



### **“Revenue Stability – An Example of Bad Revenue Stability”**

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Instead of boring you with long-winded definitions and convoluted how-to business jargon, I am going to illustrate the concept of “revenue stability” with a simple example of a business with *bad revenue stability*. Let us see if you can understand the main ingredient required to stabilize a business.

#### **The Story of Pedro, Struggling Artist**

Consider an artist, named Pedro, who paints oil paintings for a living. Each month, Pedro can produce one good painting.

Over the years, Pedro has become quite good with the oils and his monthly paintings bring in enough to live on. Every six months or so, Pedro produces a very good painting. Once a year, he comes up with a spectacular piece of artwork that gathers a sizeable price at auction.

The annual masterpiece is enough to buy Pedro a vacation home (a time-share in New Mexico) and a sports car. Pedro is married to a stay-at-home mom, who long ago lost touch with the workplace, meaning she is not employable, at least not in any job that pays much above minimum wage.

Everything is going along fine for Pedro and his family, and then one day he develops a peculiar ache in his wrist. At first he believes it to be only carpal tunnel syndrome, an obvious artifact of the many repetitive wrist motions required by his trade. He goes to the drug store and buys a wrist brace. The pain dissipates and finally goes away, but then it comes back.

“Well, I just have to get used to it,” he tells his wife one day. “I am getting older, you know, and this is just one of those things that happens to painters as they age.”



But the pain worsens to the point that Pedro can no longer paint. He tries to learn with his right hand, thinking his good artistic eye will do most of the work, but this turns out to be a total failure since all of his right-hand work looks like a child had created it.

Since Pedro has no medical insurance, like most other artists who work for themselves, he has refused to go to the doctor, but when his wrist worsens to the point of unbearable, unrelenting pain, he finally gives in and his wife calls the Urgent Care Center and schedules an appointment.

What the doctor tells him (after several thousand dollars of testing) is almost unbelievable: Pedro has cancer, a very aggressive form, and he only has a few months to live. Evidently, all those cheap tubes of paint he ordered from China early in his career contained a carcinogen and that has given rise to his ailment. His late diagnosis has allowed the cancer to spread to the lymph nodes and death is now certain.

Things are not looking very good for Pedro and his business—or for his family.

Unfortunately, when Pedro is gone, his business will collapse almost immediately. In fact, there is almost no chance for a turnaround, since the main source of income is Pedro, and he will soon be six feet under.

This is a glaring example of a business with very bad revenue stability.