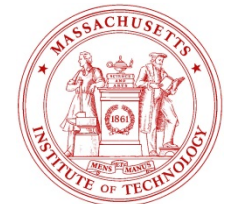


Choose Your Customer: Three Rules for Maximizing Profits

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Today's Menu

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- Uncover Your Profit Opportunities
- Identify and Prioritize Your Tactical Profit Improvements
- Create Strategic Profit Improvements
- Align Your Resources
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- Conclusion



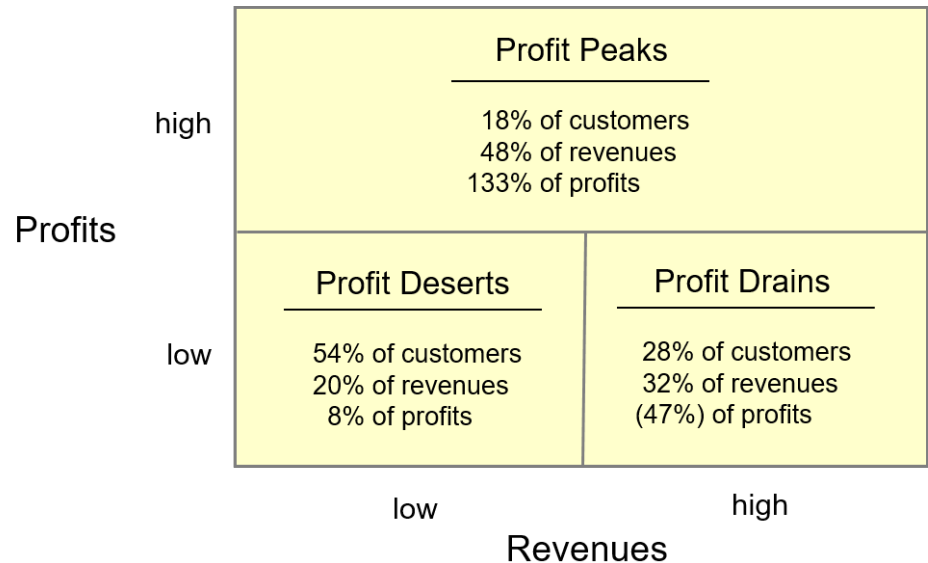
The CEO's Questions

- How can I defend my company against Amazon and the other aggressive digital giants with overwhelming digital capabilities and price-cutting mentality?
- I'm cutting my costs across the board, but my profitability is dropping – what else can I do?
- How can I identify and invest in growing my real profit core – my business segments which will provide high growth, and remain profitable and defensible against my new competitors?
- How can I align my organization around my profit core and build dominance in my target market segments?



The Case of Edison Furniture

- No-win situation!
- Profit segmentation
- Profit Peaks, Profit Drains, and Profit Deserts
- Building the Profit Peaks
- Choosing the customers – Aligning the resources – Managing the organization



Three Rules for Maximizing Your Profits

1. Choose Your Customers
2. Align Your Resources
3. Manage Your Organization



Three Eras of Markets

Focus Your Resources Where They Count



Three Eras of Markets

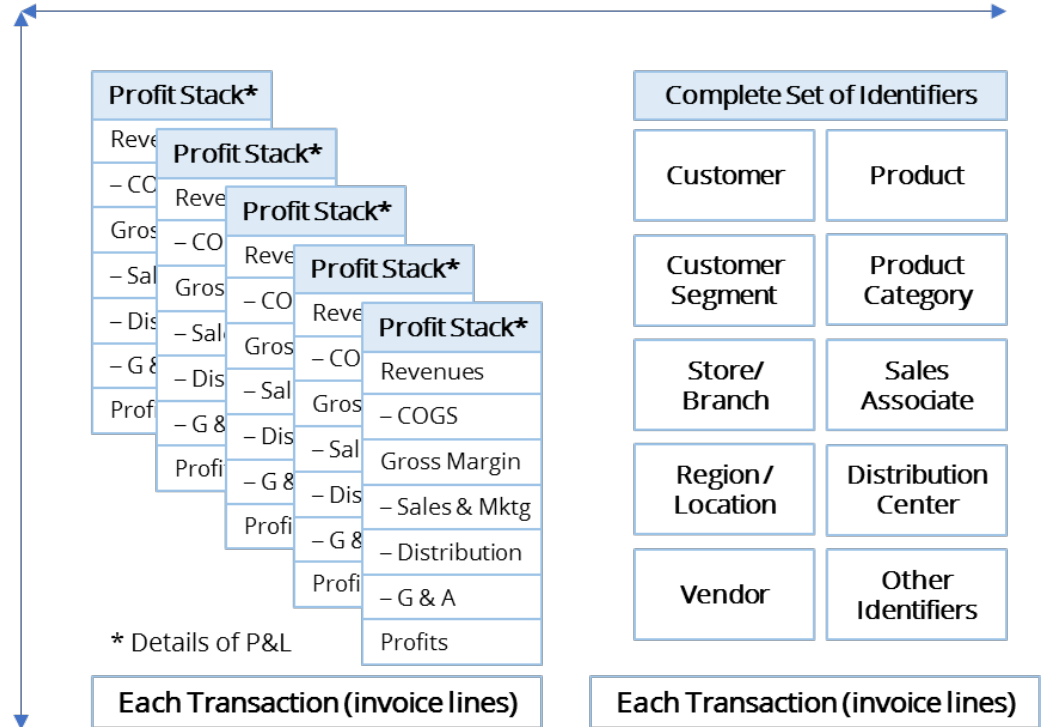


Uncover Your Profit Opportunities: Transaction-based P&Ls

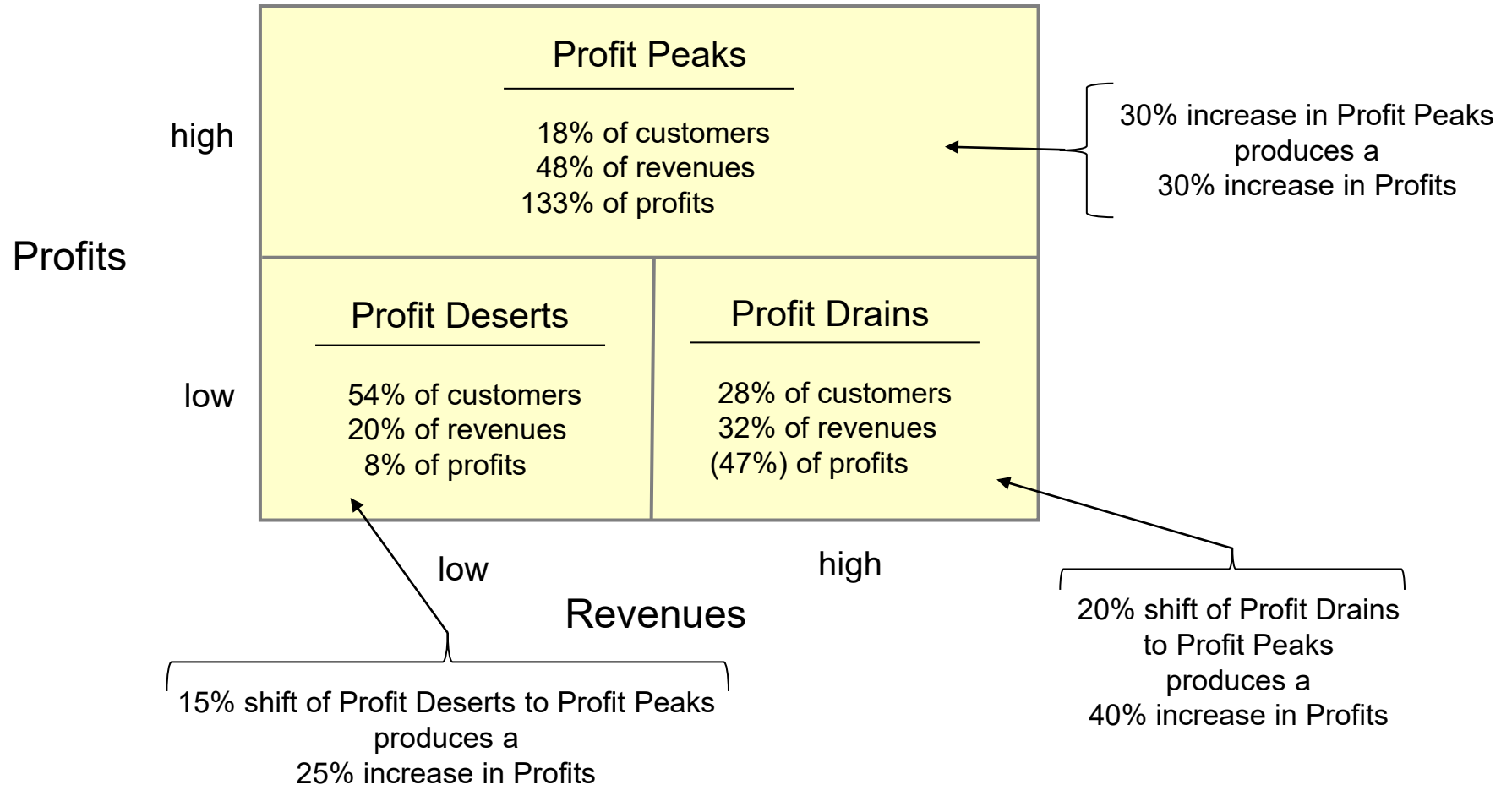
Traditional Metrics



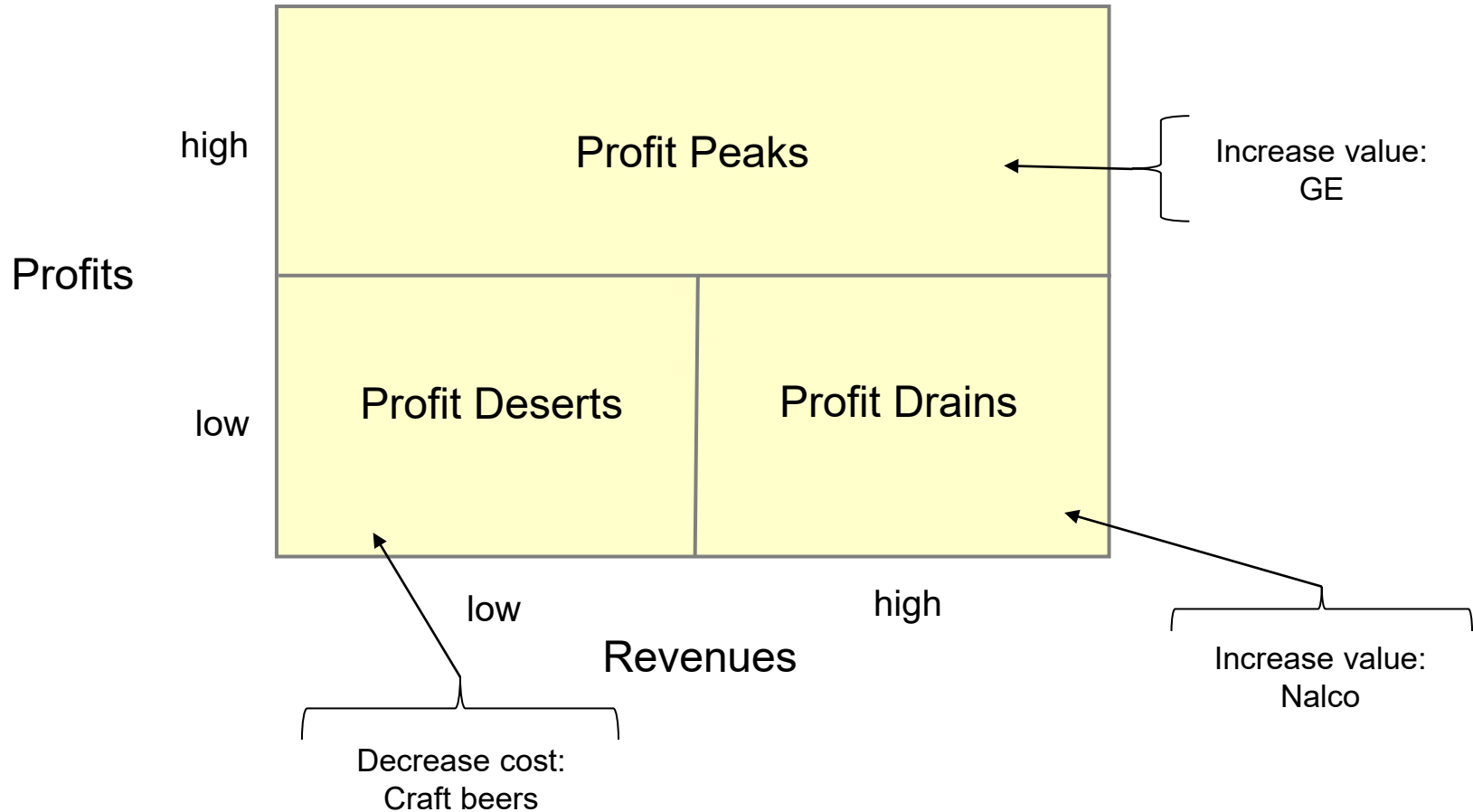
Profit Segmentation: Profit Landscape



Identify and Prioritize Your Tactical Profit Improvements



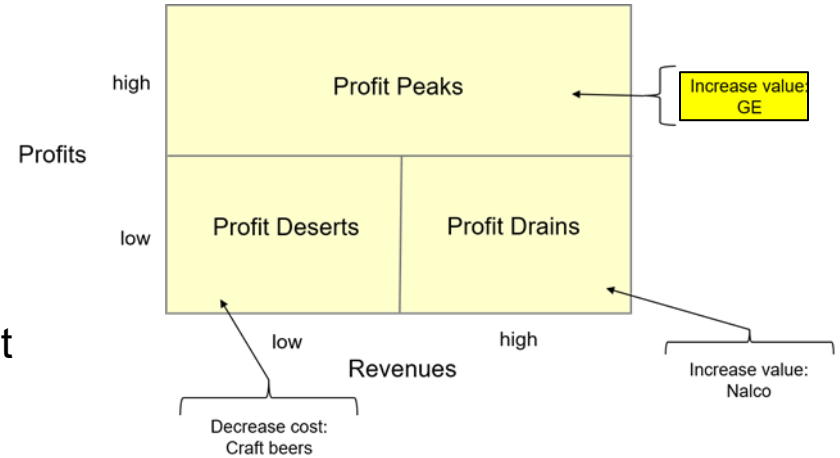
Create Strategic Profit Improvements



Profit Peaks: Increase Value

GE Aircraft Engines

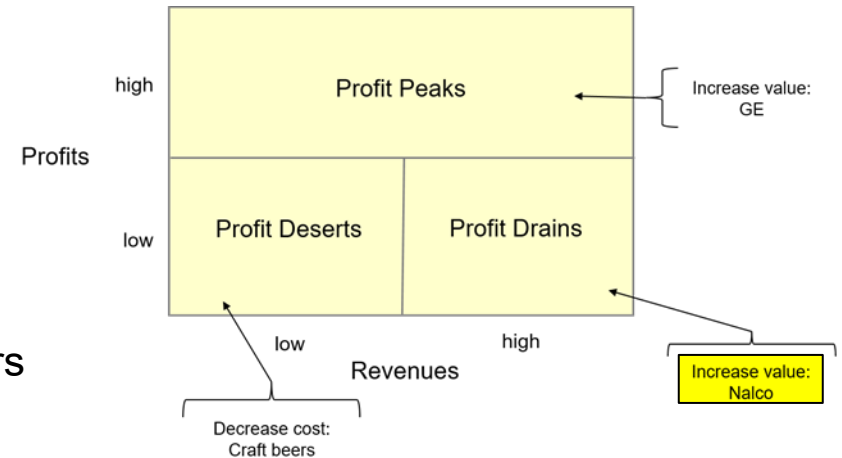
- Sold engines, parts, services separately
- Strong price competition in each segment
- “Power by the Hour”
- Changed customer value paradigm
- Changed industry competitive/strategic paradigm



Profit Drains: Increase Value

Nalco

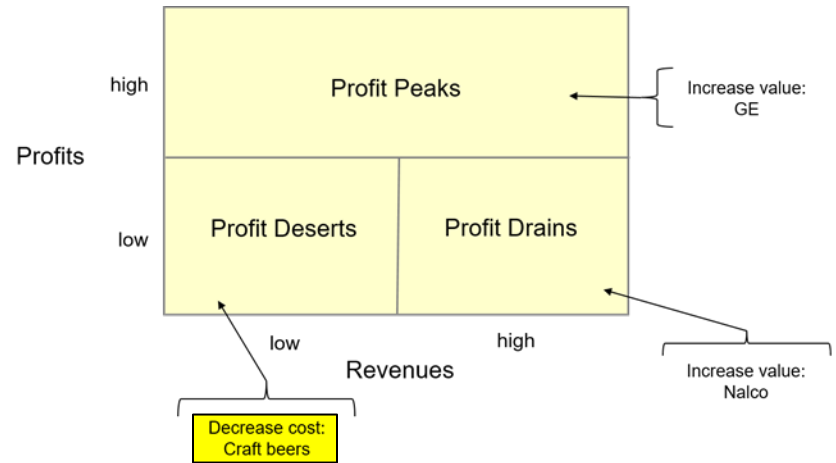
- Commodity chemicals
- Delivery efficiency – wireless tank monitors
- Production efficiency
- Water treatment system efficiency
- Value-added strategic partners
- Profit Peak



Profit Deserts: Decrease Cost

Craft Beers

- High-profit anchor brands
- Low-profit craft beers
- Problematic cost drivers: order frequency
- Root issue and solution
- Profit Peak



Align Your Resources

Profit Peaks

- Dedicated teams
- Weekly/monthly meetings



People and Relationships

Profit Deserts

- Identify Profit Peak prospects
- Automate
- Downsize

Profit Drains

- Dedicated teams
- Weekly/monthly meetings



Manage Your Organization

- Top management
 - Build the company needed five years hence
- Upper management
 - Maximize current profitability
 - Manage multi-functional teams
- Sales/Operating management
 - Manage the day-to-day business



Conclusion

Three Rules for Maximizing Profits

1. Choose Your Customers
2. Align Your Resources
3. Manage Your Organization



Thank You

