

University of Industrial Distribution

March 4, 2007
Indianapolis, IN

Productivity Tactics For Branch Managers



AGENDA

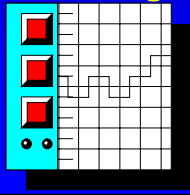


1. What's "productivity"? Financial management problems.
2. Next level results require new mindsets?
3. "Profits" from products &/or customers
4. PBIT ranking reports; overhauled plays
5. Service retention economics
6. Closing the knowing-doing-gap
7. Appendix 1: Achieving next level service
8. Appendix II: Target account selling

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Section 1

"Productivity"? Financial Management?



PRODUCTIVITY DEFINITION



Input / Output of a system

PBIT / Total Assets = "Pre-tax ROTA"

PBIT - allocations / \bar{T} & \bar{A}/R = RONA

PAT / Equity (net worth) = ROE, ROI

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FOLLOW-UP SUPPORT SLIDE



Posted at: www.merrifield.com

- ▶ 106 Articles
- ▶ 12 Annotated slideshows
- ▶ 27 support exhibits
- ▶ 3 Chapters of Book:
"Reinventing Distributor Profitability"
- ▶ 69 (weekly) Distribution Channel Commentaries (DCC's)
- ▶ 40+ pages on "High Performance. . ." video

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ROTA POSSIBILITIES



Al Bates - 2001

Median ROTA 5% +

Top 10% ROTA 15.6%

David Birch

Top 3% = Gazelles

2 - 5 X IGR; perpetual innovators

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FINANCIAL MANAGEMENT SHORTCOMINGS



- Double entry accounting - 1400's
- DuPont profit model - 1915
- G.A.A.P*. → Pay right taxes on time
- Financial #'s are symptoms!
- Dark side of "financial management"?
- Root cause of profit power?

GAAP - general accepted accounting principles

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DARK SIDE OF . . .



- Buy low
- Sell high
- Collect early
- Pay late
- Hire cheap
- Work hard
- Meet budget

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THE KINETIC CHAIN



Reweave The "Kinetic Chain"*

→ Hi. Value/low cost = profit & brand value

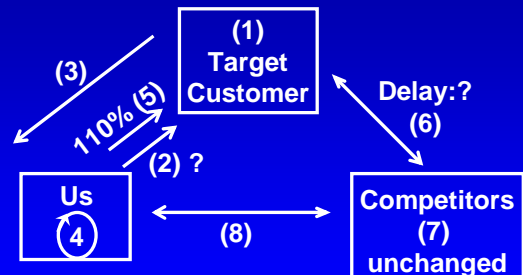
7. Incentives
6. Tools
5. Education (→ Skills)
4. Great People (apt. for "growing to")
3. Systems (simple, flex., friendly)
2. Strategy (vision, values, UMP, SCA)
1. Leadership (People)/Mgt. (Science)

UMP - unique marketing proposition
SCA - sustainable competitive advantage

*Article 2.1

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REINVENT VALUE GAME



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SUMMARY POINTS

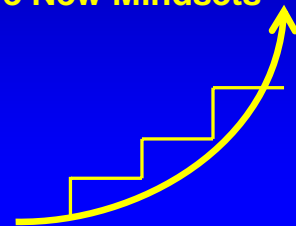


1. Use #'s to:
 - not go broke
 - creative constraints
 - but not run a branch better
2. How to zero in on your best customers in your best local niche?
3. How can we escape from outdated mindsets? (Section 2)

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Section 2

Next Level Results
Require New Mindsets



WARM-UP EXERCISE



Sports video:

You Make The Call!

How many white team passes?

Bonus points for bounce pass total.

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"GESTALT FLIP"



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BIG, SLOW HISTORY FLIPS



- 1492: Go West to get East;
100 year gold rush
- 1615: Galileo confronts the Church
- 1861: Slavery doesn't work in a
democracy (85 years)
Equal rights (+ 100 more)
- 1923: Women should vote (147 years)
Elite schools (+ 50); Title 9 (+ 66)

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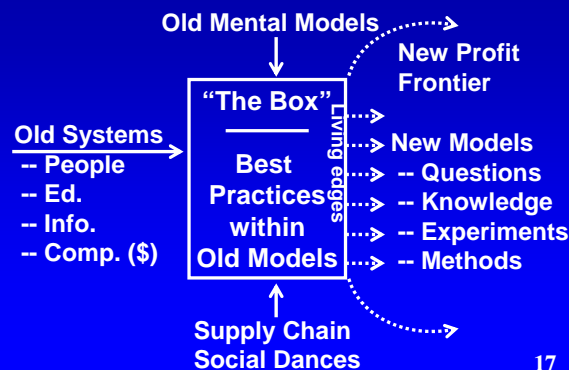
WHAT'S HISTORY TEACH US?



- "The future enters into us in order to transform us long before it happens" (P S.: or doesn't, causing death.) Rilke
- To change something requires reweaving the whole. (e.g. grooved, flawed stroke)
- Using (unspoken) old models & words to describe new things locks us into a profitless, fading past.
- New words, models, question-maps enable new profitable methods

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GET OUT OF THE BOX?



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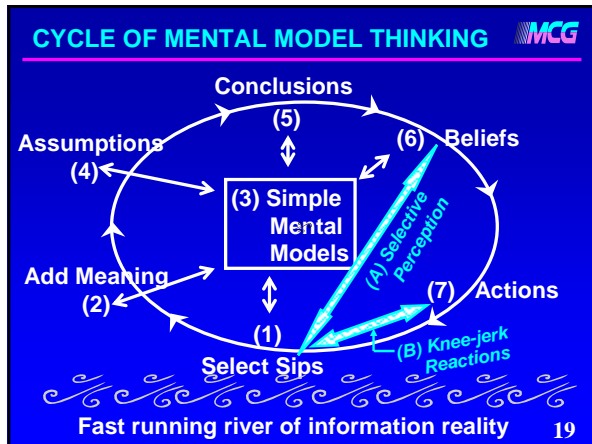
NEW MENTAL MODELS INTO ACTION*



1. **Recognize** the power and limits of mental models
2. **Test** models against changing environment. Generate new ones.
3. Overcome **inhibitors** to change:
 - infrastructure
 - diff. viewpoints
4. **Transform:**
 - new model expts.
 - system reweaving

*Adapted from: "The Power of Impossible Thinking" by Jerry Wind and Colin Crook

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CORPORATE CULTURE?

“the specific collection of values & memes that are shared by people in an organization & that control the way they behave & interact.”

“Strong Culture” – when most people respond quickly to a stimulus because it is right.

“Weak Culture” – Nothing changes no matter what stimulus.

3 Levels:

- 1) Attributes that can be seen by outsider
- 2) Professed culture planks
- 3) Unspoken, tacit rules

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CORPORATE CULTURE ELEMENTS

Paradigm – professed: strategy, mission, values
 Controls systems & key metrics
 Organization structures
 Power structures: Who? Shared? Based on. . .
 Symbols, rituals, routines
 Stories & myths
 Memplexes & memes

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(DYS)FUNCTIONAL COPROATE “MEMES” (?)

Meme (rhymes with gene):

- Smallest unit of cultural information
- Transferable from one mind to others
- Replication speed & consistency varies
- Propagate as co-operative sets (Memplexes)
- “Meme” as a Meme; good run since 1976
- Subject to: variation, mutation, competition, inheritance

Memetics = “pseudo” (?) science of memes

*Richard Dawkins book: “The Selfish Gene”

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MODEL I & II MEMEPLEXES* (1)

Model I

1. Control via MBO (effic. > effectiveness)
 - a. Move quick; little discussion; all same view
 - b. Efficiency wins over effectiveness
2. Max. winning (at all costs) min. losing
 - a. Don’t lose face & admit ignorance or mistakes
 - b. Pretend you know even when you don’t

*Chris Argyris
 MBO – management by objectives

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MODEL I & II MEMEPLEXES (2)

Model I

3. Suppress any negative feelings
 - a. Follow the leader
 - b. Their decisions unquestioned
4. Be rational
 - a. Protect status quo by:
 - Blaming
 - Intellectualizing
 - Invalidating emotions & intuition
 - Requiring concrete proof for alt. idea

∴ Safe & secure if you follow the leaders rules

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MODEL II MEMEPLEXES (3)



1. Validate info and invite ideas:
 - Opp. for questions & alt. views
 - Surface & question all potential memes
 2. Max. free & informed choice (towards a North Star)
 - Fail forward: fast, cheap, your way
 3. Max. publicity about good mistakes & micro-progress
- ∴ Share power with self-starters & learners towards strategic vision(s)

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MODEL I & II CONCLUSIONS



- Most prefer to work in Model II, but are in I
- Model I's meme-defense insures status quo
- Model I keeps people safe from being responsible for initiating new solutions for new problems

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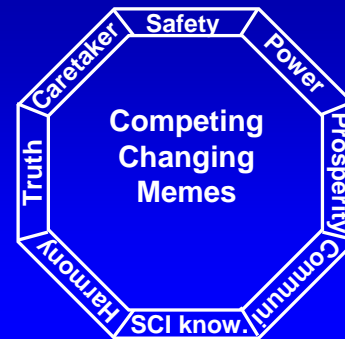
WATER STRIDER (GROUP)THINK MEMES



1. Fast decisions are best: Fix "problem" repeatedly vs. rethink real solution systematically
2. K.I.S.S.
 - Top down rules
 - Precision decision-making tools; e.g.:
 - Organization charts
 - Financial reports & ratios
 - Attitude surveys
 - Psychometric test

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DIFERENT MINDSETS, DIFERENT MEMES



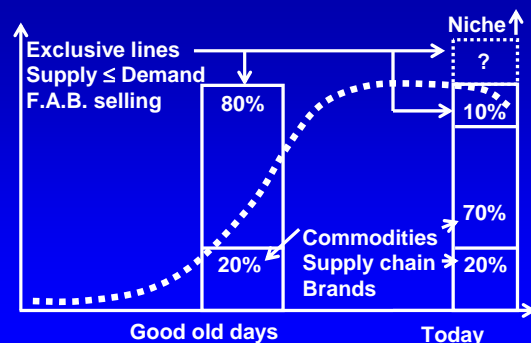
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Section 3

Profit source(s)?

- A. Products?
 - B. Customers?
 - C. A stream of profitable-sized transactions from customers with a future?
- (P. S. "It depends. . ." on the product life-cycle story)

PROFITABILITY OF PRODUCTS



F.A.B. - Feature, Advantage, Benefit
Article # 4.9 at www.merrifield.com

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PRODUCT CONCLUSIONS

- ▶ No product edge on 90% of sales
- ▶ Supply chain products catalyze new “price”: selling and/or buying
- ▶ New niche products?
 - ▶ 50% of SKUs → 1% of sales (lessons?)
 - ▶ product profit subsidies gone
 - ▶ big corps standardizing to “vanilla” cycle

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PROFITS FROM CUSTOMERS! (?)

% of Customers	What % of “PBIT”	
Top 10%	10%	95%
Top 20	20	145%
Top 40	40	155%
Other 10	10	Breakeven
Bottom 20	20	(55%)
	100%	100%

Articles # 2.15, # 2.3, # 2.19 32


BIG COUNTER SALES LOCATION*

% of Customers	% of “PBIT”
.42 (15)	21.75%
.84 (30)	29.80%
1.28 (40)	35.81%
57% (2000)	114.87% Breakeven point
Bottom 8 accts.	(\$68,856)

“I still don’t believe it!”

*Average invoice cost = \$27.17 33


4 INTERSECTING LENSES

Customer Profitability (x)	Segments (x)	Strata (x)	Values
10 → 95	1. Industry		<ul style="list-style-type: none"> • Friends • Value strategic passive aggress. • Price
20 → 145	2. Health		
40 → 155	3. Contractors		
54 (35)	4.		
1 (20)	5.		
100 - 100			


Circle one from each column, *Focus, re-invent 34

CUSTOMER-CENTRICITY VALUE CHAIN

(Industry Think)



(The Stars Way)



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WHO’S IN TOP 10 PBIT ACCOUNTS

1. Homogenous customer niche?
 - ▶ Common basket of 1-stop-shop warehouse items?
 - ▶ Same tuned services?
 - ▶ How many more in top 20%?
2. A few, big-volume, few-item, system buyers?
3. 1 or 2 brokerage (drop-ship) buddies
4. Every 5 - 10 year lucky events

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COMMON-ITEM ANALYSIS



What if top 5 in a niche bought over 12 months:

- ▶ 500 unique, total items
- ▶ All 5 bought 100 items
 - 4 bought 90 items
 - 3 bought 80 items
 - 2 bought 50 items

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So, we beefed fill-rates on 310 items 5% higher

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ABC DISTRIBUTION, INC'S RESULTS*



- ▶ Average order size up + 7%
- ▶ Extra work for "shorts" dropped
- ▶ Top 50 customers in niche bought more
- ▶ GM\$/order per fulfillment employee up 15% in 2 months
- ▶ Less stress and higher morale

*Chapter 1 (pp 21-25) @www.merrifield.com

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CROSS-SOLD UNBOUGHT BEST ITEMS



1. List of best items not bought by best customers
2. Consolidate 80% of suppliers used for 20% of purchases?
3. Change the re-ordering systems for selected items
4. Sales & average order sizes up +15%
5. Margin flow-through of 50%
6. Assign a "product manager" to this system sell.

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SECTION 3 QUESTIONS



1. Apply ABC's lessons to your distribution centers?
2. PBIT ranking reports & plays? How to's? (Sec. 4)
3. How important are "service retention" economics (Sec. 5)
4. Change management: close know-do gaps? (Sec. 6)

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Section 4

PBIT Ranking Reports & Plays



Module 3.5 in video

CUSTOMER PROFITABILITY "SYSTEMS"



<u>Method (Peel)</u>	<u>Probability</u>
Sales ranking	Best - 50%; worst 0
GM\$ ranking	Best 80%; worst 0
Trx'l cost ranking	Top 10* 100%; bot 10*100%
High cost by function	More losers for sure
Parallel ABC system	Cost/benefit? Gazelles? Mod's = lock in

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BIGGEST EVERYDAY PROCESS

<ol style="list-style-type: none"> 1. Buyers order goods 2. It arrives & received 3. Warehouse inventory 4. Order entry pathways 5. Pick, pack, stage 6. Ship/delivery 7. Invoice, trade credit 8. Sales/Marketing maintenance 	Support Services (variable costs!) <ol style="list-style-type: none"> 1. Occupancy costs 2. Supervisory 3. D. P. 4. Audit/finance 5. Debt costs 6. Etc.
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PBIT RANK, KISS EQUATION

↓ Sort Hi - Low

GM \$ (12 mos)	-- Cost to serve (?)	= Est. PBIT	%Accts	%PBIT
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↓

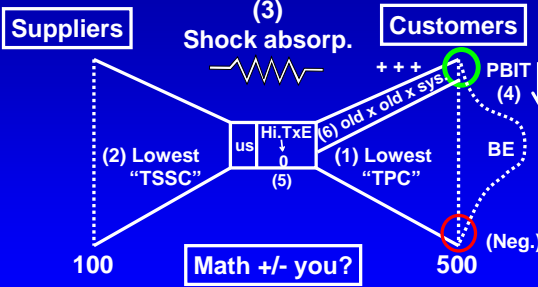
Sufficient approximation:

transactions (12 mos) X Company's average cost / transaction

What happens?

Module 3.5 44

IRON BUTTERFLY ECONOMIC\$



Suppliers (100) --- (2) Lowest "TSSC" --- (5) us --- (3) Shock absorp. --- (6) old x old x sys --- (1) Lowest "TPC" --- (4) PBIT --- Customers (500)

Math +/- you? (Neg.) BE

TPC - total procurement cost; TxE = turn + earn
 TSSC - total sales/service cost; BE - breakeven

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SERVICE FEATURE → TPC BENEFITS

1-stop-shop, highest fill-rates Zero errors 100% on time delivery Heroic actions/recoveries	11 Elements of TPC <ol style="list-style-type: none"> 1. Price 2. Shop time 3. Paperwork 4. Expediting 5. Mistakes 6. Internal handling 7. Storage costs 8. Inventory financing 9. Inventory control costs 10. Inventory shrinkage 11. Inventory Misc. (taxes, insurance)
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↑ (From Module 4.1) ↓ (From Module 4.11→)

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WHY KISS EQUATION WORKS

1. Ranking extremes are same with all equations
2. All you need to get going on plays; avoid analysis paralysis
3. Take extremes (x) exceptional extra cost list
 - ▶ huge special stock investment
 - ▶ huge slow A/R cost/risk
 - ▶ deliveries far (!) away
 - ▶ abusive service costs(cr/trx)

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"STILL DON'T BELIEVE IT!" (2)

What is our old mental model?

Support assumptions?

- All customers are good?
- All costs are fixed; can't be re-deployed?
- Lots of stakeholders won't like this?
- No one else is doing it?
- ?
- ?

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PROFITABILITY REPORT PLAYS (1)

1. Find/define #1 niche amongst top 10 (M 3.3)
2. Sign top 5 up to: (M 3.2)
 - re-define, re-tune, re-allocate services
 - upgrade fill-rates (> turn x earn > price)
 - be #1 best fill-rate supplier (M 4.2-3)
 - best critical-mass, niche inventory turn-earn
3. Team sell (+) heroic actions for:
 - core
 - targets
 - case study results

(M 3.4)
(M 3.6-7)

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PROFITABILITY REPORT PLAYS (2)

4. Bottom 5 - 15 lead accounts → gold
5. Other sub-categories of small orders
6. Segment customers (A, B, C D) & serve (M3.6)
 - downsize, upgrade, re-orient outside sales
 - add dedicated tele-sales (B)
7. Transaction/day/ops people downsizing (?)

M 3.8 -
3.11

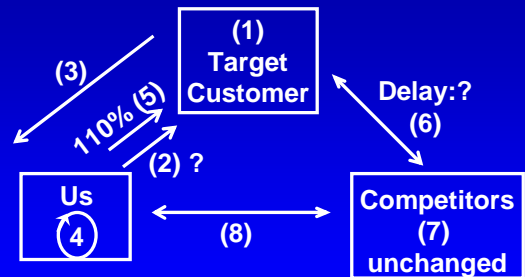
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DEFINE HISTORIC #1 NICHE

- ▶ Strategy = Where we make PBIT
- ▶ Common cluster amidst top 10
- ▶ Identify with this cluster
 - ▶ Historic whales
 - ▶ Future gazelles
 - ▶ Living-edge, Cybil Sheppards (Victoria's Secret)
- ▶ Re-define, re-tune "service value (?)" & segment

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SERVICE VALUE REDEFINITION



Appendix 1

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NEXT LEVEL VALUE SPOTS?

	Ind.	Dept.	Co.	Inter Co.	Supply Chain
Efficient					
Effect					
Transf.					Esperanto

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11 ELEMENTS OF TPC*

Cost of Acquisition

1. Cost of goods; price (only instant #)
2. Paperwork; P.O.; shipping, billing
3. Shop / buy time
4. Expediting + + +
5. Mistakes
6. Internal handling

Cost of Possession

1. Interest cost largest & most variable
2. Storage cost per sq. ft.
3. Control cost
4. Taxes, insurance
5. Shrinkage, theft, obsolescence

*TPC - total procurement cost

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SUB-DIVIDE A SEGMENT BY SELLING METHOD COST BOUNDARIES

Module # 3.6 55

SERVICE VALUE ALLOCATION MAPS: PRESENT & FUTURE

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FINAL NICHE VARIES BY PBIT

Segment → 4 strata (x) 3 buy styles (x) 10 PBIT deciles

Each bar represents 10% of niche
Average annual PBIT/customer = \$x

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OUTSIDE SALES LIMIT?

1. To sell to & through a customer on a "TPC" basis, 1 call/month min.
2. Cost/call = \$100
3. Cost = 25% or less of GM\$; \$400 GM +/-mo.
4. Downsize, upgrade, re-orient salesreps?*
5. Unfreeze account shifting? (M 3.11)

*Article 4.9 and support notes
M = module in the High Performance video

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5 • 5 • 5: LEAD2GOLD*

- 1 page report for all managers
- 5 core customers in # 1 niche
- 5 target customers in # 1 niche
- 5 biggest losing accounts
- Y • O • Y results
- Mgt. action to take any to "next level"
- 5 - 7 repetitions → mental shifts

*Article 2.20 & Exhibits # 30 - # 33 at www.merrifield.com

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SUMMARY POINTS

1. PBIT analysis; get started; sufficiency; fancier (?)
2. We'll need good shared change management skills & tools starting with "dialogue".
3. How's our change energy with all employees?
4. Target account cracking? (Appendix 2)

To optimize the whole, sub-optimize pieces

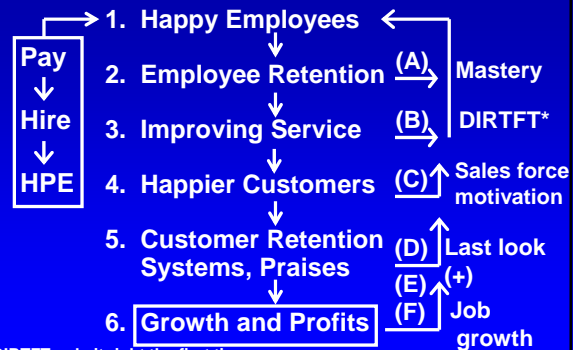
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Section 5

Service Retention Economics

- “People, Service, Profits”
(FedEx motto)
- Win on positive turnovers
- Marry the customers that will grow you

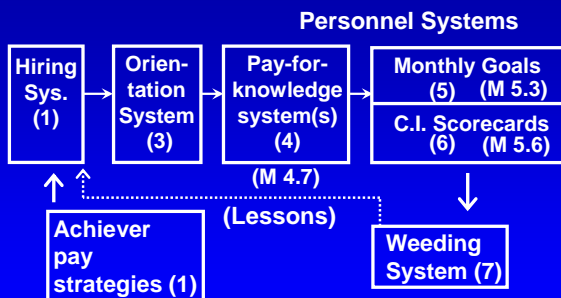
COMMON STRATEGY MAPS



*DIRTFT = do it right the first time
*Video module #3.12

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HUMAN RESOURCE SYSTEMS MAP*



C.I. - continuous improvement. See article 5.7 @ www.merrifield.com
Also see info on the 6 part audio tape, "Hiring, Training, Motivating & Keeping the Best Employees."

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Section 6

Closing The Knowing - Doing Gap



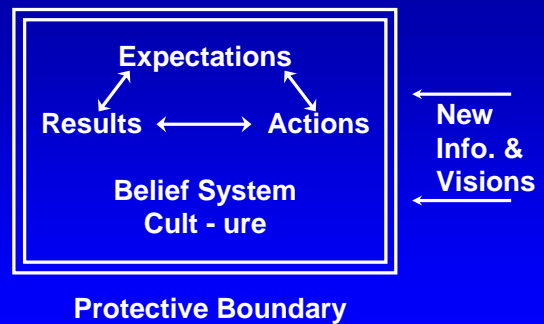
Module 4.1

QUICK FIX (+) BRIBE PATTERN



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CULTURAL RESISTANCE



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KNOWLEDGE GAP TOO (?)

"Not all customers are good"
But:

- I. (?s) #1 niche; 5 most profitable; 5 best targets; service metrics on the wall; WIIFM
- II. Define "perfect service" by niche, by strata
- III. How-to solutions for improving fill-rates, zero errors, 100% on-time service, surge mgt.
- IV. Breakthrough results on "small order mgt."

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GAPS TO FILL

Knowing	→	Do It	→	Maintain
<div style="border: 1px solid black; padding: 2px; display: inline-block;">√ Mgt 20/80 "What to"</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">x Mgt 80/20? "How to"</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 20px;">x Wally 100/100</div>		x WIIFM x #s everywhere x Fears x Bump tools x Weed to feed X Catalytic start(s) x Sustainable energy <small>(see Section 5 of video)</small>		X systems re-tuned & created

√ = Got It X = Don't

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THE SEVEN DOORS OF SOCIAL CHANGE*



*Modified from Les Robinson's work

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BHAG'S* QUESTIONS:

Possibilities in 12 - 36 months:

- Double sales
- Halve active accounts (optional)
- Double gross margin \$/employee
- 4 - 6 X's profit margin improvement

(Read Chapters 1 & 2 of "Reinventing Distributor Profitability" at www.merrifield.com and ask these questions again)

*BHAG - Big, Hairy, Audacious Goals

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WHY DON'T WE?

- ◆ Go "open-book"
- ◆ Connect pay to premium productivity (Tap into: hobby energy, home economics savvy - HE²)
- ◆ Sign-up 100% of employees' heart, mind & wallet to strategic alignment/excellence

Pass the alignment test

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ASSOCIATE ALIGNMENT QUIZ

1. Our #1 customer niche?
2. 5 most profitable accounts (+ 5 targets)?
3. "Perfect service/value" metrics (our "unique TPC* proposition"?)
4. Your direct & indirect inputs?
5. What's in it for you? (Heroic actions?)

TPC - total procurement cost @ higher price

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WHY IS CHANGE SO TOUGH?

Reweave The "Kinetic Chain"*

→ Sustainable Profit Power

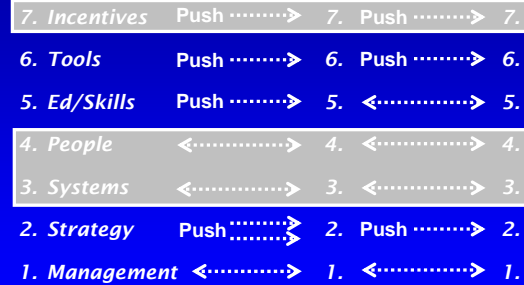
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2. Strategy (vision, values, UMP, SCA)
1. Leadership (People)/Mgt. (Science)

UMP - unique marketing proposition
SCA - sustainable competitive advantage

*Article 2.1
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"CHANNEL CHANGE" (?)

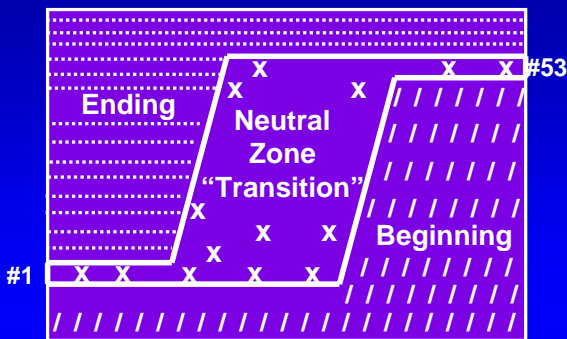
Manufacturers → Wholesalers → End-users



Channel-wide strategy, tools & change guidelines?
e.g. groceries' "ECR, & CPFR"

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CHANGE = CORE COMPETENCY



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SUMMARY POINTS (1)

1. Is our hair on fire?
2. Cost cutting ≠ unique customer value ∞ profits
3. Big gains take big (strategic) changes (with big pain?)
4. How to sign up all employees to move towards new North Star(s)?

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SUMMARY POINTS (2)

5. If we have:
 - ▶ Vision-pull (greed) of new north stars GM\$/employees & PBIT/customers
 - ▶ Detailed strategy maps (+) recipe plays
 - ▶ Better transition management tools
 - ▶ Fear of not changing

Can enough of us get on board to start the trip?

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SUMMARY POINTS (3)

6. If we don't close gaps,
 - ▶ Who will do it to us first?
 - ▶ How will we feed best stakeholder needs?
 - ▶ How will we feed living-edge adjacencies?

Steadily Innovate or Die! (?)

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Appendix 1

Back To Basic Service Brilliance



"SERVICE AMERICA" (?)



Old service slogans of the late '80's?

Las Vegas edge (+) time → wipe out

What if:

1 stop-shop basket of items

Fill-rates

Zero errors

On-time execution

} Guaranteed
(\$?)

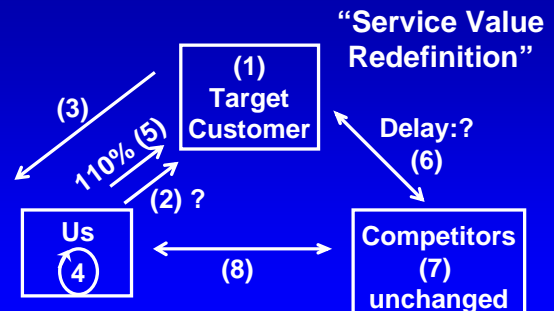
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GENERAL DEFINITION OF "SERVICE" MCG

- ▶ Approx. 8 service metrics
 - ▶ 4 encounter guidelines
 - ▶ Intuitively want lowest "total procurement cost" (TPC) - "benefits"
 - ▶ Segments: friendship, value, & price
- } "Features"
↓
"benefits"

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DO THIS BETTER?



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CUSTOMER LISTENING GUIDELINES MCG

1. Are they value buyers (supplier history)
2. "What bugs you the most?"
(vs. What else do you want?)
3. Walk through total procurement processes
 - activities & outcomes
 - productivity & consistency
 - exceptional occurrences

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SERVICE FEATURE → TPC BENEFITS MCG

1-stop-shop, highest fill-rates
Zero errors
100% on time delivery
Heroic actions/recoveries

↑
(From Module 4.1)

(From Module 4.11→)

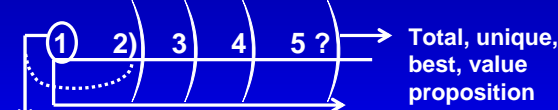
11 Elements of TPC

1. Price
 2. Shop time
 3. Paperwork
 4. Expediting
 5. Mistakes
 6. Internal handling
 7. Storage costs
 8. Inventory financing
 9. Inventory control costs
 10. Inventory shrinkage
 11. Inventory Misc.
(taxes, insurance)
- } Buying costs

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A DISTRIBUTOR'S TOTAL PRODUCT VALUE

The tangible commodities are “augmented” from the inside out (ann. Slideshow #5)



1. Lowest cost (China) clone tangibles
2. Max. butterfly economics customer niche
3. Basic service excellence metrics
4. Segment niches by strata
 - extra services for best lifetime profit customers
 - less services, higher prices for smaller
5. New co-created extra services value

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“SERVICE MGR.” TO MEASURE & QB?

1. Who will gather, post & analyze #s?
2. Who will tweak service processes that thread through departments (2 bosses?)*
3. Oversee heroic acts & recoveries and lessons?

*Process Re-engineering (x) Services - Exhibit 4 @merrifield.com

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“HEROIC RECOVERIES” FACTS

1. Customers notice mistakes 120%!
2. 19 out of 20 walk quietly
3. And tell 12 friends negative story (15%/23)
4. Cost of cure vs. benefits
 - ▶ Loyalty/life-time value (+) 5 testimonials
 - ▶ Humbling feedback/improvement opportunity

How to do one?

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“HEROIC RECOVERIES” STEPS

1. 1st contact person owns it/does it
2. No nit-picking; affirm, generous apology
3. Here's what I am going to do right away (cut procedure delays)
4. Will that make you happy?
5. Post it, analyze, learn, re-tune
6. Call back 2 days later (stay & recommend?)

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BREAKTHROUGH SERVICE POINTS

1. Know key accounts by heart
2. Extra requests to us, “Yes”!
3. Let sales reps settle charges/goodwill points later
4. Budgets (x) strata (x) case studies? Maybe
5. Cost < life-time upside value

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“EMPOWER THE TROOPS?”

Narrow, incremental definition:

- ▶ Front-line education about **heroic recoveries**
- ▶ Front-line \$ limit to do what-ever it takes
 - Ritz-Carlton Maid - \$2,000!
- ▶ Educate with cases
- ▶ Weight effort by customer class
- ▶ Service manager will do most

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FOR 100% ON-TIME DELIVERY

Order surge



- Solutions:
- 1) Redesign systems
 - 2) Cross-train employees

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EARLY AM COUNTER SURGE

Contractor supply distributor challenge:

1. Log results: 70% between 7 - 9AM (Phx/summer)
2. 5 minute turnaround guarantee if . . . , then . . .

Measures

1. 5 AM order pulling & staging
2. X-training (+) inside people (+) part-timers

So? 20% → 80% local, time = \$ niche

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LEARN-N-EARN EXPECTATIONS

100% average wage → 150% for:

1. X-train at all certification process
2. Supervisory & inspection overhead way down
3. Errors 70/1000 → 35 → 15 → 10 → 5, 4, 2, 1
4. Fill-rates (same day receiving) up ↑
5. Cycle count accuracy 80% (-) → 95% (+)
6. Dept'l squabbles → process teamwork & results

"Certification Program?"

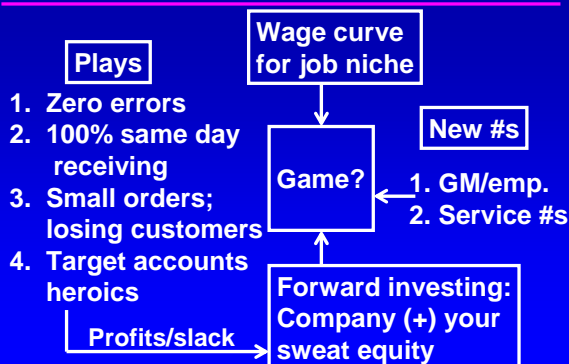
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WAREHOUSE CERTIFICATION FUNCTIONS

<u>Function</u>	<u>Initial Wgt'g</u>	<u>Initial months</u>	<u>Test</u>
Receiving	15	3	✓
Put-away	10	2	✓
Cycle counting	6	1	✓
Picking	5	1	✓
Shipping	5	1	✓
4 miscellaneous	9	2-4 wks. each	✓
	50	12 mos.	

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LEARN-TO-EARN GAME FACTORS



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KEY POINTS TO REMEMBER

1. Distinctive service requires x-training
2. We must all co-invest towards a shared high performance economics vision
3. We must match wage growth with productivity growth over time (12 - 24 mos)
4. Our new assumptions & productivity plays will work, if we all do!

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100% ALIGNMENT TEST FOR "WALLY"

1. Our # 1 niche of customers?
2. 5 most profitable; 5 best targets ("Yes")
3. Big 8 & big 4 → lowest TPC @ higher price
4. Your direct & indirect inputs
5. The "WIIM" question?

WIIM - What's in it (for) me?

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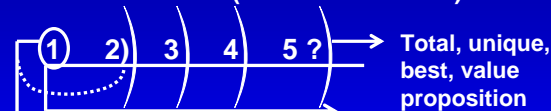
Appendix 2

Target Account Selling; "Next Level" Process



1st: CREATE TOTAL PRODUCT

The tangible commodities are "augmented" from the inside out (ann. Slideshow #5)



1. Lowest cost (China) clone tangibles
2. Max. butterfly economics customer niche
3. Basic service excellence metrics
4. Segment niches by strata
 - extra services for best lifetime profit customers
 - less services, higher prices for smaller
5. New co-created extra services value

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2nd: MAKE SERVICE VISIBLE & VALUED

1. Automated reminders (x) $\begin{matrix} \text{Big 8} \\ + \\ 4 \text{ gl's} \end{matrix} \rightarrow \begin{matrix} \text{TPC} \\ \text{Benefits} \end{matrix}$
2. TPC religion & fluency amongst all customer contact people
 - rules of 5 - 7 (know it)
 - and 1 - 10 (do/teach/emote it)
3. Last look (+) 5 - 10% scenario

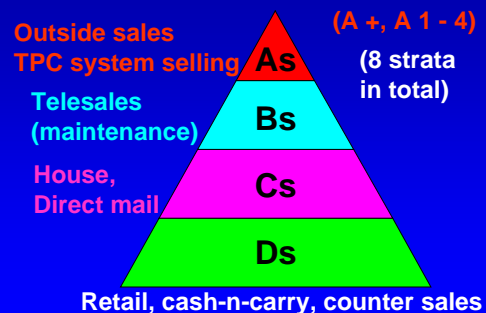
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3rd: RESELL LOSING CUSTOMERS

1. Team sell big losers to winners (7 - 8 of 10) *or* dictate profitable terms (have the "cherries")
2. Segment & re-think service bundles/terms

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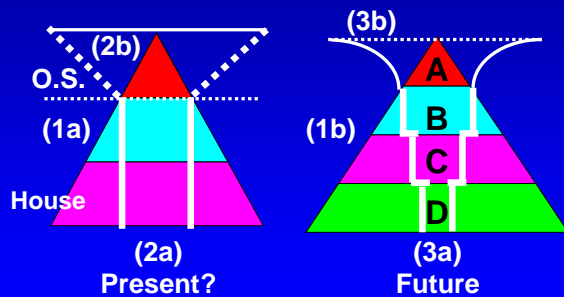
SUB-DIVIDE A SEGMENT BY SELLING METHOD COST BOUNDARIES



Module # 3.6

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SERVICE VALUE ALLOCATION MAPS: PRESENT & FUTURE



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ZEROING IN ON BEST TARGET ACCOUNTS



1. Profit ranking → top 10 + → top 3 customer niches
2. Co-create a refined win-win, value proposition with #1-niche, top 5 most profitable accounts
3. Identify 5 best target accounts in #1 niche
4. Apply “hard matrix” total-team effort to top 5

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TARGET ACCOUNT CRITERIA



1. Fit our #1 niche
2. Bigger
3. Have foot in the door
4. Easy access to lots of influencers
5. They have partnering track record
6. New honcho (x) new program(s); degree
7. (+) advantages over current suppliers
8. Highest expected volume score

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WHO CAN CRACK THEM?



1. “Dome sell” a sustainable, win-win system?
2. Be a “10” to all contact people
3. Intra-preneur who leads/uses total team support
4. Mono-maniac on a mission passion/creativity
5. Capable of corporate espionage
6. Makes/seizes “lucky” porthole opportunity

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DOMES SELLING PROCESS



1. Term
2. Bottom-up, cultivate spies, blockers, sponsors
3. Document TPC (x) specialization by dept.
4. Propose a deal that P. A.'s can't sign
5. Set-up summit meeting; protocol effect
6. Follow-up summit; liquidate P.A.'s job?

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NINE STEPS TO A SYSTEM



1. Qualify - a large potential partner
2. Cultivate & penetrate
3. Sell total economic feasibility study
4. Analysis
5. Proposal; summit; pre-install requests
6. Install
7. Measure economics; document equity
8. Maintain & expand
9. Secure & promote internal/external testimonials

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BE A "10" MCG

- Big buyers: "90% of salespeople waste my time"*
- The Best? The Worst?
 Know my business
 Make me think
 Solve my problems
 "Now" follow-up
 Make things happen
 Grow me and my profits

*NAPM Big Buyer Survey result 109

"HARD MATRIX" TOTAL TEAM SUPPORT MCG

Traditional Organization

↓

CEO

↓

VP Sales

↓

Branch Sales Mgt

↓

Territory Reps Inside Sales

Key Account Selling

↓

VP key accounts

↓

Area Acct. Crackers

Measures

1. Reports; PBIT incentives
2. Team selling schedule
3. Brain trust/database
4. Special funds, tactics

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LUCKY PORTHOLE CAPABILITIES MCG

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RAIN MAKER REALITIES MCG

- "Luck" is the residue of design and work
- Transformations take time, energy and creativity - a monomaniac on a mission
- Downsize, upgrade territories (?)

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SALES TERRITORY MICROCOSM MCG

	<u>Customers</u>	<u>Volume</u>	<u>Your Time</u>	<u>ROIT*</u>
Top	10%	50%	30%	High
Next	40%	40%	40%	Avg.
Bottom	50%	10%	30%	Low

*ROIT = return on invested time 113

SUMMARY POINTS (1) MCG

- Create & sell an augmented, TPC solution
- Better to have 50 - 80% of a customer niche volume & 100% of PBIT pool, than 20% of all types of customers
- Not easy to sell intangibles & convert strip-n-shoppers

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SUMMARY POINTS (2)



4. Every distribution location can grow profits strategically with a few accounts
5. It will take new:
 - ▶ Thinking
 - ▶ Talent
 - ▶ Organizational methods
6. What's your next best alternative plan?

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HIGH PERFORMANCE VIDEO FACTS



- ▶ 275 PAGE "Implementation Guide"
- ▶ 11 hours, 40 minutes total video instruction
 - ▶ 53, 10 minutes video modules
 - ▶ 8 repetitions in a 50 minute session (watch; Q's; watch; discussion Q's)
- ▶ A total university in a box for all employees
- ▶ A 53-step program to reform and close the knowing-doing gaps

List price \$995 -- UID price \$395

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