

“Re-Di” is short for “re-distributor”. In the independent distribution channel represented by the ISSA (international sanitary supply association), there are a number of master distributors that only sell to re-sellers not directly to the end-user.

## Distributors: why Use RD's?

- Consolidate many small line buys into One
- Source for some, contract special items
- Items delivered 2X/week v. 4X/year:
  - Turn faster
  - Stock less (1x free cash source; pay down debt)
  - Have less excess stock; less stock-outs
  - Higher fill-rates builds order size and service value
  - *50% of incremental order GM\$\$ past breakeven flow through to the bottom line (under-exploited!)*

The point in italics refers to what happens if a distributor has higher fill-rates which in turn allow for larger (fully complete) orders. If the order has enough margin to be net-profitable, then 50% of any additional margin from any additional size due to higher fill rates will flow-through to the bottom line. There is nothing more powerful to building profits than to: 1) Sell more core item margin on 2) a larger, net-profitable order.

## Untapped Potential for RD's? (1)

- Supply-chain cost/profit boundaries for RD's?
- *Is the future already here in other channels?*
- Big Volume WMT SKUs (7% => 70% of sales) go 100% through RDCs. (Not in jan-san!)
- CoLinx: factory co-op for ALL LTL shipments in bearings/power-transmission channel
- Dot Foods tracks rebates for factories and buying-group labels in foodservice channel

The success of master distribution centers by players in other channels illustrate how under-utilized the MDC potential is within ALL independent distribution channels due to legacy thinking.

## Untapped Potential for RD's?(2)

- Long-tail items (RD's ship direct for D's):
  - USSCO: virtual stationers and Betty Mills
  - AMZ & SearsPartsDirect “dis-intermediate”
  - Work together to “re-intermediate” direct sales!
- Small GM\$/pick items:
  - Hillman Group: washers for hardware stores
  - Lawson: end-user-centric, on-premise system

## Immediate Conclusions:

- The RD space in Jan-San is under-utilized?
- Most Manufacturers and Distributors have no *supply-chain data for:*
  - “margin \$’s less cost S’s =profit-at-the-SKU-level”
- The century old, one-process-serves-all-SKUs model could be broken into precision, supply-chain solutions. How? When?
  - Get line-item profit/loss information
  - “Live into the questions”
  - Eat an elephant in most tasty, bite-size experiments

So much for the big-picture vision opportunities, the rest of the show is a cook-book, how-to recipe that any channel player in any channel can use right now.

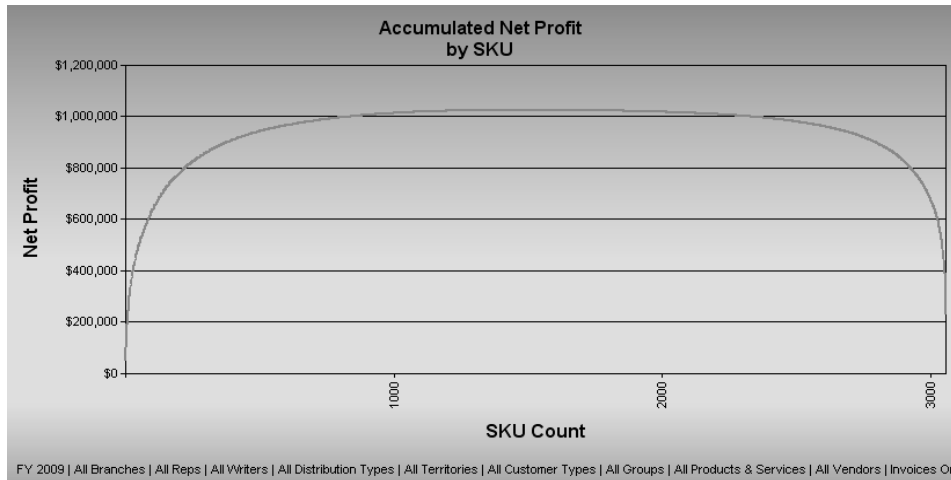


## Steps to Line Item Profit Results

- Rent & edit or create optimum “cost-model”
- Sum/rank line-item/pick profit/losses two ways:
  - By item => By Supplier => “Whale Curve”
  - By order => Customer => Segment & Territories
- Analyze Extremes for: “why” profits/losses?
- Design “Scripts” to exploit these insights
- Track with “net profit improvement” (reports)
- Pay everyone on “net profit improvement”

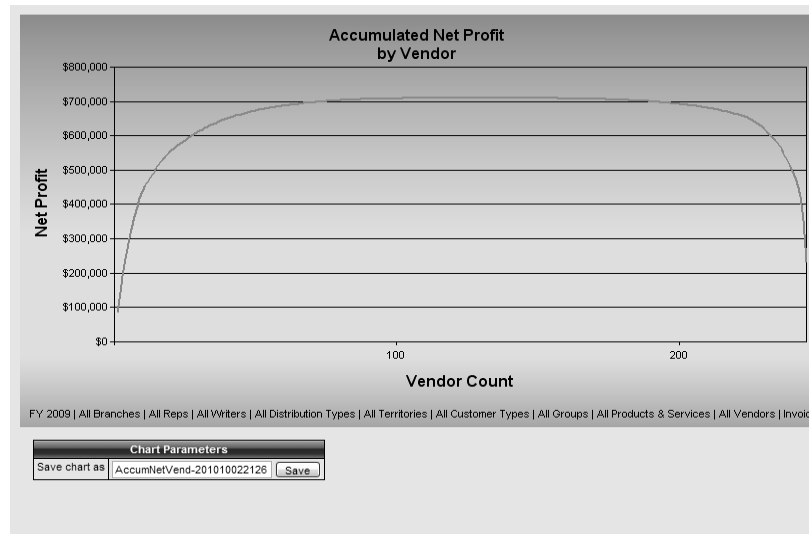
All subscribers to Waypoint Analytics’ “quantum profit management service” can get “net-profit” information, ranking reports and “whale curves” for: items, suppliers, customers, customer pools and sales territories. This slide summarizes the 6 general, chronological steps that a distributor can take to dramatically improve their profitability, growth rate and change management agility. Just schedule a management team go-to-meeting demo with Waypoint and get excited.

## SKU Profit “Whale Curve”



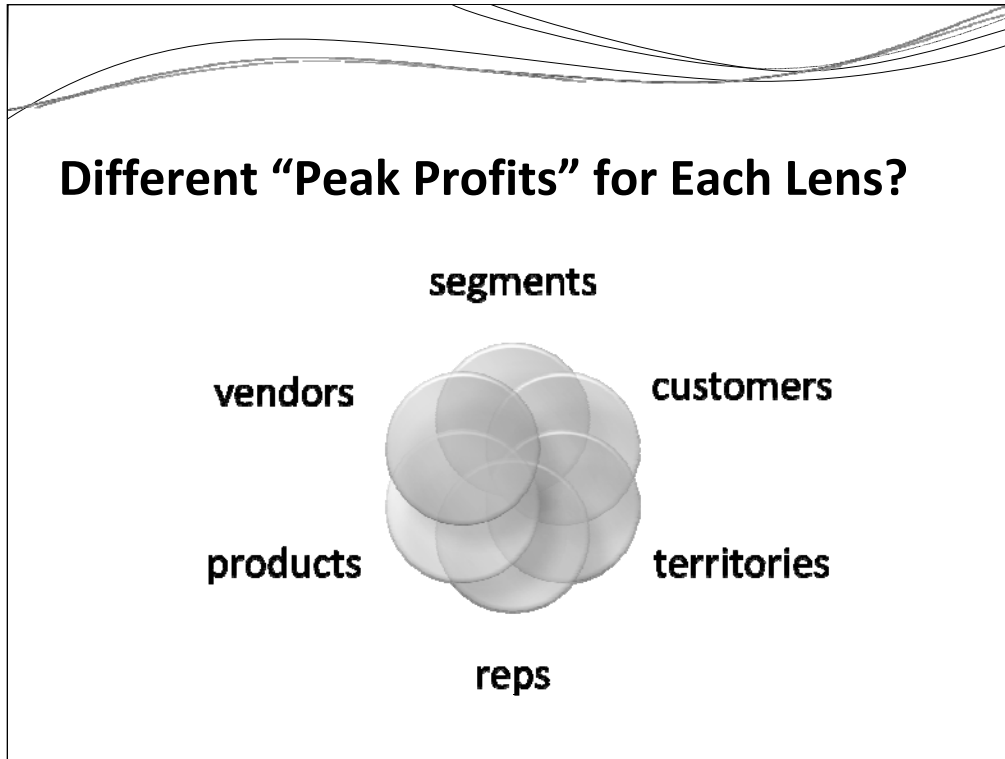
This chart summarizes the cumulative net-profits of all active items for a Waypoint subscriber from the most profitable items on the far left to the biggest losing ones on the right which comprise the “tail of the whale”. The tail ends at \$200K which is the financial operating profit for this company. But, they did make over \$1MM in net profit from their best 1000 items before they started eating up the peak profit with losing products in the tail.

# Supplier Whale Curve



All of the net-profits and losses for items bought from one supplier can be summed up by supplier. The suppliers in turn can be ranked and whale-charted by profitability. The peak profit level generated by about 80 of the 230 suppliers hits only \$700K (vs the 1MM+ for sku's and the 200K financial profits), because most suppliers have both profitable and unprofitable items which reduce the total supplier net profit number. Focusing on the most profitable SKUs is the most powerful pure-play opportunity.





In Waypoint any net-profit perspective can be cross-analyzed by subsidiary perspectives. By example, the biggest losing sales territory must have some of the biggest losing customers in it, they in turn have to be buying some of the biggest losing items (in small, frequent, money-losing orders). The biggest losing items in turn come from vendors that in total will be the most unprofitable. If we therefore work with our most profitable suppliers on selling a bit more of the most profitable items, we get huge returns for small investments and efforts that ripple through the other net-profit perspectives. In a similar way, if we work with our most unprofitable suppliers on rethinking how we sell their most popular AND most unprofitable items, we can get huge profit swing results.

A decorative graphic at the top of the sidebar box, consisting of several overlapping, wavy lines that resemble a whale's back or a curve. It is positioned above the 'Sidebar:' heading.

## Sidebar:

### Which SKUs get Private Labeled?

- **Massively profitable/popular items cloned**
- **What does this do to manufacturers' math?**
- **Distributors/retailers' profits over-estimated:**
- **50% of retail clones are not profitable. Why?**
  - **Same GM\$s & Redundant line/investment**
  - **Longer lead-times: higher safety stock; lower fill-rates; reverse substitution/pricing problem**
- ***How to exploit upside of best branded SKUs?***

The whale curve in slide 7 for SKUs shows how fantastically profitable some items are, because manufacturers (unknowingly?) hold a huge price umbrella over them and use the huge profits to cross-subsidize too many items that are unprofitable: at least with a one-size, fits-all channel-selling/cost process. If the most popular and most profitable items have not already been private-labeled, then what is the joint opportunity that a manufacturer and best distributors have for beefing up those few, best items for better local fill-rates?



## **Ideas ➡ Wealth**

**3-stage process:**

- 1. vision (“good health”)**
- 2. guidelines (good diet, exercise)**
- 3. kaizen step; recipe “scripts”(e.g.)**
  - whole milk ➡ skim**
  - French-fried automation**
    - a focus that works / scales.**
    - ordinary folks ➡ extraordinary work/results**

If we want to make money from whale curve insights, then we have to go through these three steps and get to a repeatable, simple formula that ordinary people can use to get extra-ordinary results.



## **Elements In a Change Program\***

- **RIDER** = rational part of our brain
- **ELEPHANT** = other 90%; emotional / irrational
- **PATH** = environment that shapes/guides us
- **BRIGHT SPOTS** = very best, sub-elements
- **SCRIPT** = 2-3 part recipe that rider can follow

**...and visual, visceral, compelling for elephant**

\* from the book **Switch**

These are key terms from the best new change management book entitled “Switch”. Check out its reviews at Amazon.



## Script Design: Concepts/Tools

**Get High-ROI: Power Law (bright spot) Thinking**

- $20/80 \times 20/80 = 4/64$  (customers => sales)
- 20/140 (customers => net profit)
- 1% ➔ 35-50 net profit
- 30% SKUs ➔ 250 - 500% of op. profit (why?)

**Case: 0.4% of active 50%**

- ➔ 25% operating profit
- ➔ 10% of peak profit

A well-known example of a “power law” is Pareto’s 20% of the citizens in any type of economy will have 80% of the wealth. SKU whale curve’s reveal that .4% (20) SKUs can generate 50% of the financial operating profits of a distribution business.

## **Concept / Tools: 9F's\***

- **Fail** - it's an experiment
- **Forward** - toward a theoretical vision
- **Factually** - data-driven decision making
- **Fearlessly** - kaizen step: no down, just up
- **Frugally** - small, simple, fast is cheap
- **Faithfully** - we will learn more than we spend
- **Flexibly** - soft eyes will see valuable surprises
- **with Fun** - beats stale, dying, profitless path
- **Fast** - do it now to start fun snowball

\* [http://merrifield.com/articles/Think\\_Big\\_Act\\_Small.pdf](http://merrifield.com/articles/Think_Big_Act_Small.pdf)

For an entire slide show on this way of thinking with much more annotation than this one, see slide show #22 at [www.merrifield.com](http://www.merrifield.com).



## **Choose which Showcase Partners?**

**Pick suppliers / customers who are:**

- **super-friendly**
- **cooperative, open-minded**
- **perhaps innovative**
- **not spooked by the size of the experiment**
- **able to share data: before, during, after**

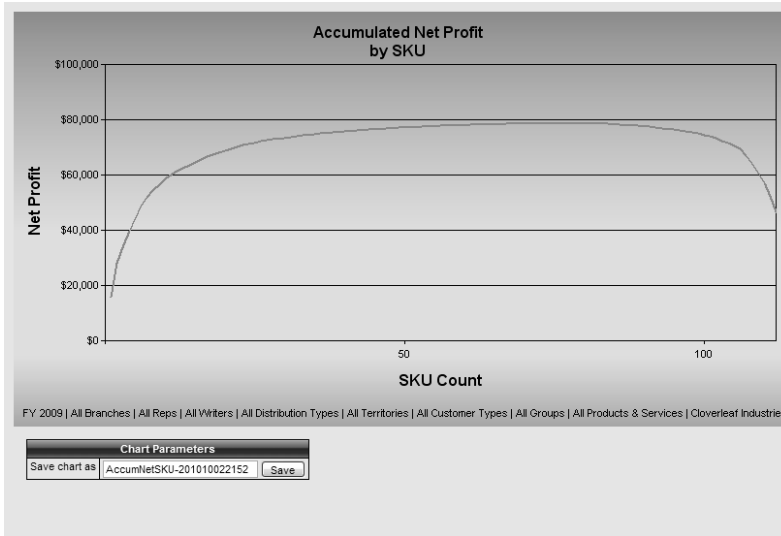
# #5 Most Profitable: "Cloverleaf"

Vendor Ranking by Net Profit													
Vendor	Revenue			GP			CTS			Net			
	\$	Accum	%	\$	Accum	%	\$	Accum	%	\$	Accum	%	
1 Acme Box Co	\$2,133,340	\$2,133,340	10.4%	\$576,884	\$576,884	12.5%	\$491,238	\$491,238	11.3%	\$95,648	\$95,648	36.7%	
2 Bigweld Industries	\$100,491	\$2,233,831	10.9%	\$99,033	\$675,917	14.7%	\$41,411	\$532,647	12.2%	\$57,622	\$143,270	61.4%	
3 Excalcorp	\$998,651	\$3,232,482	15.8%	\$179,331	\$855,248	18.6%	\$130,425	\$683,072	15.2%	\$48,906	\$192,176	82.4%	
4 Difco	\$123,369	\$3,355,851	16.4%	\$106,252	\$961,500	20.9%	\$57,469	\$720,540	16.5%	\$48,784	\$240,960	103.3%	
5 Cloverleaf Industries	\$2,020,023	\$5,375,874	26.3%	\$436,367	\$1,397,867	30.4%	\$389,637	\$1,110,177	25.4%	\$46,730	\$287,690	123.3%	
6 Necrotech Industries	\$482,576	\$5,858,451	28.7%	\$154,327	\$1,552,194	33.7%	\$112,335	\$1,222,512	28.0%	\$41,993	\$329,682	141.3%	
7 Dryco (Vendor: 10959)	\$223,807	\$6,082,258	29.8%	\$75,847	\$1,628,041	35.4%	\$41,852	\$1,264,364	29.0%	\$33,995	\$363,678	155.9%	
8 Magic, Inc	\$130,823	\$6,213,081	30.4%	\$42,983	\$1,671,024	36.3%	\$12,728	\$1,277,092	29.2%	\$30,255	\$393,932	168.8%	
9 Praxis Corporation	\$1,377,956	\$7,591,040	37.1%	\$230,128	\$1,901,153	41.3%	\$206,745	\$1,483,837	34.0%	\$23,383	\$417,316	178.8%	
10 Wastenot Industries	\$169,831	\$7,760,871	38.0%	\$47,475	\$1,946,628	42.4%	\$27,720	\$1,511,557	34.8%	\$19,755	\$437,071	187.3%	
11 Borchester Land	\$606,751	\$8,367,622	40.9%	\$164,153	\$2,112,781	45.9%	\$144,823	\$1,856,380	37.9%	\$19,330	\$456,401	195.6%	
12 Warpe, Wistful, Kubitsch	\$165,420	\$8,533,042	41.7%	\$38,331	\$2,151,112	46.8%	\$24,820	\$1,681,200	38.5%	\$13,510	\$469,911	201.4%	
13 Fidelity Republic Bank	\$403,475	\$8,936,518	43.7%	\$71,285	\$2,222,396	48.3%	\$58,469	\$1,739,669	39.8%	\$12,816	\$482,727	206.9%	
14 Ch Lavatory And Sons	\$143,187	\$9,079,704	44.4%	\$53,190	\$2,275,587	49.5%	\$40,519	\$1,780,189	40.8%	\$12,671	\$495,398	212.3%	
15 Kacc Military Fuels	\$70,403	\$9,150,108	44.8%	\$26,472	\$2,302,058	50.0%	\$14,166	\$1,794,354	41.1%	\$12,306	\$507,704	217.6%	
16 Union Aerospace Corpor	\$242,131	\$9,392,239	45.9%	\$65,870	\$2,367,929	51.5%	\$54,522	\$1,848,877	42.3%	\$11,348	\$519,052	222.4%	
17 Atlantic American Airlines	\$286,479	\$9,678,718	47.4%	\$86,123	\$2,454,052	53.4%	\$75,793	\$1,924,670	44.1%	\$10,330	\$529,382	226.9%	
18 Sto Plains Holdings	\$198,815	\$9,877,533	48.3%	\$43,968	\$2,498,020	54.3%	\$33,717	\$1,958,387	44.9%	\$10,251	\$539,634	231.3%	
19 Mishima Zaibatsu	\$383,795	\$10,261,328	50.2%	\$116,410	\$2,614,430	56.8%	\$107,252	\$2,065,639	47.3%	\$9,157	\$548,791	235.2%	
20 Multicuary Money Manag	\$56,508	\$10,317,836	50.5%	\$17,807	\$2,632,237	57.2%	\$10,735	\$2,076,374	47.6%	\$7,071	\$555,862	238.2%	
21 Extensive Enterprise	\$62,554	\$10,380,390	50.8%	\$17,615	\$2,649,852	57.6%	\$10,840	\$2,087,215	47.8%	\$6,775	\$562,637	241.1%	
22 Cyberdyne Systems	\$133,613	\$10,514,003	51.4%	\$27,793	\$2,677,645	58.2%	\$21,348	\$2,108,563	48.3%	\$6,445	\$569,082	243.9%	
23 Renraku	\$125,351	\$10,639,354	52.1%	\$27,912	\$2,705,557	58.8%	\$21,690	\$2,130,253	48.8%	\$6,222	\$575,304	246.5%	
24 Brande Industries	\$37,587	\$10,676,941	52.2%	\$16,602	\$2,722,159	59.2%	\$10,660	\$2,140,913	49.0%	\$5,942	\$581,246	249.1%	
25 Cruiseways, Inc	\$718,335	\$11,395,276	55.7%	\$157,174	\$2,879,334	62.6%	\$151,412	\$2,282,325	52.5%	\$5,762	\$587,009	251.6%	
26 Transhemispheric Airline	\$92,567	\$11,487,843	56.2%	\$18,257	\$2,897,591	63.0%	\$12,695	\$2,305,020	52.8%	\$5,562	\$592,571	253.9%	
27 Chronowex Corporation	\$41,552	\$11,529,395	56.4%	\$17,239	\$2,914,830	63.4%	\$11,722	\$2,316,743	53.1%	\$5,517	\$598,087	256.3%	
28 Myth Inc	\$712,672	\$12,242,067	59.9%	\$135,626	\$3,050,456	66.3%	\$130,417	\$2,447,160	56.0%	\$5,209	\$603,296	258.5%	
29 Frobozcco International	\$28,158	\$12,270,225	60.0%	\$10,546	\$3,061,002	66.5%	\$5,344	\$2,452,504	56.2%	\$5,202	\$608,498	260.8%	
30 Jlb Credit	\$124,966	\$12,395,191	60.6%	\$27,854	\$3,088,857	67.2%	\$22,859	\$2,475,364	56.7%	\$4,995	\$613,493	262.9%	

In an actual distributor case study, the distributor picked one of their most profitable suppliers code-named "cloverleaf".



# Cloverleaf SKU Whale Curve



From Cloverleaf, the distributor bought and stocked over 100 items. About 90 generated \$80K in net profit (remember this guy only has 200K in operating profit).

## **Script Case:**

### **Fill-rates & Flow-Thru \$s**

- **Fill-rates are foundational, service-value metric**
- **Fill-rates are programmed crudely (?)**
- **Fill-rates on best items are overstated:**
  - **don't have it, go elsewhere or subs aren't deducted**
  - **substitute away from most popular item (or line) shares out demand appeal and restocking to clones**
  - **Why not "beef" the most profitable/popular items?**

The distributor was using a very simplistic and crude way of trying to have fill-rates for "A" items be higher than "B"s etc.

## Pick Top 7 Most Popular to Beef ?

SKU Ranking by Popularity								
SKU	Description	Rev	GM %	NBC	Net	Lines Picked	Customers	Cust %
10053	14.0 24" WARDROBE PLAIN	\$175,676	31.3%	\$26,999	\$1,965	717	181	17.5%
10070	2 PC. COMBO MIRROR PACK	\$192,204	26.1%	\$26,271	\$1,119	519	111	10.7%
10173	KING/QUEEN COMBO	\$247,459	18.2%	\$22,126	(\$4,681)	563	74	7.1%
10045	10.0 20" WARDROBE PLAIN	\$159,879	21.4%	\$17,373	(\$908)	416	60	5.8%
10181	LAMP 12X12X40 10/280	\$26,741	31.0%	\$3,137	(\$384)	141	59	5.7%
10065	LARGE 4 PC. MIRROR	\$93,451	30.1%	\$16,136	\$4,577	242	42	4.1%
10174	KING/QUEEN PILLOW TOP FOL	\$84,585	18.2%	\$8,186	(\$1,017)	178	42	4.1%
10241	15 CU 37X19-1/8X36-7/8 RSC	\$27,237	34.3%	\$9,247	\$6,619	62	17	1.6%
10243	17.97 CU 42X29X25-3/4 RSC	\$10,422	28.5%	\$2,918	\$2,092	35	14	1.4%
10234	BKE / 20 CU 67X12X40 RSC	\$16,741	38.7%	\$6,392	\$4,612	44	13	1.3%
10194	GRANDFATHER CLOCK BOX	\$1,405	43.6%	(\$161)	(\$321)	19	12	1.2%
10239	10 CU 24-1/8X24-1/8X30-1/4	\$3,478	32.0%	\$1,080	\$780	19	11	1.1%
10057	14.0 24" WARDROBE	\$67,518	20.9%	\$9,247	\$1,108	85	6	0.6%
25365	48X40 4-WAY HEAT TREATED	\$679	-376.0%	(\$6,292)	(\$5,716)	94	5	0.5%
25749	COSTCO BLUE PAGODA BOX	\$98,952	5.0%	(\$2,029)	(\$2,850)	9	2	0.2%
25942	72X24X24 HSC TELESCOPING	\$	0%	(\$196)	(\$189)	3	2	0.2%
26078	ACME OWNED BLUE PAGODA	\$795	100.0%	\$640	\$277	3	2	0.2%
26201	8X7-3/4X10 D/C RSC 32-ECT	\$92,956	18.4%	\$10,555	\$5,010	13	2	0.2%
11574	51525-11 9-5/8X7-3/8X5-5/8	\$444	21.2%	\$47	\$31	1	1	0.1%
11905	B1-0 10-1/4X4-7/8X12-3/4 FOL	\$3,050	38.9%	\$677	\$235	7	1	0.1%
11944	51516-11 10-1/2X8X8-1/8	\$5,154	13.1%	\$222	\$22	6	1	0.1%
12030	B3-0 12X11-1/2X14-3/4	\$1,180	18.8%	\$104	\$17	1	1	0.1%
12587	18X18X56 RSC 200# C/K	\$1,001	34.2%	\$182	(\$95)	1	1	0.1%
13120	29X29X14 RSC 200# C/K	\$4,322	25.2%	\$387	(\$143)	9	1	0.1%
13123	29-5/8X29-1/4X4 D/C DST	\$973	15.7%	(\$96)	(\$149)	3	1	0.1%
13145	30X30X30 RSC 44-ECT C/K	\$2,672	24.2%	\$235	\$60	6	1	0.1%
20255	9PKBX418TD 4X4X18 FOL 200#	\$3,686	-9%	(\$387)	(\$391)	19	1	0.1%
20256	9PKBX418SP 4X4X18 FOL 200	\$3,692	-2.0%	(\$396)	(\$401)	9	1	0.1%
20429	51550-10 12-3/4X6-3/4X11	\$5,839	16.5%	\$513	\$205	3	1	0.1%
20805	51507-11 7 OZ PASTE 24 CT	\$1,889	20.1%	\$138	\$32	4	1	0.1%
20806	51532-11 32 OZ. CLOSYS	\$5,406	18.3%	\$572	\$296	4	1	0.1%
20891	10.0 20" WARDROBE	\$30,604	7.2%	\$13	(\$2,481)	45	1	0.1%

profitable SKUs

unprofitable SKUs

Working with Cloverleaf, they picked a few of the most profitable items to beef up. The supplier gave the distributor extra dating for the incremental inventory investment in return for access to the “net-profit improvement” tracking results.



## **Real Case Study Math**

- 10,000+ SKUs from 329 Vendors
- 4,947 SKUs had 1+ picks in past 12 months
- (True cost/value of dead 5,000? Root causes?)
- 2,000 of top 5,000 ➡ \$500K in peak profits
- Bottom 3,000 ➡ \$300K loss
- Net Operating Profit: \$200K on \$20MM in sales
- From a most profitable vendor: 259 SKUs (& some were losers for different day & script)



## **Experiment With the Vendor**

- **Picked 20 SKUs: most profitable & popular**
- **20/259 in line; 20/5000 = 0.4% of active SKUs**
- **Generated: \$50K in profits equal to:**
  - **25% of operating profit;**
  - **10% of peak profits from top 2,000 items**
- **Beefed the 20 by X% with extended dating(?)**
- **Tracked delta increases vs. rest of line & subs**

# Track Net Profit Change by SKU

Net Profit Change by SKU					
Rank	SKU	Last Yr	This Yr	Delta	%
1	19808 PREPAY & ADD SHIPPING &	(\$35,216)	(\$8,723)	\$26,492	-75.2%
2	15468 CUTTING DIE	(\$36,584)	(\$14,399)	\$22,185	-60.6%
3	26079 USA GOJI 4 PACK HIMALAYAN	\$0	\$12,315	\$12,315	0.0%
4	25052 ROAD WARRIOR 20X12X12 O.D.	\$4,145	\$15,745	\$11,600	279.8%
5	19235 1/16"X72"X900" S-36 P-12	(\$11,005)	(\$28)	\$10,976	-99.7%
6	25323 48" PANTRY 96X48 150# C/K	\$3,452	\$13,977	\$10,525	304.9%
7	10252 LDN CONT 54X54X56 O.D.	\$8,676	\$17,761	\$9,085	104.7%
8	18633 INBOUND PREPAID SHIPPING &	(\$9,111)	(\$35)	\$9,076	-99.6%
9	15516 20" 5000' 80 GA STRETCH	\$2,946	\$11,773	\$8,827	299.7%
10	20693 SAMPLE	(\$19,200)	(\$11,371)	\$7,829	-40.8%
11	26445 WHITE PLASTIC 30355885B	\$0	\$7,391	\$7,391	0.0%
12	25723 SW2000 AUTOMATIC CONTINUOUS	\$0	\$7,174	\$7,174	0.0%
13	65012 TOUGHGARD LAMINATED LOCK, 2" (50MM) MNS	(\$7,172)	\$0	\$7,172	-100.0%
14	24980 2014566 50" .002 BLUE POLY	\$14,676	\$21,748	\$7,072	48.2%
15	23901 2-3/8X15/16X4-1/16	\$853	\$7,889	\$7,036	825.0%
16	24631 20-1000A TRAY 72 COUNT	(\$7,058)	(\$26)	\$7,032	-99.6%
17	24568 9PKBX121220 12X12X20 FOL	\$1,281	\$8,223	\$6,943	542.1%
18	50127 YELLOW PLASTIC PADLOCK SEALS MNS	(\$6,753)	\$0	\$6,753	-100.0%
19	10232 D CONTAINER W/PALLET	\$3,715	\$10,174	\$6,459	173.9%
20	16653 SAMPLE PER THOUSAND	(\$9,648)	(\$3,581)	\$6,066	-62.9%
21	20581 16" 1500' 16.5 MIC CAST	\$142	\$5,927	\$5,785	4,067.0%
22	23741 44CR04 IN-WIN FM END CAPS	\$3,524	\$8,741	\$5,217	148.1%
23	25936 FURTHER NOTICE 1-3-07-882101A WHT DST TOP & BTM	\$0	\$5,015	\$5,015	0.0%
24	26201 8X7-3/4X10 D/C RSC 32-ECT	\$0	\$5,010	\$5,010	0.0%
25	23880 ET1610-36 SHRINK TUNNEL	(\$4,731)	\$0	\$4,731	-100.0%
26	50474 SECURITY LABELS - GREEN MNS	(\$4,699)	(\$62)	\$4,636	-98.7%
27	25875 #6 14-1/2X19 + 2" FLAP S/S	\$0	\$4,578	\$4,578	0.0%
28	51054 24" WARDROBE MNS	(\$4,407)	\$0	\$4,407	-100.0%
29	50643 24" WARDROBE BAR MNS	(\$4,382)	\$0	\$4,382	-100.0%
30	65014 TOUGHGARD DISK LOCK, 2-3/8" (60MM) MNS	(\$4,279)	\$0	\$4,279	-100.0%
31	50129 RED PLASTIC PADLOCK SEALS MNS	(\$4,024)	\$0	\$4,024	-100.0%
32	24632 20-1000A DIVIDER 72 COUNT	(\$3,960)	(\$26)	\$3,934	-99.3%

## What Did Partners Discover?

- 20 items up 28% over baseline
- Sub-items sales dropped by 13%
- Net increase in sales: 15%
- Delta Net Profit up 45% for 20 items
  - 50K ➔ 72.5 annualized
  - 11.25% theoretical annual increase in operating profit
- Profits on sub-items off by 5%

The beefed up items increased in sales over non-beefed items by 28%. The normal competitive items that were used as substitutes if and when the target items were out of stock, dropped by 13%. The supplier stole back market share from the competitive lines not only within the distributor's business, but probably within the trading area from other distributors who had stock outs on target items.

The net-profit on the target items went up by 45% - more than the 28% in sales- because of the elimination of back-orders and split-shipments from other branches for understocked target items. For no work, operating profits were significantly impacted.



## How Can This Experiment Scale?

- Initial showcase supplier wants to:
  - Beef the next 10+ skus (old script extended)
  - Losing item experiments? (new scripts)
  - “Switch Over Program” from weakest, competing, redundant lines (new scripts)
- “Weed to Feed” ➔ *Feed our best*:
  - (suppliers; reps; customers);
  - *then weed the losers.*
  - Subtle but big difference?
- Reps boost value => “supply-chain” profits



## **Summary Thoughts (1):**

- **Without cost-to-process/serve information, everybody has their own, rough R-D guidelines.**
- **A net-profit improvement system is now quickly, frugally available on outsourced, shared-cost, cloud-service basis.**
- **There's lots of win-win-win upside for new, R-D "apps"**
- **First (end-to-end) movers can (via "scripts"):**
  - **Exploit super-profitable SKUs with "beefing"**
  - **Transform super-losers with alt. supply-chain processes**

In summary, every manufacturer with a distribution center and every distributor should sit in on a go-to-meeting demo of the Waypoint service to at least know what your competitors might eventually be doing to you.



## **Summary Thoughts (2):**

- **More Generally:**
  - **Live into alternate-channel, solutions-as-our-visions questions?**
  - **Start with safe 9F, bite-sized, “script” experiments**

**AND**

**The path towards proven patterns for RD space will emerge for the curious and proactive.**



## **Waypoint Analytics?**

- **No other “business analytics” vendor provides all steps in slide #6 (tuned to distribution activities) with virtual, go-to-meeting consulting at breakthrough ROI economics.**
- **[www.waypointanalytics.com](http://www.waypointanalytics.com)**
- **[www.quantumprofitmanagement.com](http://www.quantumprofitmanagement.com)**
- **[www.merrifield.com/quantum](http://www.merrifield.com/quantum)**
- **[bruce@merrifield.com](mailto:bruce@merrifield.com)**