

Category

Strategy

Digital Business Model & Revenue Diversification Strategy Playbook

A structured method for mapping revenue concentration risk, screening digital revenue archetypes for genuine fit, and sequencing new revenue streams so they scale without cannibalizing the core business.

- Executive
- Intermediate
- Template Included

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- 8 minute(s)

Overview

A revenue diversification playbook that screens digital business model archetypes for real fit, pilots new streams against cannibalization risk, and sequences them into a funded roadmap beyond the core.

How do we know if our revenue concentration is actually a risk?

A useful rule of thumb is to flag any single product, channel, or customer segment above roughly 25-30% of total revenue for explicit board-level risk discussion, though the right threshold depends on switching costs and contract structure in your industry. The point isn't a hard number — it's making sure the concentration is a deliberate, monitored strategic choice rather than an unexamined byproduct of how the business grew.

Which digital revenue archetype is right for us?

It depends entirely on what assets your core business has already built — a strong existing customer data asset points toward data monetization, an established two-sided relationship points toward marketplace models, and product usage data points toward usage-based pricing. Chasing an archetype that doesn't match your existing assets is the most common reason digital diversification pilots stall regardless of how promising the model looks in theory.

How do we handle channel conflict when a new digital model threatens existing sales relationships?

Address it explicitly before launch, not after: identify exactly which existing incentive structures the new model disrupts, and redesign compensation or account assignment so the channel has a genuine stake in the new model's success rather than a reason to undermine it. Kestrel Machinery's approach — sharing usage revenue with dealers rather than routing around them — is a common and effective pattern.

How big should the first pilot be?

Narrow enough to get real customer and revenue data quickly — a single region, segment, or product line, not a company-wide rollout. The goal of the first pilot is to test a specific unit economics hypothesis with real stakes, not to prove the model works everywhere at once.

What infrastructure do we actually need before piloting?

Only what the pilot's specific scope requires — often existing data or manual processes can substitute for automated billing or a full data platform at pilot scale. Building the complete infrastructure a full-scale launch would eventually need, before the unit economics are proven, is the most common way these initiatives become expensive sunk costs that are hard to kill even when the pilot data doesn't support scaling.

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