



THE NEW NORMAL
Executive Summary of TCG Board “Phone Tree” Discussions —February 2009
Compiled and summarized by Martha Neighbors, Director of Advancement

In December 2008 and January 2009, the board of directors of Theatre Communications Group reached out to TCG’s 495 member theatres by phone and email to gauge the state of the field in this challenging time. The board asked three basic questions:

1. **Have you done anything in the short-term to deal with the current economic situation, and if so, what?**
2. **Have you done anything in terms of long-term planning in response to the current economy, and if so, what?**
3. **Do you have specific suggestions for how TCG can help you get through the current economic situation?**

These conversations—both oral and electronic—generated enormous response from theatres all over the country. Given the intense environment and busy timeframe, we were thrilled to make direct contact with almost 200 members. TCG simultaneously sent out the second iteration of our *Taking Your Fiscal Pulse* snapshot survey, and will use both tools to get the clearest picture of the state of the field and how we can best move forward together. Through all this, our members have been generous with their time, sharing strategies and brainstorming best thinking on a variety of issues. TCG is proud of our role as a national resource on the state of the American not-for-profit professional theatre. We are pleased to share some of the findings below.

Overall Findings

The good news: the responses were not all “gloom and doom.” Many theatres expressed optimism and excitement about the challenges and opportunities presented by this unique moment in time. Our theatres are focused on a renewed and reinvigorated commitment to their missions and see the current situation as an opportunity to do the best, most vigorous work in ways that they may not have dared or risked before.

However, those theatres that were struggling with pre-existing short-term debt burden and/or poor working capital prior to the recent downturn are the most likely to be having serious trouble now. Our members expressed a widespread concern that the worst is yet to come and that next season will be harder than this, while hoping that the 2011 fiscal year will start to show an upturn. In the meantime, our theatres are streamlining their operations and paring down expenses, while striving to maintain the quality of the artistic

experience—and they're doing it in part by working harder and freezing or, in some cases, cutting salaries.

Virtually every theatre is seeking to cut its operating budget by 5 to 30 percent, with most in the 10 percent range for both this year and next. The exceptions are small theatres in active growth mode; other theatres in growth mode are planning slower growth and extending the timeframe for expansion. Most theatres with an endowment or an invested cash reserve fund report losses of between 15 and 30 percent, with one as high as 60 percent.

Theatres that had corporate sponsorship support (a minority of respondents) have seen steep declines in that area and are mostly zeroing projections for next year. The [Taking Your Fiscal Pulse: January 2009](#) report shows 74 percent of respondents reporting declines in corporate contributions, 20 percent holding steady and only 6 percent reporting an increase.

The need for the field to share their stories, learn new strategies and (re)connect with one another is acute. TCG greatly appreciates the generosity of time and spirit represented by these responses, and hopes that you will all make every effort to come together with us in person at the National Conference in Baltimore in June to continue and expand the conversation. Our theme, *Roots.Renaissance.Revolution: Defining the New Landscape*, will deal directly with the massive shifts taking place in our field right now. TCG's conference staff has developed several strategies to reduce the cost of attendance for participants in Baltimore. Please visit the [National Conference](#) section of the website for details.

R. L. Rowsey, core company artist, Company of Fools (Hailey, ID) asks: *Through all of this, will we learn to share more freely, to communicate more openly, to ask more boldly and to respond more generously? Will we discover a more tangible link to fellow artists and arts leaders across our state and across our nation? Will we develop language that comes closer to expressing things that we have allowed to be inexpressible—our passion, our belief and our involvement in the arts?*

HAVE YOU DONE ANYTHING IN THE SHORT-TERM TO DEAL WITH THE CURRENT ECONOMIC SITUATION, AND IF SO, WHAT?

With a handful of exceptions, virtually all of our theatres are taking steps to address the uncertain economy. Those that are not taking these steps are secure for this year and looking ahead to next season.

Cutting Budgets At Least 10 Percent

Theatres are cutting costs. [Taking Your Fiscal Pulse: January 2009](#) reported that 77 percent are reprojecting expenses downward for the current fiscal year. Some strategies include:

- Seattle Repertory Theatre (Seattle, WA) seeks to cut its budget by one-third. They have cut two positions and left three unfilled, while applying an across-the-board vacation policy mandating that annual employees take their previously accrued vacation, as well as all current accrued vacation by the close of the fiscal year. Employees were also furloughed for two weeks. Production budgets have been trimmed, they are casting locally as much as possible and have cut some non-artistic programs. They are not budgeting for any distribution from their endowment. These measures, along with producing fewer plays next year, will shave approximately \$3 million off their current operating budget.
- Imagination Stage (Bethesda, MD): “We have maintained open communication on our financial condition with the entire staff. The communication cycle has helped them understand our values and decisions.” Imagination Stage has made a 10 percent adjustment to their budget this year by furloughing all staff for 8 days, adjusting all possible expenses, adding performances of successful shows and revising their summer programming to maximize revenue.
- Arizona Theatre Company (Tucson & Phoenix, AZ): Senior staff took three weeks furlough so that staff at lower salary levels only had to take two or three days. This strategy helped the company cut five percent off the budget for both this year and next. The willingness of senior staff to make this sacrifice was a “big morale builder” for the rest of the staff and the company is managing to weather the tough times.
- Wing-It Productions (Seattle, WA) altered its fiscal year from the calendar year to a six-month January-June timeline, allowing them to slash budgets back to the core and suspend all renovations and “unnecessary” projects. They have eliminated three part-time staff positions and consolidated workflow into one new full-time position.
- Know Theatre (Cincinnati, OH) has eliminated all but one matinee per run (on the final weekend) and seen an increase in attendance at evening performances. This allowed them to extend the run, giving them more time for word-of-mouth to build up. The show they just closed was the first with the new schedule and it has been their highest grossing so far this season.
- Several theatres mentioned reducing the number of Equity actors in the current season and planning further reductions for next season. Some are not hiring understudies. Some, but not many, are canceling their final productions of the current season.
- Several theatres are deferring “unnecessary” building maintenance and capital expenditures.

- Some theatres are renegotiating insurance contracts and/or are talking with other brokers to try and secure lower rates. A handful of theatres have eliminated pension matching.

Increasing Communication with Stakeholders

Our theatres are turning to blogs, email, newsletters, the phone and in-person face time to connect with donors, subscribers, community members, artists and boards. Many are phoning each and every donor to say, “thank you”—some are using staff to do this, some are using their boards. They are maintaining contact with non-renewers (both subscribers and donors) in anticipation of an eventual upturn—they are getting on the phone and offering flexible payment plans, comping people who’ve lost jobs or houses and trying to figure out ways to keep people involved with and invested in their programs.

Development officers are leaving notes on the seats of current subscribers who can no longer donate saying, “we’re glad you’re here.”

Going Paperless

Theatres are exploiting online communications to save on printing and postage costs, as well as being “greener.” They’re exploring viral fundraising and marketing through social networking sites and are using their own websites as proactive information tools.

Revisiting Pricing Options

Many companies reported increased single ticket sales and are increasing marketing/advertising budgets, both for single tickets and subscriptions. Some have speculated that with people traveling less, audiences are pursuing opportunities closer to home and buying theatre tickets instead of plane tickets.

- Waterfront Playhouse (Key West, FL) offers Friday Night Date Night with tickets priced at two for \$50 instead of the usual \$35 each. They’ve sold out every Friday. Their subscriptions and contributions are up over last year and they will launch a capital campaign next year as planned.
- Writer’s Theatre (Glencoe, IL.) is experimenting with demand-based ticket pricing (a.k.a. yield management). Prices are adjusted on a daily basis according to demand—i.e., when there are only a few tickets remaining for a given show, those are available at top ticket price only. The net effect has been an \$8-\$10 increase in revenue per ticket.
- Chance Theater (Anaheim, CA) repackaged its subscription series from a one-ticket-per-show model to a “sustaining membership” model—with a monthly ongoing donation you can get as many tickets as you want for each show. They’ve converted 90 percent of their subscription base to this new model, which is priced 30-40 percent HIGHER than regular subscriptions.
- One theatre saw a decline in subscriptions for the season, so repackaged its subscription series as a mini-sub gift box with holiday wrapping and chocolates, which sold at higher levels than expected.

Other Strategies

- **Resource sharing:** Stage One (Louisville, KY), a children's theatre, is sharing their production shop with the Louisville Ballet and is also sharing administrative resources with Louisville Orchestra and Opera—the three organizations have set up a single finance department that serves all of them. The companies are now exploring how to merge marketing and P.R. for next season.
- **Redirecting fundraising expenses:** Many companies are eliminating galas and focusing instead on acquisition mailing and more small donors. Those who are holding galas generally see a 50 percent drop in attendance and are pricing considerably lower.
- **Alternate earned income streams:** Theatres that have cafes and bars are expanding hours to increase earned income and get people into the theatres who might not otherwise come. Likewise, many are renting out their facilities, where practical, to other not-for-profits and to individuals for meetings, parties, weddings etc.
- **HAVE YOU DONE ANYTHING IN TERMS OF LONG-TERM PLANNING IN RESPONSE TO THE CURRENT ECONOMY, AND IF SO, WHAT?**

Kim Whitener, HERE Arts Center (New York, NY): *2010 will be the “new normal.”*

The strategies outlined above, which are in play for the current season, also form a big piece of our theatres' plans for next year. Most theatres are expressing great uncertainty about the future and are planning for further downturn with additional budget cuts. Many have instituted hiring and/or salary freezes, are not filling vacancies and/or are eliminating positions.

Berkeley Repertory Theatre (Berkeley, CA), for example, is slicing an additional 10 percent off its budget for next year, on top of the 10 percent cuts they've instituted in the current season. They are slowing down (but not eliminating) their capital projects and may cut some positions next year. They are considering possible salary rollbacks. Berkeley Rep is, however, rigorously maintaining the “ambition and eccentricity of its aesthetic” going forward, while producing smaller shows and cutting some ancillary programs. They do not intend to cut their marketing budget.

Several companies spoke about using this opportunity to rebuild boards for a more effective internal donor base. Other opportunities in the current economy are, perhaps ironically, cheaper travel and cheaper real estate. For those theatres with cash on hand, now may well be the time to purchase artists' housing or expand their shop. And there are inexpensive travel packages to virtually everywhere, so some theatres are using this time to travel more instead of less.

Kent Thompson, Denver Center Theatre Company (Denver, CO): *The question we must ask is, “What do we NOT want to give up?”*

The majority of our theatres are anticipating cuts of between 10 and 30 percent, with most falling around 10 to 15 percent of current operating budget. The recent [*Taking Your Fiscal Pulse: January 2009*](#) reports that 55 percent of respondents plan to reduce budgets next season, with 41 percent anticipating stasis. However, most Budget Group 3-6 companies (i.e., those with operating budgets greater than \$1 million per year) are reducing and most Budget Group 1-2 are maintaining level budgets. Theatres are considering multi-year budgeting, attempting to lock in donations now—but many funders (institutional, as well as individual) are resistant as their own portfolios are uncertain.

Common cost-cutting strategies for next season include doing more local casting and using fewer guest artists, producing more popular work to the extent that it fits with the mission and, where possible, producing smaller shows. Theatres are cutting the number of productions but increasing the runs and postponing shows until later in the season to allow more fundraising time. Many are trying to get creative with co-productions and other programming and are seeking out non-traditional organizational partners such as community centers, museums, universities etc. Many are renegotiating more favorable terms with unions.

Michael Alltop, Brat Productions (Philadelphia, PA): *This is not the time for conservative thinking. It is time to boldly face the future and take on new staff members for the opportunities and challenges ahead. We plan to buck the trend and increase our capacity for marketing and development and add staff as quickly as possible.*

Two theatres reported new strategies that they are pursuing for next season. Act II Playhouse (Philadelphia, PA) is trying to draw a younger audience. They are targeting area high schools and have embarked on an *American Idol*-style competition to cast four student understudy positions.

Penobscot Theatre (Bangor, ME) has altered the dates of its season. Previously, they had run from October through May. To lower heating costs in their historic building, they will no longer program in January and February. Eager to attract the summer tourist trade and expand their audience, Penobscot will extend its season through July.

Michael Robertson, Lark Play Development Center (New York, NY): *The past is not the “good times.” The future is the “good time.” We have to find the opportunities.*

- **DO YOU HAVE SPECIFIC SUGGESTIONS FOR HOW TCG CAN HELP YOU GET THROUGH THE CURRENT ECONOMIC SITUATION?**

Gerard Stropnick, Bloomsburg Theatre Ensemble (Bloomsburg, PA): *Get us good current information. Help keep us informed about what is happening in our field. Do NOT ignore it, or pretend it isn't happening. Lobby for arts to be part of the stimulus*

package. Use us to go in and testify, to help get the word out. I fear we will lose much of our arts infrastructure in the coming months. Feed us data about the foundation and corporate giving world. Be a clearing house for information. Not knowing is terrifying.

Keep the Field Connected

Many theatres responded with great enthusiasm to Teresa's weekly email blasts and blog, the prospect of this "phone tree" report, *Leadership Teleconferences*, etc. Many theatres want to convene by budget size and they want to know how everyone else is faring and what strategies are working (and not). Many theatres are slashing travel and conference funds and appreciate additional ways to stay connected virtually. Many also said the National Conference remains a vital part of TCG programming.

Other ideas included: deepening regional relationships and encourage resource sharing; facilitating meetings between producers and presenters—serving as an "institutional matchmaker" between product and producer—connecting ensembles with larger companies, not-for-profit theatres with commercial producers etc. and working more closely with the Network of Ensemble Theatres to develop wider possibilities.

Lead the Charge In Washington

TCG should be the voice of theatre to our elected officials, advocating for the arts and articulating its value in a tough economy. Theatres also want boilerplate language about the realities and the value of theatre that can be dropped into proposals so each theatre doesn't have to reinvent the wheel each time.

Lead the Charge with Funders

Advocate with the funding community for greater unrestricted funds. In this economy, advocate with funders to release restrictions on previously awarded funds and open up fungible cash flow.

Address the Decline In Media Coverage

Many communities no longer have any theatre journalists or even listings. With the drop in print media, TCG could help theatres navigate new media to better effect.

Increase Scholarship Assistance

For theatres in trouble, TCG should find a way to help directly with lower conference fees and dues assistance.

Expand Awareness of TCG Services

Better member orientation materials/programs would help familiarize new members with the breadth of TCG programs. Likewise, many current members are under-informed about our services.

This document serves only to summarize an amazing array of ideas, suggestions, strategies and recommendations made by the field to TCG. TCG senior staff and the board's membership committee—chaired by [Rachel Kraft](#) of Lookingglass Theatre Company (Chicago, IL)—are reviewing all of your responses, which combined with the recent [*Taking Your Fiscal Pulse: January 2009*](#) report and previous Membership survey serve as guideposts for how we can better serve you. We hope that this summary will also help you in thinking about your work.

[Teresa Eyring](#), [Martha Neighbors](#) and the [entire staff](#) are always available to answer your questions about TCG (212-609-5900). Thank you for your contribution and we look forward to working with you in service to the theatre field.