



*Transforming Arts Organizations Worldwide*

# Theater Business Model Benchmark

*June 2023*

# About ABA's Business Model Survey

- The Advisory Board for the Arts deployed the Business Model Benchmarking Survey between **March 29 and April 15, 2023**.
- The survey was deployed to a selected list of theaters which share key structural characteristics. A total of 9 organizations completed the survey.
- Throughout this report, organizations are ordered from **highest to lowest operating budget**.

## Sections of the Survey

<b>1. Business Model &amp; Strategy</b> Business model outlook & priorities	<b>2. Venue</b> Capacity, competition, and metropolitan area	<b>3. Season</b> Season production makeup and sales	<b>4. Audience &amp; Subscriptions</b> Changes in audience sizes and subscriptions
<b>5. Donors</b> Contributed income, annual individual giving, and donor trends	<b>6. Financials</b> Operating budget, contributed income, individual giving, & endowment	<b>7. Staffing</b> Staff functions & makeup	<b>8. Board</b> Board size, time limit policies, & giving policies

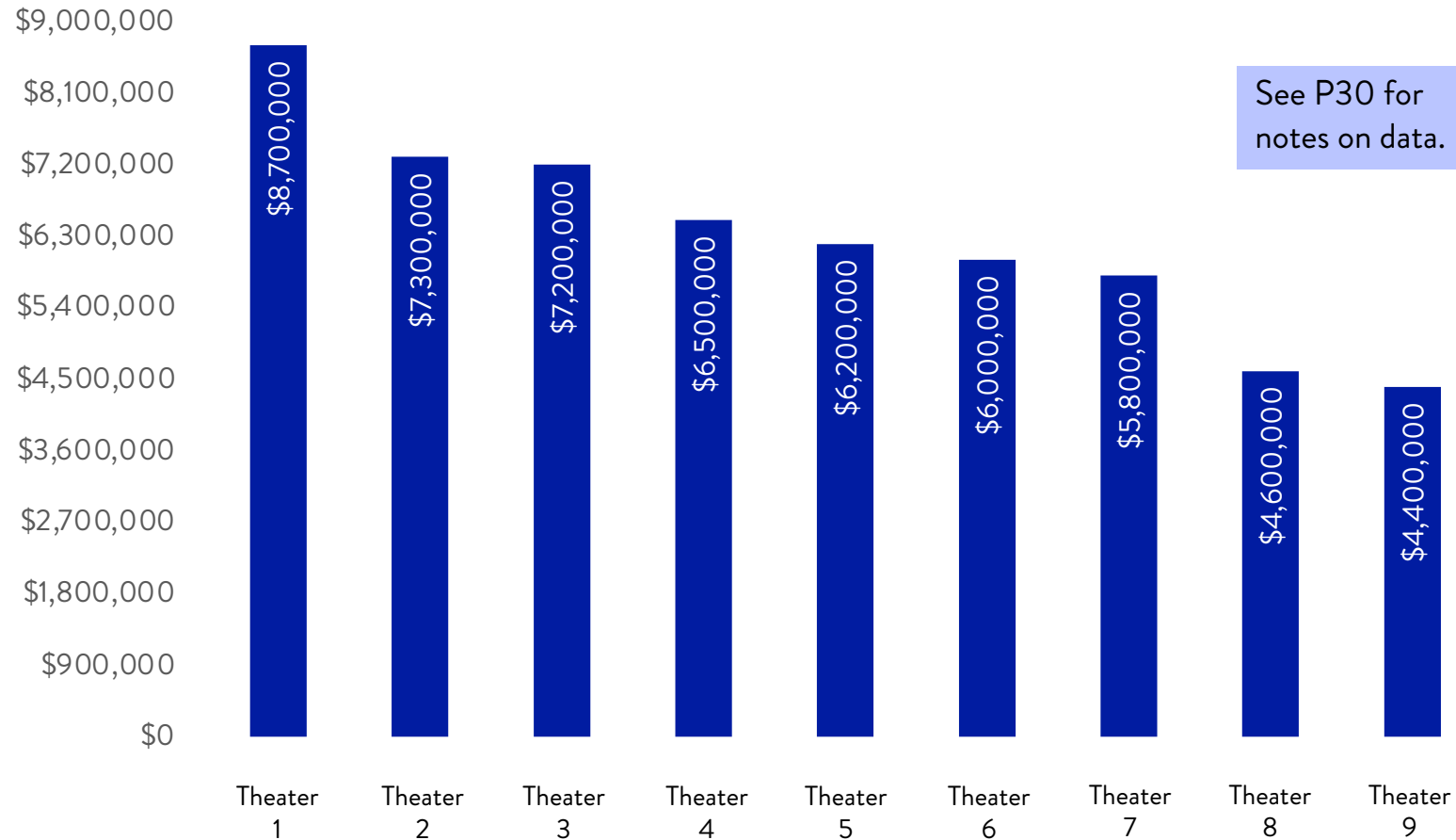
# Key Takeaways

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- **Significant variation in resource allocation** exists among the nine participants in this study. The data do not suggest consistent patterns for allocation of resources.
- Most participants say that their **business model requires modification**. Over half say it needs fundamental change.
- Ticket sales (and paid capacity) for the most the recent fiscal year continued to lag pre-covid numbers; audiences and subscribers are in a decade long decline with about **a third of participants losing 30% or their audiences or more**.
- Most organizations are bringing on **new ticket buyers at less than 5% of the total file** per year.
- Most organizations are relying on **contributed income for less than half of their operating budget**.
- Contributed income has increased modestly, but **fewer donors account for top-end giving**.
- **Wide variation exists in how much staff each organization has**, as well as how staff is allocated across the organization.

# Organizations are Ordered by Descending Operating Budget

Throughout the report, organizations are consistently ordered by decreasing operating budget size.



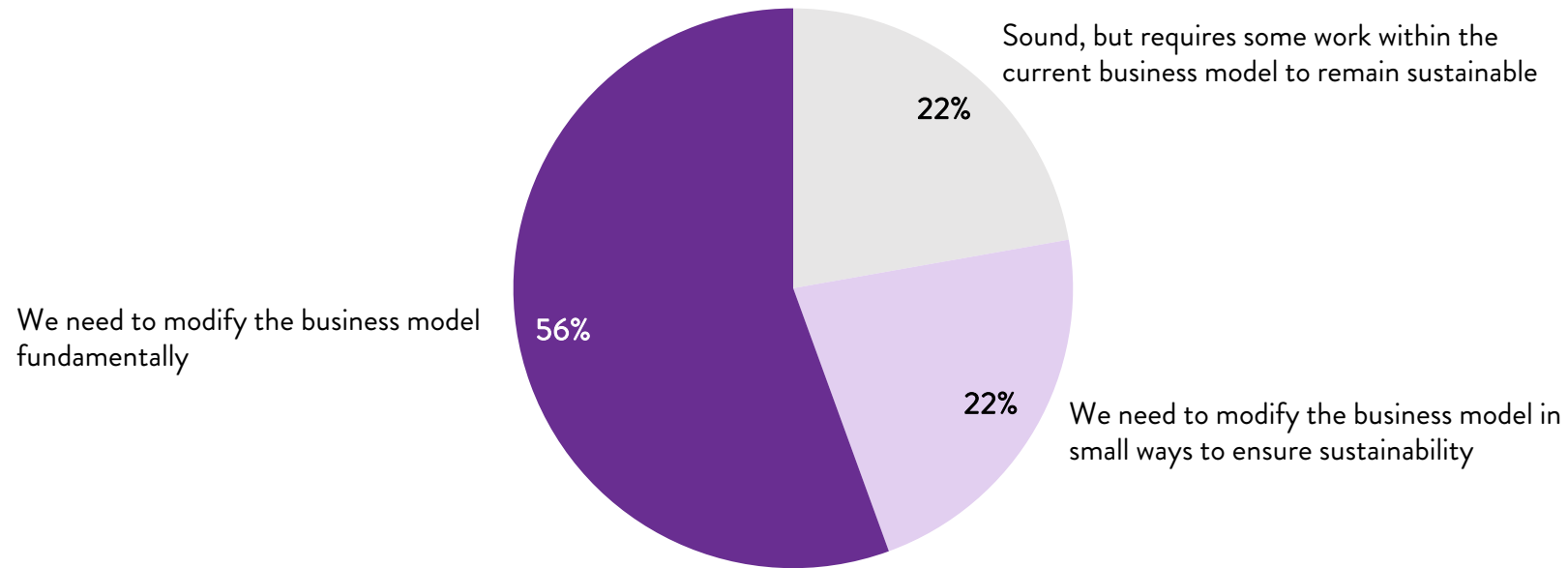
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# Business Model & Strategy

# Most See a Need to Modify Business Model

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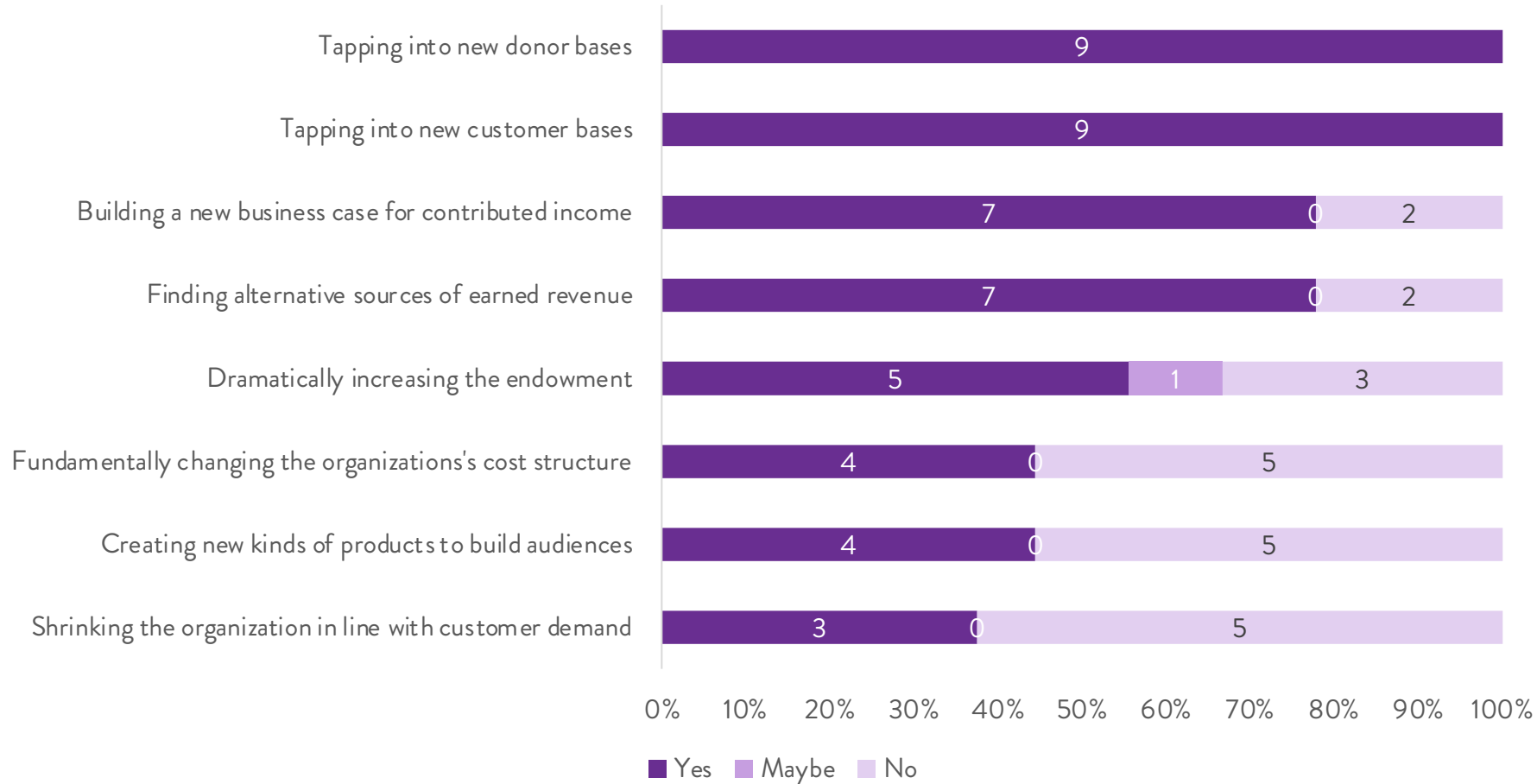
Assessment of the Financial Soundness & Stability of Current Business Model for the Next 5-10 Years



Q: A business model is a design for the successful operation of a business, including revenue sources, customer base, products, cost structure and financing. Thinking about the next 5-10 years, how would you assess the financial soundness and sustainability of your current business model?

# Theaters Seek New Donor & Customer Bases

Aspects of the Business Model That Require Modification

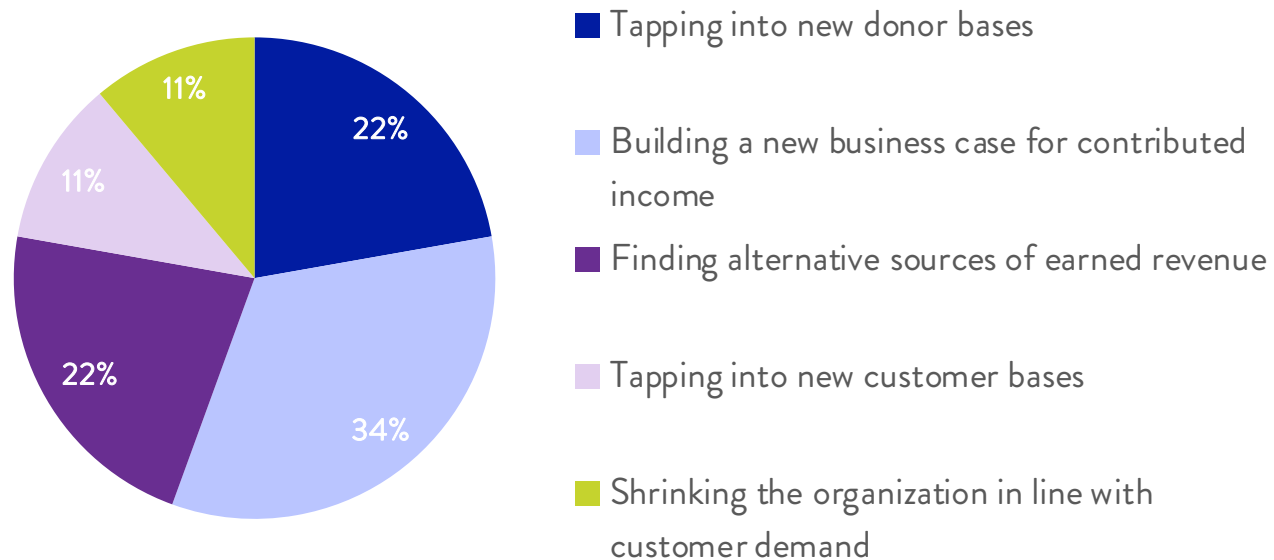


Respondents could report “Other” aspects of business models that require modification. Answers included:

- Streaming / membership
- Commissioned builds
- Increased venue rentals
- Decreased in-house production staff
- Building an endowment

# Theaters Split as to *Primary* Focus of Business Model Change

Primary Focus of Business Model



Q: Which aspect of your business model will constitute your primary focus (choose one):



# Explanation of Needed Business Model Change

Organization	Why do you believe this aspect of your business model warrants the most change?
Theater 1	As a rural theater, we've had a hard time attracting corporate and foundation support. We are working to position ourselves as a statewide asset to make the case we are worth supporting for entities outside our immediate geographical area.
Theater 2	Shifting to a stakeholder model with new customers will help grow income.
Theater 3	The structural deficit is so significant, it seems the only option is revisit the fundamental manner in which we accomplish our mission. Fewer and less elaborate productions supported by a smaller team seems a necessity. We believe right-sizing while we drive towards new revenue is the most viable path forward.
Theater 4	In order to produce the art that we're committed to, we need to be more reliant on contributed income, and individual donors is where there's the most growth potential. [When] already operating at a relatively high paid capacity, there's less room to grow ticket income.
Theater 5	Many of our operating expenses are fixed and cannot be reduced. Ticket income can increase to 100% and not support operations at the level required.
Theater 6	Due to constraints with our production resources and elevated artistic demands, we lose 6-8 weeks of time in the venue to onsite construction.
Theater 7	In order to maintain programming at an accessible price point and be mission driven, contributed revenue must be at a higher volume than the past. Earned revenue must also increase, but this is about marketing to new audiences which is underway; gaining contributed sources must be the primary focus
Theater 8	After a recent reduction in staffing, we are focusing on ways to generate more earned revenue to stabilize the bottom line with the long-term goal of being able to recreate some of the eliminated staff positions.
Theater 9	[We are] coming to the end of a drawdown campaign that we are looking to replace, combined with a leadership transition that effects our long-term major donor relationship.

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Venue

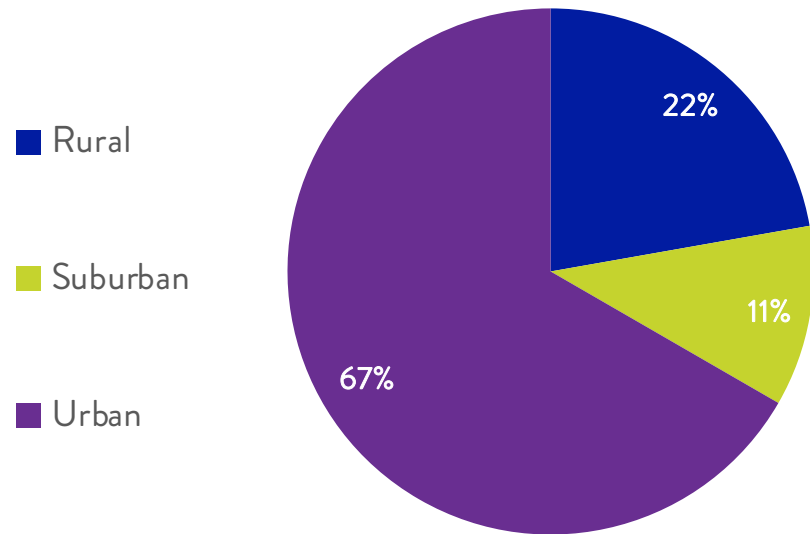
# Overview

Component	Theater 1	Theater 2	Theater 3	Theater 4	Theater 5	Theater 6	Theater 7	Theater 8	Theater 9
Metropolitan Area	Rural	Suburban	Urban	Urban	Urban	Urban	Urban	Rural	Urban
# Performance Venues	2	2	1	4	2	1	1	2	1
# Producing Venues	2	2	1	4	2	1	1	2	2
Total Venue Capacity	1000+	250-500	500-750	500-750	500-750	250-500	250-500	250-500	250-500
Age of Oldest Theater Building	14	43	24	24	4	21	10	116	24
Ownership Structure	Own	Own	Rent	Own	Rent	Rent	Own	Own	Rent
Competitive Theaters in your Metro Area	2	0	4	11	5	7	2	0	7

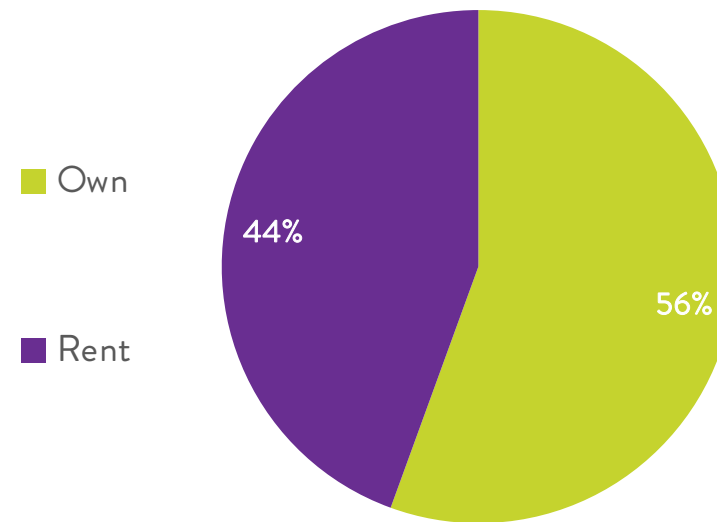
# Theaters surveyed are mostly urban and own their venues

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In which Type of Metropolitan Area is your Venue Located?



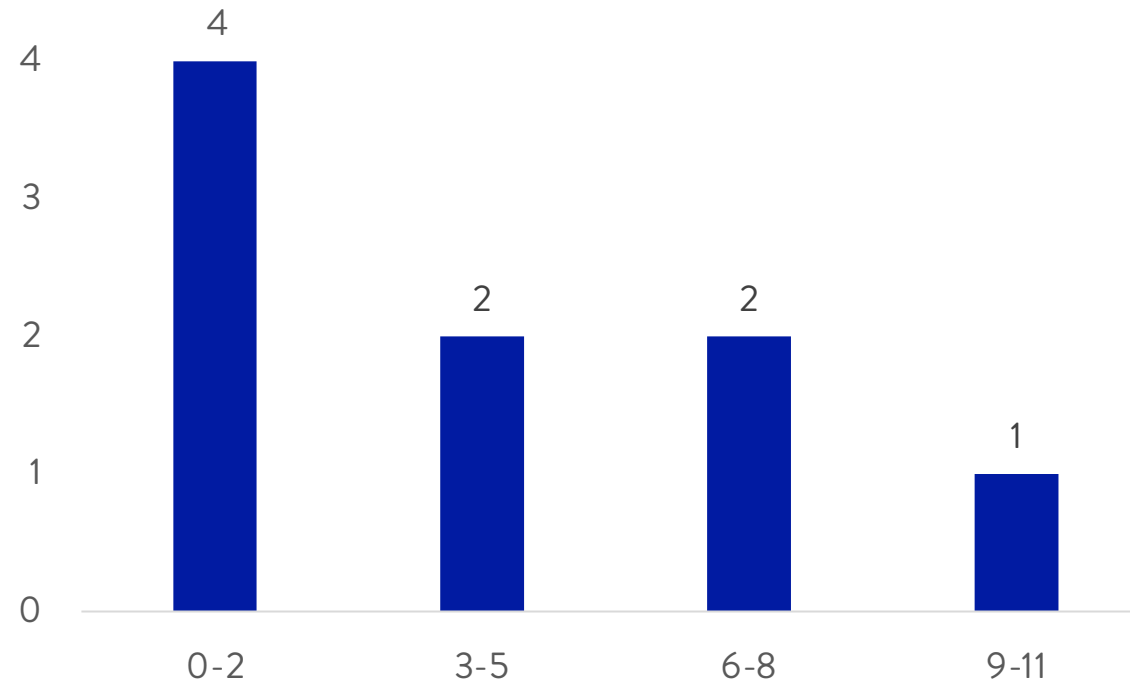
What is your Ownership Structure?



# Most Organization Have less Than 6 Competitors

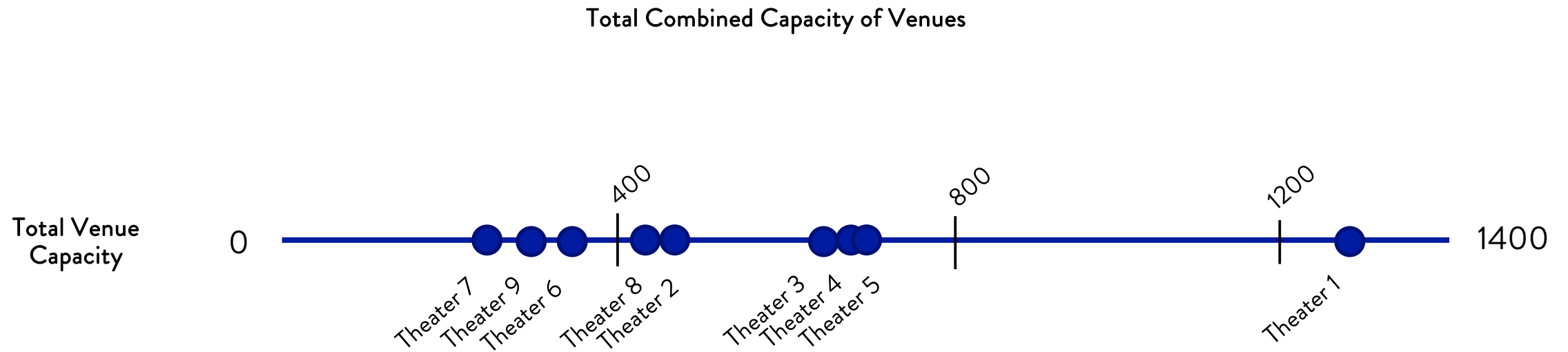
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Number of Theaters Directly Competing for your Audience in your Metro Area



*Q: How many theaters do you see as directly competing for audience in your metropolitan area? Enter a whole number, an approximation is fine.*

# Theaters Surveyed Vary in Size



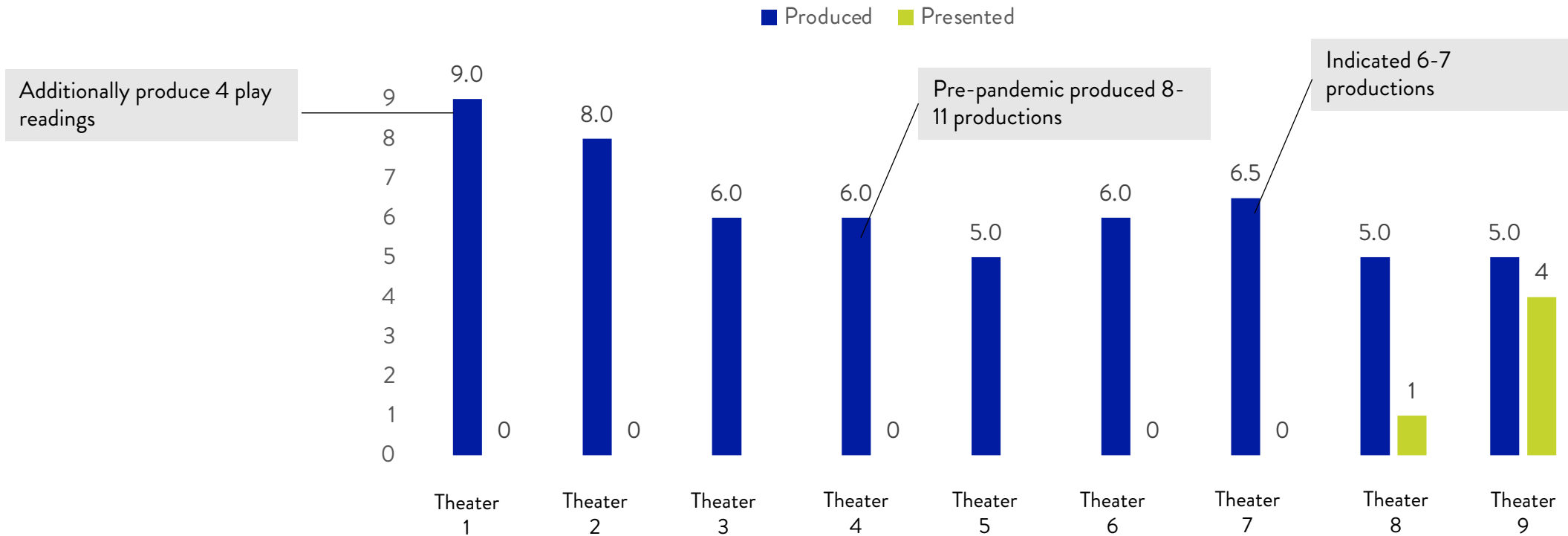
Q: What is the total capacity of your venues, combined?

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**Season**

# Theaters produce between 5-9 productions annually, and 90-249 performances

Annual Productions Produced & Presented

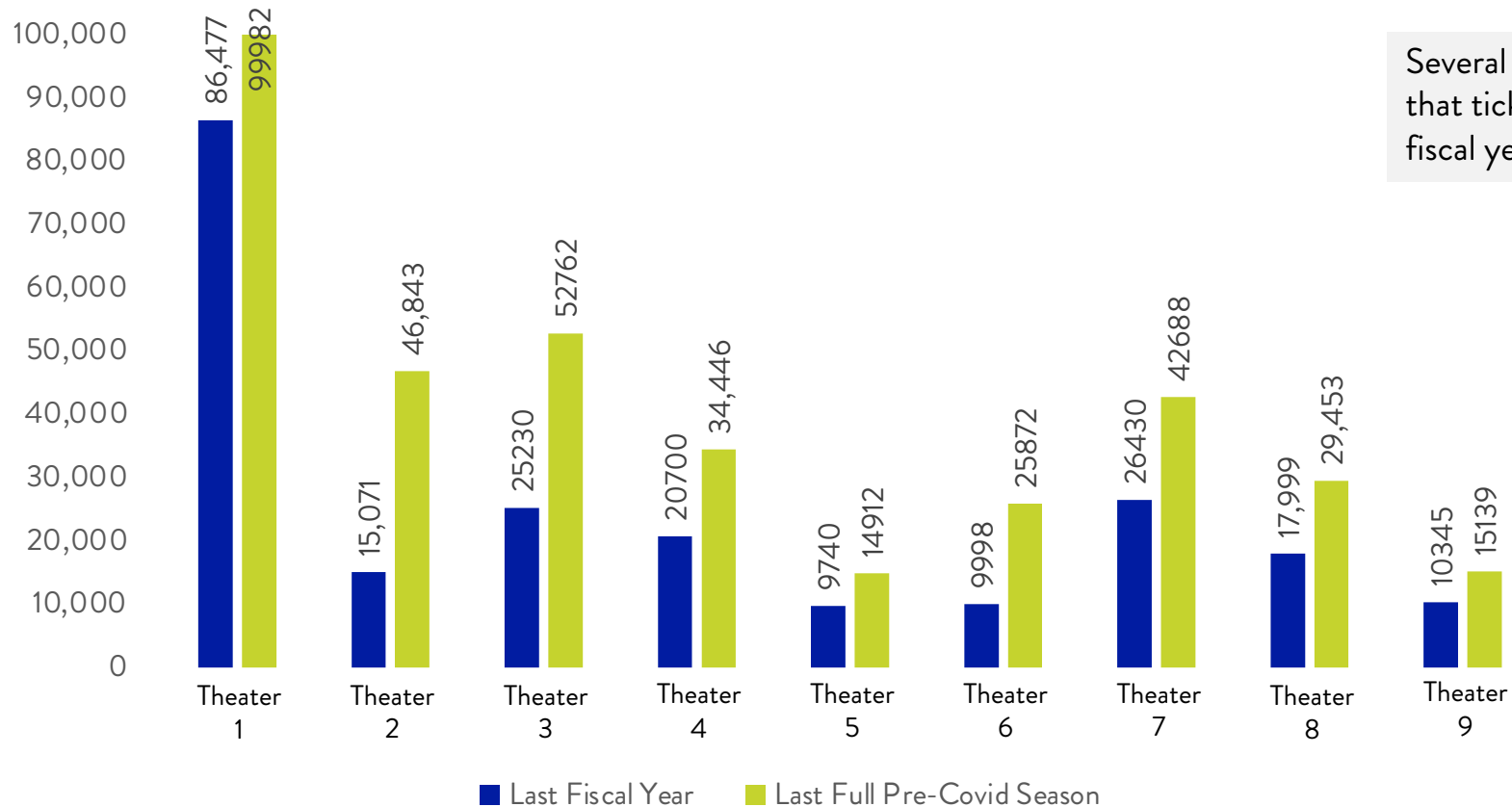


Number of Performances per Year	Theater 1	Theater 2	Theater 3	Theater 4	Theater 5	Theater 6	Theater 7	Theater 8	Theater 9
	199	195	132	249	165	192	224	164	90



# Theaters Continue to Chase Pre-Covid Ticket Sales

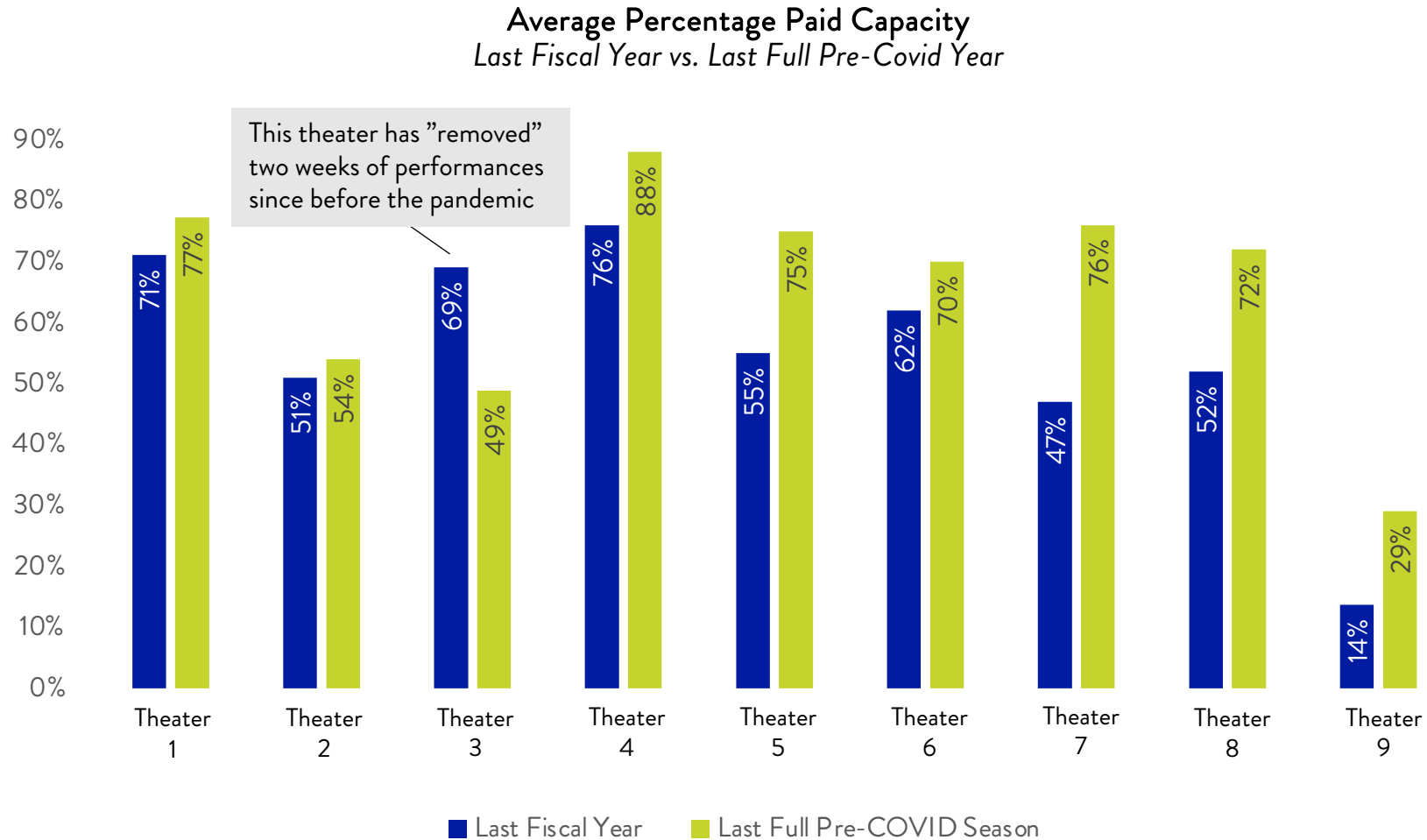
Annual Paid Seats Sold Last Fiscal Year & Last Full Pre-Covid Season



Several participants pointed out that ticket sales for their current fiscal year are substantially better.

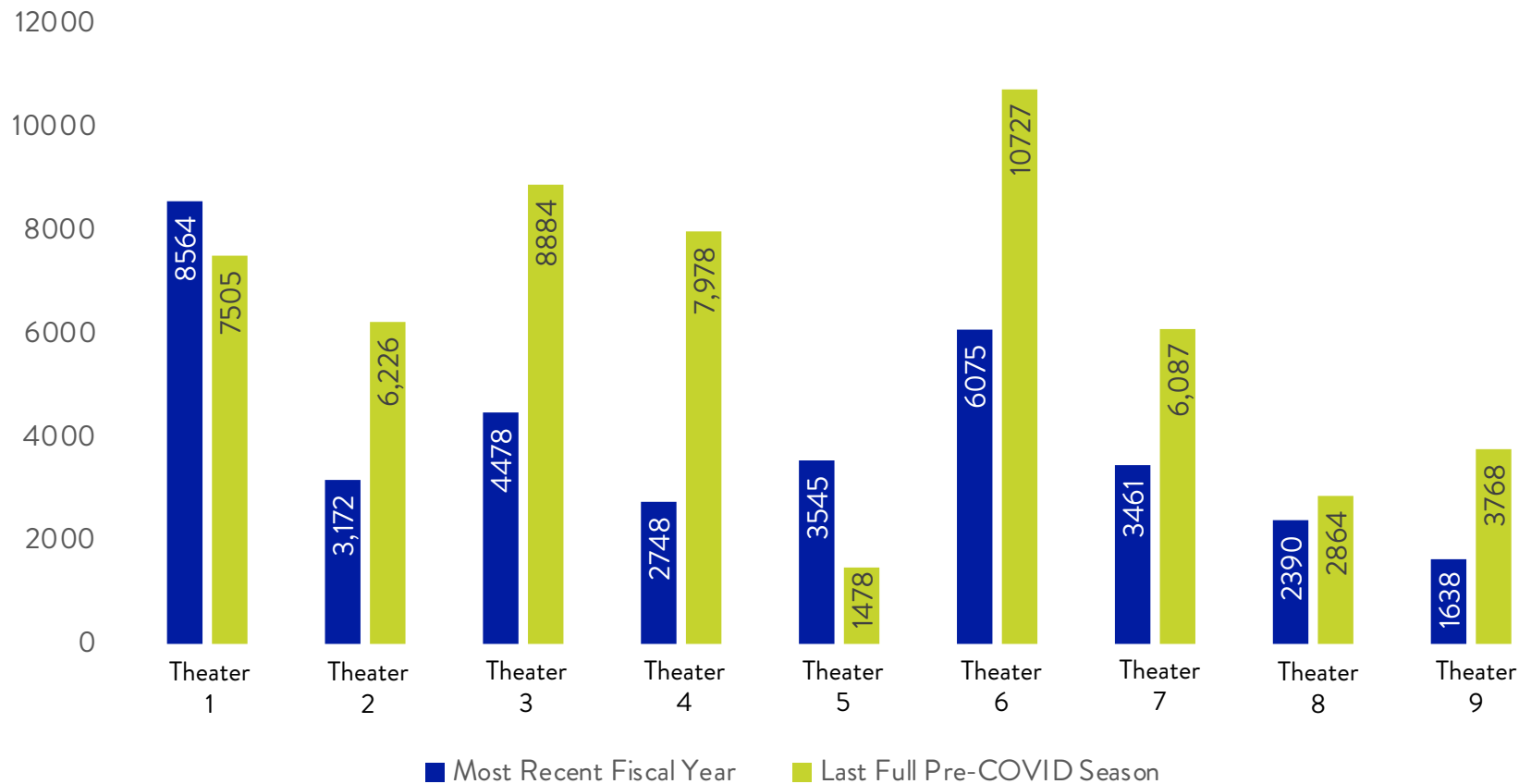
Q: How many paid seats did you sell in the last fiscal year?  
Q: How many paid seats did you sell in your last full pre-COVID season?

# Paid Capacity Remains Lower than Pre-Covid



# Most Supply Fewer Free Tickets Post-Covid

Free Tickets Supplied in Most Recent Fiscal Year & Last Full Pre-Covid Season

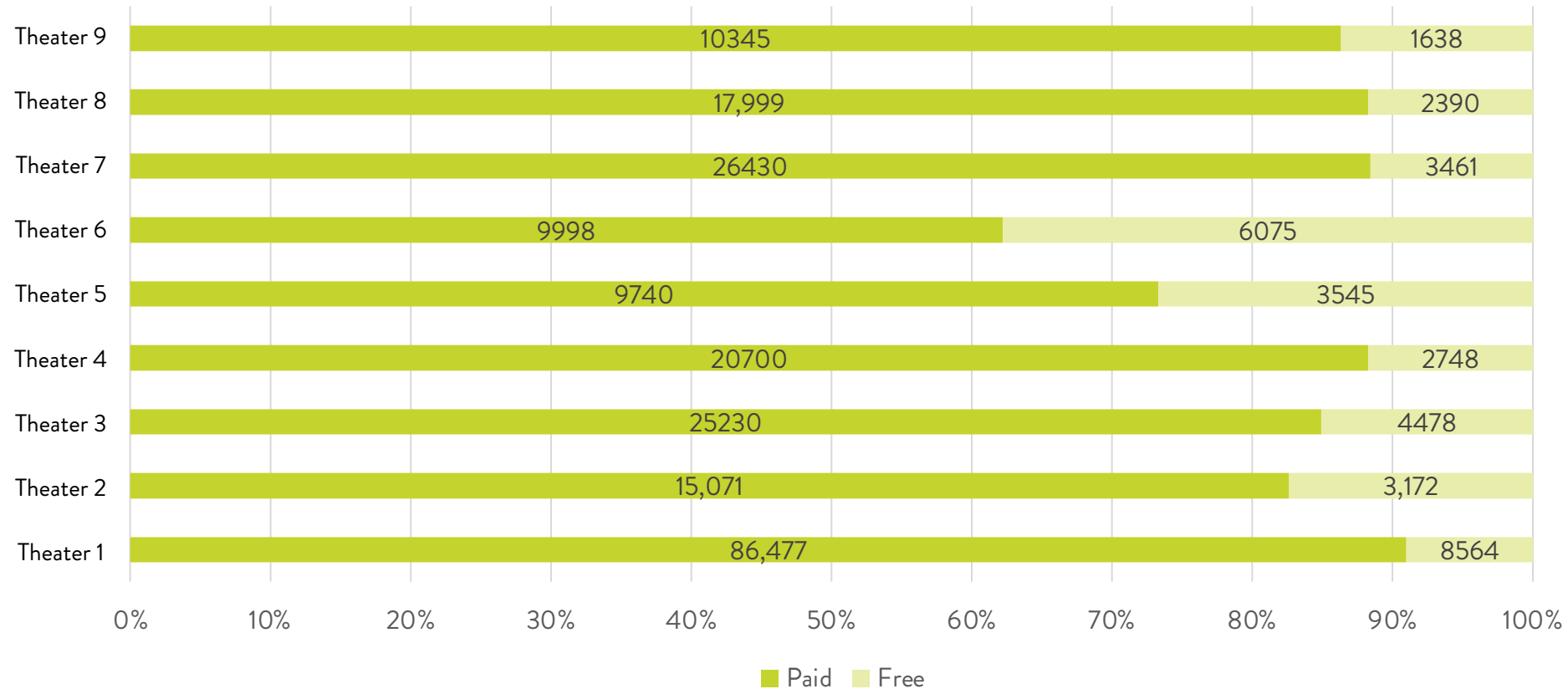


Data are for comped tickets; does not include subsidized tickets for mission-related or audience-development-related reasons.

Two organizations reported comping opening night houses.

# Mostly Similar Ratios of Paid to Free Tickets in that Last Fiscal Year

Paid & Free Tickets Sold/Supplied In the Last Fiscal Year

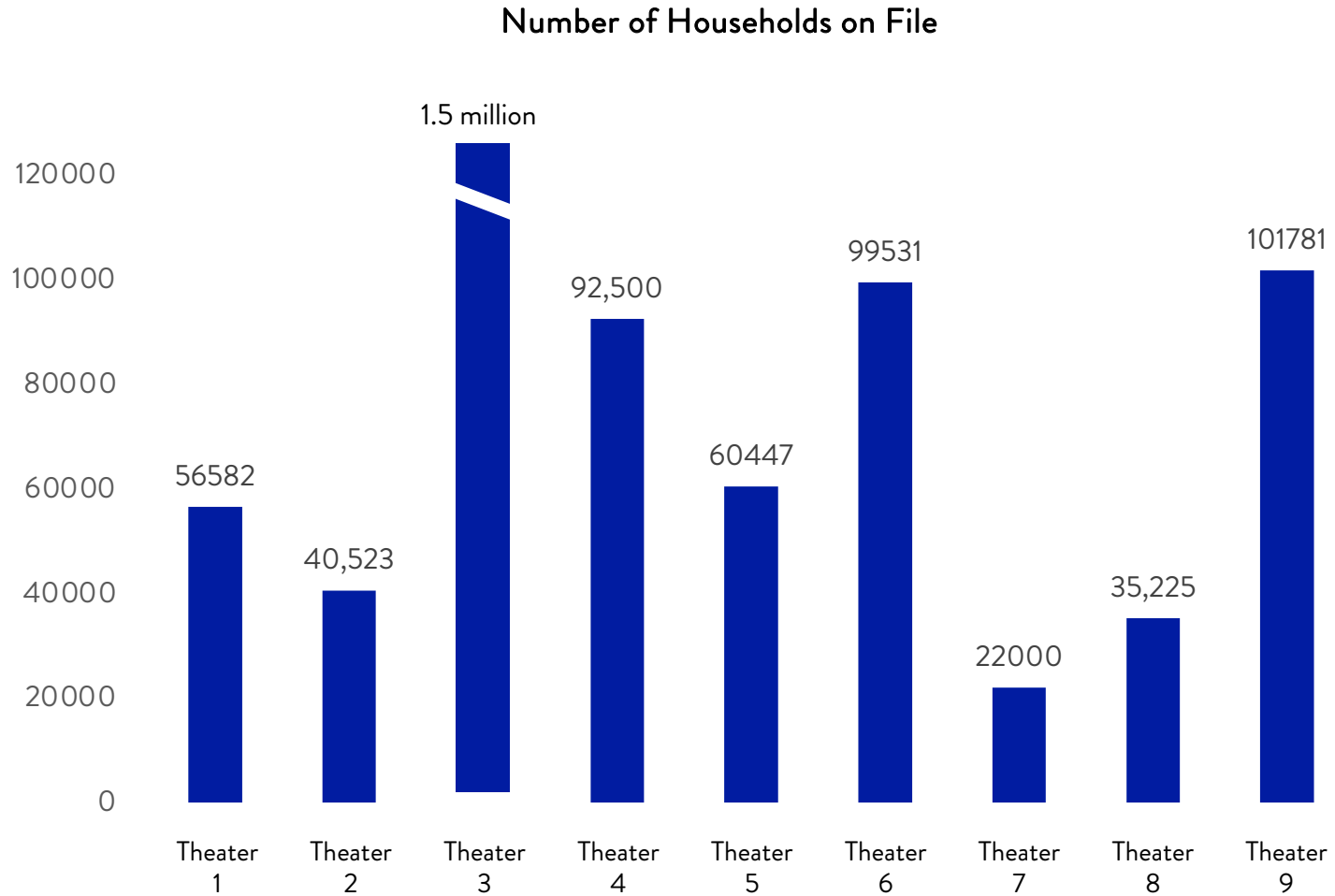


Q: How many paid seats did you sell in the last fiscal year?  
Q: How many free tickets did you supply in the most recent fiscal year?

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## Audience & Subscriptions

# Number of Households on File

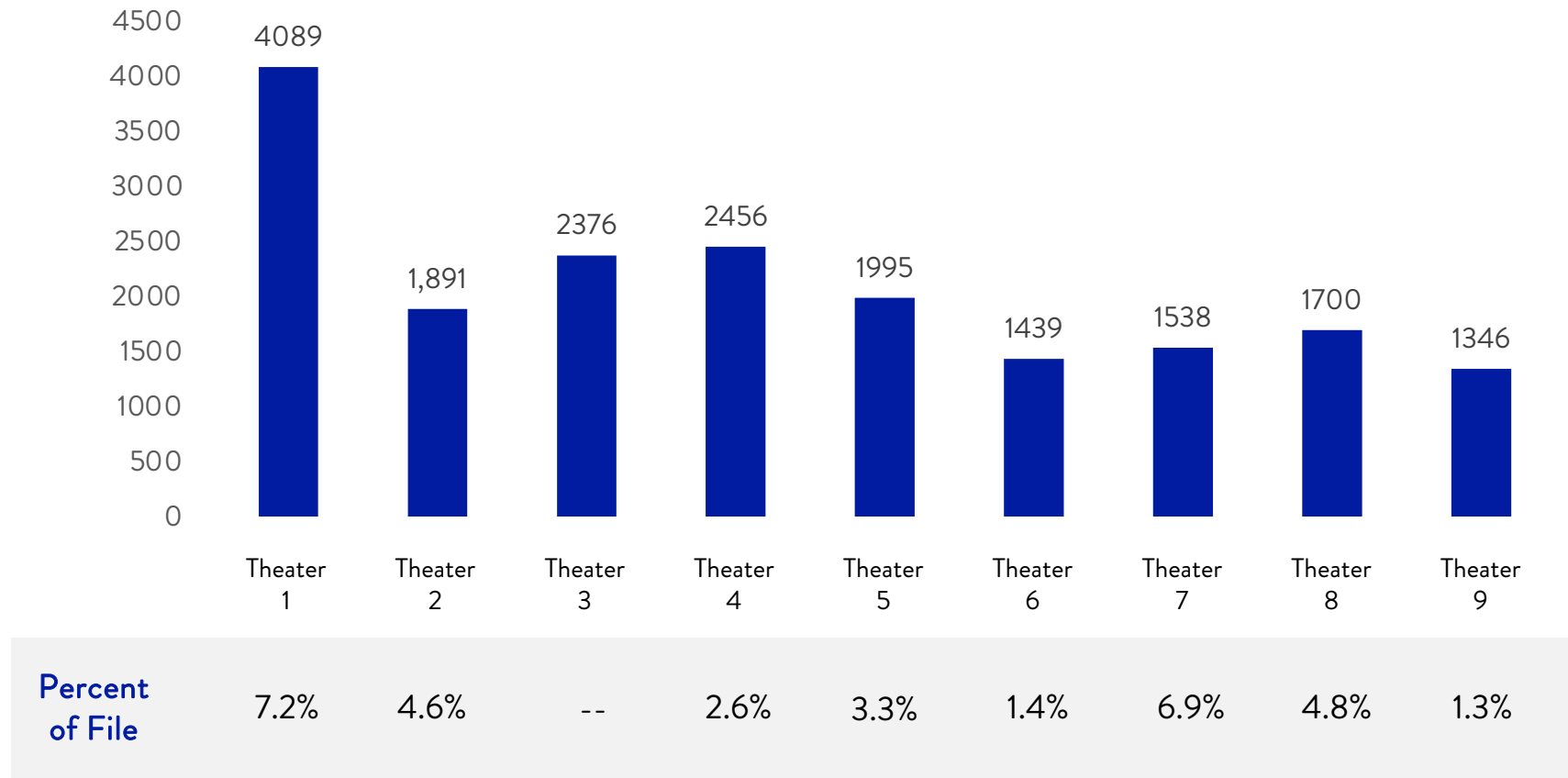


**Theater 3** is an outlier in this case, with 1.5 million households on file. It is a member of a metropolitan cultural district allowing access to a shared database across 10 member organizations.

Q: How many households do you have on file?

# Participants Bringing on New Buyers at Very Different Rates

New To File Ticket Buyers in the Most Recent Year

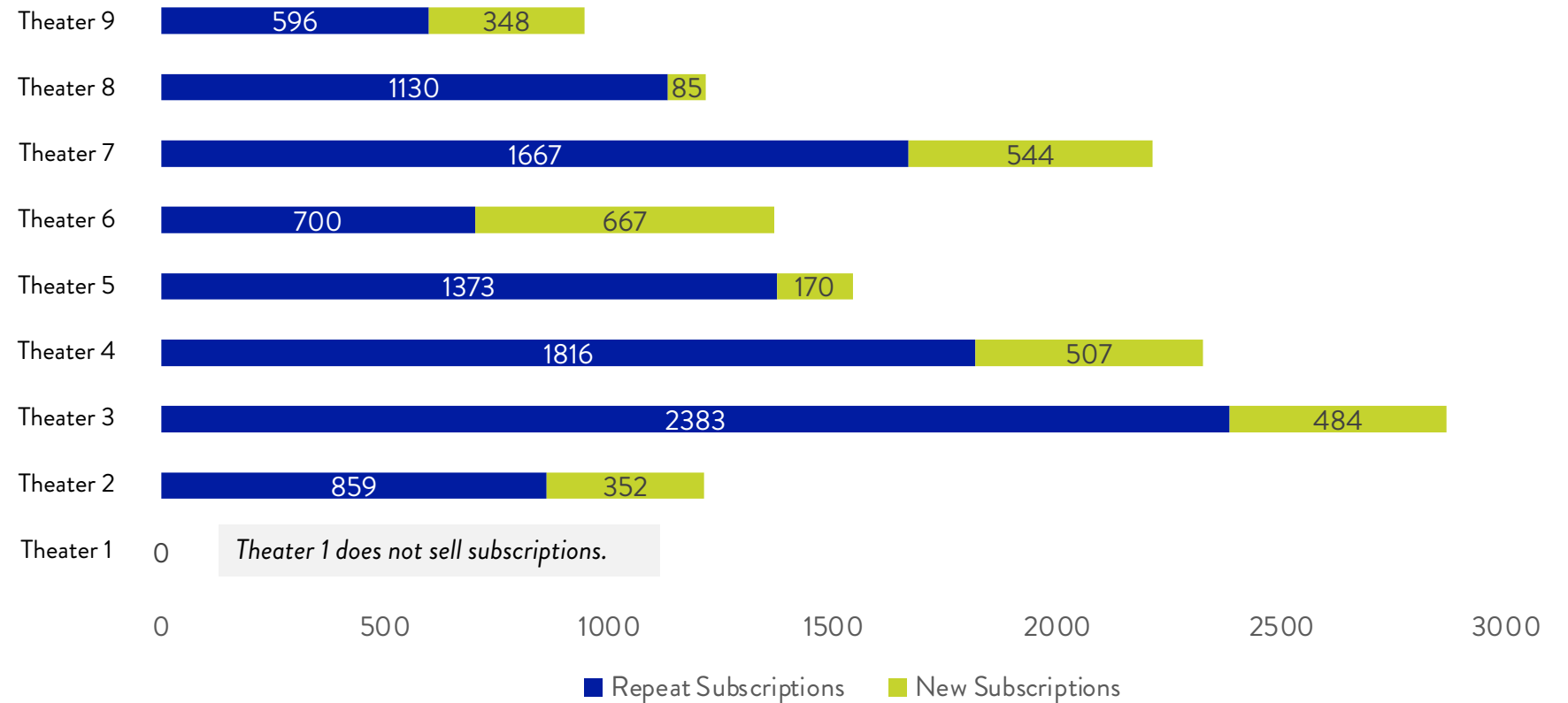


# Total Subscriptions Trends

## Change in Subscriptions in Past 10 Years

- 5-30% decline
- 30%+ growth
- 30%+ decline
- 5-30% growth
- 5-30% decline
- 30%+ decline
- 30%+ decline
- 30%+ decline
- 

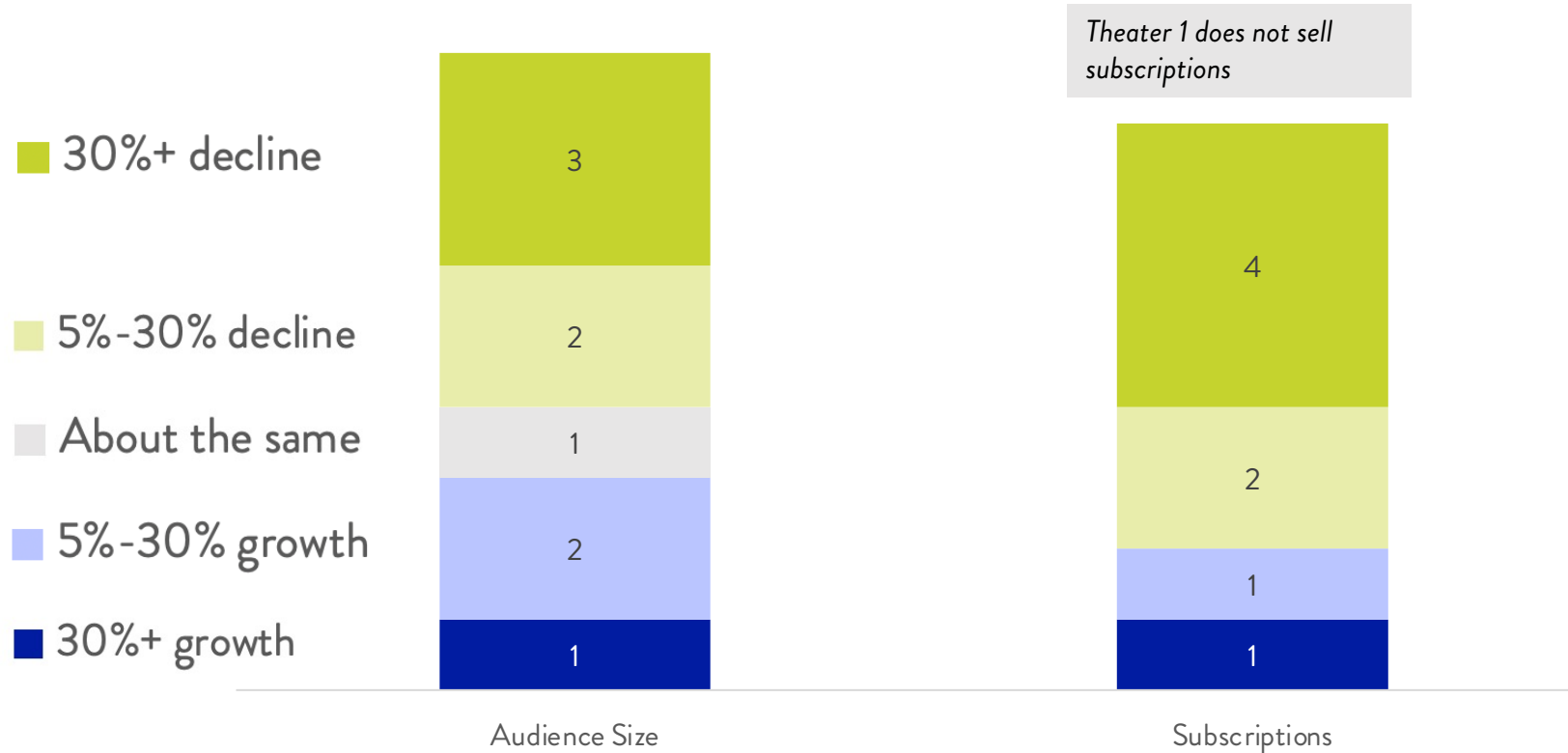
## Total Subscriptions Sold in Most Recent Fiscal Year





# Audiences & Subscriptions Trend in Tandem

Change in Audience Size & Subscriptions Over Past 10 Years



Q: To the best of your knowledge, how would you assess the change in audience size over the past ten years:

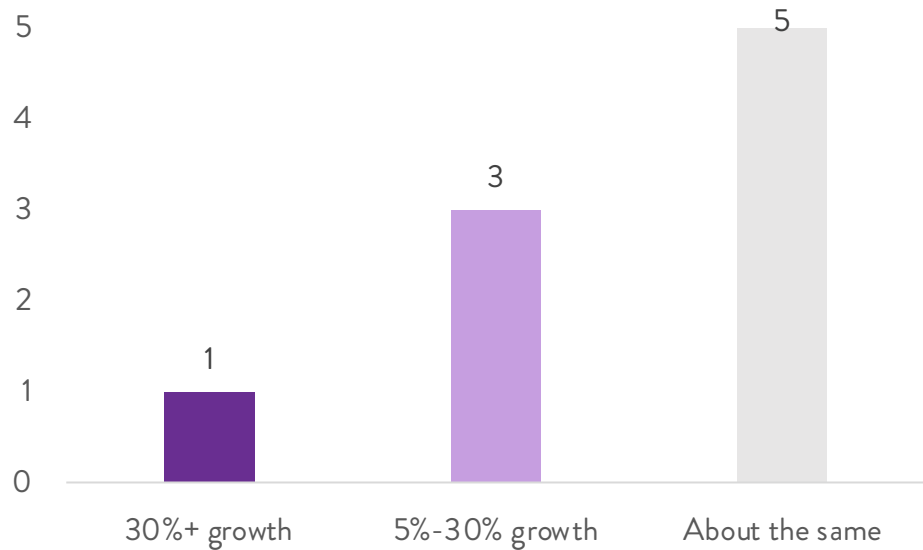
Q: To the best of your knowledge, how would you assess the change in subscriptions over the past ten years:

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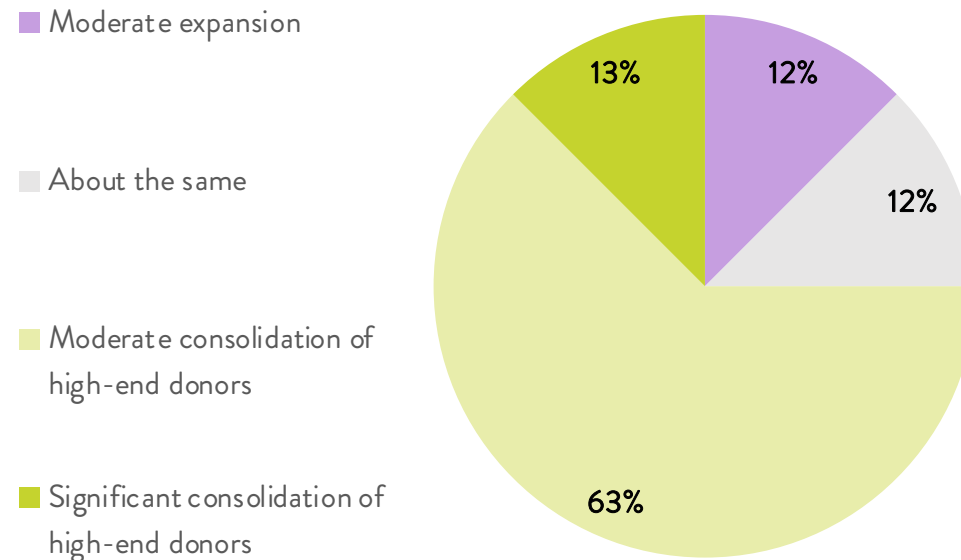
Donors

# While Donations Have Increased, Large-Donor Bases Have Consolidated

Change in Contributed Income Over Past 10 Years



Trend of Individuals Accounting for 25% of Donations Over Past 10 Years



To the best of your knowledge, how would you assess the change in contributed income over the past ten years:  
Q: Many arts organizations have reported a consolidation of larger donors (more giving, but in fewer hands). Over the past 10 years, what has been the trend in terms of the number of individuals accounting for 25% of your donations:

# Dependence on Board Giving Varies Widely

Percentage of Annual Individual Giving from Boards versus Sub-\$1000 Gifts

	Theater 1	Theater 2	Theater 3	Theater 4	Theater 5	Theater 6	Theater 7	Theater 8	Theater 9
Percent of Annual Individual Giving from Board	15%	50%	8%	42%	5%	26%	15%	15%	20%
Percent of Annual Individual Giving from Sub-\$1000 Gifts	27%	27%	--	9%	4%	27%	15%	10%	12%

Only Theater 1 gets a dramatically higher percentage of individual donations from sub-\$1000 gifts versus the board

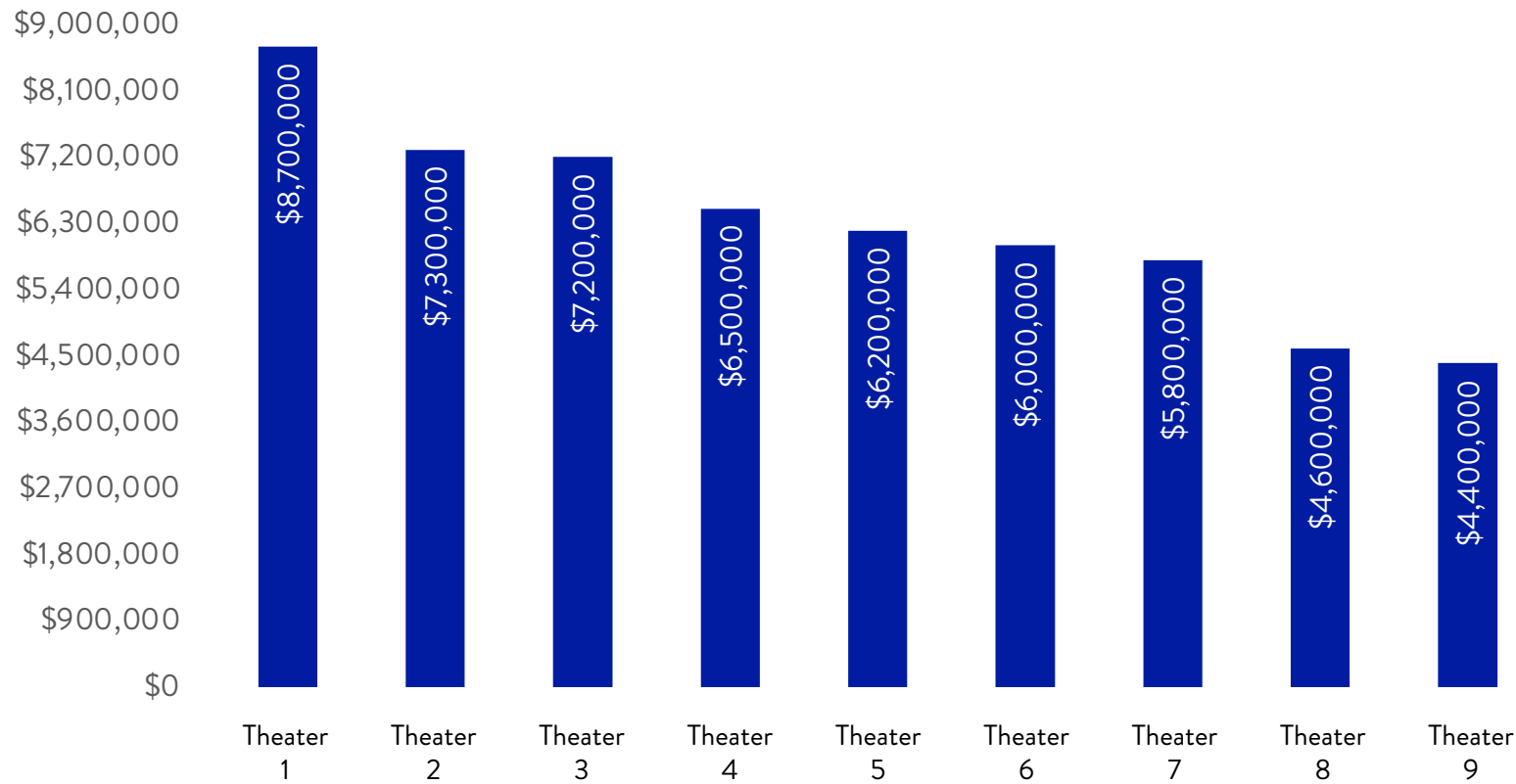
Three organizations receive about the same percentages from their largest and smallest donors

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## Financials

# Total Operating Budget: Wide Range Spent on Staff

Total Operating Budget



**Staff as Percent of Operating Budget**

Theater 1	67%	Theater 2	51%	Theater 3	63%	Theater 4	56%	Theater 5	20%	Theater 6	50%	Theater 7	71%	Theater 8	40%	Theater 9	38%
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**T1:** Reported operating budget for current year; no 2022 990 online; 2021 990 was \$6,618,290

**T2:** Reported operating budget for current year; No 2022 990 online; 2021 990 was \$3,916,753

**T3:** Based on upcoming FY24 budget; FY2022 990 was \$5,486,600

**T4:** Projected for FY23; FY2022 (990 was \$6,302,276)

**T5:** Reported operating budget for current year; FY2022 990 was \$6,978,668

**T6:** Excludes in-kind and depreciation

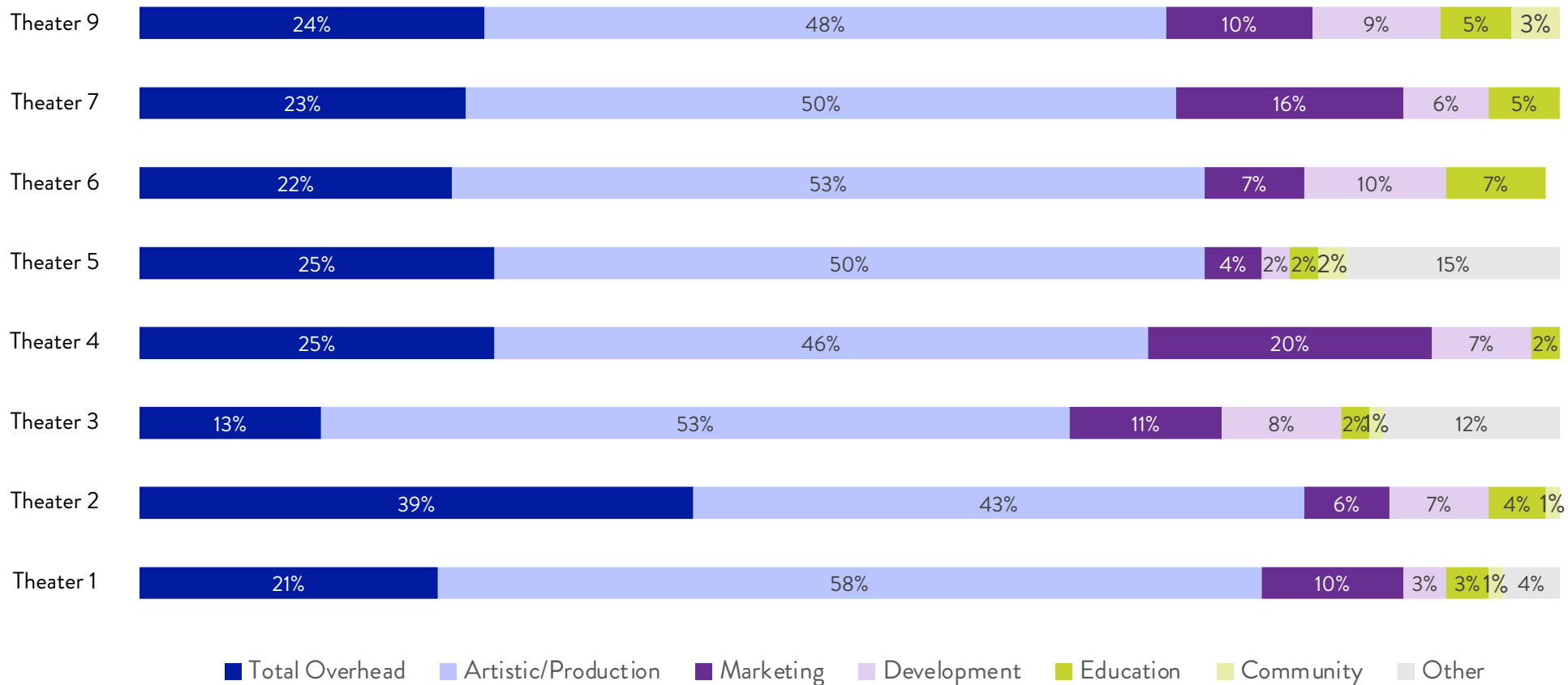
**T7:** Reported operating budget for current year; FY2022 990 was \$3,649,508

**T8:** Reported operating budget for current year; includes \$140K for a leadership circle donor tier.

**T9:** Reported operating budget for current year; No 2022 990 online; 2021 990 was \$3,264,168

# Wide Distribution of Spending across Areas

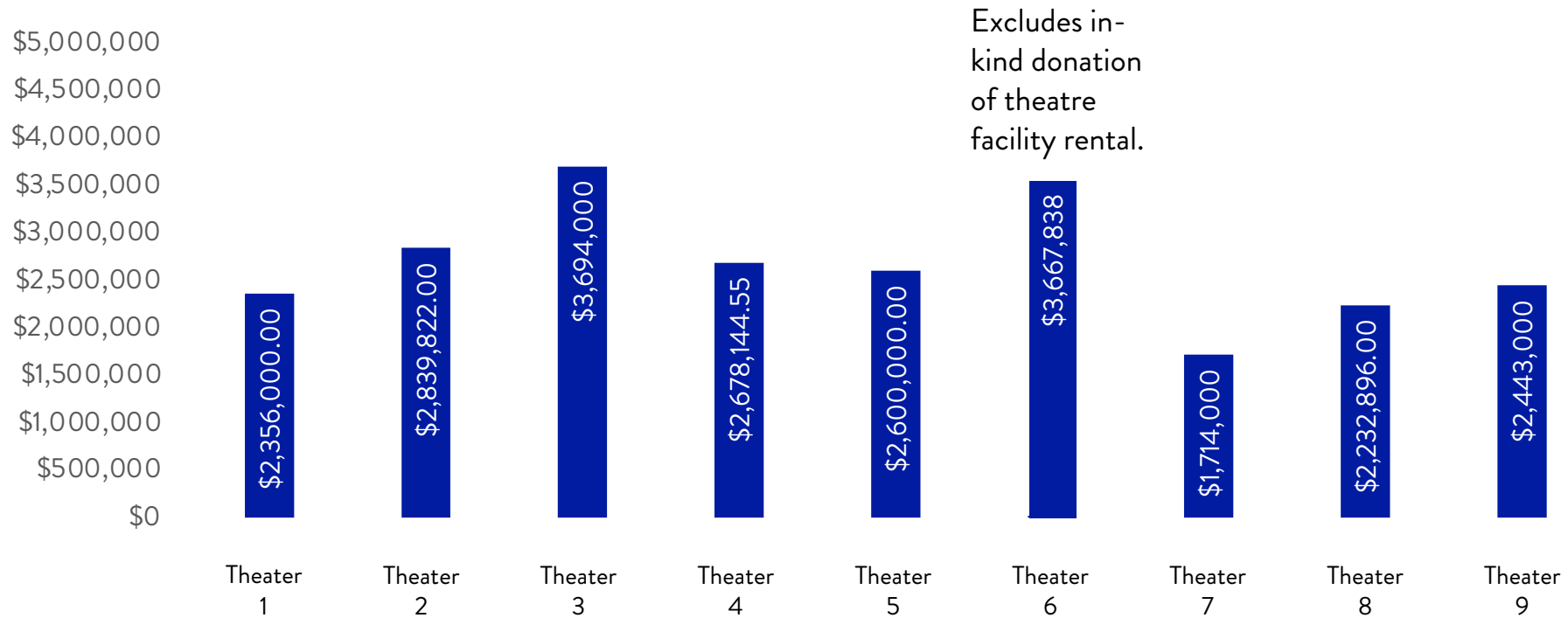
Total Budget Breakdown



- Other**
- Box office, credit card commission
  - Concessions & gift shop expenses
  - Facilities.

# Contributed Income Patterns Vary Highly

Contributed Income

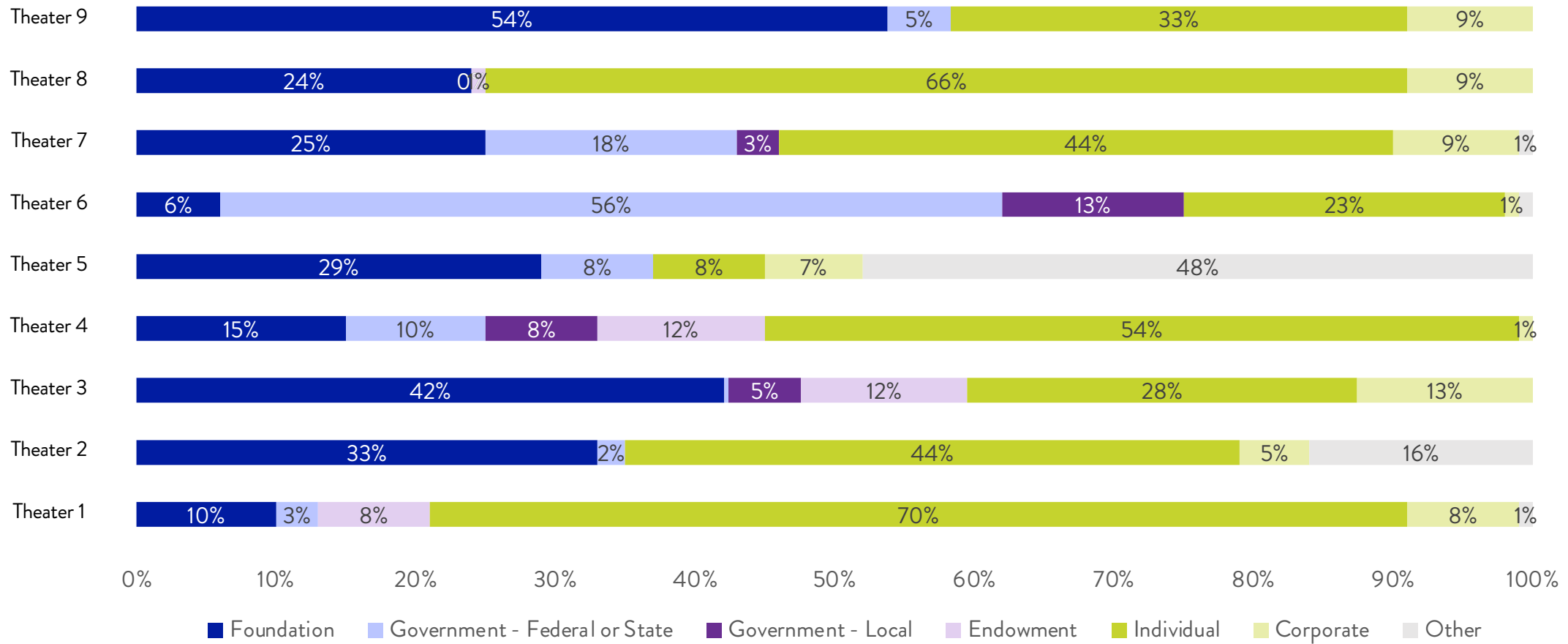


Percent of Operating Budget	Theater 1	Theater 2	Theater 3	Theater 4	Theater 5	Theater 6	Theater 7	Theater 8	Theater 9
	27%	39%	51%	41%	41%	80%	30%	59%	56%



# Individual Giving Is Largest Source, but Not Overwhelmingly

Sources of Contributed Income

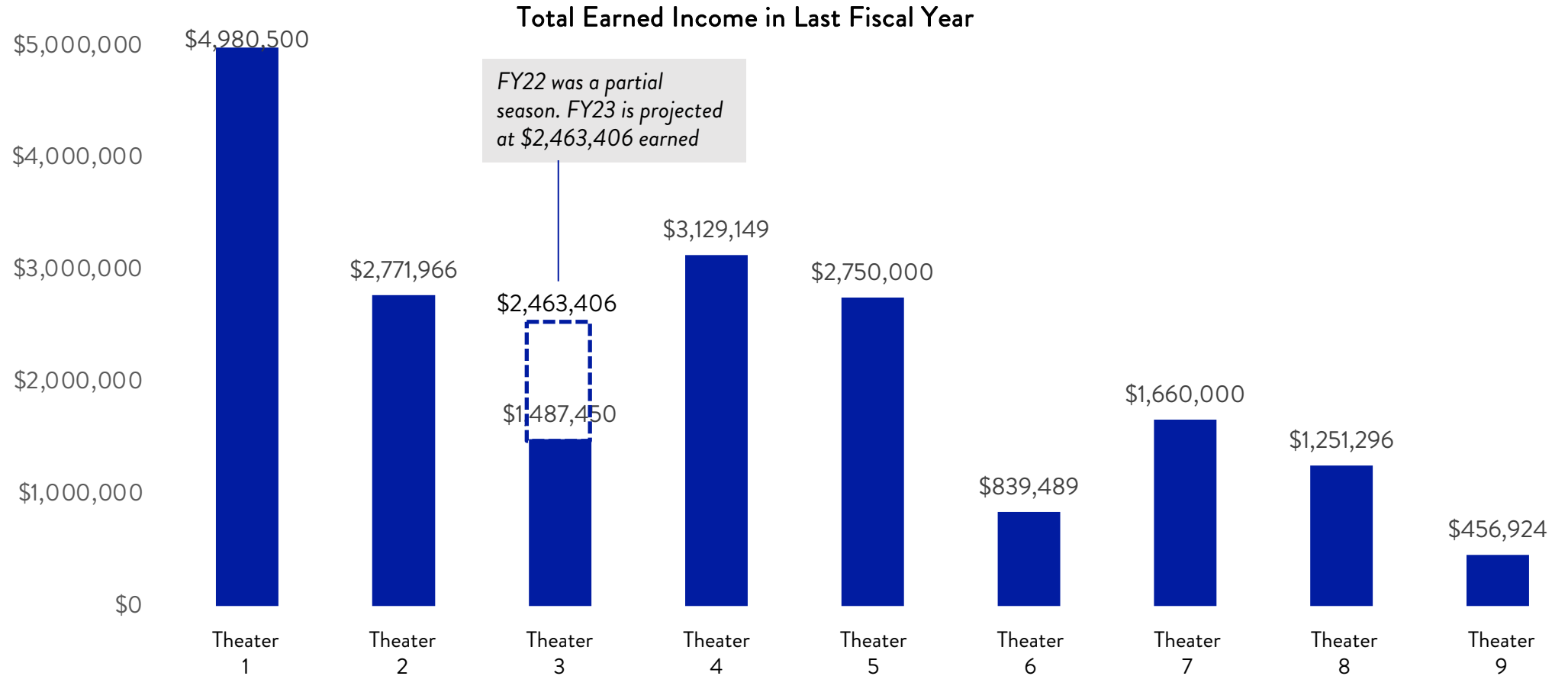


**Other**

- Special event revenue
- In-kind giving

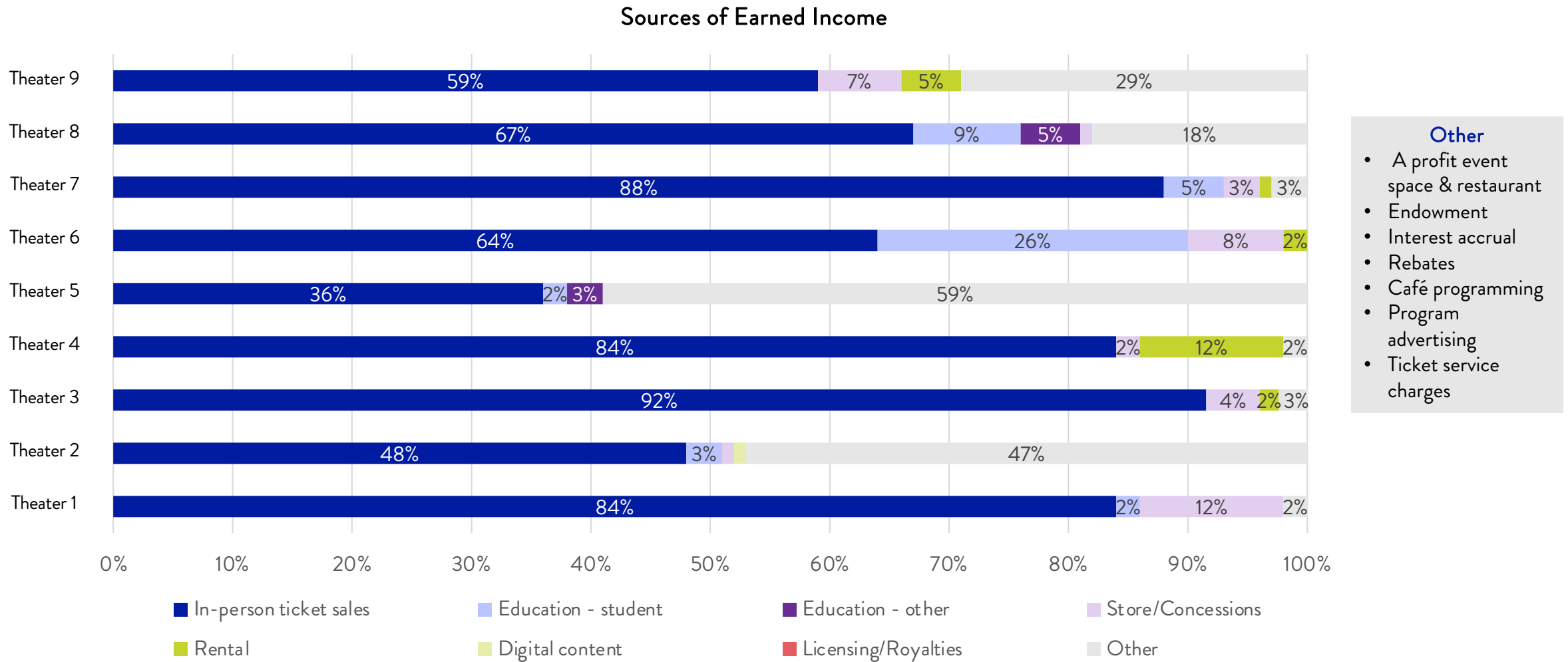
Q: What percentage of your contributed income comes from the following sources:

# Earned Income (Mostly) Tracks with Operating Budget, And is Down as a % of Budget



Ten-Year Earned Income Trend	Theater 1	Theater 2	Theater 3	Theater 4	Theater 5	Theater 6	Theater 7	Theater 8	Theater 9
	About the same	Down by >20%	Down by 10-20%	About the same	Down by >20%	Down by <10%	Down by >20%	Up by 5-30%	Down by >20%

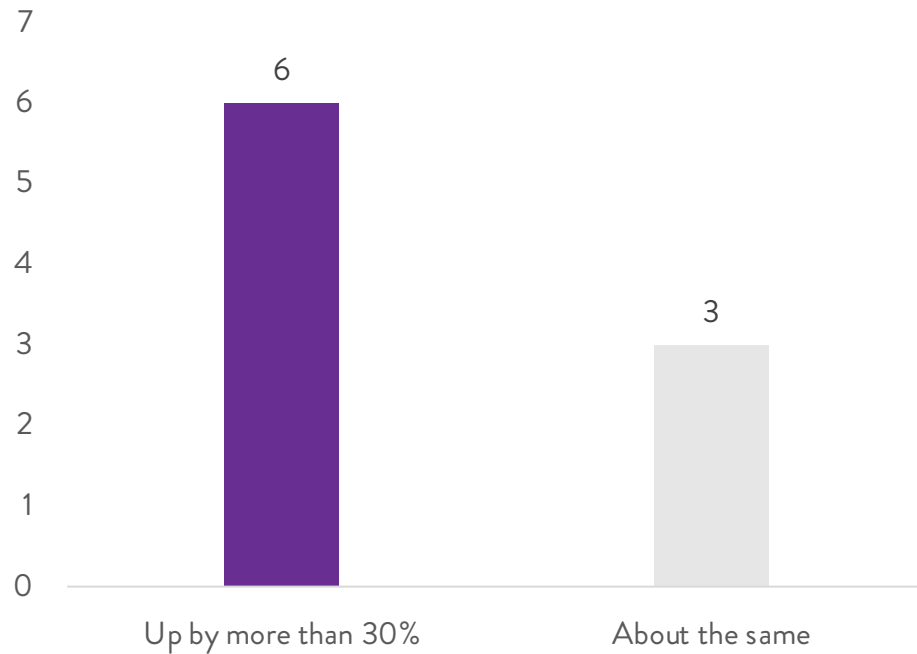
# Ticket Sales Account for the Bulk of Earned Income



Q: What percentage of your earned income comes from the following categories:

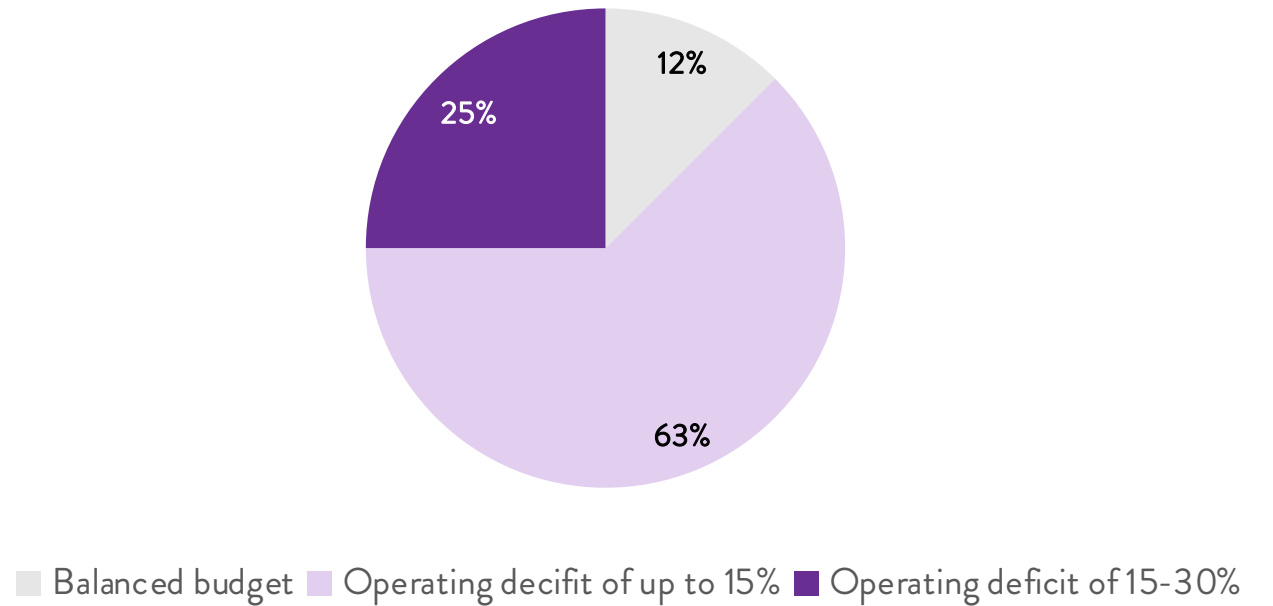
# Most Predict Operating Deficits for Next Year

Change in Operating Budget Over Past 10 Years



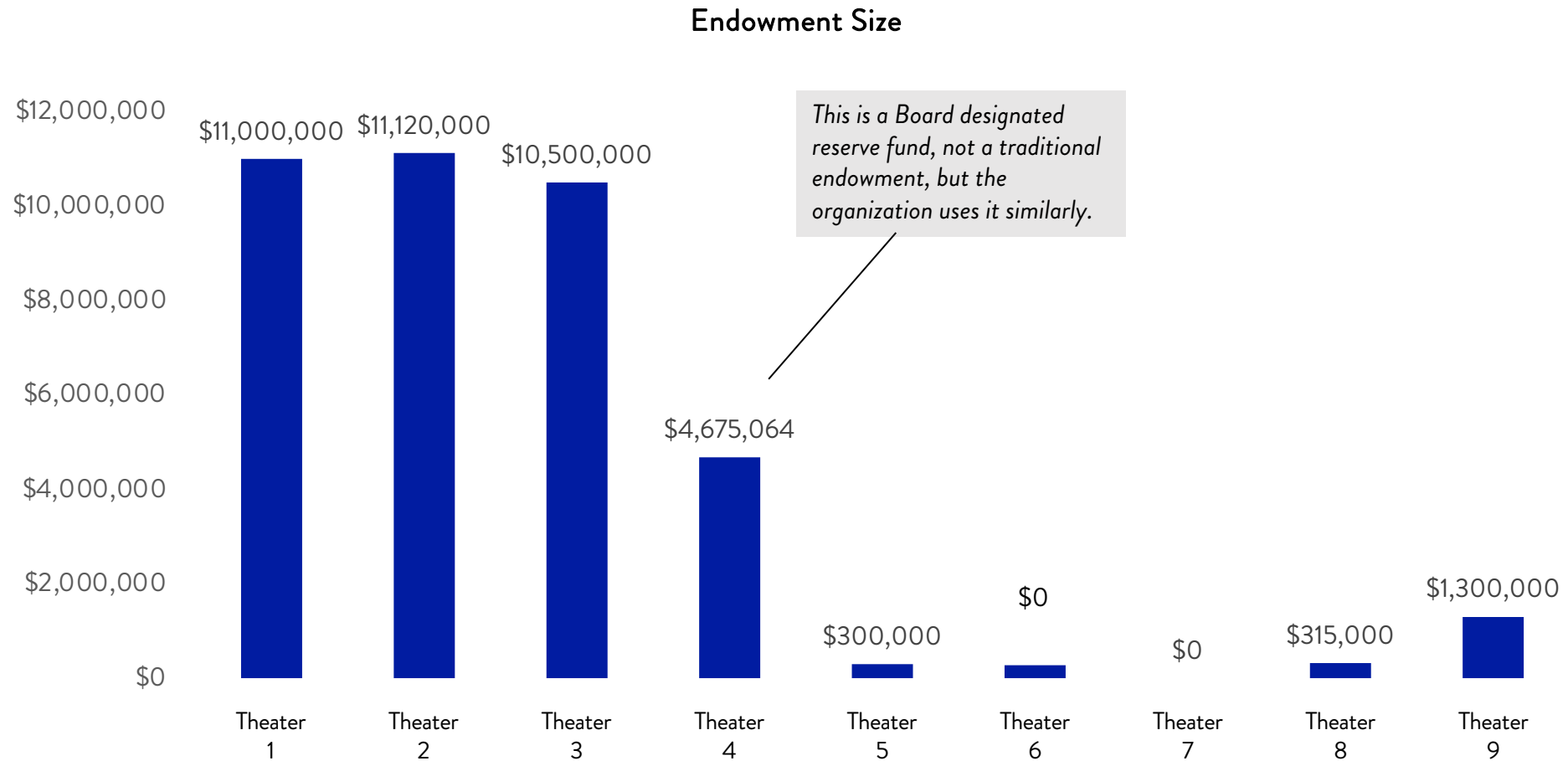
Q: Over the past ten years, our operating budget is:

Budget Expectations for the Next Fiscal Year



Q: What are your budget expectations for your NEXT fiscal year?

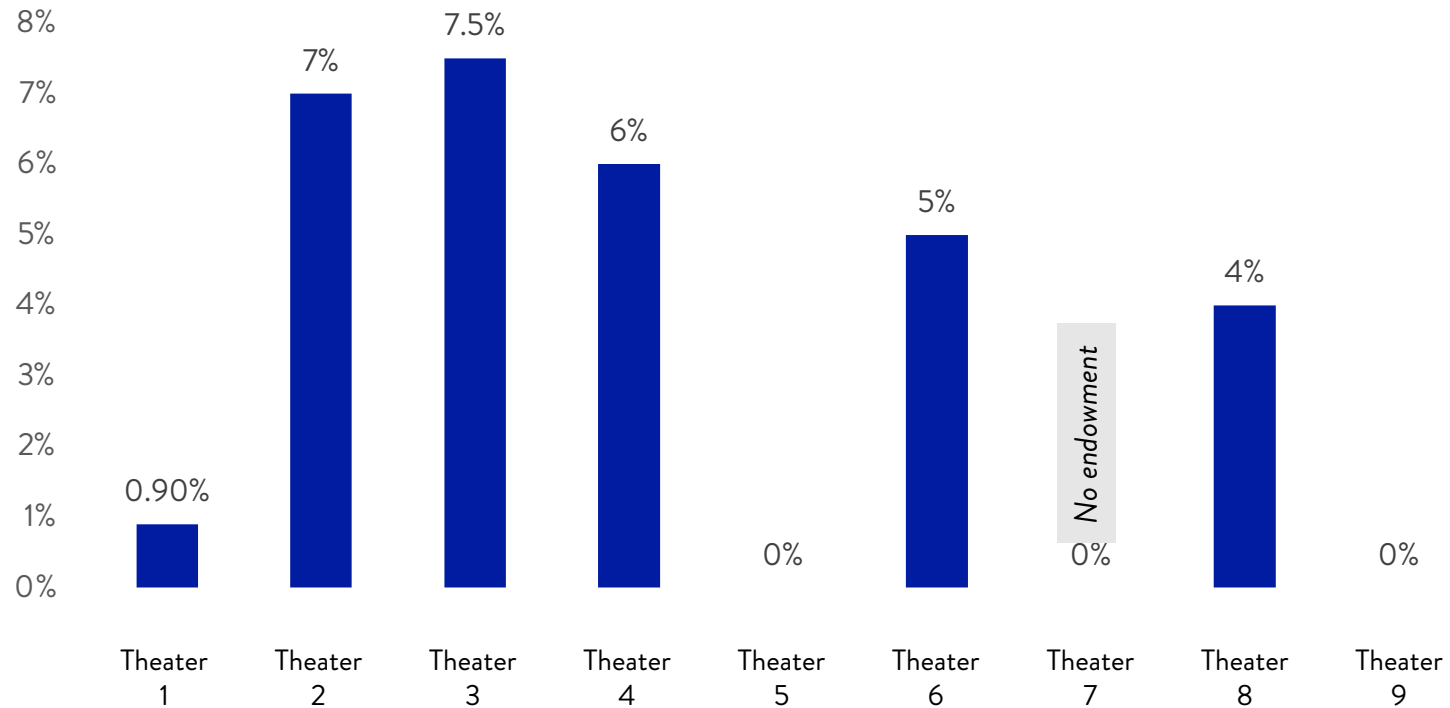
# Bigger Organizations Have Endowments, Smaller Ones Don't



Q: What is your endowment size?

# Most Drawing Endowment Funds Took More Than Five Percent

Endowment Draw in Last Fiscal Year

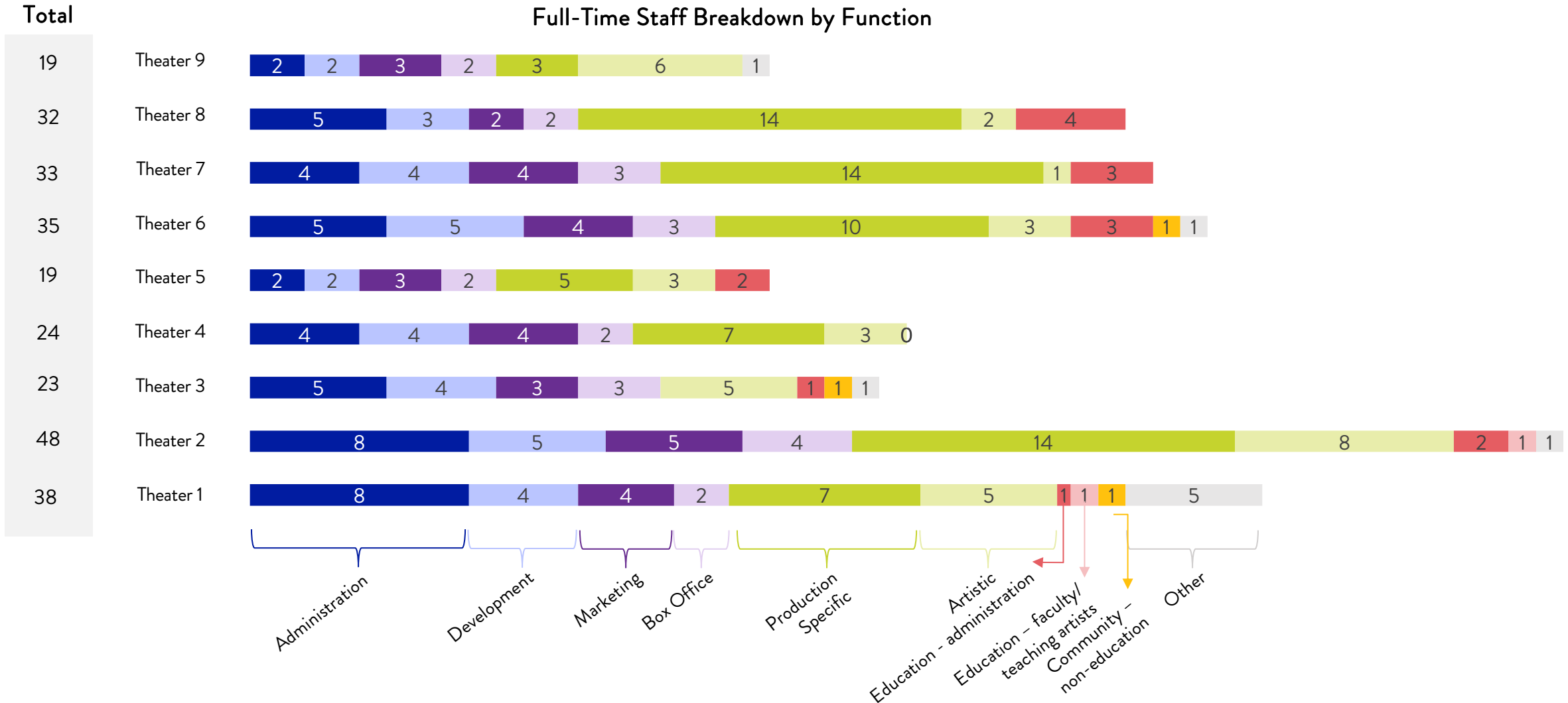


Q: How much was your endowment draw (as a percentage of endowment) in the last fiscal year?

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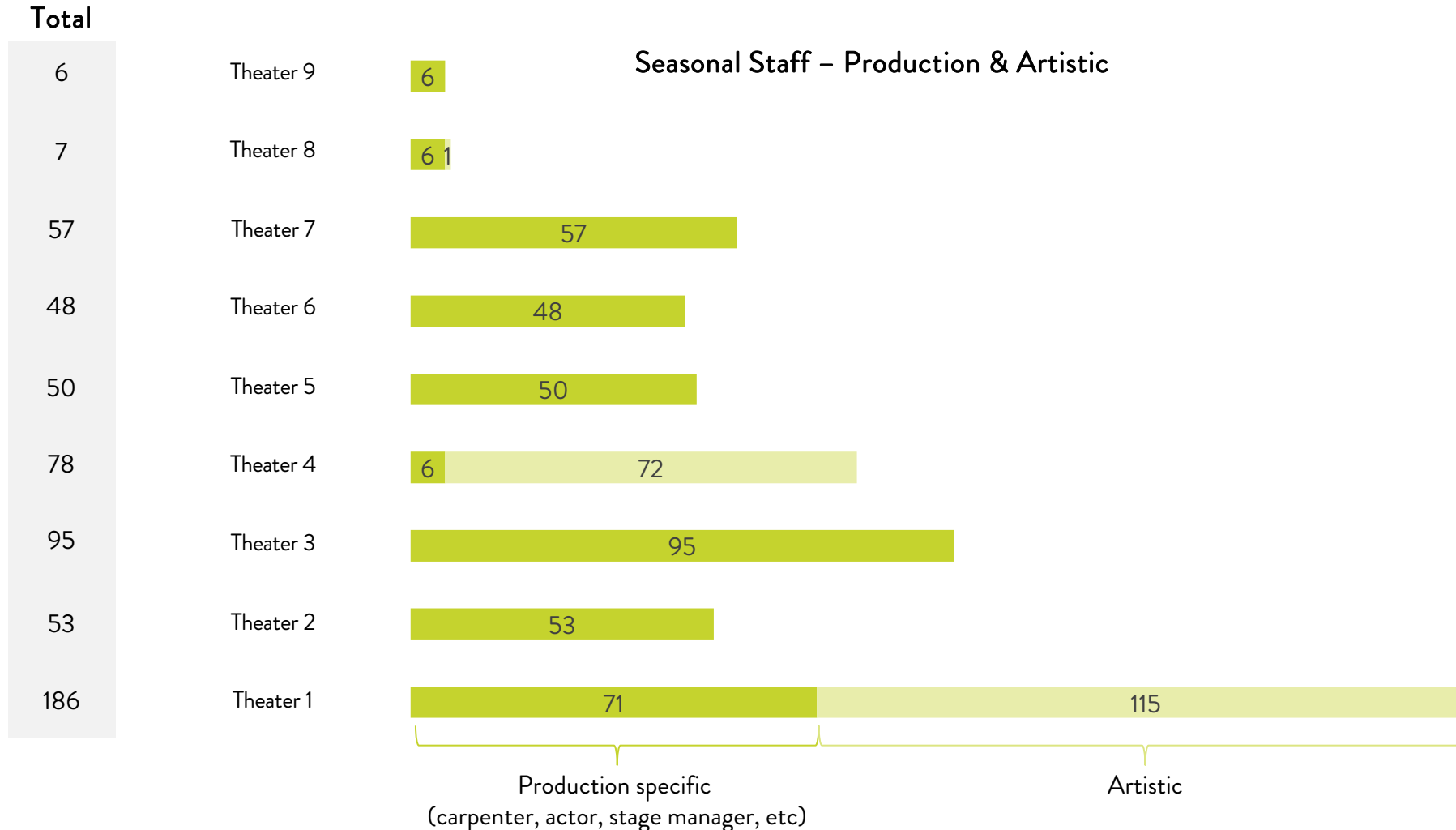
# Staffing

# Full Time Staffing Does Not Follow Clear Patterns

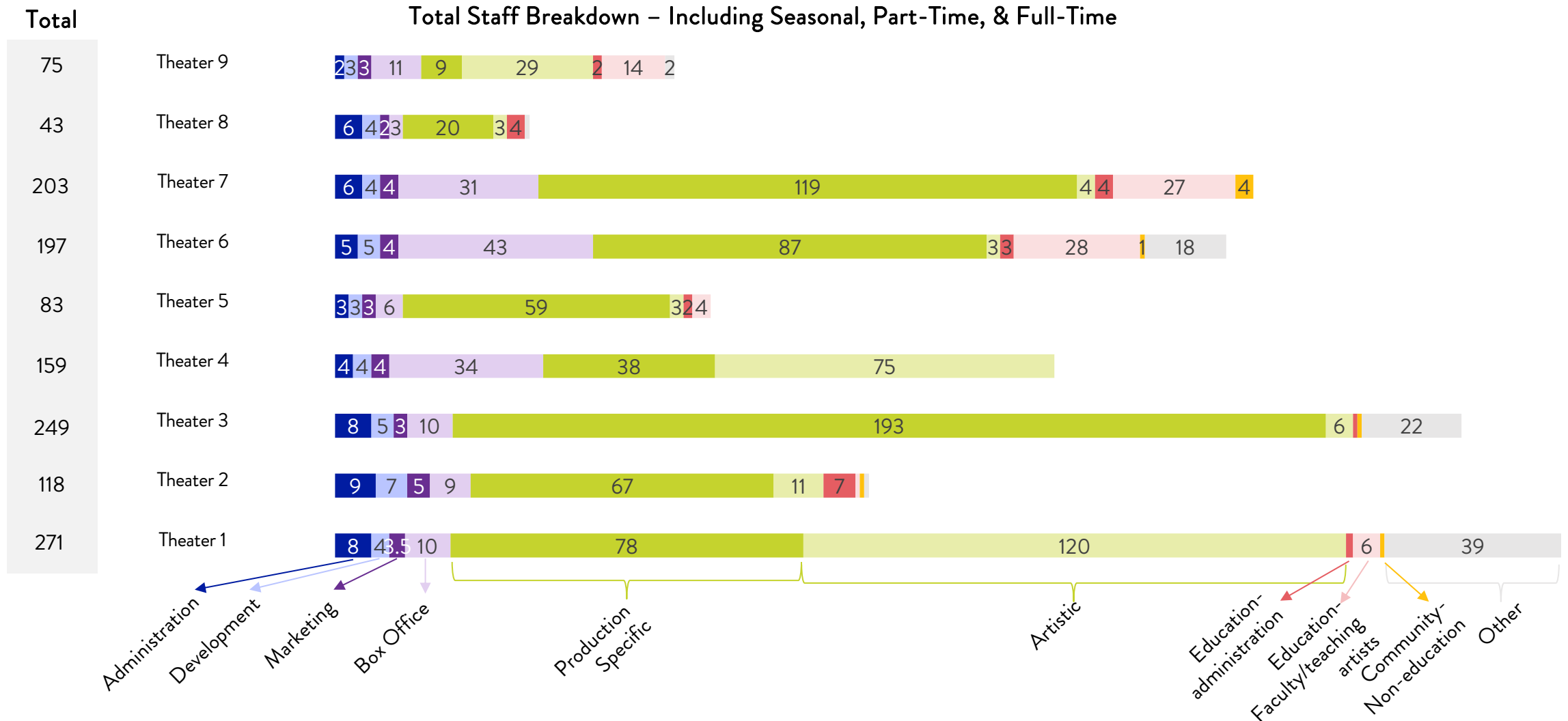




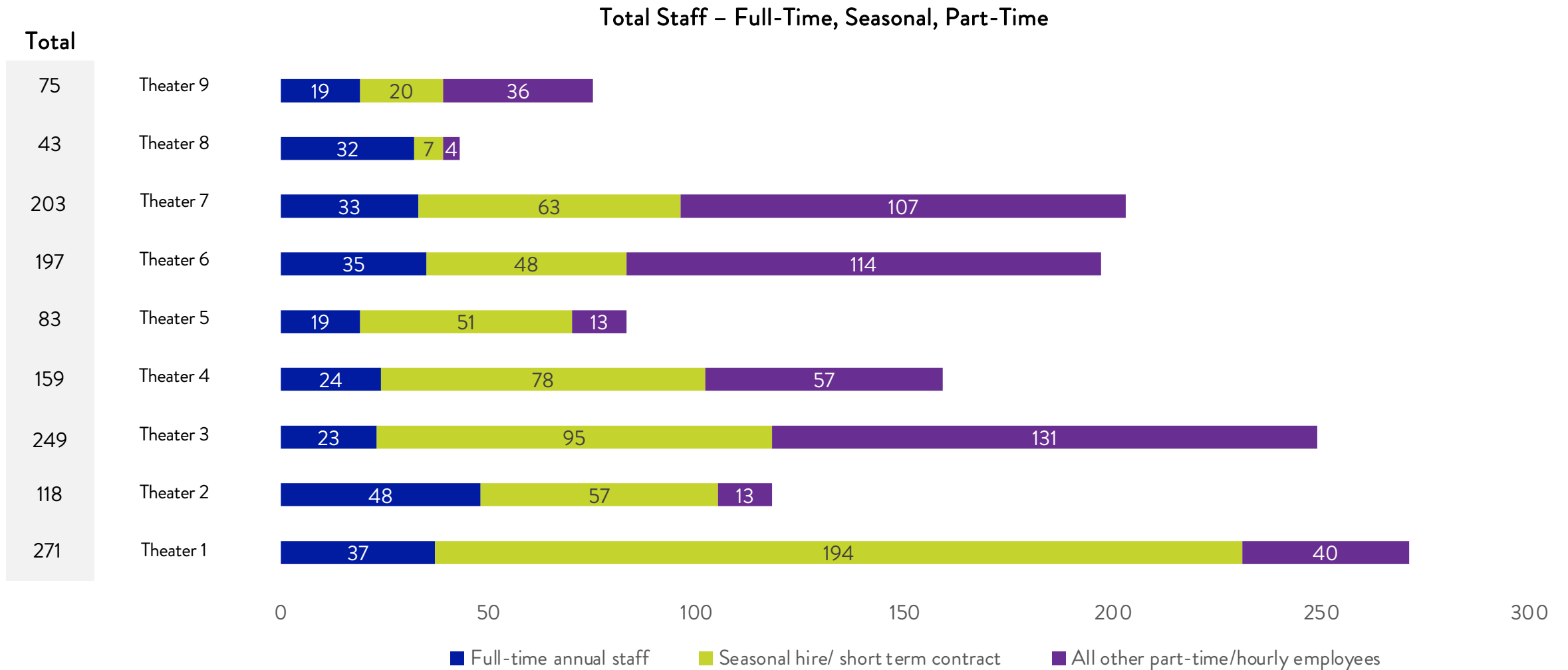
# Organizations Rely on Artistic & Production Seasonal Staff



# Total Staff Breakdown by Function Shows No Clear Trends



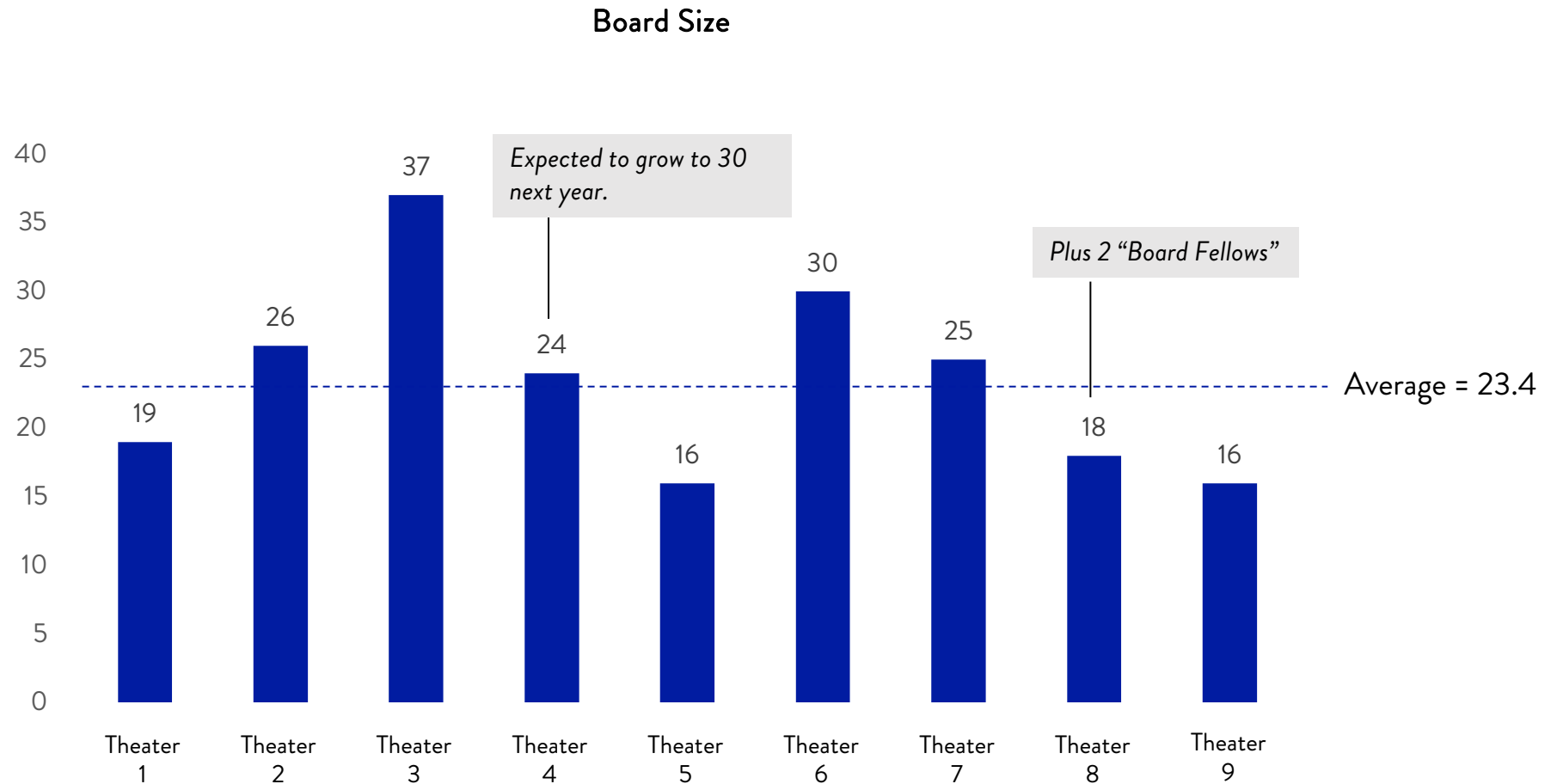
# For most, Seasonal & Part-Time Staff Dwarf Full-time Staff





**Board**

# Board Size Averages about Two Dozen



Q: What is the size of your board?

# Board Term Limit Policies

Organization	Description	Term Length	Max Number of Terms
Theater 1	<i>We do not have term limits. Directors serve renewable 3-year terms.</i>	3 years	NA
Theater 2	0	None	None
Theater 3	<i>Up to 3 terms of 3 years each</i>	3 years	3
Theater 4	<i>Three year terms, unlimited number of terms</i>	3 years	Unlimited
Theater 5	<i>New trustees sign on for a 2-year term. After their introductory term, should the Board vote in their favor for another term, the term will be three years.</i>	3 years (2 for new trustees)	None
Theater 6	<i>Terms are 3 years long, "a period of three years beginning on the first day of the fiscal year that commences after the date of his or her election. A Board Member may serve up to two additional consecutive three (3) year terms, unless the Board by resolution votes to extend the Board Member's term."</i>	3 years	3
Theater 7	<i>Board Members may serve 2 consecutive 3-year terms. Following a 1 year hiatus with continued committee participation, they are eligible to return and start the cycle over again.</i>	3 years	3 (after 1 year hiatus, may pursue another 3)
Theater 8	<i>Board members serve 3 year terms, 3 term limit</i>	3 years	3
Theater 9	<i>Directors shall be elected by the full Board to serve a one-, two- or three-year term, and shall be eligible to serve additional one-, two- or three-year terms; barring a two-thirds vote of the Board, each director will serve for no more than nine consecutive years.</i>	1-, 2-, 3 years	9 consecutive years

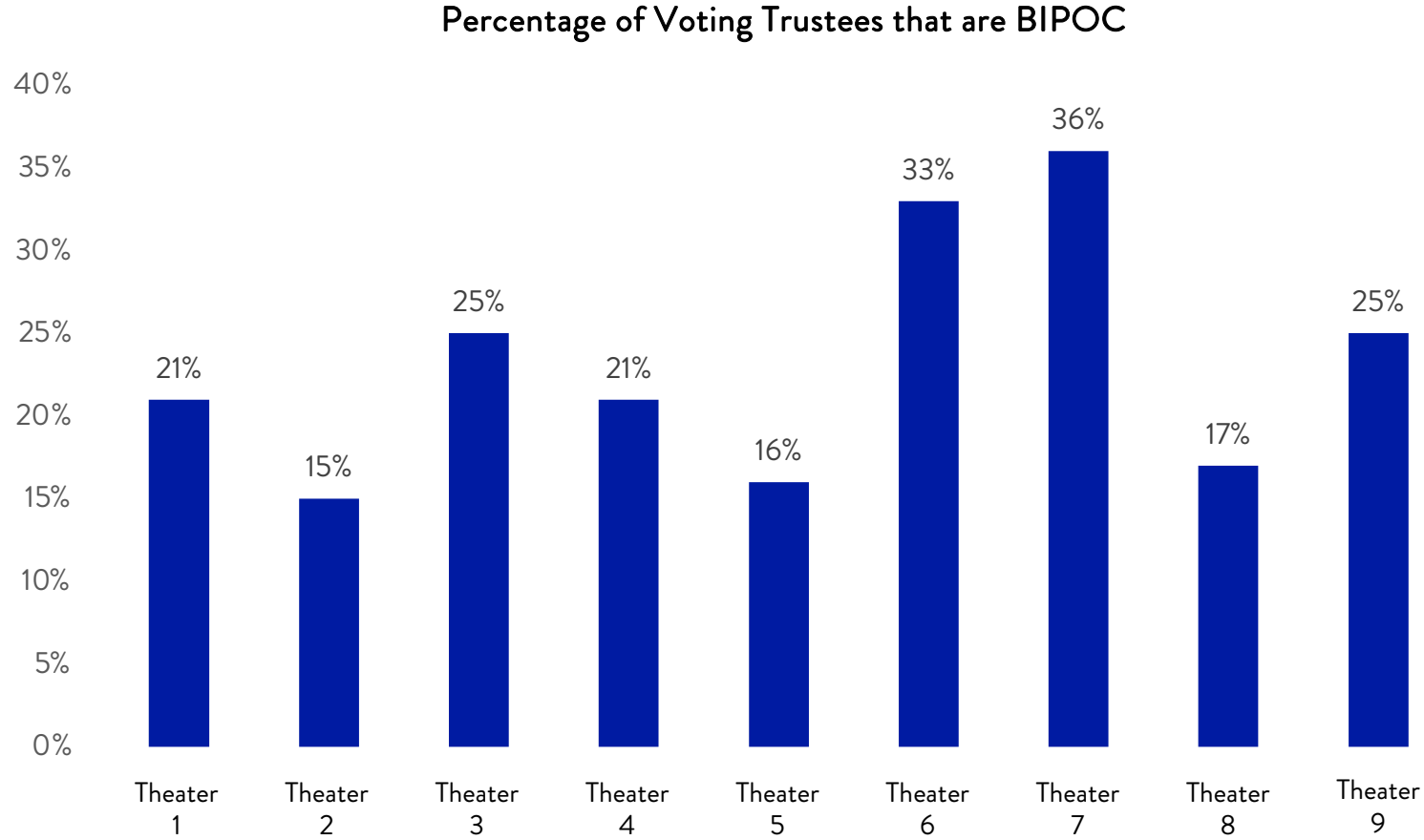
*Q: In a brief sentence, please explain your term limit policy (if applicable).*

# Board Giving Policies

Organization	Description	Policy?
Theater 1	We don't have a written giving policy. Informally, Board members are expected to give.	None
Theater 2	We have no board giving policy	None
Theater 3	To make [Theater 3] a <b>high priority in your personal philanthropy at a level commensurate with your individual means.</b>	Yes
Theater 4	We eliminated a minimum gift in 2021. We now require that Board members make a gift and ask that [Theater 4] be in their <b>top three philanthropic priorities.</b>	Yes
Theater 5	All are asked to make a <b>meaningful contribution annually as well as support the Gala</b>	Yes
Theater 6	Each trustee is responsible for making a <b>personally significant unrestricted annual financial contribution.</b> A personal contribution is considered to be: <ul style="list-style-type: none"> <li>• A monetary or securities contribution from the trustee's own resources</li> <li>• Donations from a family foundation or donor advised fund</li> <li>• Donations from an employer in recognition of the trustee's Board membership</li> <li>• In certain cases, a significant in-kind donation, as approved by the Board President and Treasurer</li> </ul>	Yes
Theater 7	Board Members are requested to make their gift to [Theater 7] be one of the <b>top 3 philanthropic priorities.</b>	Yes
Theater 8	We ask that [Theater 8] be in their <b>top 3 philanthropic priorities.</b>	Yes
Theater 9	Current annual contribution is an <b>amount meaningful to the Director</b> , with a target give/get of \$5000-\$10000 (including sweat equity in the form of leading or participating in theater events and board activities).	Yes

Q: In a brief sentence, please explain your term limit policy (if applicable).

# Trustees include 15-36% BIPOC



Q: What percentage of voting trustees are BIPOC?





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