

Webinar: Potential Revenue Models

November 18, 2024

STEPMARK

Overview of Revenue Models

1

License-based

2

SaaS Subscription

3

Usage-based

4

Performance-based

5

Revenue Share

Description

- One-time payment for perpetual software use
- User gains ownership and full control

- Recurring fees for online software access
- Always updated; vendor manages maintenance

- Revenue based on actual software usage
- Costs can fluctuate based on user activity

- Payment tied to achieving specific outcomes
- Vendor earns only when goals are met

- Split revenue generated by the software
- Encourages mutual growth and partnership

Benefits

- ✓ Immediate cash and revenue recognition from upfront sales
- ✓ User gains ownership and control

- ✓ Predictable, recurring revenue stability
- ✓ Strengthens long-term customer relationships

- ✓ Revenue scales with customer usage
- ✓ Aligns costs with usage levels

- ✓ Potential for higher earnings with strong results
- ✓ Aligns success with customer satisfaction

- ✓ Revenue grows with partners' success
- ✓ Encourages collaborative partnerships

Considerations

- ? Needs constant new customers for revenue
- ? Limited recurring income

- ? Requires ongoing maintenance and support
- ? Customer churn affects revenue

- ? Revenue is variable; cash flow unpredictable
- ? Requires usage tracking

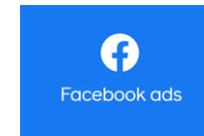
- ? High risk if targets aren't met
- ? Dependent on measurable outcomes

- ? Split revenue generated
- ? Uncertainty related to mutual growth and partnership

Examples



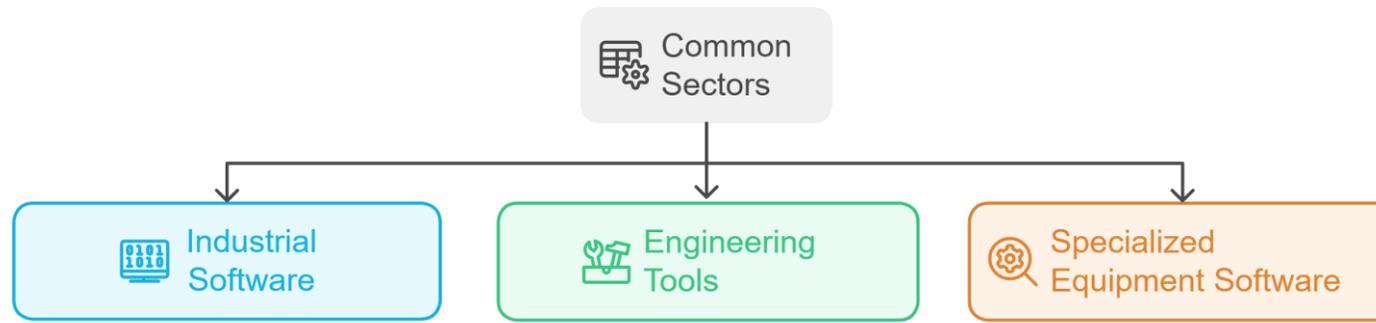
NETFLIX



Combining different models (hybrid) enhances the benefits of multiple revenue strategies, while limiting drawbacks

1 License-Based Model: Traditional Ownership

Industry



History

- Origins: Emerged in the early days of software when distribution was primarily physical (e.g., CDs, floppy disks)
- Traditional Model: Customers preferred owning software outright, similar to purchasing physical goods
- Evolution: Dominant model until the rise of the internet and cloud computing

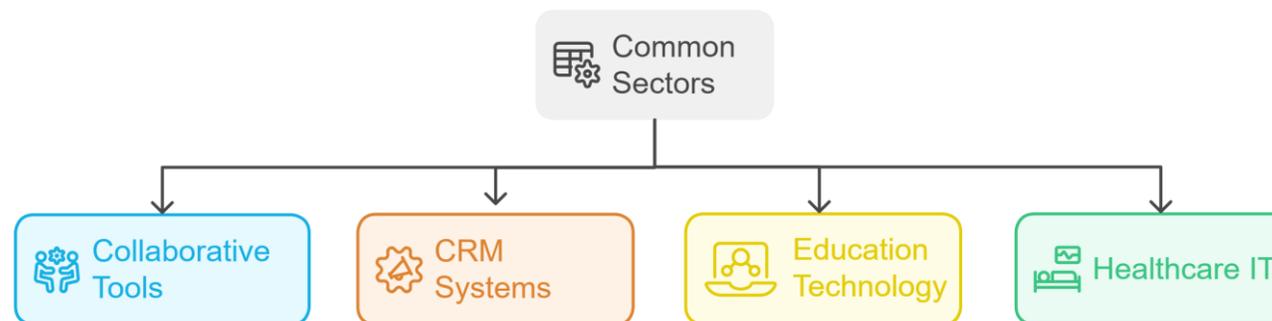
Applicability

- Regulatory Compliance: Industries like healthcare and defense may require on-premises software for security reasons
- Capital Expenditure Preference: Companies that favor CapEx over OpEx for budgeting
- Limited Need for Updates: Suitable when software doesn't require frequent updates or internet connectivity

Ideal for one-time software purchases with infrequent updates (can be pairable with hardware)

2 SaaS Subscription Model: The Cloud Revolution

Industry



History

- Origins: Gained prominence in the early 2000s with advances in internet bandwidth and cloud computing
- Transformation: Shifted the focus from product ownership to service access
- Growth: Rapid adoption due to lower upfront costs and scalability

Applicability

- Regular Updates Needed: Ideal for software that requires frequent improvements or security patches
- Scalability: Customers can easily adjust their usage levels; scalable up or down depending on business needs
- Access Anywhere: Beneficial for users needing remote access or mobile solutions

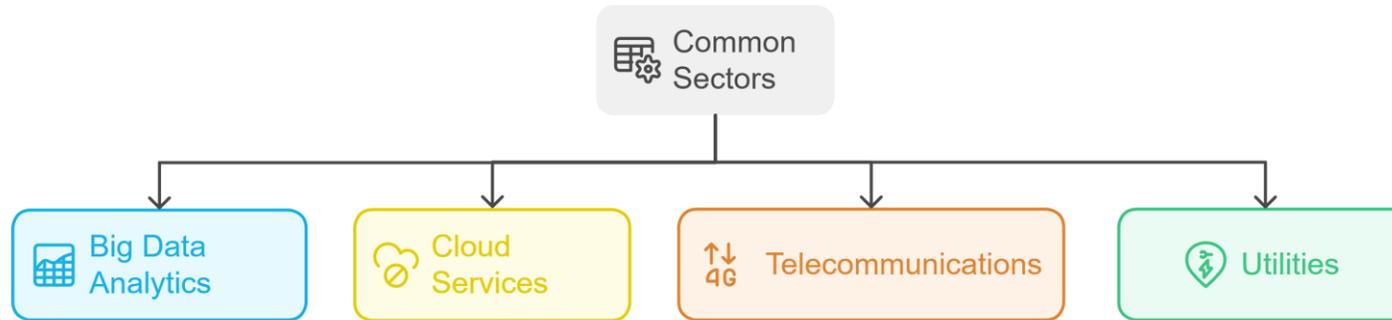
Ideal for companies that routinely pushes updates and cloud features (“always on”)

3 Usage-Based Model: Pay for What You Use

Industry

History

Applicability



- Origins: Rooted in utility billing models (e.g., electricity, water)
- Digital Adoption: Became prevalent with cloud computing providers offering scalable resources
- Technological Advances: Enabled by real-time data tracking and metering technologies
- Cost Efficiency: Customers only pay for what they use, reducing wasted spend
- Flexibility: Accommodates varying usage patterns without long-term commitments
- Innovation Support: Encourages experimentation by lowering entry barriers

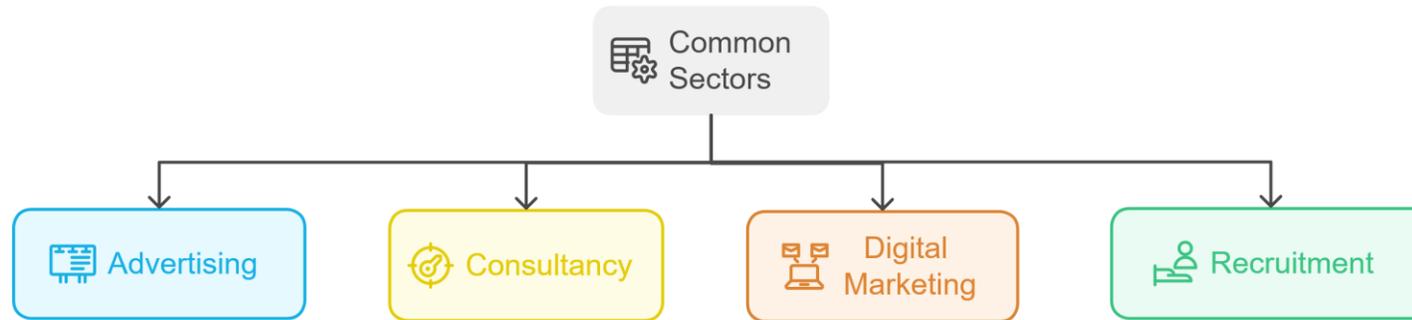
Ideal for storage or similar services that have regular “consumption” habits

4 Performance-Based Model: Results-Driven Partnerships

Industry

History

Applicability



- Origins: Emerged from commission-based sales and advertising models
- Digital Evolution: Enhanced by online platforms that track user engagement and conversions
- Trust Factor: Built on the foundation of delivering tangible results
- Risk Sharing: Demonstrates confidence in the product's effectiveness
- Customer Attraction: Lower upfront costs can attract cost-conscious clients
- Competitive Edge: Differentiates the company in crowded markets

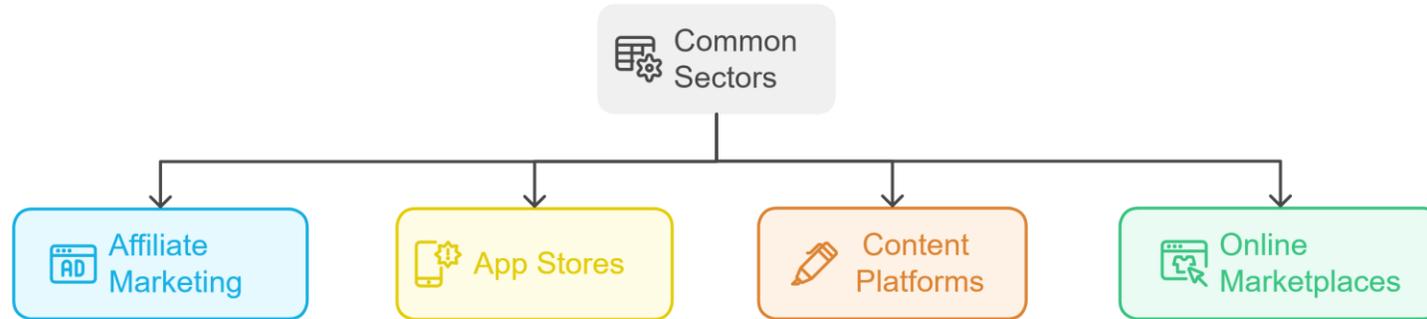
Ideal for ad-based companies due to scalable revenue; earnings grow with customer demand

5 Revenue Share Model: Collaborative Growth

Industry

History

Applicability



- Origins: Rooted in partnership agreements and franchise models
- Digital Transformation: Expanded with the rise of e-commerce and digital content distribution
- Ecosystem Building: Encouraged the growth of developer and content creator communities
- Mutual Benefit: Aligns the company's success with that of its partners
- Scalability: As partners grow, so does the company's revenue
- Community Development: Fosters a network of contributors enhancing the platform's value

Ideal for companies that align with shared success; revenue increases with partner performance