



### **“The Concept of Revenue Stability”**

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If your business is in trouble, the key to developing a plan for restructuring is to first identify your revenue sources.

How does your business make money?

To answer this question, simply look at your invoice register. All the different line items will identify all the products and services that generate revenue for your company.

You can create a list from these. After you create a list of products and services that identify your revenue sources, let us consider how much predictability exists in each revenue item.

If you sell computers, then the amount of predictability in your revenue streams depends on how you sell them. If you simply advertise your computers in the newspaper and wait for the orders to come in, then your revenue stream is probably not very predictable.

You simply cannot determine what your sales will be next year. You can count on nothing. If the economy tanks, your sales will go down. If the local plant closes, your sales will go down.

Sure, you can make estimates based on past sales, and most companies with these types of inferior revenue streams are relegated to doing this. These are the businesses that have the most trouble during difficult times.

However, if you also sell annual maintenance agreements for computer support and service, and you have 100 agreements in place with medium-to-large sized companies in a wide array of business sectors, AND



if in those agreements, you specify that you will only service computers that are configured by and purchased from your company, THEN your revenue stream is much more predictable and therefore more stable.

It is almost a certainty that you will continue to sell computers. The reason is that you have added value to your products. You do not just sell a product and forget about it; instead, you sell a product and attach a service agreement to it.

This is what underlies revenue stability.