

Lesson #3: LIPA Management 10-Step Journey-Ware

Slide

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1. *Cost-modeling* for line item profit/loss (QPD)
2. Customer (etc.) *profit rankings*
3. *Tools* for *root causes* for Profitability (*GM\$/line*)
4. Root Causes → New “Aha!” *Insights (reciprocal costs!)*
5. Insights lead to *new-play experiments*
6. New-Play execution requires *new skills*
7. New plays → *New incentives based on Profit\$*
8. Plays/incentives require new *tracking reports*
9. Baby-step *experiments* to start (*1 customer?*)
10. Combined innovations lead to *new visions*

Video Questions

1. What does “LIPA” stand for? _____
2. When we create a costing model to determine a VEE profit or loss for every single line-item event that adds up to the totals find on our annual financial statements, these profit and losses for every line item are cumulatively called what? (QPD)

3. When we first look at the bottom of a customer profitability report (step two in the journey), what will we discover? Why do most distributors stop right there?

4. From the most *profitable* customers in contrast to the most *unprofitable* customers, what is different about the average GM\$ within both the line items and the orders?

5. What is the **“law of reciprocal costs”**?

6. Why would reps paid on GM\$ be tempted to want to give away any and all kinds of extra-cost services (free delivery; just-in-case special stock; extra 30 days of trade credit with no late fees; etc.)?

7. Why are department heads who are trying to control – service costs, speculative inventory investments and slow-paying receivables – at odds with Reps who are just doing what we are paying them to do?

8. Define a “baby-step experiment”?

Discussion Questions

- 1. Why are a customer’s profits or losses a “symptom” of what “upstream root-causes” that account for why a big-sales customer can be either very profitable or unprofitable?
- 2. Thinking of the “Value Exchange Equation” idea: what kind of equations must *super-winner customers* be giving us on most of their orders? Any such specific customers come to mind?
- 3. What kind of Value Exchange Equations must we be getting from *super-losing accounts* on most of their orders? Any customers who you suspect might be buying too many small line picks and orders too often?

Notes
