



Client Success

Smith Dairy

How to: Defend Pricing and Retain Customers

Overview

One of the top 100 dairies in the United States

Industry

Direct to Store Distribution

Geography

Midwest

Business Challenges

- Ensure profitability
- Know which customers are worth focusing on
- Route more profitably
- Understand each salesperson's contribution

Solution

Deployed Margin Minder

Results

- Achieved four business goals
- Company was able to defend pricing and retain customers

Smith Dairy is a privately held, family-owned business, started in 1909. The company ranks as one of the top 100 dairies in the US. They distribute fluid milk - flavored and white - orange juice, cottage cheese, sour cream and ice cream products in Ohio and the surrounding states. Smith Dairy owns and operates three plants - one in Richmond, Indiana, and two in Orrville, Ohio.

Challenges

Several years ago, Smith Dairy realized they needed to meet four key business goals to stay competitive. These productivity improvement goals were to:

- Ensure they were profitable
- Know which customers were worth focusing on to increase business
- Route more profitably (to ensure their driving/delivery route took advantage of all the right customers)
- Understand each salesperson's contributions

To meet these goals, Smith Dairy realized they would need to improve their ability to leverage information about customers, sales, and profits, to name a few. The company had difficulty getting reports and analyzing information from their MIS system, because it was not "user" or "sales" friendly. Smith Dairy decided to find a better way to get this information. After reviewing various products and companies, they chose the performance management solution Margin Minder® from Salient Corporation.

Solution

Once Smith Dairy started using Margin Minder, they were able to get information they needed with a touch of a finger, with little or no support required from the busy MIS department. Each individual salesperson was able to obtain information for him or herself. Employees from departments including accounting, production and top management were all able to access and effectively use Margin Minder with ease.



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Margin Minder enabled the company to reach their four business goals:

- **Ensure profitability**

Smith Dairy used Margin Minder to measure the profitability of each individual product. Margin Minder helped the company analyze which products were making the most/least money, track the launch of a new product and helped them understand whether they were promoting efficiently. Margin Minder enabled the Dairy to measure the movement cost and average selling price so that the company could focus on products that were generating higher volumes.

For example, Smith Dairy learned that their gallon and half-gallon chocolate milk products had a good profit margin in some retail outlets, but were not selling well in others.

They were able to improve this situation by doing more promotions and improving shelf placement in the under-performing outlets.

- **Understand customer contribution to productivity**

Margin Minder enabled Smith Dairy to understand their most profitable customers. Being mindful of the price of fuel, they were also able to determine the low volume customers that required long distance travel and set a minimum product volume for these customers or they would have to pay a surcharge. Some customers increased volume, some paid the surcharge and some dropped Smith Dairy altogether - this weeded out the unprofitable customers.

- **Improve routing strategy**

Margin Minder enabled Smith Dairy to find problem routes - the least profitable ones - so that they could target and secure new potential customers along these routes and increase their profitability.

- **Understand each salesperson's contribution/performance**

Margin Minder enabled Smith Dairy to track exactly what each salesperson was selling and how much. Because of this new capability, they were able to add sales incentives to their program. For instance, rather than simply compensating with a salary and profit sharing as they had done in the past, Smith Dairy now had the information to provide a salary and bonus that was based on sales personnel exceeding their sales goals from the last year and maintaining/exceeding net profit margins. Also, when Smith Dairy introduced a new product, they were now able to monitor how well each sales person was selling/promoting it.



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Results

Smith Dairy believes that Margin Minder has been well worth the investment and has had an impact on their bottom line. While they believe they can't measure exactly how much because the milk business is so volatile and subject to many market forces, they cite the following as an example:

Smith Dairy had issues with competitors who were using a "low list price" to gain/keep customers. With Margin Minder, they were able to show their customers that when they combined Smith Dairy's promotions with its list price/average selling price, its overall pricing was very close to the competition. Margin Minder enabled the company to defend their price, demonstrate they provided good value, and avoid having to lower prices or lose customers.

Finally, Smith Dairy believes Margin Minder has allowed the company to make better decisions on a daily basis. They can now intelligently adjust prices, ask the question "Do we need this product?" (they recently discontinued their half pint full fat 3.25% chocolate milk because the sales volume was too low), and can better address customer problems by easily accessing customer history, credit, and pricing information.

The Future

Once Smith Dairy starts using the upgraded version of Salient's solution - Margin Minder Max 3.0 - in December 2005, the company plans to utilize capabilities such as capturing information on customer discounts, credits, and rebates, in order to get a true measure of individual customer profitability and leverage information on sales expense accounts (like taking customers out to dinner) to measure profitability.

About Salient

Salient Corporation makes very large scale in-memory intelligence technology for ad hoc data interrogation, visualization and root cause analysis. The company provides continuous audit, performance monitoring and forensic applications for business, health care, education and government.

