

SYLLABUS: SELLING SERVICE VALUE 1.0

Note: The 1.0 suggests that I might improve this prototype sometime in the future. If you have interest in receiving version 2.0, please let me know by emailing me directly at Bruce@Merrifield.com.

DISCOVER NEEDS. DELIVER. WIN.

Service value is defined by the customer, and different niches of customers will have different assortments of one-stop SKUs. To create the best service value, you need to know these SKU assortments and tune them to have the highest, most-productive fill-rate level. And, each niche will often have one or two peculiar service needs that are not “extras” to them.

So, which niche do you go after with your reinvented best service value? I would start with your historically highest net profit niche.

How do you go after your highest net profit niche? The first step is to know who they are. But, to continue you will need to have the right customer profitability analytics tools (not surprisingly to regular readers). Check out the tools at WayPoint Analytics. They have all the tools you’ll need and then some. Visit their site and request a demo: <http://www.waypointanalytics.net/>

MASTERING NICHONOMICS

Nichonomics is my invented word. You can learn all about the concept on my [YouTube Playlist #4](#). There are 57, 4-minute videos about Nichonomics, and you’ll definitely want to watch slides 14–18. (I’ve created nine playlists in all, with over 430 clips!)

My hope is that you are engaged enough with the suggested slides that you also watch slides 18–22, which cover:

- The most profitable (potentially) core and target accounts
- The how’s and why’s of Heroic Acts (See Slide 22) for these accounts

You can also skim the rest in this playlist for tons of information on Nichonomics.

When I did the turnaround described in these clips, I came up with the “Big 8 of Service Excellence” (Slide 23) and immediately beefed up fill-rates for the most profitable and popular items for the target niche (Slides 24–26). Better fill rates immediately:

- Increased average gross margin dollars (GM\$) per order by 15%
- Increased customer service satisfaction
- Boosted employee productivity thanks to increased gross margin content per activity and less backorder and inter-branch shipment activity

Be sure to check out this link to learn more about the [benefits of the Big 8](#) for both your company and your customers.

ACHIEVING SERVICE EXCELLENCE

You can’t wave a wand and have:

- The best fill rates

- An unconditional money-backed guarantee of zero errors and 100% on-time delivery
- Proactive employees who are providing extras for your best customers

My YouTube playlist #5 is all about achieving service excellence. Click [here](#) to skim through the slide topics, if you dare!

ENROLLING CUSTOMERS TO FOCUS ON UPTIME, THEN PARTNER WITH YOU!

Contractor businesses are simple, and billing labor-hours versus paying for idle downtime are visible and measurable indicators of uptime performance. Analyzing a contractor business is a great way to learn about the basic tactics of improving customer uptime, so we'll look at contractor cases first.

Then, we will apply the contractor concepts to big companies that also have downtime in their plants for lack of your products. These stock-out events create small emergency orders for which both parties will have high buying and servicing activity—costs for the small dollars involved in the transactions. Plus, the bigger the customer typically the bigger the hidden downtime costs will be. These downtime events can ripple forward in the value chain to hurt uptime-on-time value for the customer's customer. This hurts retention economics (every customer becomes a happy repeat customer, who then gives positive testimonials to other prospective customers: the most powerful, free advertising possible).

CONTRACTOR CASE STUDY CLIPS ON UPTIME RATIO

First, here is a link to [Playlist #9](#) which has 116 slides/clips within it.

But, let's immediately go to a case study (Slide 12), which is the story of a contractor who has 10 van jocks and has each one buying at a contractor-supply distributor's counter 2–3 times per day. The annual sales and gross margin dollars for the customer are big. But, the distributor loses money on the account because of the service activity costs on the small-dollar picks and orders.

Here's [another clip](#) that demonstrates the math behind those big customers, who seem great, but are actually costing you money.

In this clip, you get [the solution that improves everyone](#) – distributor, contractor and the contractor's customer.

Now, let's step back and think about the bigger question. How do we get individual buyers within large accounts (each in their respective departmental silo) to stop looking at their traditional buying metric (e.g., price, zero inventory, etc.) and look at the bigger picture? How do we get them to work with us on a new approach?

The following two clips address this challenge:

- [Change Losing-Customer Policies](#)
- [Losers Goal AND More SC Benefits](#)

For eight clips on [teaching contractors uptime economics](#) so that they can rethink how they buy everything from us, see slides 44–51. In [Slide 51](#), I point out that only 5% of all contractors are big, ambitious, and progressive enough to “get it.” But, these guys then become 50% of your total sales, and even more of your peak internal profits. And, they grow 2–4 times faster than the industry, which in turn grows you. You have taught them to be innovative, organic consolidators within their space. It turns out

that no business can have the most productive people and best service value without co-creating best supply-chain processes with suppliers that have the best basic service excellence on which to build better SC processes.

CONCLUSIONS

Do you want to sell commodities for a certain price, simply try to outlast your competitors, and just create survival (lousy) returns? Or, do you want to be the expert on how your commodities flow to and through a customer's business in replenishment way that:

- Yields the best total economic value to the customer
- Removes all unnecessary lose-lose activity costs on small-dollar orders for both parties
- Turns an arms-length, transactional relationship into a 100%, get married partnership. Both partners then continuously improve their inter-business processes, so that $1 + 1 = 3$, or 4 or more, and they share the extra benefits.

These synergistic practices allow you both to eat up (together) market share now enjoyed by other distributors and their customers who are less efficient, using their buy-low, sell-high war costs.

Enough for this lesson. Good luck!

Bruce Merrifield

bruce@merrifield.com