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Subject: POOGI - Part 42 - Maximizing Profits in Uncertain Times

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Theory of Constraints - Ask Dr Lisa Newsletter

We have dramatically REDUCED THE PRICE of our ON-LINE Mafia Offer Boot Camp!

You have no excuses! www.MafiaOfferBootCamp.com BUT 5 of the 10 slots are already full!

We will be in Sydney for a Sept 7-9 GROUP Mafia Offer Boot Camp, reply if you're interested.

POOGI #42: We are continuing our series based on [The Goal](#) by Eliyahu M Goldratt and the [Theory of Constraints](#). {This series was co-written with [Brad Stillahn](#)}

Maximizing Profits in Uncertain Times with Goldratt Theory of Constraints

Dr. Lisa Lang presented "Maximizing Profits in Uncertain Times" at the recently completed NTMA (National Tool and Machining Association) annual conference in California. (To review the presentation slides and/or view the complete presentation, check the link mentioned below at the end of this article).

Using the famous Theory of Constraints (TOC) analogy of a chain, "Dr. Lisa" described how the weakest link of a chain determined its ability to achieve its goal of holding weight. Any increase in the strength of any link-except the weakest-had no effect on the overall goal.

Similarly, the goal of a company is to make more money now and in the future. The weakest link in our company process-the constraint-determines the performance of the company: how much money it can make. So, we must focus on and leverage the constraint.

In this economy, the constraint your company is dealing with may have shifted. For many companies, the constraint has been in operations. You

have been busy, trying to get out as much as possible, and were probably dealing with long quoted lead-times and poor due date performance because of the internal constraint.

Now, in these uncertain times, many companies are faced with not enough sales. In companies used to dealing with an internal constraint, the management team frequently lacks processes and intuition for dealing with lack of sales.

Dr. Lisa presented how to address lack of sales with a "[Mafia Offer](#)", an offer so good your customers can't refuse it, and your competitors can't or won't offer the same.

A Mafia Offer typically requires that you do something different (make operational improvements) to actually deliver something un-refusable to your customers and something that your competition can't or won't do because they are not willing to or don't know how to make the same improvements.

Most companies offer solutions that solve their customers various problems or symptoms. With a Mafia Offer we are addressing our customer's core problem.

When you have a good Mafia Offer and you deliver it correctly, your close rate can increase to above 80%. If you close 80% or more of your prospects -- you have control over your sales. This control makes it easier grow and invest in your business while maintaining the ability to deliver the offer.

Mafia Offers are developed by analyzing 3 things:

1. What are (and what could be) your internal capabilities compared to your competition,
2. How does your industry, you and your competitors sell what you sell, and
3. Understanding how your clients are impacted by your current capabilities (which are usually the same as your competitors) and how you sell.

To protect the confidentiality of machine shops that have already developed their own Mafia Offer, she used an example from the printing industry. Using the TOC scheduling methodology, this printer had reduced their lead-time to two days, relative to two weeks for competition. The printer worked with clients that reordered products infrequently, in order to minimize purchase price, due to the price-quantity curve used by all printers. Because they had to forecast future usage in order to determine the quantities to order, customers invariably had too much inventory of some SKUs while they stocked out of others.

With the caveat that no company that is in the tooling and machining industry should think this Mafia Offer work for them, she told the audience the printer's Mafia Offer:

"Mister customer, don't give me orders. Your orders are based on your best guess of what you might need. Instead tell us every day what you used. We

will guarantee on the one hand that you will not need to hold more than 2 weeks of inventory so you have more marketing flexibility and less risk for obsolescence, and at the same time we will also guarantee that you will never run out. If we ever stock you out, we will pay you \$500 per day per SKU."

That's a Mafia Offer - best of all worlds for your customer and the printer will not pay a penalty because it only takes 2 days to replenish. The competition can not offer the same thing because they can not consistently deliver in less than 2 weeks and they could not risk paying the penalty.

The remainder of the presentation was devoted to describing the operational and mind-set changes required to have such a powerful Mafia Offer. Dr. Lisa described how Drum-Buffer-Rope scheduling works, and how "Buffer Statistics" guides ongoing improvement by pointing process weaknesses that Lean and Six Sigma tools can quickly fix.

She also described how the Mafia Offer challenged prevailing assumptions about "set-up cost". The offer would require many more set-ups, but the printer had significant excess capacity. So, in reality, there was no additional set-up cost. Yes, there was additional set-up time, but all the people were already paid for in that period. And by knowing the importance of set-ups to delivering their Mafia Offer, the printer used Lean tools to dramatically reduce set-up time.

To view Dr. Lisa's presentation, go to the [Velocity Scheduling System](#) page and get on the waiting list -- you'll have instant access.

...to be continued.

Here's to maximizing YOUR profits!

Brad Stillahn

P.S. If you have an internal constraint, check out www.VelocitySchedulingSystem.com

P.P.S. If you have an external constraint, check our our ON-LINE at www.MafiaOfferBootCamp.com; GROUP and PRIVATE Mafia Offer Boot Camps at www.MafiaOffers.com

P.P.P.S. If you have a cash constraint ACT NOW! Free cash video, click here --> [The Fastest Way to Increase Cash Flow.](#)

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Here's to maximizing YOUR profits!

"Dr Lisa" Lang

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