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### Focus

You will use this information to help you complete the "What are Your Revenue Streams" page in your workbook as well as the Revenue Streams box on your business model canvas.

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### Warm-up Activity

Before we dive in, think about this...

How do you set your budget for your household?  
 Would you be able to do that if you didn't know your income?  
 What aspect of your finances do you tend to avoid?  
 How well do you manage your household budget?  
 Do you think you'll be able to manage the financial aspects of your business?

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## Vocabulary

Here is the **vocabulary** for this module.

balance sheet	profit and loss statement
calendar year	revenue
customer retention	revenue stream
fiscal year	sales forecasting
franchising	subscription
freemium	syndication
income statement	transaction fee
licensing	

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## Key Learning Objectives

Now that we've reviewed business expenses, we will take a look at the other side; revenue streams and sales projections. Our objectives for this module are:

- Identify potential revenue streams for a business
- Explain sales forecasting so you can plan for your business's future
- Apply our knowledge to identify what information goes into creating income statements



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## Revenue Streams

**Revenue** is the money that your business earns before expenses are taken out.

While your company may have a single product or service, each individual way you earn money is considered a **revenue stream**.



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## Common Ways to Create Revenue Streams

### Subscriptions

Advertising

Transaction Fees and Usage Fees

Licensing and Franchising

Syndication

Renting or Leasing



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## Freemiums

Another popular approach to creating revenue streams is to use **freemiums**. These are very popular in gaming and app development. From Candy Crush Saga to Clash of Clans, "freemium" games and their in-app purchases account for about 70-80% of the \$10 billion or more in iOS revenue each year.



Reference: <http://www.fiercodeweb.com/story/5000-app-purchases-accounted-79-ios-revenue-january-2014-03-24>

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## Consumables and Non-consumables



### Allow the purchase of consumable or non-consumable items

- Consumables – purchases are used once, are depleted, and can be purchased again.
- Non-consumables – purchased once and do not expire.

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### Creating a Sales Forecast



How would you manage your budget if you had no idea what your income would be?  
How would you plan and pay the bills?

**You want a sense of where your income will come from and roughly what it will be so you can plan your spending appropriately.**

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### Sales Forecasting



You will need to consider the ways in which your company can earn revenue so that you're better able to calculate a **sales forecast**.

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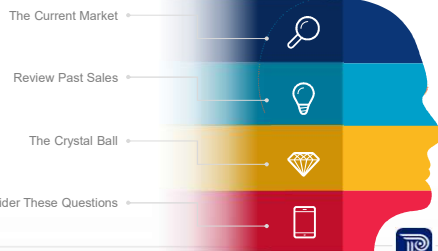
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### Creating a Sales Forecast Continued



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## The Current Market

Take a look at the market research you've done and use that information to create an estimate. This is also a good time for you to consider doing an analysis of your business so that you can recognize the strengths, weaknesses, opportunities, and threats your business faces and is typically referred to as a SWOT analysis.



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## Review Past Sales

If you've been in business you can use your existing historical data, leaving room to consider new trends in the market.

If it's your first year in business, you'll have to look at your market research again to base your numbers on the sales history for your industry.



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## The Crystal Ball

Consider different specific periods of time such as weekly, monthly, seasonally, quarterly, according to what fits your business model best.

**Customer retention**, the customers you keep, is important when estimating future sales as well.



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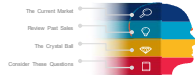
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## Consider These Questions



As you bring the information together, you will need to consider these questions:

- Are you making a profit or a loss?
- Are your anticipated revenues sufficient to support your business?
- Which sales channels are producing the most revenue?
- What is the return on investment (ROI) for every dollar of capital or unit of labor invested?
- Do you have returning customers? What is the retention rate or buying pattern of customers?
- If not, what can you do about it?

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## Sales Forecasting Techniques



"Sales Forecasting Tools" provides links to online tools that you can use to create your sales forecast.

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## Creating Income Statements



You should keep track of the sales you make over time so that future forecasts are easier to generate.

**Income Statement**  
**Profit and Loss Statement**  
**Fiscal Year**  
**Calendar Year**

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## Income Statements Continued



Income statements usually include revenue, cost of goods/services sold, gross profit, fixed/operating expenses, pre-tax profit, and net profit or loss.



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## Financial Statements

The three main financial statements are:

- **Balance sheet**
- Profit and loss (P&L) statement
- Cash flow statement



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## Personal Finances



You can develop many of the skills you need by learning to better manage your personal finances.

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### The Importance of Financial Literacy



You can access Financial Literacy courses for free through your course dashboard.

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### Financial Literacy Skills 1

	1st	15th	Both		1st	15th	Both
Cell Phone - 15th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Groceries - weekly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electricity - 12th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Card - 7th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee Shop - daily	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Savings Account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rent - 1st	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Online Dating - 7th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car Payment - 18th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Car Insurance - 19th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet/Cable - 4th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance - 8th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dinner Date - 3rd & 19th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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### Financial Literacy Skills 1

	1st	15th	Both		1st	15th	Both
Cell Phone - 15th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Groceries - weekly	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Electricity - 12th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Card - 7th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffeshop - daily	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Savings Account	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Rent - 1st	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Online Dating - 7th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car Payment - 18th	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Car Insurance - 19th	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internet/Cable - 4th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance - 8th	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dinner Date - 3rd & 19th	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

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## Financial Literacy Skills 2

	1st	15th	Both		1st	15th	Both
Cell Phone - 15th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Groceries - weekly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electricity - 12th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Card - 7th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee Shop - daily	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Savings Account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rent - 1st	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Online Dating - 7th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car Payment - 18th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Car Insurance - 19th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet/Cable - 4th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance - 8th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dinner Date - 3rd & 19th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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## Financial Literacy Skills 2

	High	Reg	Low		High	Reg	Low
Cell Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Groceries	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Card	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee shop	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Savings Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rent	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Online Dating	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Car Payment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Car Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet/Cable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dinner Date	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

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## Financial Literacy Skills 3

	Pay	Wait		Pay	Wait
Cell Phone	<input type="checkbox"/>	<input type="checkbox"/>	Groceries	<input type="checkbox"/>	<input type="checkbox"/>
Electricity	<input type="checkbox"/>	<input type="checkbox"/>	Credit Card	<input type="checkbox"/>	<input type="checkbox"/>
Coffee shop	<input type="checkbox"/>	<input type="checkbox"/>	Savings Account	<input type="checkbox"/>	<input type="checkbox"/>
Rent	<input type="checkbox"/>	<input type="checkbox"/>	Online Dating	<input type="checkbox"/>	<input type="checkbox"/>
Car Payment	<input type="checkbox"/>	<input type="checkbox"/>	Car Insurance	<input type="checkbox"/>	<input type="checkbox"/>
Internet/Cable	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance	<input type="checkbox"/>	<input type="checkbox"/>
Dinner Date	<input type="checkbox"/>	<input type="checkbox"/>			

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### Financial Literacy Skills 3

	Pay	Wait		Pay	Wait
Cell Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Groceries	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Credit Card	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Coffee shop	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Savings Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rent	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Online Dating	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Car Payment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Car Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internet/Cable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Apartment Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dinner Date	<input type="checkbox"/>	<input checked="" type="checkbox"/>			

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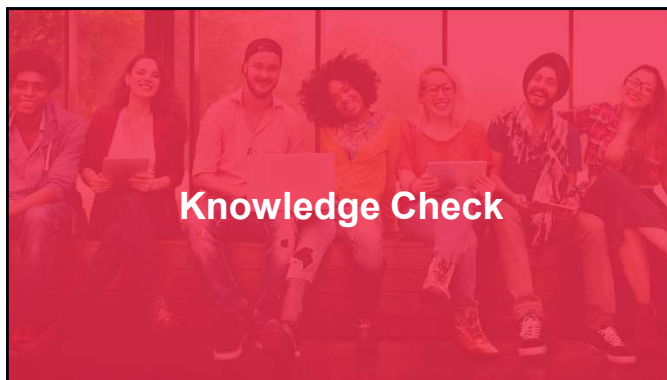
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### Multiple Choice Question

 True or False? As a business, you will have the ability to earn additional revenue by adding revenue streams.

☐ True  
☐ False

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### Multiple Choice Question



Which of the following was NOT discussed as a common way to add revenue streams to your business?

- ☐ Subscriptions
- ☐ Advertising
- ☐ Sales forecasting
- ☐ Syndication

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### Multiple Choice Question



Sales forecasting is the process of predicting future sales for a period or periods of time. You can do this in many ways. Select the different ways to predict future sales below.

- ☐ A SWOT based on your market research
- ☐ Reviewing your business's past sales
- ☐ Predicting future sales based on your business's future plans
- ☐ All of the above

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### Match the term with the correct definition:

A 12 month period that can begin at any month  
 The ways a company earns money  
 Licensing creative works to other users for income  
 January 1<sup>st</sup> to December 31<sup>st</sup>  
 Money a business earns before expenses are taken out

#### Terms:

Calendar Year  
 Fiscal Year  
 Revenue  
 Revenue Stream  
 Syndication

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### Multiple Response Question



Income statements usually include which of the following?

- |                                         |                                                           |
|-----------------------------------------|-----------------------------------------------------------|
| <input type="checkbox"/> Gross profit   | <input type="checkbox"/> Fixed/operating expenses         |
| <input type="checkbox"/> Revenue        | <input type="checkbox"/> Cost of goods/services sold      |
| <input type="checkbox"/> Salaries       | <input type="checkbox"/> Net profit or loss               |
| <input type="checkbox"/> Pre-tax profit | <input type="checkbox"/> Commissions paid to salespersons |

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### Independent Practice

For this exercise, you should use the research and information promoted in the financial modules 8 Business Expenses and 9 Revenue Streams, to create your own projected income statement using the Income Statement template in the Resources section. Create an analysis for your first year in business based on the information you find online.

- Include links that show where you found your research data
- Include a list of your main revenue streams
- Forecast sales for each of your main revenue streams
- Create a projected income statement (profit and loss statement) based on the information you can find that will show your revenue as well as your expenses

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### Reflection

Let's revisit our original warm-up question:

Now that you've learned about both income and expenses, how confident do you feel in your ability to manage finances?

What changes or plans will you make to help you do this?

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## Compare and Contrast

Take a moment to reflect on your learning and comparing and contrasting your answers.

What we learned about:

Revenues and revenue streams  
Budgeting  
Financial statements

Financial planning  
Income forecasting

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In this module, we focused on business revenues.

We learned how to identify potential revenue streams for a business.

We reviewed sales forecasting and provided you with tools that will help you plan for your business's future.

We discussed income statements and provided examples of various types of income statements.

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**Balance Sheet**

A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period



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**Calendar Year**

January 1<sup>st</sup> to December 31<sup>st</sup>



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**Customer Retention**

The percentage of customers you keep relative to the number you had at the beginning of the period



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**Fiscal Year**

A 12 month period that can begin at any month; used for accounting purposes



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**Franchising**

Allowing others to use your company name and operating plan



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**Freemium**

A cost structure where individuals can use a free, but limited version of a product (or one that includes advertisements), with the option to purchase the full version (or remove ads)



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**Income Statement**

A ledger that shows a business's expenses and income for a period of time, used to summarize whether a business earned a profit or suffered a loss



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**Licensing**

Allowing others to use your intellectual property



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**Profit and Loss Statement**

Another name for an income statement



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**Revenue**

Money a business earns before expenses are taken out



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**Revenue Stream**

The ways a company earns money; each product or service offered provides a separate revenue stream



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**Sales Forecasting**

Predicting future sales of a period or periods of time



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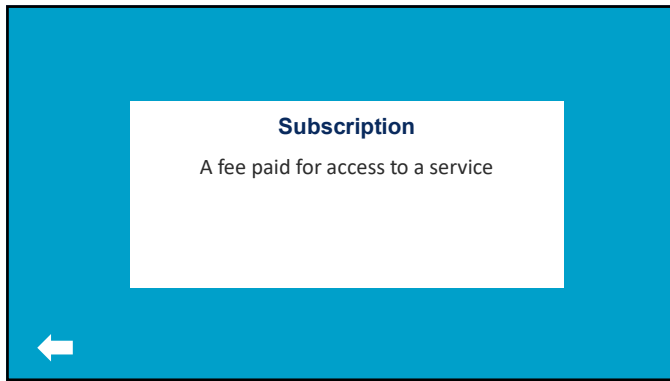
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**Subscription**  
A fee paid for access to a service

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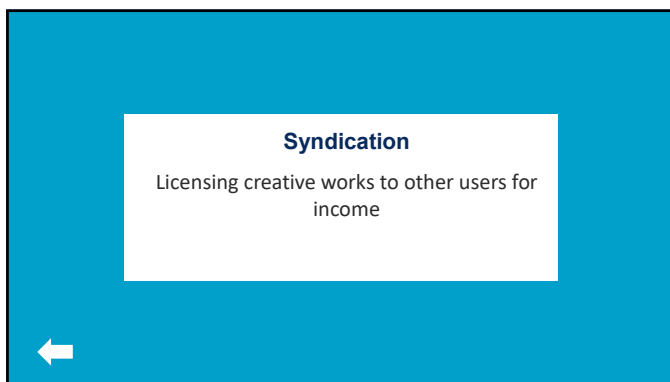
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**Syndication**  
Licensing creative works to other users for income

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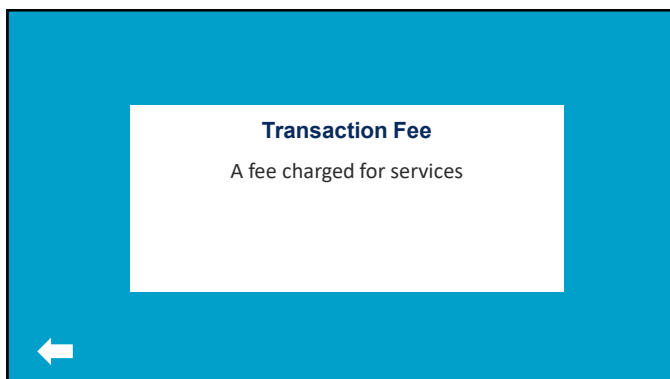
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**Transaction Fee**  
A fee charged for services

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