



**BUSINESS
FUTURES
WEBINARS**

Creating New Revenue Streams from Automatic Customers

**We help business owners to scale
up their businesses and to build
value that exceeds the industry
norms.**



BizSmart

Introduction



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This eBook will look at ...



This is the sixth Ebook in our series of 7.

Over the course of the 7 Ebooks we will explore practical ways to build resilience into our businesses and to re-build the value we may have lost.

But it is more than that – using the analogy of if your house burned down, would you re-build the house the same – or would you take the opportunity to build your dream home – we look at ways to build the kind of business that will be less reliant on you, be fun to run and be worth something – whilst enabling you to keep control and deliver the kind of profitability you are looking for.

Why Create Recurring Revenue?:



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Why Create Recurring Revenue?

9 Subscription Models

1. Consumables
2. Front-of-Line
3. Private Club
4. Surprise Box
5. Simplifier
6. Network
7. Peace of Mind
8. All-You-Can-Eat
9. Membership Website

We are going to look at why it is important and then at 9 different models that will hopefully give some ideas to help each of us think about creating recurring revenue if we don't already, and if we do then how can we add to them.

If we are a software company then we are probably very familiar with the idea...but you don't have to be a software company to enjoy the benefits of the subscription business model and we will look at several examples as we go through the 9 models.

So why is creating recurring revenue good for our business?

There are many possible answers, including:

- Smooth out demand
- Automate the collection of moneys owed
- Lock in your customers
- Increase the lifetime value of your customers
- Cut the cost of customer research – you have a base of customers that you can easily ask questions of
- Drive up the value of your business
- Trigger customers to buy a broader selection of your products or services
- Protect your business in a recession – or a crisis!

The Flower Store

Well there's a couple I'd like to emphasise – take the flower store H Bloom, founded by Sonu Panda and Bryan Burkhardt.

They moved their traditional flower shop to a subscription model and turned an average \$29 sale into a life time value of \$4,50.

It also gave them a massive increase in the predictability of the business – H Bloom throws out 2% of inventory vs. typical 50% for the average florist!

The equivalent to inventory in a service business is your people – think of the inefficiencies in handling one off sales vs. recurring.



Picking up on the idea of increasing company value, let's take a look at an example from the home security industry (although the same trends play out across almost any industry).

Home security businesses have two forms of revenue: Installation revenue they get from coming to install the system in your home, and "monitoring" revenue they collect each month for ensuring that they will come to the rescue in the event of a problem.

The industry-standard valuation for installation revenue is 75 pence for every pound of installation revenue. For example, if you had a home security business generating one million £ in revenue, and all you did was installations, your company would be worth seven hundred and fifty thousand pounds.

The same million pound business with one hundred percent monitoring revenue would be worth two million pounds because acquirers pay two dollars for ever one dollar of monitoring revenue.

The monitoring business is two and half times more valuable than the installation business.

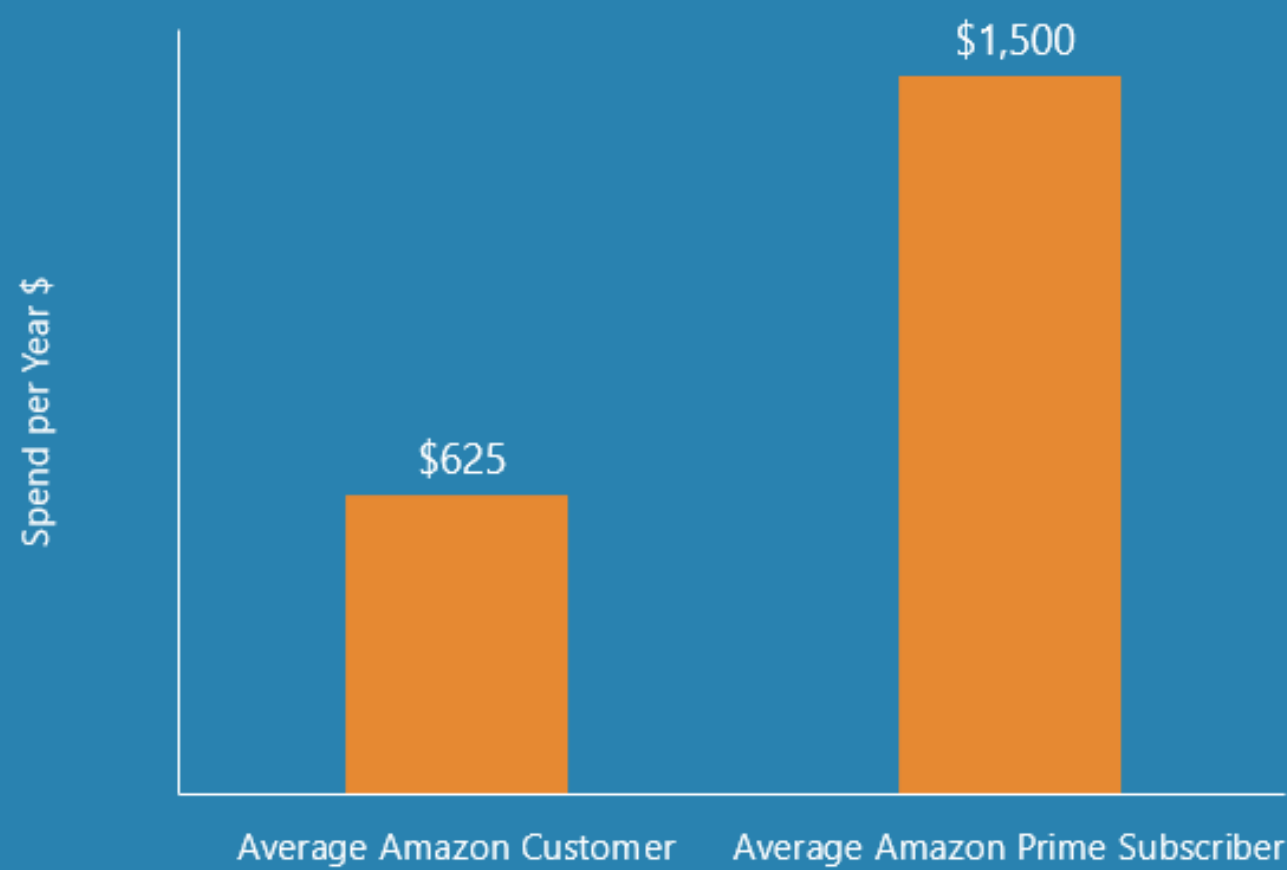
There's another reason why recurring revenue can be so great.

Something that has been referred to as the Trojan Horse Effect.

Meaning that we are even more likely to buy additional products and services from companies we already subscribe to.



Amazon Prime



Take Amazon Prime for example – the average prime customer spends \$1500 per year vs. \$625 for the average non-prime customer.

Understandable if you think about it – if you know you have benefits with Prime such as free delivery, why would you not start by looking on Amazon?

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So recurring revenue makes a lot of sense for a number of good business reasons. Some sectors and industries are familiar with recurring revenue services, however others are not and it is not necessarily that easy to know where to start.

Plus, even if you have a subscription model, there may be additional streams you can consider.

So the aim of this webinar is to help seed some ideas by looking at the main types of recurring revenue models.



I've used the book by John Warrillow – The Automatic Customer – as the source for this Ebook.

It is an excellent book and John outlines 9 different subscription business models.

I'm going to go through each in turn and illustrate with examples of each.



THE CONSUMABLES MODEL



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£5 starter s

Free Delivery

Try for £5.00

This, on the face of it, is an obvious one. The Dollar Shave club is a great example of this.

Those of us who wet shave need to replace their blades frequently so it makes sense, saves time and effort for us to have a replacement sent on a regular basis.

Another great example is Nespresso.



and



You can simply order pods as and when you need them, or you can subscribe to a plan and get benefits such as 10% extra coffee and free delivery.

The Consumables Model

What is it?

It offers a product (rather than a service) that the customer needs to replenish on a regular basis.

Examples:

The Dollar Shave Club, Blacksocks, Nespresso.

When should you consider it?

Do you have:

Something to sell consumers that naturally runs out.

Something to offer that is annoying to replenish?

Comments

You need to brand what you sell as your own – even if you buy it in.

You need more than price to compete with the bigger boys – customer experience
Potentially big logistical challenges – large volumes. Inbound and outbound.

Nespresso is a good example of a tweak on the Consumables model which is the 'Sunk' Consumables Model – in that the customer initially buys the Nespresso machine – they have sunk costs in the machine – and are then tied into Nespresso pods. The Dollar Shave Club does this to and extent now in that you buy their handle for which the blades fit.

So a key question here is what do your customers run out of regularly?

THE SURPRISE BOX MODEL



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Next is the Surprise Box Model – which is a variation on the Consumables Model where you receive a ‘curated’ package on a regular basis.

Top Collar in Leeds is an example of this.

For £3.99 a month you can have a curated/ different each month set of hand baked luxury dog treats sent to your home!

ked luxury doggy treats

Is wage

VISIT OUR SHOP →

Another great more local example are Bransford based The Fold.

Delivering weekly veg boxes – containing a mix of a set number of types of seasonal vegetables.

The Surprise Box Model

What is it?

Another consumables model but a 'curated'/ selected package of goodies.

Examples:

Graze Box, TopCollar, Standard Cocoa, SpicySubscriptions.com, Veg Boxes, Mystery Chocolate Boxes.

When should you consider it?

Do you have:

A passionate, clearly defined market of consumers/

A large and varied network of manufacturers that are willing to give you a deep discount?

The ability to handle the logistics?

A desire/ ability to upsell/ use as a 'Trojan Horse'

Comments

Need to keep providing something new/ surprising.

Don't underestimate the challenge of the logistics – you will need to be able to customise.

THE FRONT-OF- THE-LINE SUBSCRIPTION MODEL

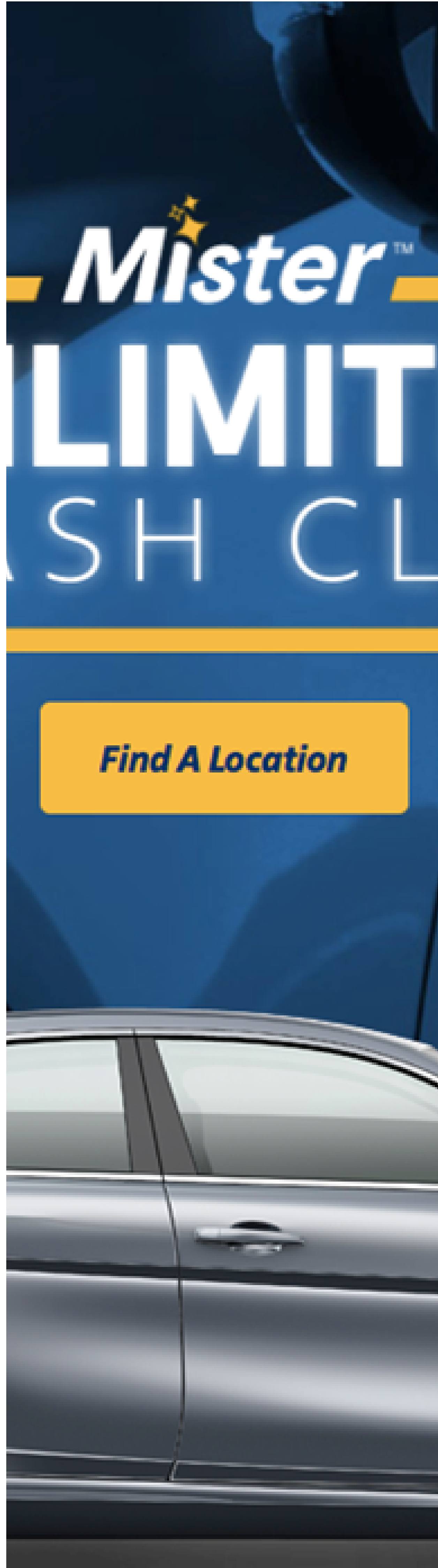


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The next is to do with giving priority treatment to certain customers – so they get to the front of the queue.

A good example of this is Mister Unlimited Car Wash Club.

They have a fast lane membership club where you have a number of benefits including exclusive member-only lanes as well giving as unlimited washes.



SalesForce is another example where on the Standard Plan you get working day and week support with a 2-day response whereas on the Premier services you get a 24/7 service with a 1-hour critical response.

So this also is an example of how you can build additional premium recurring revenue onto an existing subscription model.

Front Of Line Model

What is it?

Involves selling priority access to a group of your customers

Examples:

Front of line passes on subscription (e.g. Theme parks), Priority check-in memberships, Salesforce.com (2 levels of support), Mister Wash Club.

When should you consider it?

Do you have:

A relatively complex product or service?

Customers (or a subset) who are not overly price sensitive?

Customers for whom a long wait could be a big issue?

Comments

Can be used in conjunction with other subscription models.

You need to have a good reputation for baseline service.

You may need to use technology to help you prioritise front-of-line customerse

Can work doubly well when your customers are SMEs that lack their own in-house resources (e.g. IT support).

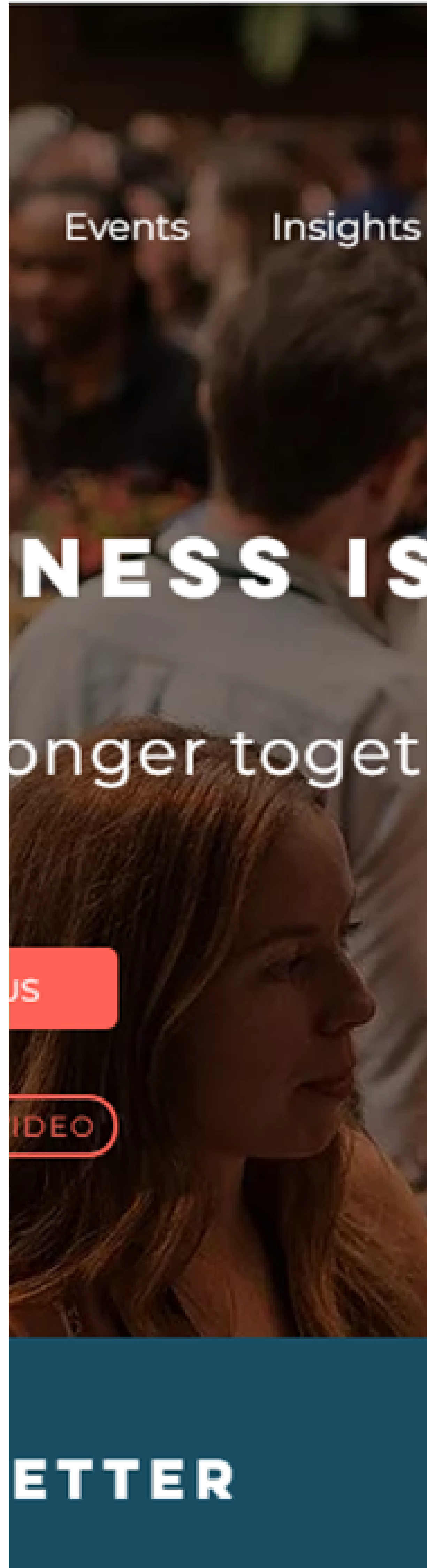
THE PRIVATE CLUB MODEL



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Next is the Private Club Model – where you only get in if you meet certain criteria.

For example, the Supper Club only allow business owners who have built a business turning over more than £1m to join.



Events

Insights

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VIDEO

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Our BizSmart Select Membership is an exclusive invitation only group where we invite business that we know and trust into our inner circle.

Our SmartBoard® service is also by invitation only to businesses that have been on our Value Boost Camp® programme.

What is it?

It offers subscribers ongoing access to something rare. Many offer the chance to meet with a network of people who have 'made the cut'

The Private Club Membership

Examples:

Private sports clubs, Genius Network, TIGER 21 Investment Club, Private Retreats, Salon Speaker Series.

When should you consider it?

Do you have:

A service or experience that's in limited supply and in high demand among affluent consumers?

A market of high achievers looking to move up the ladder!?

Comments

Force customers to make a decision: if they want it they have to enter into a long term relationship.

Keep it exclusive – avoid being tempted to reduce entry requirements to increase volume.

THE SIMPLIFIER MODEL



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Now a great one – the
Simplifier Model.



A good example of this is SmartPA where for a monthly fee dependent on the level you go for, you can have your business life simplified. They take away the hassle of your admin.

What is it?

You take one or more recurring tasks off your customer's to-do lists.

The Simplifier Model

Examples:

Hassle Free Home Services, Mosquito Squad, Smart PA.

When should you consider it?

Do you have:

A service that your customers need on an ongoing basis?

The ability to sell to affluent, busy customers?

A personal service like pet grooming, massage, window cleaning, personal assistant etc.?

Comments

Ask your customers what their to-do list looks like and you might find something you could offer.

You'd better make sure you can deliver when you agree you will – every time!

Think of the upsell opportunities you could add.

THE NETWORK MODEL



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This is one that is great if you can. Essentially it is about finding a way that the value of what you offer increases along with your customer/ user base – so users benefit from the network in some way.

Waze is a classic example. Original SatNavs we just clever maps, Waze and others have found a way to make it real time by both GPS tracking and also by enabling and encouraging users to feedback things like accidents and other hazards.

Waze itself is free and therefore not strictly a subscription or recurring revenue but it is a great example of what we mean by network effects.

If there were only a handful of users, the value of the service would be much less than it now with an estimated 130 million monthly users – meaning that there are always other Wazers near you and ahead of you on your route.

Ride in a

wazecarpoo

Share to
and sm

Got a spare seat?
heading your way.

Download



Our own ScaleUp Club is another (albeit much smaller!) example where for a small monthly fee members meet, share, collaborate and learn together – deriving benefit from the other members.

Indeed this is a fundamental part of all of our programmes where we actively look to find ways that members can benefit from the experiences of other members.

The Network Model

What is it?

It offers subscribers/ members increased value according to increasing subscribers.

Examples:

Waze, On-line gaming, WhatsApp, BizSmart ScaleUp Club.

When should you consider it?

Do you have:

A product or service whose utility improves with increasing users?

Works best if users feel compelled to share the experience.

Tech-savvy customers – the more connected they are the quicker it will grow.

Comments

Build density amongst a small group first

If you have grand plans (like Waze), best of companies with access to lots of capital!

THE PEACE OF MIND MODEL



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Now the Peace of Mind Model – essentially this is where we offer ‘insurance’ against something that our customers hope will never happen.

Site24x7 is an example of this – offering a range of monitoring services in case something goes down – such as your website, your servers.

We talked about cctv security companies at the beginning – offering a subscription monitoring service.

Monitor and Enc Experie Simple

Performance Monitor
Operations.

PLANS, PRICING
30-DAY FREE TRIAL, 9



Website
Monitoring

A local example of this kind of business and service is Alert Alarms in Redditch – offering all aspects of security installations but also a subscription maintenance programme as well as key holding and guarding type services.

The Peace of Mind Model

What is it?

It offers insurance against something your customers hope will never happen.

Examples:

Tagg (dogs), LoJack (vehicle recovery, Laptop recovery, Experian, Site24x7.

When should you consider it?

Do you have:

Something that is difficult, expensive or impossible to replace?

A business like roofing that allows you to leverage your existing assets (ladders, vans etc)?

A history of customer service calls that helps you to predict the likelihood of future claims.

Comments

Limit your risk.

It is different from the Simplifier Model – you are only helping if the customer needs it.

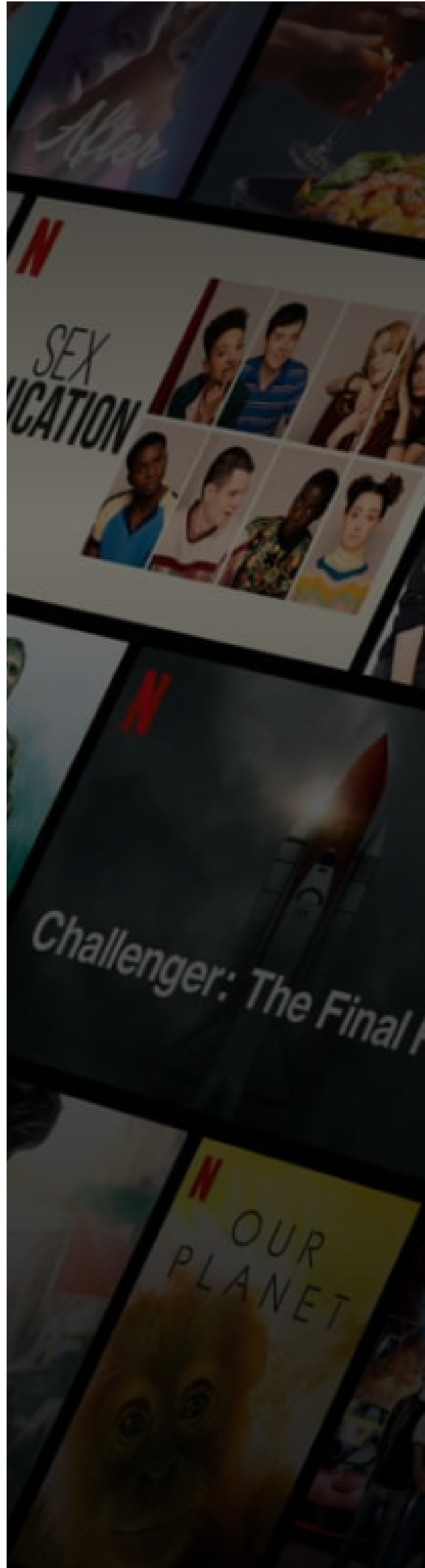
THE ALL-YOU-CAN-EAT MODEL



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This is great if you have lots of content – resources and information that your clients find valuable.

Ideally more content than could possibly be consumed by one client.



A classic example is of course Netflix.
What is it?

It offers unlimited access to a warehouse of value – you'll never consume all the information available.

The All-You-Can-Eat Model

Examples:

Music. iTunes, Ancestry.com, Netflix.

When should you consider it?

Do you have:

A library of content that does not go out of date (evergreen) – or the means to acquire/build one?

An existing 'fan' base (blog subscribers, Twitter followers etc) who already consume your free content?

Comments

Sprinkle just enough new content to keep it fresh while relying on the large library of 'evergreen' content as the foundation.

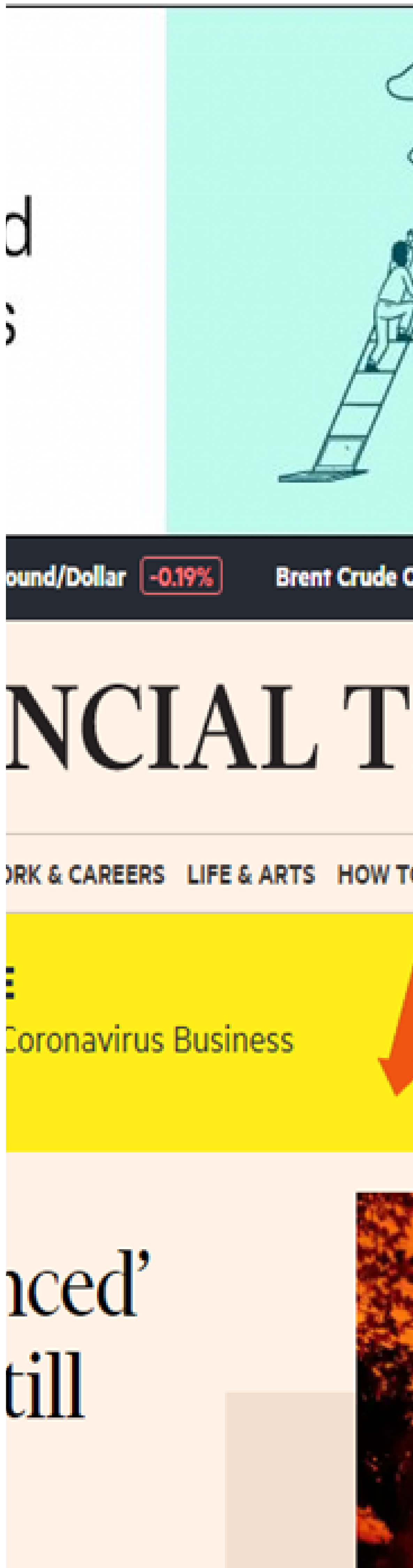
You may need to think creatively to partner with content owners to build a sufficient library.

THE MEMBERSHIP WEBSITE MODEL



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This one is perhaps one of the older models and is about publishing your 'know how' behind a paywall.



Good examples of this is are online newspapers such as the Financial Times.

What is it?

Publishing your 'know how' behind a paywall. It establishes an ongoing commercial relationship with a subscriber that enables cross-selling.

The Membership Website Model

Examples:

On-line newspapers like the Financial Times, The Wood Whisperer Guild for hobby cabinetmakers, Syndicated news for sectors such as UK SMEs - Donut.

When should you consider it?

Do you know something no-one else does?

Do you have:

- A tightly defined niche market, like woodworking enthusiasts?
- Access to a steady flow of unique knowledge or expertise?
- Another product or service that you can cross-sell to subscribers?

Comments

The most profitable are usually B2B websites that solve a real problem. It still usually requires other ways to monetise your subscribers through adjacent products or services (e.g. conferences, coaching, courses).

Most successful operators produce content in multiple formats (video interview, podcast, written transcript) to account for subscriber preferences and to increase the chances the site will be found by search engines.

Hopefully that has sparked some ideas about why and how you might go about creating new recurring revenue services within your business.

If you'd like a bit more help, if you are working with us already they just ask your advisor to run through the exercise with you.

If you are not working with us and would like some help then just let us know.





BUSINESS FUTURES WEBINARS

**How To Keep Your Company Alive in times of
Crisis & Economic Disruption**

Wednesday 15th July, from 1.30pm - 2.30pm

8 Ways to Re-Invent Yourself in a Crisis

Wednesday 29th July, from 1.30pm - 2.30pm

**5 Surprising Ways to Re-Build the Value in Your
Business**

Wednesday 12th August, from 1.30pm - 2.30pm

**7 Essential Questions to Answer Before
Re-Starting Your Company**

Wednesday 26th August, from 1.30pm - 2.30pm

8 Steps for Turning Your Service into a Product

Wednesday 9th September, from 1.30pm - 2.30pm

**Creating New Revenue Streams from Automatic
Customers**

Wednesday 23rd September, from 1.30pm - 2.30pm

**Re-Invent, Re-Build and Re-Start Your
Business: The Action Plan**

Wednesday 7th October, from 1.30pm - 2.30pm



BUSINESS FUTURES WEBINARS



Kevin Brent

Re-Invent, Re-Build and Re-Start Your Business: The Action Plan

**Wednesday 7th October, from
1.30pm - 2.30pm**

This is part of a series of 7 Business Futures Recovery webinars aimed at supporting businesses to reset, recover and rebuild in the light of the current pandemic.

We wrap up this webinar program with "Your Action Plan" and the surprising reason why some business owners accomplish their goals (and others don't!)

This is not the time for committees, study groups or widespread consensus building. Even with imperfect information, the future of your company depends on your ability to make rapid decisions and start acting.

You will leave this webinar and this program with clear insights on how to write your new business plan to survive the next phase and thrive after this pandemic

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