21 Common Revenue Models

A sample of the most common revenue models in both physical and online activities

1. Traditional Retailer: The traditional retailer sells products and services directly to buyers at a commission from the actual cost.
2. Low-Cost Retailer: This is a variation of the traditional retail model. The retailer operates on tiny margins and relies on very high volumes of sales.
3. Premium Retailer: In this model, the retailer operates with very high margins by providing the added value of a prestigious brand.
4. Renting or Leasing: The customer pays for a service or to use a product for a fixed period of time. This service is often offered as an alternative to purchase. Both renting and leasing have been widely used by the vehicle industry.
5. Penalty Charges: Used independently or to complement the previous one, this model allows use of a service or product under certain conditions that might easily not be met. When the customer defaults, the service provider charges high margin penalties. Parking meters, video game and home video rental services profit from this model.
6. Subscription Model: This model has a number of variations but in essence it can be described as a recurrent payment once in a predetermined time period (days, weeks, months, years) for a service or the usage of a product. Its aim is to secure the customer on a long-term contract.
7. Licensing: This model is most commonly applied to innovations that involve sophisticated technology protected by intellectual property agreements. Licensing intellectual property can result in high gross margins for the owner.
8. Cost-Plus: In this model, the selling price is determined by adding a percentage commission to the cost of producing the product or service. This model is often used in outsourcing or business-to-business transactions in which both parties are willing to share the risk of creating the product.
9. Advertising: Both newspapers and magazines have used this model for a long time, and websites use it today. All kinds of publications have a major capacity to attract readers with specific demographic characteristics that match the characteristics of the organisation’s target groups.
10. Razor and Razor-Blade: This model involves initially selling a product for a low price to generate revenues from complementary products that the primary product requires to be useful. The classic example is Gillette. The company sells cheap razors in order to sell blades at a high margin.
11. One-Time Up-Front Payment plus Maintenance: This model adds a little variation to the previous. For the product to continue functioning properly, complementary products need to be replaced and/or additional maintenance services paid.
12. All You Can Eat: This model offers unlimited use of a product or service over a fixed period of time for a flat fee.

13. Freemium: This is a revenue model in which a product or service is provided free of charge, but charges apply for premium features or functionalities of the same product or service.
14. Reselling data: This model requires first attracting end users with a free product or service, and then selling on user information to third parties.
15. Intermediation Fee: A commission is paid by the seller to an intermediary every time a referral leads to a sale.
16. Pay As You Go: This is a usage-based model in which the usage of the product or service is monitored, and the client only pays for what s/he consumes.
17. Mobile Phone Plan: This is a predictable, recurring base fee charged in exchange for a certain amount of committed usage, with additional charges – often at much higher marginal rates – if the customer uses more than their allotted amount.
18. Auction: This can take different forms, but its key features are that the price of the product or service is not fixed in advance; the final price is determined via competitive bids.
19. Micro-Transactions: This successful model came into vogue with online computer games. The customer is asked to create an account and links a credit card to it so small transactions – sometimes less than 1$ – can be made to buy digital goods very easily.
20. Franchise: An organization pays royalties for the privilege to deliver the products or services of a well-established brand in a particular sector.
21. Volunteering: Provision of services for no economic gain. The volunteer gives her/his time and skills for the benefit of others with the reward of her/his personal or professional development."