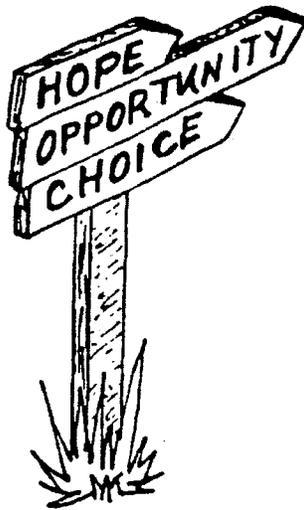


AT THE CROSSROADS?

: FACING A FUTURE IN THE PERFORMING ARTS WITHOUT SUBSCRIPTION



BY ROBERT D. BEAN

A MASTER'S PROJECT,

Presented to the arts and administration Program of the University of Oregon in partial fulfillment of the requirements for the degree of Master of Science in arts administration.

JUNE 2007

AT THE CROSSROADS?

: FACING A FUTURE IN THE PERFORMING ARTS WITHOUT SUBSCRIPTION

Approved:



Dr. Patricia Dewey
Arts and Administration
University of Oregon

Date:

June 11, 2007

ABSTRACT

WRITER: Robert D. Bean

TITLE: At the Crossroads? : Facing a future in the performing arts without subscription.

INSTITUTION: University of Oregon

DEGREE: Masters

YEAR: 2007

As government funding and subscription bases continue to dwindle for American non-profit professional performing arts organizations, one must begin to take a serious look at the cultural market place. What has changed? The current business models used by the majority of regional performing arts non-profit organizations in this country are no longer able to sustain the burden of high artistic, production and administrative costs that have continued to rise over the last quarter century. These organizations are quickly coming to a crossroads, and must decide how best to move forward so that our communities continue to have the option of experiencing and participating in live theatre, classical music, opera, and dance. It is time to take a deeper look at American regional theatres (ART) and the business models and funding systems that sustain them. This research project will examine current ART business strategies, including subscription, as well as future expectations and options. This is executed by looking at patron trends, senior management consultation, and relevant case study.

TABLE OF CONTENTS

1. INTRODUCTION.....	1
TO BEGIN WITH.....	1
PURPOSE OF THE STUDY.....	2
PROBLEM STATEMENT.....	3
MAIN RESEARCH QUESTION.....	5
RESEARCH SUB-QUESTIONS.....	5
CONCEPTUAL FRAMEWORK.....	5
BIASES.....	8
DEFINITIONS.....	8
DETAILS ABOUT THIS PROJECT.....	9
2. RESEARCH METHODS.....	10
PURPOSE STATEMENT.....	10
METHODOLOGICAL PARADIGM.....	10
DELIMITATIONS.....	11
LIMITATIONS.....	11
RESEARCH DESIGN.....	12
DATA COLLECTION AND ANALYSIS.....	14
3. THE CURRENT STATE OF AMERICAN THEATRE.....	15
LET'S GET ON THE SAME PAGE.....	15
SEEING RED.....	17
FEELING THE PINCH.....	19
SHIFTS IN MIXED FUNDING.....	20
4. THE SUBSCRIPTION PROBLEM.....	24
IN A NUT SHELL.....	24
5. AUDIENCE DEVELOPMENT.....	30
BEFORE WE MOVE ON.....	30
WHY ARTS PARTICIPATION IS LACKING.....	31
WHAT IS AUDIENCE DEVELOPMENT.....	33
THE RAND MODEL OF AUDIENCE DEVELOPMENT.....	33
PROBLEMS WITH THE RAND MODEL.....	36
AUDIENCE DEVELOPMENT POLICY VS. ARTS EDUCATION.....	36
AUDIENCE DEVELOPMENT AND SUBSCRIPTION.....	39
6. MEMBERSHIP.....	40
NEW SENSATIONS.....	40
THE GOODMAN THEATRE.....	41
MANHATTAN THEATRE CLUB.....	44
7. SURVEY SAYS.....	50
IT'S IMPORTANT TO MENTION.....	50
THE GOODMAN THEATRE.....	50
MANHATTAN THEATRE CLUB.....	52
THE COMPARISON.....	55
8. IN THE END.....	58
A QUICK NOTE ABOUT AESTHETIC.....	58
AND SO.....	59
THE DEVILS ADVOCATE.....	59
AND YET.....	61

CHAPTER 1

INTRODUCTION

TO BEGIN WITH...

In the fall of 2003, I sat in my weekly marketing meeting at The Seattle Repertory Theatre. Things were going as they usually did, with all of us going around the table updating everyone else, and the director of marketing, on what was happening in our various departments. However, on this day my mind seemed to be a little more engaged than usual. As the Audience Services Manager, I didn't usually care too much about our ongoing subscription campaign, but we were having trouble meeting our subscription goals. It seemed our subscription goals were down significantly. This, in and of itself, didn't seem to be too unusual, because I had heard a similar decree every year about this time. 1994 was the last year that subscription had actually gone up at The Rep, and even that was a false number, because the market was just readjusting itself after the recession of the early 90's (Keller, 1999). Anyway, it was at this point, that someone chimed in that it was getting harder every year to sell our subscription packages.

Now, it's important to note that I'm not one with the most developed self censor, so at this point I just interjected with "So why are we bothering with

subscription, it seems to me it's not working like it used to. Let's try something new." And If I recall correctly I may have even added a "Why don't we think outside the box." There was a bit of silence after this comment, and by the look on my boss's face, one would have thought I had blasphemed in the Vatican. Needless to say, I'm sure, at the time I didn't fully understand the significance of what I was saying.

Four years later, and after a lot more study and understanding, I have a much more significant grasp of the significance of phenomenon illustrated above. Subscription is the air that American regional theatre survives on. The business model that theatres in this country rely on is held together by subscription. It is the one thing that is economical in a sector that is, generally, not economical in a way traditional capitalists believe businesses should be.

The reason I was getting the looks of horror that I did at the time were for two reasons:

- 1.) I'm great at putting my foot in my mouth with things I don't know much about, but more importantly...
- 2.) It's a problem theatre professionals don't know how to deal with. To try something new with ticketing would be a giant financial risk, and in a climate where theatres are closing everywhere you look, no one wants to be the manager who brought their particular theatre, with a long prestigious history, down.

Nonetheless, the sentiment I so ineloquently and unintelligently stated four years ago remains true, even if I was just taking a stab in the dark, if subscription is not working, what do we do next...?

PURPOSE OF THE STUDY:

This research examines current American regional theatre trends with regard to the subscription business model, and the aspects leading towards a failure of this model to sustain revenue and audience support. New business strategies are examined to keep the American regional theatre sector economically viable and relevant, while ensuring their existence and stability for future years to come.

PROBLEM STATEMENT:

One of the biggest problems facing major regional performing arts in this country is the continued reliance on subscription. Most of the larger organizations use a business model where subscription is the lynch pin to their success (Molitch, 2005). The idea of purchasing a whole season of performances is not a new one. In the 1960's, when the regional theatre movement really began to spread, subscription was their key to success (Molitch, 2005). Unfortunately, what worked years ago, seems to no longer be working now (Thayer, 2002). With companies losing subscribers faster than they can replace them it is only a matter of time before subscription does not provide enough revenue for theatre business models

to sustain their portion of a mixed funding business model. The consumer-purchasing world has changed in that the idea of buying tickets months in advance (in a lot of cases) is becoming a thing of the past. American regional theatres are losing subscribers at a national average of 6% a year (Molitch, 2005). However, even with the rapidly weakening numbers, companies are very hesitant about changing how they do business. The reason for this is simple. The beauty of subscription is that it costs each organization very little to sell a seat to an entire season of performances. They only have to market to a subscriber once and they've got them all season. In contrast, when a single ticket buyer is marketed to, they only buy one performance. This means organizations need to keep marketing to the single ticket buyer for each performance they go to. The national theatre average is a marketing cost of \$.57 per subscription purchased. The average marketing cost for a single ticket buyer is \$1.17 per show purchased (Molitch, 2005). What are the other models? Unfortunately, there is little to be found in the literature to offer alternatives, and/or solutions to this problem. This research will look at two selected case studies to further enlighten this issue, and, hopefully, offer a new perspective.

MAIN RESEARCH QUESTION:

With challenges currently facing the subscription model of ticket sales for the American Regional Theatre (ART), what new business model(s) might be implemented by ARTs to meet their earned income goals?

RESEARCH SUB QUESTIONS:

- 1.) What is wrong with the subscription model?
- 2.) What is the changing nature of the mixed funding system?
- 3.) What are the changing factors with regard to audience trends?

CONCEPTUAL FRAMEWORK:

There are a number of questions that must be answered before this research can provide viable data at the end of this process, such as: what has led to the problem of an over reliance on an “outdated subscription model” (Thayer, 2002, p. 65)?

What are some of the contributing factors as to why patrons are not attending live performing arts events like they used to? How much does the fact that folks work longer hours and are part of households with two working adults play into it (Wolf, 1999)? What effect does the mixed funding system that ARTs have on the problem? Is there too much reliance on contributed income to make up for the declining earned income?

This study attempts to answer these questions and also consider a couple of different ideas about how to move forward past the “subscription problem” (Thayer, 2002, p.1). To this end, an extensive overview of both sides (earned and contributed) of ART income follows.

Earned Income

Earned income, from an American regional theatre perspective, refers primarily to ticket sales. There are other line items folded into the earned income side of the budget such as concessions and souvenirs, but they represent a fairly small percentage of total revenue and are directly effected by ticket sales. So, for the purposes of this research, earned income will be represented by ticket sales.

Generally, NPPPO's have two sides of ticket income:

- 1.) Subscription - Subscription refers to any kind of ticket package which includes more then one show.
- 2.) Single tickets – A single ticket is a ticket purchased for one show only.

Back when subscription began with American regional theatres (ART), around the mid 1960's (Donnelly, 1994), a subscription meant purchasing a whole season of performances. However, since subscription sales have begun declining, many organizations have attempted to fix the problem with smaller subscription packages, figuring that maybe a whole season is just too much money or time. Two performance, three performance, or even half season packages are now common at almost all organizations (Molitch, 2004). This also includes the latest rage around the ART community, the Flexpass. The Flexpass is a multi-performance package only the consumer can go at his/her convience, based on their availability. In contrast, with normal subscription packages, generally, the consumer is typically locked in to specific titles, nights, and seats.

Contributed Income

Contributed income refers to any income that comes from donations or partnerships, be they individual, corporate, or from Non-Profits. Peter Donnelly (1994) states that “modern performing arts companies work on the assumption that a healthy total budget is made up of 60% contributed income to 40% earned income” (p.12). This way, the success of one show does not make or break a budget. However, with earned income failing to keep up its end of the revenue, there is a question as to whether those percentages are still viable, considering a seeming lack participation by constituents (Wolf, 1999).

Audience Behavior

The problem with earned income is that its success is subject to current audience behaviors. Recent trends suggest that people do not purchase entertainment or the arts the way they used to. There are any number of reasons for this, such as employment expectations (Wolf, 1999), in home entertainment options (Jackson, 1999), world issues (Donnelly, 2002), or even a lack of confidence in ARTs (Hodsoll, 2002). Mark Jackson (1999) wrote, in regard to subscription and lack of participation, that “the world moves far too fast and is far too scary for folks to commit to anything anymore. They do not know where they will be next month, let alone five or six” (p. 59). This research will examine the reason for this decline in earned income; the effect of which is more of a reliance and, in turn, a strain on contributed income.

BIASES:

I move into this research with three major assumptions that may bias the beliefs with which I conduct this study.

1. Art is essential to the human condition.
2. Creative solutions are needed to properly analyze current ART business trends.
3. There are models beyond the traditional for-profit ones that can sustain both short and long term growth.

DEFINITIONS:

Subscription - Packages of tickets to multiple shows that can be purchased by patrons at the beginning of a production season at a less expensive price than buying the show individually.

Single Tickets – Tickets that can be purchased by patrons to one event or show at a time, i.e. the opposite of subscription.

Membership – A ticketing model that works like a country club. A patron pays monthly dues in exchange for the great seat options when then they do decide to go to events or shows. Also probably includes extra perks, such as Dinners, tours, presentations, discounts, artist meetings, etc.

Audience Development – Work that involves expanding the audience of a particular art or organization.

Paying forward – The idea of paying for goods or services to be provided in the future.

American Regional Theatre (ART) – Non-profit theatre companies that employ professional artists only.

DETAILS REGARDING MASTER'S PROJECT:

This research was originally undertaken to fulfill the master's degree requirements at the University of Oregon. The final product of this master's research will be a project, in the form of an extensive report and presentation to the faculty and student body of the arts and administration program at the University of Oregon.

It is, however, the hope of the researcher that the ultimate endgame for this research will be a presentation to the board and constituency of the Theatre Communications Group at their annual conference in 2007. It is the one time of year that leaders from all sizes of professional theatre get together in one place. It is time that ARTs tackle this issue together. The way to really open a dialogue about this phenomenon would be to present these findings to the folks that can use this research and put it to good use. This study must not be an academic exercise, but more a living manual that points to where professional performing arts might go from here.

CHAPTER 2

RESEARCH METHODS

PURPOSE STATEMENT:

This research examines current American regional theatre trends with regard to the subscription business model, and the aspects leading towards a failure of these models to sustain revenue and audience support. New business strategies will be examined to keep the ART sector economically viable and relevant, while ensuring their existence and stability for future years to come.

METHODOLOGICAL PARADIGM:

The methodological paradigm that will be most appropriate for this research will be one of Critical Inquiry. I will, as researcher, take an active role in translating the theoretical aspects of this research into practical applications. This means that I and my research participants must work together toward a viable partnership to affect the ART sector appropriately. The research goal is to work with selected organizations and work toward a feasible study with shared solutions. Many organizations have thought about these issues, and all have their

own ideas. As such, another research goal is to bring the organizations together in one place so we can all work with each other to affect positive change into the future.

DELIMITATIONS:

This research will have three specific delimitations:

- 1.) The study will only deal with organizations with budgets of one million dollars or more. Smaller organizations tend to use different strategies and encounter different problems. (Donnally, 1994)
- 2.) The study will only research organizations in two of the top five markets in America. Again this is because smaller markets tend not to change quite as fast with the prevailing trends of the time. (Donnally, 1994)
- 3.) Because there are so few alternative models in practice currently, only two case studies are possible.

LIMITATIONS:

The main limitation with this study is that it will only examine two organizations. Although they are flagship theatre organizations in this country, they likely will have some differences from all similar organizations in the

country. As such, while valuable lessons have been learned, it is not possible to generalize findings to all American regional theatres.

RESEARCH DESIGN:

The goal of this study is ultimately to find new, working, business model ideas for non-profit professional performing arts organizations (NPPPO). The best way to come to the appropriate conclusions is to research the parties most affected (Stake, 1995). These parties include the organizations themselves, the leaders and decision makers of those organizations, and finally the audience that make up the constituency of the organizations. Without these groups concordant with each other, the study would carry no weight. To this end, the study includes two different research approaches.

The first part of the investigation is a comparative case study between the two major American regional theatre (The Goodman Theatre and Manhattan Theatre Club) that are currently trying new business and ticket sales models. Before we can begin looking at other ideas we must first see how these worked as compared with subscription.

“A case study is best understood as an in-depth study of an individual unit where that unit is approached as an example of some larger phenomenon” (Gerring, 2002, p. 2). However, as simple as case study may seem, there are a number of ways to achieve faulty data in case studies, and bad data always boils

down the more general issue of “case goodness” (Gerring, 2002, p. 2). This study will put forward a research design that offers cases that are numerous, comparable, independent, representative, rich in variation, transparent to investigation, and offering the means to test alternate theories (Gerring, 2002).

One of the major pitfalls that researchers in multi-case design often fall into is cross-analyzing cases that are only comparable in subject (Yin, 1994). In this study, it is exceedingly important to compare trends at organizations of similar size, budget, and influence; namely, “status in the market place” (Stake, 1995, p.56). To compare a theatre with a \$9,000,000 budget with another theatre with a \$90,000 budget would be a disservice to those looking for ideas and answers from the study. Circumstances must be similar to create useful findings (Yin, 1984). This is what makes the two organizations I am studying so interesting, in that they are of similar size and are both running what they call a “membership” model.

Yin (1994) presents two strategies for general use when analyzing data from case studies, which will both be employed in this study. One is to rely on the theory, or theories, that began the study, and then to analyze the evidence based on those theories. The other technique is to develop a case description, which would be the framework for organizing the case study. Pattern matching (Yin, 1993) is another often-successful way to analyze data. This type of logic compares the developing pattern with a predicted one. The studies validity is enhanced when the patterns coincide. “If it is a descriptive study, the predicted pattern must be defined prior to data collection” (Yin, 1993). Yin (1994) recommended using

“rival explanations” as pattern-matching when there are independent variables involved. This requires the development of rival theories, but the overall concern remains the degree to which a pattern matches the predicted one.

DATA COLLECTION AND ANALYSIS:

Case Studies:

Financial information from the FY06 fiscal year from both The Goodman Theatre and Manhattan Theatre Club was examined and cross referenced to see how their pilot, non-subscription based, business models have succeeded. This information is provided in the Theatre Communications Group annual comparative theatre report, and was then separated into three sections: Ideas that were fiscally successful, Ideas that were fiscally were not, and ideas that are inconclusive. This information was then taken to organizational leaders for their analysis, ideas and thoughts.

CHAPTER 3

THE CURRENT STATE OF AMERICAN THEATRE

LET'S GET ON THE SAME PAGE...

Before we can get into an in depth discussion about the problems facing NPPPO's earned income business model, and subscription; it's important to orient ourselves as to the current state of the American Theatre.

It certainly isn't the best of times, but then, it isn't the worst of times either... That's the impression one might get when sifting through the various tables and charts in Theatre Facts 2005, the latest installment in TCG's annual survey of the financial health of the national not-for-profit theatre field. Looking at the big picture, the study estimates that the more than 1,200 not-for-profit professional theatre companies in the U.S. mounted 170,000 performances of 13,000 productions, employing 104,000 individuals in artistic, administrative and technical capacities. These theatres added over \$1.4 billion to the U.S. economy in direct spending through salaries and payments for goods and services--and that does not count the ripple effect of successive rounds of spending by employees, vendors and others, nor of theatre-related spending by consumers on restaurant meals, parking and the like (TCG, 2005).

While the report highlights significant areas of growth, it also points to a number of unsettling trends, including rising costs, shrinking endowments, declining subscription totals and fundamental shifts in where contributed dollars come from. Theatres are adopting various strategies to face these challenges that are likely to result in long-term changes that will inform the industry's business and creative makeup for years to come (Donnelly, 2004).

What a difference a decade makes. In 1995, booming stock markets and across-the-board economic expansion buoyed budgets and nourished what Thomas Wolf (1997) called "times of plenty." By 2003, the theatre community and the rest of the nation were set back by the effects of economic uncertainty, job losses and social unease due to the war in Iraq and the lingering effects of the 9/11 attacks (Donnelly, 2004). Still, theatres' total income grew in every year from 1999 to 2003, amounting to a cumulative increase of 15 percent after inflation (Jenson, 2004). Expenses grew at an even faster rate, outpacing inflation by 22 percent over the same period. Overall productivity has increased, with the total number of performances growing by 6.4 percent and attendance rising 4.2 percent, the latter despite a drop in 2005 to the lowest attendance level since 2000. Whether this decline is a one-year glitch or the harbinger of a long-term trend remains to be seen (Jensen, 2004).

Two other promising statistics: The total number of artistic, management and technical personnel has increased by 13 percent since 1999 (Donnelly, 2004). The 2003 figure shows a slight rebound from the dip in 2002, suggesting that

theatres may have begun to grow again after making strategic staff reductions. Endowment income is also up, presumably due to the overall U.S. economic recovery; and though theatres reported net capital losses on investments in 2003, those losses were substantially less than in either of the two previous years (Jenson, 2004).

SEEING RED:

Other numbers paint a more troubling picture. "2005 was a difficult year for the theatre industry," Molitch (2005, p. 4) concludes, noting a steady increase in the percentage of companies whose financial statements are in the red. For the second year in a row, more theatres ended the fiscal year with a deficit than with a surplus; 58 percent reported a negative change in unrestricted net assets (CUNA), versus only 30 percent of the same theatres in 1999. Fortunately, the size of these deficits continues to remain relatively small, with the number of theatres running a deficit greater than 20 percent of their budget actually dropping over time (Jenson, 2006).

A word about CUNA; though it's an eye-glazing term for many a normal person, many managers point to CUNA as the most useful measure of a theatre's bottom-line financial health over a given year. In the most basic sense, CUNA tells you whether a theatre has made or lost money. A theatre that ends the year with a surplus is said to have a positive CUNA, whereas a negative CUNA

indicates an operating deficit. The rule of thumb is, the bigger the CUNA; the larger the surplus. On the other hand, if CUNA is negative, the greater the shortfall. Talks of deficits often raise alarm bells, but it's important to note that many of the healthier theatres have plans in place to deal with them (Jensen, 2006).

Publications such as TCG's Theatre Facts focus primarily on operating funds. While it's good news that in 2005 theatres witnessed an overall growth of assets, including investment portfolios, endowments and capital campaign funds, these funds tend to be restricted, e.g., grants payable over time to fund specific projects such as capital improvements or educational programming. They generally do not figure into CUNA and are not part of working capital, the assets available to the theatre to meet such everyday obligations as paying bills and meeting payroll (Jensen, 2004).

When working capital is negative and theatres amass an accumulated deficit, they must bridge the gap to meet daily operating needs. Some healthier institutions access cash reserves and similar funds from past surpluses held aside for precisely this purpose. Others are forced to delay payables, rely on monies from deferred subscription revenue and take out cash-flow loans. In other words, they must borrow against their future (Donnelly, 2004).

FEELING THE PINCH:

Imagine a factory that produces electric razors. Let's say it costs \$10 to manufacture a dozen razors. If it can cut costs and build a dozen for only \$7, great. And if it can squeeze out 14 for that \$7 dollars, even better, that's increased productivity. But at what price?

Theatre is a "labor intensive industry" (Jackson, 1999, p.5). In 2005, 55 percent of expenses went to compensation:

- 1.) Artistic (21 percent)
- 2.) Administrative (20 percent)
- 3.) Production (14 percent) payroll

...and as such, the price may be too great to bear.

When faced with negative working capital situations and looming deficits, theatres pare down budgets to make sure to get the most out of every penny, on both the administrative and artistic side (Penser, 2003)

Modern theatres must really good at controlling costs... The problem is that after several years of reining in budgets, there may be no more room left to cut... Theatres are so bare bones in terms of what they pay to produce plays, what they pay their artists, what they pay their staff. The ultimate challenge is to find

alternative sources of revenue. And so theatres are putting more resources into fundraising, as well as exploring innovative strategies for increasing earned income and entering into collaborations with other companies or commercial producers. (Penser, 2003, p. 27)

SHIFTS IN MIXED FUNDING :

Contributed Income...

Contributed income refers to any income that comes from donations or partnerships, be it individual, corporate, or from other non-profits. Peter Donnelly states (1994) that, “modern performing arts companies work on the assumption that a healthy total budget is made up of 60% contributed income to 40% earned income” (p.12). This way, the success of one show does not make or break a budget. However, with earned income failing to keep up its end of the revenue stream, there is a question as to whether those percentages are still viable considering a seeming lack of participation by constituents (Jackson, 1999).

Contributed Incomes Current State...

Theatre Facts 2005 is a research-driven document, crammed full of statistics that examine theatres as economic entities from various angles. Look

behind the numbers and the study points to a number of substantial changes in theatres' business models, starting with the growing importance of individual donors as the backbone of the fundraising efforts.

Theatres are depending more and more on trustees and other individuals as a source of contributed income, as other funding sources constitute ever-smaller pieces of the revenue pie (Penser, 2005). This salvation comes while many donors are struggling with the same nationwide "fiscal malaise" (Penser, 2005, p. 16), that makes their contributions so timely.

The numbers are striking. Theatres report a 68-percent increase in individual donations over ten years, despite a sizeable dip in 2003 that followed the dramatic spike in 2002. David Jennings (2004) suggests that the contraction from 2002 may reflect a decline in the number of theatres engaged in capital campaigns. Many such campaigns began during the 1990s (when times were healthier) and are now complete. It may also be the inevitable correction coming on the heels of an extraordinary outpouring of emergency donations by patrons who listened to calls for increased support in the aftermath of 9/11 and the uncertainty that followed (Jennings, 2004).

A number of theatres report re-allocating expense budgets to focus on cultivation events and other programs designed to target individual donors. This is a response to corporate and foundation giving that is beginning to plateau. However, it's true that local government funding recovered from a substantial drop in 2002, though it is still down 9 percent (after inflation) over five years

(Penser, 2005). Even so, it's worth noting that theatres received more funding from city and county governments than from state or federal sources, and federal government support covers only a tenth as much of theatres' expenses as gifts from non-trustee individuals (Penser, 2005).

One of the most carefully watched figures in the 2005 TCG report is state funding, and the data make it clear that expected cutbacks have now arrived. State arts councils from coast to coast have slashed giving as legislators have looked to rein in statehouse budget excess. Among those trends, state funding fell 17.5 percent over five years in inflation-adjusted dollars, more than obliterating the up tick recorded in 2002 (Jensen, 2005).

Earned Income...

Earned income from a non-profit professional performing arts organization's perspective refers to ticket sales. There are other line items folded into the earned income side of the budget such as concessions and souvenirs, but they represent a fairly small percentage of total revenue and are directly affected by ticket sales. So for the purposes of this research, earned income will be represented by ticket sales.

Generally, NPPPO's have two sides of ticket income:

- 1.) Subscription - Subscription refers to any kind of ticket package which includes more than one show.

2.) Single tickets – A single ticket is a ticket purchased for one show only.

Back when subscription began with regional Non-Profit Professional Performing Arts Organizations (NPPPO), around the mid 1960's (Donnelly, 1994), a subscription meant purchasing a whole season of performances. However, since subscription sales have begun declining many organizations have attempted to fix the problem with smaller subscription packages, figuring that maybe a whole season is just too much money or time. Two performance, three performance, or even half season packages are now common at almost all organizations (Molitch, 2004). This also includes the latest rage around the NPPPO community, the Flexpass. The Flexpass is a multi-performance package but the consumer can go at his/her convenience, based on their availability. In contrast, with normal subscription packages, generally, the consumer is locked in to specific titles, nights, and seats.

Earned Income's Current State...

See Chapter 4...



CHAPTER 4

THE SUBSCRIPTION PROBLEM

IN A NUT SHELL...

One of the biggest challenges facing major regional performing arts in this country is the continued reliance on subscription. Most of the larger organizations use a business model where subscription is the lynch pin to their success (Molitch, 2005). The idea of purchasing a whole season of performances is not a new one. In the 1960's, when the regional theatre movement really began to spread, subscription was their key to success (Molitch, 2005). Unfortunately, what worked years ago, is no longer working now. With companies losing subscribers faster than they can replace them, it is only a matter of time before that current business model fails completely. The consumer-purchasing world has changed in that the idea of inflexibility is becoming a thing of the past. Performing arts companies are losing subscribers at a national average of 6% a year (Molitch, 2005). However, even with the weakening numbers, companies are very hesitant about changing how they do business. The reason for this is simple. The beauty of subscription is that it costs each organization very little to sell a seat to an entire season of performances. They only have to market to a subscriber once and they've got them

all season. However, when a single ticket buyer is marketed to, and they only buy one performance, and the organization needs to keep marketing to the buyer for each performance they go to. The national theatre average is a marketing cost of \$.57 per subscription purchased. In contrast, the average marketing cost for a single ticket buyer is \$1.17 per show purchased (Molitch, 2005).

The subscriber model has long been the cornerstone of the regional theatre movement, and so the balance between subscriptions and single ticket sales is a topic of perennial concern. TCG's *Theatre Facts* (2005) confirms that the long-term shift away from subscribers continues unabated, with the collective number of subscribers falling by 8.5 percent over the past five years, even as the total number of admissions is up by 4.2 percent. Collective subscription renewal rate held at 75-76 percent in 1999 through 2001, but dropped to 69 percent in 2002 through 2005. In other words, on average theatres now lose 31 percent of their subscribers at the end of each season. This puts the squeeze on theatres to sell new subscriptions in order to maintain a stable audience base, as well as to move more single tickets (Jensen, 2005).

One result of this pressure is that organizations are very, very flexible in terms of what makes a subscription. A subscriber can be someone who buys seven plays, a 10-play flex pass, or a 10-ticket flex pass, or [even] three plays. Ten years ago these types of "quick fixes" would not have been considered the same as subscription (Donnelly, 2006).

At Long Wharf Theatre, Peter Donnelly (2004) describes an intriguing effort to sell subscriptions based on reaching out to "initiators" (p. 34). A grant from the Wallace Foundation helps the theatre identify and target leaders of book groups, wine tasting clubs and the like. "The organization looks to find the person who initiated the book club and find out how they can give them an experience at Long Wharf... That person, because they are the organizer, will go out and rally the troops and get them to buy subscriptions" (Donnelly, 2004, p.36). The theatre offers a package that is smaller than the normal subscription offering, but comes with a bonus. "It's not just coming to the theatre. It's about coming to a value-enhanced experience, whether it's a lecture or a wine tasting or a conversation with the artistic team" (Donnelly, 2004, p.36).

According to *Theatre Facts 2005*, the average across-the-board cost of a subscription ticket is actually about the same as the average single ticket, after discounts are taken into account. This suggests that it's not the buy-in-bulk price discount that attracts subscribers, but other aspects of the subscription; whether it's the ability to switch dates at the last minute, the opportunity to meet artists and so on.

Sweetening the offer with those value-adds is an important selling point, but according to David Jennings (2003) "Adding things to subscription packages is only a temporary fix... patrons want more flexibility...in a lot of cases they want to decide the night of" (p. 52).

At Florida's Magic Circle Theatre the administration takes a different approach to trying to maintain a subscription base. They have the lowest [priced] subscription in America, with the average subscriber seat costing \$12-13. The formula: "Low price plus high quality equals high volume and high volume will cover the lack of price" (Turner, 2005, p.67). A modest subscription price translates into high value for the ticket buyer and a large subscriber base keeps the cost of selling single tickets down because "you can rely more on word of mouth and less on paid advertising" (Turner, 2005, p.67).

Still, it is not likely that the vast majority of regional theatres that have embraced the subscription model will abandon it any time soon. Subscription still provides a number of essentials that single tickets cannot, as illustrated in the list below:

- 1.) Subscription educates people to attend performances. It is a far more effective tool than efforts aimed at the classroom, because "it constantly heightens the repertoire acceptance threshold" (Newman, 1997, p.4).
- 2.) Subscription frees artistic directors from the "tyranny" (Newman, 1997, p.4) of the single-ticket buyers who always turn "thumbs-down" on the experimental, the different, the esoteric, and the serious. If it's on their series, subscribers will come (Newman, 1997).
- 3.) Subscription removes the life-and-death power the critics once held over theatres (Newman, 1997).

- 4.) Subscribers are a “stocked trout stream for fundraising” (Turner, 2005, p. 35). In many arts organizations, their contributions far exceed the combined grants from foundations, corporations and government (Newman, 1997).
- 5.) Subscriptions save huge costs in daily newspaper advertising, which is necessary when depending on single-ticket buyers (Newman, 1997).
- 6.) Huge subscription audiences have impressed corporate and foundation granters and encouraged them to jump on the bandwagon (Newman, 1997).
- 7.) Subscription has given theatres institutional stability and dignity, freeing them from the cheap, speculative, show-biz search for "hits" (Turner, 2005, p. 35).
- 8.) Subscription's annual renewal is a terrific boon, gifting theatres with recurring returns on their money and energy investments of past years (Newman, 1997).

"We haven't given up on subscription. We absolutely need it," writes Donnelly (2004). But for most theatres, it's clear that single-ticket buyers "aren't the frosting on the cake anymore," (Turner, 2005, p. 41). Indeed, among theatres, single-ticket income has outpaced subscription income in each of the last five years. "We all invest much more money in marketing than we used to because we are really depending on single ticket buyers," writes Turner (2005, p.70). Just as with individual donors, the shift to single tickets yields a decline in cost efficiency. As with the numbers illustrated above, *Theatre Facts 2005* confirm that theatres

have to spend fewer dollars on marketing subscriptions than on marketing single tickets to bring in the same amount of revenue.

With more resources being steered towards chasing single-ticket sales, theatres are careful about getting the most out of their marketing dollars. "If an organization does five plays a year, it is unwise that the marketing budget for the season should be divided in fifths. There are some plays that companies can throw all kinds of marketing revenue at and it's just not going to tickle the fancy of the broad theatergoing public. There are other plays you know will attract people in your community. That's when it makes sense to invest marketing dollars to get the word out so that people come to the play before it closes. However, that doesn't mean companies should choose all its plays for their marketability. On the contrary, it means theatres must take that portion of their budget and invest it as wisely as they can so that over the whole season organizations are making the maximum amount of money"(Donnelly, 2003, p. 42).

CHAPTER 5

DEVELOPING THE AUDIENCE

BEFORE WE MOVE ON...

In order to move forward past the current problems with subscription it's important to understand to fundamental changes in the audience. According to Mark Jackson (1999) there are two problems currently facing American regional theatre participation.

- 1.) The lack of a new audience;
- 2.) The loyal (educated) audience is getting older.

These problems directly feed into subscription because the idea of subscribing to a particular organization is a practice of "cultural loyalty" (Jackson, 1999, p. 8). Older audience show those loyalties by purchasing subscriptions, but younger audiences seem to have different patterns; both in the way they purchase and what they look for in arts and culture experiences.

Before organizations can even begin to think about moving past subscription, they need to develop audiences to support such a move (Molitch,

2005). Many organizations have begun to develop programs in *Audience Development* to begin to re introduce new generations to live theatre.

WHY ARTS PARTICIPATION IS LACKING:

In order to successfully discuss audience development it is important to first acknowledge to reasons such development is needed. Though certainly this research does not wish to overly simplify the issue, it seems there are two main schools of thought with regards to dwindling arts patronage and participation in America.

- 1.) The first is a lack of arts education. Erin Dealy (2006) puts forth that when we do not have thriving arts education policy, a “non-understanding of the importance of culture” (p. 2) is what is to blame for shrinking audiences from traditional forms of art. Slashing of music and art programs is continuing in dramatic fashion. In addition to revenue controls, the recent Elementary and Secondary Education Act (often referred to as the No Child Left Behind law) imposed by the Bush administration has put music and art programs in rough shape and left with a dim future. In hopes of reducing the budget, school districts throughout the state are taking drastic measures by cutting out pieces of art and music programs and this, in turn, has left our children with a serious deficiency in the understanding of the

importance of culture. As a result, “we are developing young families with no stake in the arts in America” (Dealy, 2006, p.3).

- 2.) The arts have become digital and home based. The invention of the internet has changed everything. Mark Jackson states in his 1999 book *Theatrework* that “we must not underestimate what the internet has meant to our culture... whereas the invention of cable and satellite television, more than early television itself, were the beginning of serious home based culture...the internet opened the flood gates to never needing leave the house” (Jackson, 1999, p. 72). In 2005, Richard E.T. White went even farther saying, “One of the main reasons our audiences are getting smaller is because intellectual property and piracy laws are virtually unenforceable in the internet age...take any Broadway show...you can find it, albeit in pieces, on Youtube or any number of similar places online” (White, 2005, p. 3).

Of course things are never as simple as a numbered list would lead us to believe. The numbered points are just generalities. There are many complexities that have led to the dwindling patronage in the arts including, but not excluded to, financial issues, world climate, leisure trends, non-profit distrust and employment nuances (Molitch, 2005). However, for this research, and for simplicities sake, we will just utilize the generalities stated above: 1.) Art education is lacking (generally) 2.) Technology has perhaps drowned the drum beat of the “traditional performing arts (Dance, Theatre, Classical Music, Opera)” (Jackson, 1999, p.16),

and 3.) Competition for leisure activities as increased. “So many things to do, so little time” (Jackson, 1999, p. 2.)

WHAT IS AUDIENCE DEVELOPMENT?

Before going any farther in this discussion it is important to define the term *audience development* from the perspective of the arts in America. According to Keith Diggle (1994) artistic audience development means, “bring(ing) an appropriate number of people, drawn from the widest possible range of social background, economic condition and age, into an appropriate form of contact with the arts or artist” (p. 3). The most interesting word in that definition is “appropriate.” What is an appropriate number of people for the arts, and how does it coincide with the financial and cultural aspects together? A more functional definition of *audience development* might be as simple as “growing a patron base” (Jackson, 1999, p. 64).

THE RAND MODEL OF AUDIENCE DEVELOPMENT:

The RAND model of audience development (McCarthy & Jinnett, 2001) compartmentalizes the decision process to participate in the arts into three distinct stages. The model begins in the background stage, which includes the individual’s general attitudes toward the arts. These attitudes may be influenced by local area

factors, immediate cultural factors, personality factors, and the individual's past experience with the arts.

There has been a great deal of research to support the impact of these background factors on the individual's likelihood of participating in the arts in the future (Wiggins, 2004). The key idea featured in the RAND model is the division of the decision process from this point on into three distinct stages. Although McCarthy and Jinnett (2001) do not suggest that every possible patron or participant follows this process in a perfect fashion, they do suggest that individuals progress through the stages in some unique way, and that individual factors influence the decision in different parts of the model.

In Stage 1 the individual forms an opinion on whether to participate in the arts. This evaluation is based on personal factors, such as the individual's personal beliefs about participating in the arts as well as their ideas that are based on the people around them and their ideas of the arts. McCarthy and Jinnett (2001) believe that individuals think through this personal stage at the singular level before any considerations of practical factors, such as performance time, date, location, and price are enter the mind. Once the individual has developed a thought to participate during Stage 1, then the practical factors determine whether the individual progresses to become a participating audience member in Stage 2 of the process. Finally, in Stage 3, the individual participates in an actual arts experience, evaluates his/her reaction to the experience, and adjusts his/her attitudes toward participation based on this experience.

Stage 1 – Disinclined to participate

Stage 2 – Inclined to participate

Stage 3 – Participation

McCarthy and Jinnett (2001) suggest that an understanding of this model can inform the audience development decisions made by arts organizations and arts policy makers. For example, many arts organizations have operated under the assumption that individuals who are not inclined to participate in the arts are primarily influenced by the high price of tickets, and therefore they attempt to broaden their audiences by lowering their prices or offering special discounts targeted to under represented segments of possible patrons. According to the RAND model, however, these individuals are likely to be in Stage 1, forming their initial attitudes toward the arts based on individual factors. Manipulating prices to target these individuals would be useless, since practical factors such as price do not even enter into the decision process until Stage 2. By understanding which stage their target markets are in, arts organizations can better target their audience development strategies by gathering the right information.

PROBLEMS WITH THE RAND MODEL:

While the use of the model seems straightforward, McCarthy and Jinnett (2001) have overlooked two key issues which make their model very difficult to use successfully in any normal organization or public body.

First, by limiting individual factors to Stage 1 of the model and practical factors to Stage 2, while assuming that individuals move through the stages one after the other, they remove any possibility that the two types of factors can combine to influence a decision to participate in the arts (Wiggins, 2004).

Second, by recommending different audience development strategies to target individuals in different stages of the model, they disregard the potential effects that these strategies may have on people who are not in the specific stages but will still be exposed to the marketing tactics of the organization or public body (Wiggins, 2004).

Ultimately, it is impossible to boil down audience development into an exact science. There are far too many factors that tend to be solely individual. According to Erin Dealy, the way to develop audiences is to begin much earlier. Instilling “arts values” (Dealy, 2006, p. 4) in our youth is the best way to develop future and wider audiences.

AUDIENCE DEVELOPMENT POLICY VS. ARTS EDUCATION POLICY:

It is important to acknowledge the fundamental overlap that lies between audience development and arts education. Arts education serves many different

and important functions in society as well as the “growth of well rounded citizens.” (Dealy, 1999, p.4) However, for the sake of this research, arts education will be looked at as a means of audience development in that it breeds an appreciation for the arts that can be carried into a student’s future life whether they are a child, adolescent or adult (Benson, 1997).

Audience development policy is a newer idea across the nation, especially in public agencies. In fact there are very few stated audience development policies in the public sector. Yet, if one is to look at various state, county, and city run arts bodies there is a lot of educational policy and certainly an educational focus. However, are audience development policy and arts education policy one in the same? Dealy (2006) says no, but it can be. It’s one thing to “teach our (students) to be creative” (Dealy, 2006, p. 4), but it is quite another to “teach the importance of culture” (Dealy, 2006, p. 4). Every student is creative to a point. Creativity is how their minds grow, and develop the capacity to learn (Kohl, 2005). However, to create future arts patrons and participants we must instill artistic values. In order for arts education policy to be successful audience development policy it needs to include three things:

- a.) Observation
- b.) Participation
- c.) Intellectualization

Observation:

Observation refers to students being able to experience the arts at work. Whether this is through field trips to museums or shows, or artists coming to give demonstrations, students must experience the arts beyond their own creativity (Dealy, 2006).

Participation:

Participation is where students can create art. It is important, however, that this be art that is based on knowledgeable teaching. Arts creation must be based on arts theory of some kind (Dealy, 2006).

Intellectualization:

Intellectualization means having in depth discussions and/or debates about the nature of art. Why is art important? Is art essential to the human condition? Is there such thing as bad art? These are questions that should be discussed in arts education when trying to develop future patrons and participants (Dealy, 2006).

Ultimately, arts education may be the best audience development tool. If one grows up with the arts, they are more likely to support them in the future, but it must be acknowledged from the inception of the educational policy that audience development is also a goal so that the policy includes appropriate curriculum (Dealy, 2006).

In many cases, successful policies and programs for arts education have completely conflated the roles of student, audience and participant. While their programs differ from each other, New York City's 52nd Street Project, Chicago's Free Street Programs, Los Angeles's Fringe Benefits and others have taken to heart the notion of deepening, rather than introducing, the participatory arts experience as a way of making inroads into a future audience sensibility. And yet, none of these programs would exist if it weren't for their commitment to bringing the arts to schools that currently don't have them (Sato, 2005).

AUDIENCE DEVELOPMENT AND SUBSCRIPTION:

In the end, audience development can and must be the way that organizations build a newer and younger audience and adapt to those trends. The world is much different then it was 50 years ago when the subscription craze began (Donnelly, 1994). A few years later, Peter Donnelly (2003) would suggest that theatres do three things:

- 1.) Educate the audience
- 2.) Understand the audience
- 3.) Adapt to the audience

Which brings us to **Membership...**

CHAPTER 6

MEMBERSHIP

NEW SENSATIONS:

Now that we know that subscription trends are floundering nation wide, the question becomes: what does regional theatre do now?

Two major theatres began pilot programs in FY06 to try to bridge the gap between the decreasing subscription sales and rising single ticket numbers. Not wanting to abandon the old model completely, due to the overwhelming cost of marketing to single ticket buyers (as discussed in chapter 3), they have come up with a *membership* model. The idea was to keep the structure and early influx of revenue that subscription maintains, while embracing the flexibility of a single ticket mentality.

Membership works like a country club. The patron pays an initiation fee to become a member, and then there are monthly dues that are paid to maintain membership. As part of the *membership*, patrons are allowed different perks depending on the company, but the one consistency is that the member could call at any time (2 days in advance for The Goodman, 3 hours in advance for MTC.) and receive tickets to a show, in premium seats. They have the option of only going to the shows they want, and are available for. There is not the rigidity of a

subscription, yet at the same time the member knows the seat will be good and less expensive at any time. These two case studies are presented:

1.) *THE GOODMAN THEATRE, CHICAGO*

MISSION:

“The Goodman is committed to producing both classic and contemporary works, giving full voice to a wide range of artists and visions.”

HISTORY:

The Goodman Theatre, recipient of the Special Tony Award for Outstanding Regional Theatre, is a leader in the American theater and is internationally recognized for its artists, productions and educational programs.

The Goodman Theatre was established in July, 1922, by a gift of \$250,000 from William and Erna Goodman to the Art Institute of Chicago for the purpose of building a theater to memorialize their son, Kenneth Sawyer Goodman. Before his death at the age of 35 in the influenza epidemic of 1918, Kenneth Sawyer Goodman had written, published and produced a number of plays in non-commercial productions in Chicago, and had expressed his vision of an ideal theater, one that would combine professional training with the highest possible performance standards.

Some notable productions in the Goodman's recent history include Artistic Director Robert Falls' stagings of *The Iceman Cometh* starring Brian Dennehy, *The Night of the Iguana* with Cherry Jones and William Petersen, and *The Young Man from Atlanta* starring Rip Torn and Shirley Knight; Frank Galati's world premiere of John Kander and Fred Ebb's musical *The Visit*, featuring a book by Terrence McNally and starring Chita Rivera; David Petrarca's world premiere productions of *Marvin's Room* and the musical *The House of Martin Guerre*; Chuck Smith's acclaimed revivals of *Ma Rainey's Black Bottom*, *A Raisin in the Sun* and *The Amen Corner*; Mary Zimmerman's premiere productions of *The Notebooks of Leonardo da Vinci*, *Journey to the West*, *The Odyssey* and the Philip Glass opera *Galileo Galilei*; the world premieres of Regina Taylor's *Drowning Crow* and *Oo-Bla-Dee*; the Chicago premiere of *Zoot Suit*, staged by Henry Godinez; nine of ten works in August Wilson's cycle of plays exploring the African American experience in the 20th century including the premiere productions of *Seven Guitars*, *King Hedley II* and *Gem of the Ocean*; plus several premieres of David Mamet's plays, including *American Buffalo* and *A Life in the Theatre*, and of Rebecca Gilman's plays *Spinning into Butter*, *Boy Gets Girl*, *Blue Surge* and *Dollhouse*.

The Goodman's Department of Education and Community Programs provides comprehensive outreach services, including the free Student Subscription Series involving 2,700 Chicago public high school students each season featuring

free matinee performances, pre- and post-performance classroom visits, student and teacher study guides, and educational video documentaries. The Goodman also enjoys numerous educational community partnerships.

TOTAL BUDGET:

\$11,895,946

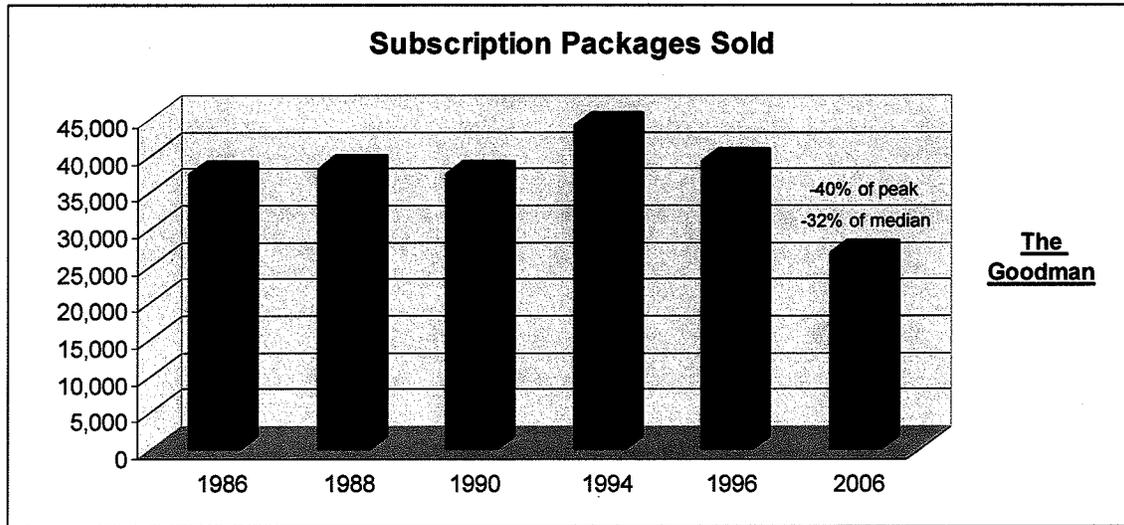
SUBSCRIPTION BASE:

The Goodman theatre currently supports a subscription base that is approximately 23 thousand. 1994 represented the theatre's largest subscriber boom with 44 thousand subscription packages sold; however, if you take into account the decade before as the median subscriber base should be around 39 thousand.

Year	Subscriber Packages Sold
1986	37,448
1988	38,119
1990	37,356
1994	43,987
1996	39,198

Year	Subscriber Packages Sold
2006	26,642
2006	Down 32% of median
2006	Down 40% of peak

Figure 1



MEMBERSHIP:

In 2006 The Goodman's Membership program had an initiation fee of \$225.00, and a monthly fee of \$55.00 per member. This package included.

- 1.) Premium seats to any show
- 2.) Premium ticket prices
- 3.) A membership advance sale for every show
- 4.) Premium Parking
- 5.) Cashless accounts for all members
- 6.) A private lounge (with complimentary hors d'oeuvres and desserts.)
- 7.) Member only staff and ushers
- 8.) Specials events
- 9.) Discounts at concessions
- 10.) Member only magazine
- 11.) Private entrance and exit

2.) MANHATTAN THEATRE CLUB, NEW YORK (MTC)

MISSION:

“For more than three decades, Manhattan Theatre Club has been the creative and artistic home for America's most gifted theatrical artists, producing works of the highest quality by both established and emerging American and international playwrights. New York and world premieres created under MTC's auspices travel across America and the world. MTC's plays and musicals challenge, inspire, entertain and provoke audiences. At MTC, theatre reflects on our lives, our society and our ideas.”

HISTORY:

Under the dynamic leadership of Artistic Director Lynne Meadow and Executive Producer Barry Grove, Manhattan Theatre Club has grown in three decades from a prolific off-off Broadway showcase into one of the country's most acclaimed theatre organizations. One of the only institutions in the U.S. solely dedicated to producing new plays and musicals, MTC develops and presents works of the highest quality by both established and emerging American and international playwrights.

Founded in 1970, MTC now produces seven plays a year in Broadway's recently restored Biltmore Theatre on West 47th Street and at the historic New

York City Center complex on West 55th Street. Each season is distinguished by the variety of the repertoire.

With three performance spaces, the 650-seat Biltmore Theatre and New York City Center's 299-seat Stage I and 150-seat Stage II, MTC offers a wide range of "voices and visions" in its programming. New York and world premieres created under MTC's auspices travel across America and around the world.

MTC is committed to bringing theatre to the widest possible audience. Initiatives which enable MTC's work to reach an ever-growing range of theatergoers include moving successful plays originally produced at MTC's New York City Center home to larger Broadway or Off Broadway venues for an extended run; originating certain productions in larger venues; collaborating with leading regional theatres to bring major new American plays to New York; and bringing student and family audiences to our theatres through their ambitious Education program.

TOTAL BUDGET:

\$24,061,619

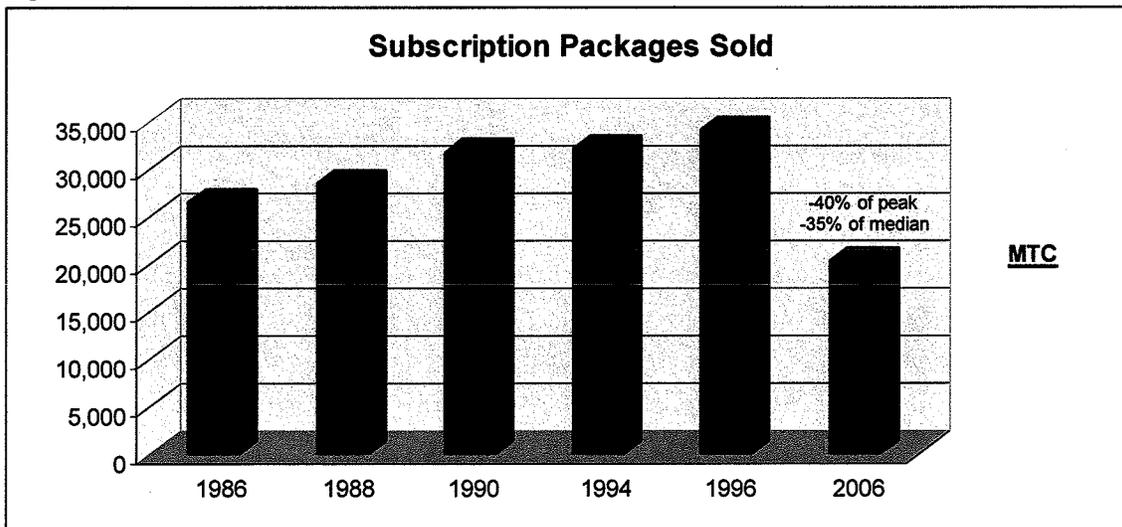
SUBSCRIBER BASE:

Manhattan Theatre Club (MTC) currently supports a subscriber base of about 20,000 packages. Its peak was in 1996 at about 34,000 packages. However, past history suggests that a MTC has a median subscriber base of about 30,000.

Year	Subscriber Packages Sold
1986	26,482
1988	28,519
1990	31,764
1994	32,127
1996	34,067

Year	Subscriber Packages Sold
2006	20,338
2006	Down 35% of median
2006	Down 40% of peak

Figure 2



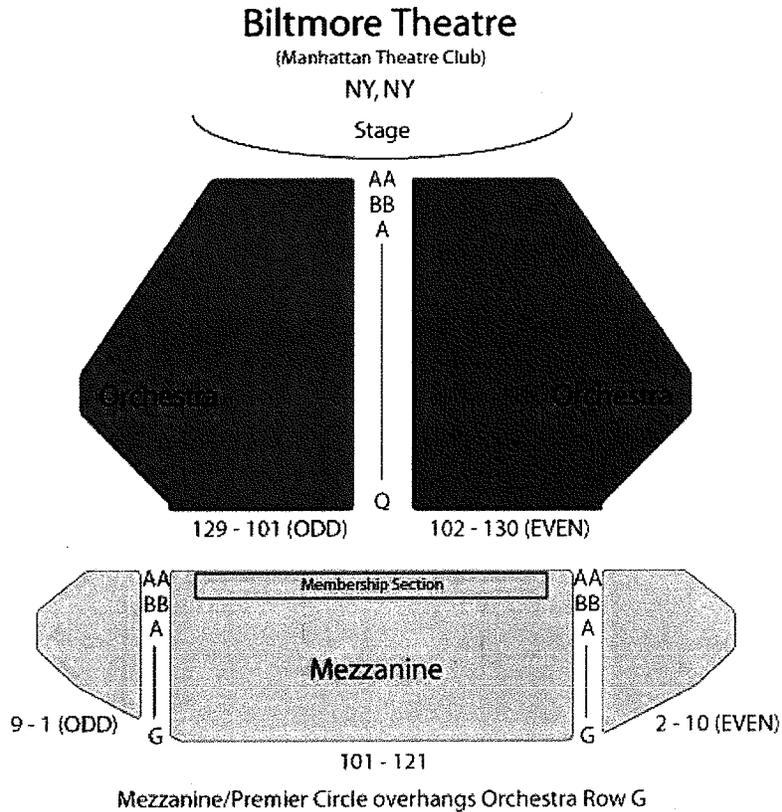
MEMBERSHIP:

In 2006 MTC's Membership program had an initiation fee of \$1,500, and a monthly fee of \$250 per member. This package included:

- 1.) A premium seating section for every show
- 2.) A Private Salon

- 3.) Cashless Theatre Accounts
- 4.) Private Concierge Service
- 5.) Special Post Show Events with Casts and Artists
- 6.) Guest Privileges
- 7.) Reciprocation Services

MEMBERSHIP SEATING:



CHAPTER 7

"SURVEY SAYS..."

IT'S IMPORTANT TO MENTION...

The research is only in its beginning stages. It is my sincere hope that the American Theatre continues down this path of innovation in order to bridge the gap of plummeting subscription sales. Hopefully, more and more models and strategies will begin to take hold and there will be a bright future past subscription. As it is, The Goodman Theatre has decided to discontinue its membership program after only one season, and Manhattan Theatre Club is only currently in the second season of its five season membership pilot program. There is still a great deal to be learned, but here is what we know now...

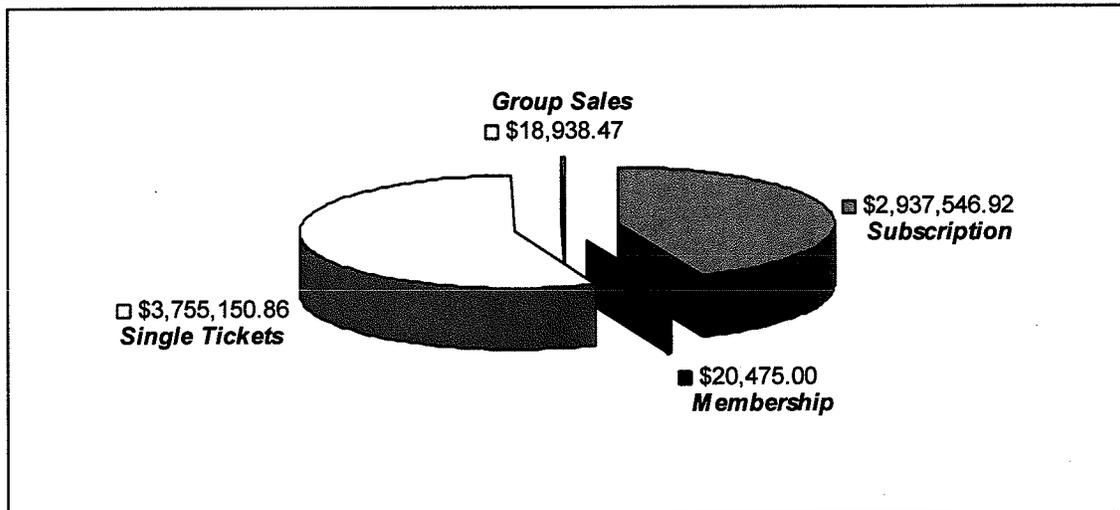
1.) *THE GOODMAN THEATRE, CHICAGO*

The Goodman Theatre's membership program was developed by Beth Wilmurt over a period of three seasons beginning in 2003 after a membership breakout group put together at the national conference of the Theatre Communications Group. The Goodman was looking for a way to attract new patrons that live a more modern lifestyle. They were looking to adapt to the

spontaneity so many younger (25-45) audience members seemed to embrace. The membership model was finally put into action in FY06. Ms. Wilmurt left the Goodman in January of 2006; since then The Goodman has decided, with severely underwhelming sales and with the program's creator elsewhere, to end the pilot program after only one season. This is how the numbers break out:

Year: FY06	# Sold	Revenue	% from FY05
Subscriber Packages Sold	26,642	\$2,937,546.92	-4.32%
Memberships Sold	91	\$20,475.00	N/A
Single Tickets Sold	154,279	\$3,755,150.86	9.44%
Group Packages	1,237	\$18,938.47	2.57%
Total Ticket Income		\$6,723,111.25	-2.03%

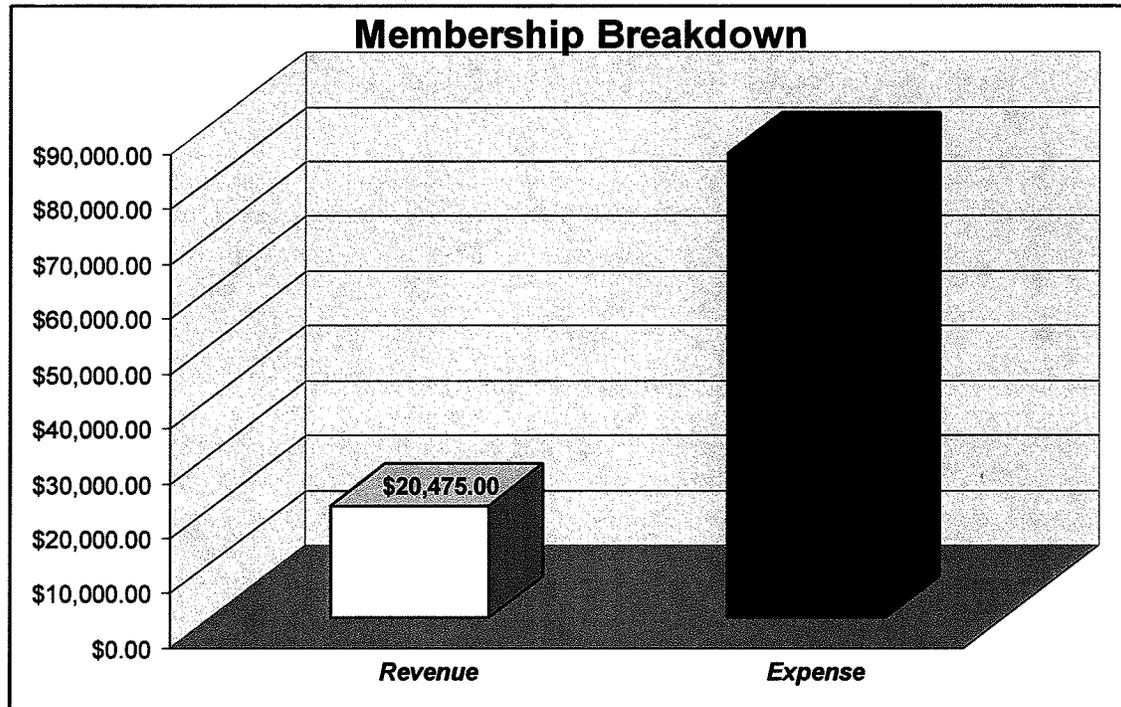
Figure 3



Membership Expenses:

Parking	\$8,224.16
Staff	\$46,868.42
Hospitality	\$10,679.86
Events	\$15,486.31
Printing	\$3,426.00
Total Expense:	\$84,683.75*

Figure 4



** The expenses do not take into account the amount lost by holding premium seats for members for all shows.*

Ultimately, (as shown in the chart above) the development and maintenance of such a program proved to be too costly to continue in the future. Also with a new marketing staff, there was little buy-in to the idea, especially since it was costing the theatre money.

New Marketing Director Lori Kleineman (2007) was the first to admit, “We just didn’t have the infrastructure to continue with such a program...It was incredibly ambitious, and probably in many ways a good idea...but we weren’t ready. With only 91 members, we were spending a fortune to keep seats open, and pay for parking spots, and keep the new lounge together, it just made the whole thing impossible, even if we tripled our membership sales this season, which I

think is asking a lot, we would be losing a significant amount of money...The truth is we were still pushing subscriptions harder, and we will for the foreseeable future, and until we're ready, meaning our leadership and board as well, to push something harder than subscription, we'll just end back with where we started."

2.) MANHATTAN THEATRE CLUB, NEW YORK (MTC)

In many ways, the membership program that is being piloted by the Manhattan Theatre Club is different from the one abandoned by The Goodman. First and foremost, it targets a different constituency.

Marketing Director Debra Waxman (2007) illustrates this point by saying, "To be honest, we always looked at our membership program as a means to create more buy in to the organization within our more affluent patrons...The bottom line is that there are a lot of people in New York City that could care less about how much more money it costs to buy last minute. Our membership program is centered upon getting those folks to be more involved....Certainly, I can see where it will help with normal subscription...and of course we did have long conversations about what it would mean to our subscribers and single ticket holders...but I'm not sure we worry about that as much in this theatre."

Manhattan Theatre Club has the benefit of location. MTC has a Broadway venue and is a staging ground for commercial runs, and therefore the earned to contributed model that most other theatres are constantly trying to keep in balance

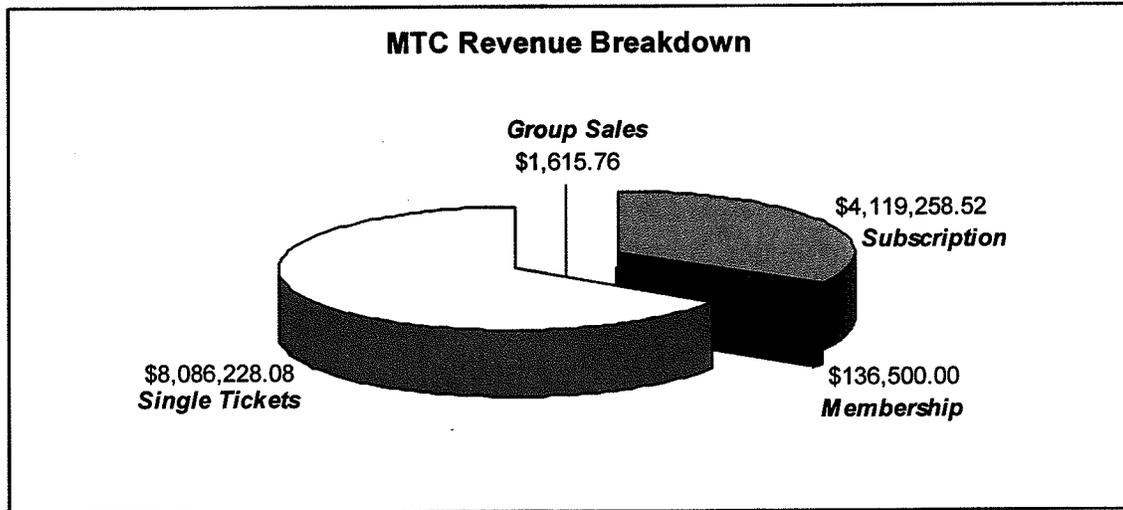
is a bit different there. Most show sell out because of the superstar artists the location attracts, as well as the chance to see the show “before it goes big.”

Waxman continues, “When we have a show with Alec Baldwin in it, or Kristin Chenoweth, we love single tickets...we make more money, and we don’t have to spend much on marketing... We concern ourselves more with long term development, and that is where these memberships come into play... The truth is we are very lucky here with regards to that topic, now we have other issues that other theatres don’t really have to worry about, but with patrons we are very lucky... knock on wood!”

The membership program at MTC is in it’s second season currently, at will be evaluated after it’s fifth. Here is how FY06 looked:

Year:FY06	# Sold	Revenue	% from FY05
Subscriber Packages Sold	20,338	\$4,119,258.52	-2.14%
Memberships Sold	136	\$136,500.00	N/A
Single Tickets Sold	248,654	\$8,086,228.08	5.63%
Group Packages	38	\$1,615.76	-8.60%
	Total Ticket Income	\$12,343,602.36	3.02%

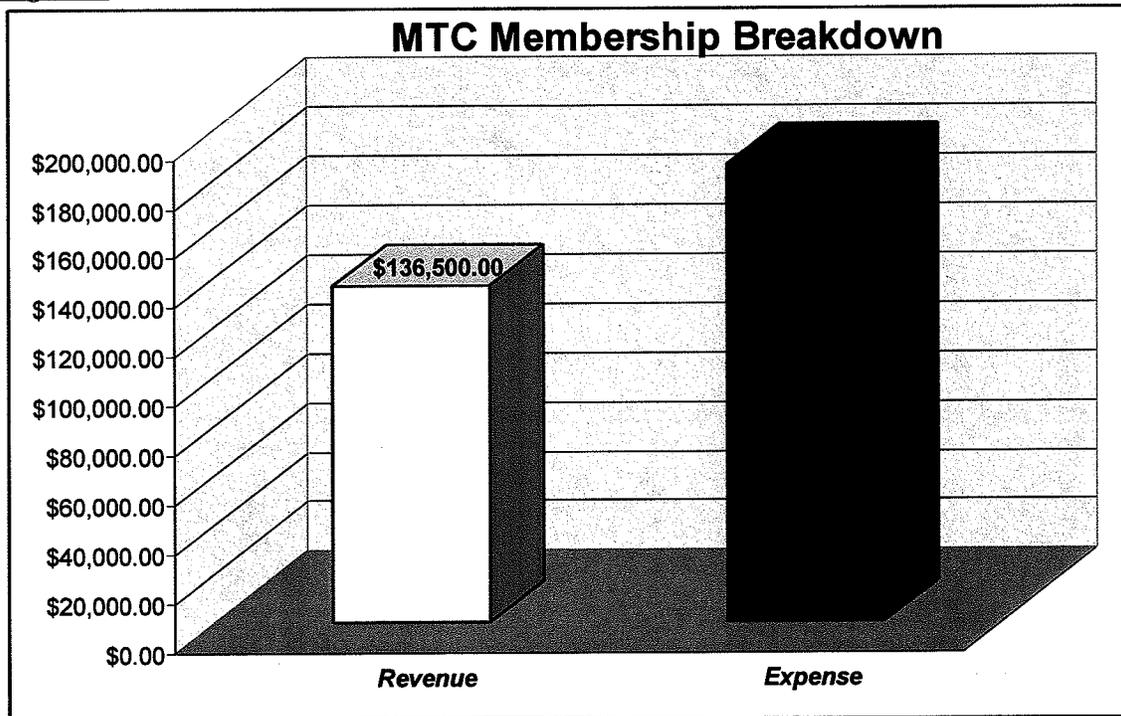
Figure 5



Membership Expenses:

Staff	\$87,452.23
Hospitality	\$28,625.59
Events	\$57,349.03
Printing	\$11,861.21
Total Expense:	\$185,288.06

Figure 6



Manhattan Theatre Club is close to a 24 million dollar organization. Their needs are different than that of a Goodman Theatre. Right now they are spending a lot of money on their membership program, yet at the same time they have a lot to gain. I'm not sure this would be the model that most other American LORT Theatres have the assets to fund but the benefits if successful will be quite interesting.

THE COMPARISON...

It's extremely difficult to compare these two programs because they are so vastly different. The Goodman was looking to switch subscribers to members, while the Manhattan Theatre Club was looking to gather higher end single ticket buyers by creating a luxurious membership. In both cases, however, membership represented a significant rise in expenses that were not met by sales in the new program. Such drastic change is bound to take significant sacrifice; a sacrifice the Goodman was not able to undertake, ultimately. MTC, however, mainly due to its location is able to carry on for a bit longer.

Figure 7

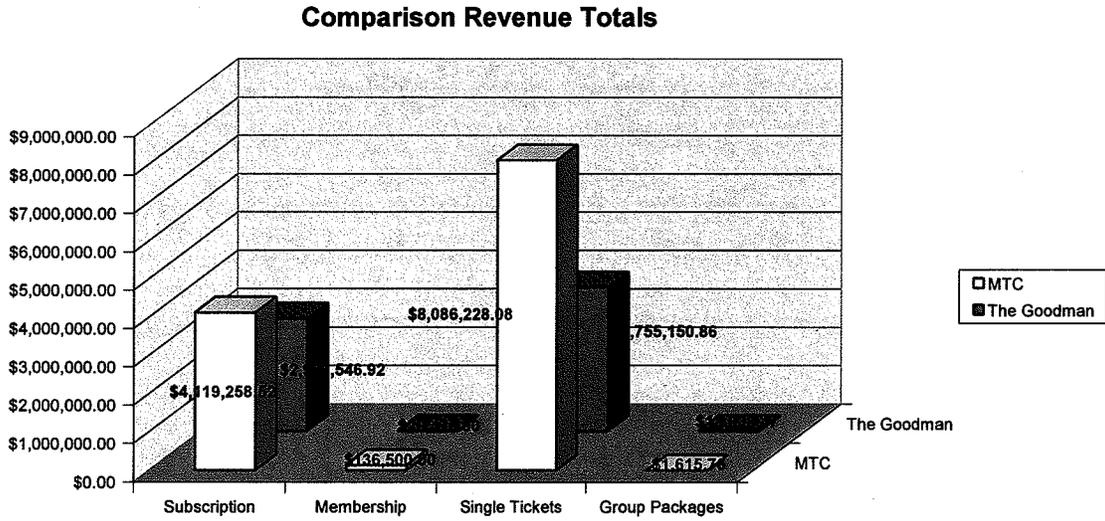


Figure 8

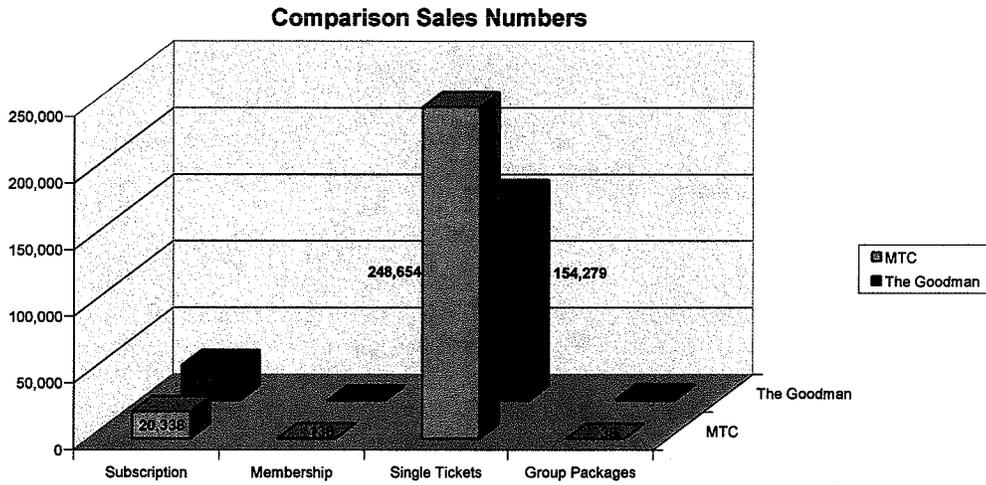


Figure 9

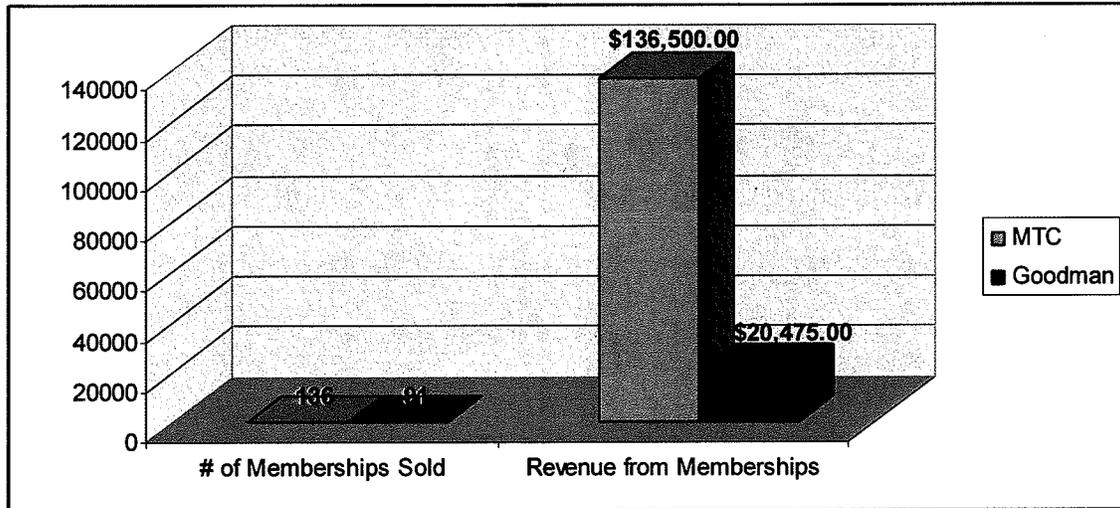
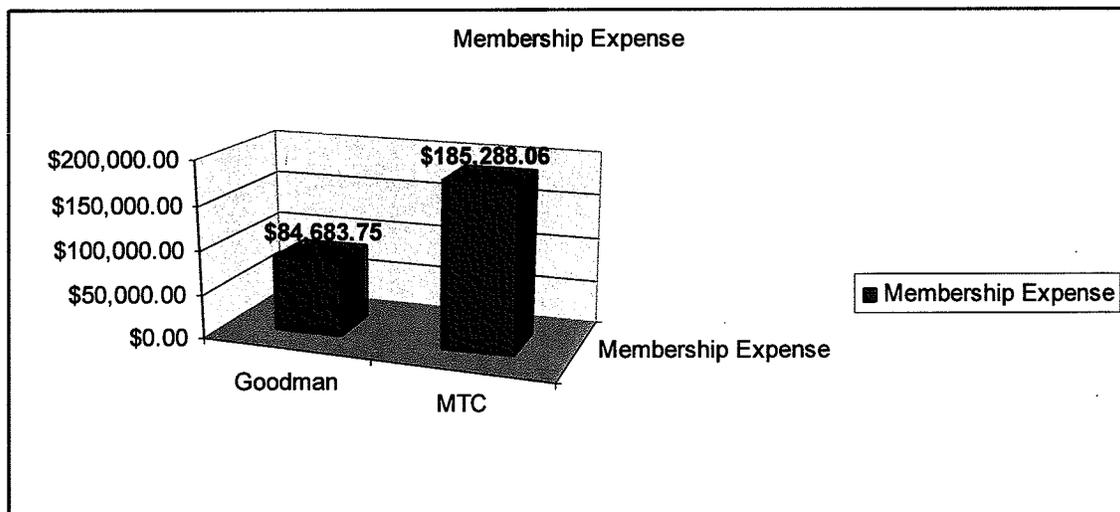


Figure 10



CHAPTER 8

IN THE END (OR IS IT JUST THE BEGINNING?)...

A QUICK THOUGHT ABOUT AESTHETIC...

It is impossible to conclude this portion of the research without discussing, briefly, the implications that a new theatre business model, that does not focus on subscription, would have on the general aesthetic of the American Theatre. In the past, subscription allowed for some experimentation in the programming of American Regional Theatre. Sure, most organizations would do the “crowd pleasers” (Shakespeare, Miller, Wilde), but a “built in subscription audience” (Voss, 2005, p. 11) does allow for more avant garde or new theatre. A study done by RAND in 2003 suggests that people are far more apt to spend the kind of money that most live theatres charge for titles they already know.

What happens if subscription ceases to exist? What would it mean to new playwrights, or theatre that challenges expectations? It’s easy to see that something must change with regards to subscription, but its effects must not be taken lightly. Further research must be done in this area.

AND SO...

Conversations with the leaders of the two theatres involved in this study have revealed stirrings of optimism, tempered though they may be. "The glass is half full in some regards and half empty in others," says Kleineman. "When you look at the downturn in the economy since '01, I think we did a smashing job at a time that was challenging to every industry." The initial knee jerk reaction to subscription has passed, she says. "Everybody is looking with more optimism about how we're not quite dead in the water yet. We're definitely looking at new options. But we can't forget the amount of total organizational change that will need to happen when we decide we can't use subscription any longer. We haven't seen a huge increase in corporate funding or even individual funding, so we have to try and keep our earned income at a predictable level. This is just not the time to take such a risk. Our subscribers are loyal and very committed for the most part, and we can't abandon them yet. We're all very cautious-we don't want to, as one of our board members would say, 'lean out past our skis.'"

Waxman describes 2005 as a "really bad year," but says that things are now looking up again. "When I looked at the figures (in Theatre Facts 2006), I kept asking myself, 'Is the glass half full or half empty?' We need to look at the half-full side, which is not in our nature as theatre

professionals, because we feel undervalued. We are undervalued. But that's not going to change until we look at the half-full side and ask, 'What are we doing right?' And then replicate what's working."

THE DEVIL'S ADVOCATE

Danny Newman warns that those who believe it's time for a change before "we all go down with the ship" (Molitch, 2005, p. 8), are just alarmists.

Now we have begun to hear from a new wave of artistic directors and managers (who have usually inherited large subscription audiences, established organizations and buildings made possible by those who came before them) who say the subscription is over that because "people's lifestyles have changed," subscriptions can no longer be sold. "You see, Mr. Newman," these subscription revisionists tell me, "it now costs 500 percent more to promote sales than it did when you launched those early Lyric Opera of Chicago campaigns." My answer: We now charge 1,900 percent more for the tickets than we did then--from a \$6 top price in the mid-1950s to \$119 in 1997! Thus, our campaigning costs are now more than three times the bargain they used to be!

I warn the revisionists: the idea that we can have any significant body of resident theatres today without subscription is ludicrous. There's evidence for that stretching from Seattle Repertory Theatre on the West Coast to Actors Theatre of Louisville in the Heartland to Long Wharf Theatre on the East Coast. These are among the hundreds of theatres that did not exist before Dynamic Subscription Promotion, manifested itself in our country.

And there's evidence in the continuing life, 20 years after it first appeared, of *Subscribe Now!* (Newman, 2003, p.9)

AND YET...

I and many other professionals would advise to Danny Newman to simply look at the numbers. If organizations continue on this path, American Regional Theatres will die while the same classic subscription model is being pried from their cold dead hands.

Understanding that The Goodman abandoned membership almost as soon as it got started, and perhaps the Manhattan Theatre Club is targeting a higher end clientele, we still have to send our gratitude for trying. There are many membership programs across the nation but none that are as extensive as these two, and certainly none that are aiming to adapt to the buying trends of their constituents.

Where do we go from here? Simple... We do more research and try more ideas. History has never been kind to industries that fail to adapt to changing times. If we wish to resurrect the American Theatre we must first admit a change is needed. It's like my therapist used to say, "The first step to recovery is admitting you have a problem."

Subscription just might be the problem.

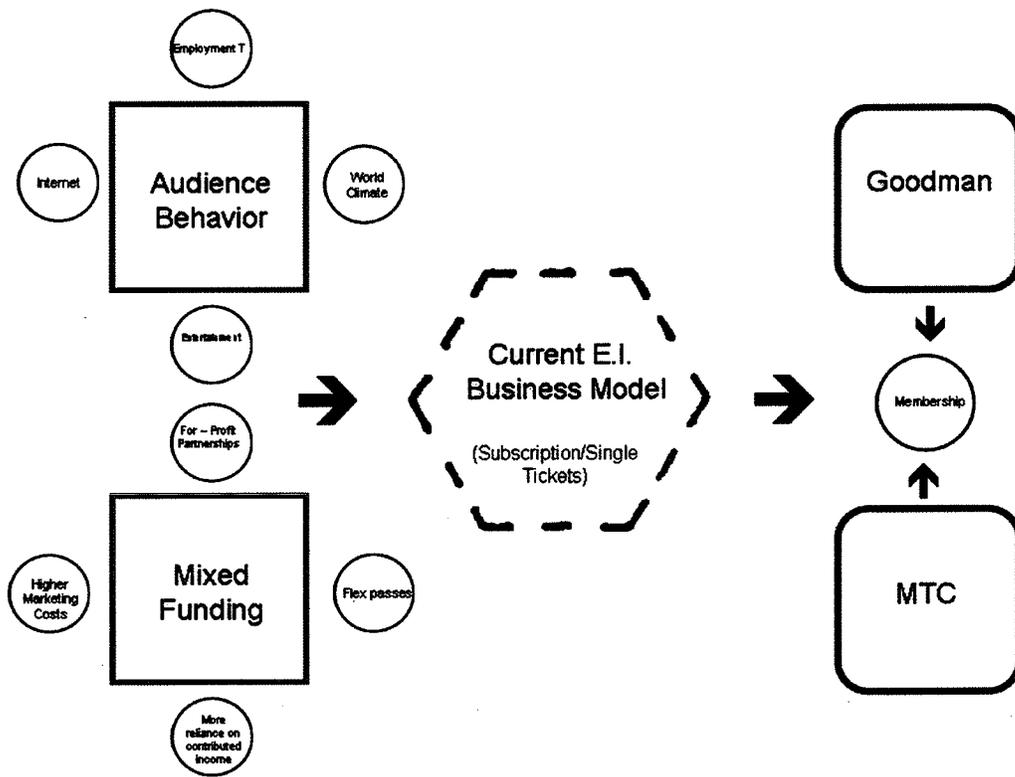
APPENDIX I

IMAGE KEY:

<i>Figure 1:</i> Subscription Trends 1984-2006 (Goodman Theatre).....	44
<i>Figure 2:</i> Subscription Trends 1984-2006 (Manhattan Theatre Club).....	47
<i>Figure 3:</i> 2006 Revenue Breakdown (Goodman Theatre).....	50
<i>Figure 4:</i> Membership Revenue to Expense Breakdown (Goodman Theatre).....	51
<i>Figure 5:</i> 2006 Revenue Breakdown (Manhattan Theatre Club).....	54
<i>Figure 6:</i> Membership Revenue to Expense Breakdown (Manhattan Theatre Club).....	54
<i>Figure 7:</i> Comparison Revenue Totals (Goodman to MTC).....	56
<i>Figure 8:</i> Comparison Sales Totals (Goodman to MTC).....	56
<i>Figure 9:</i> Memberships to Revenue (Goodman to MTC).....	57
<i>Figure 10:</i> Comparison Membership Expense (Goodman to MTC).....	57

APPENDIX II

CONCEPTUAL FRAMEWORK:



REFERENCES:

- Alreck, P. & Settle, R. (1994). *The survey research handbook*. Columbus, OH: McGraw-hill.
- Benson, J. (2004). *The art of audience development*. Unpublished Manuscript. American for the Arts, Washington D.C.
- Brooks, A. (2004). What Is Art Really Worth? *Journal of Arts Management, Law, and Society* 34(3): 163-165.
- Chima, J.S. (2005). What's the utility of the case-study method for social science research? Unpublished Manuscript. American Political Science Association, Washington D.C.
- Dealey, E. (2006) Struggles in city arts agenda. *El Dorado Arts Review*. 11: 2-4.
- Diggle, K. (1994) *Arts Marketing*. London, England: Rhinegold Publishing Ltd.
- Donnally, P (1994) Revenue is the boring part. *Theatre Puget Sound*. 9: 8-9.
- Donnally, P (2003) The image problem. *Theatre Puget Sound*. 30: 4-7.
- Elsen, A.E. (1981) *Purposes of Art: An Introduction to the History and Appreciation of Art*. New York, NY: Harcourt Brace College Publishers.
- Florida, R. (2002). *The rise of the creative class: And how it's transforming work, leisure, community and everyday life*. New York, NY: Basic Books.
- Gerring, J. (2002). What is case study and what is it good for? Unpublished Manuscript. American Political Science Association, Washington D.C.
- Glass, G. (1994) *The Marketing Flood: Analyzing the effectiveness of modern marketing tools for cultural organizations*. Unpublished master's thesis, University of Southern California. Los Angeles, CA.
- Hall, J. (2005). Lobbying for Arts and Culture: From the Culture Wars to the Rise of New Issues. *Journal of Arts Management, Law, and Society* 35(3): 227-238.
- Hall, L. (2002) *Want people to come: An analytical look at why people leave their homes*. Unpublished master's capstone. San Jose State University. San Jose, CA.
- Hodsoll, F. (1996). Public funding for the arts past, present, and future. *Journal of Arts Management, Law, and Society* 26(2): 115-125.

- Hodsoll, F. (2002). Cultural Transactions. *Journal of Arts Management, Law, and Society* 32 (2): 104-125.
- Jackson, M. (1999). *TheatreWork*. San Francisco, CA: Art Street Theatre.
- Jensen, J. (2003). Expressive logic: A new premise in arts advocacy. *Journal of Arts Management, Law, and Society* 33(1): 65–81.
- Kohl, M.F. (2005) *Primary Art: It's the Process, Not the Product*. Beltsville, MD: Gryphon House.
- Marsh, J. (2001) *Is modern marketing effective?* TMC Communications: Santa Barbara, CA.
- McCarthy, K. F. & K. Jinnett. (2001). *A New Framework for Building Participation in the Arts*. RAND.
- McDaniel, N & Thorn, G. (2005). *Leading ARTS BOARDS: An arts professionals guide* Brooklyn, NY: ARTS Action Issues
- Molitch, F. (2005). Where's our audience? *Theatre Puget Sound*. 36: 5-8.
- National Center for Charitable Statistics. n.d. Registered nonprofit organizations by major purpose or activity (NTEE Code). <http://nccsdataweb.urban.org>.
- Newman, D (1977) *Subscribe Now!* New York, NY: Theatre Communications Group.
- Penser, F. (2005). Examining the LORT income. *League of Regional Theatres*. 72: 13-18.
- Reiss, A. (1995). *Don't Just Applaud, Send Money : The Most Successful Strategies for Funding and Marketing the Arts*. New York, NY: Theatre Communications Group.
- Sato, S.M. (2005) *The audience as art*. *American Theatre Magazine* 22(1): p. 50-58.
- Smith, C. (2004) *Art Marketing 101*. New York, NY: ArtNetwork Press.
- Stake, R. (1995). *The art of case research*. Thousand Oaks, CA: Sage Publications.
- Sterngold, A. (2004). Do economic impact studies misrepresent the benefits of arts and cultural organizations? *Journal of Arts Management, Law, and Society* 34(3): 166-187.
- Takemoto, N. (2005) When affordable art meets affordable nightlife. *Cooltown Studios*. Retrieved January 20, 2007, from <http://www.cooltownstudios.com/m/archives/000650.html>

- Throsby, D. (2004). Assessing the Impacts of a Cultural Industry. *Journal of Arts Management, Law, and Society* 34(3): 188-204.
- Toepler, S. (2001). Culture, commerce, and civil society: Rethinking support for the arts. *Administration & Society* 33(5): 508-22.
- Tutera, D. (2005) *The Party Planner*. Chicago, IL: Bulfinch Press.
- Wilmurt, B. (2002) *Art for a new world*. Art Street Theatre: San Francisco, CA.
- Wolf, T. (1999). *Managing a nonprofit organization in the twenty-first century*. New York, NY: Simon & Schuster.
- Yin, R. (1984). *Case study research: Design and methods* (1st ed.). Beverly Hills, CA: Sage Publishing.
- Yin, R. (1993). *Applications of case study research*. Beverly Hills, CA: Sage Publishing.
- Yin, R. (1994). *Case study research: Design and methods* (2nd ed.). Beverly Hills, CA: Sage Publishing.