



## (Analyzing your existing Business Model - Module 3 of 5) “The List- 87 Ways to Improve Your Business Model”

### AREA #1: EXCELLENT MARGINS

#### **Lower costs**

1. Value chain analysis (Porter)
2. Vendor shark tank
3. Lean manufacturing/Lean office
4. Raise customer value without raising prices- lowers relative cost (Jordan's furniture)
5. Shift costs to vendors (Frito Lay, beer)
6. Shift costs to customers (self-service/transparency)
7. Inject technology to lower costs (machines not men)
8. Offshore
9. Outsource
10. Piece-rate
11. Goldcorp (use world's best engineers without fixed costs)
12. Shift fixed costs to variable costs
13. Shift variable costs to fixed costs
14. Just-in-time inventory
15. Fire low-margin customers
16. Use geographic location to lower costs
17. Create a low-cost model and force the customer to plug into it vs. allowing the customer to dictate expensive business terms
  - Control the timing of customer purchases (lights on program)
  - Long lines at Wal-Mart

#### **Raise prices**

- Eleven ways to raise prices without raising prices
  18. Health club pricing: Membership
  19. Revise the discount structure
  20. Change the minimum order size
  21. Charge for delivery and special services
  22. Invoice for repairs on serviced equipment
  23. Charge for engineering, installation
  24. Charge for overtime on rushed orders
  25. Collect interest on overdue accounts
  26. Produce less of the lower margin models in the line
  27. Write penalty clauses into contracts
  28. Change the physical characteristics of the product
- Change pricing model
  29. Premium pricing
  30. Penetration pricing
  31. Economy pricing
  32. Price skimming
  33. Psychological pricing
  34. Product line pricing
  35. Optional product-pricing
  36. Captive product pricing
  37. Product-bundle pricing
  38. Geographical pricing



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### **Other ways to increase margins**

- 39. Flat-rate pricing
- 40. Get in the insurance business
  - Extended warranties
  - Exceptional service guarantees (Exterminators)
  - Service contracts
  - Insurance
- 41. First mover or late-market entry (Vibe Mobile)
- 42. Make once, sell many
  - Software/Web
  - Tele-seminars
  - Sales Groups
  - Leveraging a process created for one area of your business in another area
- 43. Gasoline, cigarettes, and soda

### **AREA #2: EASY TO SELL**

- 44. Geographic expansion
- 45. Old Customer, New Product
- 46. Buy the channel/customer (Pepsi)
- 47. Tinker with pricing to increase or decrease demand
- 48. Reduce your customer's costs with your offering
- 49. Eliminate costs when perceived customer value is low (24-hour dry cleaning)
- 50. Add visibility for customers (cameras at day care, UPS tracking)
- 51. Don't just sell your customers more, help them increase their market share (consignments, shared telecom at offices)
- 52. Change your pricing model
  - Southwest Airlines vs. American Airlines
- 53. Sell picks to the miners
- 54. Tap “found” money
  - Estate/Bankruptcy attorneys
  - Realtors
- 55. Create planned obsolescence
- 56. Penetration pricing if needed
  - Works best on gasoline

### **AREA #3: ABILITY TO ATTRACT & RETAIN QUALITY EMPLOYEES**

- Attraction issues
  - 57. Build vs. buy talent
  - 58. Find a better pond to fish
  - 59. Sizzle-up the work environment (Microsoft beach ball parties)
  - 60. Pay more
  - 61. Find alternative channels for candidates
    - Employee referrals
    - College internships
    - I9 visas
  - 62. Move



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- Retention issues
  - 63. Poll exiting employees to determine causes and rectify
  - 64. Golden handcuffs
  - 65. Strengthen your promotion paths
  - 66. Give better titles (SVP of Maintenance vs. Janitor)
  - 67. Improve company pride

### AREA #4: ONGOING COMPETITIVE ADVANTAGE

- 68. Trademarks/Patents/IP
- 69. Turn dead time into productive time (Bird's Eye in Mexico)
- 70. Flatten your organizational chart
- 71. Develop ability for FCTU (fast cheap trial with upside)
- 72. Provide transparency to stake-holders
  - Wal-Mart real-time sales data
  - Ford Taurus design process
- 73. Engage in activities which competitor's are unwilling
  - HH Gregg same day delivery
  - Exceptional guarantees
  - 24/7/365
  - Extended warranties beyond norm
  - Fanatical cost reduction (Wal-Mart)
  - Unattractive industry (port-a-potty)
  - Bottom line: any activity deemed to be unpleasant may represent your biggest opportunity

### AREA #5: QUALITY CUSTOMERS

- 74. Define a “quality” customer
  - Become an expert in profiling your customers
  - Fire the bad ones
  - Change marketing to attract more quality customers and dissuade bad ones
  - Target market expansion: learn adjacent and untapped markets (e.g. Rogaine for women)
- 75. Individualize or customize products
  - Position yourself as the only option
  - Create barriers to competitors
- 76. Hitch your wagon to high potential customers
  - Selling Toyota vs. GM
  - Google vs. goto.com
  - Pick customers in good, growing industries with good business models



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**AREA #6: LONGEVITY OF BUSINESS OR INDUSTRY**

77. Correctly define what business you are in: are you a railroad or a passenger mover?
78. Plug-in acquisitions to expand market, acquire customers, or lower costs
  - Types:
    - Buy innovation
    - Buy customers
    - Buy suppliers
    - Buy better cost spreading
    - Buy an underleveraged franchise which plays to your core competencies (Victoria's Secret)
79. Shift the bell-curve (Soft Scrub)

**AREA #7: GRACEFUL EXIT**

80. Add a good-paying job
81. Hire the buyer
82. ½ your time: work towards Emeritus Role
  - Use positive traps
  - Take on additional roles
  - Fire yourself from your lousy jobs
83. Joint venture with the potential buyer
84. Get in a sexier or higher multiple business

**AREA #8: PITFALLS**

85. Focus on cash flow rather than profits
86. Use vendor financing and other creative means rather than lines of credit
87. Create a legal fund