

PIP SPEAK

THE NEWSLETTER OF
Partners in Performance

Pricing and margins – fertile ground in business-to-business sales

Those of you who are familiar with our work delivering rapid results on the shop floor may be interested to know that we also do extensive work in industrial marketing and sales effectiveness. Results on the market side can be rapid, significant and in general capex-free.

The elements of this work would be recognizable to most of you. Let us illustrate across a number of different clients:

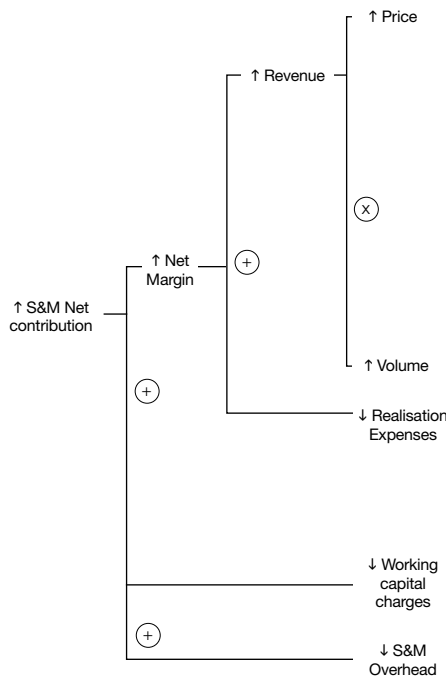
1) Find the money – firstly, we identify the value drivers for margin improvement and what is technically possible by way of improvement on each driver (price by

product, alter discount mix, transport costs, inventory levels, quality costs, working capital, which products, for what market and planning schedule).

2) Develop ideas pipeline – then work with the stakeholders to generate and prioritise improvement ideas along each of these value drivers (see page 4). Assign ideas and track using Action Tracker and weekly reviews.

3) Clarify accountabilities and roles – to ensure no overlaps, no gaps in accountabilities between players in the sales chain (from production scheduling, rejects, prices, discounts, debtors days...). →

VALUE LEVERS: ROUND ONE



INITIATIVES

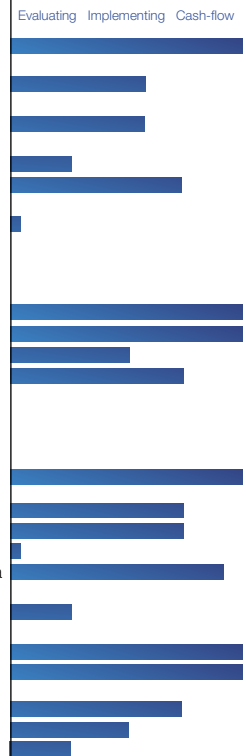
Product Revenue

- Increase overall price in monopoly markets for Metal1&2
- Change pricing structure to reflect volume breaks
- Across the board \$US30/t increase & test responses
- Reduce non effective discounting practices
- Set stretch targets to individual sales people
- Optimize market and product mix for Metal1, Metal2, Metal 3

Other Revenue

- Increase Service Fees
- Increase Small Order surcharge
- Institute Remote/non metro surcharge
- Institute late payment surcharge
- Increase production of alloy3 by 35% given its high margins, reduce production of alloy12
- Work with production to eliminate rough ingot surface (margin hit)
- Reconfigure XXLine shipping
- Reconfigure copper sulphate distribution
- Eliminate use of disposable lifting straps
- Renegotiate agency agreements
- Resituate warehousing requirements in Asia
- Provision of incentive for switching to our preferred payment terms
- Establishment inventory targets
- Clear redundant stock (sale & re-melt)
- Organisation realignment
- Office requirements re-evaluated
- Technical Service critically examined

PROGRESS



Partners in Performance

Partners in Performance is a firm that builds better businesses. We deliver rapid performance improvements in industrial, resource, manufacturing and service companies, using specialist teams and a hands-on approach to lower costs and increase revenues.

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This is a *key enabler for creating a results and profit-focused sales group.*

4) Hard wire in good operating disciplines – including automating the tracking and reporting of results and KPIs, developing these into individual scorecards and establishing weekly individual reviews of Results and Actions. This makes it easier for managers to get their people focused on the priorities and regularly coach and support them with their actions. For industrial clients this tends to be more strategic involving fewer clients but with each decision on price and terms being worth a lot of money. For our consumer products clients this tends to be more around managing the process of weekly reviews of actions by sales people (where our SPIN cycle process has delivered rapid impact).

At many clients we also put work into coordinating efforts between production and sales and ensuring key meetings such as the Sales & Operations Planning meeting are fact based, have good input KPIs and reports in order to facilitate cooperation and good decision-making. Once run well, these meetings in turn generate a significant number of improvement ideas as information flows between the different functions about the impact of their actions on each other's KPIs.

5) Training and Coaching – As with all our work, there is extensive training and coaching at all levels in the organization. This covers both improvement skills, basic financial and economic training and also many elements of wiring so people can operate and manage their people to deliver ever improving results.

Some results from our Industrial Marketing and Sales Effectiveness work:



European Paper Producer

Context:

Two paper mills (coated and uncoated). European market was being pounded by low cost exports from Asia and prices had plummeted. The mills' product quality was poor with many complaints from customers. Our debottlenecking work was planning to deliver 12% increases in volume from the machines.

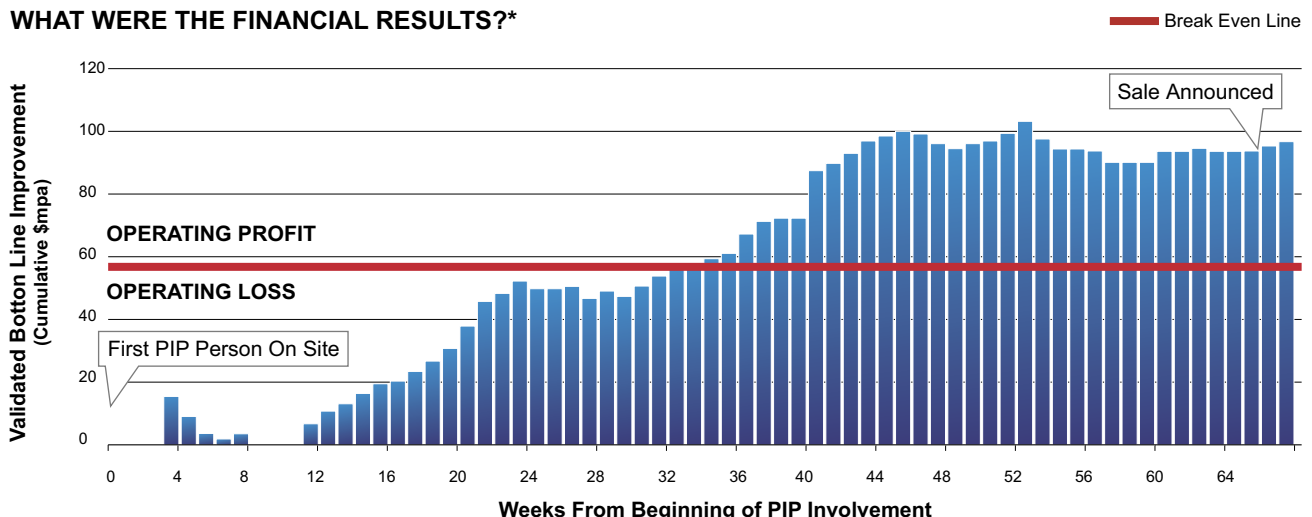
Results:

- Increased total sales by 11%
- Increased home market share by 135% (home market margin \$300/t greater than export markets)
- Increased home market share in target products by up to 160%
- Reassigned or renegotiated export sales leading to \$7m annual margin improvements.

What we did:

- Identified the total and marginal cost/t to produce and deliver each product (including rebates, rejects, discounts)
- Identified key issues to resolve in order to increase sales and margins (quality and lead time) and fixed them
- Altered scheduling and product mix in order to maximize value produced (tonnes, quality and margin)
- Developed targeted sales programs by product and customer
- Developed new products
- Clarified sales force accountabilities, developed KPIs and incentives that matched profitability drivers
- Systematically reduced cost on transport and internal cost/t to make other products competitive
- Developed sales training and reviews. Automated reports to provide timely information on sales
- Developed tools to enable tactical pricing and product balancing to react rapidly to changes in the market.

WHAT WERE THE FINANCIAL RESULTS?*



*13 week averages used to smooth data. World paper prices declined significantly during this period