



Quantum Profit Gram #27

Many distribution branches did not get breakthrough quality results when it was the craze in the '80's. Mistakes are even more expensive today. The total, hard-and-soft costs of a mistake requiring a credit to be issued is 3-8 times the cost of "doing it right the first time" (DIRTFT). Reducing errors – that we can control within our own four walls - reduces costs; frees up operational slack; boosts morale; and improves service-value. How does a branch manager easily eliminate 80% or more of current errors? Read on!

How many errors does the branch currently make for every 1,000 lines processed? For a good approximation: divide the credits issued as a percent of transactions processed multiplied by the average line items per invoice.

Then recalculate the ratio to 1,000 lines. Frequently, "errors" (or actually, "mis-judgments") occur in clusters associated with particular suppliers, SKUs, customers or reps. Who are the opportunity exceptions? Why? What's the co-creative solution to a high CR/TRX ratio?

To find the outliers, rank all – customers, sales reps, and SKUs – by the number of "credits/invoices" (or picks for SKUs). Simple "5-why analysis" of these extreme cases will quickly reveal the root causes. Then, create a simple system modifications or re-education of employees (sometimes the firing of a gamester employee or customer) will rapidly drop the errors. All of the necessary analytics for this program are part of Waypoint Analytics' "quantum profit management service" (QPMS).

But, don't stop with first-step error reduction savings! Consider turning your part-time champion for solving the error hot-spots into a "service manager" to spearhead the:

- improvement of all 8 of the basic service excellence metrics.
- installation of a "Service Excellence Guarantee" (+ "Heroic Acts) program for at least the top 20 customers and expand from there.
- running an on-going "heroic recovery" program for all future errors.

20/80 error reduction frees up operational slack and boosts confidence to pursue follow-on recipes for success. Otherwise, you can be too busy taking care of yesterday's systematically-generated mishaps to have the time to do any proactive service value improvement work.

Zero errors is just one of many profit improvement plays enabled by QPMS. Benchmark what your company is doing for strategic profit improvement analytics (or not) against Waypoints' 110+ and-growing analytic tools by applying to attend our fall conference in Chicago on October 12-13. For details, contact Diane (dmaclean@waypointanalytics.com).

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