

The Proximity To Profit Model



The Proximity to Profit model provides businesses with an objective way of prioritising competing tasks. No organisation has enough time to do everything it wants to do. When deciding which task takes priority, it too often falls to “he who shouts loudest” or “whatever the boss wants, goes”.

With Proximity to Profit, you can prioritise tasks according to which are going to help the business most. But, unlike other models, it’s designed to be easy to use.

Let’s take a look.

When deciding between competing tasks, assess them according to how close they are to generating profit for the company. Use 4 metrics:

1. **How much** profit will the activity generate?
2. **How likely** is the activity to generate profit?
3. **How soon** will the activity generate profit?
4. **How difficult** is the activity to complete?

Does “How Difficult” Belong?

This fourth element – how difficult – has been in the model, then out, then in again. Its use is questionable because it’s really a part of the other three. If an activity is difficult, it’ll be less profitable, it’ll be less likely to generate profit and it’ll take longer to generate profit. But, despite this, we found that when we applied the model to real-life scenarios, the difficulty factor helped us distinguish between activities. So it’s in. For now.

Adding Metrics into Proximity To Profit

At its most basic level, you don't need to assign numeric values to each of these questions. When you apply the questions to competing activities, it can soon become self-evident which should take priority.

If you want to take a more scientific approach, you can assign values to the answers to each question. Our preference is for each metric to have three values with associated scores. Higher scores are better.

1. Profit: high (3), moderate (2), low (1).
2. Likely: likely (3), probable (2), remote (1).
3. Soon: short-term (3), mid-term (2), long-term (1).
4. Difficult: easy (3), challenging (2), hard (1).

Activity	How Much?	How Likely?	How Soon?	How Difficult?	Score
Activity A	High (3)	Probable (2)	Mid-Term (2)	Easy (3)	10
Activity B	Moderate (2)	Likely (3)	Long-Term (1)	Hard (1)	7

You can download a spreadsheet template from our website that incorporates this scoring system.

The beauty of this model is that it can be used to compare very different activities. Using the template, you could, for example evaluate marketing activities such as a new website against HR activities such as hiring new staff or operational activities such as buying a new machine.

You won't find this model in any other textbooks or management programs because this is a bona fides original. It's our own technique.

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