



## The Number That's Lying to You

Why most founders don't know which customers are actually profitable

# "We're Profitable" Might Be the Most Dangerous Thing a Founder Can Say

Most founders know their overall profit margin but can't answer a more important question: **which customers, products, or services are actually making money?**

A founder came to us last year, confident. "We're profitable!" Revenue was strong. The P&L looked good. But when asked which type of customer was most profitable — **silence.**

That silence costs founders millions every year. Because profit isn't a single number — it's the sum of every customer, every product, every service. Some are making you money. Some are losing it.

# The Profitable Customers Were Subsidizing the Unprofitable Ones

When we dug into that founder's numbers, we found a customer segment that was actually **costing the company to service them.**

## On the Surface

Revenue growing. Overall margin seemed healthy. Everything looked fine.

## Underneath

Some customers generated strong profits while others quietly drained cash with every invoice.

## The Result

Marketing dollars attracted the wrong customers. The team spent time on accounts that would never be worth the effort.

# The Three Types of Profit Margin

Most founders track one profit number: net income. But that single figure hides more than it reveals. **Ready Founders™** track all three — *by segment*.

## Gross Margin

Revenue minus direct costs (COGS for products, direct labor/materials for services). What you keep before overhead.

## Contribution Margin

What's left after ALL variable costs per segment: direct labor, materials, commissions, segment-specific marketing, variable overhead.

## Net Margin

Your bottom line after everything: overhead, operations, administration — all of it.

# Do Service Businesses Have "Products" to Analyze?

"We're a service business. We don't have products." — **You do.** You just call them something else.

## **Agencies**

Retainer vs. project-based clients. Enterprise vs. small business. Strategy vs. creative vs. implementation.

## **Consulting Firms**

Strategy vs. implementation. Advisory retainers vs. one-time assessments. Different practice areas or specializations.

Every service business has segments that behave like products. The question is whether you've identified yours.

# How Focusing on Profitable Customers Led to a \$30M Exit

A SaaS company was struggling to grow profitably — customers across multiple industries, marketing campaigns everywhere, revenue decent but couldn't scale.

We analyzed their customer data:



## Acquisition Costs

Broken down by customer segment



## Lifetime Value

Compared across all segments



## Support Burden

Measured per segment



## Retention Rates

Tracked by customer type

**Almost all profit came from one segment.** They rebuilt marketing, redesigned the product, and stopped chasing unprofitable customers. Result: **sold for over \$30 million.**



PRICING POWER

# Why Most Founders Underprice

Most founders set prices based on **fear instead of value** — looking at competitors and worrying about losing deals.

If you're not losing some deals on price, you're probably not charging enough.

One service business was stuck at the same revenue for **three years**. Pricing hadn't changed in five years while costs and capabilities grew substantially. When they finally adjusted rates to reflect actual value:

**2x**

**Profit Growth**

Nearly doubled within a year

**0**

**New Hires Needed**

Same team, same services

# Do You Have a Profit Visibility Problem?

Ready Founders can answer these questions with confidence. **Can you?**

- 1 Which customer segments generate the most profit? The least?**
- 2 Which products or services have the highest margins? The lowest?**
- 3 What does it actually cost to serve each type of customer?**
- 4 Are your prices aligned with the value you deliver?**
- 5 If you cut 20% of your customer base, which ones would you let go?**

If you can't answer these, **you're optimizing blind.**

# 3 Steps to Start Analyzing Profit by Segment

01

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## Calculate Gross Margin for Top Offerings

Pick your top 3 revenue generators. Include direct labor, materials, tools, software, and allocated overhead. Be honest.

02

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## Rank Top Customers by Profitability

List your top 10 by revenue, then re-rank by profit. These are often different lists. High-revenue customers aren't always the most profitable.

03

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## Schedule Monthly Margin Reviews

Focus on margins, not just revenue. Revenue growth feels good. Profit growth builds wealth. Track both.

STRATEGIC CLARITY

# When to Prioritize Profit vs. Growth

## Prioritize Growth

Early-stage building market share. Expanding into new markets with proven unit economics. Investing in systems that reduce costs at scale.

## Prioritize Profit

Mature businesses with established position. Preparing for exit or acquisition. Cash flow constraints limiting growth investment.

Ready Founders make this choice **deliberately, based on data** — not whatever feels right in the moment. The worst position is not knowing which mode you're in.

# What Changes With Profit Visibility?

When you have true profit visibility, your decisions get easier and your business gets stronger.

## → **Customer Clarity**

Know which customers to invest in and which to gracefully transition out

## → **Product Focus**

Know which products to double down on and which to sunset

## → **True Value Building**

Know whether your growth is building value or just building overhead

That's what separates founders who work hard from founders who build wealth.

# Your Challenge This Month

Pick **one segment** of your business — a customer type, product line, or service offering — and calculate its **true contribution margin**.

Include everything: direct costs, overhead allocation, hidden expenses. Be ruthlessly honest. Then ask:

## If Profitable

How do I get more customers like this?

## If Not Profitable

What would need to change?

That single analysis will teach you more about your business than months of revenue reports.

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**Ready to see what your numbers are really telling you?** Book a conversation to build profit visibility in your business.

[Book a Clarity Call](#)