

Revenue/Demand Model

*Extraordinary claims demand extraordinary proof.
There are many examples of outsiders who eventually overthrew entrenched scientific orthodoxies,
but they prevailed with irrefutable data.*

~ Barry L. Beyerstein

How Big Can Your Company Become?

One of the first things you must demonstrate to your investors is the overall potential for your company. How big can it get? Completing this section and revising your assumptions, if necessary, will help to justify and defend your sales assumptions to a potential lender or investor. This worksheet will help you do this as well as explain / prove it.

The Revenue/Demand Model is unique to BizPlanBuilder. Remember, if you are seeking financing, you are creating a brochure, of sorts, to sell your business concept to investors and lenders – let's make sure that you prove your point, yet keep this simple enough for any investor or lender to follow.

If you are reorganizing your company, hopefully we have added enough sections to provide the detail you need. This Revenue/Demand Model page enables you to demonstrate the growth your business can achieve given a set of reasonable assumptions. (It is more believable when you build from a set of smaller, believable numbers...)

- First, enter your market segments
- Project the response by category
- Calculate the number of customers
- Enter your planned prices
- Project response to additional products & services
- Calculate total revenue (this feeds the entire model)

Microsoft Excel - Financials--Comprehensive.xls

File Edit View Insert Format Tools Data Window Help SpreadsheetConverter v5 Adobe PDF

Times New Roman 11 B I U \$ % € 75%

B13 =IF(EnteredAs="W","(in whole dollars",IF(EnteredAs="T","(in thousands", "(in millions)")&" unless otherwise noted")

Demand / Revenue Model **Your Company Name Here**

(in thousands unless otherwise noted) Thursday, May, 02, 2013 10:49 AM

Market Segments / Size	Annual Growth	2013	2014	2015	2016	2017
A Sailboat Owners	5.0%	150	158	165	174	182
B Power Boat Owners	5.0%	100	105	110	116	122
C Fishing Boat Owners	5.0%	50	53	55	58	61
Houseboat Owners	5.0%	20	21	22	23	24
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
Total Projected World Market		320	336	353	370	389
Market Share (%)						
Sailboat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Power Boat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Fishing Boat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Houseboat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%

Summary Revenue Model Charts~Demand Capital Requirements Use of Pr

Setting up the sections

Edit the blue headings to suit yourself. They will automatically update calculations elsewhere throughout the model.

1) The first thing to research and show is how many people exist in a particular market segment. Who experiences the pain for which you provide relief and how many of them are there? (You will need some qualified market/research reports. For example, the US Small Business Administration recently released figures estimating the number of small businesses in the USA to be approximately 24.7 million.) A good place to look, for example, would be with industry trade associations. You might even use key-word search counts from the Google Adwords tool

Annual Growth is your assumption as to how fast this market segment is growing. The market segment growth will be a part of the overall compounding effect of your own growth.

The screenshot shows an Excel spreadsheet titled "Financials--Comprehensive.xls". The active sheet is "Revenue Model". The data is as follows:

	A	B	C	D	E	F	G	H
40		Projected New Customers						
41		Sailboat Owners		0.750	1.260	1.654	2.605	4.558
42		Power Boat Owners		0.500	0.840	1.103	1.736	3.039
43		Fishing Boat Owners		0.250	0.420	0.551	0.868	1.519
44		Houseboat Owners		0.100	0.168	0.221	0.347	0.608
45		xxx		0.000	0.000	0.000	0.000	0.000
46		xxx		0.000	0.000	0.000	0.000	0.000
47		xxx		0.000	0.000	0.000	0.000	0.000
48		xxx		0.000	0.000	0.000	0.000	0.000
49		xxx		0.000	0.000	0.000	0.000	0.000
50		xxx		0.000	0.000	0.000	0.000	0.000
52		Total Projected New Customers		2	3	4	6	10
53		Total Projected Customer Base	10	12	14	18	23	33
54		Projected World Market Share (%)		3.6%	4.3%	5.0%	6.3%	8.5%

2) Next, building upon the projected percentages of market-share for each segment, you can reasonably establish how many actual customers you will have.



A presumption we make is that you will initially sell something (the “Intro Offer”) to gain a new customer, then you will offer additional products and services. *(It has been said that it costs just 20% of the customer acquisition cost to sell an existing customer another product or service.)* If you don't want to do this, you can either edit the formula or you can enter '0' in every cell and then HIDE the entire row.

The screenshot shows an Excel spreadsheet titled "Financials--Comprehensive.xls". The active sheet is "Revenue Model". The data is as follows:

	A	B	C	D	E	F	G	H
52		Projected World Market Share (%)		0.7%	0.8%	0.9%	1.2%	1.5%
54		Products/Services Pricing (\$)						
55	F	Intro Offer	5%	\$ 10.00	11	11	12	12
56		Start-Ups	5%	\$ 100.00	105	110	116	122
57	G	Small Businesses USA	5%	\$ 100.00	105	110	116	122
58		Businesses Non-USA	5%	\$ 100.00	105	110	116	122
59		Associations	5%	\$ 100.00	105	110	116	122
60		Affiliates	5%	\$ 100.00	105	110	116	122
61		Resellers	5%	\$ 100.00	105	110	116	122
62		Schools	5%	\$ 100.00	105	110	116	122
63		Corporations	5%	\$ 100.00	105	110	116	122
64		Consultants	5%	\$ 100.00	105	110	116	122
67		Probability of Purchase (%)						
68	H	Intro Offer		100.0%	100.0%	100.0%	100.0%	100.0%
69		Start-Ups		10.0%	5.0%	7.0%	9.0%	12.0%
70		Small Businesses USA		0.0%	5.0%	7.0%	9.0%	12.0%
71		Businesses Non-USA		0.0%	5.0%	7.0%	9.0%	12.0%
72		Associations		0.0%	5.0%	7.0%	9.0%	12.0%
73		Affiliates		0.0%	5.0%	7.0%	9.0%	12.0%
74		Resellers		0.0%	5.0%	7.0%	9.0%	12.0%
75		Schools		0.0%	5.0%	7.0%	9.0%	12.0%
76		Corporations		0.0%	5.0%	7.0%	9.0%	12.0%
77		Consultants		0.0%	5.0%	7.0%	9.0%	12.0%
79	I	Units Sold						

3) From the “Basic Assumptions” page, we list your profit centers (which may be individual products, services, product lines or marketing channels) and enter their respective selling prices. If it is an annual subscription/membership, then use an annualized number – whatever the likely quantity per year would calculate to be. You can automatically increase or decrease the selling prices by changing the growth percentage. (If you will add value or if you must drive prices and costs down.)

4) Next, estimate the probability of customers purchasing additional follow-on products/services at given prices. We presume that the initial product/service is at 100% because by definition this is what makes them a paying customer. (It takes about 1/6th the cost to sell an existing customer another product.)

	B	C	D	E	F	G	H
Units Sold							
Intro Offer			52	10	20	30	40
Start-Ups			6	4	6	11	19
Small Businesses USA			0	4	6	11	19
Businesses Non-USA			0	4	6	11	19
Associations			0	4	6	11	19
Affiliates			0	4	6	11	19
Resellers			0	4	6	11	19
Schools			0	4	6	11	19
Corporations			0	4	6	11	19
Consultants			0	4	6	11	19
Projected Product/Services Revenue							
Intro Offer			\$ 520	\$ 105	\$ 221	\$ 347	\$ 486
Start-Ups			\$ 600	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Small Businesses USA			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Businesses Non-USA			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Associations			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Affiliates			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Resellers			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Schools			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Corporations			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Consultants			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Total Projected Product/Services Revenue (119% average growth)			\$ 1,120	\$ 3,885	\$ 6,174	\$ 11,808	\$ 21,271
Other							
Service / Other Revenue A	100%		\$ 10	\$ 20	\$ 40	\$ 80	\$ 160
Service / Other Revenue B	100%		\$ 10	\$ 20	\$ 40	\$ 80	\$ 160
Service / Other Revenue C	100%		\$ 20	\$ 40	\$ 80	\$ 160	\$ 320
Service / Other Revenue D	50%		\$ 10	\$ 15	\$ 23	\$ 34	\$ 51
Total Projected Services Revenue (93% average growth)			\$ 50	\$ 95	\$ 183	\$ 354	\$ 691
Total Revenue (118% average growth)			\$ 1,170	\$ 3,980	\$ 6,357	\$ 12,162	\$ 21,962
<i>Annual Total Revenue Growth Rate</i>				240%	60%	91%	81%
<i>Average Product Revenue per Customer (\$)</i>			\$ 18	\$ 54	\$ 67	\$ 97	\$ 131
<i>Average Total Revenue per Customer (\$)</i>			\$ 19	\$ 55	\$ 69	\$ 100	\$ 136

At the bottom of the page, it all adds up. Reviewing these assumptions in a logical, orderly format enables you to double check and revise your sales projections, if necessary, and to provide your investors with a financial justification for your assumptions that is based on a logical progression of believable assumptions.

The Total Gross Revenue is carried over to the next page (Assumptions – Sales); however, this page can be used as a One-Page Trial Feasibility Analysis for your business. (You will need to change the 'Set Print Area' (pull-down under File) to include the lower portion of the page in a printed document.)

The assumptions that you enter into this Revenue/Demand Model are absolutely critical. These are also the assumptions most likely to be questioned by your investors!