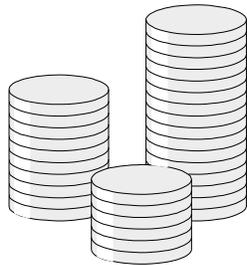


is.group



**May 6, 2003
Las Vegas, NV**

**Get Niche(r)
Quick
More to Core
by '04**

**Presentation by:
D. Bruce Merrifield, Jr.**

IS.Group is short for Independent Stationers, a buying group of over 700 office supply dealers. They have historically bought much of their goods from office dealer wholesalers like United Stationers and S.P. Richards. The notes on the following slides make specific references to many support documents at www.merrifield.com

UP FRONT ASSUMPTIONS (1)

- 1. “E-business” will come out of the chasm (+) benefit the quick, flex & focused business**
- 2. But, don’t forget the “- business” part; “e” = tool(s)**
- 3. Niche artists need more science**
- 4. Huge unfilled demand for lower “total procurement cost” (TPC); fill it better for the right customers; 1 niche at a time? ₂**

For more on selling and buying with the TPC model, see articles # 4.2 and # 4.3.

Big Question: How do we scientifically zero in on the intersection of our “profit core” in which we sell bigger customers a mix of our best turn-earn products on a larger average order basis to make 150% of our profit to pay for losing customers & non-moving products?

(Email offer in Slide # 4)

UP FRONT ASSUMPTIONS (2)

5. Are you more volume, activity, product driven than you should be?

6. Customer profitability stats:

10% → 80 - 120% Op. Profit } Hidden
20% → 120 - 140% Op. Profit } niche(s)
Lead → Gold

7. 3(+) Gazelles yields 80% future profit growth

3

- 1) For background reading on customer profitability reports & plays see articles # 2.5, # 2.3, # 2.19 and # 2.19 - Case Study.
- 2) “Gazelles” are the top 3% of your customers by growth rate, because they are perpetual value-creation innovators with a well defined strategy and a bottom-up, can-do spirit for execution. Marry them & they will grow you faster.
- 3) “Lead” accounts are the biggest losers at the bottom of the PBIT ranking report. Because they are killing both of you with empty transactional activity, re-thinking a TPC reduction system for them wins for both of you.

STRATEGIC ALIGNMENT TEST (X) 100% 

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

TPC - total procurement cost @ higher price

4

Lots more on all of these concepts in our paper entitled “Reinventing A Distributor’s Core Business”. This is available via email upon request to karen@merrifield.com.

“Heroic Actions” see Distribution Channel Commentary # 9.3.

DO PROFIT RANKING REPORTS

How?: Kiss; Q & D; 1st peel = sufficient

GM\$ - cost = estimated profit

Rank to find & manage the extremes

All how-to's at: www.merrifield.com

KISS - keep it simple stupid; Q & D = quick & dirty

5

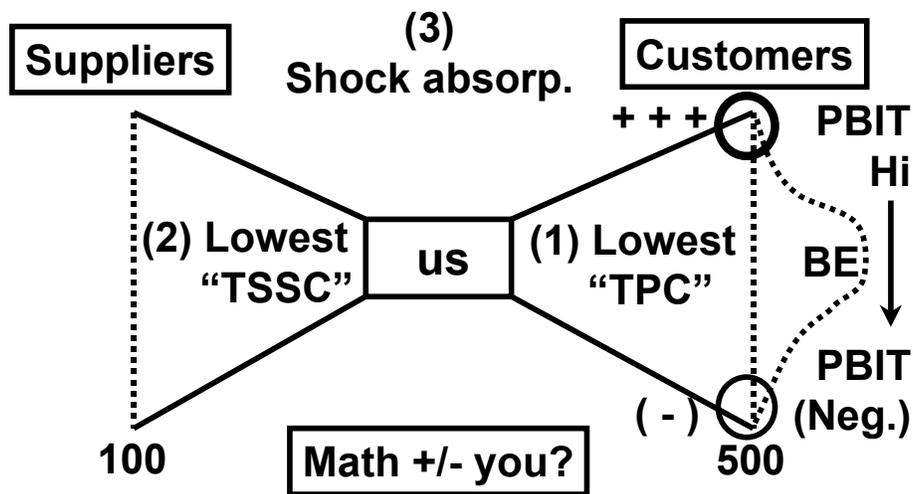
- 1) Read articles referenced under slide #3.
- 2) Skim through Module 3.1-11 of the “Summary Notes for all Modules” of the High Performance Ideas for All video. The hotlink for this file is the 4th one down on the center part of the home page.
- 3) IS.Group is a “re-seller” for its’ members.

SPECIFIC RANKING APP'S



- 1. Define historic niche(s) in top 10**
 - a. 5+ homogeneous (full-service)**
 - b. 1 - 3 cost (+) (relationship leverage)**
 - c. 1 - 5+ drop ship, cream:**
 - “deep to deep to deep”
 - starring fast P & A, +
- 2. Identify biggest losers:**
 - both losing
 - lead to gold for 70% (+)

TPC: 1/3 WHY WE EXIST!



TPC - total procurement cost;
TSSC - total sales/service cost; BE - breakeven

7

- 1) This is the “bowtie or butterfly economics” slide.
- 2) The 3 economic reasons intermediaries exist are:
 - A) to lower the customer’s TPC at a higher price than what they would pay by buying direct.
 - B) to lower the supplier’s TSSC compared to what they would incur by selling direct.
 - C) to provide out-sourced, take-my unusual & emergency problems away. A shock absorption function between two less flexible organizations that aren’t over-staffed & stocked to take care of all supply related contingencies.
- 3) The bell-shaped curve of customer profitability from incredibly profitable (up) to losing (bottom) is to the right.

11 ELEMENTS OF TPC



Buying Costs

1. Price
2. Shopping time
3. Paperwork
4. Expediting
5. Mistakes
6. Internal customer handling to resting point

Holding Costs

7. Storage space cost
8. Financing inventory
9. Control
10. Shrinkage
11. Taxes, insurance (miscellaneous)

(x) 1 supplier “Just-In-Time”?

8

- 1) These are the 11 elements of TPC explained in detail as both a selling & buying tool in articles # 4.2 & 4.3.
- 2) Most companies don't have a VP of TPC process procurement, the 11 elements are spread across departments that don't want these jobs & activity costs reduced. “Price” is also the only instant measurable, so it gets over-focused on by naive buyers who haven't been burned often enough by “bargain price, bargain service” or “bargain price, huge holding costs”.
- 3) The great supply-chain, TPC process re-engineering successes of Wal-Mart, Dell, et. al have gotten many more buyers educated & proactively receptive to TPC-reduction selling ideas.

FINAL RECOMMENDATIONS (1)

1. “Voice of Customer” for all employees

- ▶ **Pictures on wall**
- ▶ **Big 8 of service excellence metrics**
- ▶ **Do heroic actions**

2. Sign-up living edge, niche directors

- ▶ **Arbitrate all value-added ideas**
- ▶ **Round out & turn stop-shop fillrates**
- ▶ **Integrate (alliance) all outsourced services**

9

- 1) How do you get all employees’ hearts, minds & wallets aligned with giving distinctive (+), consistent, basic service excellence to customers that matter.
- 2) Bounce all value-improving ideas off progressive (“living edge”) core customers to make sure that they would value & reward (in some way) what you think. If 2 or more of these customers have a new need for which they will pay more than it costs you, you have a new economy (2+ shared cost base) of solution opportunity.

FINAL RECOMMENDATIONS (2)

3. Team: sell, visit, routinize

- ▶ **Most profitable**
- ▶ **Gazelles**
- ▶ **Lead → Gold**

4. Don't be surprised when

- ▶ **Core buys (10 x 2) + 30 = 50% more**
- ▶ **Gazelles start cracking 3-6 months out**
- ▶ **80% lead 2 gold change, 20% buy more**
- ▶ **1/2 customers → 2x sales → 6x profits**

FINAL RECOMMENDATION (3)

Don't sell a little from ever more products to all; sell everything to a common group of the right customer with a future that will grow you.