
Module 15, Lesson 2 Handout:

Profit Models

There are countless types of business models that will allow a company to be successful. In the simplest terms, a business model should answer the questions of who your customer is, what you can provide for that customer and what they will pay you in exchange, and how you can execute that transaction at a cost that is less than what they pay you. Your business model lays out how you will create, deliver, and capture value for both you and your customer.

Our goal here is to help you understand how your business will earn revenue and turn a profit. It may be through multiple streams of revenue, it may be through a single stream, and it may change as your business evolves.

Some basic profit models you may have heard of include:

- **Manufacturer:** You make finished products from raw materials and sell them to customers or a middleman that then sells them to customers. (Ford manufactures cars, Intel manufactures computer chips...)
- **Distributor:** You buy products from manufacturers and resell them to retailers or consumers. (Paramount Pictures distributes films, Sysco distributes food...)
- **Franchise:** Instead of creating your own product, you use a parent company's model and brand and you pay them royalties. (Drybar is a hair franchise, Jamba Juice is a smoothie franchise...)
- **Direct to Consumer:** You sell your own products directly to consumers without using retailers or distributors. (Warby Parker is an eyeglass DTC brand, Casper is a mattress DTC brand...)
- **Online Marketplace:** You organize products and sell them on your website, acting only as a mediator, not as an owner. (Amazon, Etsy, eBay...)
- **Network Marketing:** Also known as multi-level marketing (MLM), you build a network of independent sales reps who then sell directly to customers and earn commission on their sales. ([Life's Abundance](#) is our favorite (!!)) supplement and lifestyle MLM, Beautycounter is a clean beauty MLM...)

And those are just a few examples. There are tons more. But for the purpose of helping you figure out *your* ideal business model, we're going to focus on a few models that are most common in the health and wellness world and show the various ways you can profit from each.

- **One-on-One Coaching:** You sell single or packages of sessions to a client to be used on an individual basis.
- **Group Coaching:** You sell single or packages of sessions to multiple clients, who share a common learning objective, to be used in a group setting.
- **Subscription Model:** You charge individuals a recurring fee for access to your product or service, in person or online.
- **Product Model:** You sell physical or digital products directly to consumers.
- **Affiliate Model:** You sign up with a company or a network to sell their products or services in exchange for commission, or you allow others to sell your products for you in exchange for a commission.
- **Influencer Model:** Brands hire you to promote their products or services to your audience.
- **License/Franchise Model:** You allow others to use your intellectual property, name, logo or design, as well as certain business systems and processes, to produce or market a product or service in exchange for fees. You are still associated with the product and have some control over how it is used.

Thus, a business model is a description of the rationale of how a company creates, delivers and captures value for itself as well as the customer.

Now that you have an understanding of the various ways you can make money through different profit models, which one makes the most sense for you? I want you to write down all of the ways you could see yourself making money and make a pros-and-cons list for each. This will help you decide which model - or models - make the most sense for the way you like to work, the way you have time to work, and the amount of money you want to invest, and eventually make.

Remember there's no right or wrong answer here. This is where you have to get real with yourself. Be honest with exactly who you are and what you want to do and how you want to do it. There's no

sense in building a huge digital business at scale if your true passion is working one-on-one with somebody in your local community. And there's no point in trying to become an Instagram influencer as a means to earn money if you really hate being on social media regularly.

Remember, intersecting your purpose and passion gives you Clarity, which will help you build the most rewarding business you can imagine.

POTENTIAL PROFIT MODEL #1

- MY BUSINESS PROFIT MODEL COULD BE:

- PROS OF THIS PROFIT MODEL:

- CONS OF THIS PROFIT MODEL:

POTENTIAL PROFIT MODEL #2

- MY BUSINESS PROFIT MODEL COULD BE:

- PROS OF THIS PROFIT MODEL:

- CONS OF THIS PROFIT MODEL:

POTENTIAL PROFIT MODEL #3

- MY BUSINESS PROFIT MODEL COULD BE:

- PROS OF THIS PROFIT MODEL:

- CONS OF THIS PROFIT MODEL:

Now that you've figured out the various ways you can make money, it's time to get down to the nitty gritty and put actual numbers to the model. After all, since it's clarity we're after, it's necessary to be very clear about how much revenue you can earn for your products and services and what your expenses will be to get there.

Let's start your revenue exercise. Repeat this exercise for each different service you provide or product you sell.

Service by the hour:

- This is the price I will charge per hour for my service: _____
- This is how many hours I believe I can sell to one client: _____
- By multiplying the two numbers above, my total revenue per client is: _____
- I believe I can get this many clients per month: _____
- By multiplying the two numbers above, my total revenue per month is: _____
- By multiplying the number above by 12, my yearly revenue for this service is: _____

Service by the package:

- This is the price I will charge for my service package: _____
- This is how many packages I believe I can sell to one client: _____
- By multiplying the two numbers above, my total revenue per client is: _____
- I believe I can get this many clients per month: _____
- By multiplying the two numbers above, my total revenue per month is: _____
- By multiplying the number above by 12, my yearly revenue for this service is: _____

Product:

- This is the price I will charge for my product: _____
- This is how many products I believe I can sell in one month: _____
- By multiplying the two numbers above, my total revenue per month on this product is: _____
- By multiplying the number above by 12, my yearly revenue for this product is: _____

Total Products and Services:

- If I add up the last number for each of the above products and services, my annual business revenue is: _____
- If I divide that number by 12, my monthly business revenue is: _____

Here is an example chart to help put it all together:

ANNUAL REVENUE PROJECTIONS			
PRODUCT/SERVICE	PRICE PER PRODUCT/SERVICE	MONTHLY REVENUE	ANNUAL REVENUE
Ebook	\$15	\$75	\$900
10 Yoga Class Pack	\$175	\$3500	\$42,000
1-on-1 Nutrition Coaching	\$90/hr	\$900	\$10,800
Group Day Retreat	\$1000	\$1000	\$12,000
TOTALS		\$5,475/mo	\$65,700/yr

This chart also helps to see where your main revenue sources come from. To calculate the percentage of your total annual revenue that comes from each source, simply divide each of the numbers in the last column but your total annual revenue.

PERCENTAGE OF TOTAL REVENUE PER PRODUCT			
PRODUCT/SERVICE	ANNUAL REVENUE	INDIVIDUAL REV/TOTAL	% OF TOTAL REVENUE
Ebook	\$900	900/65,700	1%
10 Yoga Class Pack	\$42,000	42,000/65,700	64%
1-on-1 Nutrition Coaching	\$10,800	10,800/65,700	17%
Group Day Retreat	\$12,000	12,000/65,700	18%
TOTALS	\$65,700/yr		\$65,700/yr

It's very important to understand which of your products or services are driving the most revenue for your business so you can make the best decisions on which areas you need to grow, which areas keep you afloat, which areas aren't serving you best, which areas may be taking too much time without enough payoff, etc.

Now, let's talk about expenses.

The above revenue exercise only paints part of the picture for your business, and your expenses are what will determine your actual profitability now. In other words, how much of that revenue actually goes into your pocket, rather than paying off bills? Or how much of that revenue actually pays you for the blood, sweat, tears, and overall emotion you put into your business?

To determine your profitability, you need to list all the expenses for your business. This includes:

- The cost of creating, producing, or delivering your service
- The cost of creating, producing, or buying your product (to resell)
- The cost to advertise and/or market your service or product
- The cost to store, package, or ship your product
- The cost to keep your business running in general
- The cost for employees, consultants, or freelancers to help run your business
- The cost for you to stay educated, insured, credentialed, etc.
- The time, emotional energy, and amount of stress it costs you to run your business

So, for each of your products or services, list out all your expenses. Some may have one time expenses (for example, the amount you spent on a graphic designer a couple years ago for your ebook) and some will have monthly expenses (for example, to sell your 10-pack of yoga classes it costs you \$500/mo in studio rental and misc. fees)

EXPENSES FOR PRODUCT OR SERVICE #1:

-
-
-
-
-

TOTAL EXPENSE:

EXPENSES FOR PRODUCT OR SERVICE #2:

-
-
-
-
-

TOTAL EXPENSE:

EXPENSES FOR PRODUCT OR SERVICE #3:

-
-
-
-
-

TOTAL EXPENSE:

EXPENSES PER PRODUCT			
PRODUCT/SERVICE	ONE TIME EXPENSE	MONTHLY EXPENSE	TOTAL ANNUAL EXPENSE
Ebook	\$150	-	\$0
10 Yoga Class Pack	-	\$500	\$6,000
1-on-1 Nutrition Coaching	-	\$50	\$600
Group Day Retreat	-	\$400	\$4,800
TOTALS	\$150	\$950	\$11,400

Now, let's take your total annual revenue for each product or service, and subtract the total expenses for each product, which will determine your total business profit.

PRODUCT/SERVICE	ANNUAL REVENUE	ANNUAL EXPENSE	TOTAL PROFITABILITY
Ebook	\$900	\$0	\$900
10 Yoga Class Pack	\$42,000	\$6,000	\$36,000
1-on-1 Nutrition Coaching	\$10,800	\$600	\$10,200
Group Day Retreat	\$12,000	\$4,800	\$7,200
TOTALS	\$65,700/yr	\$11,400/yr	\$54,300/yr

Congrats! You've built a profitable business! You used several different business models to do it, with a mix of products and services, and your expenses are what you consider to be reasonable and minimal.

Now, the last piece of this puzzle: Is your profitability worth the time, energy and stress it cost you to create this business? Is it as profitable as you want it to be, based on the amount of effort you put into? Does it make you happy? Are you fulfilled? Is it enough to maintain this level of success, or do you want to grow? If you want to grow, what are you willing to do differently, more of, less of, or better? What will be the trade off in your life?

These are the questions that every business owner ponders at one time or another, and only YOU can answer these questions for yourself. What might be right for one business owner may not be right for you, so this is not the time to compare yourself to others, how they are running their business, or how big they are growing, UNLESS you want something to be different about YOUR business for whatever reason YOU decide.

If the above numbers don't make you happy, take some time to flesh out what you could do differently, and use the models to see how your changes will affect your business. Similarly, if you get your business off the ground and you realize your projections were off in any way, come back to this exercise to see how you can best move forward with your actual numbers, whether they are more or less than what you projected.