

## Turbo Charge the Profits in Your Business

Would you like to inject profit boosters into your business so that the bottom line can be turbo-charged?

A lot of businesses have good products and services. Yet some companies with inferior products are able to continually outpace the profits of companies with superior products.

A great example is in the software industry. Apple had its software platform well-defined in 1984. The Macintosh was a developer's dream, with a simple-to-use interface that allowed users to learn quickly and efficiently. Microsoft was eleven years behind. It was 1995 when Microsoft finally launched their competitor: the Windows operating system.

Microsoft was 11 years behind Apple in their product development, but continually remained ahead in their share of profits in the software industry.

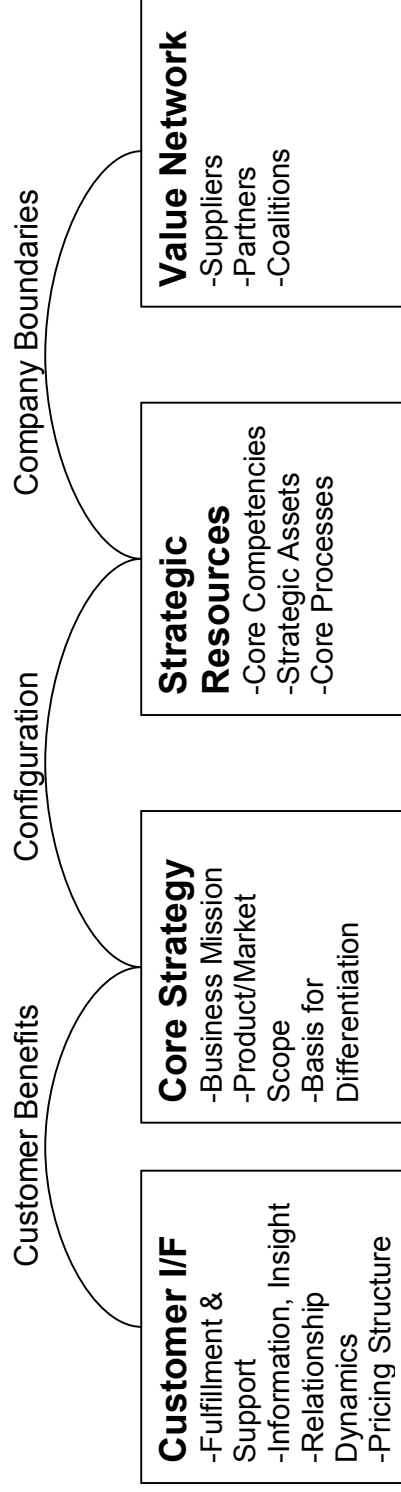
How was Microsoft able to stay ahead in profits, while selling an inferior product? There are many reasons, but one of the major ones was their ability to inject profit boosters into their business model.

What do we mean by profit boosters and how can businesses take advantage of them to turbo charge their profits?

To get a visual sense of what we mean, we have copied Gary Hamel's model of a "Business Concept" from his book, entitled Leading the Revolution. (USA, 2000, pg. 71)

Underpinning the profit-making venture of this business concept is how the business comes together with efficiency, uniqueness, fit and **profit boosters**.

# BUSINESS CONCEPT



Efficiency / Uniqueness / Fit / Profit Boosters

## Profit Boosters:

- (a) Increasing Returns**
  - (1) Network Effects
  - (2) Positive Feedback Effects
  - (3) Learning Effects
- (b) Competitor Lockout**
  - (1) Pre-emption
  - (2) Choke Points
  - (3) Customer Lock-in
- (c) Strategic Economies**
  - (1) Scale
  - (2) Focus
  - (3) Scope
- (d) Strategic Flexibility**
  - (1) Portfolio Breadth
  - (2) Operating Agility
  - (3) Lower Breakdown

Taken from Leading The Revolution by Gary Hamel, USA, 2000, Page 71.

There are four major profit boosters, and each one can be applied to any industry. Let's look at a few examples.

The first profit booster is labeled 'increasing returns'. It refers to the fact that businesses can develop more customers as a result of the products and services they deliver. Word of mouth on how pleasant the customer experience has been is something that can spread to cause more customers to come to the company.

The second profit booster is labeled 'competitor lockout'. How would your business compete if you knew that the customer was compelled to buy your product, and nobody else's? In the technology world, the best example of this is a patent. It gives the company who developed the technology sole use of the patented technology.

But this booster has also been used in other innovative ways. McGarry Family Chapels is a local funeral service provider who has cleverly marketed a pre-emptive strike on their competition. They offer prospects the ability to pre-pay for their funeral service. The prospects are offered some financial incentives, and the situation becomes win-win for everybody. The client knows the cost of what the funeral service will entail, and the funeral service provider has locked out all competitors from taking that business.

The third profit booster is 'strategic economies'. Companies who employ this profit booster have a business model which allows their product or service to be scaleable. As client demands increase for more of the product or service, the profit margin increases. Again, the technology world has taken great advantage of this booster. Most networking and communication products are made scaleable to serve clients of all sizes.

Another example of this profit booster at work is in the retail field. Many big box stores use the economies of scale to come up with the lowest prices, thus attracting cost-conscious consumers. They purchase huge amounts of product to drive their costs down. These savings are then passed on to the consumer, pushing the smaller stores out of business.

The fourth profit booster is 'strategic flexibility'. The greater the flexibility of your business model, the greater your chance for increased profits. Companies who have portfolio breadth are able to leverage their diversification when certain markets get soft. Also, in the age of technological revolution, companies with few fixed assets, like Dell Computers, are able to keep costs down when demand weakens.

Microsoft used all of these profit boosters in their business model to stay ahead of a competitor with a superior product. They have been so successful with the 'competitor lockout' booster that they have often been threatened as running a monopoly.

If you are looking for ways to turbo-charge your bottom line this year, revisit your business model. Consider the four profit boosters discussed above, and devise ways of injecting them into your model.

As demands from shareholders, clients and employees increase, the need for profit boosters also increases dramatically. Inject your business model with profit boosters today, and watch your bottom line take off like a jet on rocket fuel.

**James Allan** partners with businesses to increase their bottom line through consulting, coaching, speaking and writing.

For a complimentary **Evaluation** of your current profit booster offerings, send an e-mail to [james@streethockeymillionaire.com](mailto:james@streethockeymillionaire.com) with a request for the evaluation.

To contact James directly, phone 1-866-SCOREGOALS or (613) 733-3729.