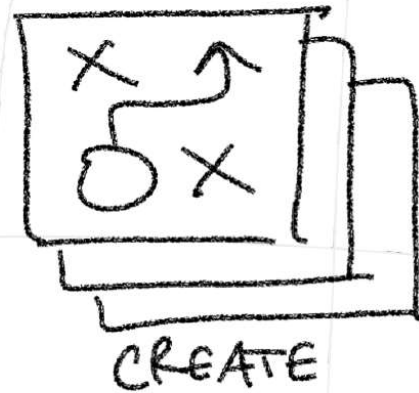
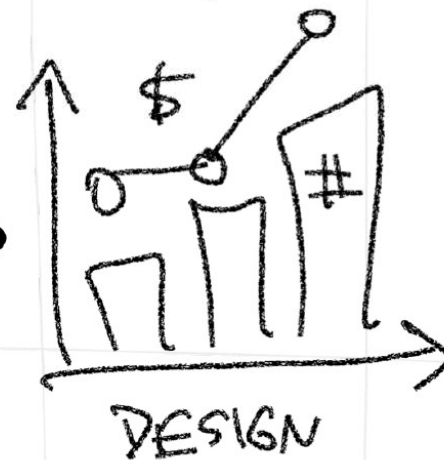


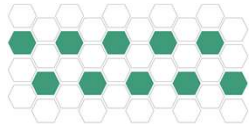
PROFIT\$, Explained

An illustrated handbook for translating analytics into action in your business

WRITTEN BY
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This book is divided into 3 sections. **1 Honeycomb** lays out a structured approach for determining the right value drivers to enable with analytics for a given business model. **2 Da Vinci Illustrations** highlights first-hand proven “starter kit” examples of insightful analytics for common areas of opportunity. **3 Get It Done** outlines the “how to” steps to take in building a data-driven organization.



1 *Honeycomb*

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2 *Da Vinci Illustrations*

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- 81** Create

Introduction

Many business owners and leaders cannot clearly explain how a dollar of sales translates into a dollar of profitability, let alone articulate how sales and profitability move in relation to one another. Surveys show that a common reaction upon getting financial statements is to wonder, “how could that be?” The need for management by analytics is both urgent and growing for many companies.

Analytics are more important today than ever, whether a business faces times of uncertainty and disruption or times of relative ease and stability. Companies have spent the last several decades investing in ERP and technology platforms, even if they are the simplest in nature. Those investments now give businesses a starting point for all types of data needed to inform high-level strategy as well as day-to-day operational improvements. Data-driven decision-making is, at a minimum, table stakes for many businesses. For those doing it best, it's a form of true competitive advantage.

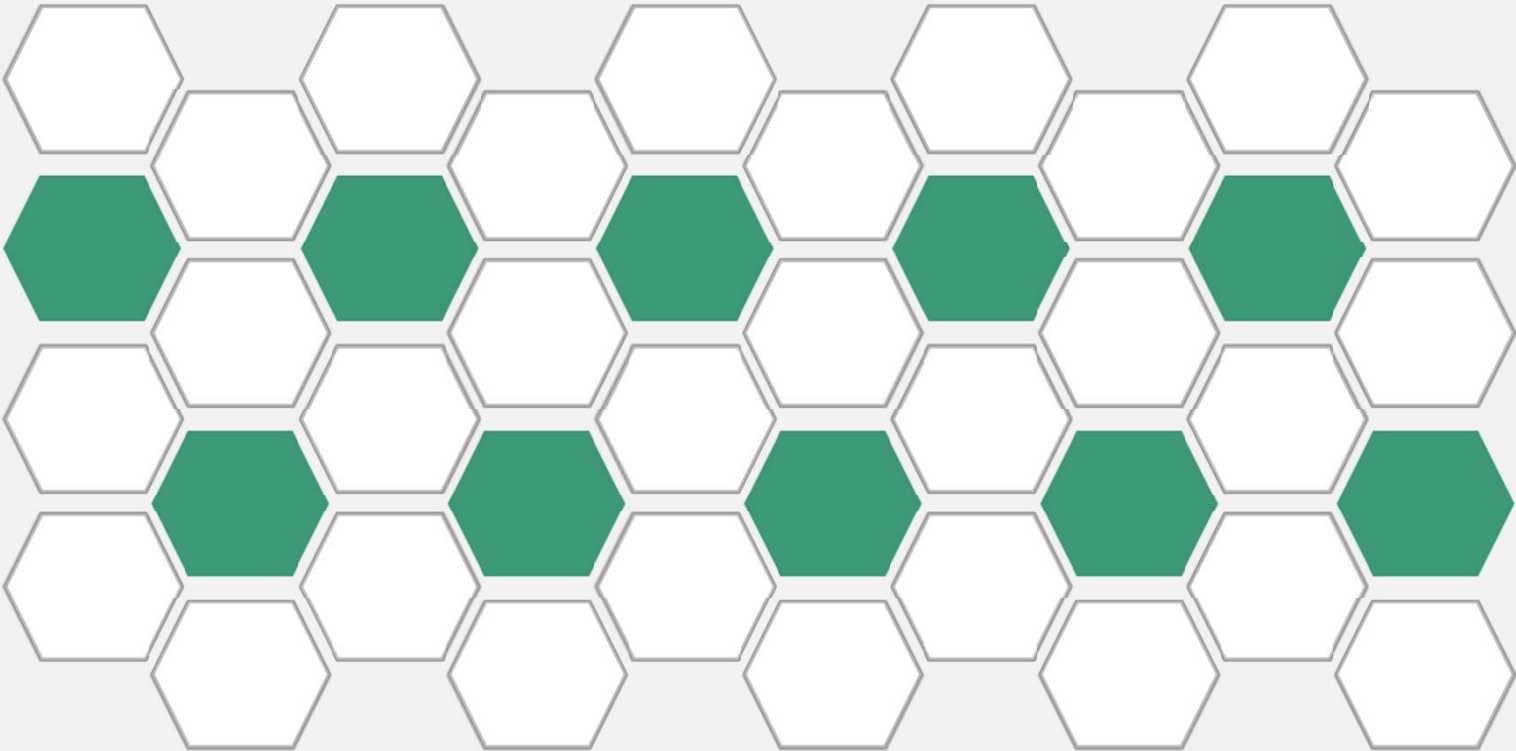
This book is intended to bring a structured, practical approach for bridging the gap between analytics in “concept” and the “reality” of putting analytics to action in a business. The goal is to help owners and leaders become more analytical in how they manage a business.

Those who manage their business with analytics that deliver the right insights are able to increase control over outcomes. They are better able to prioritize the right path forward, knowing with confidence that it will lead to ROI and value creation. That leads to faster growth, increased profits, reduced costs, and more value in a business. Are you maximizing the full potential of your business? Read on to learn how to do just that.

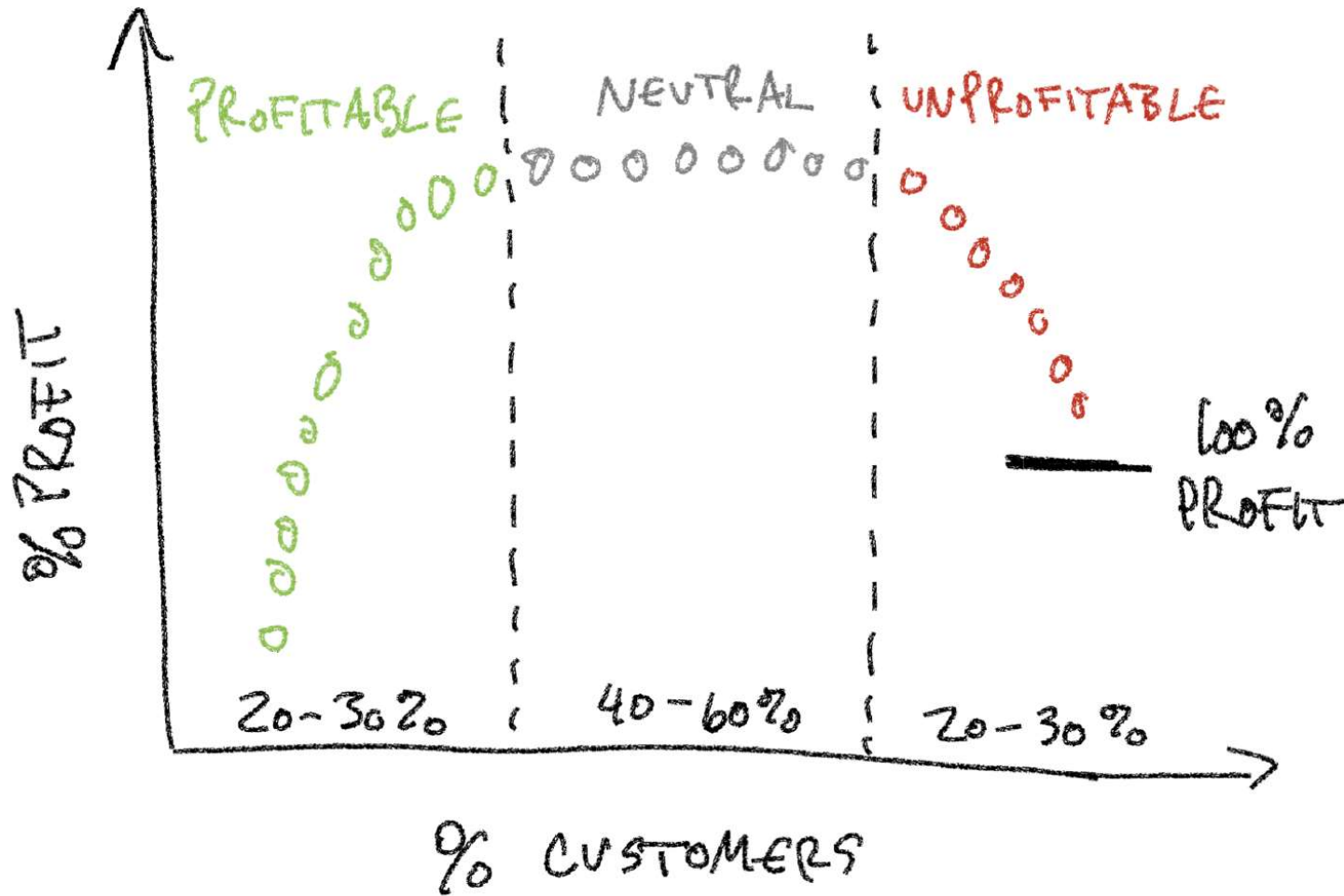
Def_ Value Driver Honeycomb

A holistic, structured and visual representation of the most impactful value drivers for a business model

Value Driver Honeycomb



WHALE CURVE



A customer profitability whale curve shows the makeup of profitable, neutral, and unprofitable customers in a business. Seeing these “ups and downs” highlights the magnitude of swings between winning vs. losing customers in a business. It is not uncommon for a company’s largest customers to be in the unprofitable section of the chart.

Behind the whale curve chart sits 80/20 analytical exercises that define the right measure of customer profitability and analyzes costs “below” the gross margin line. A lot happens between the gross margin and operating profit lines of an income statement. Often, those operating expenses are not well understood. The whale curve is a tool that forces understanding of those costs-to-serve and operating expenses, layering them into actionable views of a business.

The whale curve is a powerful management tool for a variety of business models, including manufacturing, distribution, and contracting. The whale curve is often the tip of the iceberg as motivation for a variety of supporting analytics that evaluate the component parts of profitability (gross margin less cost-to-serve).

Commonly, the bottom 20 to 30% of unprofitable customers REDUCE operating profits by as much as 200% (yes, that’s a negative 200%), leading to potential for DOUBLING PROFITABILITY of a business





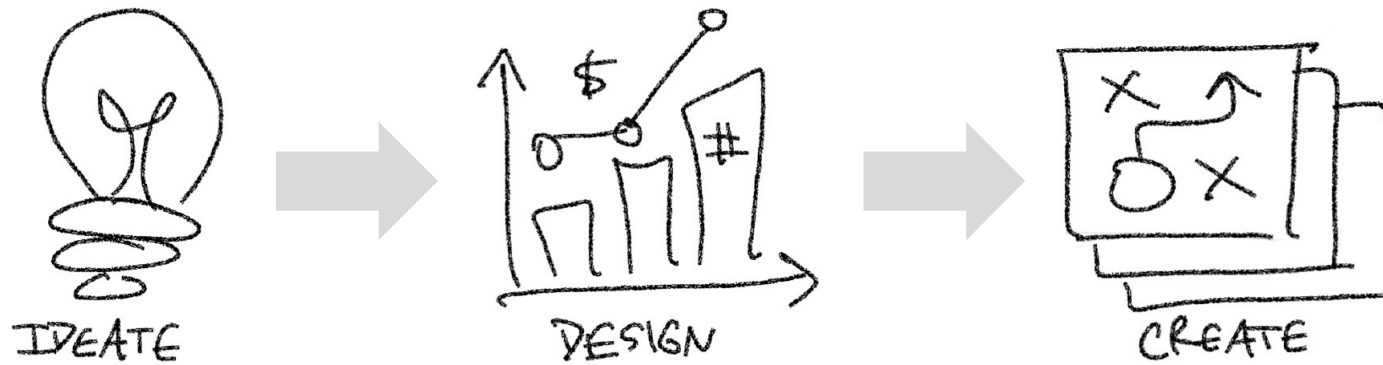
A services business in the fire protection and beverage servicing space sought ways to improve profitability.

Some services the company provided were recurring in nature, while others were one-time and project-based. Ownership did not have a clear understanding of how costs flowed through existing reporting. Within a few weeks, costing and other analysis produced a whale curve that showed a significant number of unprofitable customers. All told, “losing customers” represented an opportunity to double profitability.

The whale curve became a core tool in putting the right plans in place to increase profits, while also becoming a reporting mechanism to track and monitor changes in performance over time.

ANALYTICS IN ACTION

Three Phases of Building Analytics



Engage teams to brainstorm needed analytics and sketch “straw man” outputs

Select delivery method and prototype analytics, soliciting feedback and iterating quickly

Democratize availability of tools and embed them in day-to-day business activity