

The background of the slide is a close-up, blue-tinted photograph of a man's face. A large, circular magnifying glass is positioned over his right eye, which is looking directly at the viewer. The magnifying glass has a metallic, segmented frame. The man has a light beard and mustache. The overall mood is technological and focused.

Amazon's Big Bang Comes to Distribution: A Call to Action

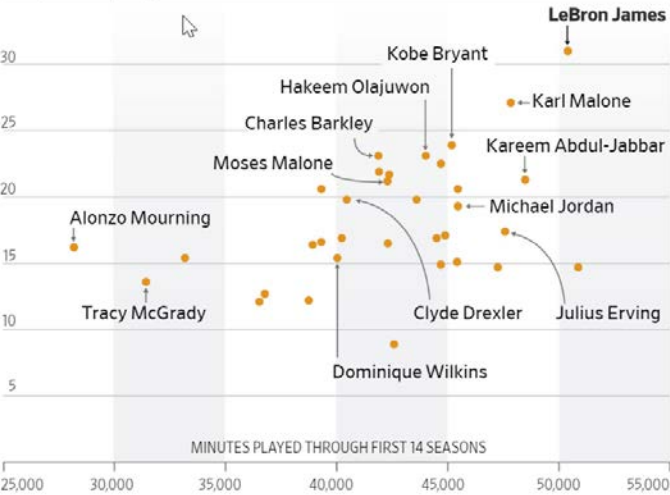
DAVID BAUDERS | CEO, SPA Inc.

LEBRON HAS HIGHER PERFORMANCE IN YR 15 vs. YR 10: HOW?

LeBron vs. All-Time Greats

How the 15th seasons of the NBA's Hall of Famers and future Hall of Famers compare to LeBron James this season.

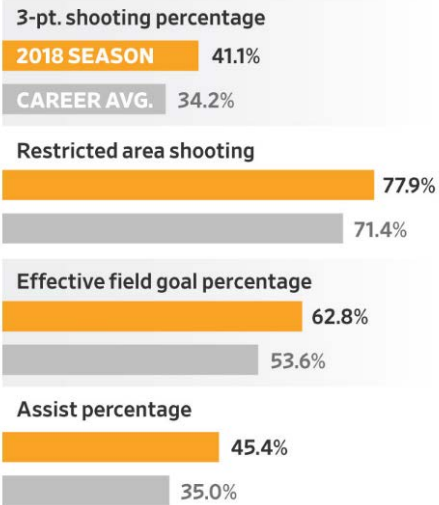
35 Player efficiency rating



Notes: Data as of Dec 19; player efficiency rating is a rating of a player's per-minute productivity
Source: Basketball-reference.com

LeBron vs. LeBron

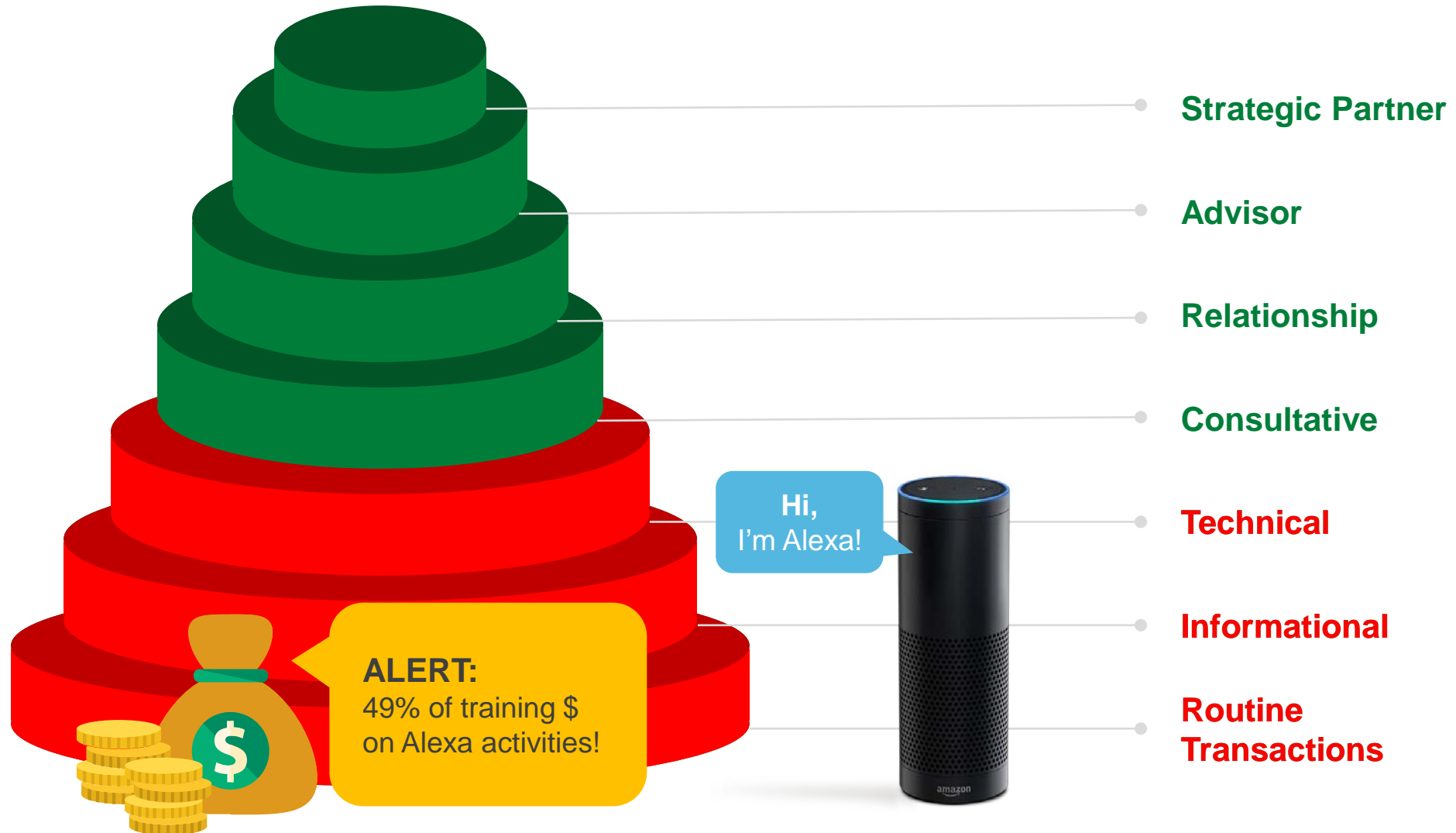
How LeBron James's 2018 season compares with his career averages:



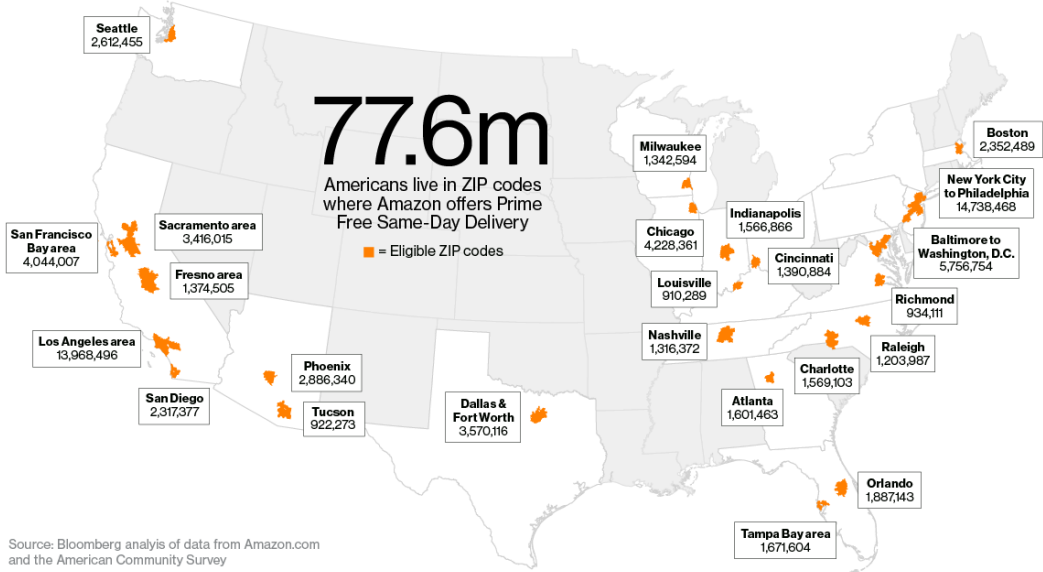
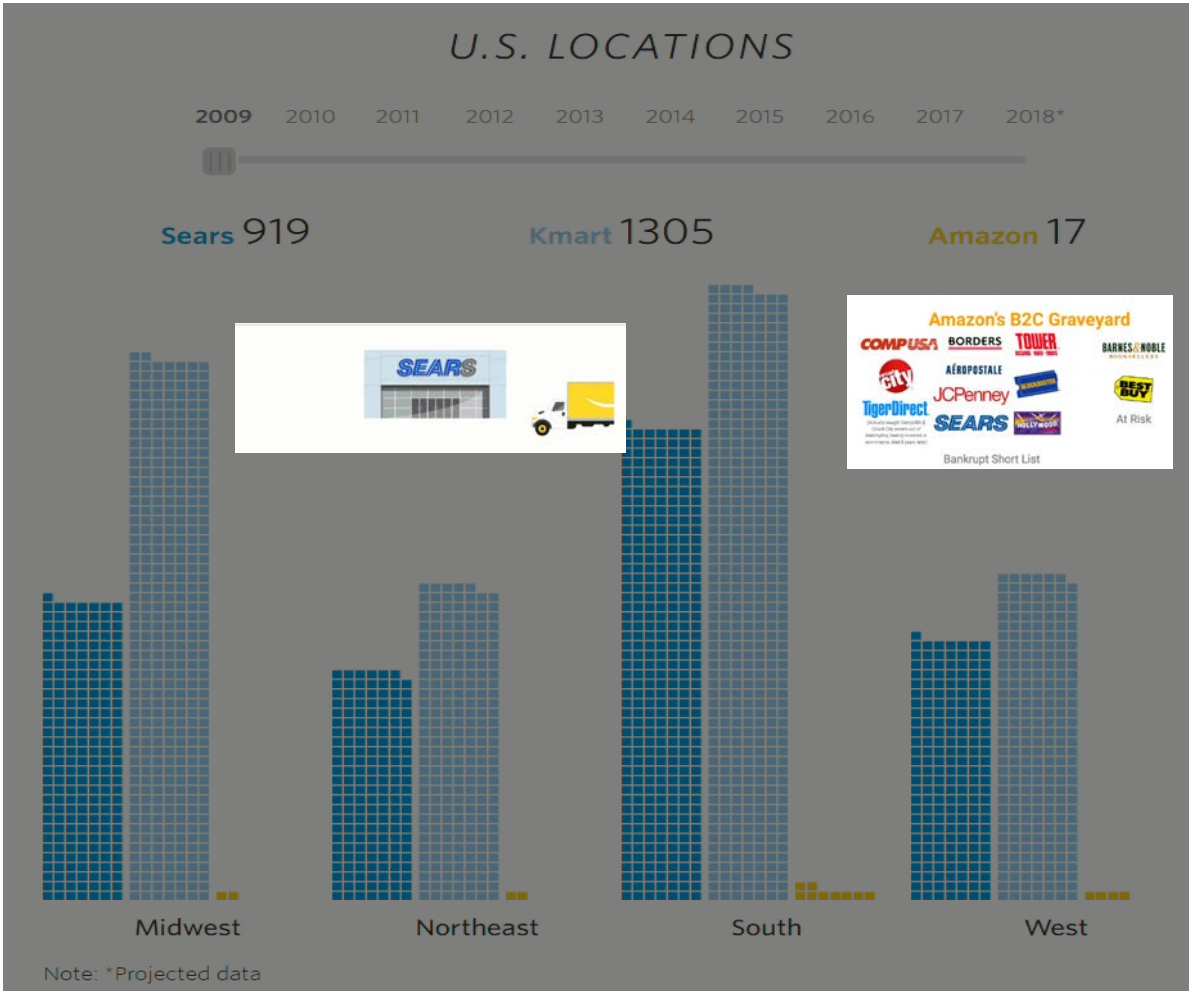
Note: Data as of Dec. 19. Career measures his average between the 2004 and 2017 seasons.
Source: Basketball-reference.com

DAILY CORE-SKILLS TRAINING

SALES VALUE PYRAMID



AMAZON DISRUPTION OF RETAIL



Source: Bloomberg analysis of data from Amazon.com and the American Community Survey




WHAT'S AHEAD?

Simplify business purchasing with Amazon Business
Get access to business-only prices, multi-user management, purchase approvals, and more convenience, cost-effective shipping options by creating a free Amazon Business account.

[Create a Free Account](#)

Already have a business account? [Sign In](#)



Amazon Business has a shipping solution for you

We've added Business Prime Shipping for multi-user business customers, so you can pick from multiple shipping options to suit your business needs. Business Prime Shipping offers fast Two-Day Shipping for every user on your business account. It's a great way to give your employees the service, convenience, and control they need to succeed.

Extend your Prime benefits
If you have an Amazon Prime membership on your personal account, you can extend your Prime shipping benefits to your Amazon Business user account for eligible orders, with no charge to your personal Prime benefits. This benefit is extended for single-user business accounts.

Prime on your business user account
A Prime membership can be purchased by a single Amazon Business user account or an Amazon Business user purchase Prime, that user will have access to Prime benefits, but other individuals within that Amazon Business account will not – unless they also had their own Amazon Prime membership.

Business Prime Shipping
Take advantage of unlimited fast, free shipping options for your business purchases with Business Prime Shipping from Amazon Business. It's cost-effective, convenient shipping for every user – at work.

Sign up now for Amazon Business

[Create a Free Account](#)

WHAT'S YOUR ROLE?
I buy things for work
I approve purchases
I'm in enterprise procurement

WHAT'S YOUR INDUSTRY?
Education
Government
Healthcare

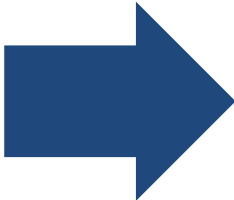


AMAZON BUSINESS PRIME

AI

DISRUPTION

AMAZON'S B2B IMPERATIVE



Avg. Order Size = \$35

Avg. Order Size = \$250



THE AMAZON ERA'S CONSEQUENCES FOR DISTRIBUTORS



01

MAJOR EROSION OF SALES & PROFIT

- 10% Loss of Sales Volume = **15% Drop** in Operating Profit
- 5% Avg. Price Decrease = **38% Drop** in Operating Profit
- Both Volume and Price Erode = **49% Drop** of Operating Profit!
- **Action Required: Analytics, Automation & Operational Excellence**

02

EMPLOYEE DISLOCATION

- **Excess Misaligned Sales Resources**
- **Action Required: Right-Sizing, Realignment and Up-Skilling**

A person in a blue jacket stands on the edge of a high, flat-topped rock formation, looking out over a vast, rugged landscape. The terrain is covered in patches of snow and dark, rocky outcrops. The sky is a pale blue with soft, wispy clouds. The overall scene conveys a sense of scale and the challenges of navigating a complex environment.

OPERATIONAL CHALLENGES

THE 1% DIFFERENCE

THE 1% DIFFERENCE IN DISTRIBUTION...

ITEM	BASELINE
Sales	\$100 M
Less: Cost of Goods Sold	-\$80 M
Gross Profit	\$20 M
Less: Expenses	-\$16 M
Operating Income	\$4 M
Operating Income %	4%

THE PRICING OUTCOME



PRICING CHAOS

01

Lack of tools and processes

- › Guessing game
- › Cost Plus Behavior
 - › Underpriced Customers
 - › Underpriced Products

02

Lack of Sales Force Training

- › Negotiation
- › Accountability, Metrics & Incentives

03

Lost Price and Profit

- › 2-4% of Sales = 50% NAW Avg. EBITDA

WHAT IF WE CONSISTENTLY CAVE IN ON OUR SELLING PRICE BY 1% ?...

ITEM	BASELINE	DAILY 1% PRICE CONCESSIONS
Sales	\$100 M	\$99 M
Less: Cost of Goods Sold	-\$80 M	-\$80 M
Gross Profit	\$20 M	\$19 M
Less: Expenses	-\$16 M	-\$16 M
Operating Income	\$4 M	\$3 M
% Change in Operating Income		-25%

THE COST OF CAVING IN ON PRICE...


- How much additional volume do you need to sell if the price is reduced, assuming operating expenses are constant?
- Are our sellers trained to consistently ask for bigger orders to offset price concessions?

IF PRICE REDUCED	GROSS MARGIN			
	10%	15%	20%	25%
1%	11	7	5	4
2%	25	15	11	9
3%	43	25	18	14
4%	67	36	25	19
5%	100	50	33	25
6%	150	67	43	32

IS A 24% MARGIN TRANSACTION WORTH TWICE AS MUCH AS A 20% MARGIN TRANSACTION?

YES!

	% TO SALES	
GROSS PROFIT	20%	24%
EXPENSES	16%	16%
OPERATING INCOME	4%	8%

A close-up photograph of a hand holding a coin, poised to drop it into a tall stack of similar coins. The stack is placed on a document featuring a blue line graph. The image is split vertically: the left half is in sharp focus, while the right half is blurred and has a dark blue overlay. The title text is centered on the right side.

UNDERSTANDING THE IMPACT OF OPERATIONAL EXCELLENCE ON PROFITS

AS WITH LEBRON, SEEMINGLY SMALL CHANGES MAKE A BIG DIFFERENCE... WHY?

01.

Force
multipliers drive
performance &
profit

02.

Identify skills
and tools that
drive daily
performance &
profit

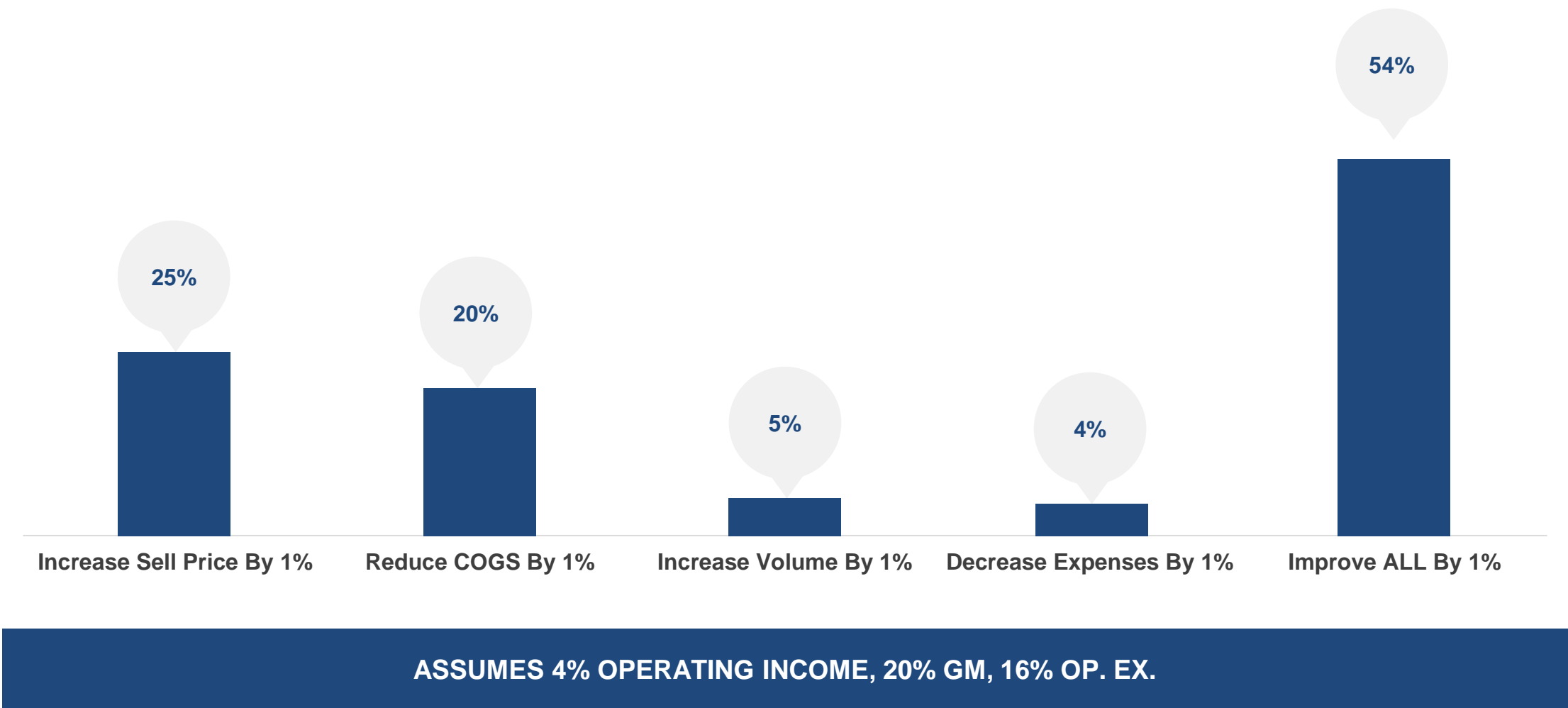
03.

Obsess about
seemingly small
daily
improvements

04.

Executives
need to
EXECUTE

HOW 1% IMPROVEMENT INCREASES DISTRIBUTOR'S OPERATING INCOME



THE KEY TO IMPLEMENTING DAILY 1% IMPROVEMENTS



01

It's about **Setting and Getting** targets on each driver

- › “**Setting**” means determining the optimal value (price & cost) and deploying tools to the sales rep or buyer
- › “**Getting**” means arming the sales and purchasing teams with the negotiation skills to achieve the set targets

02

To master the opportunity, you have to do **BOTH**

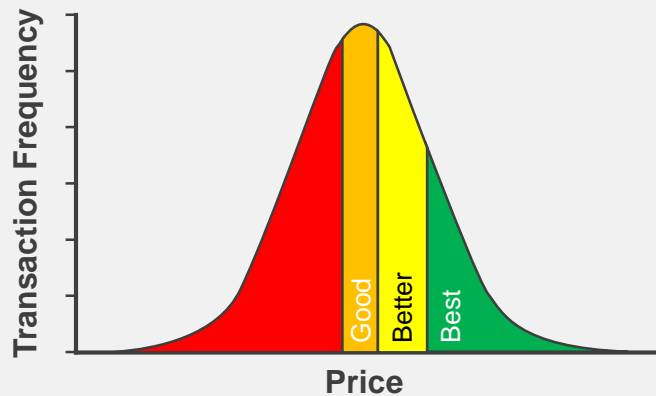
03

You need to get into the “**heads and the hands**” of your sales and purchasing teams

- › Train the team
- › Provide easy-to-use frontline decision support tools

FRONT-LINE PRICING TOOLS DRIVE PRICING STANDARDS TO GUIDE REAL-TIME PRICING DECISIONS

Relative price levels for a given product for a given customer segment



Intuitive, easy-to-use, real-time pricing guidance in the hands of decision-makers – NO SPREADSHEETS!

Customer	Product	Quantity	Good Price	Better Price	Best Price
ABC	123	10	\$42.17	\$44.56	\$47.09
DEF	456	100	\$12.02	\$13.87	\$15.26
GHI	789	1,000	\$1.25	\$1.35	\$1.45

CREATE ACCOUNTABILITY BY MEASURING AND REPORTING ON 1% LEVERS (PRICING EXAMPLE)

Sales Rep Pricing Performance Report

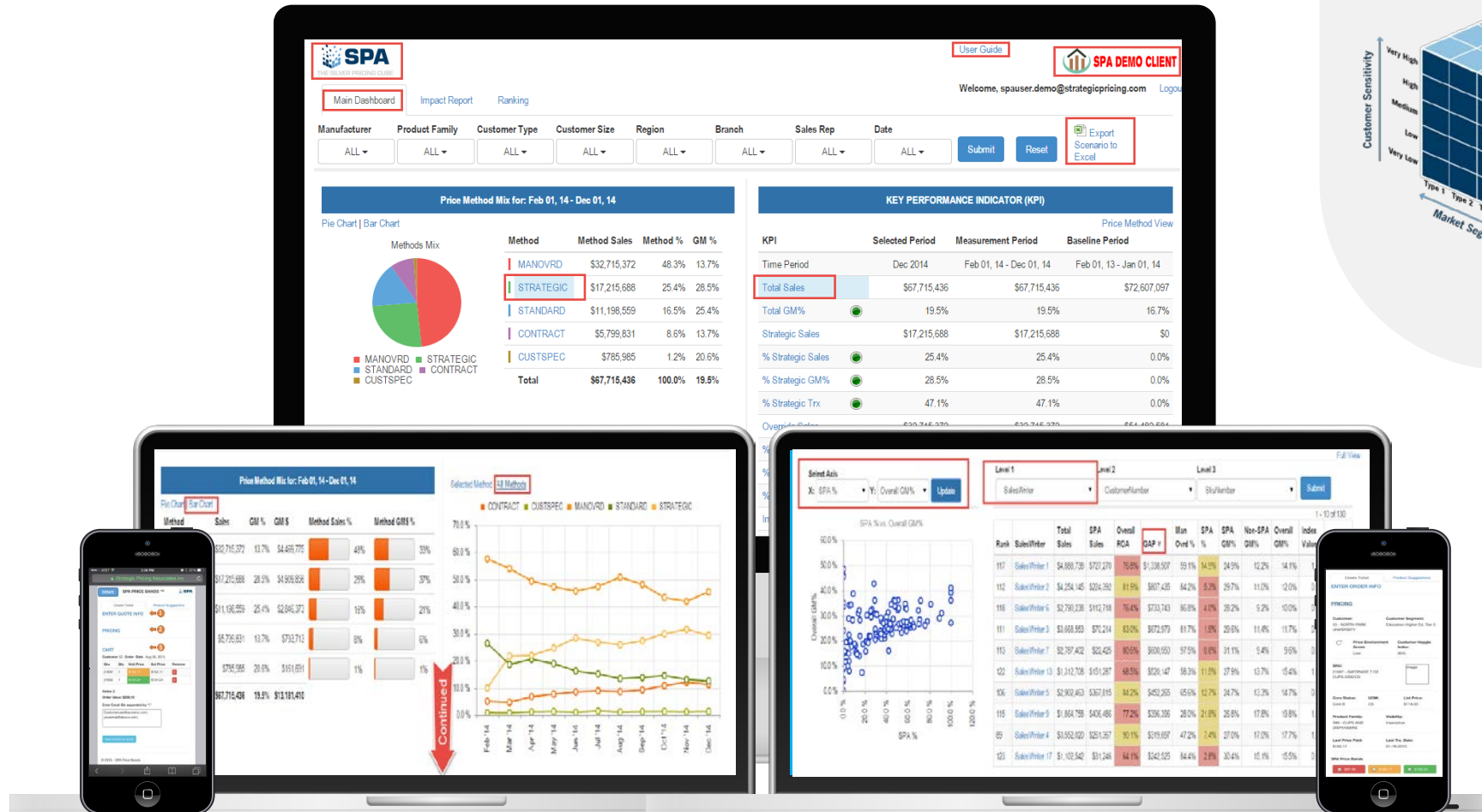
Sales Rep	Total Sales	% of Sales at Good Price	% of Sales at Better Price	% of Sales at Best Price	Attainment %	Gap \$
1	\$1,008K	21%	33%	12%	88%	\$125K
2	\$5,628K	18%	23%	14%	91%	\$532K
3	\$4,727K	24%	15%	9%	85%	\$645K

Customer Pricing Performance Report

Sales Rep	Customer	Total Sales	% of Sales at Good Price	% of Sales at Better Price	% of Sales at Best Price	Attainment %	Gap \$
3	100045	\$231K	21%	33%	12%	95%	\$11K
3	230005	\$112K	18%	23%	14%	82%	\$20K
3	005698	\$352K	24%	15%	9%	102%	\$0K



DECISION MAKING TOOLS TO SUPPORT FRONT-LINE DECISION MAKERS



DEPLOY TOOLS AT THE BRANCH LEVEL TO DRIVE 1% LEVERS

UPSKILLING THE SALES FORCE TO DRIVE CUSTOMER VALUE & PROFITABLE GROWTH

NEGOTIATION



How do I get **paid** for customer value added & **drive** profitable deals?

PERSONALITY



How do I **read and reach** the diverse individuals I sell to – better than a machine?

RELATIONSHIPS



How do I **build and sustain** deep, competitor-proof, transformative customer relationships?

PROFIT



How does my company, and my customer's company, make a **profit**, and how do I help them drive profitable **growth** – now and in the future?

BINGE-WORTHY TRAINING® FOR LIFELONG DAILY LEARNING

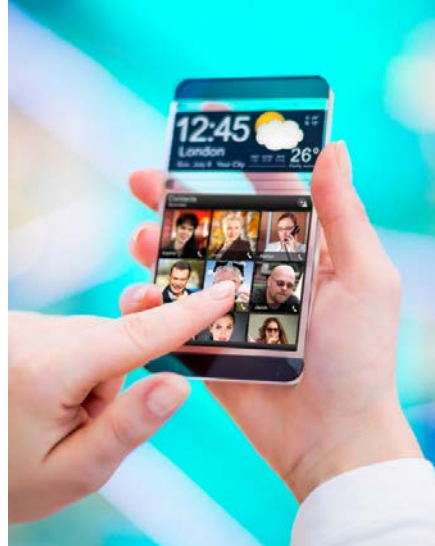
Simple, Intuitive,
Drip Learning



Engaging &
Entertaining



Social &
Mobile



Peer Coaching &
Collaboration

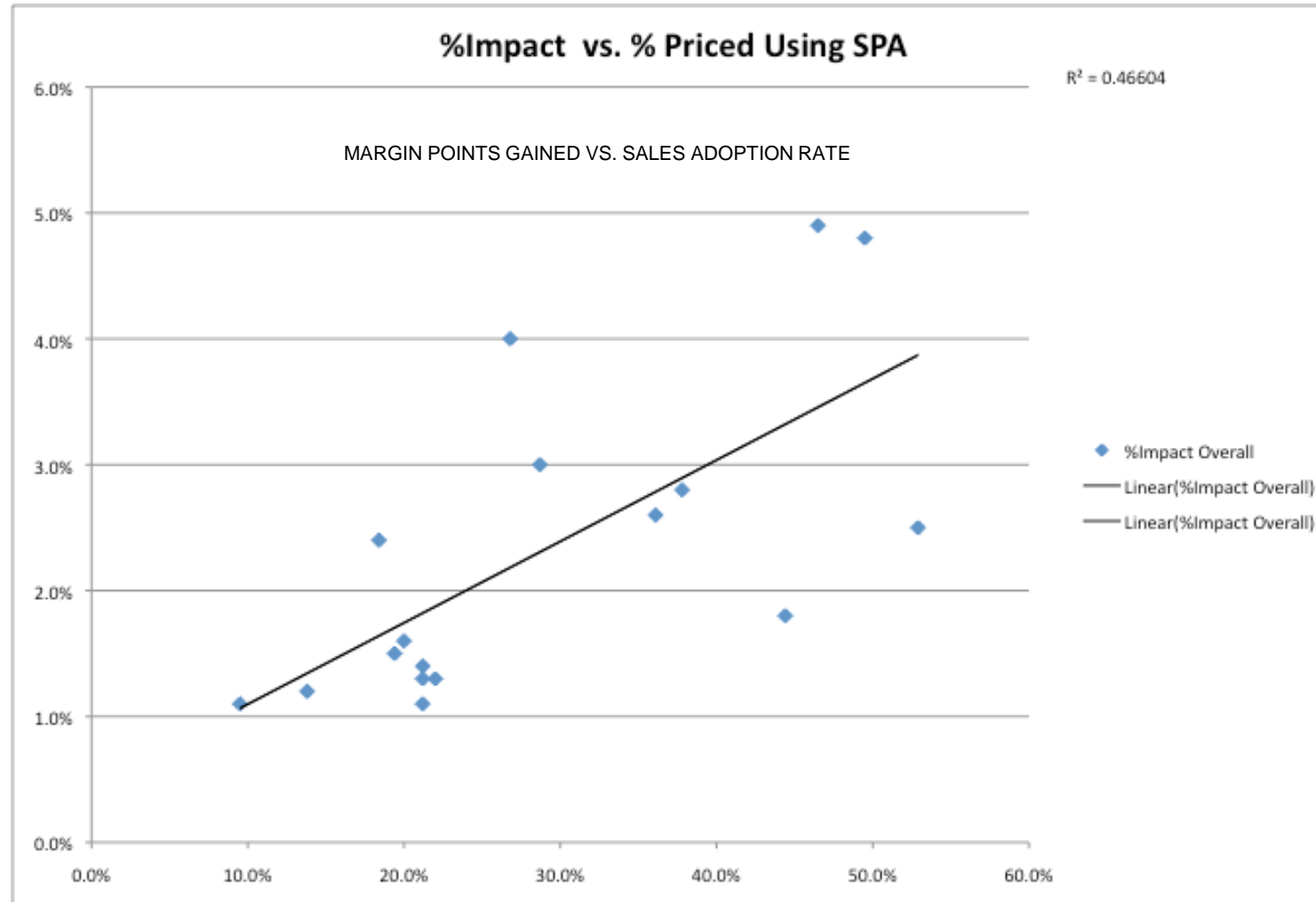


Gamification &
Metrics



DEEP LEARNING ISN'T JUST FOR MACHINES ... IT'S FOR PEOPLE TOO!

THE JOB OF EXECUTIVES IS TO EXECUTE





KEY TAKAWAYS

WHAT IF WE IMPROVE ALL LEVERS BY 1% - ALL DAY, EVERY DAY?

ITEM	BASELINE	DAILY 1% ON ALL LEVERS
Net Sales	\$100 M	\$102 M
Less: Cost of Goods Sold	-\$80 M	-\$80 M
Gross Profit	\$20 M	\$22 M
Less: Expenses	-\$16 M	-\$15.8 M
Operating Income	\$4 M	\$6.2 M
% Change in Operating Income		54%

KEY EXECUTIVE DECISIONS TO DRIVE TRANSFORMATION

01.

What tools do our front-line people need to implement 1% levers – all day – every day



02.

What skills do our people need to migrate up the value pyramid and get paid for customer value created



03.

What is our lifelong, daily learning agenda/program and how do we deliver it to guarantee engagement & success



DRIVING PROFITABLE GROWTH IN THE AMAZON ERA

01.

**Deploy
Automation &
Decision Support
Tools**



02.

**Plan Sales
Migration
& Realignment**



03.

**Invest in Training to
Build Skills that
Add & Capture
Value**



04.

**Embrace
Lifelong Daily
Learning**





CONCLUSION

MINDSET SHIFTS IN THE AMAZON ERA

TECHNICAL
MINDSET

LEARNING
MINDSET

CONSCIOUSNESS
MINDSET

Success (and survival) requires that you focus on making small, impactful changes all day, every day

**Transform or
Be Left Behind**

**Executives are
Those Who Execute!**