The Pop Culture Business Handbook for Cons and Festivals: Event Revenues and Expenses

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Revenues and Expenses
for Cons and Festivals

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This article is part of a series of book excerpts The Pop Culture Business Handbook for Cons and Festivals, which provides the business, strategy, and legal reference guide for fan conventions, film festivals, musical festivals, and cultural events.

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When organizing a Con, the economic model used to develop the event will drive many of the key decisions. If one accepts that the designing of the Con is a form of building a complex game for the attendees, then the Con economy will define many of the structural design choices which will come later in the planning. This chapter describes the revenue sources. The next chapter covers the types of expenses that will be incurred and the approaches to help assure that the revenue exceeds the expenses.

A. Sources of Revenue

Each Con must earn sufficient revenue to pay the rent on the venue, pay for the rental of lights, staging, sound, and other equipment, pay the professional presenters, pay staff, cover the costs of marketing and promotion, purchase insurance, and if the Con is operated as a for-profit, earn sufficient profit to keep the investors willing to continue to invest. Operating even a small Con can become a large enterprise.

While ticket sales are the most obvious form of income, they are just one of many potential sources of revenue for the event. The most common revenue sources are:

- Ticket sales
- VIP passes
- Vendor booths – license fees and/or percentage rents
- Advertising in a guidebook
- Banners at the event
- Underwriters program opportunities
- In-kind contributions from airlines, hotels, restaurants, and liquor sponsors
- Hotel occupancy taxes or other economic development funds

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• Gifts from nonprofit organizations, private foundations, and individuals, if organized as a charitable organization rather than a for-profit enterprise

• Crowdfunding

• Use of the infrastructure for year-round education rather than just the event

The ticket fees generate the most obvious form of revenue because that income is paid directly by the attendees. Typically, the Con will have a daily ticket price, an every-day pass, and some combination of multi-day passes. VIP passes will include the every-day pass plus access to certain exclusive panels and various parties.

Equally important for the successful event are the fees earned from renting vendor booths. The simplest of these booth rental agreements provides that vendors can rent booths based on the size of the booth. There may also be premium charges for the location of the booth in the exhibit hall. If the Con has the contractual rights to rent out food booths, then the right to sell food also would include a significant premium expense for the vendor.

The more complex pricing model requires the vendor to disclose its sales to the Con operators and provide a percentage of its income as part of the booth rental fees. This model is based on how rent is calculated in shopping malls. The benefit for the vendor is that the costs of the booth are based on the success of the Con. If the sales revenue at the Con is low, then the costs to the vendor will be lower, but if the vendor is successful, then the Con benefits as well. There is the risk of cheating by the vendor, but assuming sales taxes are collected, any cheating would also be tax fraud and relatively easy to track.

Vendor booths can be further segmented into categories of vendors. An “artists’ row” can feature a section of visual artists, graphic artists, craft artisans, or other genres as appropriate for the event. These artists are themselves a draw to the Con and an important revenue source for the Con. The artists’ sales of original works and autographing published materials will add foot traffic and create that “win condition,” enabling an attendee to acquire an original work and meet the artist. Similarly, performers and artists are often sought out for autographs. Creating vendor space for autograph sales has become an increasingly popular and lucrative aspect of modern Cons.

The publication of a guidebook for the event presents other opportunities to market to the attendees. In this guidebook paid advertisements can highlight booths, nearby restaurants, local event sponsors, and similar advertisers. Similarly, banners and signs can festoon the Con, including some that are advertisements for vendors, restaurants, and others.

Because Cons are cultural events, there is also an interest by other cultural organizations to promote these events. As a result, there may be opportunities for the Con to receive underwriting support by various institutions. Just as both for-profit and nonprofit enterprises promote public radio, many enterprises see a close affinity with the attendees at the Cons and would want to be partners in the Cons’ successes. In an age where universities aggressively advertise for students, sponsorship by regional universities may be a natural relationship.

City, county, and state arts and cultural organizations also provide potential funding opportunities. In some cases, special taxi, hotel, and restaurant taxes are designated for funding tourism and trade promotion. For example, the Victoria Comic-Con in Texas received a grant of over $9,000 from hotel
occupancy tax funds in 2014. Such funding, in turn, promotes the legitimacy and institutionalization of the event, which may help when negotiating with venues and permitting authorities. These funds can often be marketing dollars, and even for-profit enterprises are eligible to receive these public funds to help propel local tourism.

Similarly, gifts from nonprofit organizations, private foundations, and individuals provide another potential source of revenue. These sources of funds are only available to nonprofit organizations. Those donors who believe in the artistic and cultural purpose of the Con are likely to be the primary supporters, but there will also be donors who understand the importance of the Con as part of the geographic investment in the community. Together, a coalition of those who see the Con as helping build the culture in the community and those who will give funds to promote the culture supported by the Con make powerful organizational allies.

Finally, Cons are well suited to take advantage of crowdfunding opportunities. Crowdfunding is available to both for-profit and nonprofit organizations. In the older model of crowdfunding, the Con seeks funds from the crowdfunding backers by offering incentives to the backers. The incentives can range from a “thank you” in the program guide to pre-sales of event tickets and merchandise. The benefit of this model is that it provides early working capital to the Con while also providing a marketing platform.

If the Con is operated as a for-profit enterprise, then there is an option to offer backers equity or ownership stakes in the company. Under this model, the Con would offer a percentage of its stock for sale to the backers. The required disclosures are complex but significantly easier than raising funds through the sale of these same securities to the public. Only a few of the crowdfunding platforms have the regulatory infrastructure to offer the ownership shares of the Con to be sold. Sales of securities are highly regulated under both state and federal law, so Con organizers should use this funding tool with great care and attention to the regulatory obligations. Nonetheless, this does create a potential source for true capital investment in the Con.

B. Pricing Strategies

Careful financial planning is essential for long-term success. Unpaid bills could leave the organizers personally responsible for the expenditure. Even if all unpaid expenses are limited to the Con itself, the community damage caused by the losses will undermine all the social and cultural goals of those involved. To assure positive net revenue, Con organizers must take a number of factors into account. The first is the operational costs of the Con. In order to earn a profit, the total gross revenue from all the various potential revenue streams must exceed the total costs of operations. The business model must provide for reasonable, conservative estimates of attendance, booth rentals, advertising revenue, and other financial sources.

To the extent possible, the Con financial operations should plan separately for fixed costs and scalable costs. For example, the venue will likely have a rental expense minimum. This is a fixed cost. Whether one person attends or one thousand people attend, this minimum cost will be incurred. In contrast, the venue may have additional rooms available as add-on charges. These rooms can be added during the months leading up to the event itself. As ticket sales and booth sales increase, the rental fees for these additional rooms can be added incrementally. Expenses such as sound, lighting, printing,
and security will have some combination of fixed and scalable costs. Con organizers should plan advertising and marketing expenses in a staged strategy that also makes these expenses largely scalable. (See Chapter 3 for a more detailed exploration of budgeting.) Having determined the expense budget, the Con organizers will thereby establish a minimum goal for revenue.

The next step is to establish a pricing philosophy for the event. The pricing philosophy will shape the promotional strategies and marketing for the Con. Many events have a simple, for-profit goal: maximize revenue. While there is nothing wrong with this goal, it may be inconsistent with the purpose of operating the Con, particularly if the Con is organized on a nonprofit basis. Maximizing revenue generally means pricing the tickets, booths, and advertising at the highest price consumers are willing to spend. Maximizing revenue tends to focus on short-term returns instead of long-term relationships.

Setting the maximum price for each revenue stream is generally done by comparing the rates paid by the same customers in competitive situations. A market survey or Internet search should help reveal the typical prices paid by attendees at similarly sized events. Of course, prices range dramatically between the hottest music festival concerts and shows with few headliners and numerous unknown acts. Organizers must step back from their unbridled enthusiasm in their project to place ticket prices in the context of realistic value from the potential audience. Moreover, the willingness to pay top dollar is fueled by marketing, so if the Con does not have the ability to market heavily, then it must adjust its pricing expectations accordingly.

The goal of maximizing revenue eliminates the need to balance the pricing for tickets, booths, advertising, and other sources. Under this model, every price decision is the same: charge the highest possible price, based on the market history of the Con or of new, similar events in similar markets.

There are consequences to this revenue strategy. The first is that the higher the prices, the higher the expectations of the purchaser. This pricing strategy is likely to increase the demands of the vendors and expectations of the attendees. Failing to meet these expectations will result in the Con’s failure to deliver on its expectations even if it met all of its minimum goals.

Another consequence is that maximizing revenue signals that the relationship between the Con and the vendors and attendees is primarily a financial relationship. This tends to diminish the long-term relationship between the Con and its audience. Successful business owners understand that more supportive relationships with vendors and consumers tends to provide needed support and flexibility to manage unseen challenges. The Con organizers should take the benefit of good will into the planning, if possible.

At the same time, it may be that the costs of operation are such that the only way the Con can meets its minimum revenue goals is to maximize revenue across the board. Thus, maximizing revenue may be a discrete goal of the enterprise, or it may be a necessity born from the costs of operations.

If the initial projections provide significant net revenues, then there are other pricing considerations to take into account. The price of the tickets changes the nature of the audience. Expensive tickets increase revenue and resources but reduce the audience that can afford to attend the event.

A variation on the ticket pricing modeling is for the Con to charge for particular add-on activities. A theme park like Disneyland does not charge for each ride. Instead, the admission charge covers all the basic rides. Many modern museums and traveling carnivals, in contrast, charge an admission fee and then separately charge for many of the rides and exhibits. Disney also charges for certain premium experiences. The tiered pricing has the benefit of reducing the cost to attend for some patrons while monetizing the high demand for headline events.
Many Cons do not charge additional fees for key panels. Others, however, sell additional tickets for key panels, programs, shows, concerts, or parties. In fact, most Cons have some form of VIP pricing for at least some aspect of the add-ons. The selection of the events requiring secondary tickets directly impacts the strategy and structure of the event, but VIP pricing has the benefit of increasing revenue and segmenting audience experiences.

Another variation is to utilize group sales. Group ticket sales offer significant ticket discounts to groups in exchange for the group being responsible for purchasing the minimum block of tickets and generally purchasing the group tickets early in the ticket sales timeline. The value of early sales cannot be understated for an organization that needs revenue to pay deposits and advance costs.

Commercial theatre, for example, has long used group booking as a strategy to balance ticket discounts with the need for advanced sales and cash flow. Cons can work with community groups to sell groups of tickets at a discount for resale by that group to its membership. This is another approach to let the Con work with local fan clubs, gaming societies, and other communities. The group will then become an asset for the Con, promoting the sales of the tickets to its membership.

Of course, an additional pricing strategy is to stratify the ticket prices for certain communities. Seniors, students, and veterans are common designations for price discounts. Discounts for public radio/public television members, for members of fan clubs or game clubs, or for other affiliated groups may further the goals of creating a strong community relationship with key stakeholders while maximizing revenue from the general public. Discounts for affinity groups often result in great promotional support from those organizations.

Similar strategies work for the booth rentals as well. Creating lower-cost booth rental opportunities for nonprofit organizations such as universities and public service groups help build strong community relationships.

For the new Con, additional flexibility may be needed. Commercial vendors may be reluctant to rent booths if there is not a track record of attendance, so offering rebates in the event that paid attendance drops below a certain threshold may be essential to get these companies to agree to participate in the event. (The Con will find it far easier to pay a rebate than try to collect a surcharge weeks after the event, so rebates are more practical than scaling up the rental fee as attendance expands.) The same rebate strategy might be appropriate for key advertisers.

C. Resale of Tickets Brokers and Scalpers

Ticket resale creates another challenge for the Con organizers. Some musical artists have insisted on setting low-cost ticket prices for their concerts as an effort to promote a close relationship between the artist and audience, but these efforts often prove ineffective. Ticket brokers and scalpers often purchase the lower-priced tickets and resell them at substantial markup—sometimes many times the face value of the tickets.

Ticket brokers are generally licensed businesses that purchase the tickets in bulk. Sometimes these bulk purchases are negotiated with the event organizers. In other situations, the brokers use sophisticated software and staff to snap up ticket inventory. Scalpers are individuals who buy and sell tickets, typically in the area near the venue itself. Of course, scalping by individuals has also moved online. A third version of scalping has developed where individuals acting as unlicensed brokers purchase tickets and resell them through third-party resale ticket sites.

The majority of states have only limited laws to prohibit these practices. Even where the law requires licenses of ticket brokers and prohibits unlicensed scalping, there are numerous exceptions
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and relatively little enforcement. Each state is different and these laws change often, so while this section should not be read as legal advice to begin scalping tickets, it does serve as a warning to the Con organizer that laws generally do not stop scalping and ticket-price gouging.

For a Con that does not sell out, the concern is modest. Same day, at-the-door ticket sales serve as their own economic cap on the prices ticket brokers can charge. The situation changes, however, if the Con anticipates selling out or if significant programs at the Con are likely to sell out. For high-demand tickets, the Con organizers have two choices. First, the Con can sell these tickets at very high prices and capture the revenue that would otherwise be earned by the ticket broker. This helps the Con with revenue but makes it much harder for the general public to be able to pay to attend the Con. Inevitably, high prices lead to some audience resentment and bad-will.

An alternative option is to both bar and block ticket brokers and scalping. Both steps are necessary. Barring ticket resales requires that the ticket contract specify that the ticket is non-transferable. The language should be made part of a binding contract with the purchaser. This practice can be accomplished easily if the tickets are sold via a website. A “clickwrap” agreement creates a mandatory dialogue box during purchasing which sets out the terms of the ticket license. In that contract, the limited right to personally attend the Con is specified. The contract explains that the ticket represents a non-transferrable license to attend the event. It provides that the license is automatically revoked if transferred and that there is no refund of the license fee if it is transferred. The attendees must click on the “I agree” button as a condition of purchasing the ticket.

The legal right to bar transfers of the ticket provides the Con the power to stop ticket transfers, but the Con must also provide a physical mechanism to effectuate the rule. Often, the technique for this works by having the tickets printed on-site with the individual’s name printed on the badge. Then, the badge is checked against a valid proof of identity of the individual seeking to gain admission. Often this is paired with a one-use wristband, so that the security can see that the identity badge has been verified on each day. The Con selects a different color for the wristband each day to reduce the chance that the badge is shared among multiple people.

The process of proving one’s identity as a part of the ticket-purchase reinforces both the previously discussed game-play notion of the patron’s Con experience and the tribal aspect of the event. Even something as trivial as making it through security and identity is an achievement. The name badge then becomes a tribal marker and memento of the Con. People often retain their badges as souvenirs. Printing the name, nickname, location, or interest/genre on the badge creates a way for attendees to find each other and interact while in lines.

D. Food Sales

Sale of food and drink is an important aspect of the Con experience for attendees but can easily be overlooked as an opportunity for the organizer. First of all, the food concession should be understood and negotiated as part of the venue selection. Many convention facilities and hotels have exclusive catering arrangements that prevent the Con organizers from controlling either the food selection or the pricing. In the convention lease agreement, the concession revenue often goes to the convention center rather than to the event.

If the nature and quality of the food selection is important to the Con organizers, then control over these items may require the use of a university, fairground, or other type of facility that is less restrictive in the catering provisions of the lease and offers more choices or flexibility. Renaissance festival and medieval fairs are best known for making use of programmatically relevant food to promote food vendors who provide food to fit the themes of the event. The sales of ales and
drumsticks are often a key driver for attendance at these venues. Science fiction and comic book Cons have not yet established a tradition for such experiential enhancements, though Mos Eisley-styled cantinas\(^2\) are growing in popularity among some science fiction events.

Convention centers typically sell highly overpriced and unhealthy food and drink. These agreements significantly limit the food products that can be sold by the organizers or by vendors. If this exclusivity can be avoided, then food revenue may be an excellent opportunity for the Con organizers to increase revenue without increasing ticket prices. Again, Disney provides an excellent example of the themed restaurants and snack shops that are a highlight of its theme parks.

Con organizers can take advantage of certain items, even if they cannot control all food sales. Most attendees, for instance, will succumb to impulse purchases of candy and bottled drinks. The candy concession can be extremely profitable and can be added to areas where volunteers are providing patron services. A more sophisticated retail approach could include other impulse items like batteries, rechargers, phone cables, and similar items. The Con may be able to acquire the product on consignment or else specifically seek an outside vendor to add these resources to the event.

Water remains an important part of the patron experience. In my book *Own It*, I discuss the harmful economic and environmental aspects of selling bottled water (which is often nothing other than repackaged tap water). Con organizers should consider selling branded reusable water bottles or including them with ticket sales. If the venue has water fountains which work with reusable water bottles, then the only cost is the bottles. If not, then the Con organizers should consider contracting with a water company to provide free water to accompany the branded reusable water bottles. These items will generate revenue and tremendous good will. They may become the collectibles that set each year of the Con apart from the other years. Moreover, giving away water is simply the right way to treat patrons.

Increasingly, food trucks are becoming more popular in urban areas. As a Con grows and its audience increases, the Con organizers should assess the area surrounding the venue for the potential to invite food trucks to support the patrons. In some cases, this can include renting spaces for the food trucks in an adjacent parking lot. In other situations, the food truck owners are simply provided with the schedule of the Con so that they can utilize municipal street parking to make themselves available for the patrons at convenient times and locations. Even if there is no direct revenue to the Con from the food trucks, their presence will help retain patrons at the event, improving their experience and increasing their purchases from the exhibitors.

The Con also has the opportunity to arrange exclusive after-party events at local bars and restaurants. The post-party events can provide another great experience for patrons while earning additional revenue for the Con itself. Because of state liquor laws, private catering of such events must be done through licensed companies. The Con can arrange to have such an event in a private venue, or it can arrange to have its event at a local bar and negotiate with the bar regarding the financial arrangement. Premium parties that charge enough to earn a profit after the costs of the entertainment, food, and liquor should be organized by the Con. The typical event, however, seldom earns net revenue, so partnering with a local bar can reduce the cost and administrative issues for the Con while still offering the premium event to the attendees.

E. Exclusives, Giveaways, and Artist Experiences

To build the positive game reinforcement elements into the Con experience, organizers should be mindful to create specific give-away items, exclusive opportunities, and chances to interact with willing professional attendees. For many Cons, this is the natural ethos of the event. Nonetheless, careful planning can maximize the impact and experience.

Some aspects of the totemic giveaway experience should be offered to every attendee. Everyone coming to the Con should receive a benefit, both tangible and intangible. This may be as simple as the patron’s name badge with sufficiently interesting artwork and Con logos so that the badge has some long-term value. For comic conventions, the art in the exhibit book or a special edition of a comic book published exclusively for attendees is an excellent promotional item. The cost of such an item is not prohibitive and the per-item cost of production is sufficiently low, so that value to the patron is high while the cost for the Con to produce is low. As discussed above, the Con should also consider branded, reusable water bottles.

Digital distribution of specialty items reduces the distribution and per-unit cost to nearly zero. Screensavers, digital art, music, and similar items can be accessed or unlocked by attendees through the ticket purchasing process.

Likely the most popular item is the printed T-shirt. Slightly more costly and bulky than the other items suggested, the T-shirt is an excellent tribal giveaway because it enables patrons to wear their subculture allegiance and advertise their affiliation to the world. Since T-shirt giveaways are ubiquitous, many patrons collect their Con shirts as well. Event cultures differ greatly. While attendees at Comic-Con receive a free T-shirt as part of their ticket purchase, music concerts which may cost vastly more rarely give the tour shirts away for free. Instead, tour T-shirts are sold at tremendous mark-ups.

Having an understanding of the particular cultural expectations is essential in making the selection of items for sale. From this perspective, it is important to understand what items will be appreciated and which will be treated as junk. Posters are often given at Cons, but different age groups react to free posters with very different responses. For an event involving Magic: The Gathering (a trading card-based competition), exclusive promotional cards or cards with alternative artwork have a very high value to its players, even though the physical cost is quite modest. Being culturally relevant provides the giveaway the patron value it needs.

Beyond giveaways for all attendees, the Con can choose to have additional exclusives for select patrons based on premium purchase, first-come, or lottery system. The premium purchase has the benefit of providing additional revenue and creating a self-selecting, appropriately sized audience. The first-come system also limits the size of the community receiving the exclusive. Ironically, although a lottery system seems to be the most egalitarian and fair, the perception will be one of lost opportunity for most patrons. The experience for the patrons will actually highlight the loss rather than the gain, so true lotteries tend not to work as well.

A variation can be the sale of lottery tickets. This does limit the game to those who wish to pay and changes the sense of participation. Surprisingly, sale of lottery tickets is highly regulated as gambling in some jurisdictions, so the Con should check locally before offering any paid lottery tickets. Some jurisdictions treat nonprofits which sell lottery tickets differently than for-profit companies that attempt to do the same, so depending on whether the Con is organized as a for-profit or nonprofit may determine the legality of selling lottery tickets.

The premium tickets are often for exclusive panels, preview nights, receptions with the guest artists, after-parties, limited edition artwork, or limited edition products. At some Cons, these are the
premiere items and the limited edition nature of these products and artwork may result in a very lucrative resale market for these items. The panels, receptions, and parties are events that enhance the experience but do not result in a resale market. Any combination of these activities and products can be used.

Unlike the giveaways for all attendees, these premiums are not necessary for a successful Con, but may be helpful to build buzz and an inner circle of patrons that support the event. If the Con is a nonprofit that relies on sizeable gifts from a small group of dedicated donors, then these premiums are often an excellent way of thanking the donors, assuring that those donors feel like insiders, and encouraging those donors to stay committed so that they retain their leadership status within the organization.
3. Con Expenses and Budgeting

The budget of the Con is built by comparing the potential revenue to the long lists of expenses involved in operating the Con. As discussed in Chapter 9, a nonprofit, tax-exempt Con may be augmented by donations and reduce some of its tax obligations. The biggest difference between the nonprofit Con, such as Comic-Con, and the for-profit concerts at Coachella or Monterey may be the need to generate sufficient profits (or excess revenues) to generate a business return in addition to making the Con a success. Of course, many nonprofit Cons go on to make significant excess revenues. Those charities typically expand their missions to provide artistic and educational programming beyond the Con itself, funded by the revenues generated during the Con.

The Con cannot succeed for very long if it does not earn sufficient income to cover its expenses. To achieve this, the Con organizers must plan carefully to manage the fixed expenses and limit the variable costs.

A. Fixed Costs, Stepped Costs, and General Overhead

Fixed costs are those expenses that remain the same regardless of the size of the attendance. Only a few costs are truly fixed costs, such as the cost to obtain a city permit (if one is required). Stepped costs are those costs that increase in general proportion to the number of people served, but in very large blocks. For example, eggs are typically sold by the dozen or by the gross (twelve-dozen). To serve one person an egg requires a restaurant to purchase a package of one dozen eggs. Until the next package of one-dozen eggs is needed, there is no extra cost. Each package of eggs steps up the cost from group to group.

In organizing a Con, as in many businesses, costs are typically stepped costs because they have limited variability. For example, the lease for the venue can be treated as a fixed cost because there is one fee for the lease. If the Con were to grow enough, then the Con might need to step up the cost by renting venue space at nearby facilities. Few Cons have such large events that they have stepped costs that grow the venue as thousands of additional attendees require expanded facilities, but there are some Cons that do operate in this fashion.

Staffing, talent, and advertising may fall into the category of stepped costs. These are costs that would change for an event at large changes in the Con, such as at steps of 1,000 people, 10,000, and 100,000, but these costs will not adjust on a per-person basis. If the event grows so large that a new venue is needed, then the Con has moved to the next step and this impacts the entire budget.

B. Fixed Cost of Staffing

The front-office staff for the Con is a similarly structured stepped cost. The smallest Con can rely on volunteers or a paid staff of a few people sharing all the work. The Con staffing will quickly grow to include these typical positions:

- Manager/Chief Executive Officer—This person is responsible for making all final decisions and supervising the decisions and approaches of all other senior leadership.
- Producer/Chief Programming Officer—This position may go by many different names. This person is responsible for the thematic decisions; booking acts, performers, and artists; and assuring the programmatic integrity of the Con.
• Business Manager/Chief Financial Officer—This person is primarily responsible for managing the budget, assuring that all operations conform to the budget and to the contracts that define the scope of the Con. Typically, this position assumes responsibility regarding payroll and human relations obligations.

• Marketing Manager—This person is responsible for developing and implementing the marketing and publicity strategy that will bring the audience to the Con. Marketing and publicity are essential to create an audience and build the brand for the Con.

• Technical Director/Operations Manager—This person is responsible for all aspects of the operations throughout the Con, namely coordinating with the venue to assure the power, lighting, audiovisual equipment, rented equipment, and all other aspects of the production operate smoothly and as anticipated. This position also includes coordinating with all the exhibitors, performers, bands, and other artists to arrange proper specifications and expectations for their use of the venue when they load into the location.

• Additional Hired Staff and Volunteers—The officers and managers typically head up departments that include a number of people with critically important subordinate positions. These individuals will also need to be trained and managed throughout the planning stages of the Con, the Con itself, and the break-down work following the event.

Generally speaking, each of these leadership positions would require a fixed salary, either as an hourly employee, or more likely as an exempt salaried employee. Here, however, the Con organizers can borrow lessons from the independent film and music industries to reduce or defer these expenses.

In many of these types of organizations, the basic payment system is a flat fee for the project. Each of the officers, managers, and other key members of the Con team will be quoted a fee for the duration of the project. That fee will then be paid in weekly or bi-weekly installments throughout the project. The Con and the personnel will often both characterize the relationship as that of an independent contractor to avoid the limitations of salaried employment.

Under labor law guidelines, the regulations governing salaried employment may require most or all of the staff to be paid on an hourly basis, which is inconsistent with the agreement of the parties and would require higher payments than budgeted by the Con. As a result, companies in the arts fields and independent creative industries such as Cons sometimes risk violation of federal labor law. Such companies rely on the participants to ignore the protections offered by the law. The employees are part of the creative process and resort to labor complaints on a very infrequent basis. Nonetheless, such a business decision does violate the labor codes. Moreover, being a nonprofit does not exempt a company from adhering to the minimum wage laws.

To help the Con with cash flow and to manage the risk of financial failure, two common financial arrangements can be used: deferrals and profit participation. If the salary is deferred, the employees will earn their specified salary only from the revenues of the Con. Typically, the employment agreement specifies that the deferred salary will be paid after the other third-party costs, such as the venue, talent, equipment rentals, credit cards, etc. After those third-party expenses are paid, the remaining money is used to pay the deferred salaries.

In the event the remaining revenue can cover all the deferred salaries, the employees are all paid at the same time. If there is not enough money to pay all the deferred salaries, however, then the
agreements should provide that the deferred salaries are paid on a pro rata basis, meaning that the same percentage of the unpaid salary is paid for each employee. If there is only enough money for half of the salaries to be paid, then each person will receive fifty percent of their salary. To protect all employees, the Con cannot choose to pay some members of the staff and withhold payment from others. As a preferred variation on this model, the Con can first pay the full minimum wage owed to each individual in order to meet labor regulations, and then pay the remaining deferrals on a pro rata basis thereafter.

Profit participation agreements reflect the opportunity or potential upside of the business. As a method to encourage key employees, artists, bands, or other participants to take part in the Con, the Con organizers can choose to pay a profit participation. Those who are entitled to profit participation will receive their percentage share of the profits generated by the Con, after all specified expenses have been paid.

Profit participation agreements make salary a deferred, variable expense. These agreements protect the Con from needing cash up-front to sign important talent. These agreements also create incentives for key personnel to work to maximize the revenue of the Con.

In the film industry, these profit participation agreements are notorious for running in excess of twenty pages in length and all but guaranteeing that no profits will be earned. This is not the case in the independent film and music industries and it need not be the method of writing the profit participation agreement for the Con.

At the same time, the definition of profit participation must be clearly explained in a written agreement between the Con and the key individuals. Typically the profits would only be earned after all third-party expenses had been paid in full, including outstanding credit card obligations and all deferred salaries had been fully paid. Profit participation may be offered instead of salary, but in the more typical situation, the person would receive some combination of salary and profit participation.

Finally, the Con may provide a daily per diem for those working on set-up, break-down, and operations of the Con. Even if a person is not receiving the weekly minimum wage, the Con may choose to pay a per diem, which is a modest payment on a daily basis to cover gas and food expenses for the employee.

C. Variable Costs and Scalability

Other costs will vary much more greatly depending on the size of the crowd attending the event. Costs for items such as booths and stages, marketing, giveaways, catering, and ticketing will vary directly with the number of Con attendees. Even with these items, however, the ability of the Con to increase or decrease the number of goods, purchases, or money spent will depend on the projections of likely attendees.

To manage variable costs effectively, it is very important that the Con encourage advance ticket sales. For example, guaranteeing that all pre-sale attendees will receive a T-shirt in the size requested (whether for free or separately purchased) will help ensure that the Con does not end up with a bill for thousands of dollars in unsold/ungifted T-shirts. Having a limited supply for walk-ins is essential to control the risk of wasting money on unused items.

For vendors renting booths at the Con, it is important that the contractual deadline to secure the booth is sufficiently early so that the correct number of tables, chairs, power outlets, and other rented items are selected. Once the deadline for changing such vendors’ orders has passed, the Con will not
be able to make adjustments without incurring significant expenses. Timing is critical to effectively manage the variable costs and limit wasteful spending by the Con.

D. Cash Flow and Credit Lines

The timeline to secure a venue and assure that the key talent will appear at a Con may begin months before the Con can actually sell the first of the pre-sale tickets. Although Cons have become much larger and more popular in recent years, only a few of these events have significantly early pre-sales of their tickets.

In addition to managing the overall budget of the Con, the business manager must pay careful attention to the cash flow of the business. The business manager must keep track of the total amount of money being transferred into and out of the Con on a daily basis. In most instances vendors will require at least partial payment at the time of contracting. These costs can easily exceed the financial resources of the Con.

While the use of personal credit cards might seem like a simple solution, this is not really the case. The use of a personal credit card is a loan made by the cardholder to the Con. If the Con cannot find the funds to repay the credit card, the cardholder is responsible for that expense. Credit cards do provide rolling payment terms, but the interest rates are much higher than most commercial loans or lines of credit.

The methods available for securing funds depend once again on whether the Con is a nonprofit or for-profit venture. Nonprofit Cons can seek donations and hold fundraisers to gain the operating funds necessary to cover the preliminary costs of operating the Con. For-profit Cons can sell the ownership interests in the Con in exchange for sufficient operating funds to cover these advance expenses. (These funding strategies are discussed more fully in Chapter 10.)

In addition to shareholder capital and donor funding, the Con may also wish to consider a line of credit from a local bank. A line of credit would provide operating capital with a much lower interest rate than that offered through a credit card. The interest is paid on only the amount actually borrowed, but the line of credit could remain available from year-to-year, enabling the Con to plan its income and expenses on an annual basis. The revenues from an established Con should satisfy the bank that the Con is a credit-worthy risk. A new Con, like any new start-up, may face some challenges in obtaining a line of credit. But even if the bank requires guarantees from senior management, the interest rates will still be substantially lower than those paid on the personal credit cards.

E. Financial Responsibility – Protecting the Funds

Until recently, Cons and concerts were predominantly a cash business. The music and theatre industries are rife with stories of venues skimming money, ripping off the artists and the IRS. With online ticket sales and individually printed badges, the ease of skimming money at the door has diminished, but new technologies also create opportunities for new forms of graft and theft. Accountability, financial management, and careful financial procedures remain a significant obligation for the business manager and the Con.

It is very important that both the revenue and expense aspects of the Con business have sufficient safeguards to protect against theft. Checks should only be paid upon receipt of proper invoices. Reimbursements should only be paid upon receipt of physical receipts. All expenses need to be carefully documented and all vendors must be double-checked to be sure they are bona fide (real) companies providing services to the Con. Each day, the actual expenses should be fully reconciled
with the budget to project the needed adjustments to the plan for operating the Con and to assure no inappropriate expenses are being incurred, whether by accident or as a result of theft.

The procedures to approve payments must have sufficient safeguards so that no staff members are in a position to authorize their own reimbursements. Careful financial records are also essential to meet IRS reporting requirements for employee, volunteer, and vendor reimbursements. Each step in the payment process should be verifiable and auditable.

Revenues must also be tracked. Each separate revenue stream should be monitored individually to assure that the revenue from that source aligns with projections, exceeds the associated costs, and fits with the operational expectations of the Con.

Attendance, for example, needs to be tracked to assure that the distribution of tickets from sales and comps does not exceed the attendance inside the Con. Careful management will help detect and reduce fraud, whether it is committed by the public or by those inside the organization.

Ticket software and online services can provide very helpful tools to assure the revenue management works well. If there is a box office managed by the Con rather than the venue, then there needs to be physical security for the funds and accountability that no one has sole access to uncounted funds, particularly during the chaos of the Con itself.

Trust, but verify!

F. Sample of a Simple Expense Budget

The team at Concert Ideas, Inc. publishes the “Concert Ideas Event Planning Guide,” which is designed to help produce music concerts at schools. This very helpful guide lists the key elements of the sample budget, which is adjusted slightly to reflect the use for both music concerts and other types of Cons. This sample budget is reprinted at the end of this section.

For each of the categories, there may be dozens of sub-categories of budgets. For the operational aspects, each of the separate days of the event should be budgeted so that there are funds and support ready. There is no rule of thumb for the proportion of expenses to be allocated for one particular category or another. The costs of venues, talent, marketing, and other expenses can vary so greatly from city to city and among different types of events that no guide is practical. Nonetheless, the categories of expenses tend to be generally consistent from one type of Con to another.

Once the budget has been agreed upon, it becomes the “bible” of the event. The budget should not be revised without careful consideration and input. The actual expenses must be carefully tracked to assure that areas of the budget do not balloon out of control. If significant deviations are made, they must be agreed upon by the senior management of the Con organizers and the re-allocated budget distributed so everyone is working within the same financial constraints.

A Con that did not pay its bills was not a successful event, no matter how much fun the participants had during the event. The budget is the most important tool to assure success of the Con. While financial success is only one measure of a Con’s overall benefit and impact, fiscal responsibility is essential for the Con to succeed on any programmatic measures.
### Pro Forma Expense Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venue Cost</td>
<td></td>
</tr>
<tr>
<td>Salaries and Staff</td>
<td></td>
</tr>
<tr>
<td>Office Rental for Con Management</td>
<td></td>
</tr>
<tr>
<td>Equipment for Exhibitors and Vendors – Tables, Chairs, Power, Sound, Internet</td>
<td></td>
</tr>
<tr>
<td>Equipment for Stages and Performances – Sound, Lights, Barricade, Backline</td>
<td></td>
</tr>
<tr>
<td>Talent – Bands, Headliners, Artists, etc.</td>
<td></td>
</tr>
<tr>
<td>Marketing – Google, Facebook and Other Social Media, Newspaper, Radio, TV, Misc.</td>
<td></td>
</tr>
<tr>
<td>Purchased Goods for Sale or Giveaway</td>
<td></td>
</tr>
<tr>
<td>Catering for Staff and Talent</td>
<td></td>
</tr>
<tr>
<td>Catering for Special Events (Preview Parties, After-Parties, etc.)</td>
<td></td>
</tr>
<tr>
<td>Ticketing Services, Credit Card Fees, and Surcharges</td>
<td></td>
</tr>
<tr>
<td>Printing and Materials for Program, Signage, Awards, etc.</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Operational Expenses</td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td></td>
</tr>
<tr>
<td>Reserves (at least 10% of Budget)</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL COSTS**

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