

Building a revenue model

Part 2 - The revenue source checklist

Content created and delivered by Dalberg

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Support to build a revenue model

This unit is part of three different resources to help CLs develop ideas on how to generate income:



1. Learning unit: Introduction to revenue models

Activity | Worksheet
What are potential revenue sources for your organization?

Work here!

1. Ideate on the kinds of revenues you could generate. Write down all the potential revenue sources that come to mind
2. Filter out sources that are not aligned with the purpose and values of your community/organization (ask yourself the questions: community values presented on slide 22)
3. Prioritize the revenue sources (should be more than one) that will best suit your organization.

- Presents examples and and key considerations to **trigger thinking on revenue sources**

2. Learning unit: The revenue source checklist

Activity | Worksheet
Apply the checklist to one of your revenue sources

Work here!

Earned revenue source	Target customers	Infrastructure
	Needs	Key activities
	Interest in solution	Key partners
	Willingness and ability to pay	Key resources
Main costs categories	Pricing model	

FCLP Learning unit 4 | Revenue models part 2

- Provides a tool to **better understand and prioritize earned revenue sources** (does not apply to donations)

3. Ad hoc mentorship

- Offers the opportunity to have tailored discussions with mentors to **deep-dive into specific questions and challenges**

Revenue source checklist

A tool to understand the feasibility of a revenue source for an organization.

Earned revenue source <i>(describe the revenue source idea)</i>	Target customers <i>Needs</i>	Infrastructures <i>Key activities</i>
	<i>Willingness and ability to pay</i>	<i>Key partners</i>
	<i>Maturity</i>	<i>Key resources</i>
Main costs categories <i>Fixed</i>	Pricing model <i>Cost and value</i>	
<i>Variable</i>	<i>Competitor prices</i>	

The revenue source checklist is a tool that allows CLs to:

- Define one earned **revenue source**
- Identify **target customers**
- Highlight **cost categories**
- Establish **pricing model**
- Identify necessary **infrastructure**

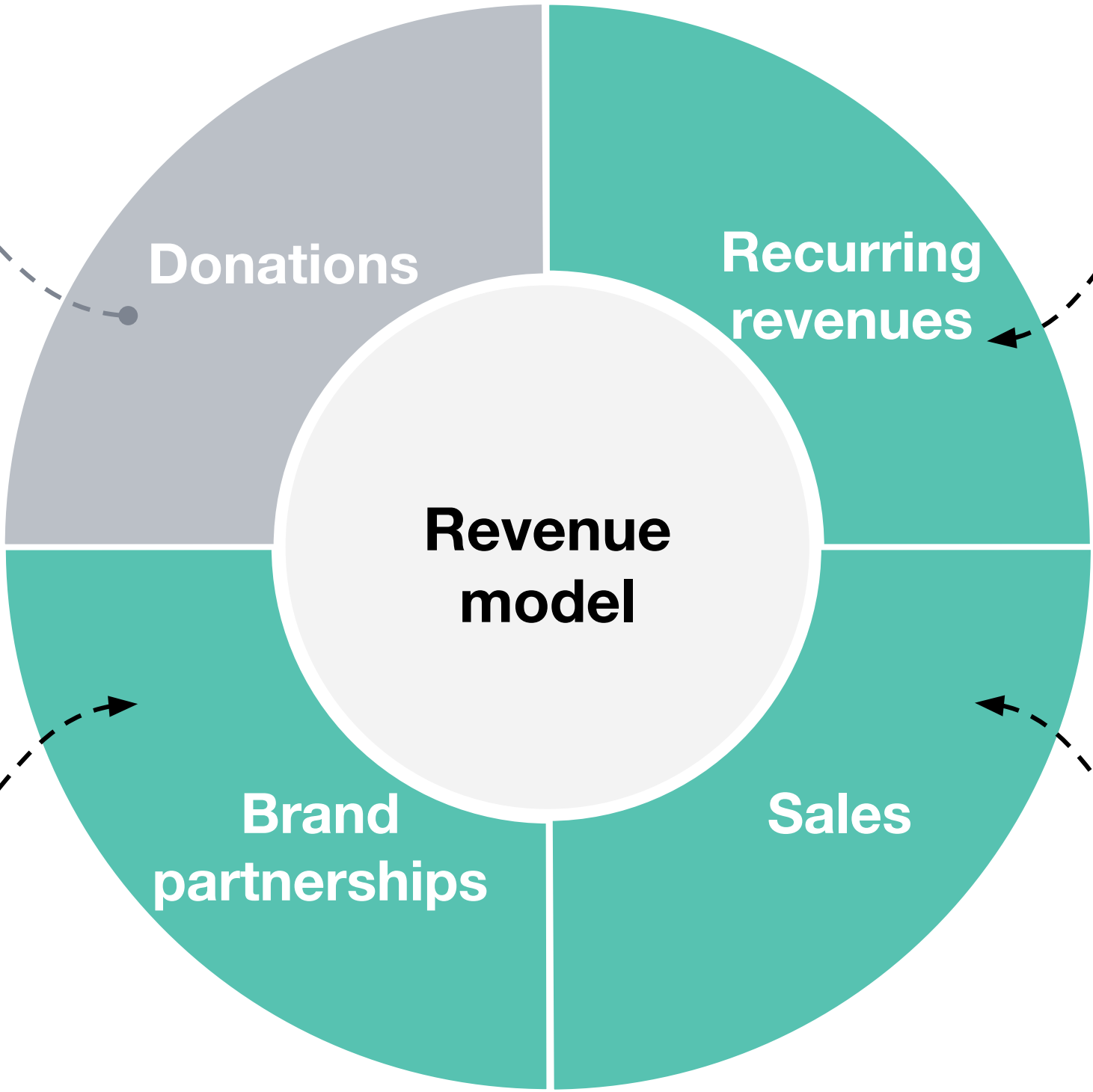


Note: This tool helps to test if a revenue source is potentially feasible. It should be used for each revenue source under consideration.

Revenue source checklist

The revenue source checklist applies to earned revenue sources only. It has to be applied to each revenue source idea, and it should **NOT** be used for multiple revenue sources at the same time.

For donations, refer to the fundraising learning units. This unit only refers to earned revenue sources



Earned revenue source <small>(describe the revenue source idea)</small>	Target customers Needs	Activities and partners Key activities
	Interest in solution	Key partners
	Willingness and ability to pay	Key channels
Main costs categories		Pricing model

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Earned revenue source

An earned revenue source represents a **single form of income for an organization**, that involves being paid in exchange for something that is offered.

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Examples of earned revenue sources:



Recurring revenues
Memberships, licenses, royalties.



Sales
Sales from products, services, and events.



Brand partnerships
Content promotion, event sponsorships.



Note: For a more detailed overview of different revenue sources, refer to the previous learning unit, called ***Revenue models - part 1. Introduction to revenue models.***

Revenue source

Important questions to keep in mind when completing the revenue source checklist:

- Are there aspects of the community that can be monetized? What is unique about these things? Do they also address needs of people outside of the community?
- What is the best type of revenue source in this context? What are the advantages and disadvantages of this revenue sources?
- Is the revenue source aligned with the community's values and purpose?

Target customers

Target customers are a group of people (not necessarily community members) **that share common needs, behaviors and other attributes.**

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Target customer groups can be based on:

- Needs
- Willingness to pay
- Ability to pay
- Maturity

Target customers

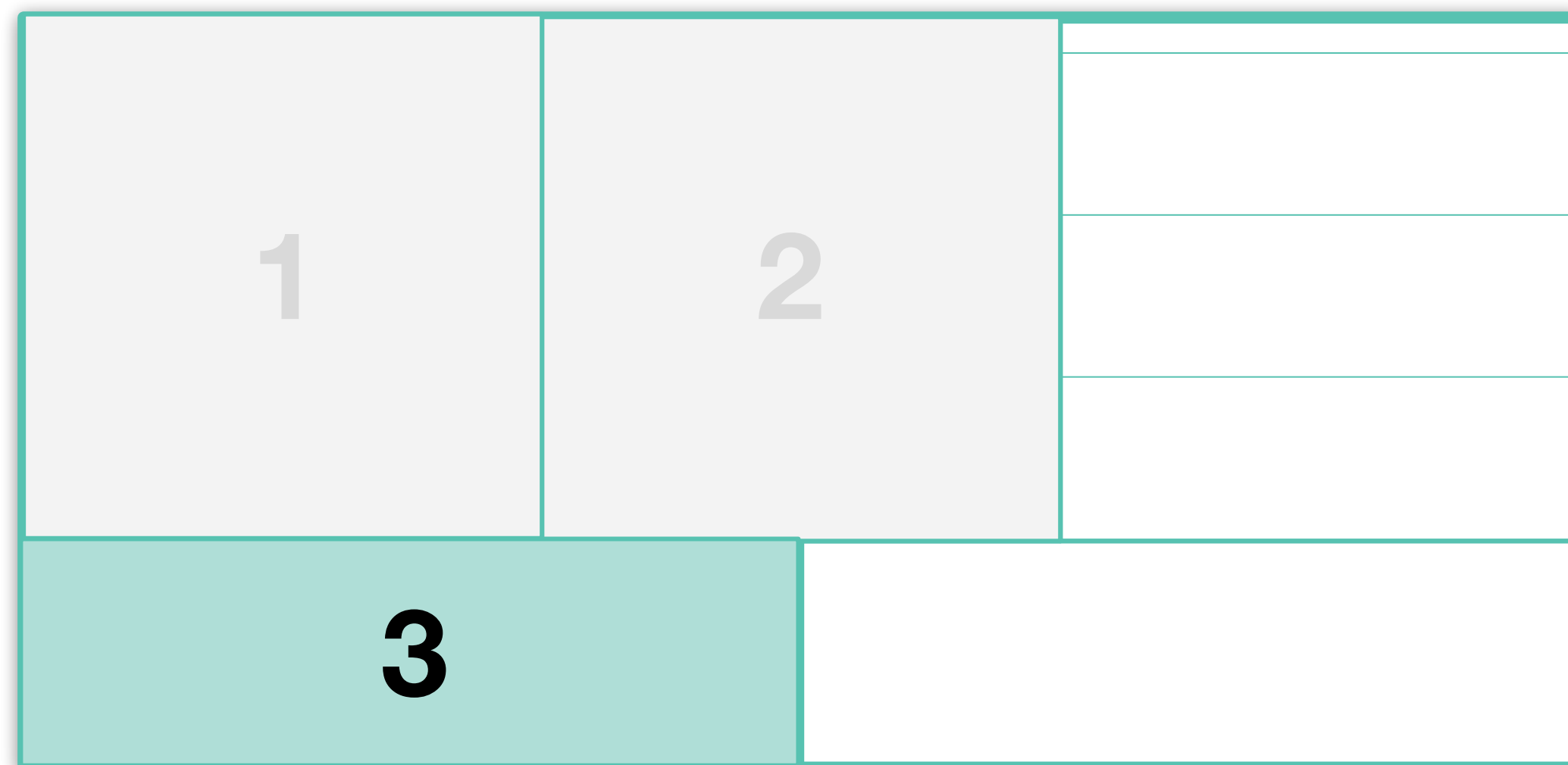
Important questions to keep in mind when completing the revenue source checklist:

- Who can use the product, service, membership, or partnership being envisioned? Is it the whole community, or just a sub-group? Are there potential customers outside the community?
- How can a CL group community members and external customers? Which characteristics are unique to the different groups? How do the expectations of each group differ?
- How did the customers address the need before and why is the CL's offering different?

Cost categories

Costs are the necessary expenditures that one incurs to run activities.

Each revenue source will have its own costs, that need to be carefully understood when developing a revenue source.



Main cost categories:

Fixed costs: Same every month, regardless of the level of activity. Examples are:

- *Administration costs*
- *Full-time employee salaries*
- *Rent*

Variable costs: Vary every month, depending on level of activity. Examples are:

- *Raw material to produce a good*
- *Organization of an off-line event*
- *Hourly fees for external support*

Main cost categories

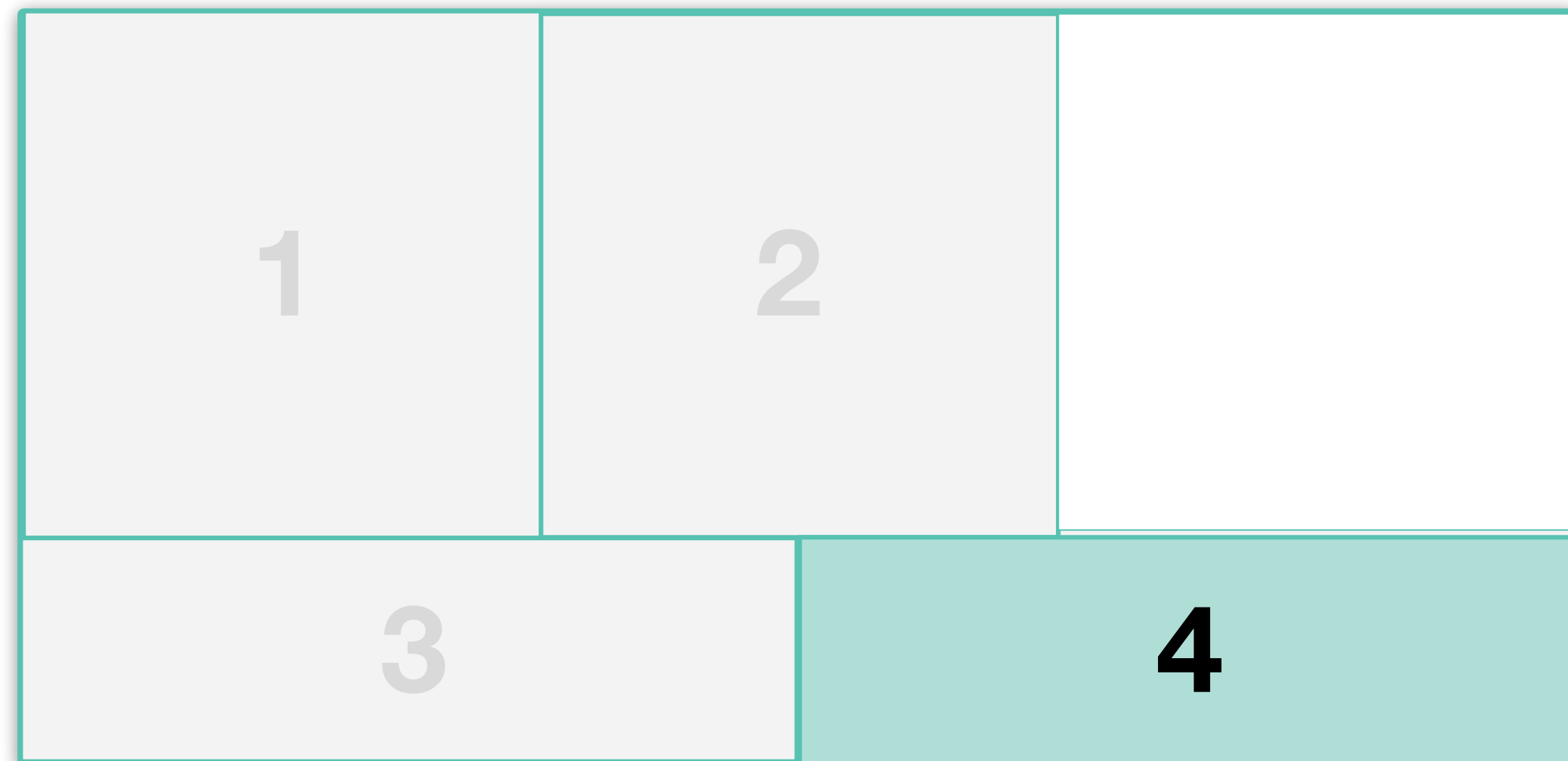
Important questions to keep in mind when completing the revenue source checklist:

- What are the main cost components of the product, service, membership, or partnership that a CL wants to develop?
- What are the main fixed costs? Variable costs?
- If a CL needs additional resources, where could those be found and how much would these cost?
- Is there an opportunity to take advantage of lower costs due to higher volumes? (Economies of scale)
- Is it possible to quantify each cost component?

Pricing model

A pricing model is the way to assign a price to an offering.

The price should at least be enough to cover the cost of the revenue source, plus contribute to the general costs needed to run the community.



How to understand what price to apply

- Analyze costs
- Research competitors
- Understand customers willingness to pay

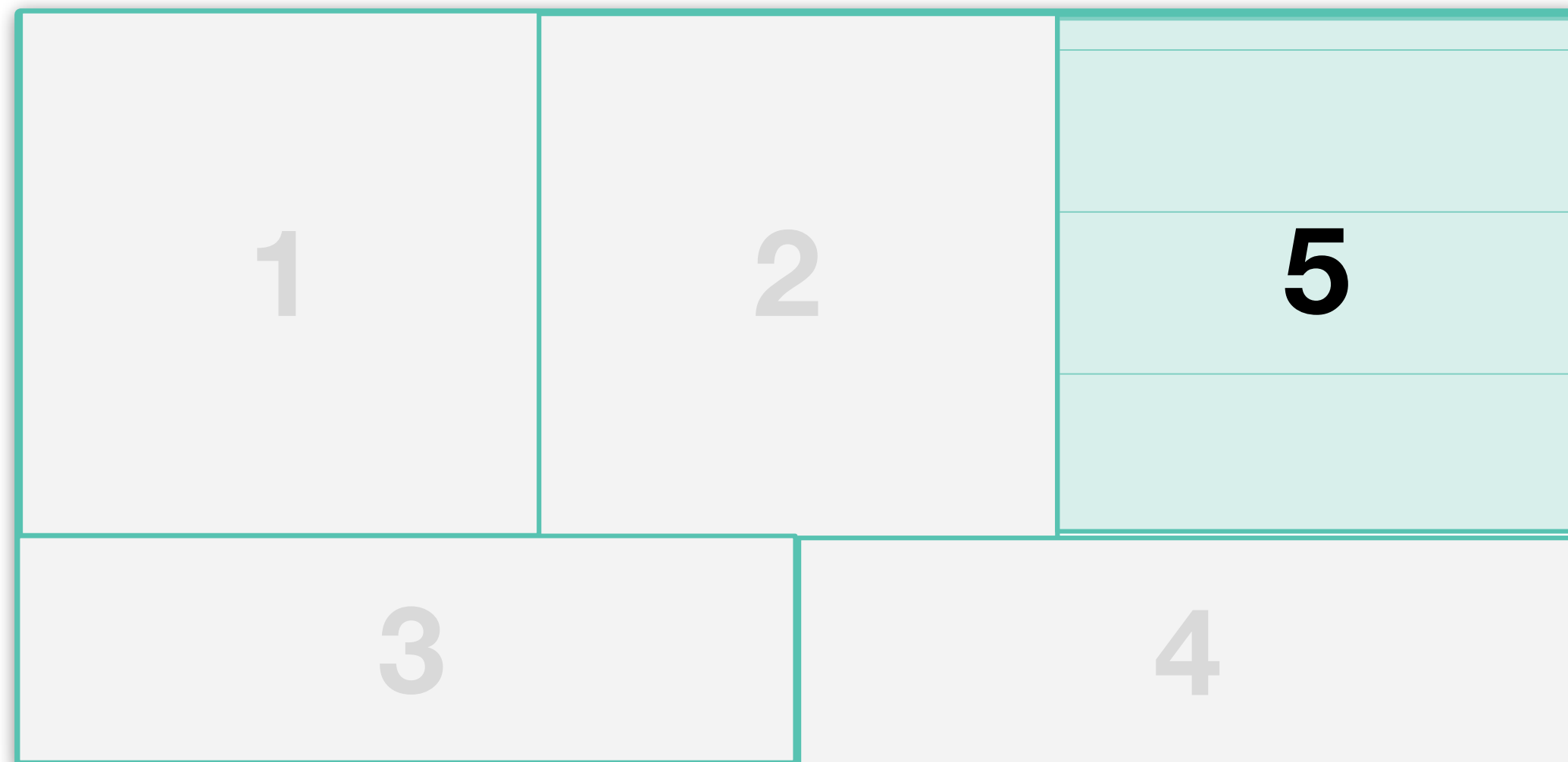
Pricing model

Important questions to keep in mind when completing the revenue source checklist:

- How much does it cost to develop the activity, product, or service? What would be a reasonable profit margin, if any (difference between what you earn and what you spend to produce)?
- Are there a lot of other companies offering something similar? What prices are they applying?
- Can different prices be applied for different customers groups?
- Is the offering unique and innovative to the extent that it can be priced regardless of competition and production costs?
- How can the value of a CL and her/his team's time be calculated?

Infrastructure

The infrastructure includes the set of activities, key partners, and resources required to implement the revenue source successfully.



Additional infrastructure considerations

There are a range of activities that may be necessary to realize a revenue source:

- Research and development
- Design
- Distribution and sales
- Promotion
- After sales support

The activities will influence the **resources and partners** needed to implement them.

Infrastructure

Important questions to keep in mind when completing the revenue source checklist:

- What are the most important activities required to implement the revenue source?
- Does the community have the skills and competences in-house to complete all the activities?
- Which activities contribute the most to the community? Which should be prioritized?
- Is it worth doing all the activities in-house, or can some activities be outsourced to experts?
- Is the core of the activity online or offline?
- To which partners could non-core activities be outsourced?

How to use the revenue source checklist

Once the revenue source checklist is complete, it can be used to:



1. Prioritize

- Understand the feasibility of revenue sources:**
 - How easy is it to implement each source?
- Compare the potential of different revenue sources:**
 - which source could generate most revenue?

2. Select

- Select the most promising revenue sources:**
 - Are all the parts of the checklist aligned with community values?

3. Implement

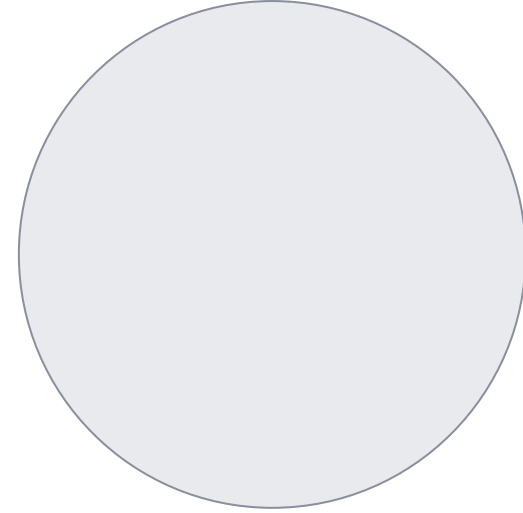
- Identify areas of focus:**
 - What parts of the checklist require most work to implement?
- Understand how to differentiate from competitors:**
 - What does the checklist of potential competitors look like?
- Monitor progress:**
 - What parts of the checklist are on track with the implementation plan?



**Let's see some practical
application of the tool...**



CASE STUDY



Run2gether

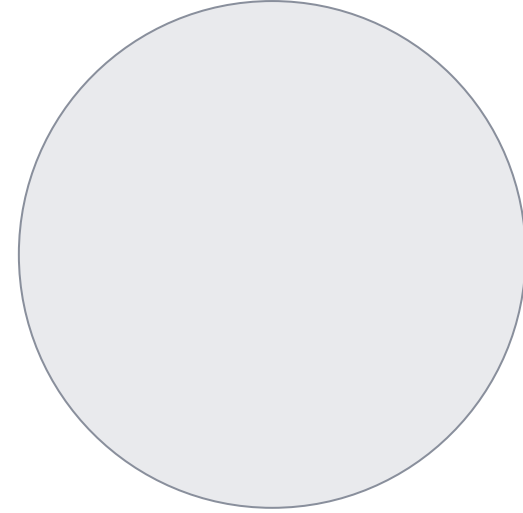
Chatchai | Thailand

Description

Version for translation. Will be substituted by a picture of the CL

<p>Earned revenue source</p> <p>Revenues earned from brand partnerships</p> <ul style="list-style-type: none"> - with Axa Insurance - employees are given a priority to participate at events. Looking to expand beyond, with a gold, silver and bronze sponsorship package <p>Understanding the value proposition: We asked ourselves some key questions, such as:</p> <ul style="list-style-type: none"> - Who would find my communities value proposition valuable? - Would they be willing to pay for the value? 	<p>Target customers</p> <p><i>Needs</i></p> <ul style="list-style-type: none"> - Marketing - Brand visibility - HR - Employee engagement - CSR - Impact <p><i>Willingness and ability to pay</i></p> <ul style="list-style-type: none"> - The highest budget comes from marketing, but at this point the money is from the HR department. For marketing, they would have to partner with more media sources, and get paid for exposure with official media partners. <p><i>Maturity</i></p> <ul style="list-style-type: none"> - Long term relationship with Axa 	<p>Infrastructure</p> <p><i>Key activities</i></p> <ul style="list-style-type: none"> - Design, printing (outsourced) <p><i>Key partners</i></p> <ul style="list-style-type: none"> - Get international runners to join the event - Give senior management major roles to play in the event (cutting the ribbon, prizes) - Partner with other foundations, schools, universities, people with disabilities. <p><i>Key resources</i></p> <ul style="list-style-type: none"> - Staff for design, operations, PM for Axa relationship
<p>Main costs categories</p> <ul style="list-style-type: none"> - Fixed costs: Employees - Variable costs: Event organizer (outsourced), Drinks, T shirts and other merchandise, Posters, banners, artworks to promote online and offline - Venue, stage 	<p>Pricing model</p> <ul style="list-style-type: none"> - In some years, Axa sets a budget for them. Otherwise, they come up with a proposal. They set up a list of activities that they will do, and the costs they will pay, + 30% as an operational cost. 	

CASE STUDY



WomenWork

Asha | Kenya

Description

Version for translation. Will be substituted by a picture of the CL

<p>Earned revenue source</p> <p>Revenue source: paid events</p> <ul style="list-style-type: none"> - These are part of the programmatic support we offer to our community - We have run almost 30 by now, with attendance varying from 35 to 100 people <p>Understanding the value proposition:</p> <ul style="list-style-type: none"> - Our members value high-quality content, that we provide through high-profile speakers - We are extremely attentive to quality and detail in all aspects of our events 	<p>Target customers</p> <p>Needs</p> <ul style="list-style-type: none"> - We run polls in our community to ask what topics our members would like more trainings and content <p>Willingness and ability to pay</p> <ul style="list-style-type: none"> - We are able to bring top-notch expertise at a very low costs, and our members know the overall experience is high quality <p>Maturity</p> <ul style="list-style-type: none"> - Long-time members seek mentorship, skills- and network-building; newer members seek skills-building and community-building 	<p>Infrastructure</p> <p>Key activities</p> <ul style="list-style-type: none"> - Identify relevant content topics - Find top-notch speakers for the events - Find the right venues <p>Key partners</p> <ul style="list-style-type: none"> - Venues for events - We now partner with a restaurant that gives us the space for free <p>Key resources</p> <ul style="list-style-type: none"> - Input from community members - Our network to find speakers
<p>Main costs categories</p> <ul style="list-style-type: none"> - We can keep event costs low because the speakers come for free. - The venue also is free. Since it is a restaurant, we bring in a lot of potential customers, that in turn buy food. So it is a win-win - There are additional costs such as photographers and gifts for speakers. We can easily control these 	<p>Pricing model</p> <ul style="list-style-type: none"> - Between 5/10 USD per event. For now, we are doing cost-based pricing. Upfront, we divide the event costs per number of people attending, and that is our price. We reached break even for all events - We are now exploring new pricing models, such as tiered memberships 	



Now, take one idea for a revenue source that you have, and apply the checklist...

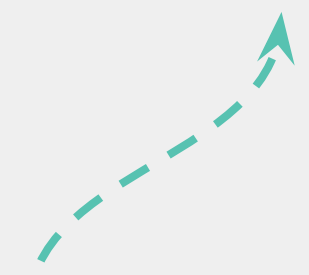


Note | The Learning Unit “*Revenue models - part 1. Introduction to revenue models*” helps you identify ideas for potential revenue sources for your community

Activity | Worksheet

Apply the checklist to one revenue source:

Work here!



Earned revenue source	Target customers	Infrastructure
	Needs	Key activities
	Willingness and ability to pay	Key partners
	Maturity	Key resources
Main costs categories	Pricing model	
Fixed	Cost and value	
Variable	Competitor prices	

Tips



- 1 Apply the checklist to each revenue source you want to develop or refine.
- 2 Refer to the activity in the *Revenue models - part 1. Introduction to revenue models* learning unit to get ideas for revenue sources.
- 3 Don't forget to ask yourself if the revenue source is in line with your community's values and purpose.
- 4 There is nothing wrong in looking to develop a revenue model to sustain your own personal involvement, and the day-to-day functions of the community.

Q&A

**Please share
your questions!**

Thank you!