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Commercial Theaters versus Not-for-Profit Theaters

Key Differences

When most people talk about American professional theater, the main division made is between Broadway and everything else. But really the division that better suits is the distinction between professional commercial theater and professional not-for-profit theater.

About one-quarter of new Broadway shows of late have been funded as not-for-profit. In the 2006–7 season, out of thirty-five show openings on Broadway, eight shows were not-for-profit. In the 2007–8 season, of thirty-seven productions, eleven were not-for-profit. Of the forty Broadway theaters, five are owned or leased and operated by not-for-profit entities. A sixth Broadway not-for-profit will be added if Second Stages makes good on its plan to purchase the Helen Hayes Theatre.

Except for Broadway, touring productions, and legitimate theater in Las Vegas, nearly all theater in the United States is not-for-profit. Two notable exceptions are a small number of dinner theaters, found mainly in the Midwest, and the African American touring play phenomenon most commonly called the “chitlin’ circuit,” discussed later. Dinner theaters cannot qualify as not-for-profit enterprises because they serve two unrelated purposes, presenting theater and serving up a nice piece of roast beef. The National Dinner Theatre Association has twenty-four members. Actors Equity reports the number of weeks worked in the dinner theater for its members have declined by 65 percent in the last twenty-five years. Currently dinner theater is continuing to decline in number and finances.

It would seem that once you say “commercial” and “not-for-profit,” you’ve pretty much defined the difference between these two types of theater, but there are other differences that come directly from the main difference in financial goals. Some include:

Commercial Theater

Typically formed as a partnership or company to produce one play only and then disband.

A production is often planned as an open-ended run, playing for as long as ticket sales support it.

Producers do not necessarily own and operate the theater where the show is playing.

Box office results determine if a show runs.

Profits for investors are taxable; losses are deductible for the most part.

Not-for-Profit Theater

Theoretically continues forever. Usually produces a slate of plays each season.

A production is rarely planned as an open-ended run; not-for-profit theaters generally have closed runs, with established ending dates.

After the starting years, most groups own or lease long-term and maintain their own theater space.

Only 40 to 60 percent of the budget comes from box office.

Income in excess of costs is called “surplus” and is for maintained by the theater for another use. Donations to the not-for-profit theater are deductible for the most part.

The details of these differences are explored later.

It is a common mistake to gauge the vitality of the American professional theater solely or even primarily by Broadway. No one would judge American writing only by the best seller list, American movies solely by the week’s top grossing film, or music merely by the groups that can fill a football stadium. Similarly theater is not described by its commercial operations alone.

We are convinced that the heart of American theater is the not-for-profit theater. Commercial theater gets the greatest attention in the popular press because of the size of its budgets, the concentration of activity on Broadway and environs, and the availability of the national media headquartered in Manhattan. By contrast the impact of any one not-for-profit theater is usually felt within a single community. Since theater is distinguished by being a live event, no other media can duplicate the aesthetic experience of theater. Thus, for many people, the not-for-profit theater is their main access to the theater experience.

Though it was once primarily a place where musicals and boulevard comedies went after they left Broadway, the not-for-profit theater is increasingly an important cultural engine developing new plays and musicals. It is the rare successful

Broadway show that originates on Broadway. We looked at the origins of Broadway openings in the 2006–7 and 2007–8 seasons as examples. Of thirty-three openings in 2007, sixteen originated in the not-for-profit theater, and seven were imported from abroad. New Broadway productions in 2008 totaled thirty-two, of which nineteen were from not-for-profit theaters and five were from abroad.

In 2006–7, of fourteen shows that *Variety*, the primary trade journal of the entertainment industry, labeled flops, six originated on Broadway. Of eight shows labeled as hits, two originated on Broadway. Not-for-profit sources of hit shows included the La Jolla Playhouse, San Diego; Alliance Theatre, Atlanta; and Center Theatre Group, Los Angeles.

The Tony Awards for 2004 were a minisweep for the not-for-profit theater: best musical, best play, best revival of a musical, and best revival of a play all went to not-for-profit theaters or shows that originated in not-for-profit theaters. Between 1999–2000 and 2007–8, 61 percent of the “Best . . .” Tony Awards went to not-for-profit productions or not-for-profit originated productions, and 17 percent went to productions originating abroad. Fewer than one-quarter of these superlative kudos—22 percent—went to shows originating on Broadway.

What Is a Broadway Theater?

In the popular imagination, Broadway is any commercial live theater in New York City. Actually Broadway defines only theaters in midtown Manhattan that seat at least five hundred. Only productions in these theaters are eligible for Tony Awards. Union rules are different for Broadway houses than for other New York professional venues. The number of Broadway houses varies as theaters are built or remodeled or turned to other uses. In 2009 there were forty Broadway theaters, seventeen owned by the Shubert Organization, six by Jujamcyn Theatres, and nine by the Nederlander Organization. Four are owned or controlled by not-for-profit theaters. Of the remaining four, one is owned by Key Brands Entertainment, one leased long-term from the City of New York by the Disney Corporation, and two are independent: the Helen Hayes Theatre, owned by the New York Times Company, and Circle in the Square, a small house built in the underground spaces of Paramount Plaza. Circle was a not-for-profit theater that went bankrupt in 1996; now its facility is a commercial theater.

A not-for-profit theater, Second Stages, is planning to purchase the Helen Hayes and begin presenting there in 2010; this will bring the number of not-for-profit Broadway theaters to six. The Helen Hayes is the smallest Broadway house with 597 seats, built in 1912. The largest at 1,933 seats is the Gershwin Theatre, opened in 1972.

The Two Sides of Professional Theater— Commercial and Not-for-Profit

The scope, ambition, and prizewinning accomplishment of the largest not-for-profit theaters in the United States are truly astonishing. By contrast the commercial theater relies on long-running musicals, which make large profits. Broadway commercial producers have largely abandoned the serious new play and the small musical to the not-for-profit. And, in much of the United States, the main professional theater available to audiences comes from not-for-profit organizations. For all these reasons, the most important division in the professional theater today is between the commercial and the not-for-profit theaters.

Intermission

Disney on Broadway

For all the glamour of Broadway, it has always been in some ways a mom-and-pop business. For many years commercial Broadway theaters were owned by only three companies. Broadway producers were a small handful of people, mostly men. Newcomers often lost their shirts, so the number of people involved as a continuing community was small. Then came Mickey Mouse.

No one knows how much money Disney makes on Broadway. As a corporation Disney doesn't report profit and loss for a single line of business. Disney Theatrical Productions is just one part of the Disney Corporation's Studio Entertainment group, a division that grossed \$7.5 billion in 2006.

Some commentators have speculated, surprisingly, that Disney is not focused on profit on Broadway. Rather it seeks to establish products that can be sold all over the world, in live productions, ice shows, and toys and other hard goods while stoking Disney's existing DVD, television, and theme-park businesses. This process is known as "vertical integration," defined as ownership by one organization of more than one stage of a product life cycle.

Disney entered the commercial live theater in 1992 with two simultaneous efforts, a stage production based on its animated film *Beauty and the Beast* and the rebuilding of the New Amsterdam Theatre on 42nd Street. The traditional Broadway community worried. Disney seemed to have endless financial capability and the clout of an international marketing organization. Feelings on Broadway were further inflamed when the gift shop for *Beauty and the Beast* sold almost ten thousand dollars' worth of souvenirs at the first preview performance.

Broadway veterans were also concerned about New York City's financial support for the remodeling of the New Amsterdam Theatre. The city gave Disney a \$21 million low-interest loan for the renovation, while Disney put up \$8 million, and the city gave Disney a 99-year lease at a token rent.

Beauty and the Beast proved that the Broadway traditionalists were right, at least about aesthetics. The stage musical was seen by reviewers as stodgy and overly literal, resembling a Disney theme-park show. The reviews didn't matter to audiences, who came in droves with their children and helped change the face of Broadway. When the show closed in July 2007, it had played 5,464 performances—the sixth longest-running musical to that date—and grossed more than \$429 million in New York alone.

Disney's commitment to rebuild the New Amsterdam was an important element in the city's effort to change 42nd Street from a drink-and-drug-and-sex blighted couple of blocks to a name-brand, spanking new, and inviting urban theme park. It must be said that some folks are nostalgic for the old 42nd Street, but, considered in terms of making money, the revamped 42nd Street is an undeniable success.

It didn't hurt that the first show in the remodeled New Amsterdam was Disney's staging of its animated movie *The Lion King*. Perhaps having learned from the critical reception of *Beauty*, Disney picked one of the not-for-profit theater's most visually inventive directors, Julie Taymor, for *The Lion King* and came up with a show that wowed critics and audiences alike.

Disney's Alan Levey, who has been general manager of three Disney Broadway shows, explains the impact of *The Lion King* this way:

The Lion King would have remained an animated film released in 1994, to be re-released ten years later in video, and in the interim, it would have remained dormant. Along comes a Broadway musical that opens in 1997, three years after the film opened, and suddenly, there is a reiteration and reinvigoration of *The Lion King*. While a successful stage production's profitability may not meet that of a successful film over the course of the film's theatrical, video, and DVD releases on a dollar-for-dollar basis—although all productions of *The Lion King* internationally are certainly profitable—it does extend the life of, and add equity to, a property significantly. And it generates additional opportunities for merchandising and positive press that otherwise wouldn't exist.

Others maintain that of course Disney is making money on Broadway. In the summer of 2007, a full-price ticket for Disneyworld was \$71; a full price orchestra seat at the Minskoff Theatre for Disney's *The Lion King* was \$121.25.

Thomas Schumacher, president of Disney Theatricals, summed up the financial impact of Disney's *Aida*: "It recouped and made a lot of money. Now a show like *Aida* around the world, this year, next year, with no performances in New York, will make \$5 million a year. In foreign productions and high school productions, second-class productions, and amateur productions. So that fuels the ongoing nature of what we've been doing."

As of the end of 2007, Disney Theatrical Productions had thirteen international productions of *Beauty and the Beast*, *The Lion King*, Elton John and Tim Rice's *Aida*, *Mary Poppins* (a coproduction by Disney and Cameron Mackintosh), and *The Little Mermaid*. *Beauty and the Beast* had been seen in 14 countries. As of October 2009, *The Lion King* had grossed more than \$3.6 billion on stage and had been seen by more than 50 million people worldwide.

In the pipeline at various times and in various stages of development have been or are a new version of *Pinocchio*, a musical based on the Harlem Globetrotters, a touring revue of songs from the Disney collection, and probably other productions as well. Some have likened Disney Theatrical to the old Hollywood studios, which would have a number of films in various stages of development at any one time, but now Disney is taking that assembly-line approach to developing live theater.

Meanwhile it seems that Broadway has not been hurt by Disney's entry. Instead Broadway has rediscovered the family audience for musicals, which it has satisfied with financially successful shows such as *Wicked* and to a lesser extent *Legally Blonde*, which are particularly appealing to teenage and preteenage girls. The Broadway League's audience study for the 2007–8 season found the highest percentage of children and teenagers attending Broadway theater in the past thirty years: 12.4 percent.