



A Helpful Introduction To Revenue Share Deals

What are revenue share deals and what makes them such a great business model?

Revenue share deals are also known as royalty deals. They let you earn by working with a business and receiving a percentage of their revenue stream, either for the entire business or a division of it.

It differs from profit sharing in that you earn from the overall income, not just the revenue left after costs are subtracted.

10 Ways Revenue Share Deals Solve Typical Business Problems

1. You get access to a business without the expense of starting or buying one.
2. They carry less legal risk in case of failure.
3. You bypass the hurdles of starting an international business.
4. Unlike most business models, revenue sharing offers hard, measurable results.
5. 50:50 partnerships often benefit one partner more. With revenue shares, you are on fair, equal footing.
6. Cost allocation lines are clear and distinct.
7. Rev share deals are performance-based and not limited. The rewards therefore are often more generous than service contracts.
8. Contracts are short-term and low leverage, meaning cash flow stops at some point. Not so with revenue sharing.
9. Revenue sharing can be launched in a few days.
10. You can earn a substantial income with just the right deals and not many of them.

9 Benefits of the Revenue Sharing Model

1. It's a win-win setup. You get a percentage of revenue, and your partner benefits from your skills.
2. Setting up is simple, though you should have a written contract.
3. You can scale the model without injecting any money.
4. There is minimal risk to you and the business owners.
5. Payment is straightforward. You generate an invoice each month, and the money is credited to your account.
6. It's a performance-based model, incentivizing you to do better for greater rewards.
7. The commitment required is your intellectual property, not time, giving you more freedom.
8. When you earn from different deals, there is no single point of failure.
9. The structure of revenue sharing models is focused on shared success. Everyone gains from increasing the revenue stream.

How to Structure Revenue Share Deals

The foundation of a revenue share deal is always the same and remains performance-based. You get paid when the business earns more. For every dollar over a set amount, for instance, you might make 10 cents.

How you build on this will depend on the business. There is no rule of thumb. For an in-



formation business with larger margins, you can structure at a higher percentage. For e-commerce businesses with lower profit margins, your portion has to be less, though volume can be higher.

Most of the time it takes to implement deals will likely be spent writing agreements. It is vital to have a lawyer do this. An agreement can be legally complicated. Having it on pen and paper will save you disputes and hassles down the line, as well as ensure you and your partner are on the same page.

What to Expect

Simply put, you earn more when the business makes more. This should encourage you to put more effort into building the business.

Bear in mind, the percentage you get is still a factor in the income stream. So you cannot ask for 20 percent if the business makes only 10 percent.

A good idea is to ask from 5 to 15 percent.

In terms of your portfolio, look for deals that will

1. Leverage your asset.
2. Synchronize with your other deals.

These will help you create more income and build a better portfolio.

Lessons for Beginners

1. Your first revenue-sharing deal will be average at best, and you'll likely make mistakes. Just start. As you gain experience, each deal will improve.
2. Always add a buy-out clause in the agreement. It helps address a scenario when the revenue share partner no longer wants to cut a check.
3. Not all rev share deals are created equal. There'll be good ones and bad ones. You have to set your filters carefully. And over time, as you build your portfolio, you'll learn which ones suck and which ones are great.
4. Prepare for the future possibility that your revenue share partner no longer wants to pay you.

Want help? We've structured revenue share deals for years, for our own business and also for many of our members. Consider receiving mentorship and guidance through [SuperFastBusiness membership](#).

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