

From Fixed to Performance

HIVE · 2025 · Revenue Settlement Infrastructure

Introduction

The market operating model for public venues, fairgrounds, and event centers has changed dramatically over the past decade. Where fixed rent once provided a reliable, predictable revenue base for operators, modern vendor relationships demand flexibility, transparency, and alignment of incentives. Gross Revenue (GR) leasing has emerged as the answer—a structure that ties rent to actual performance, reducing risk for vendors while giving operators reliable, verifiable income.

This whitepaper examines why the industry is moving away from Gross Profit (GP) lease structures, the hidden costs embedded in those arrangements, and how HIVE’s technology platform makes GR leasing operationally seamless at any scale.

The Compliance Gap

Traditional lease audits occur annually, if at all. Operators rely on self-reported GP figures that vendors calculate using their own cost allocations—labor, food cost, overhead—leaving enormous room for manipulation or honest error. Studies of public market operators suggest that underreported GP ranges from 8% to 23% of actual gross sales, representing millions of dollars in uncollected settlement each year.

The compliance gap is structural. No amount of manual auditing closes it permanently. Operators need real-time visibility into sales data, not quarterly summaries. GR leasing solves this at the source: rent is calculated on gross receipts, which are objectively measurable via point-of-sale integration.

Why GP Structures Create Risk

1. Opaque Cost Allocation

Vendors control which costs count against gross profit. Labor scheduling, owner draws, and equipment depreciation are frequently inflated to suppress the GP figure on which rent is owed. Operators have no practical way to verify these allocations without a forensic audit.

2. Inconsistent Accounting Standards

Vendors may use cash-basis or accrual accounting, different inventory valuation methods, or varying depreciation schedules. Even with good faith, two vendors with identical revenue may report wildly different GP figures, making cross-vendor comparisons meaningless.

3. Lagging Settlement Cycles

GP-based settlements typically run monthly or quarterly, with significant lag between the sales period and payment. Cash-flow timing mismatches create friction and disputes that erode the operator-vendor relationship.

4. Audit Cost and Burden

Meaningful GP audits require engaging outside accountants, reviewing vendor books, and potentially negotiating adjustments. For a market with 40+ vendors this is prohibitively expensive and typically happens only when disputes escalate.

5. Vendor Disputes and Churn

When vendors believe audit findings are arbitrary or inconsistent, disputes follow. Dispute resolution consumes management time and damages vendor trust. GP structures have higher vendor churn than GR structures because the ambiguity breeds distrust on both sides.

6. Legal Exposure

Lease agreements that rely on GP definitions are more likely to face legal challenge because 'gross profit' lacks a single standard definition. GR, by contrast, is unambiguous: it equals total receipts before any deductions.

7. Technology Incompatibility

Modern POS and payment systems report gross sales natively. Converting those figures into a GP calculation requires a separate accounting layer that most small vendors cannot maintain accurately, creating persistent data quality problems.

What Gross Revenue Leasing Means

A Gross Revenue lease ties the vendor's rental obligation to total receipts before any cost deductions. The rate is typically expressed as a percentage of GR (e.g., 8–12%), sometimes with a Minimum Annual Guarantee (MAG) floor to protect operator cash flow during slow periods.

Because GR is captured directly at the point of sale—via integrated POS terminals, mobile payment processors, or kiosk software—there is no subjective calculation. HIVE ingests this data in real time, calculates settlement obligations continuously, and presents both operators

and vendors with a single shared ledger.

Breakeven Calculation

A common objection to GR leasing is that the percentage rate appears higher than a GP rate. The math clarifies this misperception. If a vendor operates at a 35% gross profit margin and pays 20% of GP in rent, their effective rent burden is 7% of GR (0.35×0.20). A GR lease at 8% slightly exceeds this—but eliminates all audit friction, accelerates settlement, and gives the vendor a simple, predictable cost structure.

At a 30% margin, the same GP structure yields 6% of GR. Operators often under-collect relative to what an equivalent GR rate would produce—especially when GP is underreported. A GR rate of 7–8% typically delivers equal or greater operator revenue with dramatically lower administrative cost.

Case Study: Riverside Public Market

Riverside Public Market operates 52 food and retail stalls across two pavilions in the Pacific Northwest. Prior to 2023, all leases were GP-based, with monthly self-reported settlement. The compliance team estimated a 15–18% underreporting rate based on spot audits.

After migrating to HIVE and converting 80% of leases to GR structures, Riverside saw a 22% increase in settlement revenue in the first full year—without raising rates. Vendor disputes dropped from an average of 11 per year to 2. Audit costs fell by approximately \$40,000 annually. Vendor NPS improved by 18 points as transparency increased and billing became predictable.

How HIVE Makes GR Leasing Seamless

HIVE is purpose-built for GR lease management at public venues. The platform integrates with major POS systems (Square, Toast, Clover, Lightspeed) to ingest gross sales data automatically. The revenue-share engine applies the correct lease formula—whether flat GR percentage, MAG + percentage, or tiered thresholds—and updates settlement balances continuously.

Operators see a real-time ledger for every vendor. Vendors see exactly what they owe and why. Both sides access the same data, eliminating the information asymmetry that drives disputes. Settlement runs are generated automatically on configurable cycles—weekly, monthly, or custom.

Having the Vendor Conversation

Transitioning existing tenants to GR leasing requires a clear, transparent conversation. Vendors accustomed to GP leases often fear they will pay more. The data typically shows they will not—and they gain a simpler billing structure and faster dispute resolution.

HIVE provides operators with a vendor-facing summary that shows the historical effective GR rate implied by the vendor's own reported GP. This makes the breakeven case concrete and personal rather than theoretical.

Conclusion

The shift from fixed and GP-based leasing to Gross Revenue structures is not merely an accounting preference—it is a fundamental realignment of incentives. When rent is tied to revenue, operators and vendors succeed together. When the data is shared in real time, trust replaces suspicion.

HIVE exists to make that realignment operationally effortless. If your venue is still relying on self-reported GP settlements, the cost of the status quo is almost certainly higher than the cost of change.