...

- “We’ve already exhausted cross-selling opportunities.” Do you have the measures to confirm it? What if your reps are really 18-handicappers with a lot more improvement possibilities?
- “Big buyers have told us that we’re already getting the lion’s share of the business.” Since few buyers know the full-range of what you carry, and this is a good answer to pacify pesky reps, should you rely on this?
- “We’re getting our fair share. Customers want two to three key suppliers to ensure sourcing flexibility and pricing honesty.” With most large, mature companies consolidating suppliers and integrating supply, can this really be true?

One distributor client followed the renew-the-core prescriptions footnoted below. By the end of the year, their annual run rate for sales had doubled, while the number of active accounts had been halved. (The original bottom half had produced 1/3 of the transactional activity and only 5% of the margin dollars!). The client profitability quadrupled, while customers, suppliers and best employees were all ecstatic. While most distributors are trying to sell too many products to too many types of customers, why not adopt a data-driven strategic focus, using Quantum Profit Management to drive profits where they’re most easily had?

Isn't it time to give your reps some “next-level” strategic direction, backed by: accurate profit insights; related plays and tracking reports; and net-profit incentives? With new-generation systems, like Waypoint Analytics, you can get new insights and can start reinventing your core in just a few weeks.

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