



## Quantum Profit Gram #28

Margin-based sales incentive plans are compounding losses by rewarding unprofitable new and existing business. A growing number of companies are now switching to NBC (Net Before Comp) territory plans that pay on bottom-line profit. These plans are driving both volume and profits growth because reps:

- have to think about total service costs for the company and buying costs for customers as they co-create deals that are better designed and sold for both parties.
- are now in incentive alignment with managers who don't want to win new business by trading off higher costs for: loose trade credit, non-moving special inventory, excessive picking / shipping costs or extra no-fee services.

### **Case Story:**

#### **Keep the Old Plan and Use the When-You-Are-Ready Net-Profit Plan**

- A Waypoint Analytics' client got their initial net-profit-management-system reports for all elements of their business – customers, items / suppliers, sales territories – in the month after signing for the service.
- All sales-oriented employees (and the CEO) were shocked by what they discovered. As is almost always the case, some of their “best” customers, with seemingly good margins, were big losers.
- The team went through the “grief” cycle: denial, anger, bargaining to eventual acceptance. Going through several adjustments to the cost allocations, the team concluded that moving the costs from one category to another didn't help the profitability of the losing accounts.
- With Waypoint's help and formal net-profit education programs, the team explored the root causes for extreme profit and loss customers. They learned about specific tactics (“scripts”) that grow customer value, and about tactics that transform big losers to winners.
- Everyone understood that working together on extreme winners and losers using the profit-improvement “scripts” both profits AND margin dollars improved.
- The reps could stay on their existing incentive plan until they were comfortable about switching to one in which upside incentive pay was based on the NBC plan.
- Reps got monthly summaries of how all were doing on NBC along with the success stories. Pride in improving NBC proved to be a big motivator. The selling culture language and thinking changed to “NBC delta”, “lower cost-to-serve for us, lower procurement cost for the customers”, and the vernacular of the tactics.
- Every territory showed improvement in: sales; order size; margin rates; and net profit. Total company sales and profits accelerated past industry averages (even in a sector very hard-hit in the economic downturn).

With net profit analytics, everyone can focus on improving the root drivers of profits with the right scripts. Can your management team afford to wait any longer to get working on NBC and the newest profit-driving scripts?

Schedule an hour for a private look at the Waypoint service, and find out what these guys are doing.

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MANAGEMENT

**Take Reps  
From  
Margin \$  
To  
Net Profits**



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