



“Stability in Business Revenue Sources”

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To illustrate what I call “stable revenue,” consider a repair services versus products. In particular if you first consider repairing refrigerators, it is essentially a service. Second, let us consider a product, like magazines for instance. If you sell magazines, you can do it various ways.

First, you can sell them as they are ordered or purchased. These are newsstand sales. This means that you might put them on consignment in a bookstore or at a newsstand, and if someone wants to buy one, they do. You can also offer them on the Internet or via other avenues, but the basic idea is that you are in react mode. At the end of each month, you tally up your newsstand sales and find out how you did.

Second, you can sell subscriptions to the magazine. In essence, your subscribers are making a contract with you. In exchange for a discount of the newsstand price, the subscriber is agreeing to purchase a year’s worth of magazines (or some other time period).

With subscriptions, you collect the money up front and there is a good probability the subscriber will renew the subscription at the end of the term. You can do things to increase the probability of this as well. In any case, this is a more stable form of revenue because it is more predictable.

In practice, most magazines offer their product using both of these methods. They have some amount of subscriptions and some amount of newsstand sales.

To further illustrate, magazines can also sell advertising. Again, the magazine could wait until a customer calls to place an ad and then sell it to them. They could also offer discounts for volume advertising. They



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could sell contracts with discounts given to customers who purchase a year's worth (or some other term) over those who only place a single spot advertisement.

These contracts would represent a more stable revenue source.