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## REVENUE: THE WONDER DRUG

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Quick Summary: A continuous, growing supply of profitable revenue is all that matters.

### Abstract:

*Revenue is the lifeblood of every organization. Without it, a company simply cannot survive. Think of it as a drug that must be taken forever and will result in a healthy, long-lasting organization.*

At the risk of overplaying the analogy, revenue is truly THE wonder drug for all companies. For startups, it cures the three major terminal illnesses that they face. First, paying customers, not free trials, provide external validation that others agree with your premise; you are addressing a problem that needs to be addressed now. Second, revenue pays the bills. Initially, it may not pay all the bills, but it starts to offset the expenses that will be incurred while building the business. Third, revenue creates more revenue by increasing the customer base that eases the reluctance of others to commit to the solution.

Unfortunately, the revenue drug must be taken forever. It addresses a persistent problem that no company ever overcomes. Competition, relevance, the need to continuously refresh your offerings, and the insatiable need for growth require continued emphasis on revenue.

As with virtually any drug, revenue causes several side effects, some of which can have serious consequences. With revenue comes the need to fulfill orders, train customers and staff, and provide post-revenue support. As the company grows, the amount of revenue required increases as do the side effects. At first, it may be easy to dismiss the side effects due to the immediate feeling of well-being, but left untreated, they can quickly become debilitating.

Too large a dose of revenue may, in fact, be fatal. Obtaining a very large order when the company is not ready to deliver and support it can have long-lasting, devastating effects. If a large order is available, work with the customer on a timed release to minimize the potential “choking” likelihood. Overdoses occur easily when pursuing revenue “fixes.” Using another analogy: You choke to death much faster than you starve to death. Although the analogy is crude, it is accurate in many cases. Most large customers understand the potential risk and, in most cases, will support a slower implementation. By placing an order with you, they have a vested interest in your success.

Finally, there can be fake revenue wonder drugs that are easy to take but can have serious long-term side effects. Some revenue examples of these less-than-desirable “wonder drugs” include orders for

products that do not “quite” meet the prospects needs or expectations, revenue that cannot be supported due to distance or time limitations, and revenue from customers who do not have the ability to pay or support the solution. In these cases, and many more, it is better not to take the revenue drug. It is interesting to note that in most cases, the revenue difficulties that can arise from these situations are well-known before the fact. Still, the desire for a dose of the revenue drug often masks the known impacts that can occur.

There is no long-term substitute for the revenue drug. Often, after quarterly results are released, companies take a substitute drug referred to as “cost reduction” to recover from the lack of revenue. Cost reduction cannot replace revenue. It can only address the major symptom of lower revenue - the loss of profitability. Companies simply cannot *save* their way to profitability, it must come from revenue.

As is discussed in the article in this series, “*Three Kinds of Revenue*”, there are multiple forms of the revenue drug. Understanding which kind of revenue is the best cure for a company based on their symptoms is crucial. Knowing which one to take is critical to a company’s success.

If the wonder drug analogy for revenue does not resonate with you, then think of it as oxygen. The company cannot survive without a continuous supply of it, and that addiction must continue forever.