



Quantum Profit Gram #7

QUANTUM
PROFIT™
MANAGEMENT

If your company:

- goes to market primarily with outside sales reps;
- has customers looking aggressively for better total deals;
- has bank debt that is a concern;
- and, still pays reps based on GP (Gross Profit) dollars –

then, your reps are honestly motivated to work against, rather than with, both the cash-flow objectives of your company and the supply-chain-cost objectives of your most sophisticated customers.

Consider this:

- You have to find ways to grow PBIT (Profit Before Interest and Taxes) faster than your investment in inventory and receivables. Otherwise, there won't be enough PBIT to build working capital, and for better debt service. Profitless growth will increase rather than decrease debt.
- Paying on Gross Profit give the sales force incentives to push for:
 - lower pricing (read: Gross Margin);
 - more investment in inventory and looser credit (both grow debt);
 - and more giveaways that raise CTS (Cost to Serve) that eats into PBIT.
- When reps are compensated on either total PBIT or Delta-PBIT (change or improvement in PBIT), that brings CTS into the equation, and they're much more concerned about managing service costs. (Which brings the sales force into complete alignment with company goals.)

Companies that have already crossed this Rubicon are out-performing their peers by significant margins – even in a crummy economy. The downside has always been the million-dollar systems investment required to get there. Fortunately, new tools like WayPoint bring the price down to mere thousands, making this option available to even the smallest of companies.

How can you join the party?

- Build or buy the tools to measure and understand CTS and PBIT at the Quantum (lowest detail) level.
- Infuse your entire staff with CTS thinking and give them access to CTS and PBIT reporting so they'll share your goals and objectives.
- Move the sales force onto a PBIT or Delta-PBIT incentive program, so they'll be partners in generating better profits and cash-flow.
- Get working on a transition plan that: moves the reps onto PBIT incentives; has the right rates to keep their income stable; protects your best reps; generates new cash-flow; and delivers the best results ever. (We can show you how.)

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Align Sales Comp with Company Goals



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