

HSF – NLU DELHI INTERNATIONAL NEGOTIATION COMPETITION 2017

PRELIMINARY ROUND 2: THE LION'S SHARE FOR ICON ENTERTAINMENT

NEGOTIATION PLAN FOR ICON ENTERTAINMENT (TEAM CODE: 27)

Mutual Aim

- Icon Entertainment and Blue Lion are seeking to enter into a joint venture agreement for the ownership and management of the 'Shell'.

Interests and objectives

Icon Entertainment

- *Equal joint venture* – Pursue a 50:50 partnership with Blue Lion (negotiable).
- *Initial capital contribution* – Obtain significant capital investment such that Icon Entertainment is not dependent upon financial support of Icon Ltd (paramount).
- *Reputation* – Increase attendance by leveraging Blue Lion's brand and establish the Shell as a premier live entertainment venue (paramount).
- *Future financing* – Secure an obligation to provide future funding on a pro rata basis from Blue Lion as evidence of its commitment to the joint venture (preferable).
- *Control* – Retain autonomy in relation to expenditure, events and performers (preferable).

Blue Lion

- *Limited joint venture* – Reluctant to commit to 50:50 partnership with Icon Entertainment.
- *Maintain reputation* – Cement position as market leader in the energy drinks market.
- *Expand market share* – Improve sales of its new soft drink range.
- *Control* – Seek substantial control in relation to plot of land, events and suppliers.
- *Branding* – Acquire naming rights to the venue and erect signs to establish presence.

Bargaining positions

Icon Entertainment's strengths

- *Venue*: The Shell is equipped with modern facilities, convenient transport links and a potential capacity of 60,000.
- *Land*: The plot of land adjacent to the Shell is suitable for developing an outdoor entertainment space.
- *Experience*: Icon Entertainment has extensive experience managing live entertainment venues.

Icon Entertainment's weaknesses

- *Lack of popularity*: The Shell is considered less popular than other large capacity music venues in Melbourne.
- *Absence of alternative partners*: There is nothing to suggest that Icon Entertainment has another viable joint venture partner.

Blue Lion's strengths

- *Product*: The Blue Lion energy drink is the most popular of its kind in Australia. The sales trajectory of Blue Lion's energy drink also appears to be favourable.
- *Brand*: Blue Lion has established a brand that is synonymous with fun and resonates with young people.
- *Ideas*: Blue Lion has novel ideas that it can contribute to the joint venture.

Blue Lion's weaknesses

- *Lack of diversification*: Blue Lion's broader soft drink range is relatively unproven.
- *Lack of stadiums*: Limited opportunities to sponsor a venue of similar scale in Melbourne.

Strategies

1. *Structuring joint venture:*
 - a. Create an incorporated Special Purpose Vehicle to limit liability.
2. *Obtaining a significant capital contribution:*
 - a. Contribution equivalent to the value of the lease (\$125 million over 30 years).
 - b. Leverage side plot of land as development site for expanding project.
 - i. Encourage capital investments which have an enduring benefit e.g. construction of a BMX Track (Blue Lion bears cost of insurance).
3. *Obtaining future financing:*
 - a. Source future finance on a pro rata basis once initial investment exhausted.
 - i. Include provision to dilute shareholding if future financing not provided.
4. *Voting control:*
 - a. Aim for voting rights to be allocated in proportion to each party's equity in the joint venture (ensuring Icon Entertainment retains controlling interest).
5. *Discretion over number of Blue Lion's sponsored events:*
 - a. Willing to allow Blue Lion to host up to 20 brand-sponsored events annually.
 - i. If more than 20 events held, they must be approved by Icon Entertainment.
 - b. But include provision that Blue Lion must retain at least 10% equity in the joint venture.
6. *Limit Blue Lion's control over Icon Entertainment's events*
 - a. Avoid providing Blue Lion with a complete discretion over unsponsored events.
 - i. Willing to agree to certain conditions satisfactory to Blue Lion that need to be met in order for events to be hosted at the venue.
7. *Supply of drinks to venue:*
 - a. Raise concerns about exclusive supplier arrangement e.g. lack of variety will detract from customer experience.
 - b. May concede to exclusive supply for brand-sponsored events.
8. *Naming rights:*
 - a. If contribution to joint venture not 50:50, consider limitations on naming rights:
 - i. Only in relation to brand-sponsored events.
 - ii. Only on adjacent plot of land
 - iii. Only while shareholding is greater than 10%.
 - b. In any event, aim to retain 'Shell' in title.
9. *Signage and advertising:*
 - a. Avoid damaging the aesthetics of the Shell.
 - i. Consider temporary solutions e.g. flashing advertisements.
 - b. Recommend plot of land beside the Shell for advertising e.g. billboards.

Alternatives to a negotiated agreement

Icon Entertainment

BATNA: Icon Entertainment might be able to obtain the capital it seeks through a separate sponsorship agreement.

WATNA: The failure to reach an agreement may limit the financial viability of the venue and inhibit the broader ambitions of Icon Ltd.

Blue Lion

BATNA: Blue Lion might negotiate a sponsorship agreement with a different entertainment venue, allowing it to improve brand recognition and expand its market share.

WATNA: Without further exposure, Blue Lion is unable to maintain its current sales trajectory. Therefore, other drinks suppliers encroach on their market share.