

Thought Leaders
BUSINESS LAB

EPISODE 250

6 Revenue Models

WITH SAMANTHA RILEY & TIM HYDE

SAMANTHARILEY.GLOBAL

S | R
SAMANTHA
RILEY



Importance of using different revenue models for your business

- ▽ A business needs money to be able to run.
- ▽ Some business owners get stuck using just one payment scheme and not think of other ways that may be more appropriate to their businesses.
- ▽ Using different revenue models equals different ways that money can come in.

Model #1 Payment upfront

- ▽ Best for a one-off service/delivery like an online course, session, keynote, or implementation for a new CRM program.
- ▽ Pros
 - Collect the money right away
- ▽ Cons
 - Unpredictable
 - Not everyone can afford high-ticket prices
- ▽ Tip
 - If you have a high-ticket price, offer your payment plan before presenting the full price.

Model #2 Continuity/Membership

- ▽ Monthly recurring payments like Netflix.
- ▽ Pros
 - Steady MRR (monthly recurring revenue)
 - Easier to plan and understand profit-loss statistics
- ▽ Cons
 - Potential for high churn rate and loss of money
- ▽ Tip
 - Use this model carefully if your business is forward stacked (upfront delivery).
 - Charge a high initial or set-up fee then lower the amount for the next payments.



Model #3 Milestone payments

Payments are made for agreed-upon milestones with a final payment given once the whole project is complete. Best for project-based deliverables with defined outcomes like building a house.

Tip

— Don't use this model for a nebulous deliverable where the client can draw out the last milestone so the payment is delayed.

— If you use this model, make sure that you're very clear about the milestones and a written contract that has dates for the milestones.

— Include your hard costs in the payment for the first milestone.

Model #4 Payment in arrears

Many new coaches and consultants and tradies use this model. They get full payment only after all the work is done.

Pros

— Fewer risks for the client, which makes it easier to make a sale

Cons

— The provider covers the delivery costs upfront

Model #5 Affiliate commissions/Partner payments

Payment for promoting someone else's products or services.

Pros

— Get a percentage from someone else's revenue

Cons

— Payment depends on when the partner will pay

Tip

— Promoting different products that launch at the same time needs a good plan

— Unless you want to dedicate yourself to one product, don't use this model as the main source of revenue



Model #6 Revenue share

Best for businesses that provide benefits to other businesses but can't be tied to a transactional basis. For example, leadership, marketing, sales or business coaches who run campaigns for businesses and get a percentage for their service.

Pros

- Potential for unlimited revenue

Cons

- Delayed results
- Trust
- Negative results if you can't influence the entire process

Combine the models

Don't be afraid to combine the models to make them work for you. For example, combine payment upfront with continuity models.

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