Venues come in all sizes and types, from giant, sprawling sports stadiums to mid-sized arenas to recital halls to roadhouses with 12x8 plywood stages. At one time or another in a career, an artist might be found playing dates at state fairs, outdoor festivals, amusement parks, casino ballrooms, municipal auditoriums, night clubs, or college multi-purpose rooms (see Table 17.1).

The venue industry’s scale and dynamism is enormous. Think opera houses and traditional concert halls are a stagnant, no-growth part of the economy? How’s this for a factoid: For the last two decades in the U.S. alone, an average of more than one opera house or concert hall a month has opened its doors for the first time, some of them costing hundreds of millions of dollar apiece. Add to that the countless smaller venues that house artists of every level and every genre, and the opportunity is obvious.

Venue Contracts

As we’ve seen in other parts of the music business, contracts are the glue that sets the rules for relationships between parties working together to achieve mutual success. And how the rules are written largely depends on the clout of the various parties. A promoter and booking agent representing a top-tier act bring clout to a negotiation.

Left: Smetana Hall at Municipal House, Prague.

Photo © Philip Gould/Corbis.
The concert venue business carries the important responsibility of public safety. Seven people died in a 2011 outdoor stage collapse amid gusting winds at the Indiana State Fair. The contractor that built the stage, the Indiana State Fair Commission, and a stagehands’ union were blamed in a subsequent state safety agency investigation.

Photo © Steve C. Mitchell/epa/Corbis.

### Table 17.1 Seven Types of Concert Venues

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stadiums</strong></td>
<td>The largest facilities for concerts, these multipurpose venues offer seating of 30,000+ and typically are configured for sports events. Since such facilities are not designed for live concerts, they require extensive setup/tear-down of concert stages.</td>
</tr>
<tr>
<td><strong>Amphitheaters</strong></td>
<td>Outdoor venues typically seat between 5,000 and 30,000, and are used primarily in good weather/summer seasons. These are specifically designed for concerts, with permanent stages.</td>
</tr>
<tr>
<td><strong>Festival Sites</strong></td>
<td>Outdoor locations used seasonally typically accommodate between 10,000 and 120,000 patrons for day-long or multi-day concerts. For operators, these venues are attractive because of low overhead costs, resulting in some of the industry’s highest profit margins.</td>
</tr>
<tr>
<td>** Arenas**</td>
<td>Smaller than stadiums, these indoor venues typically seat between 5,000 and 20,000. Arenas often have luxury private suites—premium-priced seating areas that amphitheaters lack. Because they are multipurpose facilities, they typically require extensive modification to install stages.</td>
</tr>
<tr>
<td><strong>Theaters</strong></td>
<td>Venues designed for legitimate theater can be easily adapted for concerts and typically have seating for 1,000-6,000.</td>
</tr>
<tr>
<td><strong>Mid-Sized Music Venues</strong></td>
<td>Designed for concerts, these indoor facilities have ready-built stages and typically have capacity for between 1,000 and 6,500 persons. With this low-capacity seating, however, they don’t offer potential for outsized profits, as do the larger venues, even in a sell-out.</td>
</tr>
<tr>
<td><strong>Small-Sized Music Venues/Clubs</strong></td>
<td>Music and comedy clubs dominate this category of indoor venue, which sometimes provide beverage and/or meal service for patrons at their seats. Because seating is typically less than 1,000, capacity limits revenue potential and seats are sometimes moveable chairs. But these facilities have built-in stages, which reduces costs.</td>
</tr>
</tbody>
</table>
with a venue that has plenty of open dates and a mortgage to pay. But often the balance of power is different. Most artists are just passing through town with no permanent roots in the local community, so venues don’t expect to be able to sort out issues after performances. Because of this lack of clout post-event, venue operators typically take a hard line on facility rentals. Full-length contracts must be signed by responsible parties. It’s common for venue operators to refuse to do business with acts that advertise concerts before a contract is signed, figuring if early ticket sales are weak the artist will walk away, leaving the venue with a hole in its booking schedule.

Venues generally offer a limited spectrum of stage-related equipment and staff-supplied technical service, so it’s rare for an artist to perform on a stage with everything supplied by the venue. Venues have found that because stage equipment is a personal choice, it is difficult to fulfill all equipment requests from the stream of artists passing through, and portable on-stage equipment can get damaged or disappear. When stage equipment is supplied, it is often subject to extra fees beyond basic facility use. Typically, off-stage equipment such as loudspeakers built into walls and standard lighting are part of the basic facility rental. Contracts also specify what parts of a facility artists can take over temporarily for their use, beyond the performing stage.

If venue staff is responsible for stage set up and supplying musical instruments, it can be blamed for technical problems by the artist or promoter, so venue staff duties are typically limited. However, the smaller the venue, the more on-stage service needs to be offered because semi-pro and little-known professional acts tend not to have the money for extensive touring equipment and roadies.

Well-paid stars tend to bring their own stage equipment and staff, so the stage equipment is always the same at every stop on a multi-city tour and their own workers are familiar with setup. If a venue is signatory to a union contract—such as the International Alliance of Theatrical Stage Employees (IATSE)—renters have to comply with union rules for facility staff—which typically include the union workers operating curtains, sound amplification, and lighting.

Venue fees can be fixed price rentals, a percentage cut of box office, or combination of those two elements. Whatever the formula, venue prices vary by season and day of the week—with in-demand weekends usually priced at a premium. Payments are usually made in installments, with the first money deposit due upon signing a contract that is weeks or months before a scheduled rental. Venues typically negotiate for limited circumstances for giving full or partial refunds if performances are cancelled or dates moved.

Another crucial point of negotiation is an arena’s geographic exclusivity for star acts. Contracts will usually state that an artist cannot play a venue within a certain distance of the hosting facility for a specified time period. Otherwise, the audience in a geographic zone will be diminished if an artist is playing more than one gig in an area around the same time period.

**Performance Rights in Concerts**

A public performance of a copyrighted song triggers an obligation to pay composers, lyricists, and publishers a fee collected by a performance rights organization. With few exceptions, venues are responsible for securing the performance rights license (and not the artist or tour promoter). But in cases where music is not regularly presented at a venue, the promoter and not the venue may be responsible for paying the PRO. The fee is typically a small slice of gross ticket revenue, so the payment is a sliding scale. And the fee is due even if the performing artist is the sole composer.
of the performed works. This practice may defy common sense, but is reasonable since a venue manager is hardly in a position to parse the details of co-publishing arrangements that determine royalty allocations.

**Ticketing**

The venue is booked, the artist is signed, the sponsors are on board, and the promotion strategy is in place. All that's left now is to sell those tickets. Promoters, as their name implies, are responsible for encouraging people to buy tickets. But online ticket sellers typically contract with venues, and not promoters.

**Ticket Purchasing**

Centralized online ticket purchasing is a far cry from the long lines outside box offices that buyers had to face decades earlier. Now fans typically purchase their tickets online and arrange for pickup at the event, or simply print out a barcode or save the barcode on their smartphones and have it scanned at the event. Artists often reserve part of a venue's tickets for members of their online fan clubs.

Online ticket purchasing has itself become a big business. Leading online ticket seller Ticketmaster, which Live Nation Entertainment acquired in 2010, sells over 100 million tickets online each year.

Ticket prices vary based on the caliber of artist, prestige of the venue, and economic heft of the city. Midsize arenas with music talent that has radio play but is short of big star talent often price tickets $15–$75. When superstar talent plays in big cities where there's a big section of wealthy residents, ticket prices can range from $25 to $350. Some superstars offer front row seats with backstage access for even more money in big cities where wealthy patrons are concentrated and can afford to pay for VIP treatment.

Fan customs vary by city, with some fans buying tickets within just a few days of the event or even making walk-up purchases on the very day that a concert is held. Transactions for tickets sold for cash are difficult to trace later, so there is always a possibility of undercounting an audience. In such cases, the venue could shortchange the promoter or the promoter could shortchange the artist. Some promoters place hired persons at venue entrances to count the audience as it streams in or photograph the crowd in their seats, in order to generate their own independent estimate of crowd size.

**Ticket Terms**

The term that promoters hate to hear most is deadwood, which refers to unsold tickets. Promoters who ask, “How much deadwood did we have tonight?” clearly want this number to be low or, better yet, zero.

If it's obvious that ticket sales are slow and there will be a lot of deadwood, promoters might choose to paper the house, where they give away tickets so the audience doesn't seem embarrassingly small. One technique to boost sales is to sharply cut prices of the least desirable seats to spur sales to bargain hunters.

Deciding how many of which type of seats will be sold at what price is called scaling the house. Seats in the first few rows of each section are generally priced higher, although there may be venues in which the better seats are midsection, near the wings, or just outside the orchestra section.
Tickets for reserved seats guarantee their bearers a specified seat in a specified location. General admission (GA) tickets mean that whoever arrives first has the choice of seats. GA concerts may provoke more security concerns due to ticket holders pushing their ways to the better seats.

**Secondary Ticket Market**

Some websites, such as StubHub, specialize in reselling tickets at prices higher than face value for in-demand acts or closer to original value if a concert suffers slow sales. Fans and the music industry gripe about huge markups and blame speculators, called scalpers, but sometimes it is the artists and their associates who are confidentially making the allotment of tickets available to third-party resellers.

The ticket scalping problem is driven by basic supply-and-demand, but such ticket scalping is a problem for promoters because the artist, agent, and promoter usually share in none of the profits, and the scalper has taken advantage of a paying customer. The markups irk fans and have brought criticism from artists like Bruce Springsteen. Scalping is now illegal in many areas, but the practice continues because ticket resellers have found legal work-arounds.

**Licensed Merchandise**

According to marketing researcher, *The Licensing Letter*, the sale of licensed celebrity entertainer merchandise is a $2.4 billion annual business at the consumer-spending level in the United States and Canada. That makes this business—which includes sales from live events as well as traditional retail—comparable in revenue to the concert ticket business. Growth in this merch market has come from innovations that go beyond the sale of traditional T-shirts and posters. Now, music stars promote leading fashion brands and license their persona for fragrances.
Merchandise Contracts

In general retail distribution, royalties—a payment for the right to use creative property such as artist names and images—received by music entities (whether headed by artists or artist managers) range from 8% to 14% of the wholesale price of merchandise—sometimes referred to as manufacturer’s net revenue. Other deals are based on the artist and the merchandise outfit dividing net profits (revenue minus direct expenses). Artists can take 75% or more of net profits, but of course the merchandiser first gets all its expenses covered. Whatever the baseline is for royalty calculations, taxes are excluded from computations. The royalties based on retail or wholesale price are more straightforward for the artist, because using the alternative net profit approach leaves the door for the merchandising company to pile on every conceivable expense that will shrink the shared revenue pool. For a multi-person act, deals usually include the name of the band as well as individual band members in a single transaction.

Each category of product typically gets an exclusive licensee, meaning for example that only one company manufactures coffee mugs. In some cases, a master licensee handles all or broad categories, keeping some for itself and sublicensing to others in order to cover a wide array of products. The artist’s manager may be in charge of the relationship with the merchandiser. Particularly if the record label has a 360 deal that covers merchandising, the label may guide the relationship.

For big stars, the licensed merchandise company typically makes an advance payment upon signing a contract, though such advances are typically partly returnable if merchandise sales fall short. If there is an advance payment, the artist typically doesn’t get further pay until calculated royalties exceed the sum of that upfront pay. Another key point of negotiation is the length of a merchandise contract, which can run across a multi-city tour or one or more album releases.

Another issue contracts need to address is artist obligation for unsold merchandise when any deal expires, because the merchandising company doesn’t want to be stuck with goods and the artist doesn’t want the overhang of excess old merchandise hampering future deals. The ways leftover merchandise is handled vary. The artist may have no responsibility, might have to suffer a royalty offset, or might be required to purchase unsold goods at or slightly above cost (for the artist to sell online, sell in bulk to a liquidator, or hand over to the next merchandise licensee).

Artist Merchandise at Concerts

For merchandise sold at concerts, royalty rates to artists are boosted to 15% to 22%, since artists create foot traffic for vendors. The venues themselves typically negotiate a 25% to 40% cut of merchandise revenue from concert dates, which is why prices are boosted for T-shirts, posters, and other items sold on-site in conjunction with tours. It’s a negotiating point whether the venue’s take—sometimes called hall fee—is excluded or included in calculating royalties going to the artist.

The typical arrangement has the concert venue staff selling merchandise that has been delivered by the master licensee, using display racks and booths owned by the venue. The total sale at the venue is calculated by subtracting the face value of merchandise that was unsold and carted away. When venues provide the labor for merchandise sales, venues get a variable return based on their percentage of total sales (the hall fee) and risk losing money if their cut of sales doesn’t cover labor and other direct costs.
Generally speaking, the smaller the seating capacity of a venue, the higher the expectations are for merchandise sale on a per capita (each person) basis. The thinking is that the most loyal fans will account for most of a small audience. Conversely, per capita sales expectations are lower for the biggest venues—such as stadiums—because the throng is usually a mix of light and die-hard fans.

A final issue sometimes addressed in contracts is specifying a venue’s responsibility to crack down on sale of unauthorized artist merchandise—which is illegally made and marketed—that might spring up around a venue on concert day and diminish sales of artist-sanctioned merchandise. Concerts with many artists performing, such as festivals, are the least lucrative because fans buy “event” merchandise such as souvenir programs that do not generate royalties for any one artist.

Venue Trade Association

The venue business trade group, the International Association of Venue Managers (www.iaam.org), helps industry professionals navigate in a changing field.

Chapter Takeaways

- Concerts venues come in an array of configurations ranging from cavernous stadiums seating tens of thousands to intimate settings that can hold only hundreds of spectators.
- Venues can be hard-nosed negotiators with promoters and performers, because they don’t want to be left with unexpected liabilities when everyone else leaves town.

Key Terms

- deadwood (p. 292)
- geographic exclusivity (p. 291)
- hall fee (p. 294)
- merchandise/merch (p. 293)
- royalties (p. 294)
- scaling the house (p. 292)
- secondary market/ticket scalping (p. 293)

Discussion Questions

1. What are the advantages and disadvantages of securing a larger or smaller venue?
2. Should artists handle their own merch, cutting out the middleman? Why?