

REVENUE MODEL

A revenue model is a framework for generating revenues. It identifies which revenue source to pursue, what value to offer, how to price the value, and who pays for the value. It is a key component of a company's business model.

AD-SUPPORTED

Provide content or services for free to one party while selling listeners, viewers, or 'eyeballs' to another party.

An advertising-supported revenue model is a business approach that emphasises the sale of advertising as a major source of revenue. ... Media businesses generally earn revenue from advertising, customer subscriptions or a combination of the two.

Google's AdSense charged sponsors to place links on users' (**free**) search results pages; the revenue supported the majority of Google's operations.

Google / Google Maps / YouTube / AirBnB Experiences
incl., Flights & Services ... / **Shazam**

BUNDLED PRICING

Sell in a single transaction two or more items that could be sold as standalone offerings.

Verizon's FiOS bundled together high speed internet, cable television, and phone and offered the three services at a single, discounted price.

DISAGGREGATED PRICING

Allow customers to buy exactly—and only—what they want.

iTunes Music Store launched after Apple secured agreements with five major records labels to sell individual songs online. This meant consumers no longer had to buy an entire album or subscribe to streaming services such as Spotify or Apple Music.

FLEXIBLE PRICING

Vary prices for an offering based on demand.

American Airlines Implemented "Super Saver" fares in 1977 that enabled variable pricing (based on demand patterns) in an effort to fill seats during less travelled times.

Uber's surge pricing model which activates during high demand (or low supply) times, incl., weather conditions. Electricity supply companies also utilise surge and low demand pricing practices.

FORCED SCARCITY

Limit the supply of offerings available, by quantity, time frame, or access, to drive up demand and/or prices.

Groupon, a bulk-buying website, chose to offer everything from yoga classes to teeth whitening to restaurant discounts—but one deal is available per day, starting promptly at midnight and ending at 11:59 p.m. or what it sells out ...which ever comes first.

INSTALLED BASE

Offer a "core" product for slim margins (or even a loss) to drive demand and loyalty; then realise profit on additional products and services.

Amazon sold its Kindle devices at low cost with profit coming from sales of online media content which could be accessed from the Kindle cloud.

Nespresso Machines (Coffee capsules), HP Printers (Ink cartridges)
Gillette Razors (Blades).

MEMBERSHIP

Charge a time-based payment to allow access to locations, offerings or services that non-members don't have.

Costco's annual membership fees provided members with access to merchandise, travel deals, and insurance, while contributing significantly to the club's profitability.

Fitness Clubs, Business Class Lounges (Priority Pass).

MICROTRANSACTIONS

Sell many items for as little as a dollar—or even only one cent—to drive impulse purchases.

Candy Crush Saga, a popular casual game, allows players who did not want to wait 30 minutes for a life to regenerate the ability to extend their play by purchasing additional lives within the game for 99 cents.

RISK SHARING

Waive standard fees or costs if certain metrics aren't achieved, but receive outside gains when they are.

Perot Systems initial model offered up-sharing for its IT outsourcing services based on achieved outcomes instead of hours or fees. The more Perot would make, however, if Perot failed to realise saving they'd fail to collect revenue.

SUBSCRIPTION (Membership)

Create predictable cash flows by charging customers upfront (a one time or recurring fee) to have access to the products or service over time.

Netflix turned the video rental industry on its head with the implementation of a subscription model (no more late fees).

**Netflix / Spotify /  Music (Napster) Amazon Prime ...
Sudden Coffee / Lynda.com / Coursera / Udemy / Vimeo /
Dollar Shave Club / Sky Sports / Priority Pass**

Categories e.g., Music, Movies, Magazines, Education,
Health & Fitness Clubs / Insurance e.g., Health, Car ...
Credit (Visa) or Charge Cards (American Express) /
Golf Clubs / Tennis Clubs ...

USER-DEFINED

Invite customers to set the price they wish to pay.

Radiohead went direct to fans when it offered its album *In Rainbows* online and allowed fans to set the price they wanted to pay for the entire album.

AUCTION

Allow a market—and its users—to set the price for goods or services.

Secondlife, an online virtual world, auctioned off parcels of virtual land for player development; the winning bidder could pay with either US dollars or Lindens (the in-world currency).

COST LEADERSHIP

Keep variable costs low and sell high volumes at low prices.

Bic created the first low-cost ballpoint pens and upended the fountain pen market by selling its low Margin product in immense quantities.

IKEA, LIDL, ...

FINANCING

Capture revenue not from direct sale of a product but from structured payment plans and after-sale interest.

GMAC provided automotive leasing and financing options to give customers the ability to lease or own a General Motors vehicle.

FLOAT

Receive payment prior to building the offering; earn interest on that money prior to delivering the goods.

Dell chose to carry no inventory and only build each computer after it was ordered and paid for, earning interest instead of carrying inventory risk.

FREEMIUM

Offer basic services for free while charging a premium for advanced or special features.

Finn.no, a Norwegian online classified company, allow users to play any ad for free while paying a premium for preferred placement—including more prominent placement on the website or cross-post their listings in other newspapers within the Schibsted Media family.

LICENCING

Grant permission to a group or individual to use your offering in a defined way for a specified payment.

Monsanto applied a yearly software licensing model to a batch of its seeds to ensure yearly revenues from growers.

FRANCHISING

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METERED USE

Allow customers to pay only for what they use.

Karma challenged the Standard mobile Wi-Fi hotspot payment model by offering low-cost increments of pay-as-you-go broadband data that only expired when used up instead of charging for recurring fixed monthly fees.

PREMIUM

Price at a higher margin than competitors, usually for a superior product, offering, experience, service, or brand.

Apple typically priced its products well above the competition—nonetheless, customers purchased Apple products for their design, ease of use, and cachet.

Apple / Audi / BMW / Porsche / Rolls Royce / Bentley ... Miele /
Officina Alessi / (HUGO) BOSS

SCALED TRANSACTIONS

maximise margins by pursuing high-volume, large-scale transactions when unit costs are relatively fixed.

Morgan Stanley's costs for managing large sums of money were marginally more than for small sums, but their profits escalated with larger transactions.

SWITCHBOARD (PLATFORM)

Connect multiple sellers with multiple buyers. The more buyers and sellers who join, the more valuable the switchboard becomes.

eBay collected fees for posting items and took a percentage of every item sold; in return it offered sellers centralised access to millions of buyers and collectors.

AirBnB, Apple AppStore (iTunes Music Store)

How do I make money?

The most common business model options used by e-businesses and online services. This list is not limited to digital revenue streams.

Free (or nearly free) for the user:

- Early exit strategy
- Pay-what-you-want (PWYW)
- Tip jar/donation
- Freemium model
- Barter or Swapping for services
- Barter or Swapping for products

Paid (direct sales business model):

- Subscription model
- Premium model
- Pay-per-use model
- Add-ons/In-app purchases
- License fees
- Single purchase model
- Pay-as-you-go model (PAYG)

Third Party options:

- Advertisement (Ad-based) model
- Affiliate/Referral fee
- Get-one-give-one model (G1G1)
- Franchise model

Broker/Matchmaking

- Commission-based model
- Auction model

Mixed business model:

- Razor and blade model
- Crowdfunding
- Open source model
- No frills model (discount or budget model)