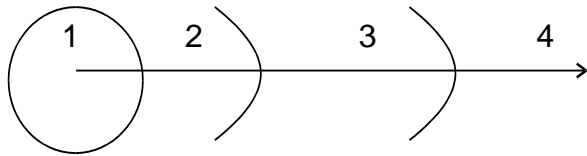


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THE ANATOMY OF A PRODUCT¹



1. The generic product - what you sell.
2. The expected service/process - how you sell it or deliver it.
3. Extra services/process - more services than the customer thought he needed.
4. New potential services/process.

II. ASSUMPTIONS

- A. Any product can be differentiated; there is no pure commodity.
 1. Competitors vary widely on the quality and consistency of expected and extra services.
 2. Mature products must be differentiated by extra services and total supply cost reductions from systematic purchasing/supply programs.
- B. Customers' expectations will rise to what he has been educated to be seen as possible and then he will eventually complain for more.
 1. Many customers must be educated to value service excellence and total procurement cost (TPC).
 2. If a valuable extra service is developed and it can be duplicated, today's extra service will become tomorrow's expected service.

III. SUGGESTIONS

- A. Develop automated reminders for each benefit of service value; make the intangible visible; the hidden benefit, measurable.
- B. Provide service types and levels that are just sufficient; don't over-engineer ("like" vs. "need, pay for").
- C. Build value from inside out (the arrow). Avoid icing without cake problem.

¹Reference: The Marketing Imagination by Ted Levitt; Free Press; 1989.

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*The above is covered in the MCG video "Understanding The Dynamics Of Distribution". See the last page of this handout for ordering information.