No Risk, No Gain?

The distribution of income and risk between VVT-theatres and theatre companies: an analysis of contracts used in Theater aan het Spui in 2010

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Abstract

In the Dutch theatre system, theatre companies produce plays and perform their plays on theatre stages throughout the country. VVT-theatres are specialized theatres that mainly present high arts, subsidized theatre productions. This thesis focuses on the influence of contract forms on the distribution of income and risk between a VVT-theatre and the companies playing there. Besides that, it describes what activities the two parties agree upon in the contract, to market and promote the performances. My analysis combines contracts used in 2010 in Theater aan het Spui, a VVT-theatre in The Hague, with attendance numbers and box office results. This gives an insight on the influence of contracts on the creation and distribution of income between the two parties involved.

The results show that subsidized performances are mostly contracted using buy-out contracts or contracts that combine revenue sharing with a guarantee. The financial risk for the presentation of the performances comes to the account of the theatre, while most if not all income from ticket sales flows to the theatre companies, often leading to a negative nett result for the theatre. The marketing of the performances is mainly the theatre's responsibility. Only 41% of the performances in my database used contracts that mentioned promotion and marketing of the performances. Only 8,5% formalized a shared responsibility and effort in finding an audience.

VVT-theatres are usually subsidized by the local government, while the theatre companies are subsidized by the national government. National government subsidies are now demanding more *cultural entrepreneurship* from the companies: in order to receive funding, the companies to raise their own income. As the contract forms used between VVT-theatres and the companies seldom connect company income to the amounts of tickets sold, it is likely to expect that companies simply raise their income by demanding a higher buy-out sum or guarantee. VVT-theatres will have higher budget deficits, that municipal funds will have to cover.

Preface

“And, did you already change the world?”, professor Klamer asked me when we met at a conference on cultural entrepreneurship in The Hague, last May. I had been attending his classes on cultural entrepreneurship two years before. The classes did have impact and influence on my daily activities as the assistant of theatre director; I sometimes looked at the theatre world through different eyes than the people working at the theatre for a longer period of time. One of the things that amazed me when I started working in a theatre, is the cooperation between a theatre and the theatrical companies playing on their stages. In times when the performing arts in The Netherlands are being judged (and defended) on their economical success and value more often, the economic system underlying the presentation of high arts theatrical performances to me was intriguing and often illogical. It was something I felt that had to be changed, although what was exactly happening was not yet really clear to me. Through writing this thesis, I have learned a lot about the presentation of high arts theatre in The Netherlands at the moment. It has also lead to some interesting insights on the effect of (some aspects of) The Netherlands' current cultural policy and support system. It might also have impact on the way Theater aan het Spui from now on will contract performances. Does that mean I changed *the* world? Of course not. But by looking at a theatre through the eyes of a cultural economist I might have changed a small part of the world I'm working in at the moment.

I could not have written this thesis without the support, advise and help of Frans Brouwer, my supervisor during this project. Thank you for offering me your spare time and being willing to discuss this project in the evening hours. It is much appreciated. Besides helpful, for me, our evenings have been a pleasure. I would like to thank Cees Debets, director of Theater aan het Spui, for trusting me with the often privileged information used in this research and for allowing me to expose the information in my thesis. I hope my results, even if confronting at times, will be helpful and I hope they will benefit Theater aan het Spui in some way or another. I would like to thank Cees Langeveld for his time to reflect on my thesis and for sharing some information from his Chassé Theater that put my results in perspective. Finally, I would like to thank my parents and my girlfriend for their support during the writing of this thesis. Now that I again have free time in the weekends, I will visit you more often mom, I promise.

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Introduction

The performing arts world in The Netherlands is facing troubled times. The political parties making up the current government, CDA en VVD, announced serious budget cuts on its arts spending. In its governmental agreement, that can be seen as the guiding line of the governmental policy for their reigning period, the newly formed government announced a total cut of 200 million Euro on arts subsidies, over a four year period. This amount means a reduction of expenditure on arts subsidies of 20% of the current budget. In an interview for *Vrij Nederland,* state secretary of Culture, Halbe Zijlstra, stated that the number of people attending the art performances should become an important factor in the decision making proces of arts subsidies. “If not, a small elite will decide what art to support and, what not. Art belongs to society. If members of this society aren't willing to attend, something is fundamentally wrong.”[1], he stated in the interview, once again stressing the importance of cultural entrepreneurship, artists' and art institutions' abilities to earn (a bigger part of) its income instead of depending on government support.

The term *cultural entrepreneurship* has been on the tip of the art worlds tongue after Rick van der Ploeg, former state secretary of Culture of The Netherlands made it one of the central points of his cultural policy plan *Cultuur als confrontatie: 2001 – 2004.* Ever since, the cultural field has not only been judged by its artistic performance, but also on it is economical functioning. Van der Ploeg stated that a renewed, more economical approach to cultural production in the subsidized art world, would require a *cultuuromslag*, loosely translated as *cultural paradigm shift*. Now that government spending on cultural subsidies, both national and local, will be drastically decreased, this paradigm shift in the organization might be taking place as we speak. Relationships that have been a given for years are being re-thought and might be reshaped in the near future.

One of the relationships that might be reshaped, is that between two parties in the performing arts field: theatres and theatre companies performing there. Although some theatres do produce their own plays, so called *production houses*, most theatres in the Netherlands only present performances. Independent companies create and play these performances, and try to do so at several stages and cities. Well before the start of the

1 A large part of this interview can be read online: http://www.vn.nl/Archief/Politiek/Artikel-Politiek/Halbe-Zijlstra-Niet-Raad-voor-Cultuur-maar-publiek-moet-bepalen-wat-goede-kunst-is.htm

theatrical season, that starts at the end of the summer, a theatre's programmer has contacted a number of theatre companies and contracted a number of performances he think will go well with the theatres audience preferences, is worthwhile to present because of its artistic content, or any other reason the programmer might have to contract a certain performance. The marketing of these performances, finding an audience for the performances, usually is a task of the theatre.

With budget cuts on all segments of the performing arts fields and the rising importance of attendance numbers in the struggle for government support, the call for better cooperation between theatre companies and theatre venues is often heard. Higher attendance numbers must be reached in an interplay between the producers and the distributors. One way to ensure this shared responsibility, is through the use of contract forms that distribute the risk and dependence on box office results between the two parties.

In his description of the economical functioning of theatres in the Netherlands, *Zaken van Zalen* (2009)*,* cultural economist and theatre director Cees Langeveld describes three contract forms that are used by theatres to contract theatrical performances from a company. These three are buy-out, revenue sharing (with or without a guarantee) and a rental agreement. (p. 112) In a buy-out system, the theatre pays the company a sum in advance and receives all earnings from ticket sales. In a revenue sharing deal, the company and the theatre agree upon a certain division of the earnings from ticket sales. A rental contract can be seen as the direct opposite of the buy-out. Here, the company pays the theatre an x amount in advance, and receives all earning from ticket sales. As the purchase of performances is an important aspect of a theatre's economic functioning, one would expect it is a well researched topic. This is not the case. Arts marketing literature mostly focusses on finding an audience for performances.

The purchasing behaviour of a theatre itself is the scope of this thesis. Using data gathered at Theater aan het Spui, a theatre in The Hague, Netherlands, focussing on high arts theatrical performances, I can add some quantitative analyses to the debate. Which of the deal types, as described by Langeveld, have been used in Theater aan het Spui, in which cases? How do these deals influence the distribution of income and risk between the theatre and the companies? Are deal types a significant influence on the number of visitors that a performance attracts, and on its box office return? Besides the chosen contract form, I will also look at the content of the contracts, with respect to the marketing of the contracted performance. Do the theatre and the companies agree upon certain marketing activities in these contracts? Do they formalize both parties responsibility to find an audience for the performance? By answering these questions, I hope to contribute to the insights in high arts theatre programming in the Netherlands, and the effect of contracts on performance.

Before presenting the results of my quantitative analysis at Theater aan het Spui, I will shortly describe the position of VVT-theatres in The Netherlands and the influence of government funding, look at the cooperation between theatres and theatre companies, their interaction in the programming process, describe the deals most commonly used in the Dutch theatre world and, through fictive examples, show their possible effect on the distribution of risk and income between theatres and theatre companies. This will provide a context, to which my quantitative research can relate. In the second part of my conclusion, I will draw a line between my research results and the influence of government support, cooperation and interaction between theatres and companies and the marketing of theatre performances to the audience.

Chapter one: The VVT-Field in The Netherlands

§ 1.1 VVT: High arts theatre in The Netherlands

In the 1980s, the field of high arts theatrical performance, like the visual arts, became "*more individual, sophisticated and only accessible for an audience educated in the new aesthetic languages".* (Van Maanen, 2002, p. 181) This development had consequences on the stages these plays were performed at. It required a venue with less capacity than a *schouwburg (*the city theatre) and a small distance between performer and spectator, taking away the barrier of the stage and playing on the floor of the room instead. It resulted in the establishment of VVT-theatres. The umbrella organisation of these theatres, *Vereniging van Vlakkevloer-theaters* (Association of Flat Floor Theatres) had sixteen members in 1999 (Blok & Van de Bosch, 1999, p. 7), three years before the organization became a part of Vereniging voor Schouwburg en Concertgebouw Directies (Association of Theatre and Concert Hall Managements) in 2002, that now counts 154 members.
Besides the size of the VVT-theatre and the absence of a stage, VVT-theatres are known to present a large number of plays in the subsidized, high-arts segment of Dutch theatrical performance, for a short period of time. (Van Maanen, 2002, p. 182) At the moment, there are 17 theatres in the Netherlands that can be seen as VVT-theatres or are bigger theatres with a smaller room that focus on innovative, high arts theatre. (Lambers, 2011) Well-known names in this segment are Verkadefabriek in Den Bosch, Toneelschuur in Haarlem, Theater Frascati in Amsterdam, De NWE Vorst in Tilburg, LAK Theater in Leiden, Theater Kikker in Utrecht and Theater aan het Spui in Den Haag.

§ 1.2 Government influence on the field of theatre production

The focus of this thesis is the interaction between theatre companies, the producers, and theatres, the distributors in the production chain of the performing arts sector. These two parties are not the only actors in this field. There are other important actors. Firstly, the consumers of the product are a key actor. Without an audience, there would be no performance, or it would be a useless one. Secondly, there are those that mediate between the producers and the distributors: agencies and impresario's, that sell and negotiate companies' plays to the theatres. Thirdly there is the government, that influences the production and presentation process of theatrical performance on three levels.
On the production level, the national government subsidizes a large amount of theatrical

producers in the Netherlands, either on a four-year basis through their Basis Infrastructuur-arrangement (BIS), or through an independent body created to support smaller companies, *Fonds Podiumkunsten* (FPK). On the distribution level, the local government subsidizes the exploitation of theatres. In many cases it is the owner of the building and initiated its creation. Local and regional governments also subsidize the theatres' exploitation, including the programming costs. On top of that, the aforementioned FPK also subsidizes the programming costs of certain plays that were created with their help, so called *afnamesubsidie* (purchase funding). Finally, on the consumption level, the government supports the audience through a lower than standard VAT-level (6% instead of 19%) and special consumer subsidies for target groups (a personal culture budget for school youth called *Cultuurkaart,* for instance). Both of these measures will be abolished per July 2011. (Regeerakkoord VVD en CDA, 2010)

Production: playwrights, theatre companies, actors, composers, directors	National government: BIS-, FPK-subsidies
Distribution: theatres, agencies and impresario's	Local and regional government: exploitation subsidies, programming subsidies National government: FPK purchase funding
Consumption: Audience	National government: lower VAT-level, consumer subsidies like *Cultuurkaart*

Table 1.1: Production chain and government interference.

With governments interfering on so many levels of the production chain, most economists would expect serious distortions of the market. Unsurprisingly, the allocation of high arts theatre is all but optimal. The amount of subsidized plays on offer have vastly expanded, while the audience numbers have declined. In 1954, four theatre companies received national funding to perform their plays. In 1983, this amount has expanded to thirty. (Van Dulken, 2002, p. 111) In 2001, before the division created by the BIS- and FPK-arrangement, 56 theatre companies received government funding. (Van Maanen, 2002, p. 190) At that point, cultural policy makers had already concluded the government had over-subsidized the arts supply, leading to a distorted relationship between the arts world and its audience. If arts institutions are heavily depending on subsidies, they wrote in an overview of Dutch cultural policy throughout the years, there are less incentives to focus on ticket sales and effective entrepreneurship. (Cultuurbeleid in Nederland, 1998, p. 65, p. 247) It can be argued, that state interference in arts production has estranged theatre makers from its audience: in order to receive funding from the government, companies and (VVT)-theatres have been judged on their artistic quality. All incentives were there for companies to evolve a sophisticated symbolical language, only accessible for an audience that was educated in understanding this language. Seen the fact that, in 2002, more than 70% of the audience at subsidized theatre performances in The Netherlands had a higher professional or university degree, this idea of a highly evolved symbolic language isn't merely an academic thought, but actually reflects in participation statistics. (Van Maanen, 2002, p. 185)

Ever since the 1990's, cultural policy makers have focused on influencing participation in the arts; it has invested in attracting youth and minority groups to the existing arts on offer for instance through their long running *Actieplan Cultuurbereik*[2]. For the past ten years, after the introduction of this concept by economist and state secretary of culture Rick van der Ploeg, the government has also promoted “cultural entrepreneurship”. The cultural sector had to be more independent by increasing its own income and decreasing its dependency on subsidies. Ironically, Van der Ploeg also increased the number of theatre companies that received government funding. Van der Ploeg's successor, Medy van der Laan, designed and implemented the BIS/FPK-structure, the system in use today, which will be discussed in more detail in the next paragraph. The Netherlands' current government has announced serious budget cuts on culture. After 15 years of talking about cultural entrepreneurship, a paradigm shift in the mentality of the arts world and the decrease of arts subsidies in general, cultural institutions will now have to earn more income, or disappear.

§ 1.3 The BIS/FPK-structure in the Dutch subsidized performing arts field

In the four year period between 2009 and 2012, the timespan covered by one cultural policy memorandum, the Dutch government started using a new structure to subsidize the arts. The amount of artists and art institutions directly funded by the state drastically

2 For more information, see: http://www.cultuurnetwerk.nl/cultuureducatie/actieplan_cultuurbereik.html

decreased and a number of funds were incorporated, to support different art disciplines. The fund incorporated to subsidize the performing arts sector was Fonds Podiumkunsten (FPK), Performing Arts Fund. The few art institutions that receive direct funding from the state department are referred to as Basis Infrastructuur (BIS), translated Basic Infrastructure. Reason for the renewal of the support structure was the reduction of political interference with the acknowledgement of grants to individual institutions. Even though the decisions involving artistic quality of individual institutions were left to an independent advising body, Raad voor Cultuur, the acknowledgment of four-yearly grants had lead to political debate on an individual level. In the BIS/FPK-system, most grants are acknowledged by FPK, an independent, so called arm's length body, with advising committees consisting of experts from the arts field itself. That way, only the support of institutions with BIS-status could possibly be discussed in the parliament. The new structure is less politically biased, with more room for decision by professionals from the cultural field. The division between BIS and FPK is also designed to create a more stable situation for those companies granted BIS-subsidies, while creating a more dynamic, less political structure for smaller companies through FPK. (Kunst van Leven, 2007, p. 5)

In 2009, the BIS consisted of 141 institutions producing and 37 institutions supporting culture. A total of 63 of these producing institutions are active in the performing arts field: 7 dance companies, 13 performing arts companies focusing on youth, 3 opera-companies, 10 orchestras, 9 theatre companies and 21 production houses, institutions which main role is to foster and develop new talent. (Cultuur in Beeld, 2010, p. 109) The amount of institutions receiving support from FPK are higher. In 2009, 120 institutions were granted support for a period of four years, and 43 institutions were granted support for a period of two years. (Jaarverslag 2009, 2010, p. 34-36) In the BIS and FPK structure as a whole, a total of 226 companies active in the performing arts receive structural funding.

Obviously, the institutions receiving these subsidies must meet several criteria. Especially interesting for this thesis, is the amount of own income companies receiving BIS-support must earn. They are demanded to earn at least 21,5% of their income through other means than subsidies (i.e. ticket sales, sponsoring, merchandising, private gifts, etc.). Current secretary of state Halbe Zijlstra plans to increase this income norm up to 25,5% for 2017. (Meer dan kwaliteit, 2011, p. 11-12) Seen the fact that the total percentage of own income over the total income is 29% for theatre companies with BIS-status (Cultuur in

Beeld, p. 118), this demand seems reasonable. The income norm for companies receiving FPK-subsidies is considerably lower: these companies need to earn at least 15% of their own income in order to receive subsidy. (Beleidsuitganspunten 2009 – 2012, p. 11) FPK has not published the actual mean own income of companies now receiving funding. The amount of performances by a company and the amount of own income generated by companies receiving FPK-support has to be estimated on forehand and handed in with the application forms and are evaluated yearly through evaluation forms. If the actual amount of performances and generated own income differs strongly from the estimated amounts, this must be directly communicated with the fund, as it can influence the amount of subsidy granted. Besides estimated income, FPK demands that applications come with a detailed marketing plan, that describes the strategy, target groups and methods in which these groups will be reached. (Handboek verantwoording vierjarige subsidies, p. 5 / Inrichtingseisen aanvraag tweejarige subsidie, p. 1)

§ 1.4 Budget cuts and the VVT-theatres

After the announcement of budget cuts on the arts by secretary of state Halbe Zijlstra and the release *Uitgangspunten Cultuurbeleid,* an official letter presenting the fundamental points of his cultural policy for the coming years, there has been a lot of discussion on the theatrical system in The Netherlands and the organization of high arts theatre performances. In an open letter by Theater Instituut Nederland (TIN), Holland's biggest institute for information and research on theatre, the importance of gaining a bigger audience of and increasing the people's support for subsidized theatre is stated as the most important challenge. This, according to the letter, can be reached through the shared responsibility and commitment of producers and stages for subsidized theatre. (TIN Aanbevelingen, 2011) The distance between the two parties is now too big: companies and theatres are funded by different governments (national / regional-local), represented by two different sector institutions (NAPK / VSCD), hardly cooperate on a daily basis and have a distorted image of each other's mentality (a company doesn't care about its audience / a theatre just wants to rent its rooms for a good price). (TIN Aanbevelingen, 2011)

In another letter, VVT-theatres and other theatres that program high-arts subsidized theatre, also stress the importance of a joint responsibility between companies and theatres in promoting and finding a bigger audience for the performances. Both parties should discuss the potential audience of a performance in an early stage, so that the marketing of the performances can be improved. (Lambers, 2011)

§ 1.5 Marketing of performances and the cooperation between companies and theatres

The joint responsibility for the maximization of a show's success does not go without problems, claims Hans van Maanen in an article for Theatre Research International. He writes that the relationship between the production and distribution domain of the performing arts in the Netherlands is essentially unbalanced. (2002, p. 187) Even though both parties share responsibilities in attracting and developing an audience, companies are experiencing problems in connecting to the local audiences. The companies only perform in a certain area on a few nights per year, and only for a limited amount of performances in a row. This means that word-of-mouth-publicity will not work: once a positive word has been said about a certain performance, the company has left town, and the venue is showing another performance. The theatres are experiencing a similar problem: all of the programmed performances, several per week, have to be marketed to an audience. Often, the theatre marketer hasn't even seen the performance he has to sell, and has to convince a potential audience of the importance and value of each production by a different company every day. (2002, p. 187)

How do the companies and theatres cooperate to promote the performances? In a survey from 2004, 51 theatres and 26 companies have answered questions on their frequently used marketing methods and their satisfaction of the cooperation between theatres and theatre companies. The research shows that both parties use similar communication techniques: bulk mailing to known costumers, mailings to possible target audiences, referrals in local performance agendas, distribution of posters and flyers, press releases to radio stations and magazines and communication through their own websites. As to be expected, companies tend to use national media more than the theatres, who prefer local media. (Barel & Lagendijk, 2004, p. 92) Besides these traditional promotion methods, theatres tend to use newer marketing techniques like event marketing and experience marketing more often than the companies. A similar share of both parties also invest time in branding themselves. (Barel & Lagendijk, 2004, p. 88) VVT-theatres are less successful in branding their theatre than city theatres. Research by Letty Ranshuysen (2002) shows that a growth in audience for VVT-theatres could be expected if VVT-theatres invest in their own reputation. In stead of only promoting performances, VVT-theatres should start promoting themselves, as her research result states that these theatres are less well known by the audience than city theatres. (p.17-18)

Both theatres and companies say that they use discount prices as a marketing tool. Interestingly, companies perceive these to be more successful than theatres. The frequency of communication between the theatres and the companies is strikingly low, according to the survey. 25% of the theatres indicate to always consult the marketing department of companies for the promotion of a performance. 58% of the interviewed companies claim always consult the marketing department of a theatre. The difference between these numbers is remarkable. Apparently the two parties perceive the cooperation differently. Especially interesting for this thesis is, that 24% of the theatres indicate to have more contact with the marketing department of companies when the two parties have closed a revenue sharing deal, again contrasted by 15% of the companies that claim this deal type is of influence on communication with the theatre. Both parties aren't very satisfied with the cooperation: only 4% of the companies and 10% of the theatres would describe the interaction as *good.* Theatres mostly describe the relationship as *adequate* (59%) or *moderate (25%)*. On the companies side, most rate the cooperation *adequate (42%)* or *moderate* (39%). (Barel & Lagendijk, 2004, p. 92-93)

Chapter two: Contracts between theatres and companies

§ 2.1 The behaviour of a theatre on the market of performances

When thinking about the economics of a theatre and marketing, one tends to think about the theatre as a seller; selling tickets to an audience. However, a theatre also plays the role of a buyer on the market for theatrical performances. On this market, all theatres of The Netherlands (and Belgium) shop for performances by companies. Since most theatres present their program well in advance of the theatrical season, the program has to be completed several months before the start of the season. This means that certain plays are booked before they have been performed or even rehearsed. A theatre buys a play without knowing what the quality of a play will be, which means it will be hard to estimate how the demand for tickets will be. In stead, the theatre's programmer has to have a decent knowledge of the field, know directors, actors and companies, so that he can foresee if a play will be of decent quality. In the Dutch situation, state support of a theatre group in the form of BIS- or FPK-subsidy can also be seen as a quality indicator. (Barel & Lagendijk, 2004, p. 25)

Langeveld distinguishes three different types of theatres, that have different types of behaviour on the market for performances: product-oriented theatres, audience-oriented theatres and theatres that combine these two approaches (2006, p. 216 – 217). An audience-oriented theatre sees itself as a distributor of entertainment goods. The artistic value of a certain performance is not important, it is the amount of sold tickets that count. These theatres are profit driven and will not buy a certain performance if they do not expect it to sell tickets. Product-oriented theatres on the other hand, have more than economical goals (if any), their main reason is to create cultural value. The person purchasing the performances for next season, the programmer, is interested in offering high quality performances. The VVT- theatre is a typical product-oriented theatre: its task is to present smaller productions, high arts productions and productions of young, unknown groups. Langeveld claims this strongly affects the behaviour of the VVT-theatre on the market for theatrical productions. *“The more specific the task of a theatre is set [by the funding government], the less possibilities a theatre has to book one performance, and to refuse another”.* (2006, p. 216 – 217) This has a weakening effect on a theatre's power on this market. Another problem is, that instead of a *buyer*, the person negotiating performance prices acts like a *programmer*. He engages in discussions with the companies, likes to talk about how interesting the previous plays by said company were, how the director of the performance always delivers excellent work, in other words: he does not behave like a rational buyer who knows this kind of behaviour will lead to a higher price. In closing a deal, a programmer seems to be more interested in the performance he purchases, than in the deal he closes to purchase the performance. After researching the buying behaviour of Swedish theatre associations, Rickard Wahlberg draws a similar conclusion. Theatre programmers buy plays based on intuition and experience. The quality of a performance seems to be a more important buying criterium than audience or price. Price had started becoming more important for Swedish programmers, because of the stagnation of grants for theatres. (2005, p. 11)

French marketing professor Isabella Assassi (2005) has created a framework for the behavior of theatre programmers, based on insights of organizational economics and inter-organizational exchanges. In an audience-oriented theatre, market principles play a dominant role in the decision process. A company creates a show, a theatre selects a show from all shows offered and makes it available to its audience. The theatre has two reasons for booking this show: a high potential box office, and the satisfaction of demand, giving its audience what it wants. There is a low level of commitment between the two parties in this transaction, the theatre simply purchases the performance and can measure its success by counting the percentage of seats sold. In a product-oriented theatre however, the level of commitment between the two parties is much higher. There is a desire to not compromise the chances for future collaboration and engage in a long-term relationship. The theatre and the company are working "*together, for the sake of the performing arts"*, as Langeveld puts it. Here, the motives for closing a deal are much more complicated. The selective process is based on the skills of the company, know-how of the programmer and a shared role in society. Percentage of seats sold play a small role in the evaluation of the performance. Instead, artistic congruence between the two contracting parties and satisfaction of the audience become evaluation criteria, as well as the quality of communication between the two parties. Assassi states that, in the presentation of performances by relatively unknown performers or performances, the theatre and the company share the responsibility for the success of a performance. *"The trust between the two contracting parties is strong, mainly because of the high degree of sharing artistic vision and/or activist values. Each member of the channel then makes their skills available* *to their partner, in an effort to maximize the show's chances of success."* (Assassi, 2005, p. 13)

§ 2.2 Deal types between venues and performers

In his book on the economics of theatres from 2009, *Zaken van Zalen,* Cees Langeveld distinguishes four types of deals used for the financial agreements between venues and companies in the performing arts: buy-out, revenue sharing, rental deal and costing. (2009, p. 112) Langeveld mentions the deal that combines revenue sharing with a guarantee as a subtype of revenue sharing. Since the two types have different effects on the interaction between the two parties, as will discussed later, I will cover both types separately.

Buy-out: The venue and the company agree on a fixed amount of money, on forehand, to be paid by the theatre to the company. All box office results benefit the theatre. If the revenue is less than the buy-out sum, the company still gets the amount both parties agreed upon, and the theatre takes the loss. With a buy-out deal, all financial risk of the performance comes to the account of the theatre, the company is secured of their earnings well in advance of the performance date. There is no incentive for the company to focus on ticket sales or invest in the marketing of the performance.

Revenue sharing**:** In this type of deal, the venue and the company agree on a percentage deal that divides the ticket revenue between the two parties. In a 80/20-deal, for instance, 80 percent of the box office return goes to the company, the resting 20 percent goes to the theatre. In this type of deal, the financial risks of the performance is shared by the company and the theatre. The company, like the theatre, will know how much they've earned after the night of the performance. There is an incentive for both parties to market the performance and to maximize ticket sales.

Revenue sharing with guarantee: As the name suggests, in this type of deal the two parties agree on a percentage to divide the box office returns, plus a minimum amount of money to be paid to the company for a performance. Let's say a company and a theatre agree on a guarantee of 500 Euro and a 75/25 percentage for dividing the box office return. This means that the company will receive 500 Euro as a minimum. All box office returns that exceed the guarantee will be divided according to the agreed percentage. In this type of deal, both the company and the theatre profit from high box office returns, but the financial risks of the performance comes to the account of the theatre. The company knows its minimum earnings well in advance of the theatre

Rental deal: The rental deal can be seen as the complete opposite of a buy-out. The venue and the company agree on a fixed amount of money, on forehand. If ticket revenue exceeds this rental price, the remains benefit the company. However, if the revenue is less than the buy-out sum, the theatre still gets the amount both parties agreed upon, and the company takes the loss. This type of deal is usually used in theatres when the program on offer artistically isn't interesting for the theatre programmer. (2009, p. 113) The rental deal takes away all financial risks for the theatre so can't have a negative effect on the theatre's programming budget. There is no incentive for the theatre to market the performance or to maximize ticket sales. These are all on the side of the company.

Costing: Costing is a system of financial agreements seldom used in theatres, but mostly in the popular music field. Here, costs of both parties are calculated, and covered by the ticket turnover. The performers comes first, after that, the venue gets its costs covered. Remaining box office returns, if any, are divided between the two parties according to a division key the parties agreed upon. I've mentioned it here because it is one of the types as distinguished by Langeveld, but since its hardly ever used in the theatre world (I haven't come across it during this research), I will not cover the costing deal any further in this thesis.

Research from 2007 by Hans Onno van de Berg, chairman of Vereniging voor Schouwburg en Concertgebouw Directies (Association of Theatre and Concert Hall Managements), describes the use of different contract forms to contract performances receiving government subsidy in The Netherlands. There were 22 theatres involved in his response group: big city theatres, small town theatres and VVT-theatres. His research shows that Buy-out deals are used in 50% of all cases. Revenue sharing with guarantee is used in 38% of all cases, and especially to contract theatrical performances. Revenue sharing is used in 9% of the cases and mostly to contract the bigger theatre groups, leaving 3% for Rental deals. (2007, p. 2) Please note that Van den Berg doesn't mention the Costing system as one of the forms used contract companies in the subsidized performing arts field.

§ 2.3 The effect of different deal types on the distribution of income and risk

As can be expected, the different deal types have a different effect the distribution of the box office returns. To illustrate this, I will use the following example: a theatre room with a capacity of 150 seats and three performances with tickets that cost 15 Euro. One is sold out, one is well attended with 60% of the tickets sold and one is poorly attended, with only 10% of the tickets sold. We see the effect on income distribution of a complete buy-out of €1000, a revenue share of 75/25, the same revenue share with a guarantee of €500 and a rental deal of €1000.

Deal type	R1 € 2.250 Company	Theatre
Buy Out (1000)	€ 1.000,00	€ 1.250,00
Rev.Share + Guarantee (75/25 + €500)	€ 1.812,50	€ 437,50
Revenue Sharing (75/25)	€ 1.687,50	€ 562,50
Rental deal (1000)	€ 1.250,00	€ 1.000,00

Table 2.1: Different deal types and maximal turnover

In this ideal situation, all tickets have been sold. It shows that, in this situation, the theatre benefits most from a buy-out deal. The company has secured its income well in advance with agreeing to the 1000 Euro buy-out sum, but as the figures show, could have earned more (81%) if it had been willing to take a little more risk. The two revenue sharing deals, with or without a guarantee, would have both earned the company more money. The combination of revenue sharing and a guarantee had the best returns, with a limited financial risk because of the guarantee. The rental deal financially is a better deal for the company than the buy-out, but here, all financial risks come to their account.

Deal type	R2 € 1.350 Company	Theatre
Buy Out (1000)	€ 1.000,00	€ 350,00
Rev.Share + Guarantee (75/25 + €500)	€ 1.137,50	€ 212,50
Revenue Sharing (75/25)	€ 1.012,50	€ 337,50
Rental deal (1000)	€ 350,00	€ 1.000,00

Table 2.2:- Different deal types and normal turnover

In a more realistic situation, 60% of all tickets have been sold. This is the mean percentage of tickets sold for theatrical performances in The Netherlands, according to the

Dutch Association for Performing Arts in their recent letter to prime minister Rutten. (NAPK, 2011) In this situation, the theatre benefits most from the rental deal. It secures their income well in advance, takes no risks, and earns almost three and even four times more than in the three other situations. Second best is the buy-out deal. The companies return for taking a limited risk through a revenue share plus guarantee deal, is 10%. Agreeing upon a revenue sharing deal, that involves most financial risk for the company, doesn't really pay-off in this case, with an increase of only 1,3% in income.

Deal type	R3 € 225 Company	Theatre
Buy Out (1000)	€ 1.000,00	€ 775,00-
Rev.Share + Guarantee (75/25 + €500)	€ 500,00	€ 275,00-
Revenue Sharing (75/25)	€ 168,75	€ 56,25
Rental deal (1000)	€ 775,00-	€ 1.000,00

Table 2.3 – Different deal types and poor turnover

Finally, let's look at a poorly attended show. Only 10% of the tickets have been sold, leading to a meager 225 Euro in ticket sale returns. In this case, the theatre wished it would have agreed upon a rental deal. Their earnings are secured, all financial loss comes to the account of company. The buy-out deal creates the exact opposite: here, the company's earning is secured, while the theatre's loss is significant. When the two parties have agreed upon a revenue sharing deal with a guarantee, the company still gets their secured 500 Euro. This means the theatre has to add 275 Euro to the box office returns to cover the guarantee. The revenue sharing deal distributes the income, how little it may be, over the two parties. Obviously, these amounts are highly unlikely to be sufficient to cover both parties production costs.

Deal type	Risk Company	Risk Theatre
Buy Out	None	All
Rev.Share + Guarantee	Limited	High
Revenue Sharing	Shared*	Shared*
Rental deal	All	None

**distribution of risk is partly dependant on the percentage deal*

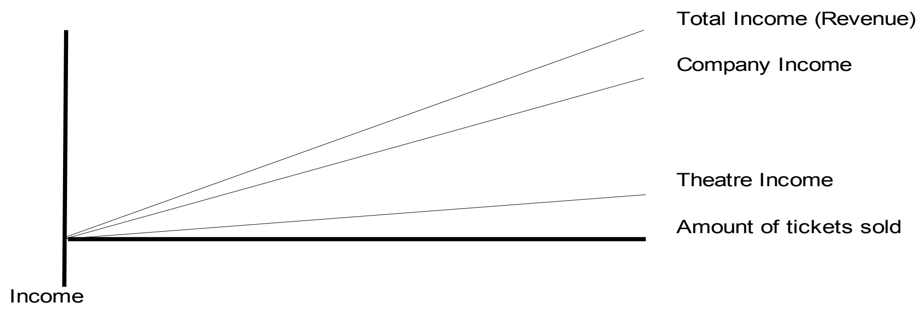
Table 2.4: Four deal types and distribution of risk

As mentioned earlier, the buy-out deal takes away all risk for the company. It is secured of its income, not depending on ticket sales. All risk comes to the account of the theatre. Its

maximum loss (in case no tickets are sold) is the buy-out sum, plus all other costs made to be able to present the performance (promotion, production, etc.).
When engaging in a deal that combines revenue sharing with a guarantee, the company limits their risk. Its maximum loss that night, is the mean production cost per performance, minus the guarantee. The maximum loss for the theatre is the guarantee sum, plus all other costs made.
In case of revenue sharing, the maximum loss of both parties equals the costs made to present the performance that night. Agreeing upon a high percentage deal (for instance 90/10) limits the risk for the company, as their production costs are covered by a smaller amount of tickets sold than in case of a lower percentage deal (for instance 75/25).

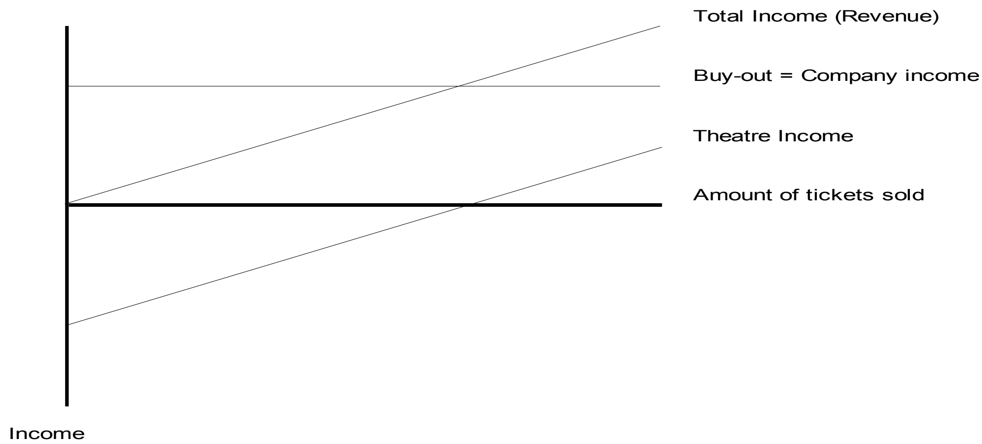
§ 2.4 Different deal types in graphs

The difference in distribution of risk and income between the theatre and the company in case of the different deal types becomes very clear when we show the result of the different deal types in graphs.



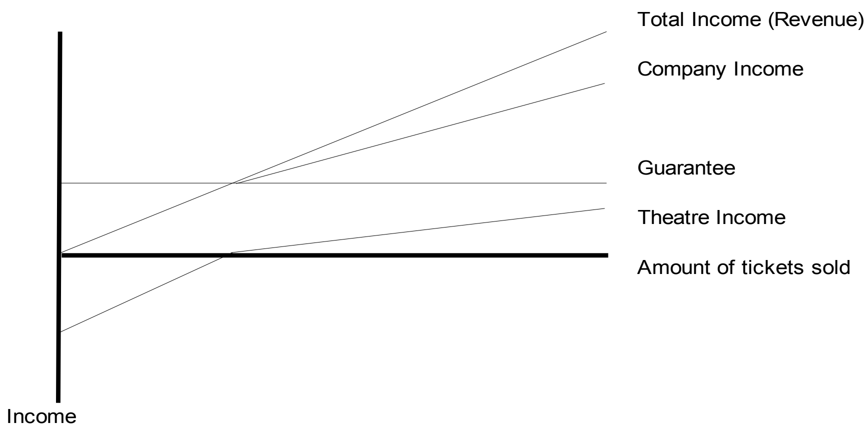
Graph 2.5: Income distribution in case of revenue sharing (80/20)

In the above graph, we see the effect of a revenue sharing deal on income distribution: no matter the amount of tickets sold, both parties never risk having to owe the other party more many than the box office result, indicated by the revenue line. The higher the quantity of tickets sold, the higher the income of both parties. The distribution of the income has been agreed upon in the revenue sharing deal. In this case, we're looking at a 80/20 deal: 80% of the income goes to the company, 20% of the income goes to the theatre. As my quantitative research results will show, this is the most common revenue sharing agreement for Theater aan het Spui.



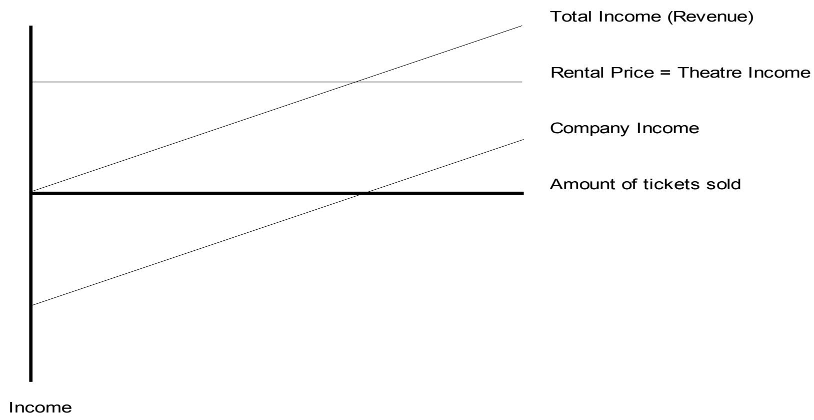
Graph 2.6: Income distribution in case of buy-out

Now, let's look at a graph of a buy-out. It is clear, that in this case, the risk for the company is rather small. Their income is equal to the buy-out sum and independent of the amount of tickets sold. The risk for the theatre however is rather big: only with a big amount of tickets sold, the ticket revenue becomes bigger than the buy-out sum and the theatre starts earning extra income. Of course, the break even point (when only programming costs are considered) is reached at a smaller quantity of tickets sold when the buy-out sum is relatively low or the tickets are more expensive. However, the graph clearly shows that the theatre is the party taking the biggest financial risk in this transaction.



Graph 2.7: Income distribution in case of revenue sharing plus guarantee

In comparing a revenue sharing plus guarantee deal, the risk distribution is depending on the height of the guarantee. Using a low guarantee, it can be an effective deal for the theatre to limit its risk. The total amount minus the guarantee will be distributed according to the agreed upon ratio. However, the deal can also be used by the company to assure itself of a high income by negotiating a high guarantee, and tapping into to the box office result exceeding the guarantee, through the revenue sharing agreement.



Graph 2.8: - Rental deal – income distribution

For completion, let's look at the rental deal. It is clear that this situation is exactly opposite to the buy-out situation. All financial risks are coming to the account of the company. When the company sells a x amount of tickets, the revenue will exceed the rental price and they will start earning income from box office return. The theatre, however, has assured its income through the rental price.

§ 2.5 Choosing between deal types

As mentioned earlier, at the market for high arts theatrical performances in the Netherlands, the company is the selling party and theatre is the buyer. The goods on offer are heterogeneous: although some stories might be the same, each play, with a certain the director calling the shots and a certain cast performing the play, can be seen as a unique product. This means that each company can set its own price for a play, according to the elements on offer. Generally spoken, the division of power between the company and the theatre depends on the reputation of the company. A young company has little market power: it is yet unknown, has no stars in its group, hasn't proven itself to be a popular favorite, etcetera. Obviously, this weakens its strength in closing in a deal. The company should cherish any theatre willing to contract them. It will be likely that the contract offered to such a company is either of the Revenue Sharing type, or Revenue Sharing with a low guarantee. The percentage used for the Revenue Sharing is likely to be on the lower side, i.e. 60/40 or similar. This way, the theatre limits the financial risk of presenting a play of an unknown company. Once a company has made a name for itself, its market power increases. It has shown to be able to attract a crowd, has gotten some (positive) reviews by critics and might have attracted some project subsidies to create a new play. It is likely the group will now demand a buy out or a guarantee: they are professionals and need to be paid to survive. Besides, many project subsidies have income norms attached: as I have explained in chapter two, companies receiving government funding have to earn at least 15% (FPK) or 21,5% (BIS) of their own income, in order to receive the funding. This could be a reason for a company to negotiate for a buy-out or a revenue share plus guarantee, as it ensures the companies that their income norms will be met and the subsidies won't be endangered, well in advance of the performances .

In a research on the price making process for purchasing shows, Langeveld (2010) shows that companies are inclined to sell performances which attract a small audience for a buy-out. They will avoid risk if they expect a low box office result and are not likely to agree upon a Revenue sharing deal. Besides, he notices a negative correlation between the agreed upon sharing percentage and the percentage of seats sold for the performance. If a smaller percentage of the total tickets is sold, the agreed upon sharing percentage benefits the theater more. Because in these cases, the box office result is often not high enough to earn back the result, the sharing deal is “sooner a cosmetic than a financially attractive aspect.” (p.10) Another interesting detail is that, in purchasing unsubsidized theatrical performances, theatres that sell a higher percentage of the total amount of available tickets, have better purchasing conditions. There is no set price for performances, they tend to be different per purchase. Langeveld therefor argues the price is elastic and partly attributes this to a lack of transparency in the market. If theatres would communicate the prices at which they purchase performances, they might be able to collectively gain better deals. However, those that already have a lower purchasing price than others, could risk their favorable position. (p. 9, 10)

Chapter three: analysis of contracts used in Theater aan het Spui in 2010

§3.1 Data analysis - introduction

For the analytical part of this thesis, I have conducted research at Theater aan het Spui, a VVT-theatre located at the city center of The Hague, founded in 1993. Theater aan het Spui has two main theatre halls. The big hall has a maximum capacity of 360 people, when seated. The small hall has a capacity of 160 people. The theatre does not produce plays itself, but only programs plays from third parties. To cover their exploitation and programming costs, Theater aan het Spui receives a four-yearly subsidy from the The Hague municipal government. It offers a typical VVT-program: most BIS- and FPK-companies play at the theatre, as well as some Belgian high arts companies. Besides high arts theatre performances, Theater aan het Spui presents contemporary dance and is home to The Hague-based festivals like *Todays Art* (contemporary visual arts and electronic music), *De Betovering* (cultural festival for children), *Movies That Matter* (international film festival focusing on human rights) and *Writers Unlimited* (international literary event), amongst others.

In my initial research design, I designed a method to analyze the effect of the use of revenue sharing contracts for all performances. Based on the contracts I had seen before my research started, I assumed that the contracts used in Theater aan het Spui were all buy-out contracts. I decided to analyze the existing database with visitor numbers and contracts between Theater aan het Spui and the companies that played there in the year 2010. By comparing buy out sum, visitor numbers, ticket price, the actual revenue for the theatre and buy out sum of the company and the calculated revenue for the theater and for the company, if a revenue sharing deal had been used, I would have created an insight in the redistribution of revenue between theatre and the company if revenue sharing contracts had been used. Of course, expected effects on the behaviour of the theatre and the companies (as I described in chapter two: different deal types have different incentives for both parties attitudes) could not be taken into account in this analysis. However, when I started to collect the data that was necessary for this research, I found out one of my core assumptions was wrong. Besides the buy-out, three other contract forms (Revenue Sharing, Revenue Sharing + Guarantee and a Rental Deal) had often been used. This was a reason to change my approach. I decided to analyze the use of the contracts and their effect on the distribution of risk and income between the theatre and the companies.

I have collected information on the nature of the performances; the name of the performance, the name of the company, the performing arts genre (theatre, music, dance, children's / youth theatre), whether or not said company received government funding in the form of BIS- or NFP-subsidy, in what hall the performance played (small hall or big hall). I also collected information on the economical performance of the plays: the percentage of available tickets sold and the box office result of each performance. This data was completed by adding the deal types per performance: what contract had been used, using the deal types as described by Langeveld (2009), the height of the buy-out sums or guarantees and the percentages. With this data-set, I can illustrate the behaviour of a VVT-theatre on the market for high arts theatre performances and the effect of contract type on the distribution of income between the theatre and the company.

For this research, I have selected all performances in Theater aan het Spui in 2010 that took place in its big hall or small hall, leading to 222 performances in my database. Festivals and other activities in the theatre that are not a part of the theatre's own, regular programming have not been taken into account. If a theatre hall had been rented by a local government for the presentation of a new policy program, for instance, it hasn't been selected in this database. However, when employees of a local hospital rented a hall to perform a version of *Les Miserables,* the event has been taken into account, because tickets for this evening were sold at the theatre and the performances were promoted on the theatre's website. This way, the database comprises of relatively similar events: theatrical, music or dance performances taking place in one of the two theatre's halls.

§3.2 Types of contracts used in Theater aan het Spui in 2010

			Deal Type				Total
			Buy-Out	Revenue Share	Guarantee + Revenue Share	Rental Deal	
Genre	Dance	Count	9	10	5	0	24
		% within Genre	37,5%	41,7%	20,8%	,0%	100,0%
	Childrens Th.	Count	18	4	1	11	34
		% within Genre	52,9%	11,8%	2,9%	32,4%	100,0%
	Music	Count	5	0	2	3	10
		% within Genre	50,0%	,0%	20,0%	30,0%	100,0%
	Theatre	Count	79	26	40	9	154
		% within Genre	51,3%	16,9%	26,0%	5,8%	100,0%
Total		Count	111	40	48	23	222
		% within Genre	50,0%	18,0%	21,6%	10,4%	100,0%

Table 3.1: Frequency of deal types per genre

As the above frequency table shows, in exactly half of the cases, the buy-out deal has been used. The guarantee plus revenue sharing deal, is used in 48 cases, which comes down to 21% of the deals in this dataset. The revenue share without guarantee is used 40 times. The rental deal is used least often, in only 23 cases, which is just above 10% of the performances studied. This frequency distribution is not representative for all activities in the theatre: as written earlier, festivals have not been taken into account and neither have been non-cultural events, although these do take place in the theatre. This explains the low amount of rental deals in the above table.

A striking detail in the above distribution is the high amount of rental deals used in Children's and Youth theatre. This is explained by the fact, that all eleven of these performances are by the same piece and by the same company: an amateur children's theatre group performing *Alice In Wonderland,* during Christmas holiday. Another interesting detail is the high percentage of revenue sharing deals in the dance genre. Again, this is explained by a series of ten performances of one play, *The Match,* by The Hague modern dance group Ballet van Leth. Considered that the two irregularities in this frequency distribution can be explained by single deals, we can conclude that in this dataset the use of contract types is not heavily dependent on the arts form.

			Deal Type				Total
			Buy-Out	Revenue Share	Guarantee + Revenue Share	Rental Deal	
Type	Amateur	Count	0	5	0	16	21
		% within Type	,0%	23,8%	,0%	76,2%	100,0%
	BIS	Count	20	3	14	0	37
		% within Type	54,1%	8,1%	37,8%	,0%	100,0%
	DH	Count	4	28	1	0	33
		% within Type	12,1%	84,8%	3,0%	,0%	100,0%
	International	Count	17	0	0	3	20
		% within Type	85,0%	,0%	,0%	15,0%	100,0%
	FPK	Count	48	2	18	0	68
		% within Type	70,6%	2,9%	26,5%	,0%	100,0%
	IP	Count	22	2	15	4	43
		% within Type	51,2%	4,7%	34,9%	9,3%	100,0%
Total		Count	111	40	48	23	222
		% within Type	50,0%	18,0%	21,6%	10,4%	100,0%

Table 3.2: Frequency of deal types per company type

The above frequency table shows the contract forms used in Theater aan het Spui in 2010, sorted by company. I have formulated six types: BIS-funded companies, FPK-funded companies, companies from abroad (international), amateur companies, companies not receiving BIS- or FPK-subsidies from The Hague (DH, for Den Haag) and companies not receiving BIS- or FPK-subsidies that are not from The Hague (IP, short for Independently Produced).

This frequency table supports the literature on contract forms in the performing arts in The Netherlands as written by Cees Langeveld (2009). The presentation of amateur theatre performances is not the focus of Theater aan het Spui; the artistic mission, as described in the 2009 year report, doesn't mention amateur arts at all. This shows in the contracts form used for amateur performances: in 76% of the cases, a rental deal was agreed upon. All

financial risk for the presentation of these performances thus came to the account of the company, and Theater aan het Spui secured its earnings in advance. The resting 24% of the performances were booked using a revenue sharing deal. Although the theatre hadn't secured its earning, it didn't take (a lot of) financial risk either.
Another striking percentage in the above table is the amount of revenue sharing in the The Hague category: almost 85% of the deals made. Even though these 28 performances are of only three different plays by three companies, they underline the influence of market power of the company in closing a contract deal. The companies are relatively unknown and do not receive state support in the form of a FPK- or BIS-subsidy. Another reason for the choice of the revenue sharing contract can be, that because these companies play in their hometown, they can be expected to attract (a part of) its own audience. The chosen contract form incites the company (and the theatre) to do so, since no ticket sales means no income for both parties.
This rationale can be an explanation for the absence of revenue sharing deals in the International category: it is unlikely to expect a company from another country to find its own audience in the Netherlands. In 17 performances, 85% of all cases, the contract form used was a buy-out: no link between the box-office result and the income of the company was made. In three cases, a rental deal was used. Those performances were played by foreign companies, but promoted by local organizations. Two jazz concerts were organised by I.A.S.J., an organization associated with The Hague's Royal Conservatory; a French language piece from Algeria had been organised by Alliance Française.
Independently produced performances and BIS-performances show a similar distribution used contract forms. The majority of contracts used are buy-outs (54% in case of BIS, 51% for IP), with the guarantee plus revenue share as second most used contract form (38% in case of BIS, 35% for IP). In four cases, a rental agreement was made with a company of the independently produced performance type. These were two different performances with an ideological background, promoting the acceptance of different cultural backgrounds in one case, and the emancipation of chronically diseased and handicapped in the other. With BIS-companies and with FPK-companies, no rental deals were made. In almost 71% of the performances of the FPK-type, a buy-out was used. In just under 27% of the cases, a revenue sharing plus guarantee had been used. This means that both types of companies that receive government funding, had a guaranteed income per performances in a large majority of cases. In three cases, a revenue share deal was made with a BIS-company and in two cases, such a deal was made with a FPK-

company. All of these cases were premieres: apparently, companies are confident of premieres being well attended. Seen from the viewing point of the theatre, a buy-out deal for a premiere can be very unattractive, because of the high amount of free tickets given away by the company at a premiere: press, friends, families and such tend to frequent these first performances.

The percentages within the BIS-type is similar to the percentages as measured by Van den Berg (2007), mentioned in the previous chapter. Within the FPK-type, we see a strikingly high percentage of buy-outs, leading to lower percentages on all other forms, when compared to the national percentages that Van den Berg presents.

§ 3.3 Buy-out sums and guarantees

Let us take a closer look at the buy-out deals. For this part of my analysis, I have divided my data-file based on the hall the plays were performed. After all, more seats are to be sold in the big hall. Theater aan het Spui's big hall has a maximum capacity of 360, its small hall has a capacity of 160. This is likely to have an effect on the height of the buy-out sums.

hall	Type	Mean	N	Std. Deviation
BH	BIS	2016,71	14	457,276
	DH	1500,00	2	,000
	International	3277,14	7	784,851
	FPK	2702,73	11	935,664
	IP	1742,50	4	1164,936
	Total	2391,42	38	915,881
SH	BIS	1549,17	6	343,226
	DH	1100,00	1	.
	International	1496,80	10	657,779
	FPK	1394,05	37	355,828
	IP	1292,11	18	362,022
	Total	1391,68	72	407,539

Table 3.3 : Buy-out sums, divided by hall and type

For the big hall performances, the differences between the heights of buy-out sums are bigger than in the small hall, as shown by both the standard deviation statistics and by the differences between the mean buy-out sums per type. In the big hall, companies of the BIS- and FPK-type are able to negotiate higher buy-out sums than independently produced plays or the two The Hague ones. The deals with international companies, on average, have the highest buy-out sums: higher production costs for these companies (travel costs and hotel room costs, for instance) could be an explanation, as some buy-out prices include hotel rooms and travel costs haven't been charged separately. Another reason can be the reputation of these (mostly Belgian) companies.

An interesting detail is that the average buy-out sum of FPK-performances in the big hall is higher than that of the BIS-performance, as well as the standard deviation of the buy-out sum. Even though the amount of BIS-companies is much lower than the amount FPK-supported companies, this scarcity doesn't drive up the buy-out sum.

In the small hall, the companies of the BIS-type do have the highest average buy-out sum, followed by international and FPK-companies. Independently produced performances have the lowest buy-out sums, on average. The differences in mean buy-out sums between these types and the standard deviation of the means are smaller than in the big hall. The room for negotiation on price for companies playing the small hall is more limited than for companies playing the big hall.

Hall	Type	Mean	N	Std. Deviation
BH	BIS	2187,50	12	891,983
	FPK	2276,25	12	787,972
	IP	3660,71	7	1140,345
	Total	2554,52	31	1072,311
SH	BIS	1567,50	2	116,673
	DH	625,00	1	.
	FPK	1714,17	6	370,451
	IP	1565,63	8	294,769
	Total	1562,94	17	381,203

Table 3.4: Guarantee sums, divided by hall and type

The amount of Revenue Sharing plus Guarantee deals in the small hall is significantly lower than the amount of those in the big hall. It is also significantly lower than the amount of buy-out deals in the small hall. Overall, the mean guarantee sum in the small hall is

higher than the mean buy-out sum, as can be seen in table 3.2. This leads to conclude that a few of the companies playing in the small hall that do have the power to negotiate a better price for their performance, do so by closing a revenue share deal with a high guarantee. This way they have their income secured, and can tap into the box office result in case of a high attendance levels.
We can say the same for the independently produced-type performances in the big hall: the mean guarantee is twice as high as the mean buy-out sum. For BIS-type performances in the big hall, the mean guarantee is slightly bigger than the buy-out sum. This also points towards the idea that a revenue sharing plus guarantee deal is negotiated by companies with bigger market power, to able to tap into the box office result without taking financial risks. The mean guarantee of FPK-type performances in the big hall is lower than the mean buy-out sum. In these cases, companies have to take a bigger financial risk in order to be able to tap into the box office result in case of high attendance levels.

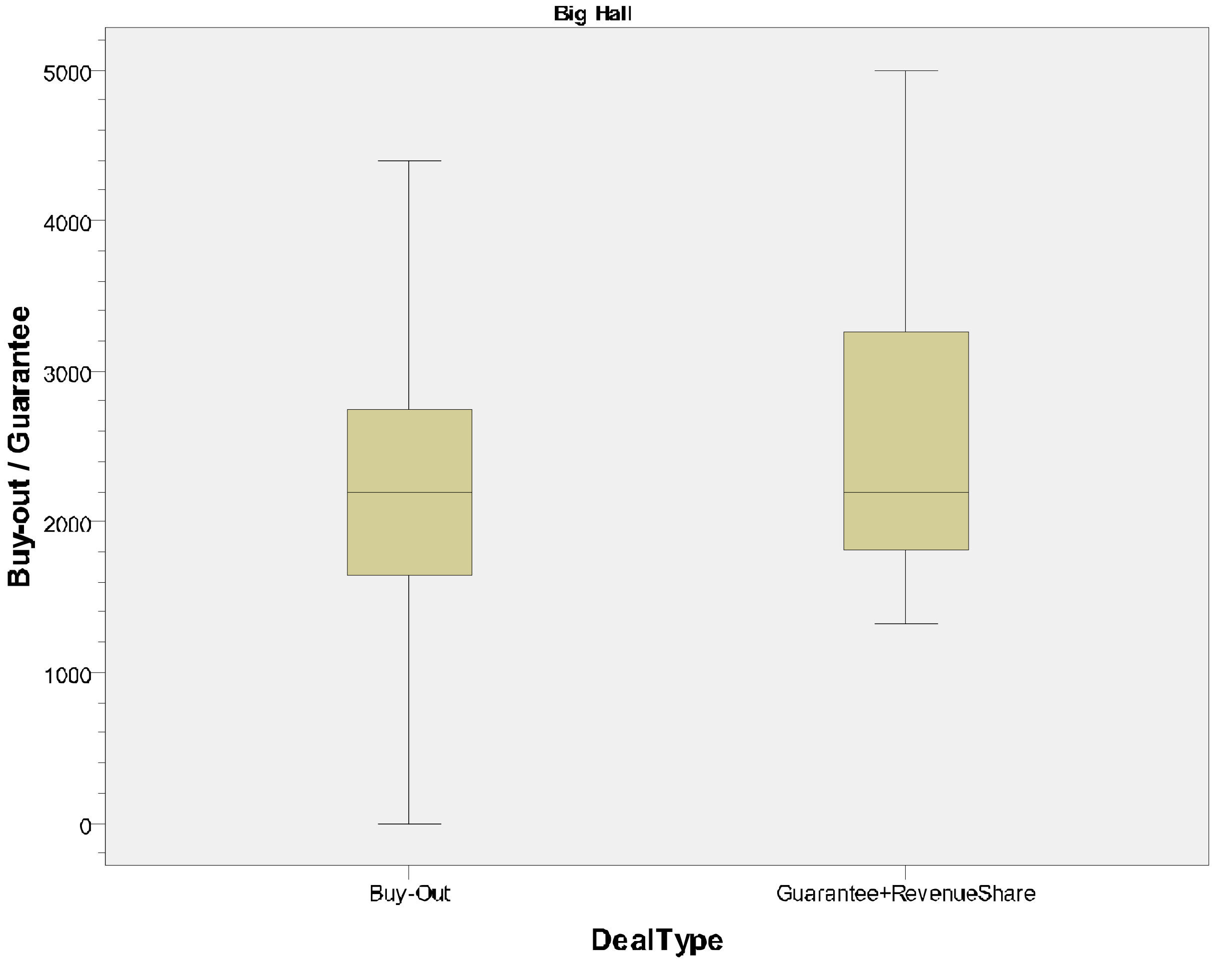
Hall	RS	Mean	N	Std. Deviation
BH	75 / 25	1750,00	2	,000
	80 / 20	2610,00	29	1087,457
	Total	2554,52	31	1072,311
SH	50 / 50	625,00	1	.
	70 / 30	1250,00	1	.
	75 / 25	1650	1	.
	80 / 20	1662,69	13	315,275
	90 / 10	1430,00	1	.
	Total	1562,94	17	381,203

Table 3.5: Guarantee sums, divided by hall and revenue share ratio

In revenue sharing deals with a guarantee, the two factors of a deal can be used in combination. One could for instance choose between a deal with a low guarantee and a high ratio, so that a company's financial risk is higher, but it benefits more strongly from a high revenue. A high guarantee with a low ratio would have the opposite effect for the company; less risk, less profit from ticket sales. Table 3.5 shows that, in my data set, the revenue share ratio has not been used in this manner. Forty-two out of the forty-eight revenue share plus guarantee deals were based on a 80/20 ratio. The one deal made with

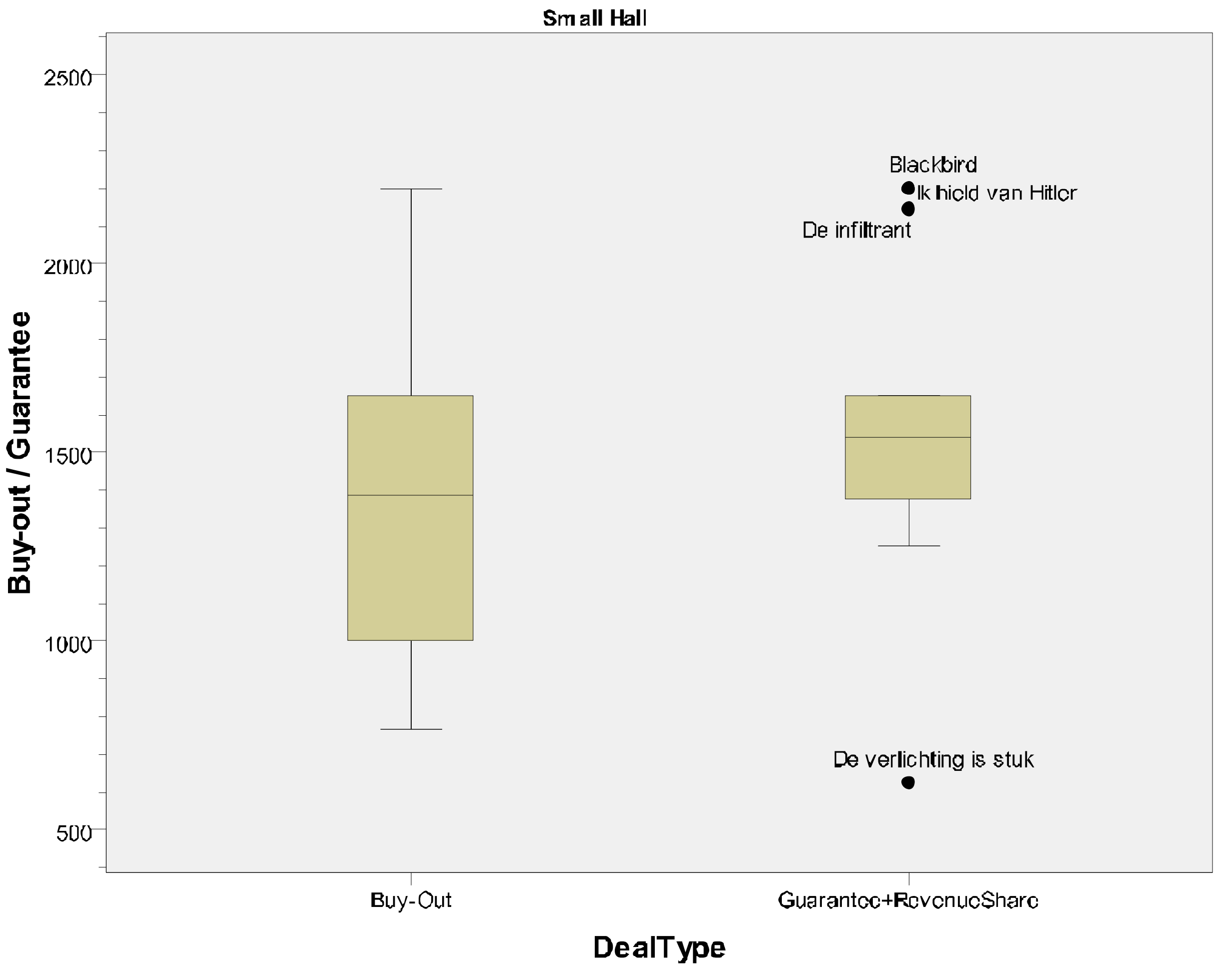
a higher ratio of 90/10 indeed has a lower guarantee than the mean guarantee of a 80/20 deal. For both the big hall and the small hall, al the deals made with lower ratio's also have lower guarantee sums than the mean guarantee for a 80/20 deal.
This shows that the combination of guarantee and revenue sharing ratio hasn't been used by Theater aan het Spui in 2010 as a tool to distribute risk between the two parties in closing deals. More likely, the deals are used by companies as a method to earn extra income in case of public success, without taking financial risks.

The boxplot of buy-out sums and guarantees in the Big Hall (Graph 3.1) show that the median of buy-out and guarantee sums are almost even, but there are guarantee sums much higher than the median. This distribution is positively skew.
The differences within the 2nd and 3rd quartiles for buy-out deals are less big than those of within the guarantee sums: the distribution of buy-out sums is more equal. The one buy-out sum set to zero distorts the plot: this is an independent music production, that could make use of the hall at no costs and all ticket revenue benefited the theatre.



Graph 3.1 Buy-out and Guarantee sums in the Big Hall

The bigger difference within the 2nd and 3rd quartiles within the guarantee sums, combined with the higher extreme value, and the positive skewness of the distribution, once again point towards the idea that companies with a bigger market power are able to make revenue sharing plus guarantee deals for themselves, to guarantee their income and benefit from high ticket sales, if those occur. The positive skewness of the guarantee sum distribution, the equal medians and the equal starting point of the 2nd quartiles of the buy-out sums and the guarantee again indicate that a lower guarantee sum plus a revenue share agreement as a tool to distribute risk between the company and theatre is seldom used for Big Hall performances.



Graph 3.2 Buy-out and Guarantee sums in the Small Hall

The boxplot for buy-outs in the small hall, shows a negatively skew distribution; a majority of buy-out sums is below the median value. Half of all cases have a buy-out sum between 1000 and 1650 Euro. The boxplot of guarantee sums in the small hall is based on only 17 cases, which means a quartile is made up of only 4 cases. Still, the boxplots show that the extreme values of a guarantee are as high as the highest buy-out value, and, with the exception of one case, the other cases have a value between 1250 and 1650 Euro. The exception, *De Verlichting Is Stuk* produced by another The Hague theatre called De Regentes, combines a low guarantee of 650 with a revenue share ratio of 50/50. This contract form is clearly used by Theater aan het Spui to limit risk and profit financially in case of a high box office result. The boxplots do not contradict the idea that the guarantee plus revenue share form are used by the companies to tap into possible extra income from ticket sales, without taking a financial risk.

§3.4 Deal types and ticket sales

As mentioned earlier in this thesis, different contract types have different incentives for a company. In case of a buy-out contract, there is no financial incentive for a company to market and promote a performance, as ticket sales do not influence their income. With a rental contract, however, all income of the company depends on the box office return. Can we see the result of the contract incentives in the ticket sales statistics of Theater aan het Spui in 2010?

For this part of my analysis, I have used the percentage of tickets sold: the amount of tickets available tend to vary per performance: for the successful performance *Tocht,* by Rotterdam's RO Theater, that played in the big hall of Theater aan het Spui, only 165 tickets were available per night, while the standard capacity for the big hall is 360. This was because the audience was seated in a restaurant setting, using small chairs and tables, instead of the usual gallery setting. Using a percentage of available tickets sold, in stead of percentage of the standard hall seats taken, this problem is circumvented. It also enabled me to compare all performances, without having to divide between those playing the small hall and those playing the big hall.

Since the variable *deal type* is nominal, the dependence of ticket sales percentages on deal type can best be analyzed using a cross-tab. To be able to create a meaningful cross-tab with my dataset, the tickets sales percentages have been divided into classes of 20 percent each (0 – 20%, 21 – 40%, 41 – 60%, etcetera). With a minimum expected count of 1,95 and exactly 20% of the cells having an expected count of less than 5, the cross tab can give valid information of the relation between the two variables. Cramer's V shows that there is indeed an association between contract type and percentage of tickets sold. This association is weak, with a Cramer's V of 0,191.

The cross-tab gives some interesting insights. Most performances using a rental deal have a high percentage of tickets sold: 37,5% between 61 – 80% and 41,7% between 81 – 100%. The companies using the rental deal have been able to indeed attract their own audiences. The amount of performances using a revenue share deal, with a ticket sale between 21 and 40% of all available tickets is unusually high, with 41,5% of all performances in the revenue sharing category. This indicates that using this deal type can indeed limit the financial risk of a performance for a theatre. Ticket sales percentages for performances using a guarantee plus revenue sharing deal are distributed according to the average distribution. It is interesting to compare the percentages to those of the buy-out performances. Here we see, that the percentage of performances selling between 41 and 60 % of the tickets is higher for the buy-out (27,5%) type, than for the Guarantee + Revenue Sharing type (20,8%). In both the classes between 61 – 80% and 81 – 100% of tickets sold, the percentage within the Guarantee + Revenue Sharing type performances is higher than within the Buy-Out type: 22,9% over 16,5% and 27,1% over 23,9%. These percentages do support the notion of the incentives of the different contract types. When there is a financial incentive for a company to attract a bigger audience, the percentage of performances attracting a bigger crowd increases. When there is no financial incentive to attract a crowd, the percentage of performances attracting a below average crowd is bigger. This could also be explained by the idea that more popular companies, that attract bigger crowds, are able to negotiate Guarantee + Revenue Sharing deals for themselves.

			DealType				Total
			Buy-Out	Revenue Share	Guarantee+ RevenueShare	Rental Deal	
Tickets sold (%)	0 - 20	Count	10	2	3	3	18
		Expected Count	8,8	3,3	3,9	1,9	18,0
		% within DealType	9,2%	4,9%	6,3%	12,5%	8,1%
	21 - 40	Count	25	17	11	0	53
		Expected Count	26,0	9,8	11,5	5,7	53,0
		% within DealType	22,9%	41,5%	22,9%	,0%	23,9%
	41 - 60	Count	30	7	10	2	49
		Expected Count	24,1	9,0	10,6	5,3	49,0
		% within DealType	27,5%	17,1%	20,8%	8,3%	22,1%
	61 - 80	Count	18	7	11	9	45
		Expected Count	22,1	8,3	9,7	4,9	45,0
		% within DealType	16,5%	17,1%	22,9%	37,5%	20,3%
	81 - 100	Count	26	8	13	10	57
		Expected Count	28,0	10,5	12,3	6,2	57,0
		% within DealType	23,9%	19,5%	27,1%	41,7%	25,7%
Total		Count	109	41	48	24	222
		Expected Count	109,0	41,0	48,0	24,0	222,0
		% within DealType	100,0%	100,0%	100,0%	100,0%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24,396[a]	12	,018
Likelihood Ratio	28,776	12	,004
Linear-by-Linear Association	4,740	1	,029
N of Valid Cases	222		

a. 4 cells (20,0%) have expected count less than 5. The minimum expected count is 1,95.

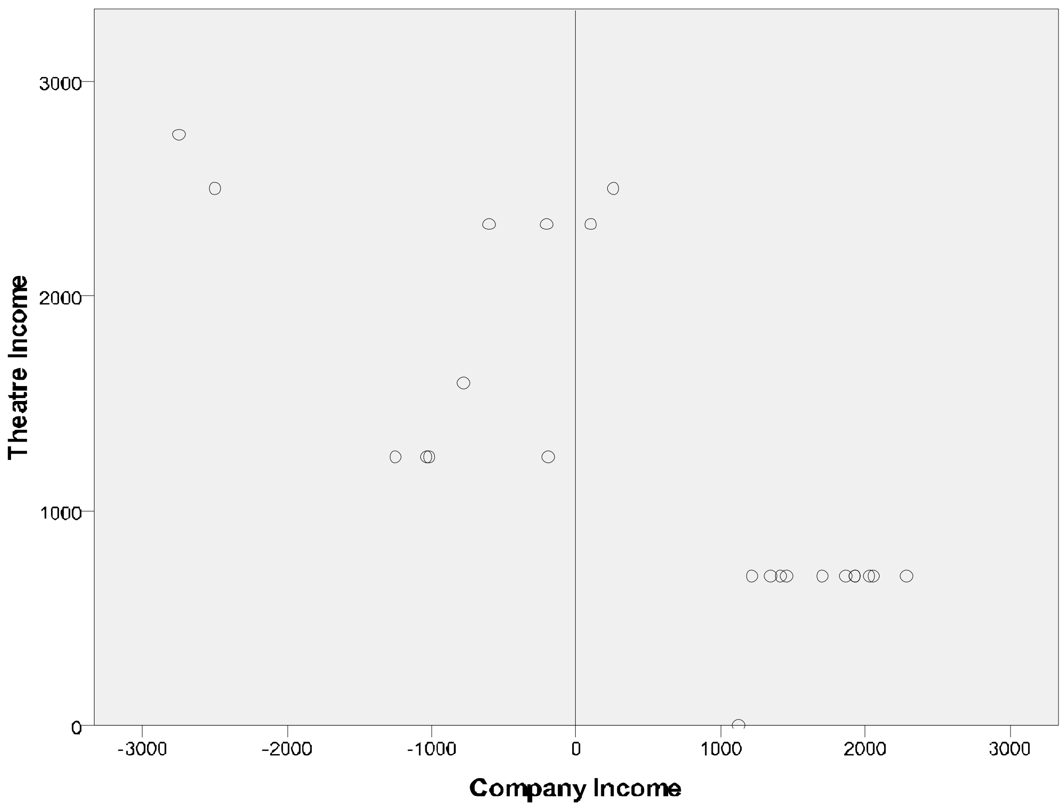
Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	,331	,018
	Cramer's V	,191	,018
N of Valid Cases		222	

Table 3.5: Percentage tickets sold for contract types

§3.5 Deal types and the distribution of income

To illustrate the effects of different deal types on the distribution of revenue between Theater aan het Spui and the companies playing there in 2010, I have generated scatter plots for all four deal types. Each dot represents the result of one performance. The theatre and company incomes are defined according to the contract type: in case of a rental deal, the theatre income is the rental sum, and the company income is the revenue, minus the rental sum. In case of a buy-out, the company income equals the buy-out sum, and the theatre income is the revenue minus the buy-out sum. In case of a revenue sharing deal, the income is based on the revenue division as agreed upon in the contract. By using this income definition, we get a good view on the financial result of one performance for both parties, influenced by contract type and attendance numbers. (For pragmatic reasons, production costs for both parties have not been taken into account. Including those data in a research similar to this will lead to a more complete picture.)



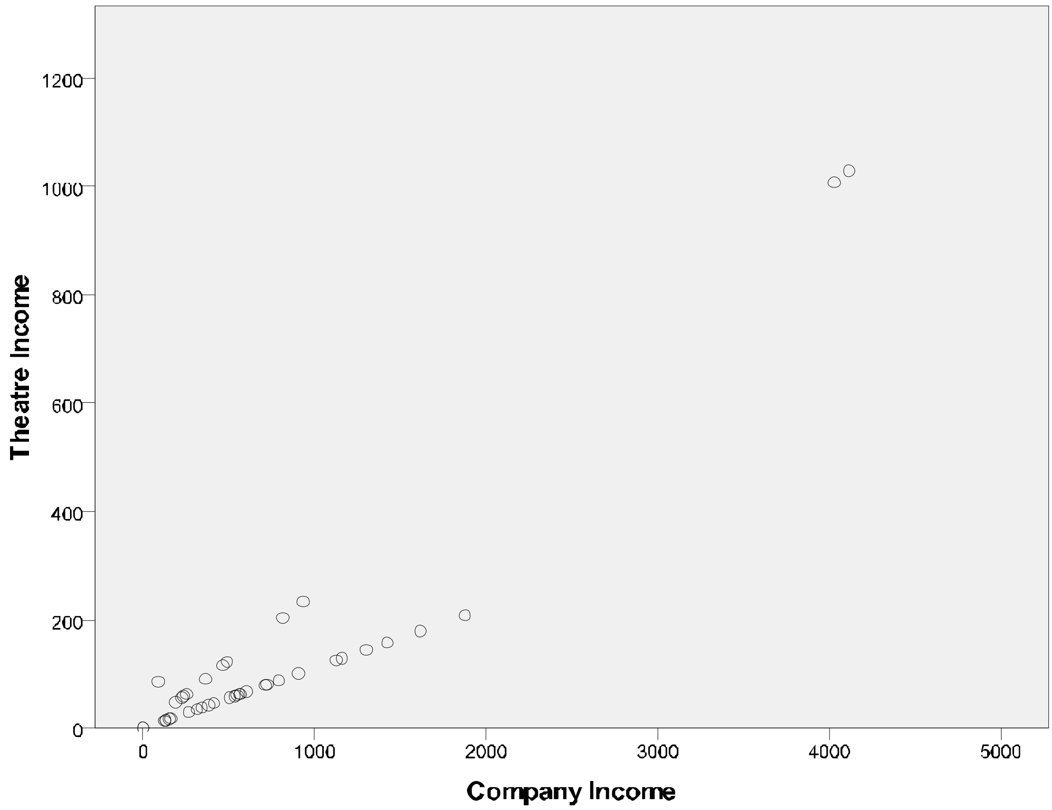
Graph 3.3: Income distribution and rental agreement

	N	Minimum	Maximum	Mean	Std. Deviation
Theatre Income	23	0	2750	1260,30	796,615
Company Income	23	-2750	2287	451,28	1507,372
Valid N (listwise)	23				

Table 3.6: Mean income in case of rental agreement

The scatterplot of graph 3.3 shows that, in a rental agreement, the financial risk is indeed on the company's side. While all results for the theatre are on the positive side of the axis, there are nine rental deals where the box office return is less than the rental sum: the company takes the loss. There are two cases when a company takes a loss of over 2000 Euro. The box office result is low, and the rental price is high. These are both events where the theatre was rented for a longer period of time, and the performance, where the revenue was generated, was a small part of all activity in the theatre. In twelve cases, the company does generate income: all cases where a rental price of 800 Euro was charged, are performances of *Alice in Wonderland* by Rabarber, the youth theatre group. Here, the rental deal benefits both parties.

Both the theatre and the companies, when using a rental deal, had a positive mean income over 2010. When comparing the theatre's mean income in tables 3.6 to 3.9, the rental deal has the highest mean theatre income. When looking from a purely profit-oriented perspective, these performances have been most successful for Theater aan het Spui.



Graph 3.4: Income distribution in case of revenue share

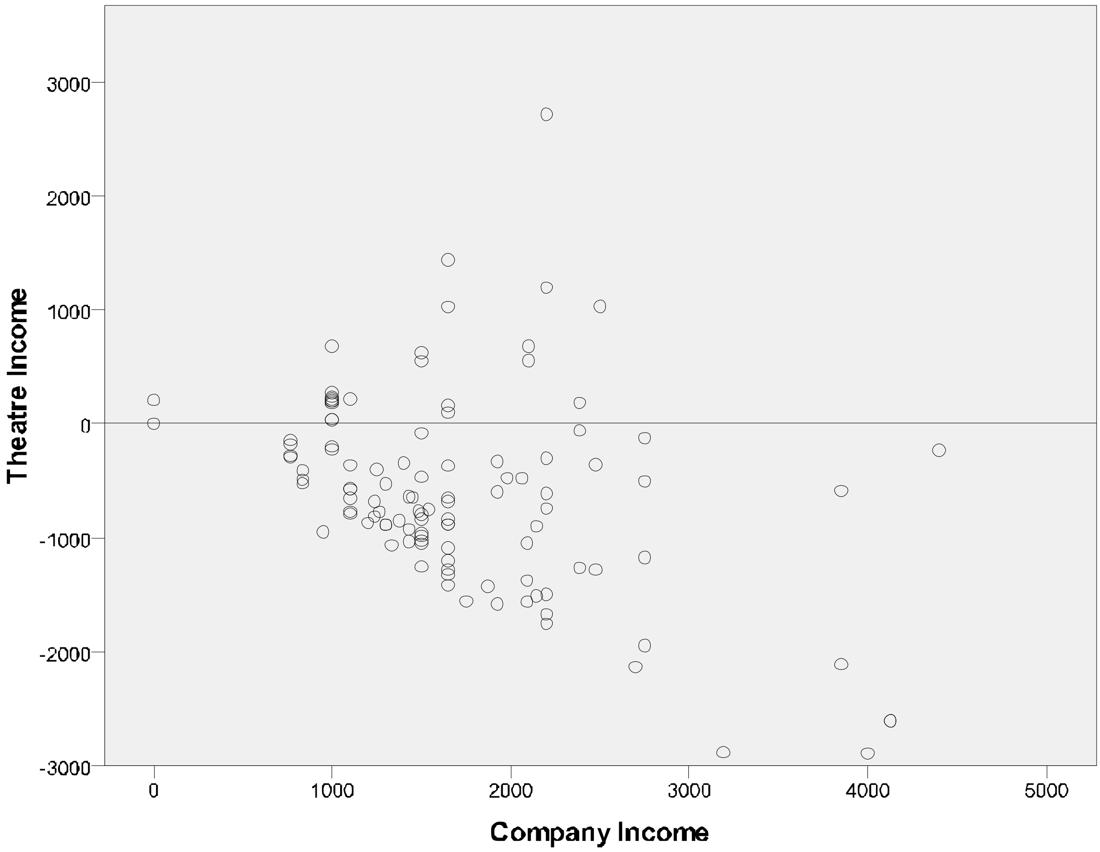
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Theatre Income	40	0	1030	126,09	215,316
Company Income	40	0	4116	739,00	893,809
Valid N (listwise)	40				

Table 3.7: Mean income in case of revenue share

In the scatter plot for the revenue share deals, we can see three different deals. One 50/50 deal, a line of 80/20- deals and a line of 90/10 deals. There are two very positive results in this group: two sold out performances in the *Indische Trilogie*-series, by a The Hague theatre group. In most cases within this deal type, the theatre earns between 0 and 250 Euro, and companies earn between 0 and 1900. Because of the contract type used, there are no negative results for any party when distributing the performance income.
The means in table 3.5 also reflect the ratio-deals, with means and deviations that have a ratio that is 80/20 and 90/10, the maximum earned company income being four times as high as the theatre's income. As to be expected, the mean income of the companies is

higher than the theatres income, and, importantly, the minimum income of both parties is 0, as there were no negative results for any party.



Graph 3.5: Income distribution in case of buy-out

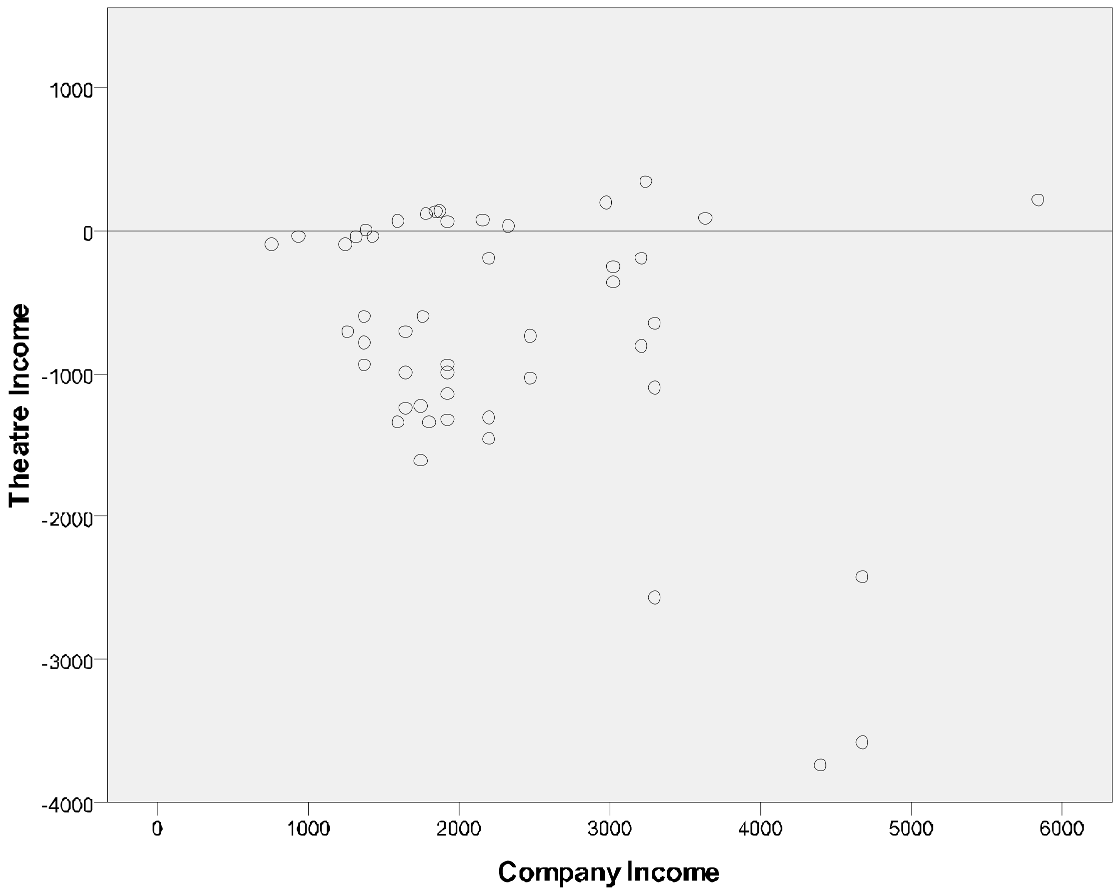
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Theatre Income	111	-2892	2713	-613,14	858,607
Company Income	111	0	4400	1721,40	801,585
Valid N (listwise)	111				

Table 3.8: Mean income in case of buy-out

As we can see in graph 3.5, when using a buy-out, the amount of negative income results for the theatre are very high: buy-out sums are often much higher than the revenue, leading to a negative result for the theatre. Because of the buy-out sum, that is agreed upon on forehand and not relying on box-office results, the company income is always positive. In an extreme case, the company earns 4000 Euro, while the theatre loses almost -2892 Euro on that night. A performance that stands out on the positive side is *Hormonologen*, an independent production were the box office result was outstanding:

with a sold out room, the revenue was 4913 Euro. Since the parties agreed on a buy-out sum of 2200 Euro, Theater aan het Spui earned 2713 Euro on this night. As the graph shows, positive results like this are a rarity. In only five of all cases, the income of the theatre exceeds 1000 Euro. Theater aan het Spui's mean income when using a buy-out deal is -613 Euro, while the companies earn an average 1721 Euro per performance, 2334 Euro higher than the mean theatre income.



Graph 3.5: Income distribution in case of revenue share + guarantee

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Theatre Income	48	-3737	342	-744,70	913,678
Company Income	48	761	5843	2305,45	1066,708
Valid N (listwise)	48				

Table 3.9: Mean income in case of revenue share + guarantee

As we can see in graph 3.6, when the buy-out plus revenue sharing contract is used, the theatre income never exceeds 350 Euro. In only eleven cases, the box office result exceeds the guaranteed sum. Above the guarantee sum, the revenue sharing agreement becomes effective. In all other cases, the guarantee sum hasn't been covered by the box office results, and the theatre has a negative result per performance. An extreme case is *Van Hunebed Tot Hyves*, a comical performance. Performances in this genre are seldom programmed in Theater aan het Spui, but are considered to be commercially more viable than high arts theatre. With a guarantee sum of 4675 Euro and a box office result of only 1095, this wasn't the case for Theater aan het Spui. The performance lead to the biggest loss of the year 2010.
The difference between the mean income of Theater aan het Spui and the companies in 2010 is even bigger than with the buy-out deals. With 2305 Euro, the mean company income is 3050 Euro's higher than the mean theatre income of -745 Euro. When comparing the mean incomes in tables 3.6 to 3.9, the theatre income has a lowest mean when using a guarantee plus revenue share, while the mean company income is highest.

§3.7 Mean income and company types

In paragraph 3.2 I have explained the types of companies I distinguish within this data-set. In table 3.9 we can see the mean income of Theater aan het Spui and the companies, per company type. The same definition of income is used as in the previous paragraph. Table 3.9 shows that mean theatre income over all company types in Theater aan het Spui in 2010 is -314 Euro, and mean company income is 1539 Euro, meaning that the mean costs of the purchase of theatrical performances are higher than the mean revenue retrieved from the performances. The mean theatre income is only positive for two company types: those in the amateur and the The Hague type. Those are also the categories where the mean company income is lowest. In all other categories, the mean theatre income is negative. The four company types with a negative mean theatre income are *BIS*, *IP*, *International* and *FPK* . The *international* type has highest mean theatre income, with a negative result of -211 Euro. The lowest mean theatre income is for the *FPK*-type, with a negative result of -695 Euro. The mean company income is positive in all categories. As mentioned before, the mean company income is lowest in the Amateur and The Hague categories. The mean income for companies in the *BIS*-categorie is highest, with 1901 Euro, followed by the *International*- and *FPK*-type (1839 and 1785 Euro).

Type		Theatre Income	Company Income
Amateur	Mean	896,05	765,22
	N	21	21
	Std. Deviation	834,196	1276,851
BIS	Mean	-594,58	1901,33
	N	37	37
	Std. Deviation	785,012	724,627
DH	Mean	73,00	904,33
	N	33	33
	Std. Deviation	366,666	972,335
International	Mean	-210,84	1839,41
	N	20	20
	Std. Deviation	1332,249	1540,333
FPK	Mean	-694,72	1785,40
	N	68	68
	Std. Deviation	874,619	834,857
IP	Mean	-407,97	1563,23
	N	43	43
	Std. Deviation	1038,012	1378,249
Total	Mean	-314,30	1539,08
	N	222	222
	Std. Deviation	997,022	1145,532

Table 3.9: Mean income descriptives, divided by company type

The company income is highest in the BIS-category, closely followed by the International- and the FPK-category. The negative mean Theatre income can be seen as an indirect subsidy of Gemeente Den Haag (the local government funding to Theater aan het Spui) to the companies. This shows that a part of the companies' “own income”, that is especially important for FPK and BIS-companies as it secures their subsidies, as described in chapter two of this thesis, are still coming from government funds, be it on a local level. Another interesting detail is that the mean income generated by the independent productions that do not receive government funding for their performances, is actually less than those that do receive funding. No grants and less income leads to significantly lower total production budgets. It would be interesting to compare production budgets for performances in these categories. Are independent productions produced more cost effective?

§3.7 Does Theater aan het Spui make bad deals?

Even though this analysis gives us some interesting insights in the economics of a VVT-theatre, there is one question to be asked that can shed a light on the research' validity: what if Theater aan het Spui simply is a bad deal maker? To find an answer to this question, I have compared the deals in my database with deals of performances that also played in another theatre, Chassé Theater in Breda. A total of twenty performances out of my database were also played in Chassé. Fifteen of these performances also played in a hall of the same size. Theater aan het Spui's Grote Zaal has as many seats as Chassé Theater's Middenzaal, the theater's small rooms are also of a comparable size. The mean difference in buy-out sums and guarantees between the two theatres of these fifteen performances is 151 euro. Theater aan het Spui, on average, agreed upon lower buy-out or guarantee sums for these performances. In eight cases, Theater aan het Spui agreed upon a higher buy-out or guarantee sum than Chassé Theater. In four of these cases, these performances were in a bigger hall at Theater aan het Spui, so the possible box office return of the performance was also higher.

In two cases, the deal that both theaters closed with the companies was exactly alike. In eight cases, Theater aan het Spui agreed upon a lower buy-out or guarantee sum than Chassé Theater. In seven of these cases, the performances were booked for two or more evenings at Theater aan het Spui, while playing only one night in Chassé Theater. While the buy-outs or guarantee sums might have been lower, Theater aan het Spui still took a bigger risk. This can be attributed to the different nature of the two theatres. While Theater aan het Spui is a typical product-oriented VVT-theatre, Chassé is a city theatre that combines a audience-oriented and product-oriented approach. The amount of performances available that suit Chassé Theater's profile is higher.

While Theater aan het Spui agreed to a Revenue Sharing + Guarantee deal seven times, Chassé Theater only agreed to this type deal two times. Considering the effect of this type of deal on theatre income, as shown in §3.5, the higher amount of this type of deal can be a disadvantage for Theater aan het Spui. When comparing the deals between the two theaters, two deals closed by Chassé Theater and four deals closed by Theater aan het Spui can be considered as *bad deals.* Generally speaking, the comparison between Theater aan het Spui and Chassé Theater doesn't lead to conclude that Theater aan het

Spui makes bad deals.

§3.8 Marketing and contracts

In chapter three of this thesis, I referred to an article by Isabelle Assassi (2005), in which she describes the relationship between companies and theatres in the high arts field. She claims that, in the presentation of performances by relatively unknown performers or performances, the theatre and the company share the responsibility for the success of a performance. Do they formalize this shared responsibility to find an audience? Do the theatre and the companies agree upon certain marketing activities in their contracts? For this part of my analysis, I have looked at the conditions in the contracts between Theater aan het Spui and the theatre companies playing there in 2010. Do these contracts mention marketing at all, and if so, what aspects of marketing?

			Deal Type				Total
			Buy-Out	Revenue Share	Guarantee + Revenue Share	Rental Deal	
marketing	no	Count	64	28	26	12	130
		% within Deal Type	57,7%	70,0%	54,2%	52,2%	58,6%
	yes	Count	47	12	22	11	92
		% within Deal Type	42,3%	30,0%	45,8%	47,8%	41,4%
Total		Count	111	40	48	23	222
		% within Deal Type	100,0%	100,0%	100,0%	100,0%	100,0%

Table 3.10: Marketing in contract divided by deal type

In the above table we see the amount of contracts that had a segment devoted to marketing, divided by deal type. Overall, 59% of all performances have a contract that does not mention the marketing of the performance at all. Only 41% of the contracts do. One would have expected to see a higher percentage of marketing clauses used in contracts for performances using either a Revenue Sharing deal or a Revenue Sharing + Guarantee deal, since the company income is (partly) depending on ticket sales. This is not the case. With only 30%, the percentage of contracts that mention marketing in the Revenue Sharing type is the lowest. In the Rental Deal category, (that, as opposed to the other three deal types, use contracts written by the theatre itself), this percentage is the highest. Theater aan het Spui offered almost half contracted performances a place in the

theatre's general publicity (their website, yearly magazine and bi-monthly program flyer) in the contract. The percentage of contracts that mention marketing in the Buy-Out type are average, with 42%. The percentage in the Revenue Sharing + Guarantee is slightly above average, as 46% of the contracts have a marketing clause.
What aspects of marketing are mentioned in the contracts? After collecting the clauses of all contracts, I made a list of six elements that could cover the content of all clauses: publicity material, group reservations, ticket price and discounts, shared effort, sponsors and press. A contract could either contain an element, or not.
The availability of posters, flyers or other publicity material was mentioned in 87% of the contracts. These publicity materials are being provided by the companies. The contracts usually mention at what cost (free up to a certain amount), who pays for the postage of the materials from company to the theatre and mention that the theatre is obliged to distribute the flyers and display the posters in such a manner that possible audience can see them. Some contracts mention that the resale of the posters is forbidden.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	12	13,0	13,0	13,0
	yes	80	87,0	87,0	100,0
	Total	92	100,0	100,0	

Table 3.11: Contracts mentioning publicity material

Only seven contracts that mention marketing, have a clause on contacting the press. In all of these clauses, the theatre commits itself to contact the local and regional press, while in only one of the contracts the company commits itself to contacting and informing the national press.
Most contracts mention the ticket price as a part of the basic agreement in the contract. 17 contracts however have a separate clause, in which the company forbids the theatre to change admission price or sell tickets at a discount price without the company's approval. As Table 3.12 shows, eight of these contracts are found within the Revenue Sharing-type. As the company income is depending on ticket sales, this makes sense. A lower ticket price or a high amount of tickets sold at a discount price have an influence on the company income. One would have expected to see a higher percentage of ticket price clauses within the Revenue Sharing + Guarantee type than within the Buy-Out category,

since in the first category, ticket price can influence the company income. As the table shows, these percentages are very similar, with 13% and 14% of the contracts having a clause on prices and discounts.

			ticket price and discounts		Total
			no	yes	
DealType	Buy-Out	Count	41	6	47
		% within DealType	87,2%	12,8%	100,0%
	Revenue Share	Count	4	8	12
		% within DealType	33,3%	66,7%	100,0%
	Guarantee + Revenue Share	Count	19	3	22
		% within DealType	86,4%	13,6%	100,0%
	Rental Deal	Count	11	0	11
		% within DealType	100,0%	,0%	100,0%
Total		Count	75	17	92
		% within DealType	81,5%	18,5%	100,0%

Table 3.12: ticket price and discounts, divided by deal type

In four contracts, the contract forbids the theatre to sell tickets to a group of people, without permission of the company. The threshold for such a group is strikingly low: two contracts state twelve people are considered to be a group, two contracts mention the amount of twenty. Three of these contracts belong to the Buy-Out category.

A total of fourteen contracts mentions sponsoring of the event. Out of these fourteen, five forbid the theatre to find sponsors for the contracted performances. Six contracts do not permit sponsoring without permission of the company. The final three mention that the size of the theatre's sponsor's logo on publicity material may not be larger than the company sponsor's logo (if any) and the two sponsors may not be competitors.

When analysing these contracts, the *shared responsibility to find an audience*, as described by Assassi, is not very apparent. The contracts have a lot of demands and restrictions towards the activities of the theatre and, besides providing posters and flyers, very limited responsibilities for the companies. As one contract literally says: “Most promotional activities will be conducted by the theatre.” A total of 19 contracts however, does formalize the shared responsibility to find an audience for the performances. Strikingly, none of these contracts are within the Revenue Sharing-category. Thirteen buy-out contracts and six contracts with the Revenue Sharing + Guarantee -category mention some sort of shared effort. Two contracts state that both parties will distribute flyers and will, at another moment, agree upon a more detailed marketing plan for the performances. Five contracts state that, even though finding an audience is a task of the theatre, the company will provide the theatre with target groups, that the theatre then will try to attract. Thirteen contracts state that the company and the theatre will frequently contact each other regarding marketing, promotion of the performance and ticket sales. Out of these thirteen, one contract states that both parties commit to a maximum effort in the promotional activities and attracting of an audience. The activities themselves are not described any further, which makes this statement of more a symbolical nature than that it is a practical commitment.

			shared effort		Total
			no	yes	
DealType	Buy-Out	Count	34	13	47
		% within DealType	72,3%	27,7%	100,0%
	Revenue Share	Count	12	0	12
		% within DealType	100,0%	,0%	100,0%
	Guarantee+RevenueShare	Count	16	6	22
		% within DealType	72,7%	27,3%	100,0%
	Rental Deal	Count	11	0	11
		% within DealType	100,0%	,0%	100,0%
Total		Count	73	19	92
		% within DealType	79,3%	20,7%	100,0%

Table 3.13: Contracts mentioning a shared effort, divided by deal type

Conclusion

My research was designed to answer a series of simple questions, that could add to the insight we have in the use of contracts in the high arts theatre programming in the Netherlands. Which of the deal types, as described by Langeveld (2009), have been used in Theater aan het Spui, in which cases? How do these deals influence the distribution of income and risk between the theatre and the companies? Are deal types a significant influence on the number of visitors that a performance attracts? Do the theatre and the companies agree upon certain marketing activities in their contracts and formalize both parties' responsibility to find an audience for the contracted performance? These questions have been extensively answered in my data analysis. In this part of my thesis I will recapitulate the answers and connect the outcome to the theoretical framework, written in chapters two and three of this thesis.

Which of the deal types, as described by Langeveld (2009), have been used in Theater aan het Spui, in which cases?

The contract types that Langeveld describes (rental, buy-out, revenue sharing, and revenue sharing with a guarantee) have all been used in Theater aan het Spui. A rental agreement is most often used to contract an amateur arts performance, or to contract those performances that the theatre has no artistic interest in. Revenue sharing deals have mostly been used to contract performances from local companies: their market power is yet limited and they can be expected to market the performance to their own audience. Another reason to use a revenue sharing deal seems to be a premiere performance: the five times a BIS- or FPK-subsidized company has been contracted with a revenue sharing deal, it was for a first performance.

International performances have mostly been contracted using a buy-out deal: they can't be expected to market their performance in The Netherlands, so no connection between ticket sales and company income has been made. Independently produced high arts performances, and companies receiving either BIS- or FPK-subsidies have been mostly contracted using a buy-out contract or a contract combining revenue sharing with a guarantee. Overall, these two contract forms have been used most often in Theater aan het Spui in 2010: 50% of all deals made have been buy-outs, 22% used revenue sharing with a guarantee, 18% used a revenue share only and for 10% of all contracted performances, a rental deal has been used.

How do these deals influence the distribution of income and risk between the theatre and the companies?

The influence of a rental deal on the distribution of income and risk between the theatre and the company is very clear: all risk in this deal is on the side of the company. Their income is depending on ticket sales: Theater aan het Spui's income had been secured well in advance. All returns for the theatre from a rental agreement are positive, by the nature of the deal. In fourteen out of twenty-three cases, the theatre company sold enough tickets to be able to at least cover the rental sum from box office returns. In the remaining nine cases, the revenue was insufficient. In case of a revenue sharing deal, risk and income are spread equally between a theatre and the company. In this type of deal, the return for both parties is dependent on ticket sales. Even though the mean income for Theater aan het Spui is lower than the company income, the mean income from performances using a revenue sharing deal is positive, by definition. However, this outcome was to be expected and doesn't really enhance the insight given by the literature, in advance.

The most interesting results in this analysis stem from the buy-out and revenue share plus guarantee deals. In theory, a revenue share plus guarantee can be used to create a connection between ticket sales and company income: it can create an incentive for a company to reach out to the audience and increase ticket sales. Before analyzing the database, I had expected that buy-out sums were higher than the guarantee sums in a revenue sharing deal: that way, there is a clear trade off between the theatre and the company. The theatre company takes a bigger chance of the financial risk in presenting the performance, and in return, it can profit from the box office return in case of high attendance numbers. However, this is not the way these contracts have been used in Theater aan het Spui. The mean guarantee sums have been higher than the buy-out sums, both in the small hall and in the big hall. Instead of a more equal division of risk over the two parties, the revenue share plus guarantee deal has been mostly used by companies to be able to tap into the box office results in case of high attendance levels. The results of this type of deal making on the distribution of income is clearly showed in the scatterplots in the previous chapter: in most of the cases, the box office returns aren't sufficient to cover buy-out or guarantee sums. In most cases, the returns on presenting a

theatrical performance are negative. In case of the revenue share plus guarantee deal and a decent box-office return, most of that income also benefits the company.
In conclusion, the distribution of risk and income in case of buy-out and revenue sharing deal are rather one-sided: most, if not all risk is being taken by Theater aan het Spui, while the larger part of the income flows to the companies.

Are deal types a significant influence on the number of visitors that a performance attracts?

Whether the deal types are a significant influence on visitor numbers in Theater aan het Spui is a question that is hard to answer. My data do show that there is a statistical association between deal type and ticket sales. Performances that have been contracted using a rental deal have been performing very well in Theater aan het Spui, in terms of tickets sales. In a rental deal, the company is expected to attract its own audience. In 2010, most companies have been successful in doing so. Companies performing on a revenue sharing basis didn't sell a high percentage of available tickets: apparently, the deal type has successfully been used by Theater aan het Spui's programmer to minimize the risk for both parties.

Again, the most interesting result I found when answering this question lies in the difference between the buy-out and revenue share plus guarantee deals. A larger share of performances using buy-out deals have mediocre ticket sales percentages; a larger share of performances using revenue share plus guarantee deals have good ticket sales percentages. My research results support the notion of an incentive to reach a bigger audience within a revenue share plus guarantee deal. This difference could also be explained by the idea that companies with a bigger market power, that are more likely to attract a bigger audience, are able to negotiate a revenue share plus guarantee deal for themselves.

Do the theatre and the companies agree upon certain marketing activities in their contracts and formalize both parties' responsibility to find an audience for the contracted performance?

The majority of the contracts used in Theater aan het Spui in 2010 do not have a clause that refers to marketing: only 41% of the performances in my database do have a contract that mentions the marketing of the performance. Contrary to what I expected to find, this percentage is not higher in the group of contracted performances using a Revenue Sharing deal. With 45,8% of the performances, it is slightly above average in the Revenue Sharing + Guarantee-type. 87% of the marketing clauses in these contracts mention the availability, distribution and costs of publicity materials. In all of these clauses, the production of these materials is the responsibility of the company, while the theatre agrees to use and distribute the materials. Contrary to what I expected, contacting local, regional or national press is rarely mentioned. If mentioned, the responsibility to do so is on the side of the theatre. Other elements of the marketing clauses I found in the contracts are mainly restrictive. Some contracts state that the theatre is not allowed to sell tickets at a discount price, sell tickets to a group or attract sponsors to an event without permission of the company. For 19 out of all 222 contracted performances, the contracts between the theatre and a company do mention a shared responsibility in attracting an audience, other than the production of publicity material. Some contracts state that the company will provide the theatre with target groups that it can focus their marketing efforts on, others mention that the company and the theatres will frequently discuss marketing, promotion and ticket sales. With only 41% of all performances mentioning marketing in the contracts, and only 8,5% formalizing a shared responsibility and effort in finding an audience for these performances, one can conclude that the marketing and promotion of performances in VVT-theatres is, at large, a responsibility of the theatre.

On the market of performances, Theater aan het Spui acts like a typical VVT-theatre: it is product focussed. Being able to present high arts (subsidized) theatre is more important to the programmer than return on investment. Seen the height of the buy-out sums and guarantees to contract BIS- and FPK-companies, the often low percentage of seats taken and the low box office returns that come along with this, Theater aan het Spui clearly rates the (pre-conceived) quality of a performance more important than the price of this performance or the amount of audience it will be able to attract. This is underlined by the fact that, when the content of the performance does not match the theatre's artistic criteria, as is the case with amateur performances, deals are made that do have a positive net return. By taking this position, Theater aan het Spui takes a lot of financial risks and takes an overall loss on their programming investments: the box office returns do not cover the programming costs, leading to a mean overall loss of 314 Euro per performance. Overall exploitation costs of the theatre have not been taken into account here, but they can clearly not be covered by the theatre's own income.

The contracts used in Theater aan het Spui, do not reflect a sense of shared responsibility for the success of a performance, as described by Assassi. With less than a half of the contracts even mentioning marketing, and just a fragment formalizing commitment for both parties to find an audience for contracted performances, the notion that theatres and companies are working “together, for the sake of the performing arts” seems rather unrealistic. The shortest straw is clearly drawn by the VVT-theatre: it is the theatre's money that is at stake and it is the theatre that is largely responsible to sell tickets for the performances. Contracting performances with Revenue Sharing deals or drastically lowering the Guarantee sums in Revenue Sharing plus Guarantee deals will create an economical incentive for companies to indeed engage in a shared effort to attract an audience. Considering the income norms for FPK-companies and the increasing height of income norms for BIS-companies, it is unlikely companies will agree upon these more riskful contract forms. It is debatable whether a higher income norm for BIS-companies, or for FPK-companies for that matter, will contribute to a higher amount of “cultural entrepreneurship”, as the buzzword is. As most successful businessmen will tell you, entrepreneurship comes with taking risks. Demanding that the companies will generate more income will more likely lead to risk aversion and thus to higher buy-out sums or higher guarantees, which in case of Theater aan het Spui, will lead to higher budget deficits, that have to be covered through municipal funds.

External validity

Since all deals that I have analyzed have been made by one programmer (Cees Debets of Theater aan het Spui), the results of this research can not be considered to be valid for all VVT-theatres in The Netherlands. Even though the comparison of buy-out sums between Theater aan het Spui and Chassé Theater does not lead to conlude that Debets is a *bad dealmaker,* this does not rule out that other VVT-theatres act differently. Perhaps, in other theatres, revenue sharing deals and a relatively low guarantee sum are being used to create an equal division of risk and income between the involved parties or used buy-out sums are more realistic. However, since the behaviour of Theater aan het Spui on the market of theater performances is in line with the expected behaviour of a product-oriented theatre, it is unlikely my results illustrate a unique case in The Netherlands. Since the contracts used have (mostly) been written by the theatre companies and are mostly standardized texts, my analysis of the marketing clauses in these contracts have a higher external validity.

Further research

This thesis has focussed on the distribution of income and risk. A follow-up research on the distribution of costs per performance between the two parties could lead to interesting results. Also, a comparison of available marketingbudget and personnel per performance for these two parties would add an interesting dimension to the results in this thesis.

A repetition of this research at other (VVT-)theatres could put these results in a broader perspective, and give insight into the behaviour of VVT-theatres in general.

My research design has ignored those that mediate between the producers and the distributors: agencies and impresario's, that sell and negotiate companies' plays to the theatres. It would be interesting to examine their influence on the choice of deals and the avoidance of risk for the companies.

Finally, it will be interesting to see how the higher income norms for theatre companies with a BIS-status, effected in 2017, will effect the height of buy-out sums and guarantees for these companies. Will their own income indeed be indirectly subsidized by local governments through theatre's budget deficits?

Recommendations

My research results show that is likely to expect that, to raise their own income, BIS- and FPK-companies will raise their buy-out sums and guarantees. Perhaps VSCD-theatres should collectively agree on contracting FPK- and BIS-companies with a Revenue Sharing deal only. This would have two clear benefits. For one, funds from local governments would contribute to the exploitation of their local theatres, but not subsidize companies through unrealistic buy-out sums or guarantees that can't be met, leading to a more clear division in subsidy flows. Secondly, it would create a necessity for the companies to find (a part of) their own audience, through a shared marketing effort with the theatre. In stead of handing in a marketing plan when applying for a grant, companies would have to come up with a marketing plan to generate (a part of) their income. It should lead towards the entrepreneurial spirit that is now so often referred to.

Besides this general recommendation, my research results lead to two practical recommendations to Theater aan het Spui. Since it is unlikely theatre companies will agree on a revenue sharing contract if Theater aan het Spui would be the only theatre insisting upon such a contract in The Hague, or The Netherlands, these recommendations concern the use of buy-out and revenue sharing plus guarantee contracts and the use of marketing clauses.

1. Create a more clear connection between the height of a guarantee and the revenue sharing ratio: A theatre company should only be able to profit from high box office returns if it is willing to take risks. As the title of this thesis goes: *no risk, no profit.* This way, the risk taken by Theater aan het Spui can be slightly limited. A revenue sharing plus guarantee deal should not be a *buy-out with benefits,* but function as an incentive for the companies to engage in a shared effort to attract an audience for the performances.

2. In stead of agreeing on the marketing clauses in the contract, that are now written by the companies, Theater aan het Spui can write marketing clauses that describe what the theatre expects from the companies, when choosing for a certain deal type. A contract agreeing on a buy-out comes with a different marketing clause than a contract agreeing on a revenue sharing plus guarantee. Again, this creates a more clear connection between the marketing and promotion of the performance, audience numbers and company income. The shared effort to attract an audience is

then formalized and practical guidelines for the cooperation are created. I would recommend this clause to contain elements on both parties responsibilities in:

- the definition and attraction of target groups for the performance (other than known costumers)
- contacting local, regional and national press to promote the performance.
- the production and distribution of posters and flyers and its costs
- ticket discounts actions and group reservations
- additional programming and educational activities

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