

# How to Become a Super-Performing Company

The Secrets of  
Top-Tier Distributors



# Randy MacLean

- creator of WayPoint Analytics
- cost & profit analytics
- clients are the world's most profitable
- assist with strategy & tactics
- oversee more than \$75B

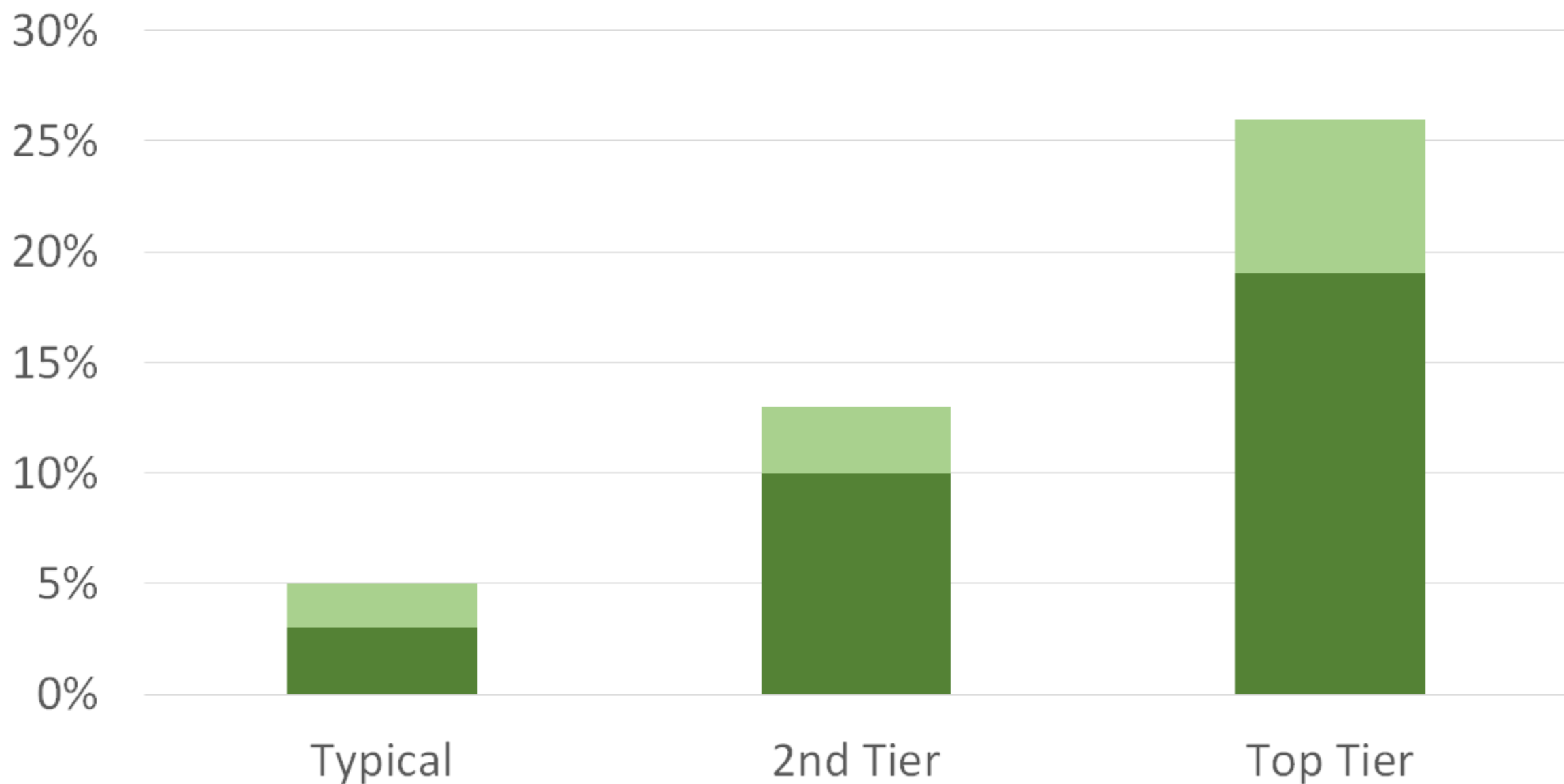


# WayPoint Analytics

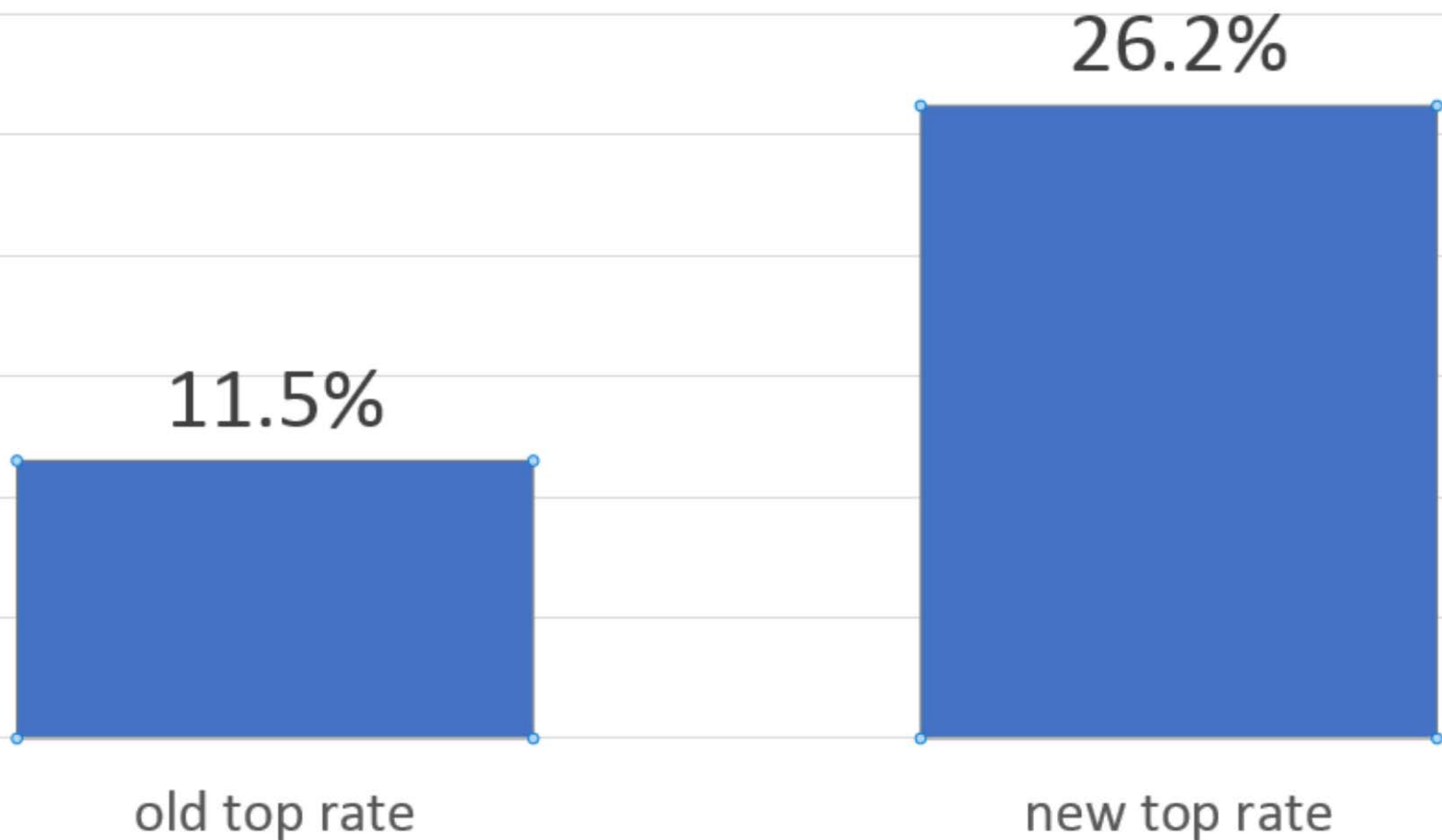
- started in 2008, online service focused on margin with three reports
- in 2017 compute detailed cost & profits (LIPA), 91 reports
- invented Quantum Costing
- work with Top-Tier companies
- see radical shift in market



# Annual Profit Rate



## Top Profit Rates



## Profit Performance (% of companies)

Top (15% – 26%+)

9%

Superior (7.5%+)

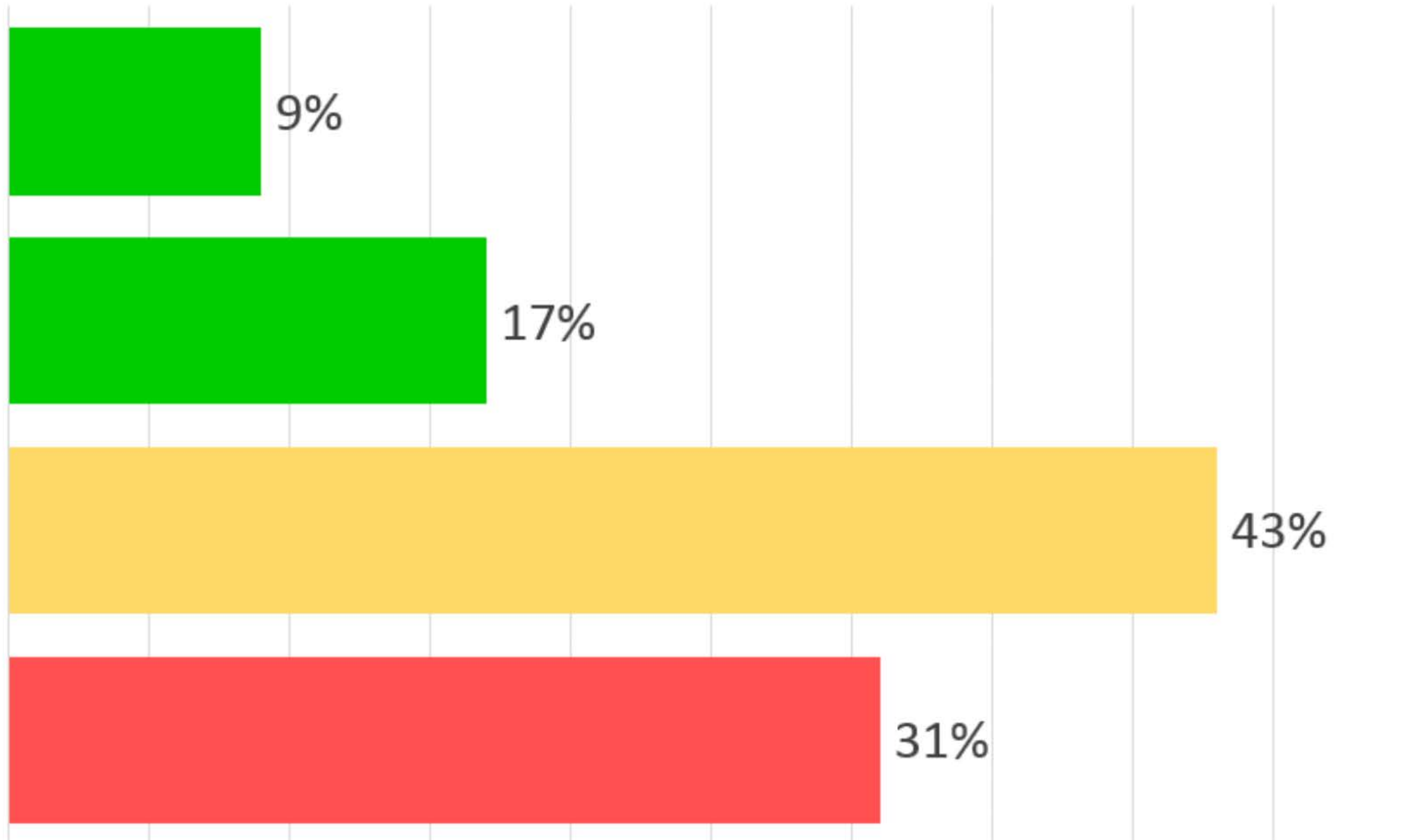
17%

Typical (2.5%+)

43%

Below (< 2.5%)

31%



# How the Top Tier is Different

- leaders understand profit dynamics
- relentless on efficiency
- analytics & numbers-driven
- look to the future
- tough
- efficiency benefits customers



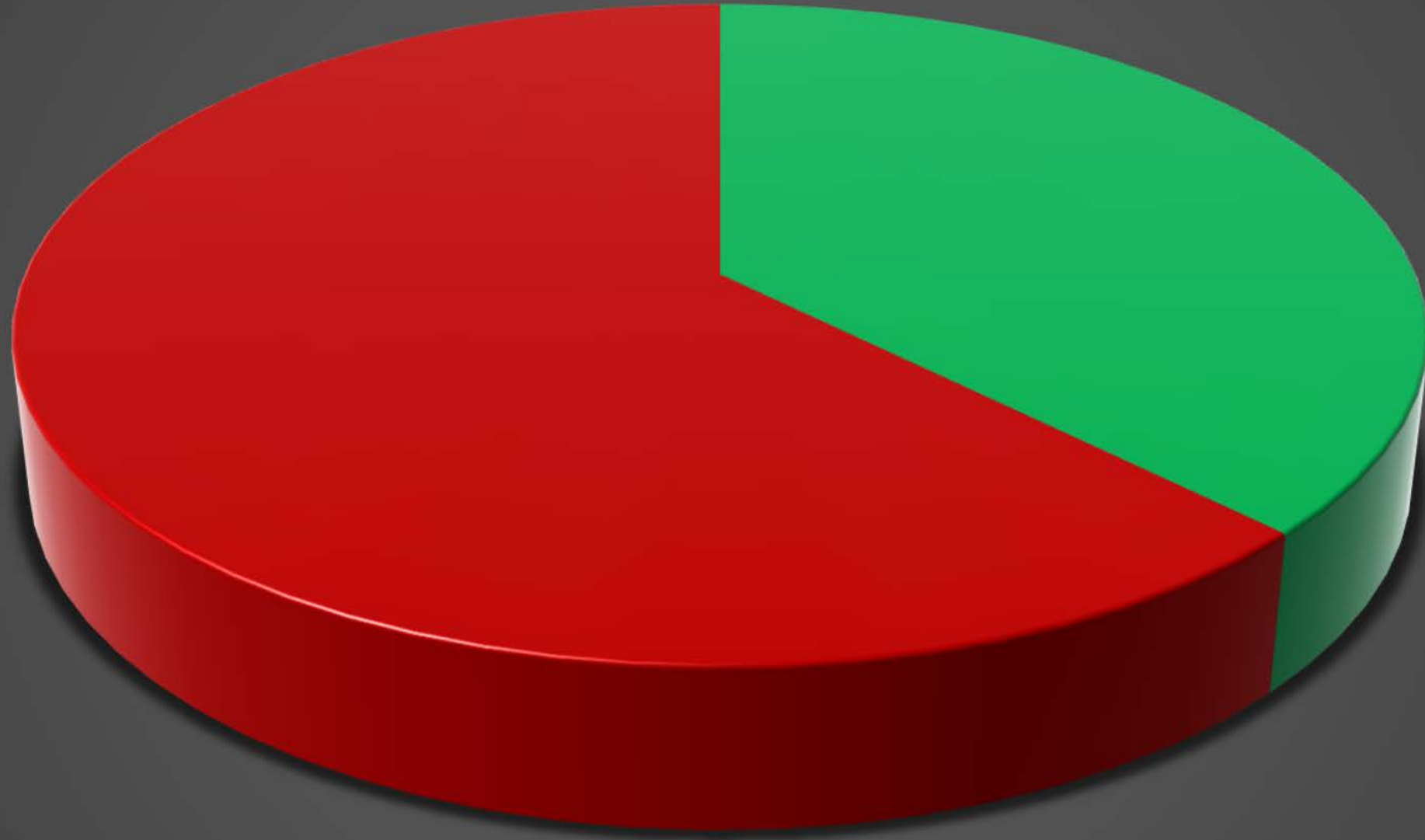


# Profit Dynamics



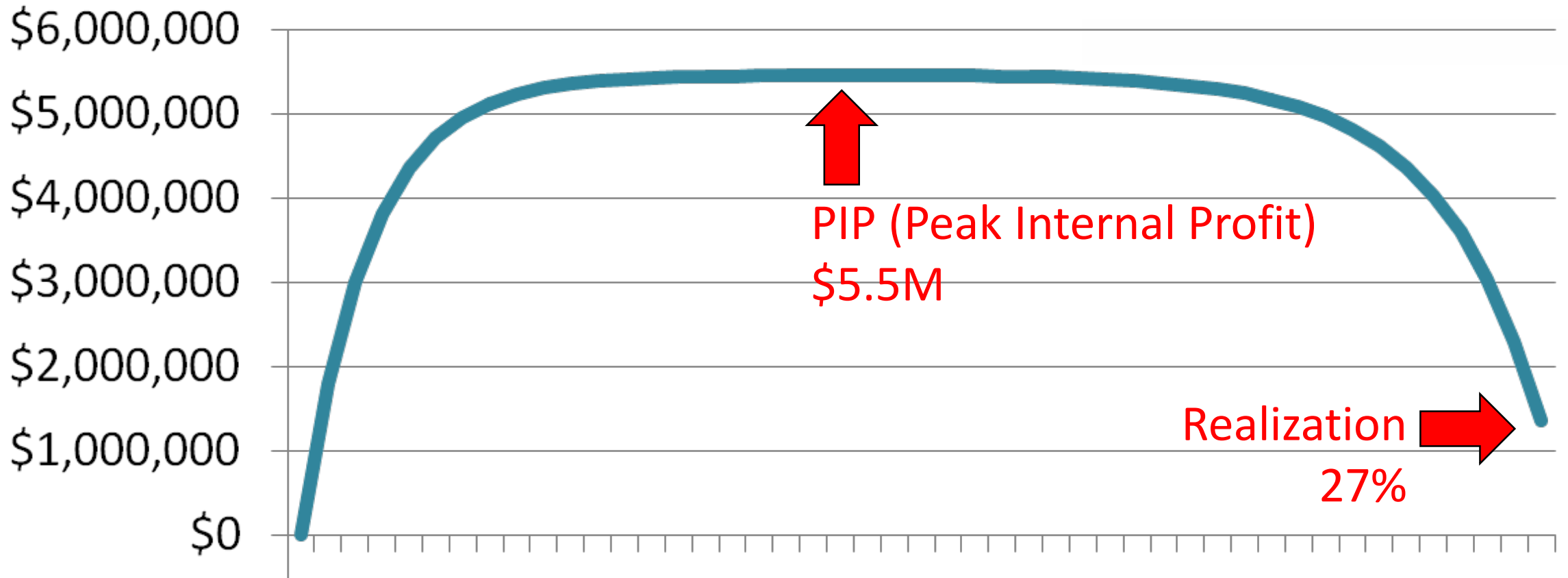


# Invoices

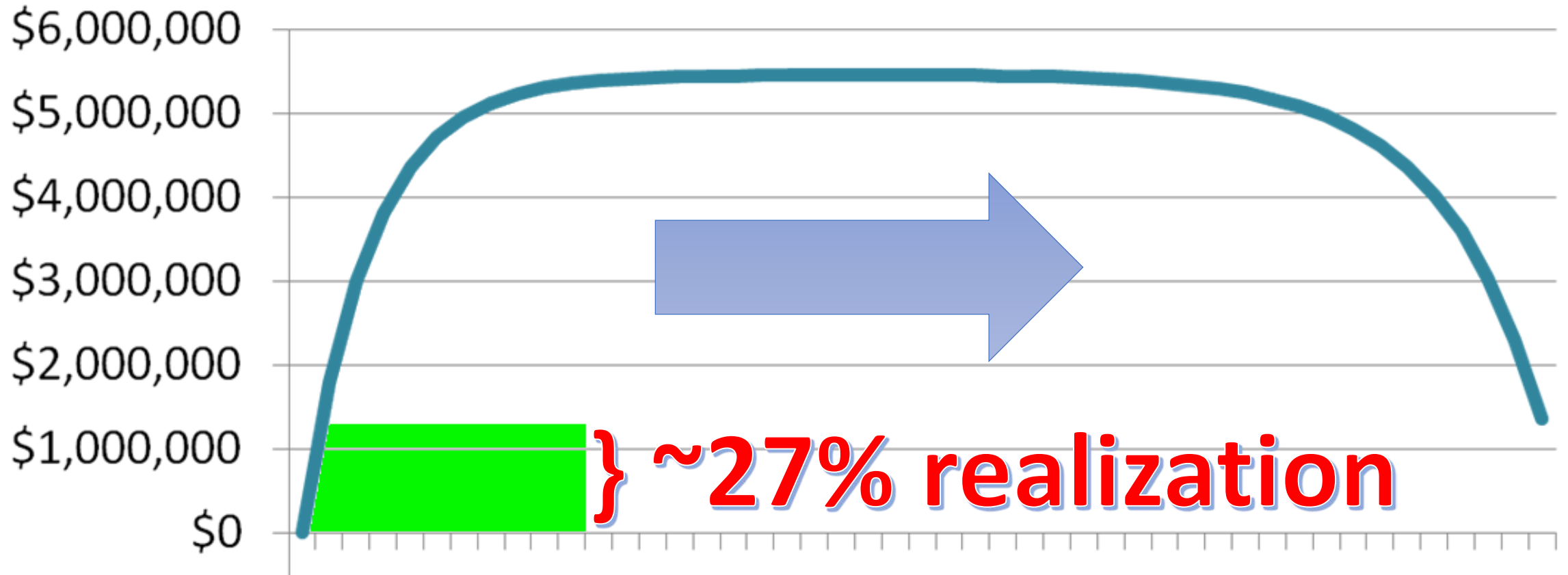


■ money-making ■ money-losing

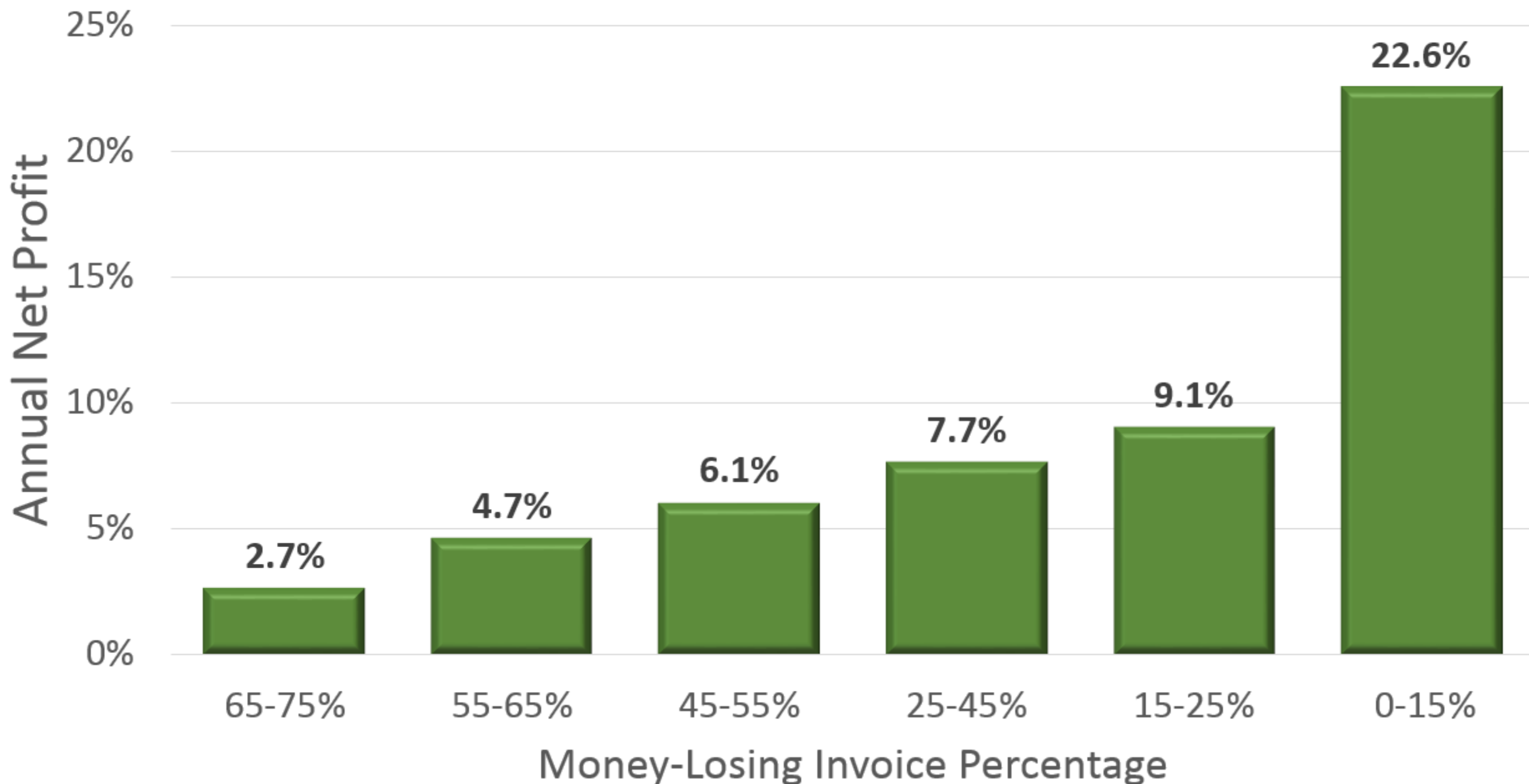
# Whale Curve



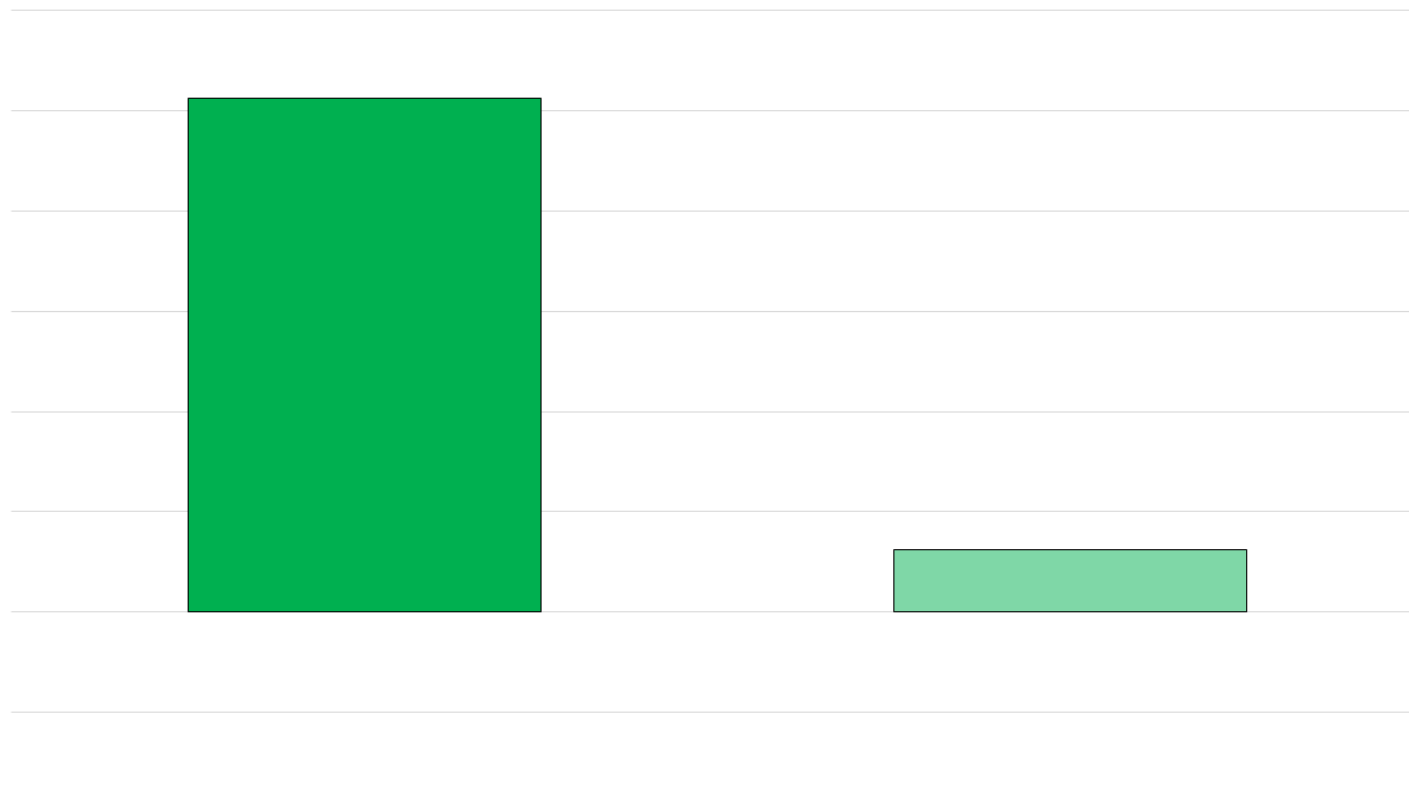
# Internal Profits & Losses



# Money-Losing Invoice Rate vs Net Profit Rate



# Typical View

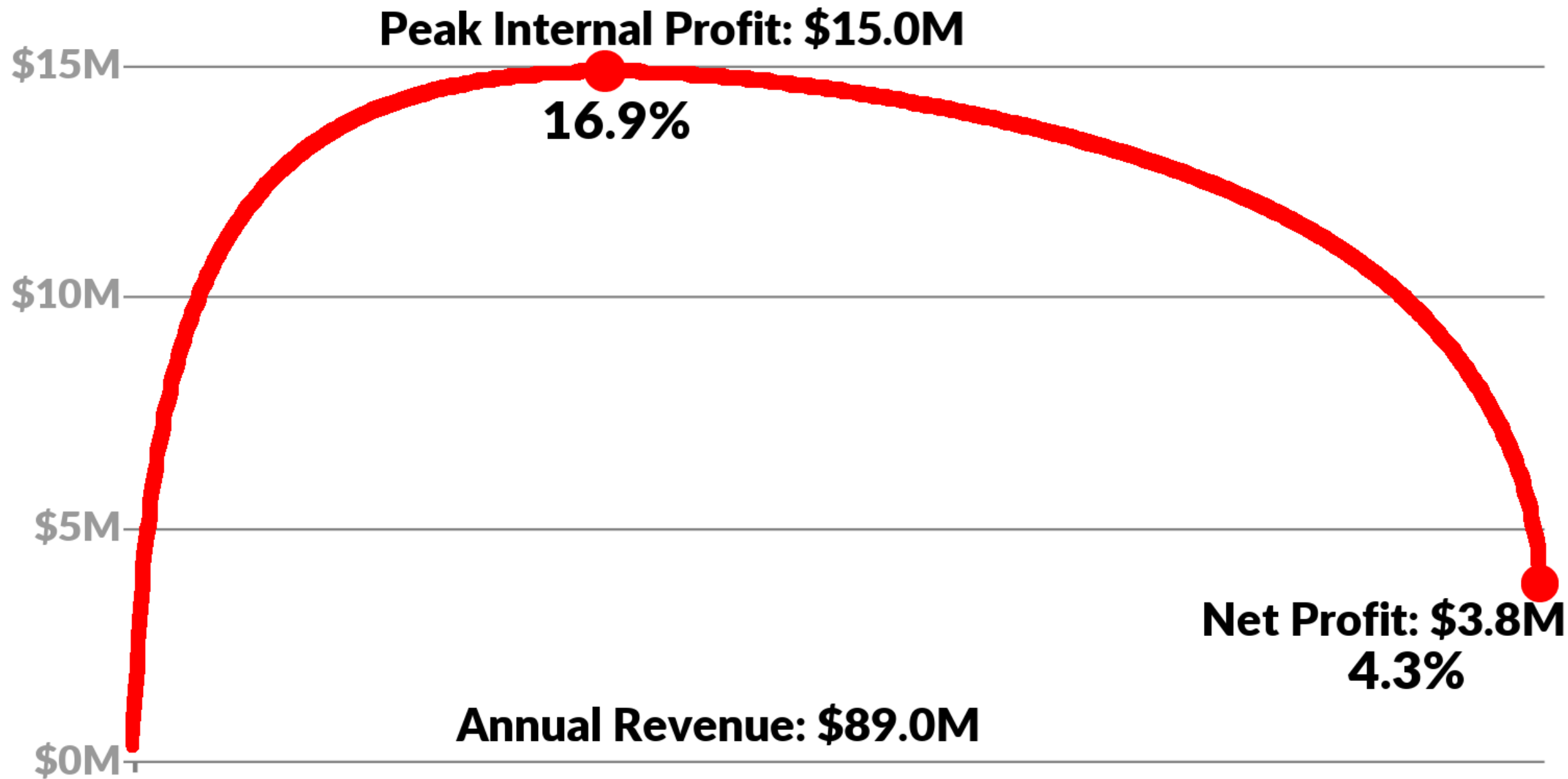


WayPoint  
analytics™

# Confidence...



Net Profit





# The Four Elements



# Four Elements of Super Profit

1. invest in core competency
2. focus on efficiency
3. analytics – numbers-driven
4. look to the future



# Core Competency

Element 1



# Core Competency

- distribution = product movement
- business model canvas
  - customers / messaging
  - offering / value proposition
  - resources / partners
  - revenue / costs
- sales force model







# Efficiency

Element 2



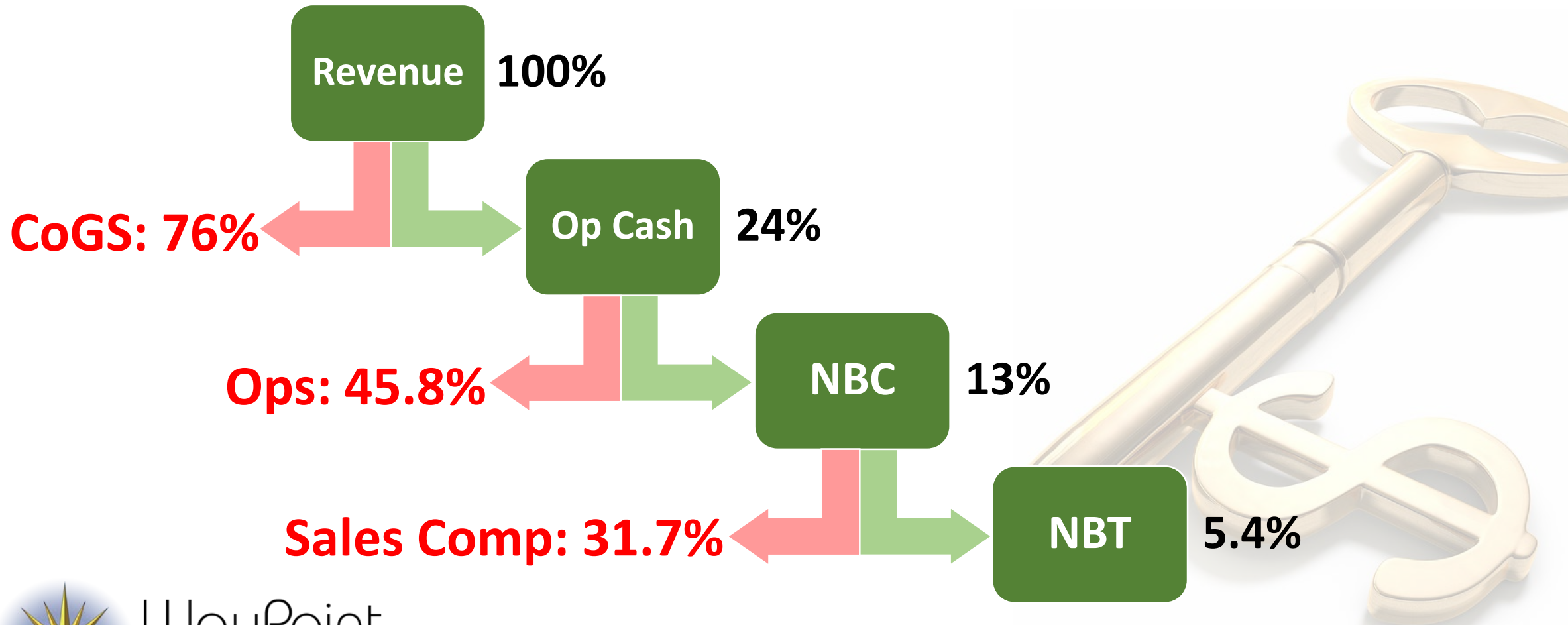
# Efficiency

$$\text{efficiency} = \frac{\text{what you get out}}{\text{what you put in}}$$

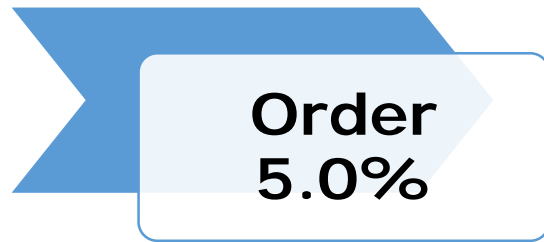




# The Conversion Chain



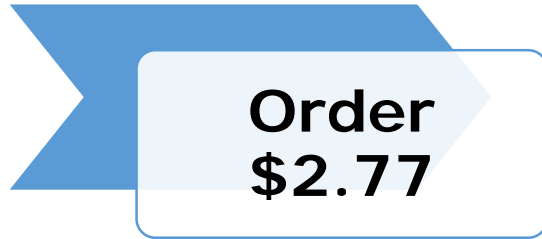
# Transaction Cost (% of Op Cash)



**67.7%**

percentage of Operating Cash (GP)  
consumed by operational units

# Transaction Cost (\$ / transaction)



transaction cost of individual operations  
(average) **\$14.42**

transaction cost of individual operations  
(high-efficiency) **\$4.63**

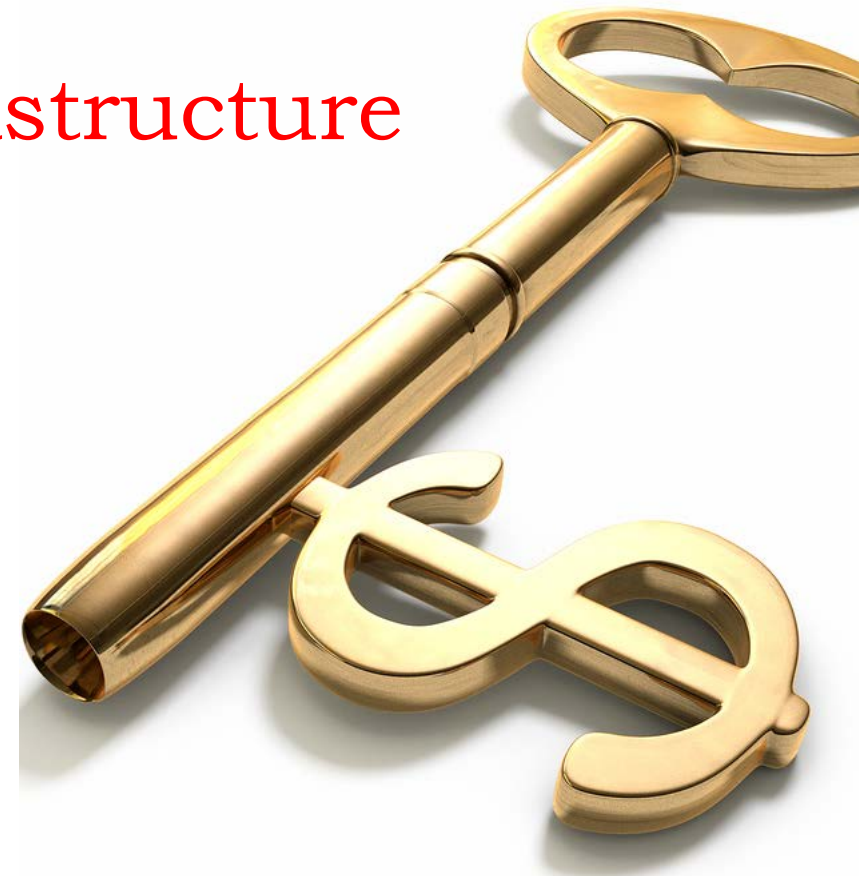
# Efficiency

- invest in product movement
- sales force cost
- avoid/off-load operating costs
- change fixed costs to variable
- align price & costs



# Efficiency

- warehouse automation
- examine company/customer infrastructure
- eliminate duplicated (locations)
- specialized sales force model
- concierge customer service
- intelligent pricing



# Analytics

Element 3



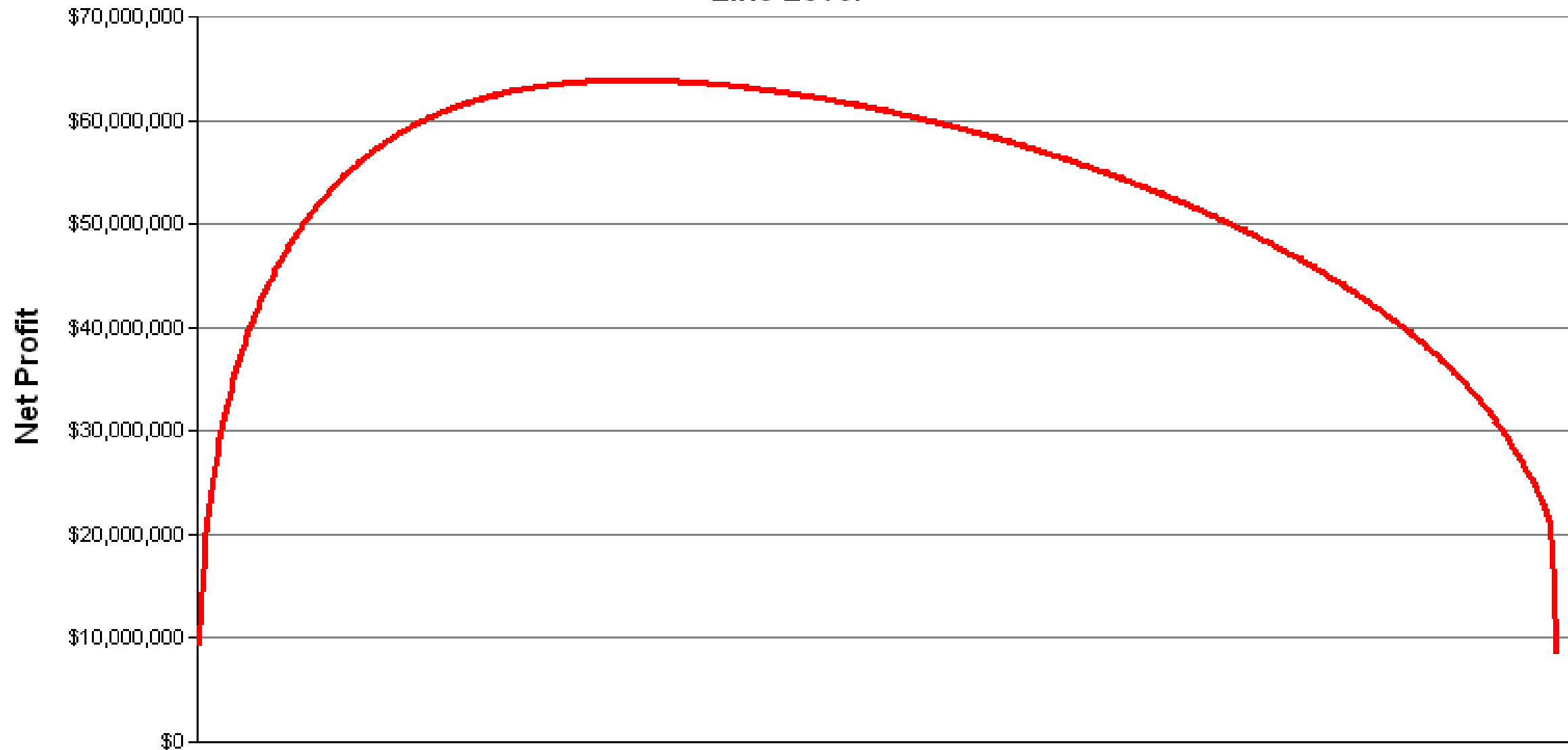
IMPROVE METRICS IMPROVE METRICS IMPROVE METRICS  
NUMBERS POTENTIAL BUSINESS  
COMMUNICATION POTENTIAL BUSINESS  
GOAL DASHBOARD COMPANY  
IMPLEMENT GOAL DASHBOARD COMPANY  
IDEA DIRECTION COMMUNICATION BUSINESS  
STRATEGY GROWTH  
MEASURE  
MANAGE  
IMPROVEMENTS  
ACHIEVE  
RESULTS  
COACHING GROWTH  
PROGRESS

# MEASURE

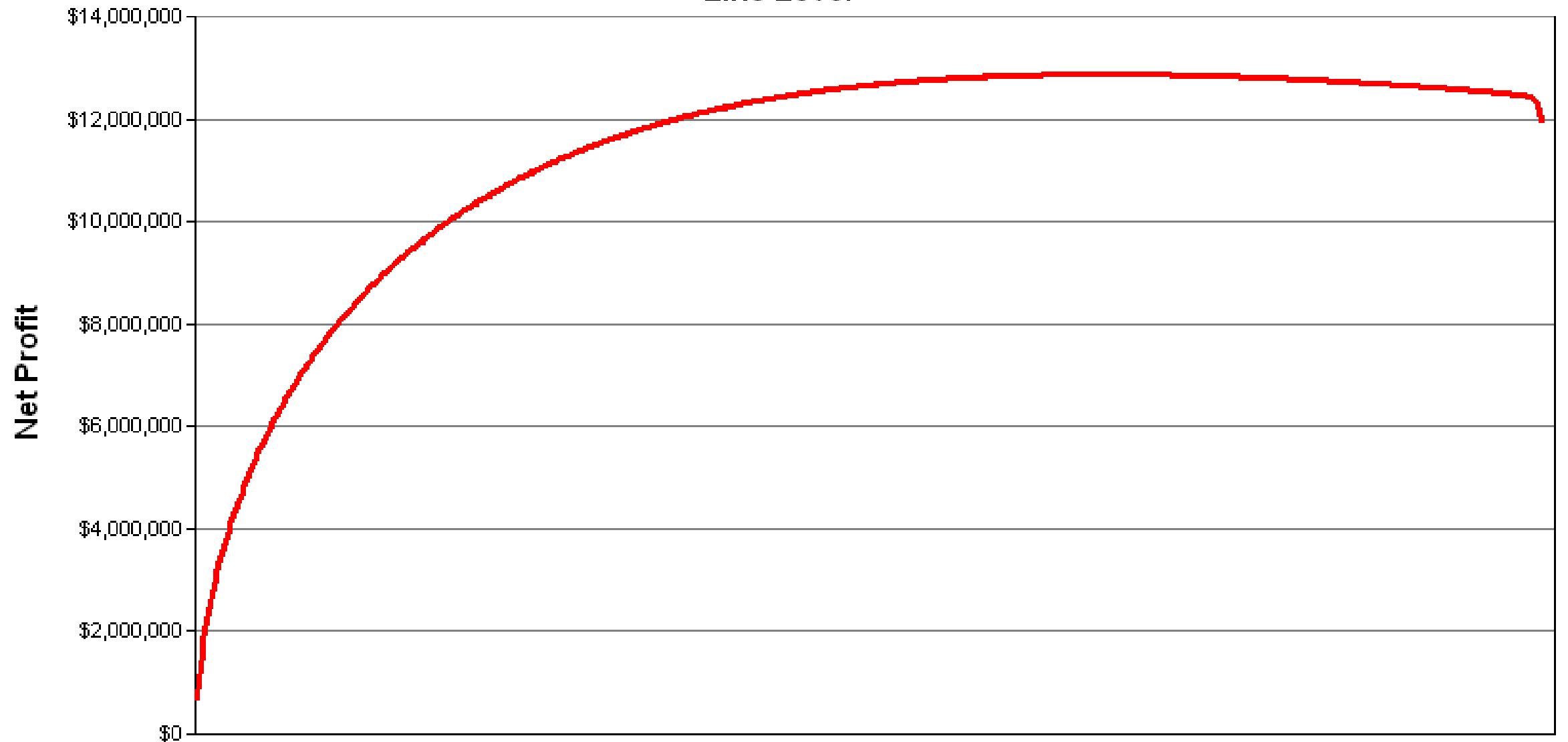
STRATEGIC SALES STUDY PROCESS  
IMPLEMENT SYSTEM  
IDEA IMPORTANT DATA GROWTH REVIEW INDICATOR PERFORMANCE  
COMMUNICATION IMPROVEMENTS  
RESULTS  
DEFINED TIME EXECUTIVE  
SUCCESS  
DEFINE  
ANALYSIS COMMUNICATION  
TARGET



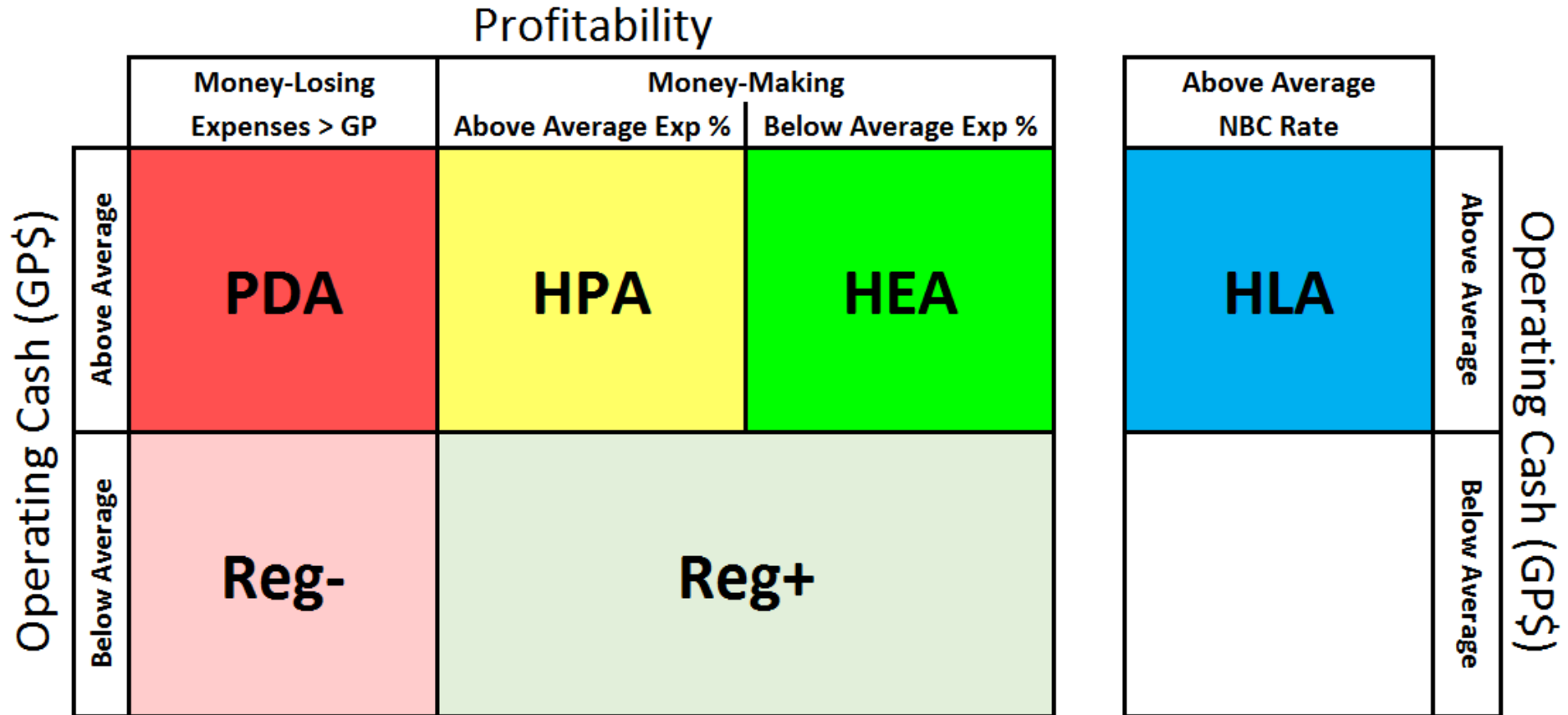
## Peak Internal Profit Line Level



## Peak Internal Profit Line Level



# Profit-Value Segmentation



# Profit-Value Segmentation

Customer Segments										
Type	Customers		Rev	GP	Exp	Profit	Inv Cnt	Neg %	Made	Lost
HEA	294	6.0%	42.6%	36.0%	23.6%	84.1%	23.3%	47.1%	6,455,485	(2,099,248)
HPA	293	6.0%	26.9%	30.3%	30.0%	31.4%	33.1%	54.8%	4,239,962	(2,611,503)
PDA	189	3.9%	16.9%	17.1%	28.8%	(27.4%)	28.4%	68.5%	1,734,399	(3,152,427)
Reg+	2,207	45.2%	9.4%	11.6%	8.3%	24.5%	7.3%	41.1%	1,805,621	(539,031)
Reg-	1,899	38.9%	4.1%	5.0%	9.3%	(12.6%)	8.0%	68.3%	382,591	(1,035,661)
Total	4,882	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	57.0%	14,618,057	(9,437,870)
HLA	234	4.8%	15.6%	17.6%	8.5%	53.1%	8.9%	38.3%	3,333,383	(581,648)

Advanced Menus ☐

FY 2010  ☐

All Branches  ☐

All Reps  ☐

All CSRs  ☐

All Distribution Types  ☐

All Territories  ☐

All Customer Types  ☐

All Groups  ☐

All Products & Services  ☐

All Vendors  ☐

Analyze

NBC (Net Before Comp)  ☐

Aggregation

Invoice Level

Off

Detail 1 level




Reset

Ship-to Level ☐

Run Last

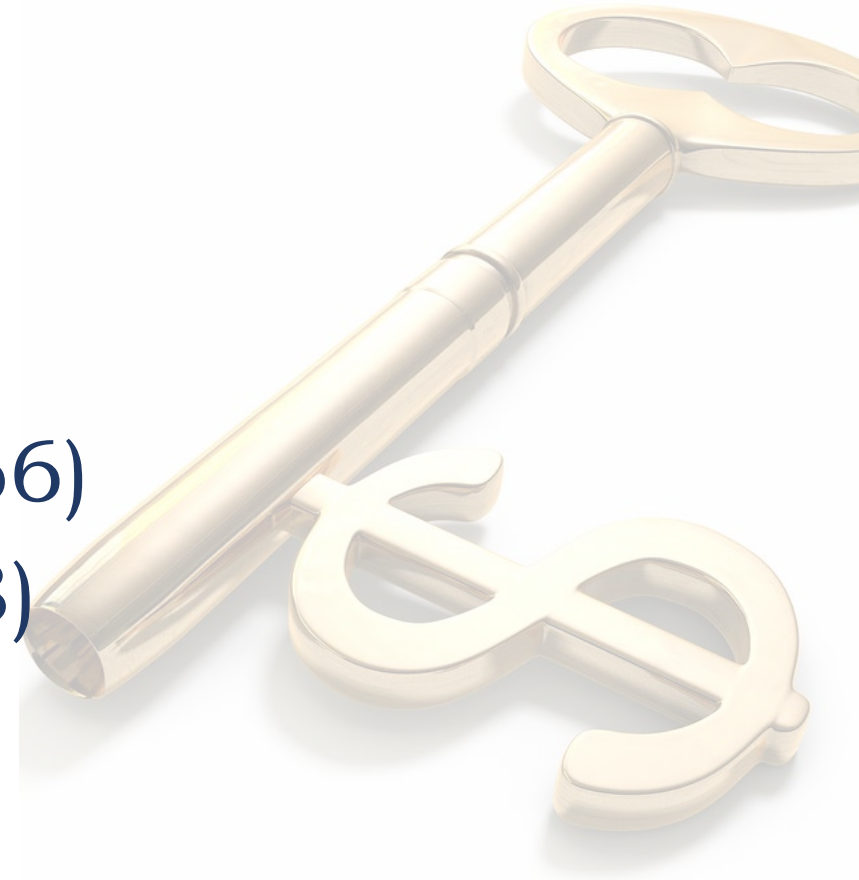
Sparse Reporting ☐

New Window ☐

Sales		Customer	Product	General		Info		Stats		Commission		Admin		  		
High-Volume Accounts																
Customer		Revenue \$	GP			Exp		NBC		Type		Invoices		NBC		
			\$	%	/inv	\$	%	\$	%			total	losing	realiz	lost	
1	Statoil Marketing & Trading US	809,331	273,289	33.8%	799	72,052	8.9%	201,237	24.9%	HEA	HLA	342	16.7%	95.9%	(8,664)	
2	Presbyterian Ltc-1 Inc	487,940	131,084	26.9%	930	31,195	6.4%	99,889	20.5%	HEA	HLA	141	24.1%	96.3%	(3,803)	
3	I Party Retail Store	1,039,703	127,975	12.3%	469	46,402	4.5%	81,572	7.8%	HEA	---	273	15.0%	85.4%	(13,921)	
4	Parker Seal Group	537,556	113,076	21.0%	598	37,283	6.9%	75,793	14.1%	HEA	HLA	189	44.4%	88.2%	(10,095)	
5	12th Street Associates LP	862,948	123,587	14.3%	530	48,828	5.7%	74,759	8.7%	HEA	---	233	36.5%	75.8%	(23,907)	
6	Ohio Machinery Co	479,821	102,621	21.4%	607	32,540	6.8%	70,081	14.6%	HEA	HLA	169	37.3%	87.1%	(10,422)	
7	Carland Industries Inc	218,399	79,454	36.4%	864	11,880	5.4%	67,574	30.9%	HEA	HLA	92	12.0%	96.1%	(2,717)	
8	Raytheon Company	174,238	58,353	33.5%	1,423	5,055	2.9%	53,298	30.6%	HEA	HLA	41	17.1%	99.3%	(363)	
9	Caliber Learning Network, Inc	156,211	60,479	38.7%	1,061	7,720	4.9%	52,758	33.8%	HEA	HLA	57	7.0%	99.2%	(414)	
10	Private Indstry Cncl of Phila	260,828	78,985	30.3%	598	26,396	10.1%	52,590	20.2%	HEA	HLA	132	71.2%	75.5%	(17,084)	
11	Uniland Partnership of Del LP	411,853	63,709	15.5%	827	16,039	3.9%	47,670	11.6%	HEA	---	77	16.9%	85.2%	(8,264)	
12	Locke Insulators Inc	140,732	53,325	37.9%	874	8,232	5.8%	45,093	32.0%	HEA	HLA	61	16.4%	98.3%	(772)	
13	Liberty Mutual Insurance Co	324,855	67,081	20.6%	453	24,176	7.4%	42,904	13.2%	HEA	---	148	27.7%	53.6%	(37,203)	
14	Cadema Corporation	216,393	53,135	24.6%	1,131	11,918	5.5%	41,217	19.0%	HEA	HLA	47	10.6%	99.3%	(296)	
15	Kilian Mfg Co	180,095	51,486	28.6%	566	13,221	7.3%	38,265	21.2%	HEA	HLA	91	16.5%	96.9%	(1,233)	
16	Alstom Signaling Inc	329,715	43,895	13.3%	2,090	11,440	3.5%	32,455	9.8%	HEA	---	21	9.5%	99.8%	(76)	
17	Premier Seating Company	207,784	60,104	28.9%	514	27,739	13.3%	32,365	15.6%	HEA	HLA	117	34.2%	79.1%	(8,560)	
18	Disc Graphics Inc	254,419	58,082	22.8%	468	26,804	10.5%	31,278	12.3%	HEA	---	124	10.5%	93.7%	(2,117)	
19	Columbia Communications Corp	226,711	34,766	15.3%	3,863	4,353	1.9%	30,413	13.4%	HEA	---	9	0.0%	95.7%	(1,357)	
20	Dynamics Research Corporation	321,876	50,035	15.5%	391	19,860	6.2%	30,176	9.4%	HEA	---	128	39.1%	70.8%	(12,443)	
21	Speedimpex U S A Inc	255,681	42,604	16.7%	687	13,025	5.1%	29,580	11.6%	HEA	---	62	24.2%	63.3%	(17,158)	
22	Schwartz Communications Inc	181,024	50,917	28.1%	592	22,366	12.4%	28,551	15.8%	HEA	HLA	86	9.3%	96.6%	(1,016)	
23	Alphatech Inc	232,378	54,371	23.4%	442	27,301	11.7%	27,069	11.6%	HEA	---	123	24.4%	88.5%	(3,520)	
24	Kelley Steel Erectors Inc	231,312	55,942	24.2%	347	30,680	13.3%	25,262	10.9%	HEA	---	161	23.0%	78.0%	(7,139)	
25	North American Fashions Inc	109,871	35,939	32.7%	589	10,904	9.9%	25,035	22.8%	HEA	HLA	61	23.0%	95.1%	(1,277)	
26	Medical Life Insurance Co	160,061	57,814	36.1%	448	33,151	20.7%	24,663	15.4%	HEA	HLA	129	63.6%	70.7%	(10,211)	

# Useful Metrics

- Op Cash / Order (industry: \$191)
- Op Exp / Order (industry: \$138)
- Op Cash / Pick (industry: \$30)
- Op Exp / Pick (industry: \$21)
- Op Cash / Delivery (industry: \$266)
- Op Exp / Delivery (industry: \$188)





# Useful Metrics

- Op Cash / Op Exp (industry: \$1.43:1)
- Rev → Op Cash (industry: 24.1%)
- Op Cash → NBC (industry: 30.3%)
- NBC → NBT (industry: 74%)





# Why Profit Analytics Matters

- get in control of profit drivers
- focus time & resources
- make better decisions
- gets everyone involved
- analytics is becoming prevalent



# Future Vision

Element 4



# Future Vision

- current & future customer needs
- be where the market is going
- continual reinvention of business models
- replace process and policy
- don't be anchored by past practices / sales structure



# Four Elements of Super Profit

- 1.invest in core competency
- 2.analytics – numbers-driven
- 3.focus on efficiency
- 4.look to the future



# For More Information...

WayPoint Analytics

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