

Choosing Revenue Streams

Coaching Questions

Can you think of 5-10 ways that this need can make you money?

- These are your potential revenue streams, but it also gives you an opportunity for growth of your revenue and margin in the long run.
- You can review all of your different ways to make money and decide which would be the easiest or most logical to start with.
- As a start-up, most businesses will start being willing to sell almost anything to get cash into the business and will have many different revenue streams. This is more common with services. In the 6 to 12 month range, the business should begin focusing and offering less revenue streams, but they will start to do these things better and getting more business in these areas. For example, a dentist straight out of school may start offering almost anything, but as their business matures they may prefer to only accept children or they may start focusing on cleanings, cavities, and teeth whitening instead of the extensive package.

Are any of them residual or based on a % of sales?

- Residual income is when money is expected to continue coming in year after year. One of the classic examples of this is life insurance, where a premium is paid every single year until the customer passes away.
- % of sales is when a business ties their earnings to a business customer's earnings. For example, PayPal gets a percentage of all sales volume that leverages its tool. If you are looking at getting venture capitalists, to sell your business, or to go public (IPO = initial public offering of shares), this is one of the better ways to structure a business.
- Do you have potential upside in your business?

Customer retention

- Almost any business can become residual business through customer service, quality products, and a focus on customer retention.
- Retention is about having customers coming back time and time again. This makes the worth of one sale minor compared to the lifetime worth of a customer.
 - For example, a customer may buy \$2 cup of coffee. When looked at it as an individual sale, this is minor. However, when looking at it as \$2 per day 200 days per year, it becomes a more significant sale at \$400. If the average person moves every 10 years, the lifetime value of one customer becomes \$4000 for a coffee shop.
- Retention is created by having an active strategy to improve customer relationships and eventually build loyalty. Using Marketing Solver, there are some marketing tools that could be used that help to build customer loyalty and retention.

Examples:

Restaurant

A restaurant usually starts with some type of food, but then they have appetizers & desserts that they try to upsell. Some restaurants don't get a liquor license until they have enough traffic for their food to justify it. Their menus also may change or become more elaborate after time for incremental revenue.

Telephone Company

Telephone companies often have a basic home phone package or a mobile package, but they add additional revenue streams like phone features, phone accessories, and internet or data plans.

Airline

An airline sells their tickets, but over time many have developed extensive menus, charges for assigned seating, business class, executive class, and up in the air stores sell all types of products.