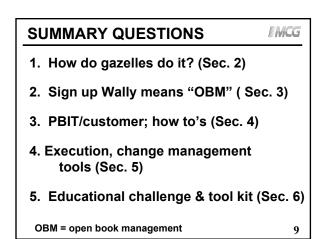
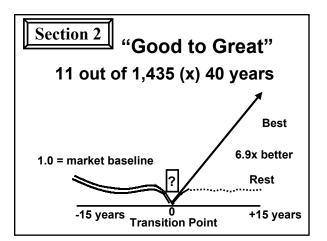


GROW BETTER THAN INDUSTRY

- 1. Love, keep & sell more to best PBIT accounts
- 2. Get big losers into win-win zone (lead \rightarrow gold)
- 3. Team partner 3% (+) gazelles 5 - 10 customers \rightarrow 80% of new profitable growth of next 5+ years

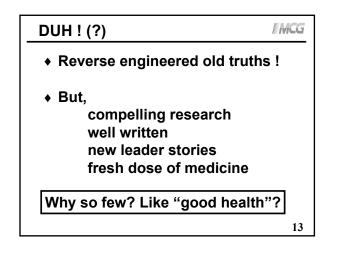
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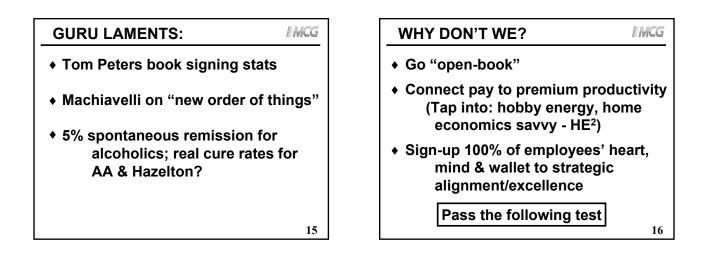


THE ELEVEN?)	MCG
<u>Company</u>	15 year performance (x) market average	
Circuit City	18.5 X	
Fannie Mae	7.56	
Gillette	7.39	
Walgreen's	7.34	
Pitney Bowe	es 7.16	
Philip Morris	5 7.06	
Nucor	5.16	
Kroger	4.17	
Wells Fargo	3.99	
Abott	3.98	
Kimberly-Cla	ark 3.42	11

(RE) DISCOVERED TRUTHS MCG
1. Leadership - humble, long-term, "willful"
2. "Who" right? "A" people "on bus"
3. "What" right? Be # 1 at _____?
4. See brutal facts (+) unrelenting faith
5. Hedgehog (x) push the flywheel
6. Discipline (x) people, methods & action
7. Technology = accelerator tools only



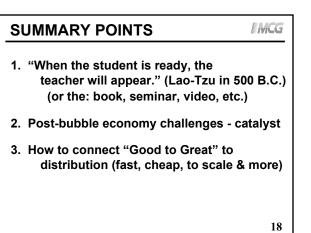




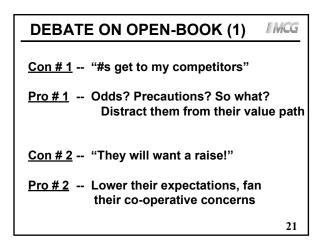
STRATEGIC ALIGNMENT TEST (X) 100%

- 1. Our #1 customer niche?
- 2. 5 most profitable accounts (5 targets)?
- 3. "Perfect service/value" metrics (our "unique proposition"?)
- 4. Wally's direct & indirect inputs?
- 5. What's in it for Wally?
- 6. Wally why leave "HE²" at home?

17



Section 3	SURVEY RESULTS
Why Not OBM? Why Not Now? 100% of 97% of "Excellence" Cases Do OBM (+) Gainsharing Why?	 20 (+) years of unchanged results 3 levels of reasons Superficial rationalizations Emotional, religious, cultural inertia Personal anxieties



DEBATE	E ON OPEN-BOOK (2)
<u>Con # 3</u>	"They will be confused"
<u>Pro # 3</u>	Repetition works, then: pride, mastery & high performance #s
<u>Con # 4</u>	"They don't want to know; they'll be scared"
<u>Pro # 4</u>	 1) On the team 2) Trusts me 3) Execs are sleeping 4) Our opportunity 5) Put-up or shut-up; grow-up time 6) Secrets don't make it better 22

DEBATE ON OPEN-BOOK (3) MCG Con # 5 -- "They'll think we under-reported profits" Pro # 5 -- Repeat with auditors, bankers & industry #s Con # 6 -- "What would we do then to make them better?" Pro # 6 -- "Good to Great" (in video modules) 23

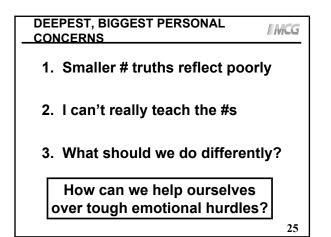
CULTURAL INERTA & SOLIDARITY MCG

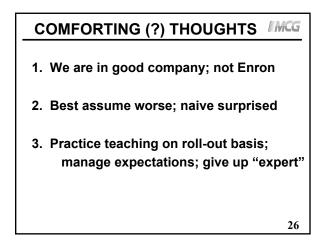
- 1. "Never really thought about it"
 - Never did in the past
 - Friends don't

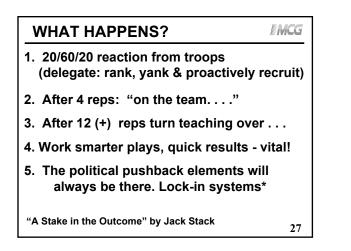
But,

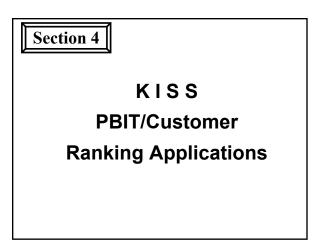
- Have things changed over 50 years?
- How to engage Wally (x) plays?

24



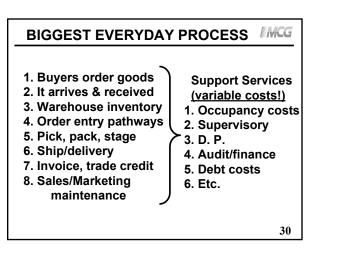


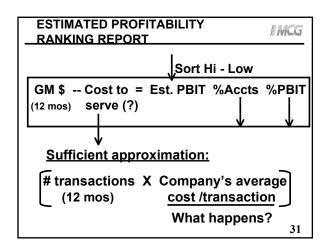




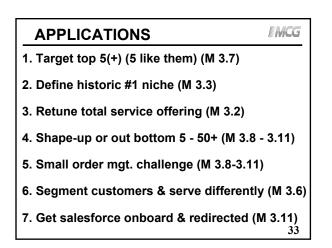
RANKING REPORTS1. Top 10 by sales2. Top 10 by GM \$3. Top 10 by estimated PBIT contribution4. Top 10 by estimated PBIT losses• Most important list(s)?• What to do with top 10, worse 10?• Ranking reports are action reports!

29





ABC CON	NPAN	Y RESU	
<u>% Custom</u> Top 20	\rightarrow	95%	
Top 40 Bottom 6	→ 0	155% (55)	– Education = 0
100% acc	ounts	→ 100%	PBIT
			32



MORE "BI"* SUPPORT?
1. Plug in boundaries for segments
2. Re-calculate PBIT/customer rankings
3. Manage each strata to optimize PBIT/customer
4. Manage GM\$/contact per each strata
Note:
1. Success of retail & catalog WDs
2. Outside sales for 24K/yr. accounts?
*BI - business intelligence 34

SUMMARY POINTS

- 1. 15% S.O.N. x 4 niches(+) OR 60% S.O.N. x 1 niche, then #2 (?)
- 2. Which service value allocation map?

MCG

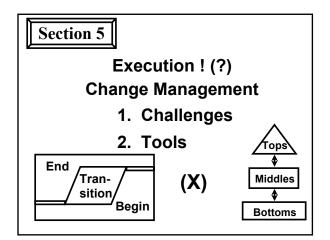
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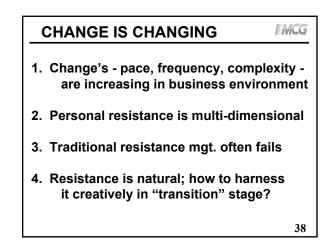
- 3. 110% "Yes!" For 5 whales, 5 gazelles
- 4. Win-win or good-bye; downsize to grow profits?
- 5. How to measure & manage this? S.O.N. - share of niche.

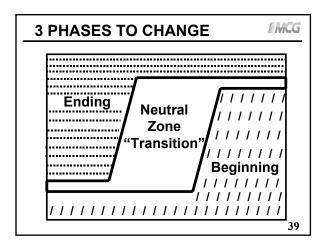
MORE ON "PBIT/CUSTOMER" MCG 1. Exhibit 1 - Analysis steps to opportunity 2. Exhibit 2 - ABC Bakery Supply Data 3. Request a 30 page "Booklet of Articles" via email from karen@merrifield.com Note the articles in the booklet: Measure Customer Profitability & Act Rethinking Distributor Profitability

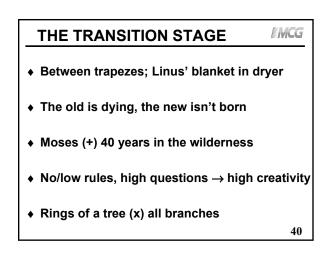
Tackle the Small Order Problem

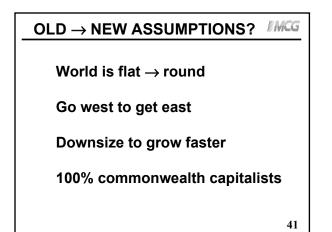
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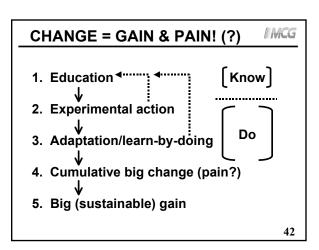


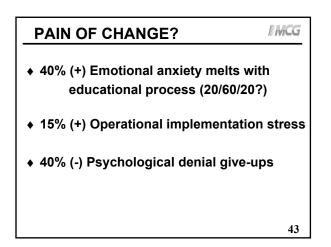


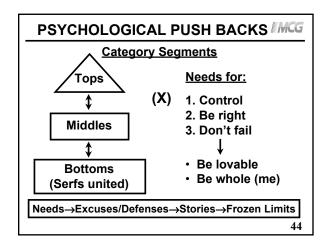


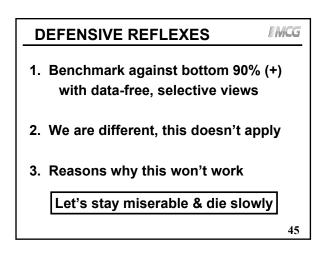


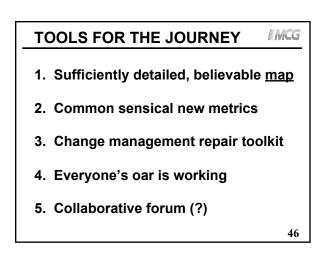


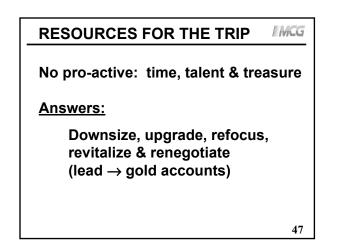


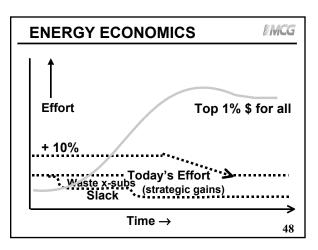


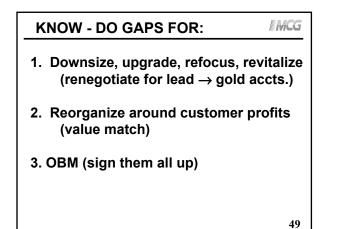


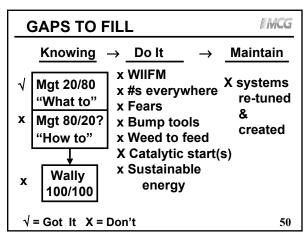




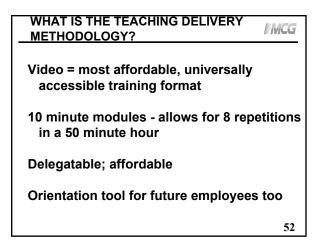








KNOW	VLEDGE GAP EXAMPLE
<u>"Not al</u> But:	Il customers are good"
. ,	l niche; 5 most profitable; 5 best s; service metrics on the wall; WIFFM
II. Define	"perfect service" by niche, by strata
	o solutions for improving fill-rates, rrors, 100% on-time service, surge mgt.
IV. Breakt	through results on "small order mgt."

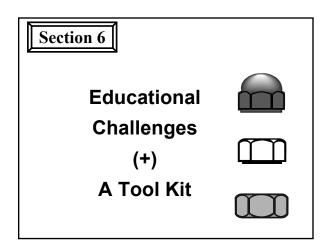


SUMMARY POINTS / QUESTIONS

- 1. Understand program "success" rates: 70% Fail 25% Fade in denial 5%(-) Success
- 2. Structural solutions for: Recovering autocratic "tops" Guard-the-past "middles" Dependent "Serfs"

53

51



THE "EDUCATION" THEME

How to educate about the:

- 1. ABC's of capitalism
- 2. 7 "PBIT/Customer" plays
- 3. Service excellence piece
- 4. Change/journey tools
- 5. 53 specific topics (Exhibit 3)

EDUCATIONAL SOLUTION

- 1. On-site, 1-hour slots
- 2. Video based (+) discuss
- 3. 8 10 reps in 50 minutes
- 4. Affordable (total cost of sweat equity?)
- 5. Top-down digestion process
- 6. Consistent & future persistent branch quality
- 7. "The video" special association offer 56

STRUCTURAL	BENEFITS OF VIDEO
1. "Bruce's (ba (l'm jus	ad) idea." st facilitating)
2. Done with c integrat	redibility & comprehensive tion
3. CEO's anti-o	cave lines:
a. "Call Br	'uce?"
b. "Like yo	our energy. Alt: commitment?
Underl	lying, unspoken assumptions?
Tell the	at to rest of stakeholders?"

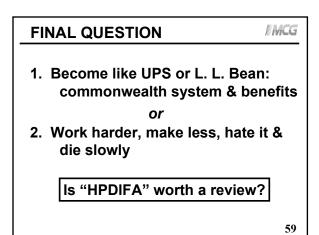
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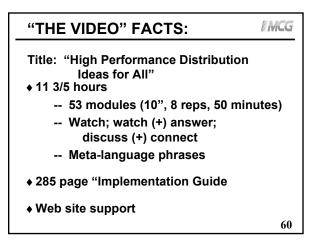
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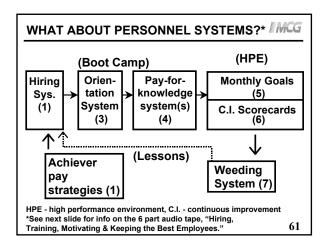
FINAL CONCLUSIONS"Good to Great" will require:1. Management's final resolve2. Better for less video-ware3. New metrics measuring & sharing tool4. Built in learning tools for "pain"

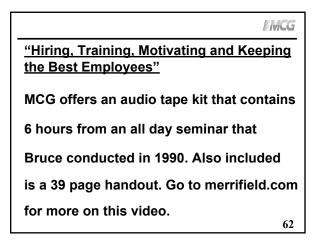
58

MCG









For more information visit, www.merrifield.com (sign up for email notification of updates to the site)

Exhibit 1

PBIT RANKING NOTES

I. Analysis/action

- A. Any homogeneous group within top 10 most profitable?
 - 1. Our #1 historically best niche?
 - 2. Forced us into <u>1-stop-shop array of items</u>, well-stocked, frequently ordered allows for <u>higher fill rates</u> too.
- B. Best defense a good offense. Steps to take:
 - 1. Interview top 10, to retune total product offering
 - 2. What are our: expected, extra and/or niche-specific services?
 - 3. Team-sell to build multi-strand relationship rope (magic act push-back?)
- C. Biggest losers \rightarrow Winners (Lead \rightarrow Gold)
 - 1. What are the hidden costs with lots of small orders for them?
 - 2. Do they think they buy and pick-up for free (too)?
 - 3. Offer an audit to: lower your "TPC" and boost productivity
 - 4. Return their purchasing assumptions and "system" and sell more
 - 5. Batting averages:
 - 20 30%!Yes! Buy more50% +OK, but volume follows more slowly20%No! So? What should we do? "It depends"
- D. What to do with the other 80% of all accounts that are marginally profitable or un-profitable?
 - 1. Segment to sell and serve differently
 - a. Where are the boundary lines for A, B, C and D?
 - b. Rethinking your marketing, selling skills and allocation?
 - 2. How to manage the small customer and/or order problem?

Exhibit 1 continued

- II. Small order opportunity
 - A. "What if" stats:
 - 1. Bottom 40% of all transactions \rightarrow 5% of GM\$ *but*, take 40% of operational cost load
 - 2. 40% transaction \rightarrow 10%; 5% of GM\$ \rightarrow 3% GM\$ (30% operational slack) + (2% GM\$ leave!)
 - B. Divide and conquer
 - 1. Stop making in-house small orders
 - a. Splinter products and customers?
 - b. Don't back-order a small order, if OK with customer
 - c. Same day receiving (+) 95% cycle accuracy on A's
 - d. Good substitution skills (+) correct demand assignment
 - e. ?
 - 2. Big customers with "good" (?) average order size?
 - a. "Do nothing" (?)
 - b. Reps constantly tune systems for "good target order size zone" (an incentive plan)
 - 3. Small customer, small order \rightarrow re-segment, re-price and re-term (e.g. special orders?)
 - 4. Big offenders \rightarrow visit and audit \rightarrow retune and sell more
- III. The salesforce?
 - A. ABC Supply's A, B, C, D customer breakdown of <u>1105 accounts</u> "called on" by <u>13 sales reps</u>.

Strata	Sales/year	# of Accounts
А	24K +	256
В	12 - 24 K	187
С	3 – 12K	501
D	0 - 3K	200

How many outside sales people to cover 256 A accounts? 13?

- B. See spreadsheet stats (Exhibit 1)
 - 1. What to do with 7 "un-profitable" territories?
 - 2. Relationship between GM% and PBIT/territory?

Exhibit 2

c															
	6	PBIT/trx.	620.83	141.93	186.82	8.52	14.28	14.38	-55.92	-21.36	-9.27	-19.09	-14.02	-17.70	-26.44
	ω	PBIT	221637.28	150868.80	123859.82	40803.27	33504.52	22557.67	-391.45	-5125.78	-9895.61	-47758.69	-72543.15	-83983.90	-132302.91
	7	Profit Factor	140.78	47.12	62.17	27.96	27.65	29.57	16.66	29.65	25.53	26.42	22.30	23.47	19.85
Study 1m 8)	g	GM\$/trx.	752.83	273.93	318.82	140.52	146.28	146.38	76.08	110.64	122.73	112.91	117.98	104.30	105.56
kery Supply Case Stud (Ranked by Colunm 8)		# of trxs.	357	1063	663	3032	2346	1569	2	240	1067	2502	5175	3032	5003
ABC Bakery Supply Case Study (Ranked by Colunm 8)	ß	GM %	18.6939461	17.2013949	19.4686640	19.8706823	22.1080790	20.2246857	21.8588767	26.8406255	20.7741361	23.3622527	18.8800264	22.5317321	18.8235530
	4	Gross Margin	268761.28	291184.8	211375.82	673083.27	343176.52	229665.67	532.55	26554.22	130948.39	282505.31	610556.85	316240.10	528093.09
	ę	\$ Sales	1437691.53	1692797.60	1085723.29	3387318.35	1552267.47	1135571.02	2436.31	98932.94	630343.37	1209238.31	3233877.09	1403532.13	2805491.02
	7	# of Accts	4	80	61	180	89	ć	С	48	41	119	196	130	154
	1	Sales Rep	٢	2	က	4	5	9	2	∞	6	10	11	12	13

Column 8 = GM% x GM\$/transaction Column 9 = GM\$ - [3 of invoices X \$132/invoice]

241229.87

26056

3912677.87

1105 19675220.43

Totals

Module Titles From "High Performance Distribution Ideas For All

Section 1: Introductory Overview

Introductory Overview (1st Video Module) Strategic Steps to Success Exhibit

Section 2: What's In It For You & All Stakeholders Basics of Capitalism & Premium Wages Basics of Financial ROI

Module 2.1: Your wish list? How can the company afford it?

Module 2.2: Who invented the marketplace and its; wages?

Module 2.3: What is a premium wage for your job niche?

Module 2.4: A new employment contract

Module 2.5: Other stakeholder needs? Balance the gives and gets

Module 2.6: How much of sales become "profit?" What happens to those profits?

Module 2.7: Whose Money Is In The Company Anyway? So What?

Module 2.8: Financing The Growth Of The Company - The Current Asset Cycle

Module 2.9: The Four Purposes Of Profits

Module 2.10: What's A Good ROI For A Company?

Module 2.11: Why Share The Company Numbers - Now!

Module 2.12: Financial Fluency Practice & Profit Motivated Behavior

Section 3: How To Grow Profits With Customer Centric Strategies & Tactics Why To Pursue "Service Retention Economics"

Module 3.1: Growing Profits Is Tough With The Wrong Assumptions

Module 3.2: How To Beat the Competition

Module 3.3: Pick One Customer Niche At A Time & Dominate It

Module 3.4: Selling Into Mature Customer Segments? Partner the "Gazelles"

Module 3.5: Measure Customer Profitability & Act

Module 3.6: Segment Customers & Service Them Differently

Module 3.7: Super Serve Franchise & Target Accounts

Module 3.8: The Small Order Problem: Basic Concepts

Module 3.9: Small Order Problem: Solving 4 Separate Types of Small Orders

Module 3.10: Small Order Implementation Case Study Ideas

Module 3.11: Unfreeze Sales Representatives Account Re-assignments

Module 3.12: Make Service Retention Economics Work

Module 3.13: Rethink & Co-create All Personnel Systems

Module 3.14: Employees Must Believe In & Invest In Themselves

Module 3.15: Measure Employees Morale Anonymously & Act

Section 4: Achieving & Learning Basic Service Brilliance

- Module 4.1: Defining Perfect Service
- Module 4.2: Measuring Inventory Fill-rates
- Module 4.3: Improving Inventory Fill-rates
- Module 4.4: The Role Of Service Manager
- Module 4.5: Achieving Zero Errors
- Module 4.6: Achieving 100% On-Time Delivery
- Module 4.7: Learn-N-Earn Certification Programs A Case Study
- Module 4.8: Breakthrough & Heroic Recovery Services
- Module 4.9: Empowerment Levels Of The Concept
- Module 4.10: Selling & Getting Paid For Basic Service Excellence
- Module 4.11: Selling Best Total Procurement Cost (TPC)
- Module 4.12: Buying Better, Selling Better Case Study Learning
- Module 4.13: Win-Win, System Contracts With Best-Value Buying Customers

Section 5: Concepts & Tools For The Transformational Journey

- Module 5.1: Pursue H P D \$ With One Sustainable Heart Beat
- Module 5.2: Publishing Praising Statements For Everyone
- Module 5.3: Challenge & Response Systems
- Module 5.4: "Internal Benchmarking" Spurs "Mastery" For Everyone
- Module 5.5: "Internal Job Benchmarking" Cases Branch Managers, Outside Sales Reps
- Module 5.6: Turn Boss-Subordinate, Parent-Child Relationships Into: "We're All Adult Partners"
- Module 5.7: New Problems? Push The Wheel Of Learning
- Module 5.8: Make Good Mistakes
- Module 5.9: Putting All Of The Video Ideas Together Strategic Steps To Success
- Module 5.10: Putting All Of The Video Ideas Together Kinetic Chain Alignment
- Module 5.11: The Power of Systems
- Module 5.12: Compensation (Incentives) Myths & Traps
- Module 5.13: "Human Fulfillment" Through Work (?)

IMPORTANT FACTS ABOUT "THE VIDEO":

- 53 (10 minute on average) modules that come in 6 VHS tapes in an attractive storage case that fits on any bookshelf. 11.5+ hours of elapsed educational programming.
- 285 page Implementation Guide that includes lesson plans, study and discussion questions for every module.
- Retails for \$995, but is available through numerous resellers at prices from \$595 and lower!

REGARDING VIDEO RESELLERS

<u>Who can be a reseller?</u> A reseller can be any entity that will promote the video to constituents or forum members. There are already a number of <u>different types of resellers that have different primary objectives</u>. <u>Buying Groups</u> and some <u>Associations</u> see the video as a curriculum/discussion tool around which to organize round-table/forum discussion group sessions at regularly scheduled meetings. <u>Manufacturers</u> that are quite inter-dependent with their distributors see it as a training tool to help their "good distributors become great ones" so that they will grow faster and more profitably than the industry and in turn grow the manufacturer's market share. Some software firms are re-tuning their business intelligence packages to support the local, real-time information needs for the productivity plays within the video. They all see the video as a valuable educational tool for their constituents.

Don't see your affiliation group below? Have them contact us for the story.

RESELLERS As of November 1, 2002:

Software vendors: NxTrend Technologies, Inc.,						
	Enterprise Computer Systems,					
	System Designs, Inc.					
Manufacturers:	ExxonMobil (industrial oil products distributors)					
Associations:	AED, ASAP, CIPH, CWA/MAD, EBMDA, FEWA, FPDA, FSSA, IDA, NAFD, NASSD, NPTA, NSDJA, OPWA, PTDA, TUG – Northeast, WAFD, WMIA					
Buying groups:	EMBASSY, IMARK'S INET Group 9, Johnstone Supply, OMNI, (many others are considering)					