



Quantum Profit Gram #25

Trying harder at the past doesn't have a future. What profit improvement steps can you take immediately to reinvent — customer value (up), costs to serve (down) and free-cash-flow profits (up) — all with the best Return on Management Energy (ROME)?

Take these action steps with virtual, outsourced (that's us) expertise:

- Rank all customers by net profitability
- Get over the initial shock, fear and disbelief that the top and bottom few percent can be so sensationally profitable and unprofitable by analyzing deeper to see how this can be.
- Form an intra-company “consulting group” (how to's at bottom) to strategize for:
 - The most profitable accounts: find ways to retain them by improving service and take the buy-sell processes to the next level; capture more profitable volume as a byproduct.
 - The super-losers: turn lose-lose activity-cost relationships into win-win ones; find more profitable volume to sell them.
 - The best target accounts: crack using the new skills and tricks learned above which competitor reps can't or won't.
- Use the visits to the three types of key accounts (best, worst, target) to refine service metrics for all staff to improve basic service value brilliance. (see exhibit 3 at www.merrifield.com)
- Immediately educate all staff on: the top 5+ most profitable customers; the top 5+ target accounts. Have everyone give the accounts both guaranteed basic service excellence and proactive above-and-beyond effort. (Any firm can manage this for just 10 accounts.)
- Track the improvement in net profit for these three groups of customers at every level: rep; territory; branch; and total company.
- Transition to paying rep incentives on “net profit improvement”.

Get the necessary information to drive this by developing a suite of profitability reports, or use a service like WayPoint to get them immediately without the delay and internal effort. Either way, you'll need: customer profitability reports for past and current timeframes; a “5 x 5” key account tracking report; commission reports tied to account net profit and profit improvement.

These reports will help your team focus on the bottom-line improvements every company craves.

Your ROME will increase, and your bank and stakeholders will think you're a genius!

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MANAGEMENT

Profit Improvement Barriers Have Fallen



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