

How to Make a Revenue Model

“A satisfied customer is the best strategy of all.” Michael LeBoeuf

A successful revenue model is measured by its ability to generate superior profits in comparison to industry standards and its existing competition. The main driver essential to producing extraordinary returns on investment (ROI) is a high gross profit margin on every product or service sold. Total revenue from each unit sold must be in excess of the Cost of Goods Sold (COGS) at the highest rate the market will bear.

For example, each Mercedes-Benz sold produces a much higher rate of profit than the ROI on each car Volkswagen sells. Mercedes' branding, product quality, and proprietary revenue streams are the major sources of the differences in gross profit margins between the two companies.

Outstanding revenue models allow you to attract new customers, motivate your sales teams, and secure new capital for business expansion.

How will you generate profits, control production costs and measure the results? The four main steps to building a superb revenue model are industry research, defining your target audience, creating your unique value proposition, and doing business valuations at least annually.

Industry Research

Your past experience and research of businesses in your industry are key to building a profitable and sustainable revenue model. Develop a list of marketing strategies used by similar businesses.

As you begin collecting revenue, you must constantly be updating your strategic revenue plan. The more sales data you have the more accurate and useful your forecasts will become.

Target Audience

Your goal is to acquire, integrate and retain new clients. Clearly identify the characteristics of your ideal client. How many potential clients exist for your products and services? Why do they need your help?

Make a list of primary and secondary revenue strategies you can use to acquire prospective clients. Add this information to your long-term marketing and business plans and update them on a consistent basis.

Unique Value Proposition (UVP)

Products and services that enhance your clients' lives by saving them time and money or

increasing their health and wealth will multiply your customer retention rate.

What unique offering are you providing to the marketplace? How will you communicate it to your target audience? What is the most efficient way to deliver your products and services?

Your UVP must be measurable to be sustainable. It is estimated that it took Facebook about six years and almost three-hundred million dollars to become profitable. How much time will it require to implement, support and maintain your Unique Value Proposition?

It is critical that you communicate your UVP constantly to your target audience because their needs change over time.

Business Valuation

To keep your strategic plans on track, we recommend you have your business valued by a professional on at least an annual basis. This will sharpen your game, help you keep up in a constantly changing global environment and make sure your business is operating at the highest level of efficiency and effectiveness possible.

Your objective is to increase the time you spend on the products and services that generate the maximum amount of profit and decrease the time you spend on business that delivers lower rates of revenue. It is imperative you continually improve your revenue model by increasing its accuracy as a tool for projections and forecasting.

How We Can Help You

[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.