

Kaup Pender Associates

453 Milton Street, Cincinnati, OH 45202-0966
info@kaupender.com 513-421-9453

Profit Happens

Some industries are very dynamic but operate in a zero profit zone: Airlines, telecommunication, some manufacturing, memory chips.

Some industries quickly evolve into zero profit: Beverages in grocery stores, cars, agriculture, homeowner insurance, consumer electronics

How does profit happen? Several ways:

1. Building market share of brand and products
2. Incorporating high-profit luxury brands in your product mix
3. Getting to the consumer market before your competitors

Everyone in the company needs to know the role of profit, and how to act on it.

You can have a unique model for a short time, but in a dynamic environment, need to keep an eye on what is the next model for your company.

Profit models:

1. Diverse products and/or points of distribution with some low and some high profit centers. (Coke)
2. Pyramid of products – mass-produced or high-volume at low profit, middle tier of medium volume, better margin, top tier of luxury brands, high profit. (Toyota)
3. Time curve – Beat your competition to the consumer market for the first, high-end sales, before the prices demand and the market is flooded with product choice. (technology – iPod, iPhone)

Value migration is when the value of a company or brand shift to another company or brand. The value is still in the general market place but now resides in a different house. Value collapse is when the value leaves one house but doesn't seem to appear some where else, rather it simply erodes from the general market place. Chart your annual profit as well as annual sales to determine profitable products, and/or departments.

Grow markets and profitability with a focus on benefits and buyers

1. Traditional: go international, expand boundaries, acquisition, cut costs, raise prices.
2. Enhance product: new product extensions, differentiation
3. New value: infrastructure, value added outsourcing, capability acquisitions.
4. Information-based: integrate info into offering, performance guarantee, sell information, externalize technology investments

Infiltrate the customer. How can we help the customer make more money, cut costs, reduce duplication or wasted time? Do more than know your customer. Take a few of your best customers and get inside their organizations and inside their heads, Then deliver.

Build your profits by capitalizing on hidden assets, such as: brand, core competency, customer relationships, authority, trust, insight, knowledge, information, network, Is it an asset? Yes if it creates value for the customer, generates economies or leverages strategy.

Source:

The Pathway to Profitability? It lies fully in understanding the customer, by Adrian Slywotzky