

Revenue Streams and Cost Structure

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Student Updates

In 60 seconds, tell us:

- How many people you talked to since last class?
- Have you changed your Business Model Canvas?
- What do you plan to do before our next class?



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Questions?



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Revenue Streams and Cost Structure


The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		



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**I am not an accountant or tax attorney.
This is not legal or tax advice. Please
contact a local professional for advice
beyond what is presented here.**

Revenues and Costs

Remember...

- **Revenue Streams** = money **in**
- **Cost Structure** = money **out**

- **Gross Profit** = money **in**
- **Net Profit** = money **in** – money **out**

Revenues and Costs

- Your revenue streams and cost structure should change over the lifetime of your business.
- In theory, both of them will increase in size, with revenue streams increasing in size faster than costs.

Revenue Streams and Pricing

- Revenue Streams can be **direct** or **ancillary**.
- Pricing can be **static** or **dynamic**.

Direct Revenue Streams

- Asset Sale
- Usage Fee
- Subscription
- License
- Rental or Leasing
- Advertising
- Upsell/Next Sell/Cross Sell
- Administrative Fees

Ancillary Revenue Streams

- Referrals
- Affiliate
- Customer Lists/Customer Data

Static Pricing

- Standard: Cost Plus Markup
- Price tiers based on volume
- Price tiers or packages based on value to consumer
- Price tiers to be competitive with other businesses

Dynamic Pricing

- Negotiation – haggling
- Auctions
- Yield-based – supply versus demand
- Real-time markets – stocks, commodities



Activity

- Find a partner and discuss:
 1. Your revenue streams
 2. Your pricing model
 3. How you think these may change over the lifetime of your business

[5 minutes]

Cash Delay

- When you work with suppliers or contractors, **pay attention to the payment terms**
- Standard: “**Net 30**” – payment **due within 30 days**
- Some large companies and organizations use “Net 60” or “Net 90” – you may not see payment from them for 2 or 3 months.

Cost Structure

Some costs can be controlled or budgeted:

- Rent
- Utilities
- Licensing Fees
- Cost of goods (depending on market)
- Cost of labor
- Technology
- Insurance and taxes

Runway

- This has nothing to do with airplanes.
- How much money does your business have left before you have to shut down/declare bankruptcy?
- Startups usually raise money based on the months of runway they need before they can turn a profit. Some startups require multiple fundraising rounds to lengthen the runway.



Activity

- Find a partner and discuss:
 1. Your cost structure – what are you spending money on in order to make money?
 2. Do you know how much runway your business currently has?

[5 minutes]

To wrap up...

- These two boxes are a place where you can list your revenue streams and your costs.
- They are not meant to function as an accounting tool.
- Accounting goes beyond the scope of this course.
Consult a professional if you have questions in this area.



Homework

- Continue customer discovery interviews
- Begin to fill out Revenue Streams and Cost Structure boxes on BMC
- Be prepared to give update on customer discovery and your learnings