

# How to Achieve and Increase Profitability



Book a sales  
Consultation Call



"Opportunity is vanity, revenue is sanity, and cash is reality". Opportunity is what "sells" on capital markets, revenue is key for sales, and cash is king for any company to survive.

But even if revenue and cash are healthily growing and opportunity is abundant, any company fails in the long-term if it fails to achieve profitability.

This short article shall therefore outline a few mental models on how to achieve and increase profitability for your own business.

## 1. Customer Solution Profit



Strive to deeply understand how customers run their business, what they really care about and what they (unsuccessfully) try and tried in the past. Then configure your offering to solve the specific-customer problem, instead of a "We have a solution with 20+ features - figure out what's helpful for you".

*Example: Customer-specific system configuration of e.g. a CRM or an ERP*

## 2. Pyramid Profit



Different (potential) customers have different expectations and attitudes toward price. Focusing on a niche is paramount in sales. But establishing an integrated market offering with a defensive product to service (right now) less well-funded prospects with a high-margin, lighthouse offering at the top can be really powerful to win and retain market share and provide several options to your prospects.

*Example: Freemium offerings such as Slack, Jotform and Small PDF*

## 3. Multi-Component Profit



Different offering components have different unit economics including profitability, but also trigger different customer behaviour and price sensitivity. Think about your base business and how you can complement that with additional components.

*Example: Flight booking platform that also offers hotel, rental car and experience bookings*



## 4. Switchboard Profit



The more critical mass of orchestrated supply you can build for your business to establish a de-facto standard for customers, the more opportunity to offer an attractive one-stop-shop and therewith leverage to ask for premium investments from your customers you gain.

*Example: Agency representing a critical mass of movie actors, directors, screenwriters etc.*

## 5. Time Profit



“Time is money” is true in especially innovation-driven markets. Introducing new offerings first can often give you a head-start to charge premium prices for several months, if not quarters or ideally years before competitors offer comparable products.

*Example: AWS (Amazon Web Services) 5+ year head start upon launching back in 2002*

## 6. Blockbuster Profit

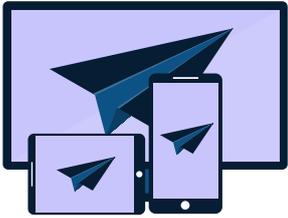


Industries like life science are often R&D-heavy, high-risk high-return or in case of (social) networks even “winner takes it all” markets. Being successful in such markets requires you to “go deep” and “play the long game” by investing heavily upfront to reap the - if working out huge - benefits often only years down the road.

*Example: VC investments, biotech, fundamental but commercially-oriented research*



## 7. Profit-Multiplier Model



Taking one technology, business model or process and leveraging it across multiple industries, markets or functions can be really powerful if done right, i.e. not diluting available resources across too many "battlegrounds".

*Example: Functionally identical app for PC, Mac, web app, iOS & Android*

## 8. Entrepreneurial Profit



Entrepreneurs are often forced to pursue only profit-seeking activities and avoid any non-essential costs to survive. Keeping this "Still Day 1" mindset of cost-consciousness avoids non-value adding expenses larger companies often pursue.

*Example: No business flights, no proprietary company cars, no fancy hotels (you remember...what companies spent a lot of money for before this COVID-19 thing).*

## 9. Specialist Profit



"A company's essential production line is standing still for days, costing the company CHF 100'000+ per day. The specialist inspects the machine for 1 minute, takes 1 minute to press a few buttons and the engine is running again. He sends an invoice for CHF 10'010, over which the company is initially outraged as the specialist only spent 2 minutes on the machine. The specialist calmly replies that the invoice consists of CHF 10 for the 2 minutes spent and CHF 10'000 for the 10'000 hours of specialised expertise to save the company further CHF 100'000+ per day losses in missed production. The company in this context happily pays the invoice..."

*Example: (Literally) A rocket scientist that is the only homo sapiens able to solve a specific engineering problem resulting in a rocket (not) launching in time, on budget.*



## 10. Installed Base Profit



We are essentially living in a subscription economy today with music, videos, software, but even mobility, exercise and more “as a service”. While there are in B2B context often setup fees and initial projects, the majority of revenue and especially profit occurs AFTER the initial sale from recurring revenues.

*Example: Any SaaS (Software as a Service) offering such as Hubspot, GSuite etc.*

## 11. De Facto Standard Profit



A dominant market player can proactively shape the market including offering, pricing, distribution and more, especially if there are deep lock-in and integration effects within and across companies.

*Example: IBM Mainframe, de facto standard from 1964-1990(+), SAP still today*

## 12. Brand Profit



Especially for functionally undifferentiated offerings, cumulative investment into marketing and branding drives market share and price premiums as customers strive to avoid “trust discounts” on unknown offerings and love to as humans associate themselves with positive brand values.

*Example: Red Bull charging 2-3x higher prices for energy drinks than competitors*

The above is based on Adrian Slywotzky's excellent work outlined in “The Art of Profitability” which I can only recommend you to read in full. In this context also credits to the great content above to Adrian, while mistakes are mine.

