

# A Legitimate Path to Ancillary Income from Satellite Television

**Real options to make the most out of every residents' services**

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Whether it's a heart-wrenching email from a Moroccan prince or signs at intersections promising thousands per month for selling items on eBay, get rich quick schemes usually send up red flags for most of us. We have been taught since an early age that if it seems too good to be true, it probably is. Ninety-nine percent of the time this is a helpful instinct that keeps us from losing our identities, savings and time from predators who seek to prey on the naive. However, what about the one percent of time that it could keep us from missing a viable opportunity to generate legitimate additional income? By attempting to avoid scams and wasted time, are we, as owners, occasionally missing out on ways to enhance our bottom line?

One area where many owners miss out on potential opportunities is internet and television service. Just as soda companies pay arenas a fee to sell drinks and advertise to its patrons, so should telecommunications companies pay for the same access to sell and advertise to your residents. You are providing a huge set of potential customers, so you should be proportionally compensated for your part in their sales process.

However, not all telecommunications companies and/or arrangements are created equally. Here are a few important steps to go through prior to making any binding decisions or signing any contracts.



## Payment Structures

The two most common types of ancillary income are door fees and revenue sharing agreements. While it can be tempting to sign the first good deal that comes along, take the time to negotiate and look at every provider in your area. While one company may initially offer a relatively low revenue share, they may be willing to go higher if they feel as though they may lose your business to a competitor.

However, don't settle for the first big figure that you hear. Revenue shares are based on the percentage of occupied units as well as the number of occupants who choose to subscribe to the service. While a good provider will attract new subscribers, it won't make a drastic change. For example, if only 40 percent of your residents have Internet service, and the model you're looking at is dependent on an 80 percent subscription rate, you'll probably have to readjust your expectations. A great provider may moderately increase subscription rates, but don't expect them to double.

A factor that does profoundly affect subscription rates is the number of providers on the property. As Carl E. Kandutsch, a former FCC lawyer, recently explained in *Broadband Properties Magazine*, "Say for instance, in exchange for the grant of exclusive marketing rights and/or the exclusive use of inside wiring, the cable company pays the owner a door fee of \$150 per unit, as well as a share of its monthly revenue, in amounts based on those typically found in cable right-of-entry agreements. The up-front door fee payment of \$52,500, amortized at 6 percent, amounts to about \$767 per month, or \$9,200 per year, over the seven-year term. This looks pretty good until we consider how much potential rent is lost because prospective tenants are stuck with no choice among service providers. Remember our assumption that the average monthly rental income from one resident is \$800, or \$9,600 yearly."

Only allowing one provider usually increases revenue for the short term, it may cause people to leave your community at the end of their lease. It usually doesn't take the loss of more than a couple of units to quickly outweigh the additional revenue.

There are ways around this problem. Some companies act as service provider managers and can negotiate revenue sharing options with multiple service providers. They work with them to get the best deal for you, and you only have to work with one company, eliminating a lot of frustration and confusion. By working with these kinds of companies, you can have the best of both worlds of maximizing revenue and offering choice.

Choice isn't the only factor in keeping residents happy. Quality of service and support are key to ensuring residents don't feel trapped by their providers. The best way to check on this is to talk to other owners about their experiences with customer support. If your doubts linger, ask for the customer service line, call, and see how fast and courteous the response is. If you wouldn't want to talk to the person on the other end of the line, don't ask your residents to do the same.

Ultimately, the key to finding the right services that enhance your bottom line and the happiness of your residents is due diligence. Take the time to find out what your residents like, what they want in their services, listen and find a provider who can deliver. There are companies who offer both quality service and competitive ancillary income options, if you take the time to do your research.



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