



SORTING SALON MADNESS NEGOTIATION

Confidential Information for Salon Madness Business Manager

You are the business manager for Salon Madness Partners, the entity that owns and produces the play, Salon Madness, a comedy murder mystery whodunit, in Bluestone, MA. Salon Madness recently celebrated its 30th anniversary at the Bluestone Theater, an intimate and cozy 200-seat venue. Capacity crowds are frequent, and the production is profitable. Salon Madness has transformed into something of a regional cult hit with New England area audiences with no end date for the performance in sight. It is one of the longest-running non-musical plays in the world owing to its unique narrative model that invites audience participation, including a crowdsourced audience vote that determines the final plot twist.

The members of Salon Madness Partners are also the original playwrights. Their success from the show has made them wealthy and allows them the freedom to pursue other playwriting, creative, and charitable ventures. On their behalf, you manage the operations and intellectual property of Salon Madness, including marketing, merchandising, and protection of the brand.

You recently received an urgent email from a representative of B&Z, a company with US headquarters in Cincinnati and international headquarters in Geneva. The B&Z email didn't provide many details except that B&Z plans to celebrate a major anniversary and is interested in a custom production in Cincinnati with some B&Z references and in-jokes added into the dialogue along with the permission to broadcast it to B&Z Geneva headquarters. The email stated that B&Z has all the necessary HD live production equipment and stage materials to hold and stream a Salon Madness performance. While you don't know the precise time frame, you had the impression that their date is set and approaching quickly.

You are delighted by the request from B&Z. The team behind Salon Madness Partners is pushing to generate more revenue from the play but has been reluctant to permit broadband HD streaming. They are concerned about cannibalizing the market for profitable performances in Bluestone, MA if a pirated copy of a Salon Madness performance becomes widely available on the internet. A few years ago, the Salon Madness Partners did launch a touring act organized under the "Salon Madness National Touring Company" moniker, but few venues outside the immediate Bluestone area have been willing to pay the production costs. Just last week, the group's planned tour to the state of Georgia was postponed when the host theater failed to generate sufficient advance ticket sales. That cancellation leaves a gaping hole in the touring company's calendar for the next four weekends.

The minimum fixed cost for the touring company to bring Salon Madness to a market outside of Bluestone is approximately \$20,000. This would cover estimated airfare for eight



actors plus additional stagehands and crew, shipping, equity pay scales, and other miscellaneous costs. The costs for additional evening performances, once the team arrives at a venue starts at \$15,000 per show, which mainly covers costs for additional lodging and compensation.

As the operations chief for Salon Madness Partners, you have an interest in employing these actors and stagehands during the booking gap created by the Georgia cancellation. Accordingly, you will not agree to take less than \$20,000 for a single performance, or \$35,000 for two evenings.

Your price quote to the folks in Georgia had been higher - \$45,000 for two evening performances- as Salon Madness Partners prefer their production makes a profit above its fixed costs. For the Georgia engagement, recording and other transmissions of the performance were strictly forbidden.

You'll have to think about what price to quote B&Z. They are an enormous company. A quick Google search reveals that B&Z's stock has had a banner year. As a sophisticated business, they will understand that the travel and payroll costs to bring a custom Salon Madness production to bear will be costly. You don't want to leave B&Z money on the table by underbidding.

The idea of HD broadcasting to B&Z Geneva of the Cincinnati performance is a tricky issue for Salon Madness Partners. While streaming the show wouldn't cost Salon Madness Partners any money as B&Z will handle the streaming, Salon Madness Partners are concerned with the implications of having recording and re-broadcasting rights outside of their control for the first time since the production began. Still, B&Z should have the ability to institute controls that will deter piracy and limit reproductions for this one-time recording. After all, B&Z has countless staff attorneys with the know-how to enforce prohibitions against piracy or re-broadcasting and to pull offending recordings from the internet.

You do have a strong interest in experimenting with live HD broadcasts in the future. B&Z's request presents a good opportunity for that, if only the broadcast can be strictly controlled. The idea of testing audience reactions in Geneva is also a positive. You'd like to see how the humor plays outside the US, and the chance to beta test a foreign audience for future European productions of Salon Madness is compelling. HD streaming performances to select theaters in European towns and cities in partnership with local theater companies is a guaranteed way to increase the footprint of the show outside of New England. It is far less expensive to test the viability of the European market for Salon Madness with HD streaming fully subsidized by B&Z than it is to send a troupe of actors across the ocean.

You responded to the B&Z representative's email by suggesting that you meet today to see if an agreement is possible. Get ready to negotiate!