

Lisa Anderson's Profit Through People® Newsletter



June 2019 - Issue #159

Welcome from Lisa

May ended with the graduation of my nephew Dylan (pictured in the middle), and so I spent time in AZ celebrating his graduation and seeing my mom. Since it just so happened to be right before my first of 10 speeches on pricing and profits to groups of CEOs (led by [Arizona Growth Advisors](#)), I was able to stay to help my mom and aunts with a few items in the interim.

I enjoyed the presentation series and gained valuable insights and examples from the attendees along the way. It gave me several ideas to implement with clients, in my businesses and non-profit affiliations/associations to boot. What a great profession where there is win-win value on a daily basis! It certainly got me thinking about target customers, creating value for customers and how to maximize the win-win of customer value and profit. Interestingly, part of what I taught at my [Association for Supply Chain Management](#) (ASCM/ APICS) CSCP ([Certified Supply Chain Professional](#)) class today was also on this topic with a tie in to CRM (customer relationship management). We have another CSCP class starting on July 27th, and so if you are interested or have employees who could benefit from learning more about the end-to-end supply chain, please [refer them](#).



On the client side, I was focused on multiple key projects (inventory, SIOP/ S&OP, ERP selection and support, process and profit improvement and more) and on endless calls, webinars and meetings; however, it was a productive and successful month and so I'm thrilled with the progress. Successfully navigating Amazon-like elevated customer expectations in complex environments while reducing inventory to free up cash and maximizing business value and profit remains the most popular topic. I talked about these concepts and beyond at the [Project Management Institute](#) (PMI)'s Professional Development Day as well as in the CEO presentation series.

IN THE NEWS

Check out my latest speeches, articles & quotes:

- My press release, "[ERP, CRM, and Related Systems Key to Enabling Scalable, Profitable Growth](#)" was picked up by *Business Insights*
- Quoted in SAC's "[Focused Strategies Drive Growth at Successful Organizations](#)".
- Interviewed by *Aftermarket Business World*, "[Logistics Newsmaker Q&A: Lisa Anderson, LMA Consulting Group](#)"

Hope you have a Happy 4th of July!

Lisa

Email

LMA Consulting Group, Inc.

P.S. If you know of anyone who is interested in achieving scalable, profitable growth, please refer them to us.

Eagle Eye

Why Southwest Customers Wouldn't Buy a Bentley

After giving 10 speeches on **pricing and profits** to groups of CEOs, it is certainly top of mind. Yet it should always be top of mind for executive teams. One unanimous finding from the informal research of executives is that pricing is a strategic topic and so we must find time! When is the last time you focused on pricing?

Whether you consider pricing a strategic topic or not, it will directly impact your business. Let's start with three typical options from a branding point-of-view.



1. **Low price leader** - Southwest and Walmart are great examples of this. No one flies Southwest to have a first class experience. Instead, they are accessible to the general public and fun to fly. Their prices have to match their brand, and low prices do NOT equate to lower profits. Southwest has been consistently profitable when the higher priced airlines weren't!
2. **Luxury brands** - Similar to the low price leader, a Bentley or Gucci denotes the luxury image. If you found a low price on a Bentley, you would definitely think it was a lemon. In the B2B world, the same holds true. We work with a high quality lawn and garden equipment and tools supplier, and their prices have to remain higher than the low cost brands to maintain their image and customer base. Of course, they need to provide more education and value for their customers as it is what they expect.
3. **Customer focused** - in this case, the brand is all about the customer, and these companies are known for going the extra mile and providing superior value for their target customers. If it is all about value in the eyes of your customer, don't you think your price better align to this value? Of course! If not, it is the epitome of the opposite of the brand.

Have you thought about your strategy and whether it relates to your pricing? It is easy to get caught up in competitive pricing situations and start to lower your price; however, it might be the time to take a step back and see whether what you are doing matches your branding and strategy. For example, one CEO provided an example of when she was a VP of Sales at a significant company. They had a niche product with unique value and higher prices. The sales teams were starting to see competition and thought they had to reduce pricing slightly to maintain their position; however, the CEO said 'no'. They were the leader and had value their competitors didn't. It was a really hard process for the sales team to go back and talk value instead of giving in on price but they managed it. Fast forward to the next year, and they were successful in maintaining their prices and didn't lose business. Instead of falling into price war thinking, they talked about value.

What Do We Need to Think About Related to Strategic Pricing?

From an 80/20 perspective:

- **Who is your target customer?** Think about your answer. Hopefully it isn't anyone willing to pay for your product or service! Yet that is an easy trap to fall into. Instead, take a step back and think about your target customer. What is their profile? How many current customers are target customers?
- **What do your target customers value?** Although we tend to spend 80% of our time on 20% of our customers, the key question is whether these are the target customers. Do we know what our target customers value? Don't think about your customer base and your daily interactions to answer this question; instead think only about your target customers. If you don't know, find out! Being clear on this alone will yield dramatic results.
- **Is your pricing aligned with your target customers and their expectations of value?** This is a tricky one. In our experience, 80%+ of our clients have room for improvement when we get to this point. It also changes over time, and so if you last put thought into this even a year or two ago, you are acting on old information!

There is vast opportunity to keep pricing top of mind as it relates to your strategy. Why do this? It is a top strategy to ensure customer value (to grow your business) and increase bottom line profits simultaneously. If you are interested in a pricing & profits assessment, [contact us](#).

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[Pricing & Profits: It's Not All About Revenue](#)

The Strongest Link in Your Supply Chain SIOP/ S&OP and Bottom Line Benefits

According to a [Hackett group study](#), the benefits of SIOP (Sales, Inventory & Operations Planning) can be dramatic. First, let's back up to describe SIOP: It is an integrated business process that aligns demand with supply and through which the executive /leadership team continually achieves focus, alignment and synchronization among all functions of the organization. In our experience with over 20 SIOP projects, our clients have experienced these same results (and often even better ones), no matter the industry, company size or priority. Simply put, when done well, you'll have more cash, profit and revenue. What's not to like!

The types of results fall into three buckets:

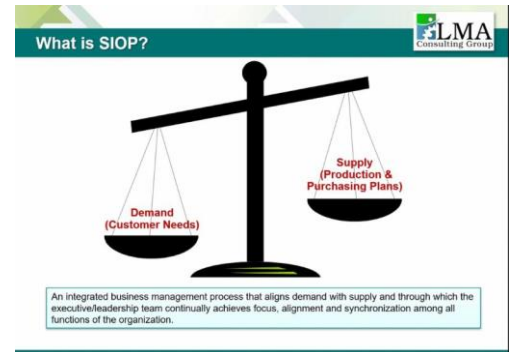
1. **Working capital** - Undoubtedly, freeing up inventory to increase cash flow is becoming a greater priority as executives realize just how much cash is tied up in servicing customers' Amazon-like expectations with global supply considerations. Therefore, it is not surprising that we've received a serious uptick in requests to increase inventory turns. SIOP is always a part of the solution. Hackett research says 20-30% improvement is to be expected. We have certainly found this to be true.
2. **Cost reduction** - whether we term this cost reduction or margin improvement, 5-10% improvement is what the Hackett study shows. We have seen these results, even by default (when the SIOP program was focused on improving service). Thus, if they can be achieved by default, they certainly can be achieved with focus! Items that fall into this category include material cost reduction, freight cost reduction, labor productivity improvement, and fixed cost optimization.
3. **Sales growth** - According to the study, a 2-4% improvement is not uncommon. We have experienced dramatic results in this area with lead time reduction, on-time delivery performance improvement, customer scorecard wins and strengthened partnerships that lead to new and expanded sales opportunities.

For example, in a significant metals-related aerospace business, we started the SIOP journey to reduce inventory levels to free up debt. By partnering with sales to better understand customer requirements and by better aligning the sites on a single plan and set of priorities, we were able to align demand with supply. It was truly about alignment as the performance measurements couldn't be completely changed (and they often didn't support the same decisions as SIOP) yet we gained executive alignment and focus. This led to our ability to align the various functional areas on a single objective while still recognizing the site level objectives. Therefore, we were able to reduce the inventory in the core product line by 30% while ensuring customer satisfaction levels were maintained or improved.

The question isn't whether you'll benefit from implementing SIOP. The only question relates to what you'll achieve based on your priority focus. Will it lean in the direction of margins, cash flow or customer loyalty and revenue growth? If you'd like to learn more about how to benefit from SIOP, read about it in our [blog](#), explore our proprietary process for SIOP, [4 Excel](#) or [contact us](#) to discuss an assessment.

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[The Strategic Benefit of SIOP](#)



2019 Predictions Document

Find out how pricing relates to 2019's predictions. If you missed our 2019 Predictions Document, download yours [here](#).

"... expect to see more talk of tariffs, threats and waving of hands, all the while, those of us in exporting will be busy making deals, signing contracts and getting business done."



Roy Paulson
CEO, Paulson Manufacturing

U.S.A. Manufacturers are thriving and will continue to thrive in the future. The world looks to the USA for innovative quality products. In fact, we are the last. Beyond products, the world knows that the business deal will be fair and equitable. In other words, they trust us and trust does not come easy in this world.

Paulson Manufacturing is based in California. We export most of our raw materials in the USA. And, we are competitive worldwide. Our distribution channel is also our feedback channel. We learn what is going on in each country where we do business. We pay close attention to the high value of the USA Dollar, our quality and standards in exporting, this is the best time possible to expand our exporting potential. Improvements generally occur through learning from the sales agencies. For example, our sales team doubled in China last year and we expect them to double again this year. This is not without effort, by all parties involved. Then in the end, all parties must be involved for the success to occur.

As a new market forward in these uncertain times, expect to see more talk of tariffs, threats and waving of hands, all the while, those of us in exporting will be busy making deals, signing contracts and getting business done. We are forecasting 20% growth in exporting for 2019 and expect 25% growth in 2020.

"We need to connect the dots between what we are expert in and what our key customers want us to achieve."



Steve Erickson
President - Conoco Clipper, Inc. & UK Business Unit Group
UK Strategy - Penney's Group

There is a lot of conversation about the shortage of talent and the tight labor market. We are having trouble finding good quality candidates as well. Perhaps even more importantly, I think we need to look at our competitiveness in today's market with our team. As hard as talent is to find these days, maybe it is too easy to lose as well!

Even though I think the business world as a whole is getting better at strategic planning, at the end of the day, it is hard to make strategic changes to strategy and see it work. We need to connect the dots between what we are expert in and what our key customers want us to achieve. Customers expect price concessions. However, price might not always be the answer. We need to talk with our differentiated strategy and keep tweaking the messaging and delivery system to keep it relevant and successful in today's marketplace.

Manufacturing & Supply Chain Predictions for 2019



Do You Have a Resilient Supply Chain?

Do you have a resilient supply chain? In today's disruption-intensive business environment, a resilient supply chain is a "must"!

Find out how to navigate disruption and achieve peak performance.

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THE RESILIENT SUPPLY CHAIN
Navigating Disruptions.
Raising Performance.

The Systems Pragmatist Is CRM Valuable?

A Client Question

When clients decide to upgrade ERP, they also look at [CRM](#) (customer relationship management) because it makes sense to align the technology infrastructure into a common platform that will be fully integrated and scalable. However, what if it isn't part of an ERP project? When does it make sense to jump into the CRM world? One client asked us just this question.

The Answer

In their case, they could achieve a powerful return on investment with CRM. It provided the tools and technology that would strengthen their relationship with their current customers as well as help them expand sales with current customers and create a pipeline of new customers. Specifically, when meeting with customers, the sales reps gained insights into customer preferences and ways to strengthen the relationship. If they captured those ideas into CRM on the spot, the next person who interacted with that customer could see the notes and tailor the conversation. These seemingly small preferences can go a long way!

In terms of expanding business, they needed robust sales reporting that would tell them if they were falling off in a particular area or if they sold one product without its complimentary product so that the sales rep could follow up. Last but not least, they wanted a way to track potential new customers and expansions of business. For example, if a reseller was opening a new facility, they wanted to track it in CRM so that everyone had access to the timing, forecast, and other critical information. Also, since it was a collaborative sales environment, they wanted a way to track potential new customers and where they were in the sales cycle so that



they could forecast future sales and the likelihood of it occurring. Sales forecasts were the 80/20 of success in this client because it was in a high growth mode where cash forecasting is of critical importance.

A simple CRM solution fit the bill. A few years later, they were ready to upgrade their ERP infrastructure. At that time, they had the base [CRM disciplines](#) functioning and so it was an easy transition to a fully integrated system with CRM functionality. This client has been recognized multiple times for its substantial growth and success.

Food For Thought

Although CRM systems can be a great idea (as it was in our client's case), if your sales and support teams aren't ready to enter at least the key data, you've just bought an Audi that sits in your garage. Start implementing process disciplines early. Enter information about your customers that will be handy at a later date. Start tracking key meetings and prospects. Are you able to make good decisions from what you are tracking? If not, wait! However, aggressively push to start tracking vital information about your customers, even if you put it in Outlook or a spreadsheet to start. Soon you'll be ready for a simple CRM solution, followed by more powerful ones as you get used to driving your car on city streets, you'll be ready to brave the freeways. If you are interested in running your situation by us, [contact us](#).

[Did you like this article? Continue reading on this topic: Obsession with Your Customer](#)

Profit through People Who Are Your Stars?

In our 14 years of consulting experience and almost 30 years of working experience, we have found that 80% of executives spend the majority of their time with the 20% of employees who do not achieve results. Unfortunately, this means they don't have time to spend with the stars who achieve 80% of the results. Do you fall into this trap as well? As executives commented in our [2019 predictions document](#), talent is a hot topic in today's tight labor market. If you aren't paying attention to your stars, they will jump ship to someone who does pay attention.

People don't leave companies. They leave bosses!

As an executive, stop to think about what questions you are asking. Do you ask your direct reports about their stars? Could you identify the future stars of your organization? Or are you just addressing issues as they arise? Key customer issues. Board questions. Performance problems. Etc. If so, undoubtedly, you are receiving information from stars or they could be working behind the scenes, invisible to you. We find that these stars can be easily overlooked because they might not like the spotlight or they are likely to be the person to bring up unpopular topics. Does your culture support these stars or encourage them to stay hidden?

Here are ways to find your stars:

1. **Pay attention to who your leaders go to in order to get information** - There is always a star behind the scenes who has the information when you need it. It is likely this person could be several layers below you and so you'll need to pay attention.
2. **Have you asked old-timers for information or ideas lately?** Ask employees who have been around a while. If they feel overlooked, they aren't going to offer ideas and information until asked. However, when valued, you just might be surprised with some amazing results. We have had countless numbers of clients with this sort of hidden gem! Typically there is at least one person like this in every organization.
3. **Look for someone who might be unpopular in meetings because they'll bring up issues** - Frequently, there is someone who is willing to speak up about issues who becomes unpopular because the rest of the team doesn't



understand or think the issue will occur. This person is also seen as delaying the process. Sometimes, these folks are just problem employees but often they can be your stars. Stars are willing to speak up about issues, and if you listen to them, they will save you from all sorts of problems. Of course, if it was only that easy! Typically these folks might not be the best communicators, and so they aren't seen as stars by their managers. You'll have to look hard.

4. **Look for the influencers** - although not typically in a position of power, the masses will follow them because they trust their judgment. This isn't obvious because leaders aren't involved. Look for who employees go to with questions or look for who they will go to if issues occur.
5. **Ask each employee about his/her ideas and/or create small group discussions** - Once you gain trust, you'll rapidly identify your stars.

Since your stars are responsible for 80% of the results and are the go-to people for any project worth doing, there is a dramatic ROI in finding your stars and embracing them. It certainly seems worth the effort of checking in on a few employees each time you walk through the office. Don't stop and talk with your favorites or those with which you have common interests. Instead, stop at the first desk that wouldn't part be part of your routine. Be interested and listen. We'll bet you learn compelling ideas rapidly. [Let us know](#) how it goes and what strategies you find the most successful in finding your stars! We are always interested in this vital topic.

[Did you like this article? Continue reading on this topic:](#)
[Employee Performance: Do Not Ignore Your Stars](#)

Connections

- Looking for a Javascript and Node developer? My nephew graduated from a top rated computer boot camp Sabio and is a full stack developer with a specialty in Node. If you know anyone in Southern CA looking for a developer, please [contact him](#).
- A client in the City of Industry is looking for a Cost Accountant. Please refer to [me](#).
- A client in Ontario is looking for a planner/ buyer. Contact [Evan Cohen](#) with referrals.
- Do you know a top notch IP, family law or litigation attorney in the Inland Empire or surrounding area? And/ or how about a healthcare benefits resource? My ProVisors group has an opening for these professions, and we have lots of referrals for these professions on a regular basis. Please introduce [me](#).

NOTE: To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

What is Profit through People?

I've used the Profit through People brand since my newsletter's inception in 2006 as it resonated with me. Although I consult on topics within each of my service lines--Eagle Eye Strategic Focus, The Strongest Link in Your Supply Chain, the Systems Pragmatist & Profit through People--I find that people are key to success in every situation. If you are interested in elevating your business performance, please [contact us](#).



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