

7 PROFIT MODELS
to SUCCEED
in the
AGE OF AI

ALFREDO ZORRILLA

Artificial Intelligence has already started to change the way your business and your industry makes money.

Whatever your Business Model is right now, it won't be the same in 2 years.

A blog post from Anthropic announcing its Claude AI tool can rewrite automatically the old COBOL programming language into modern ones, widely used in banks and financial institutions throughout the world, instantly deleted USD\$ 30 Billion from IBM (a 13% dip in its public valuation, the largest since the Dot Com Bubble crash), because it is one of its more lucrative business lines.

Nobody is too big to fail now.

In contrast, Jack Dorsey (founder of Twitter and now CEO of Block) cut his staff by 40%, from a 10000 headcount to 6000, alleging the "Intelligence Tools" they have built, have enabled them to do so much more with smaller teams, while increasing output and quality, that this was the way to go.

And how did the market respond? Overnight 25% increase in valuation for Block and associated brands.

It started by replacing knowledge workers: programmers, artists, lawyers, etc. with AI tools that provide similar services at a fraction of their usual fees.

Now, thanks to Advanced Robotics paired up with Artificial Intelligence, blue collar workers and craftsmen are in danger of being replaced too in the factory floors and small shops.

But this is only the beginning.

Quantum Computing, Nanotechnology, widespread adoption of Cryptocurrencies, etc. are all coming and fast.

And each one speeds up the development of the others.

That's why we call them "Exponential Technologies".

My 20+ years of Entrepreneurship and Technology experience give me the tools to help you analyze the way you currently make money and adapt it for this uncertain future that is already upon us.

And we don't have to start from scratch.

Best seller in Profitability and Growth, Adrian Slywotzky, has written several books about Profit Models, from which I've picked the 7 more relatable to our current technology circumstances, and expanded them with recommendations about how to use Artificial Intelligence, Agile Methodologies, Customer Relationship Management, etc. to bring them to the 21st Century.

So, to help you get started in your journey towards this new age of profitability, I want to gift you this guide: **"7 Profit Models to Succeed in the Age of AI"**.

Enjoy!

1. New Product Profit

“What goes up must come down”.

And every new product or service you introduce to the market will do exactly that: start growing in revenue and profitability, eventually plateau, and finally come down and start generating losses.

The trick is to carefully manage that curve, learning to recognize when the decline is upon it, and begin de-investing from that product (at least one year earlier), to reallocate its resources to a different growing product that might use them better.

This will keep the profitability at an all time high, while preventing you from losing some (or much) of that hardly earned money during the decline part of the cycle.

Almost every industry can make good use of this Profit Model, but as some examples that can particularly benefit we can mention: **Home IT Support & Services, Personal Wellness, Gyms, Hospitality, and Retail.**

So, how do you use Exponential Technologies to help you achieve this?

We already have AI tools capable of constantly monitoring all of the Social Networks and websites available (especially those related to product reviews and stores, like Amazon, eBay, etc.)

Those perform “Customer Sentiment Analysis” and are capable of providing you insights about how the customers view your industry and your products specifically.

Give them a try and you'll be surprised about what you can find.

But you won't be able to manage your product portfolio "at the Speed of AI" while using last century methodologies, even if you try.

Agile Management techniques, like OKR (Objectives and Key Results, widely used by powerhouses like Intel and Google to constantly innovate), the old and reliable Kanban for your daily operations, and Scrum for managing your most volatile projects, will be key to achieve your objectives with the speed and precision required to execute this Profit Model flawlessly.

2. Local Leadership Profit

You have seen Starbucks and Walmart fill almost every corner in the US and then moving abroad, steadily over the years.

But what you might not have noticed is the Profit Model they used to achieve such success: the Local Leadership Profit Model.

When they started, they didn't just randomly open stores everywhere, spreading their resources thin.

They opened stores at a geographical location, and then steadily added more, close by, like a flood that covered all the neighboring regions.

This allowed them to consolidate profits that allowed them to further fuel their expansion organically.

Once an area becomes saturated by their stores, they leave little for the competition.

Purchasing costs of raw materials go down, you get the best locations, increasing sales, you can recruit personnel with ease, more locations means marketing without advertising, and product pricing can go higher.

This even discourages competitors from entering the area.

And once you achieve this, it is time to expand a bit further. And then some more.

Typical businesses that can benefit from this Profit Model are: **Small Clinics, Auto Repair Shops, Hospitality, Food & Drink Services, Retail, Distribution, Transportation & Logistics.**

And how should you use Exponential Technologies to achieve this?

You can use Artificial Intelligence to help you create specific business plans for every new area to be captured, and keep it updated as changes occur (because of competitors' reactions, for example).

It is always advisable to use AI models specifically tailored for the task, in this case, Business Planning and Market Analysis. General models (like vanilla ChatGPT) tend to have poor performance.

One way to do this is to feed an AI research tool like Google's NotebookLM with your business data and use it to make sense of it.

It will provide answers based on the info you provided, reducing the risk of "hallucinations" (when AI starts producing made-up information that looks credible), and help it be focused on your business and industry.

As with other Profit Models for the Age of AI, Agile Management is a must to be able to execute fast and precisely.

OKR (Objectives and Key Results) will keep your business aligned in the right direction, while operational and project efficiency can be achieved through Kanban and Scrum.

Also the use of Blockchain to manage your logistics can be a game changer, while the use of Cryptocurrencies for internal money transfers and operations can enormously reduce costs, especially on international money transfers.

3. After-Sale Profit

Whenever you buy something BIG (think of a car, a house, an expensive machine, or anything “big ticket”), you usually hunt down for the best price and the best deal in the market.

But once you have it, a new market appears in front of you: accessories, services, and extra products that weren’t necessary before, but now they are because of your new shiny big purchase.

Interesting enough, these new purchase opportunities are much smaller in price, but can also be much more profitable as they tend to be recurring and you don’t haggle so much to get them in the first place.

Ask yourself: are you in a business who sells “big ticket” with a lot of effort and competition, but then leave to third parties the benefit of selling the massive follow up of “small ticket” additional products?

If you do, then you are leaving big profits on the table, and this is the basis of the After-Sale Profit model we are going to analyze.

Big ticket items usually command high price sensitivity, because of many options to choose from and variability in prices.

Low ticket items, in the other hand, have low price sensitivity because of fewer options and lower price variability.

They are also usually recurrent, have higher margins per purchase (think of printer ink cartridges or shaving machine replacement heads), a lot higher volumes, predictability, and long term customer relationships.

So, they can be very profitable for whoever decides to tap into that market.

Then, why most businesses who sell the high ticket products neglect to also offer the low ticket ones?

The main reason is that you often require TWO completely different organizations to sell both types of products.

Think about it: high ticket sales means longer sales periods, more specialized (or consultive) sales people, higher commissions, more “prestige”, etc.

Lower ticket sales means bulk orders, lower commissions, shorter sales periods, it is not as prestigious as a big ticket sale, and the sales people have different mindsets.

The solution is to design the business to promote and sell the follow-up stuff from the beginning, while also customizing the after sale services and product to the high ticket product, giving a compelling reason to purchase from you instead of third parties.

Typical industries that can benefit from the After-Sale Profit model are: **Real State, Small Clinics, Gyms, Auto Repair Shops, Construction, Agriculture, and Small Scale Manufacturing.**

Artificial Intelligence can greatly help with the creation of After-Sale product portfolios, as a research tool to gather ideas of what to offer, as a way of constructing the individual plans, and to help manage and coordinate both different organizations that will have to be created to deliver the big ticket and low ticket experiences to the customer in an unified way.

Customer Relationship Management systems, shared by both big ticket and low ticket organizations, can ensure a smooth handover of customers and their needs, avoiding redundancies and costly mistakes.

OKR (Objectives and Key Results) can help keep the alignment of the objectives of both organizations, ensuring that the profit building strategy stays solid over time.

4. Transaction Scale Profit

Big transactions usually mean bigger profits, because the costs of making the sale and the costs per unit tend to grow more slowly than the revenue per unit, spreading evenly and leaving more money to the business in the end.

So, it becomes key to go for the big accounts, but this usually requires a business redesign: taking on the risk of focusing on big accounts and turning small deals away.

This also means developing a different set of organizational skills, to adapt to the way big accounts purchase, and a lot of persistence, because big accounts sales cycles tend to be longer and with a lot of competition.

Also, going after the big accounts means working on developing big relationships, and that can literally take years.

Nevertheless, those big relationships will become the biggest asset a business focused on Transaction Scale Profits can have.

Typical businesses that can benefit from the Transaction Scale Profit model are: **Real State and & Property Management, Business IT Support & Services, Social Media Management, Business Accounting, Law Firms, Agriculture, Small Scale Manufacturing.**

Given that the Transaction Scale is the main driver of profit in this model, the use of a good Customer Relationship Management platform can be critical to its success.

Keeping detailed information about the long term relationships with the business clients, including all the interactions, requests, etc. is paramount to the “wow” factor that can spark a big transaction relationship.

Imagine being your clients, and realizing you remember every detail, every request, even becoming capable of predicting what they are going to ask you next.

The main idea is to make them think you can read their minds and deliver even before being asked.

To help you with this, the use of Artificial Intelligence models over the cumulative data on a well managed Customer Relationship Management platform can make wonders on detecting hidden patterns on a business’ best clients, helping it find more of those, and offering irresistible deals to the existing ones.

If the organization is in the process of changing into the Transaction Scale Profit model, a good Change Management methodology will be required to succeed, and avoid a bounce back into old habits.

Also having clear objectives (managed through the Objectives and Key Results methodology) and Agile Management frameworks can help you make it all happen.

5. Customer Solution Profit

If you are in an industry where you only need to add a few new clients every year to become profitable, the Customer Solution Profit model might be what you are looking for.

The idea behind this Profit Model is that you first spend big on understanding how a specific client works internally, by sending specialists full time into their premises.

Then, once you have mastered their processes, you can handle their business with less people because of the efficiencies developed thanks to this understanding, achieving great profitability.

You should start spending 2-3 months (or whatever is necessary according to your business), working directly within the client (on-site if possible) learning everything about them.

Using that information, tailor specifically the solutions for that business.

The initial costs will be high and revenue low, because of the on-site team to develop the custom solutions.

But once the integrations and customizations are done, the team can be reduced to one person, part-time, causing the costs to plummet.

Excellent results and service will cause positive word-of-mouth, bringing in extra business, and increasing the profitability of this model even more.

Typical businesses that can benefit from the Customer Solution Profit model are: **Dentists, Small Clinics, Pharmacies, Gym, Law Firms, Business IT**

Support & Services, Auto Repair Shops, Hospitality, and Small Scale Manufacturing.

To accumulate the knowledge acquired about the business' clients so it can be used more efficiently and potentially over similar clients in the same industry, a solid Knowledge Management System (KMS) must be in place.

This KMS can also be empowered by the use of Artificial Intelligence to find hidden patterns that might help build better solutions for the clients under study, create better profiles for new clients, etc.

Also, Agile Project Management will help to execute the research projects on a volatile and uncertain environment, while the use of proper Customer Relationship Management tools and methodologies will be key to manage the information collected about the different clients' needs, and spread it amongst the many organizational actors that will need it.

6. Multi-Component Profit

At some point you have purchased a Coca Cola from a vending machine, paying what you considered at the moment a cheap price.

Then you went to the store and paid for a case of Coca Cola at an even cheaper price.

And finally, at that fancy restaurant, you didn't blink when you paid 10 times the price for the same amount of Coca Cola you already paid at the vending machine some time ago.

What changed?

The same product can become the basis of many different businesses inside the main business.

And the profitability will change with it.

The Multi-Component Profit model exploits the fact that the same customer might purchase the same product at different price points depending entirely on the circumstances.

For example, an hotel might have different pricing for their same rooms and conference centers, depending on the dates, the amount of people, if there is some kind of convention, etc.

And the same customer might pay a different price for the same room during a vacation, or a conference.

Some business components are more profitable than others, but probably less abundant, so profitability comes from capturing the most value each circumstance can bring the product about.

Typical businesses that can benefit from the Multi-Component Profit model are: **Personal Trainers, Personal Wellness, Law Firms, Leisure, Hospitality, Food & Drink Services, Newspapers, and Retail.**

To bring this Profit Model to the Age of AI, we should use Artificial Intelligence to map Customers' intent and sentiment, to design local and regional strategies to place the product at different price points and distribution systems.

This will be key to keep those strategies updated over time in an agile way (quarterly, monthly or even weekly).

Also, the use of Enterprise Resource Planning systems (ERP) will enable a healthy supply chain, and to track the performance of the different price points.

Online delivery systems, like webinars and virtual coaching, can be key to provide knowledge based services that typically are delivered in person, in an online way, with the corresponding cost reductions and efficiencies.

7. Digital Profit

You have seen it happen during the first two decades of our 21st Century: businesses deeply committed to going from Conventional to Digital have achieved numbers that easily surpass tenfold improvements in productivity.

Amazon outpacing all of its competition first in the bookstore business and then general retail in the West, while competing with its Eastern equivalents like Alibaba.

Dell shifting around the production cycle, by allowing its customers to design their dream computers online, and only then assembling them to order, eliminating unnecessary stock and uncertainty caused by unmet sales forecasts.

Profitability comes from reduced inventory turns, improved response times on customer orders, customer interaction costs, etc.

You can fully reverse your processes, from push to pull.

In conventional businesses, you estimate demand, produce an amount of inventory, and then push your products to the market.

Whatever is left, you later sell at increasingly larger discount rates to free up cash and inventory, losing profits in the process.

But by allowing your customers to design themselves their products (like Dell) or allowing them to order online, and then supply just in time their products for delivery (like Amazon), you know exactly what to get.

No waste.

And this is not the only source of profitability: customers can also self-service themselves and amongst each others thanks to the business going digital.

By creating customer communities, experienced customers can help newcomers, greatly reducing customer support costs and raising customer satisfaction.

Also, all information can become realtime, helping decision makers to wildly increase profits.

But beware: turning a flawed conventional business design into digital will only worsen things, so a careful analysis and possibly reengineering must be executed before.

Typical businesses that can benefit from the Digital Profit model are:

Educational Services, Dentists, Healthcare Professionals, Small Clinics, eCommerce, Law Firms, Auto Repair, Plumbing, Electricians, Agriculture, Forestry, Fishing, Small Scale Manufacturing.

Almost any industry can benefit from creating "digital twins" of its physical processes: optimized versions of the physical process that instead are executed on a 100% digital way, reducing costs and time.

This transformation doesn't have to happen all at once.

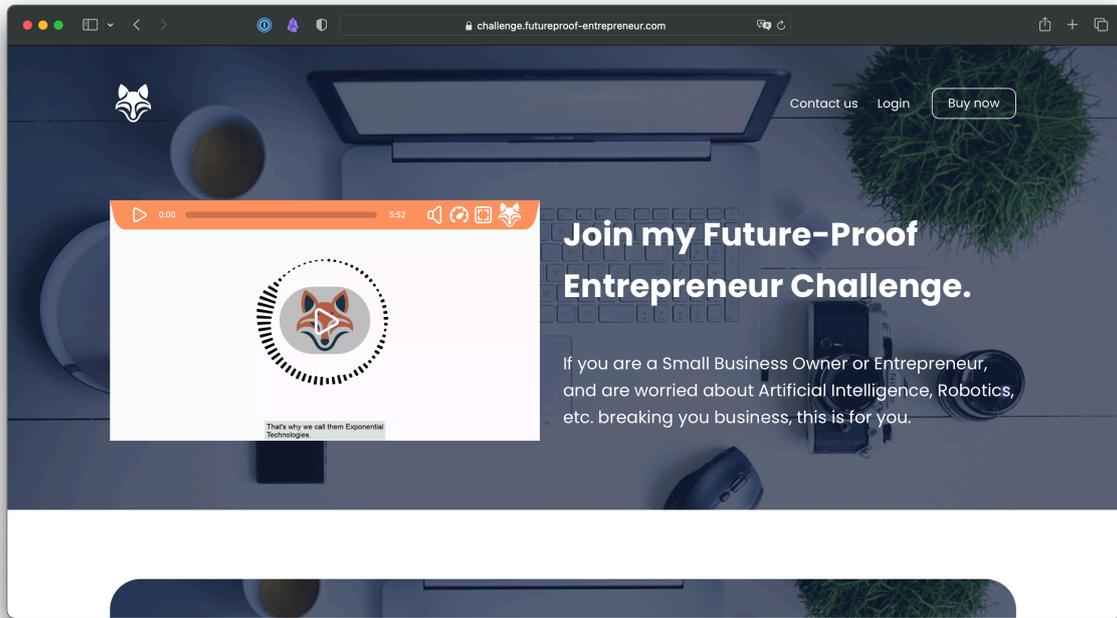
The most critical processes can be transformed first, or those where the most profitability can be achieved by digitalizing them.

Turning business processes from push to pull: instead of estimating and producing, then hoping for the inventory to be sold fast, can be replaced by customers requesting and designing themselves the product they need, using

online systems, triggering just in time production that eliminates unwanted inventory.

Marketing and sales processes can also go digital, now supported by Artificial Intelligence, social networks, blockchain logistics and even cross border use of cryptocurrencies to make payments immediate or using smart contracts to replace costly and slow escrow services provided by banks, eliminating huge third party fees.

**If you enjoyed this PDF, make
sure to enroll in my 3-day
Future-Proof Entrepreneur
Challenge, where you'll learn
about the 23 Profit Models
(and much more) so you can
apply them in your business
TODAY to succeed in the Age
of AI.**



[CLICK HERE TO ENROLL IN THE FUTURE-PROOF ENTREPRENEURS CHALLENGE](#)