

The Profitable Provider

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Quality

Passion

Knowledge



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Profit

Costs

Models

Planning



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The Myth of the Entrepreneur

- Because I'm good at what I do, I can make more money working for myself!



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Reality Check!

- Every year over 1,000,000 businesses are started

Year 1: 600,000 in business

Year 5: 200,000 in business

Year 10: 40,000 in business

The reason for the failure rate is the assumption of the entrepreneur that if they understand the technical work of a business, they understand a business that does that technical work.



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Do You Own a Business or a Job?

- Works for wages
- Does the work
- Plans the work
- Works for profit
- Manages work
- Plans growth



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The difference is your perspective!

How much MONEY do you want?

- Overhead
- Profit
- Labor Costs
- How much do you charge?



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How much **TIME** do you spend?

- Estimate time needed
 - Adjust with experience
- Use sales goal



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Time, Quality & Money

Time = Quality

Time = Money

Money = Quality

Knowledge = Power

Power = Work / Time



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Time, Quality & Money

$$K = W / T \Rightarrow T, < K$$

$$K = W / M \Rightarrow M, < K$$

$$K = W / Q \Rightarrow Q, < K$$

$$P = W / T \Rightarrow T, < P$$

$$P = W / M \Rightarrow M, < P$$

$$P = W / Q \Rightarrow Q, < P$$



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Profit

- Profit = Revenues - Costs



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Costs

- Accreditation Fee
- Software Licensing
- Labor
- Burden of Labor
- Taxes
- Insurance
- Rent
- Travel
- Legal
- Marketing
- Professional Development
- Vehicles
- Fuel
- Shipping
- Financing
- Equipment



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Revenue

- Sales
 - Who is buying?
 - What are they buying?
 - Why should they buy?
 - Why should they buy from me?
 - How are they buying?
 - When are they buying?



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Consultant

- 1,030 hours/yr
- $(\text{annual overhead} + \text{profit}) / 1,030$
= overhead charge rate
- overhead charge rate + Labor
Cost = hourly rate
- Estimated time for job x hourly rate
 - Adjust with experience



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Cost-Based

- Costs / profit margin = sales price
- Cost Plus



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Performance-Based

- Maximizes shared value creation
- Creates more space between value to client & costs to do business
- Communicate value to clients
- Be unfair
 - Context
 - Delivery



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Value

.....

Benefit

.....

Price

Profit

Cost



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Value

.....

Benefit

.....

Price

Profit

Cost

< cost,
= value



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Value

Create more value
Increase perception of value

Benefit

Price

Profit

Cost



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5 Forces

- Rivalry among Existing Competitors
- New Entrants
- Power of Suppliers
- Power of Clients
- Threat of Substitutes



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4 Profitability Factors

- Growth rate
- Technology & innovation
- Government support or interference
- Complementary products & services



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Internal Capabilities

- How can you approach new markets?
- What processes are going to be used in daily business?



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