

The 25 Secrets of Extreme Profitability

Created by
Thomas Leonard

and the Trainers at Coach U, Inc.



SECRET 1: LIMIT OVERHEAD TO 10% OF SALES

KEY POINTS

- You need less than you think.
- Overhead is a distraction.
- Overhead offers a low Return of Income ("ROI").

REDUCE OVERHEAD BY:

- Small offices.
- Cut staff and positions.
- Link overhead to a % of sales.
- Stop trying to impress.
- Telecommute.

THE SHIFT

When you stop trying to look like a successful company or do what other companies do, you will have a chance to maintain an extremely low overhead. Who cares what clients may think; if you're good, you're good.

SECRET 2: SET YOUR VALUE AT \$100-\$5000/HOUR

KEY POINTS

Decide what your time is worth when fully productive and measure against that.

INCREASE YOUR VALUE BY:

- Growing your company.
- Create a demand for your product/service.
- Master your craft/field.
- Creating an income **stream**.
- Put up with less.
- Keep time slips.
- Having lots of ideas.
- Budgeting your time.
- Have someone to delegate tasks to.
- Have a problem solver.
- Be in touch with the future.
- R & D with your customers.

THE SHIFT

Quality time in business means that you get that you are worth a **lot** to your business, if you would just focus and remove all distractions. Also, spend money inside the engine of your business -- your customers. **They will** make you money.

SECRET 3: INCREASE PROFIT MARGINS BY 50%

KEY POINTS

- Significantly increase the profit margins on what you are already doing, first, and learn from this process what you can sell that has higher margins.
- Some products/services in life are high margin and some are not. Choose what you will sell or price/adapt what you sell now in order to **make** it highly profitable.
- Increase your margins by:
 - Cutting production costs.
 - Cutting selling costs.
 - Simplifying the design.
 - Changing the delivery method.
 - Raising prices/more exclusive.
 - Offer niche adaptations.
 - Dominate the market.
 - Innovate to become the best, first.
 - Change your product mix.
 - Sell different products.

THE SHIFT

There is **always** a better, less expensive, faster, easier, more effective way to create your product or service and still offer equal or higher quality. Use a consultant, coach, your customers, staff to create a dramatic improvement.

SECRET 4: BE 100% CAUGHT UP AND AHEAD

KEY POINTS

- Profit is more than just financial profit -- it also refers to "extra" of everything, like a reserve.
- The best business ideas usually occur to an entrepreneur when they're engaged in serving clients/customers. But these ideas only get developed if the person/company has room/space in order to invest time, money, energy, resources and other assets. There are too many good ideas that go nowhere.

WAYS TO STAY AHEAD:

- Have a system for everything.
- Be the type of person who will not tolerate undone stuff.
- Be the type of firm that is so innovation-driven that things **must** operate smoothly.
- If you are the CEO, keep your plate clean as a model for others.

THE SHIFT

The shift here is to grow up and get your energy/juice from accomplishment, innovation and ease vs. victory, catching-up and endless problem-solving/crisis management.

SECRET 5: CREATE A PROFITABILITY FORMULA

KEY POINTS

- Create your firm's Profitability Formula. Examples are:
 - Full Automation + Customer Service = Extreme Profitability
 - High Margins + Accountability = Extreme Profitability
 - Shareware + Content + Delivery System = Extreme Profitability
 - Simplified Company Structure + Vibrant Vision + Talent = Extreme Profitability
 - % Budgeting + High Sales = Extreme Profitability

THE SHIFT

There are special profitability formulas for of every type of firm. Work with your client to create and **master** the one that fits for you.

SECRET 6: HAVE 1000's OF SALESPEOPLE

KEY POINTS

- Get everyone to sell for you.
- People **want** to sell for you.
- More people will sell for you if you'll just:
 - Make it easy for them to.
 - Appreciate/thank them.
 - Tell them how to.
 - Offer an incentive, sometimes.
 - Continue to improve your product.
 - Make your product clearly better, niche-ier than anyone else's.
 - Live your product, don't just sell it.

THE SHIFT

The shift is from traditional marketing to universal marketing. So, you will need to put as much effort into word-of-mouth, PR, R&D, etc. as you do into your sales force or directly marketing efforts. Include EVERYONE.

SECRET 7: DRAW THE SPENDING LINE/SCROOGE

KEY POINTS

- Cut costs in waves. Eliminate as many recurring costs as possible.
- Again, assume you are broke and have NOTHING to spend.
- Turnover all spending authorization to a tightwad.
- Sometimes we get high from spending; even legit stuff. Know if this is you.
- Sometimes, spending more on biz items makes us think we are more successful than we are.
- When times are good, there is no compelling evidence that we should spend more, yet we do.
- Expect a 20:1 return for every business expense or investment. If it doesn't measure up, don't spend; instead, innovate, experiment. Invest aggressively, but wisely.
- Set a stringent budget that guarantees profitability.

THE SHIFT

There are spenders and savers and investors in this world. Which are you? Sometimes, it takes an emotional shift to be a wise investor of your time, money, resources, assets and energy. Invest holistically; spend carefully, save easily.

SECRET 8: ADAPT CORE PRODUCTS FOR NICHEs

KEY POINTS

- Create/serve niche markets from your core products.
- People want universally accepted products/services, yet with distinct cultural/niche market packaging and pricing.
- Extreme Profitability **demands** that you spread the R&D, overhead, distribution costs over many products/services, so invent variations.
- When you have a winner of a product or service, or a name that is trusted, known and respected, maximize the opportunity by leveraging it. Arm & Hammer is a good example of this. Coach U is doing the same type line and market segment expansion, too.

THE SHIFT

Having a winning service/product today is a challenge, so when it **is** successful, **jump on it** and expand the line quickly, without risking the successful part. Become someone who wishes to serve many markets, not just one.

SECRET 9: WAKE UP YOUR STAFF W/ INCENTIVES

KEY POINTS

- Give your staff, clients or customers a reason to win for you.
- Incentives include:
 - **Money:** bonus, raise, rewards, perks, benefits.
 - **Stature:** a promotion, responsibility, visibility, reputation.
 - **Strength:** skills, inside track, higher-end relationships.
 - **Power:** resources, authority, access, a career track, freedom to create, a chance to win.
- Money is rarely the #1 motivator.
- Ask your staff what will motivate them.
- It helps to have a big vision in place before offering incentives -- the vision provides the context.
- Turn your firm into one that sells a cause, not just a product or a service (like Apple Computer used to be).

THE SHIFT

We're all human, so we need incentives to keep us focused, productive, and motivated. Don't assume that your staff is as self-generative as you are. They will never be. They need incentives to be consistently and highly productive.

SECRET 10: UPDATE YOUR PROFIT PARADIGM

KEY POINTS

- Update your profit paradigm.
- Profits are more important today than ever before given the biz world has entered a phase of:
 - Increasingly rapid change.
 - Obsolescence is more of a risk.
 - Freer flow of info -- knowledge is less power and more of a commodity.
 - Much, much higher competition.
 - Reserve of cash required for immediate investment in new ideas, technologies before someone else captures that market.
 - More folks are entrepreneurial and looking out for themselves vs. traditional values as loyalty, etc.
 - Profits are no longer a guarantee; exposure/overhead must be reduced.
 - Profits are no longer personal nor necessarily come from hard work -- timing, network and ideas matter more.

THE SHIFT

Profits are something to be proud of, not ignore, feel weird about or be a measure of anything other than your contribution to them. Profits are a game, not just the scoreboard. Enjoy making money.

SECRET 11: HAVE BREAD & BUTTER CUSTOMERS

KEY POINTS

- Profitability requires consistency.
- More customers spread the risk.
- More customers evens the cash flow.
- Big clients come from small clients.
- Smaller clients can ADD UP to big numbers.
- Bread and butter clients PLUS big clients = solid profitability.

THE SHIFT

The shift here is to put profitability ahead of arrogance.

SECRET 12: EXPECT A 20:1 RETURN ON PROJECTS

KEY POINTS

- Expect a 20 to 1 return on product development/time spent.
- There are a zillion places you **could** spend your time/money/energy; have some way of selecting and prioritizing.
- Rather than just get swept up with projects, ideas, profit centers, etc., first project how much they will pay in sustainable revenue and profit over the next 10 years, but be conservative.
- Projects are those goals, activities and seeds which are distinct from your current revenue stream. In order to afford projects, your business engine will need to be operating well.
- Don't use projects, no matter how potentially lucrative, to escape from the current needs of your biz. Integrity/cash flow, 1st; projects, 2nd.
- Eventually, much of your time can be spent with projects, which is great.

THE SHIFT

The shift here is to simply expect more of everything and everyone, including yourself. This is also called raising your standards, extending your boundaries and having the Edge. Without these in business, you will struggle.

SECRET 13: SELL REVENUE 'STREAMS' NOT 'POOLS'

KEY POINTS

- Sell annuity products/services vs. just big ticket items.
- It's tempting to go for the big hit or the big sale, but it's usually more sustainably profitable to invest in a stream of smaller hits and then luck out with a big one vs. **needing** the big one to cover your overhead.
- You can modify what you offer today to make it a source of ongoing revenue vs. short-term, such as a consultant who becomes a coach, or Hewlett Packard that probably earns as much from selling ink replacement supplies as it does from selling ink jet printers. Customers are **used** to paying for stuff for a lifetime.
- You can sell revenue pools AND revenue streams -- do both.

THE SHIFT

The shift here is to think sustainable long-term (aka annuity, passive/consistent income) vs. short or medium term. This approach will reorient what you sell today and help you create an **easier** tomorrow.

SECRET 14: INVEST IN SIMPLIFICATION/SYSTEMS

KEY POINTS

- Simplify and streamline, automate.
- Doing things manually or inefficiently is a symptom of having no technology reserves.
- There are systems and services to automate virtually everything, i.e.:
 - Mail merge programs.
 - Quicken (accounting).
 - CheckFree (bill paying).
 - Birthday reminder services.
 - The Web (marketing).
 - Email/America Online (communication/software).
 - Auto responders for emailed info.
 - Automated work reporting systems.
- Once you start with these systems, you'll need to continue to invest in them. It's usually worth it -- just make it an investment and budget for it.
- Remember, you **do** need the extra time that simplification offers.

THE SHIFT

Either you're into simplification and automation or you're not. If you want to be into extreme profitability, you'll need to get into simplification and automation. And invest in it, too.

SECRET 15: CREATE AN 'EP' GAME FOR YOURSELF

KEY POINTS

- Set several outrageous goals: paper free, admin free, expense free.
- Be wild, unrealistic and attract ridicule (really).
- Even if not realistic, the EP game gets everyone thinking about solutions that would not have been seen until the game was started.
- Even if you don't reach the game goal of 100%, you will **always** have won.
- Pick goals in any of these areas (examples):
 - Overhead. (3% of sales, cut by 50%, outsource it, close the office/move home, cut out 80% of travel.)
 - Sales Expenses. (cut drastically, add significantly, expect different returns, sell a different product, etc.)
 - Sales. (double sales, new products, annuity-type services.)

THE SHIFT

The shift here is to turn the notion of Extreme Profitability into a fun, invigorating and teambuilding game that brings out everyone's best thinking and action. You will need to lighten up in order for the game to work. Use a coach.

SECRET 16: PLUG THE 30 PROFIT HOLES

KEY POINTS

1. **Paternalism.**
2. **Nepotism.**
3. **Poor morale.**
4. **No track.**
5. **No cash.**
6. **High inventory.**
7. **Discounts lost.**
8. **Advertising.**
9. **Credit losses.**
10. **Wrong products.**
11. **Slow to market.**
12. **Accounting errors.**
13. **Missing information.**
14. **Outmoded technology.**
15. **Poor communications.**
16. **Overpayments.**
17. **Poor buying.**
18. **Excessive benefits.**
19. **Excessive décor.**
20. **Company cars.**
21. **Airline travel.**
22. **Overpaying for tickets.**
23. **Overstaffed.**
24. **Poorly staffed.**
25. **Poor location.**
26. **Plan is weak.**
27. **Over leveraged.**
28. **Owner borrowing from business.**
29. **Poor compensation packages.**
30. **Fixing problems with bandaids.**

THE SHIFT

The shift is to plug every profit hole, regardless of the circumstance. This, plus a strong product/company will ensure a more sustainable future.

SECRET 17: RUN YOUR BIZ ON A %AGE BASIS

KEY POINTS

- Do a percentage budget which forces profitability via change.
- The %age budgets for every industry have changed for the 90s. You need to use the most current formula in order to stay in biz.
- You will need to exceed the industry averages in order for Extreme Profitability.
- You can assume that these percentages will change **each year** vs. each decade.
- Don't treat the %ages as absolutes, but do take them seriously.
- A simple, though aggressive, example for a retailer might be:
 - 42% Cost of Sales
 - 18% Labor
 - 19% Overhead
 - 21% Profit
- Doing it this way forces you to reinvent your biz. It works.

THE SHIFT

The shift here is to get that you may need to **fundamentally** change what your biz sells and how it delivers that and how it runs. Some products/companies just are not going to be extremely profitable, no matter how smart you are. Play!

SECRET 18: BE SUPERCONDUCTIVE; NO VELCRO

KEY POINTS

- Be superconductive; nothing dragging.
- Have a place for everything, even all the new stuff that's bound to come in, i.e.:
 - Filing systems.
 - Expert help.
 - Time.
 - Existence system.
 - Policies, procedures.
 - Delivery systems.
- Have emotional/mental room and reserve to accept and even attract the best of new ideas, opportunities, possibilities, challenges, etc. It is this type of thing that can **make** your future extraordinary.
- Let nothing get to you or accumulate. Having a zero to-do list is a start.
- Delegate all problems immediately.

THE SHIFT

You're either the type of person who "collects" things to do or you're not. The shift here is to become someone who lets life pass through them and keeps themselves, as a channel, clean, free, empty and conductive. Lose the rest.

SECRET 19: SELL WHAT YOUR BEST CLIENTS WANT

KEY POINTS

- Extreme Profitability is dependent on serving your ideal/best customer, not every customer. It's okay to lose customers that are too costly.
- Pay attention to **all** customers for niche and innovation ideas, but get to know the top 20% of your customers very, very well in many ways, i.e.:
 - How they use your product.
 - Why they use your product.
 - What they want improved about their lives.
 - What they want improved about your product.
 - How they feel and talk about your product and your company.
 - How they can use your product even more/better than they are.
- Your best customers are the ones who will keep on buying, assuming decent pricing, service and value.

THE SHIFT

The shift here is to move from attempting to serve **all** customers to identifying and serving your ideal customers better. This upgrading process ultimately helps your viability and is continual, so "keep losing customers."

SECRET 20: BE SOMEONE FOLKS WANT TO BUY FROM

KEY POINTS

- Extreme Profitability is usually conditional on current customer loyalty and new customer attraction. The ways to increase loyalty and attraction are:
 - Continually add value/benefits without being asked to, and at a similar price. This builds a reputation.
 - Create a community of users and help them "get to know" each other.
 - Be known for something: a philosophy, feat, result, compelling vision.
 - Be known as someone: have a personality, a personal style, personal qualities, abilities to listen, etc.
- People prefer to buy from an individual or firm that they have gotten to know and feel part of. Create this with your company -- it's more than just customer service.

THE SHIFT

The shift here is to move from just customer service to the notion of creating community. People are hungry to feel connected and when you offer this type of thing, customers will respond. (Saturn's party is a good example.)

SECRET 21: HAVE A BUSINESS ENGINE THAT PURRS

KEY POINTS

- A business engine is the customer/cash system that makes your product or service a sustainable business. The business engine includes:
 - Customers.
 - Products.
 - Customer Attraction Methods.
 - Delivery systems.
 - Feedback and R&D.
 - Cross-selling/upgrading process.

GM's business engine, for example, is their:

- Dealer network.
- Salespersons.
- Media.
- Car service dept at the dealer.
- Used car sales and wholesaling.
- Customers.

THE SHIFT

There is this **thing** called a business engine and it works just like a car's engine -- once designed/installed, it needs oil, gas, tune-ups, occasional repairs, a throttle and gears to help it work for you. The shift is to **use** your biz engine.

SECRET 22: DOUBLE VALUE FROM YOUR VENDORS

KEY POINTS

- Profitability doesn't occur in a vacuum, just as Fed Ex didn't get the Malcolm Baldrige Award without first going to **their** vendors (suppliers) and asking for substantial changes.
- It's acceptable now to not only negotiate price cuts, etc., from your vendors, but also to request that they run **their** businesses differently so as to be more efficient and responsive.
- Areas to double value in:
 - Pricing.
 - Responsiveness.
 - Guarantees.
 - Storage/just in time shipping.
 - High quality work.
 - Cross training of employees.
 - Better payment terms.
 - Simplified communication/order fulfillment between both firms.
 - Linked tracking systems.

THE SHIFT

The shift is to stop calling them vendors and start calling them a partner, alliance, etc. Deepen your professional relationship with them so that both parties are looking out for the other vs. the vendor simply being a supplier.

SECRET 23: BE A BUSINESS MAN/WOMAN

KEY POINTS

- Not many people in business are business people.
- A business is a business is a business, even if you love it totally.
- You lose nothing when you run your business like a business.
- You attract a higher end clientele when you are properly vs. hungrily priced.
- Your business is an asset that it **worth** something, it's not just a source of income.
- Being a business man/woman is a skill, not a loss of heart/soul.
- You don't get what you should get in business, you get what you earn, negotiate and deliver on.
- Your customers vote daily. Keep a tally.

THE SHIFT

The shift is to become a business person vs. just a business owner, provider of services, or entrepreneur. When you make this shift, you include the personal side and the financial side so that it -- and your life -- **works**.

SECRET 24: BECOME SUPER-PRODUCTIVE, ALWAYS

KEY POINTS

- Super-productivity means no down time/no resistance/delays.
- When you are working, results are occurring.
- When you are not working, results occur.
- When you are starting something, it finishes quickly.
- When there are changes, they are naturally and immediately incorporated.
- The moment you conceive of an idea, it's ready to start on.
- When you take action, 5 results occur (like the moving sidewalks at an airport).
- Your boundaries are such that people or problems don't phase you.
- Your attraction is so strong that the resources, people, solution and customers appear vs. you searching.

THE SHIFT

The shift is to move from being efficient to being super-productive. Being productive includes both doing smart and being smart. But it also includes the attractive or spiritual side for discontinuous results (miracles).

SECRET 25: OWN 10 PROFIT CENTERS

KEY POINTS

- If you have one successful product line or business, why not add more?
- Spreading your salary/overhead over several biz or lines increases overall profitability.
- Entrepreneurs can often handle more than one biz.
- With several businesses, you lessen risk.
- You will need self-discipline and plenty of support to handle this many projects.
- You will need extra reserves of time, space, cash, resources, etc., given the added pressures and exposure of many balls in the air.
- Set up each biz so that it's saleable, not just an income stream.
- You **can** manage a lot today, **IF** you set it up simple and automated systems and people who handle the front lines.

THE SHIFT

The shift is from management by control to setting up quasi partnerships, joint ventures, alliances with people you know well and trust -- they are likely doing the same thing with others and are comfortable with this model.