

What Generates Profit Clarifier™

Example: Savvy Kids

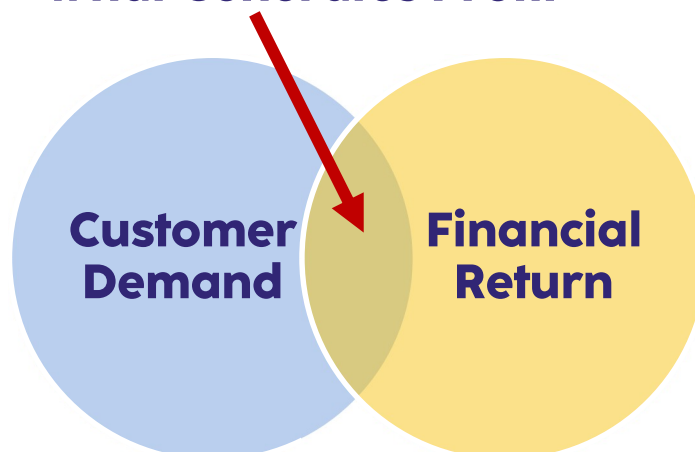
What Generates Profit?

What Generates Profit refers to the specific products and services that are driving both strong customer value and healthy profitability for your business. It includes a clear-eyed analysis of:

- What's selling most consistently
- What's generating the highest profit margins per unit
- And what's contributing the most total profit overall

This element helps founders focus on the intersection of customer demand and financial return—so they can double down on what's truly working to fuel sustainable growth.

What Generates Profit



Objectives

This tool is designed to help you explore your many product and service offerings, and identify which solutions amplify profit.

You will create a list of all your products and services and identify the following:

1. Which products and services you're most successful selling
2. Which products and services have the highest profit per unit
3. Which products and services are generating the most profit to your company overall

Process

1. List the Solutions You Sell
2. Analyze Solutions
3. Identify What Generates Profit

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PART ONE - LIST THE SOLUTIONS YOU SELL

List all your products and services in the table on the next page. For each product or service your company sells, fill in the following:

- **Unit Price (\$)** - The amount you charge the customer for one unit of a product or service.
- **Unit Cost – COGs (\$)** - The direct cost to produce or deliver one unit (Cost of Goods Sold).
- **Unit Gross Margin (\$)** - The profit earned per unit after subtracting unit cost from unit price.
 - $(\text{Unit Price} - \text{Unit Cost})$
- **Gross Margin (%)** - The percentage of revenue that remains after covering unit costs.
 - $(\text{Unit Gross Margin} \div \text{Unit Price}) \times 100$
- **Trailing Twelve Months (TTM) Units Sold (#)** - The total number of units sold over the past 12 months.
- **Trailing Twelve Months (TTM) Customers (#)** - The number of unique customers served over the past 12 months.
- **Trailing Twelve Months (TTM) Revenues Booked (\$)** - The total revenue earned from this product or service in the past 12 months.
- **Average Revenue per Customer (\$)** - The average amount each customer spent on this product or service.
 - $(\text{TTM Revenues} \div \text{TTM Customers})$
- **Trailing Twelve Months (TTM) COGs (\$)** - The total cost to produce or deliver all units sold over the past 12 months.
 - $(\text{Unit Cost} \times \text{TTM Units Sold})$
- **Trailing Twelve Months (TTM) Gross Margin (\$)** - The total gross profit for this product or service over the past 12 months.
 - $(\text{TTM Revenue} - \text{TTM COGs})$
- **Trailing Twelve Months (TTM) Gross Margin (%)** - The overall profit margin percentage for this offering over the past year.
 - $(\text{TTM Gross Margin} \div \text{TTM Revenue}) \times 100$

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Products & Services List

	Unit Price (\$)	Unit Cost (\$)	Unit Gross Margin (\$)	Unit Gross Margin (%)	TTM Units Sold (#)	TTM Customers (#)	TTM Revenues Booked (\$)	Avg Rev. Per Customer (\$)	TTM COGs (\$)	TTM Gross Margin (\$)	TTM Gross Margin (%)
Core Product & Service Lines											
Shoelaces - Direct (Website/Amazon)	\$ 10	\$ 3	\$ 7	70%	15,000	10,000	\$ 150,000	\$ 15	\$ 45,000	\$ 105,000	70%
Shoelaces - Parent Ambassadors	\$ 10	\$ 3	\$ 7	70%	20,000	100	\$ 200,000	\$ 2,000	\$ 60,000	\$ 140,000	70%
Shoelaces - School Fundraisers*	\$ 10	\$ 3	\$ 7	70%	30,000	30	\$ 300,000	\$ 10,000	\$ 90,000	\$ 210,000	70%
TOTALS:					65,000	10,130	\$ 650,000	\$ 12,015	\$ 195,000	\$ 455,000	70%

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PART TWO - ANALYZE SOLUTIONS

1. **Highest number of customers** – Which products or services have the highest number of customers saying yes? This is important because it tells you where you have had the most success enrolling a prospect to make a purchase.

Direct (Website/Amazon) — 10,000 unique customers.

2. **Highest unit volume sales** – Which products or services have had the most individual units sold? Similar to highest customer conversion, it is a measure of where you have had success moving customers to buy.

School Fundraisers — 30,000 units.

3. **Highest profit per unit** – Which products or services are yielding the most profit per unit sold? It is always interesting to see whether the products/services that have the highest profit are the ones you are most successful selling. Of course, we always hope so, but it often isn't the case.

All three channels are equal (\$7 per unit).

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4. **Highest total gross profit dollars** - Which products or services yield the total dollars profit to your company? This is the product or service driving your profits. At least right now. This may or may not be the company with the highest percent profit margins. As entrepreneurs, we always like it when our highest margin products are the ones we sell the most and are driving the most gross profit dollars, but again, this isn't always the case.

School Fundraisers — \$210,000.

5. **What does this information tell you?** Now that you have reviewed all of your products and services for volume and gross profit, what does this information tell you?

Direct sales broaden reach and build brand recognition, but fundraisers and Ambassadors generate larger bulk sales and higher total gross profit. Ambassadors provide personal connection but limited reach. Fundraisers stand out as the strongest profit driver, while direct sales remain critical for awareness and customer testing.

PART THREE – IDENTIFY WHAT GENERATES PROFIT

Now that you have analyzed what has highest number of sales from customers, what has the highest gross profit margin (%), and what generates the most total gross profit margin dollars, it's time to write down What Generates Profit. Where is the customer value and healthy profitability for your business?

What Generates Profit? Summarize your takeaways from this analysis. Which 1-3 products would you like to devote elevated focus as What Generates Profit for your company?

1. **School Fundraisers** (highest total profit, scalable with district partnerships)
2. **Parent Ambassadors** (steady bulk orders and strong margins)
3. **Direct Website/Amazon Sales** (important for reach, customer discovery, and building the brand story)

What Generates Profit: Savvy Kids should double down on **fundraisers as the main growth engine**, support Ambassadors with tools to expand, and maintain direct sales as a customer acquisition and awareness channel.

Congratulations! You just defined What Generates Profit!

*Insert the list of solutions and data from Part One into your **4-Page Growth Plan™** with a **star** next to the solution that drives customer value and profitability.*