

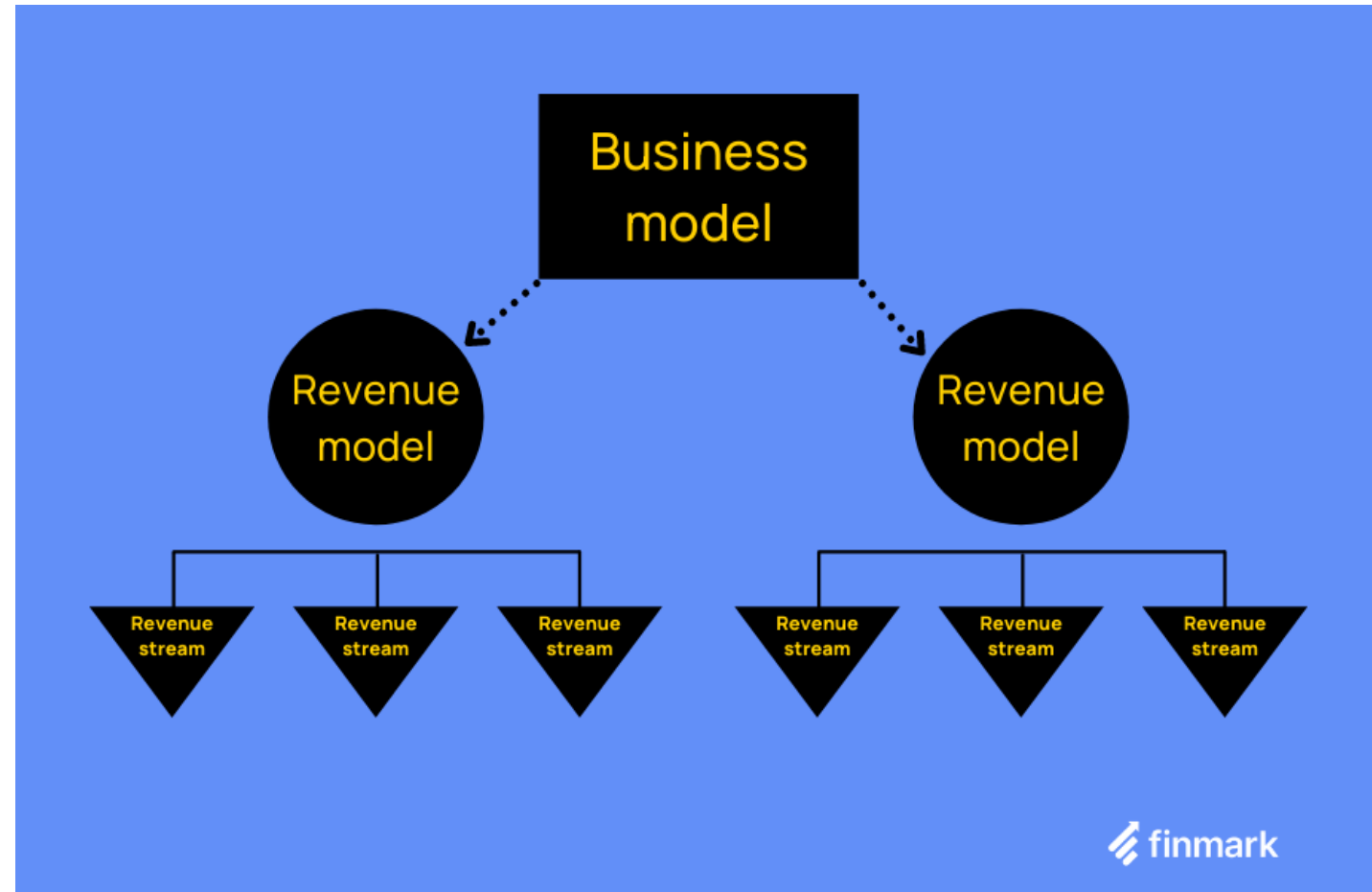
Revenue model

Diseño de productos e innovación en TI

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What is a revenue model and a revenue stream?

- A revenue model is how a company makes money
- A revenue stream is where your money comes from
- Lets review 6 types of models



1. Subscription revenue model

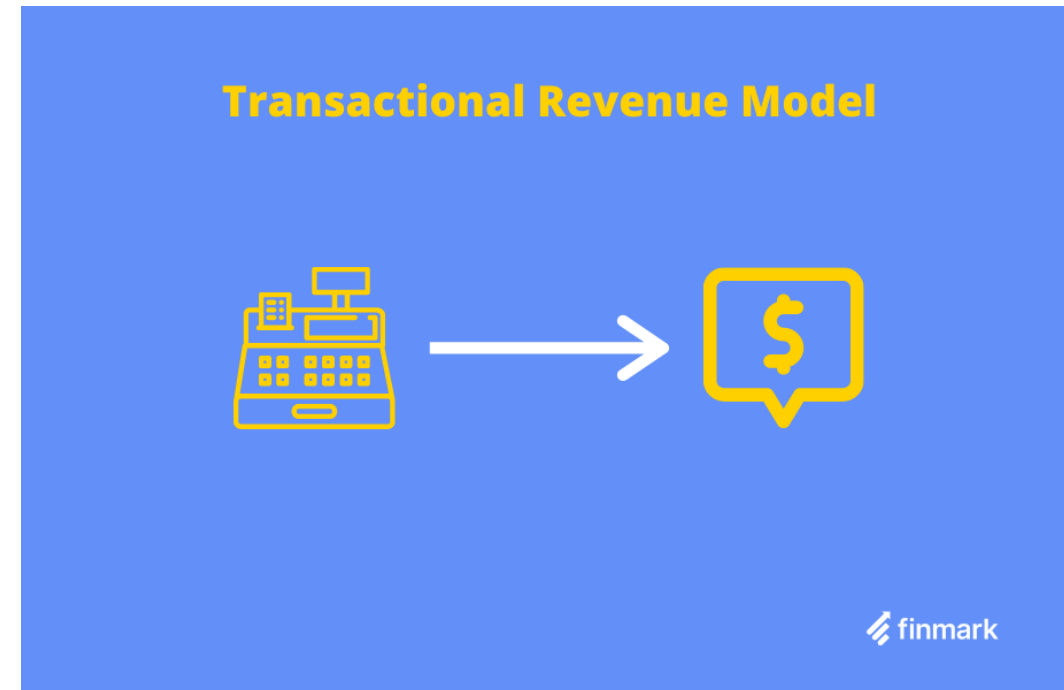
- You make money from recurring subscriptions (monthly, quarterly, annually, you name it)
- **Pros:** predictable, consistent revenue, scalable, flexible and easier cross-selling.
- **Cons:** customer retention a key activity, a lot of competition, harder break even achievement.
- Netflix, Spotify, Rappi Prime, etc.

Subscription Revenue Model



2. Transactional revenue model

- You make money from selling single or multiple products
- **Pros:** simple sales process, exploit acquisition channels, wide variety
- **Cons:** dealing with inventory, difficult to scale, unpredictable monthly revenue
- Target, Apple, Tesla



3. Service-based revenue model

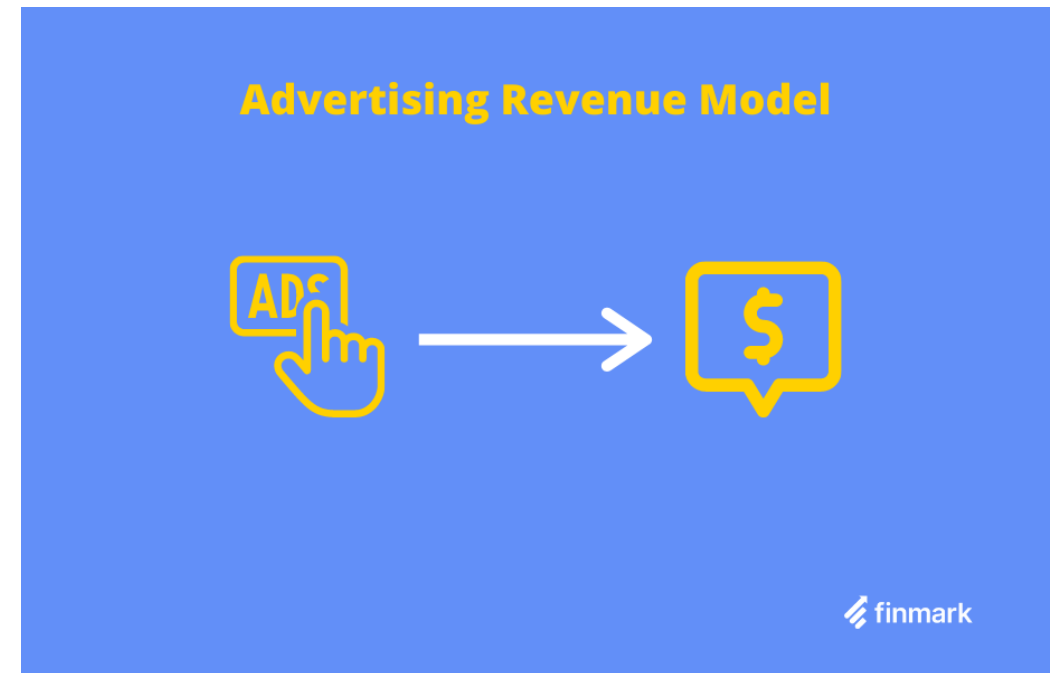
- You make money by selling your time, expertise and/or labor for a set amount
- **Pros:** low costs, high profit margins, easy to start
- **Cons:** it can be tricky to scale, very hands-on
- Globant, consulting firms, law firms

Service-Based Revenue Model



4. Advertising revenue model

- You make money by selling ad space to interested parties.
- **Pros:** more demand of audience, more revenue you earn and advertisement is always needed for almost every company.
- **Cons:** building a targeted audience, long term success depends on the quality of your audience.
- Spotify, YouTube, Google, Facebook



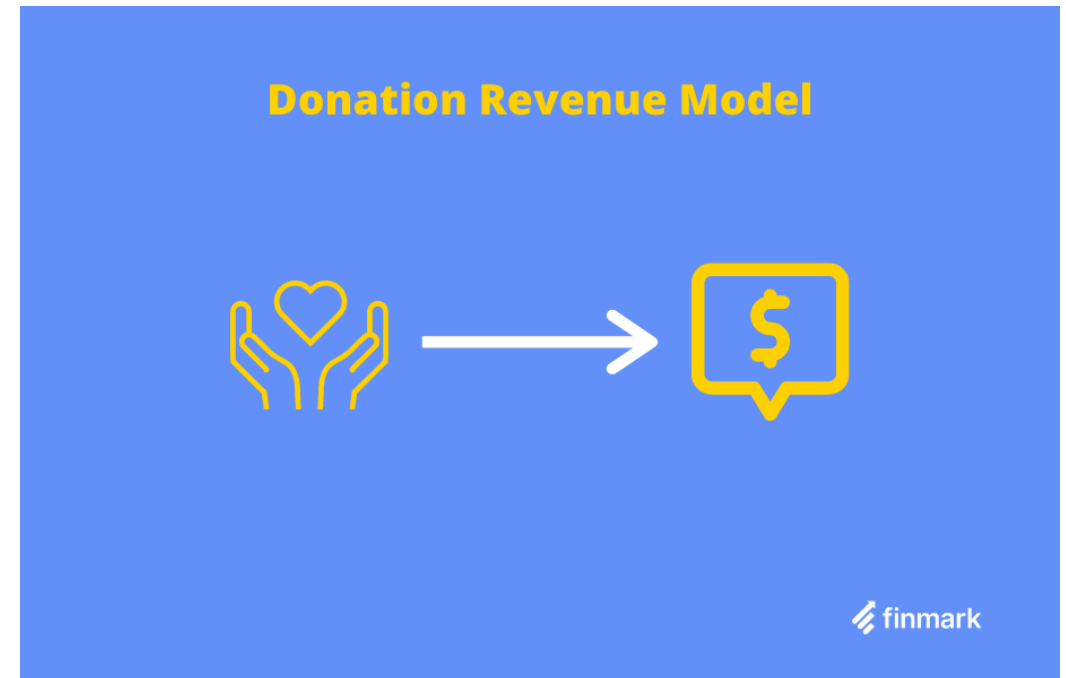
5. Commission revenue model

- You make money by recommending products and services and getting paid a commission.
- **Pros:** no inventory or sell products, might become a passive income.
- **Cons:** requires an audience and good negotiations
- Airbnb, Upwork, Mercadolibre



6. Commision revenue model

- You make money from donations.
- **Pros:** free Access to product/services makes it easier to attract people
- **Cons:** asking for money, depends on people's generosity
- Wikipedia, Twitch, NGO



Other revenue model examples

- **Interest revenue model:** you make money by charging interest to lend money (Rappi Card, A2censo)
- **Renting/leasing revenue model:** you make money by renting out the use of your property for a specific period of time (Holiday Inn and Hertz)
- **Licensing revenue model:** you make money by granting someone the rights of your intellectual property for a specified period of time and use case (Disney and Hasbro)
- **Razor and Blades revenue model:** lock-in, main product is relatively cheap but complementary goods are significantly more expensive (Vuse, Printers)

More on apps and web platforms

- **In-app purchase:** free app that allow users to unlock features, buy virtual goods and purchase additional content (games, fitness)
- **Freemium:** free basic app but a monthly fee to access complementary features (Calm, Spotify)