Software Economics

Revenue Streams
Revenue Streams

Describes the cash that the company generates from its business model.
Profit = Revenues – Costs

Revenue Model
Profit

Sales/Revenues

Units/Quantity Sold

Total Costs

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Structure of Profit

Profit

Revenues
- New Markets
- Better Customer Service
- New Products
- What else? Examples?

Costs
- Better IT support
- Higher Efficiency
- What else? Examples?
Asset Sale

- Perhaps most common revenue stream we encounter in our daily life.

- Selling ownership rights of a physical product
  - Books
  - Food
  - Cars
  - Electronics
Types of Revenue Streams?

Usage Fee

- Based on how much a customer uses a service or product.

- Examples
  - Phone calls (pay per minute)
  - Hotels (pay per night)
  - DHL (pay per package sent)
Types of Revenue Streams?

Subscription Fee

- Based on selling ongoing or continuous access to a service.

- Examples
  - Membership (MyFitness)
  - Online Games (World of Warcraft)
  - Spotify (monthly fee)
Types of Revenue Streams?

Renting/Licensing Fee

- Based on temporary (time based) access or right to use a particular product or service for a fee.

- Examples
  - Hertz (day) or Zipcar.com / Elmo.ee (hour or usage)
  - Chegg.com
Types of Revenue Streams?

Licensing Fee

- Based on granting access to customers to some intellectual property in exchange for a fee.

- Examples
  - Patents such as bluetooth
  - Movies (regional licenses)
Types of Revenue Streams?

Brokerage (Intermediary) Fee

- Based on a cut with each successful transaction between two parties that use a service.

- Examples
  - MasterCard or Visa (a percentage of each sale)
  - Real Estate brokers
  - Online Trading Solutions
Types of Revenue Streams?

Advertising Fee

- Based on fees in exchange for advertising a particular product, service or brand.

- Examples
  - Media (TV, Radio, Newspapers)
  - Social Media (Facebook)
  - Webpages (Wordpress, Google)
Exercise

How is your company getting paid for their value proposition?

What is their type(s) of revenue stream?

Does the customer have a choice, if what are they?

About 15 min.