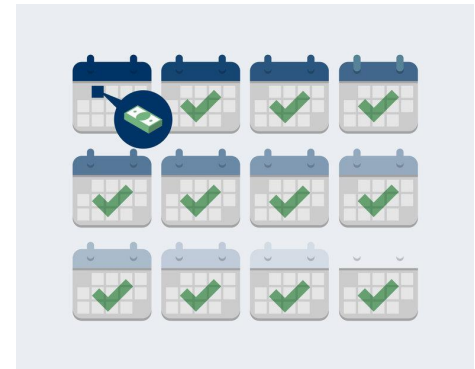




RECURRING REVENUE

(Market Driver)

How assured are you that you will have revenue coming in the future? Could you prove it and name the sources for a bank or investor? *What would your day be like tomorrow if your best customer left today?*



A key component of business value is the degree to which it can generate recurring, profitable revenue. Contracts or other firm commitments are the best way to guarantee future revenue, but other examples include a long-term lease on a high traffic location or a strong loyalty program.

Don't get caught up in the idea that contracts are the end-all be-all. While they are one of the most common ways to think about guaranteeing future revenue, for some industries the typical contract is not practical. But in the end we should be able to articulate how we make money on a regular basis. It may very well be a mix of the following:

- Contracts: You have formal written contracts, or assurances, that provide for consistent revenue.
- Customer Mix: Your company's customer base includes a mix of new, developing, and long-term customers.
- Customer Retention: You can articulate why customers will continue to purchase from your company



MONTHLY RECURRING REVENUE

GOAL: *Recurring revenue helps to prove you are sustainable and can return any capital investments you may need for growth. In times of transition it also shows potential buyers that your business is sustainable without you.*

Contracts are only part of the solution. Build in protection by diversifying your customer base. Develop cross-sells and upsells that tie customers more deeply to you while enhancing your revenues. Make customer retention as much of your game plan as was getting them in the first place.