

Critical Priorities for Rapid Gains

New Thinking & New Metrics



Welcome!

- Randy MacLean, President, WayPoint Analytics
- former manufacturing CEO
- 15 years working with the best leaders
- 5 books on profitability in distribution



Today's Session

- priorities & practices of high-profit companies
- focus on operational efficiency

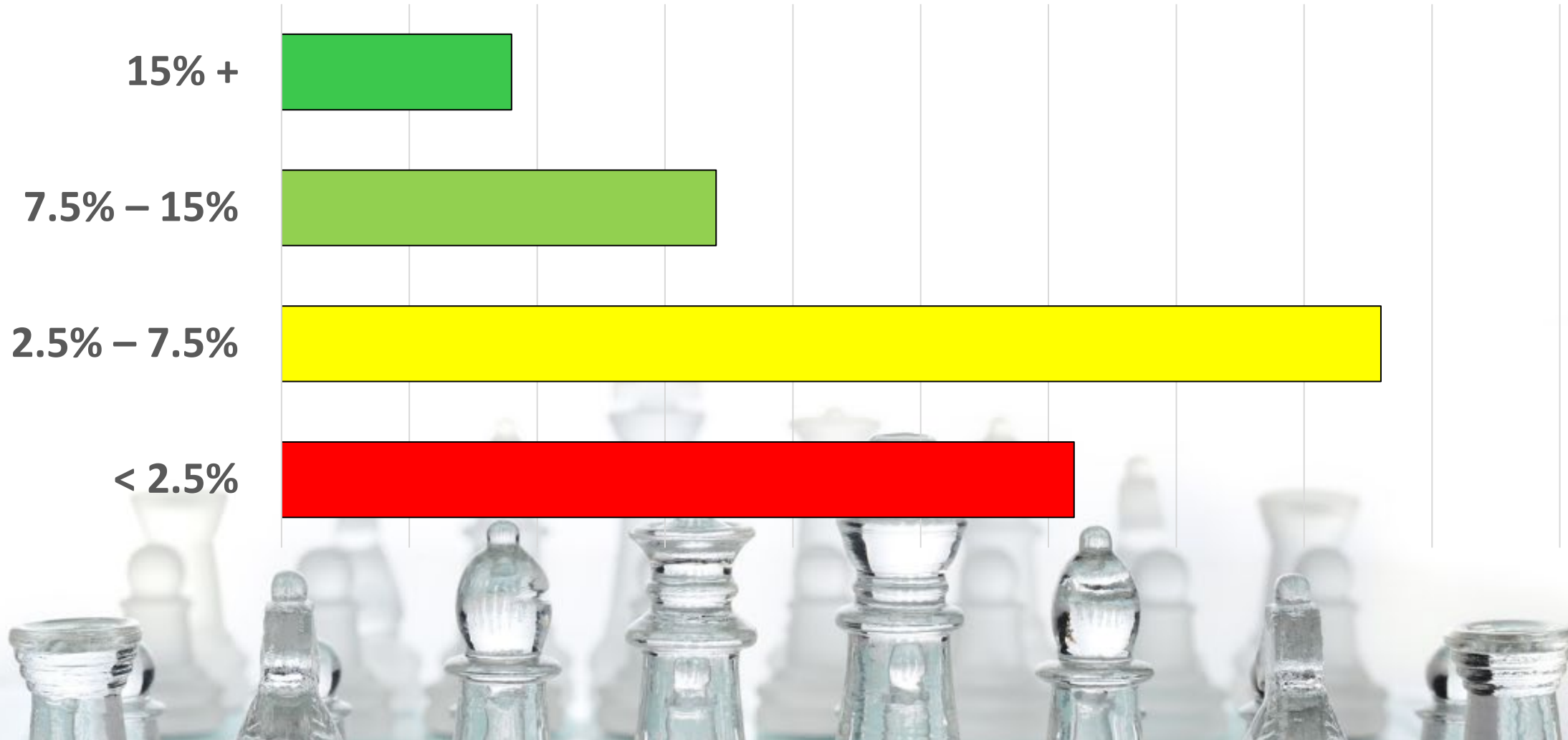


Market Challenges in 2023

- Inflation
- Interest Rates
- Banking
- Labor
- Effect of Economy on Customers
- Supply Chain
- Fuel Costs



Who's Not Worried?



	Revenue	Gross Profit			Exp		NBC		Type		Invoices	
	\$	\$	%	/inv	\$	%	\$	%			Total	Losing
2017-1-4	20,065	13,059	65.1%	267	5,657	28.2%	7,402	36.9%	HPA	HLA	49	57.1%
2017-1-19	5,287	2,338	44.2%	260	2,206	41.7%	133	2.5%	HPA	---	9	55.6%
2017-2-9	6,530	2,669	40.9%	45	3,822	58.5%	(1,152)	(17.6%)	PDA	---	59	66.1%
2017-2-14-20-28	6,938	2,656	38.3%	121	3,523	50.8%	(866)	(12.5%)	PDA	---	22	63.6%
2017-2-27-31	11,475	4,215	36.7%	51	5,195	45.3%	(980)	(8.5%)	PDA	---	83	74.7%
2017-3-5-11	8,575	3,113	36.3%	222	2,065	24.1%	1,047	12.2%	HPA	---	14	57.1%
2017-3-12-18	32,974	11,955	36.3%	278	5,904	17.9%	6,052	18.4%	HEA	HLA	43	51.2%
2017-3-19-25	11,917	4,099	34.4%	124	4,088	34.3%	11	0.1%	HPA	---	33	51.5%
2017-3-26-31	38,152	12,650	33.2%	436	5,008	13.1%	7,642	20.0%	HEA	HLA	29	13.8%
2017-4-3-9	15,507	5,082	32.8%	363	1,805	11.6%	3,277	21.1%	HEA	HLA	14	42.9%
2017-4-10-16	29,264	9,586	32.8%	290	7,535	25.7%	2,051	7.0%	HPA	---	33	54.5%
2017-4-17-23	7,269	2,249	30.9%	562	699	9.6%	1,550	21.3%	HEA	HLA	4	0.0%
2017-4-24-30	8,980	2,740	30.5%	304	1,379	15.4%	1,361	15.2%	HEA	HLA	9	0.0%
2017-5-1-7	115,134	35,059	30.5%	408	16,040	13.9%	19,019	16.5%	HEA	HLA	86	20.9%
2017-5-8-14	10,836	3,264	30.1%	126	3,202	29.6%	62	0.6%	HPA	---	26	61.5%
2017-5-15-21	8,414	2,522	30.0%	229	1,821	21.6%	701	8.3%	HPA	---	11	54.5%

Margins are a given.

Expense rates are
controllable.

Priorities & Principles of High-Profit Companies

- core competence: moving product
- absolute minimum of inventory locations
- operational efficiency
- numbers-driven
- ...



Costs Are Multi-Dimensional

- customer
- vendor
- product
- sales territory
- delivery method
- month
- warehouse
- customer type
- geography



Multi-Dimensional Thinking

- delivery service preference
- customer delivery cost depends on other customers' invoices on the same truck
- customer delivery cost varies with stops on the route

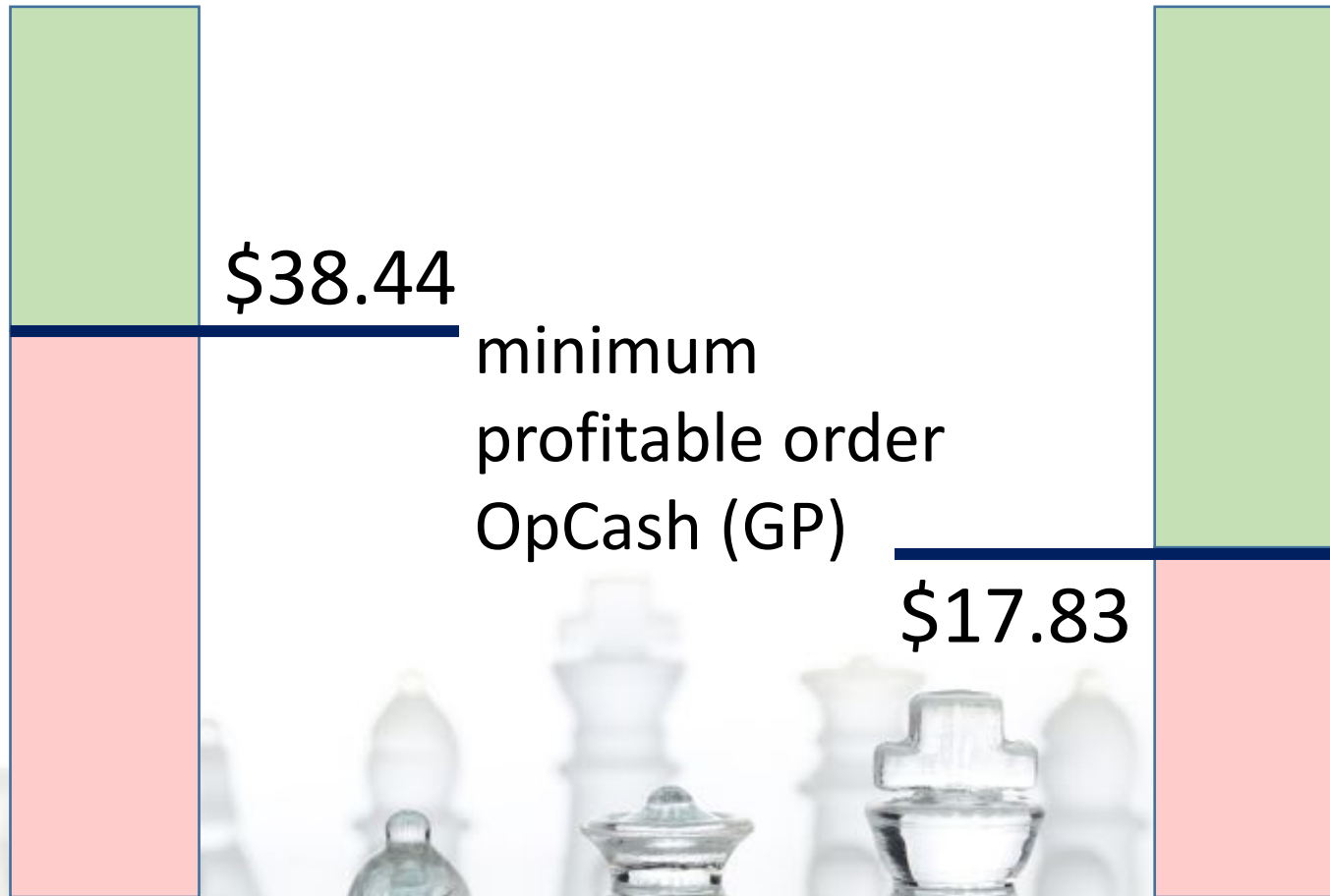


Multi-Dimensional Thinking

- warehouse cost rises as activity drops
- capacity utilization affects fixed-costs
- seasonality
- averages & rule-of-thumb are failing



Real Impact of Operational Efficiency



How Ops Efficiency Affects Sales

- makes more customers profitable
 - lowers OpCash threshold for profit
- supports pricing & priorities
 - more focus on accounts that matter
- reduces cash requirements
- sales force is no longer the sole source of performance gains



Top Operations Objective: Efficiency Increases

➤ profit opportunity rate = $\frac{opCash (GP)}{manhour, delivery, etc.}$

➤ OpCash ratio = $\frac{opCash (GP)}{expenses}$



Action Items for 2023

- dedicate attention and resources to operations
- prioritize product movement efficiency (OpCash ratios)
- eliminate product touches
- shorten product movements (warehouse & delivery)
- reduce inventory locations



Action Items for 2023

- know & reduce delivery costs (time-based costing)
- optimize delivery efficiency (OpCash ratios)
- exploit rebate opportunities
- maximize EDI / ACH
- implement MOQs (Minimum Order Quantities)



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