

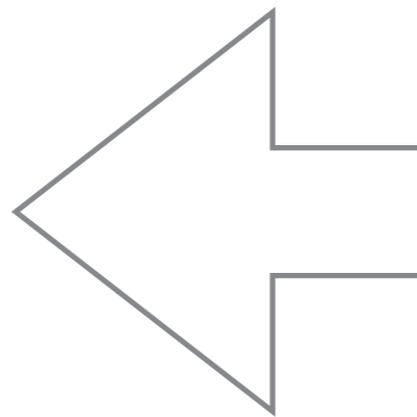
# Show me the Money

## Revenue Models

Center for  
Innovation and  
Entrepreneurship



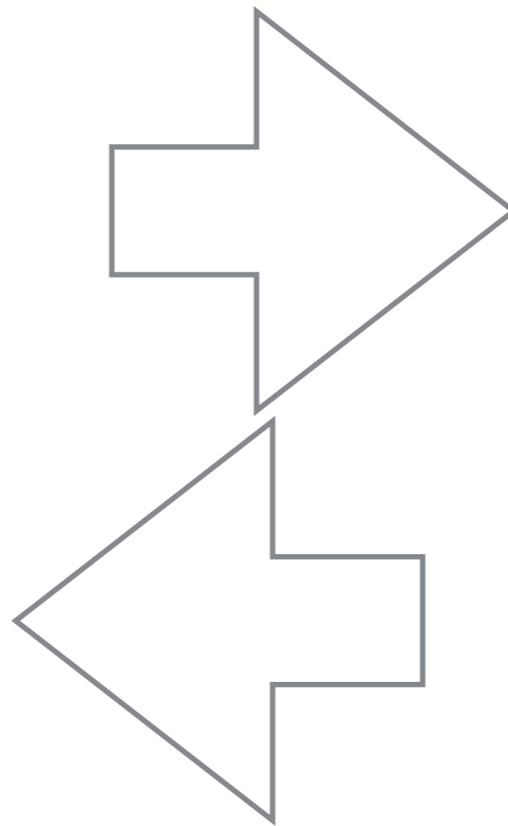
A revenue model is how a business makes money.



Revenue

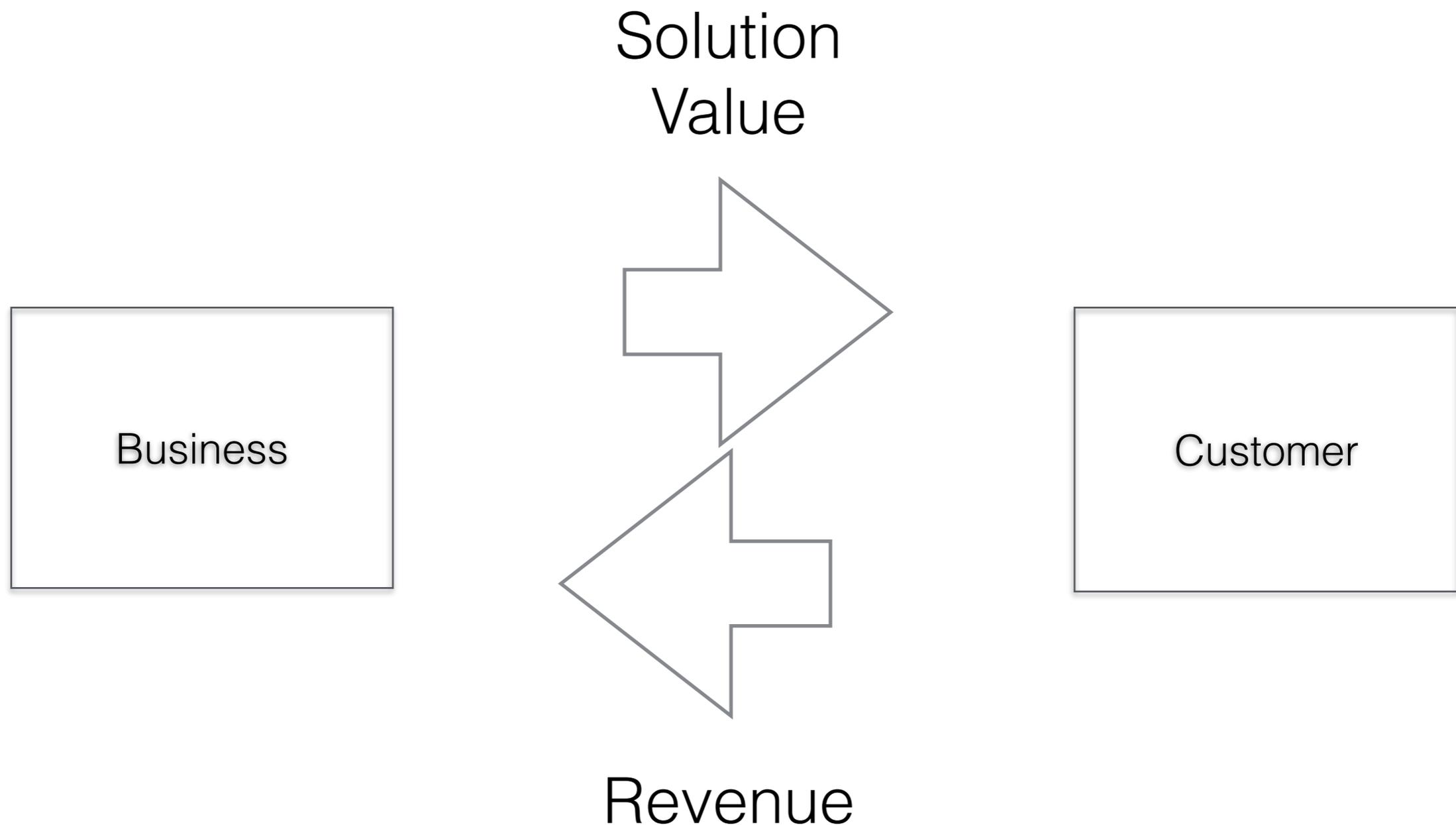
Customers pay for a solution to a problem.

Solution



Revenue

A revenue model is an exchange of value.



# There are different types of revenue.

- **Recurring revenue** - ex. Dropbox
- **Transactional revenue** - ex. American Eagle
- **Project revenue** - ex. Construction
- **Service revenue** - ex. Haircut

# There are many types of revenue models.

- Physical goods
- Digital products
- Service sold per unit
- Service sold fixed price
- License
- Auctions
- Advertisements
- Rental
- Brokerage
- Platform/marketplace
- Freemium
- Affiliate marketing
- Subscription
- Usage fees

There are key points to remember.

- Your **customer** may not be your **consumer**
- **Revenue model** does not equal **business model**
- Revenue model **impacts all areas of business**  
(brand, sales, operations, finance)
- Each model has **advantages** and **disadvantages**

# You will develop a revenue model.

- Identify target customer - **Complete**
- Determine value proposition - **Complete**
- Evaluate revenue model options
- Select revenue model
- Adapt and adjust

Revenue Model	Description	Pros	Cons	Example companies
<b>Transaction revenue</b>	One-time sale of goods or services.			
<b>Project revenue</b>	One-time project.			
<b>Recurring revenue</b>	Customer pays for access to a product or service in installments (usually monthly or yearly).			
<b>Service revenue</b>	Service provided to customer. Customer pays for time or expertise.			
<b>Freemium</b>	Offer subset of features for free. Try to convert free customers to paying customers.			
<b>Advertisements</b>	Sell adspace.			
<b>Marketplace, platform</b>	Platform or marketplace to connect buyers to producers.			

Revenue Model	Description	Pros	Cons	Example companies
<b>Transaction revenue</b>	One-time sale of goods or services.	Can have low barrier to trial.	Need to continuously generate new sales.	American Eagle
<b>Project revenue</b>	One-time project.	Can have large payouts. Can have low startup costs.	Scalability issues. May have long sales cycle. May require large upfront investment.	Construction company
<b>Recurring revenue</b>	Customer pays for access to a product or service in installments (usually monthly or yearly).	Do not have to resell customer for each revenue installment.	May require large upfront investment. May have long sales cycle.	Dropbox, Salesforce
<b>Service revenue</b>	Service provided to customer. Customer pays for time or expertise.	May not require large upfront investment.	Scalability issues.	Law firm, Supercuts
<b>Freemium</b>	Offer subset of features for free. Try to convert free customers to paying customers.	Can have low barrier to trial.	Hard to convert to paid. Hard to determine paid/unpaid.	Dropbox
<b>Advertisements</b>	Sell adspace.	Large market of potential customers. Potential secondary revenue source.	Need a lot of eyeballs to make viable. Can detract from user experience.	Google
<b>Marketplace, platform</b>	Platform or marketplace to connect buyers to producers.	May not require large upfront investment. Sometimes are winner-take-all markets.	Two sided market.	Etsy