

# Merrifield Act II

*Insights Into Quantum Profit Management*

## EXHIBIT ONE:

### SAMPLE AGENDA FOR FRIENDLY CUSTOMER

#### GREETING

“Thanks (VP of Supply Chain @ big-losing account) for agreeing to meet with us.

You have always been a good customer, and we would like to explore how we might help to improve your buying effectiveness and bottom line using some fascinating new analytical information we have.”

#### HERE'S WHAT WE KNOW FROM OUR NEW ANALYTIC CAPABILITIES:

- We had been running our business on sales and margin contribution without any hard information on the actual cost to serve for all of the different customer, product and transaction scenarios.
- Now that we have a wonderful new cost-to-serve model and analysis, we have discovered that our two companies are generating – what we believe to be – unintentional and unnecessarily high, activity costs between us.
- There is an atypically high number of small orders and/or small line item picks going on between us, so our activity costs exceed our margin contribution for a net loss on your business. We suspect that:
  - Some of your total procurement activity costs mirror our hidden costs; and
  - That by fine-tuning what we are doing together we can lower both sets of activity costs
- Here is some summary data on what we have doing together: (Here you may do the maximum analysis and then decide what to share and when.)
  - In columns: (1) the total sales, transactions, deliveries, line items; (2) average sales per transaction and per line item v.(3) the same averages for X number of similar sized profitable customers. All to prove that the transactional activity is exceptionally intense versus what is actually happening with other customers.
  - Your company's overall cost allocation per:
    - Item pick
    - Delivery stop
    - All other paper processing costs

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## HERE'S WHAT WE SUSPECT MAY BE HAPPENING WITH YOUR BUYING ACTIVITY COSTS:

(Encourage them to please jump in with any thoughts, questions or concerns.)

- You have a total paper processing cost (including the three way match of: purchase order; proof of delivery paper; and invoice from us) that parallels our reverse paper processing costs and is:
  - Not for free (seen estimates for average cost of a P.O. for small business to large ranging from \$30 to past \$100).
  - The paperwork costs as a percent of small orders is much higher than it needs to be.
- Here is an exhibit (optional to do) of unusually small orders and the items that were on them. From this we infer that these may be rush orders that reflect your stocking out of these items which then costs you:
  - **Downtime:** people on the clock can't clock productive time for lack of needed goods
  - **Late Completion** of work which may upset others (customers) who are next in the value chain.
  - Work **not done right/thoroughly the first time**, because work-around solutions had to substitute for the missing goods (or tools).
- Your internal cost of checking, ordering, receiving and storing small line item orders exceeds the value of those goods as it does for us. (Better to buy a box of paper clips infrequently instead of a few as need, just-in-time, several times a week). Here is an exhibit (another optional analysis) of those items which have the smallest value per line item and that were bought the most frequently for which we could create an alternative sub-system for replenishing that could be better for both of us.
- (For contractors with many vans that happen to be located close to a distributor's counter/location who found it historically easy to buy goods for jobs as needed to minimize in-house inventory investment and shrinkage). Here is the number of counter sales transactions that your crew totaled for the past X months (another optional analysis) which begs these questions:
  - Is your field crew spending a lot of time driving to and waiting at our counter that could be, alternatively, used for clocking time on the job?

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- Could you not only increase billed hours per day per man, but get jobs done sooner and faster for better customer satisfaction IF we worked together to have each field person's necessary goods for the next day picked and delivered to your premise on the swing shift or just before the day begins?

## HOW MIGHT WE DIG DEEPER INTO WIN-WIN, ACTIVITY-COST CONSOLIDATION?

If you would like, we would be happy to:

- Do a simple review of how are paper and products flow through your business.
- We could – along the way – chat with each person who directly or indirectly gets information or service from any of our people to see where we might be causing delays or fumbles that keep you from responding as quickly and efficiently to both your internal and customer needs.
- And then, put together a simple checklist report of different, extra services we could do for you that would lower activity costs for both sides while increasing your on-time, done-right with faster total response productivity.
- (An ulterior motive for doing a review is to identify yet more share of account that we could sell to them that would ideally: help them to consolidate miscellaneous suppliers on a more efficiently TPC system with us.)

AT THE VERY LEAST (ASK FOR THE ORDER): We would like to co-create solutions for boosting both your average order size and your average sales per line item for the popular, but small cost items. May we proceed toward that solution?