



## Quantum Profit Gram #26

Too many companies are reacting to the weak economy by reflexively flogging the sales force to get new customers. A more productive strategy is to do more of what's already working. Here's how one company did it...

Here's how one company used WayPoint's unique ability to calculate precise profits on every item sold to team up with a key vendor and boosted profits on their best items by 15%.

Using WayPoint SKU and vendor profit rankings, the company's stats were:

- just over 10,000 SKUs from 329 vendors
- 4,947 SKUs had activity in the previous fiscal year
- 1,979 SKUs were profitable, with the balance losing money
- profitable SKUs generated just under \$500K in net
- losing SKUs lost roughly \$300K, leaving just around \$200K
- 259 items were from the most profitable vendor

Teaming up with the vendor, executives identified the top 20 most-profitable and most broadly popular items. These items were purchased by at least 12 customers, and had been picked at least 48 times. Representing 0.4% of the active SKUs, but 25% (\$50K) of the firm's net profit, these represented huge leverage on results if they could be improved.

The vendor agreed to give extra dating on incremental inventory on the chosen items, in exchange for extra sales focus and a view into the program results.

Using Waypoint profit delta tracking reports, the results for three months were:

- sales on the program items increased 28%
- sales on non-program substitute items dropped by 13%
- profits on program items increased by 45%
- profits on substitute items dropped by 5%
- total sales remained relatively flat during the three months
- operating profit increased 15%

The program was only one contributor to the company's gains, but the management team felt it was a great success, and has been expanding the program

I'll be presenting at the Advanced Profit Techniques Conference in Chicago on October 12-13, 2010. This is an invitation-only event for top distribution executives, and is open to you as you're on my industry insiders list. (Only a select group receive Quantum Profit Grams.) Register by calling Diane at 623-434-8931, or follow this link for the conference brochure:

<http://www.quantumprofitmanagement.com/info/AdvancedProfitConf.pdf>

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