

Top Ten Profit Rules

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- 1. Solve customer's critical problems**
 - Customer decides what problems are critical and urgent
 - Be the easiest solution to a customer's problem
 - Learn how to influence your customer's buying decisions
- 2. Be externally focused-
The Outside-In Approach**
 - Analyze trends of external forces affecting your business
 - Measure relative power of your customer and supplier base
 - Obtain competitor intelligence on traditional and non-traditional rivals
- 3. Make quick, tough decisions**
 - Requires data on profit events
 - Make critical choices between attractive alternatives
 - Don't avoid tough decisions waiting for additional information
- 4. Measure actions that generate profits**
 - Measure average profit per transaction, customer, product and employee
 - Don't over-measure
 - Start with the largest number on your P&L, Balance Sheet and Cash Flow
- 5. Don't let the stock market run your company**
 - Ignore Wall Street pressure and opinions
 - Manage the business, not quarterly earnings
 - Talk with customers more than with investment analysis
- 6. Innovate, Invest and Inquire**
 - Innovate: Creativity is cheaper in the long run than conformity
 - Invest: Risky but generates long term profits
 - Inquire: Curiosity produces innovation and reduces risk
- 7. Highly value customized products and services**
 - Charge for value
 - Commodity products need a lean cost structure to maximize profits
 - Customized products and services require customized processes
- 8. Only real profits pay the bills**
 - Focus on operating margins vs. net income
 - Cash is king
 - Always question the numbers
- 9. Don't let processes get in the way of profits**
 - Evaluate processes by the profit they produce
 - Don't get attached to processes
 - Be creative with customer solutions not business practices
- 10. Everyone must produce profits**
 - Tie compensation to profits, not stock price
 - Set up each position to contribute to profits
 - There is no good reason for poor profit results