Revenue Share Cheat Sheet

What it is:

Another term for revenue share deals is "royalty deals". The way they work is that by working with someone, you stand to receive a percentage of their company'revenue. This differs from a profit split, or an equity portion or fee for service. You get paid when you're able to improve the company's situation, without actually having to go into the business yourself. With a revenue share deal, for example, you might agree to receive a percentage of whatever revenue was made over $10,000.

Advantages:

Revenue share deals tend to be cleaner and fairer than profit share deals. Revenue can't be skewed in ways that profit can. The business either brought in a certain amount for a specific time period, or it didn't.

The metric for your payment is usually easy to work out. It can even allow for refunds or adjustments, and it's generally worked on money collected, and paid in a month or two after the event.

Rev share deals entail less risk in that you're not after any ownership in the company, you don't need to be in its names, and you're not exposed to any loans it may have. They are less risky for the business involved as well, because they only pay you if you are able to improve their income.

When you have several rev share deals going and they are in related businesses, there are opportunities for crossover advantages. There is small chance you could own equity in all the companies you have deals with, so this is a sort of shortcut to bigger benefits.

Getting the number:

Among the things you'll want to consider when structuring the deal are:
- What's the company's profit margin?
- What will be fair for both parties?
- What will be a win-win setup in the long term?

Key tips:

Select deals where you can stack leverage.

If you have a strong background in digital marketing, you wouldn't logically go after a deal with a bricklaying company. Pursue deals with businesses for which you have the experience and the knowhow to deliver value that will boost their revenue.

Get the deal structure right.

Be clear on what you're providing and how you will be compensated. Define the variables and how they work so that everyone involved understands them. This phase is where you'll learn the most about your partner, and where you can have all the

discussions that might potentially cause trouble down the track if not addressed. Once you've come to an agreement, it may be a good idea to go through the points together on a recorded call to ensure everything comes together.

Always have a written agreement.

It's important to have the agreement spelled out on paper in as much clarity as possible, so that both parties understand and approve of its terms. Some legal assistance will be needed, especially if you later make adjustments or changes to your template. Be prepared to invest some time and money upfront to get your agreement in order.

Beware of easy-to-get deals.

If someone's eager to go into business with you, it may be a red flag. They may become over-reliant on you, or count on you to work some miracle on their bottom line. People with more established products or services tend to be harder to win over, which means you need to prove that others have benefited from working with you.

Do your due diligence.

Good research cannot be stressed enough if you plan to go into business with someone. Take into account: how they're living, how much time they put into their business, whether what they're doing is actually sustainable. You want to avoid a situation where you end up doing most of the work and not being fairly compensated.

Balance what you're promising.

Do not make the mistake of offering, say, X hours of work per month to get your cut. Look to deliver value more in terms of providing knowledge/customers/access to a resource you have, or being a matchmaker. Offer what you would normally provide clients on a retainer basis, except in this case in a revenue share deal.

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Hear more about revenue share deals from Charley Valher at SuperFastBusiness Live 2019