

Scaling the House: Maximizing price and profit in Theatre Performance Ticketing

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Abstract

This paper examined the process of maximizing price and profit through scaling the theatre house using simple arithmetic to determine amount payable in theatre performance ticketing. Scaling is the process of fixing price for admittance ticket into the theatre to watch a performance. The house in theatre parlance is the sitting position of the audience and it could also mean the theatre itself. The paper further argues and acknowledged that the customer is very important, because without the customer there will be no theatre, hence the customer is central to the success of commercial and none commercial theatre. Therefore, the customer should not be cheated in any form, including varying without cause the price of ticket, hence the need for arithmetic resolution of gate taking or ticketing. Therefore, this paper attempted to analyse the use of simple arithmetic to determine how much to be paid by members of the audience who shoulders the cost of commercial theatre production, as well as determine the profit margin. The analysis is designed to aid reasonable explanation of the profit made in an equitable manner that the audience will not assume they have been cheated. The paper concluded that fair ticket pricing will re-affirm the confidence of customer on theatre managers even at the verge of making profit. It therefore recommended an effective house scaling as a valuable means of audience development for theatre performance patronage.

Key words: Scaling, theatre business, arts management and performance pricing.

Introduction

The audience is the third realm of theatre practice. Without the presence of the audience a theatre performance is incomplete. The presence of the audience signals participation return of investment and profit making, particularly in commercial theatre. Profit making comes from investment of money, human effort and materials. In spite of the need to make profit from investment there is need for fairness and equity in pricing. To achieve the aforementioned there

is the need to scale the house. Scaling is the price fixing process for patrons who come to the theatre to watch performance, otherwise referred to as the house. The house refers to the theatre at the same time the sitting position of the audience in theatre management parlance. The importance of scaling the house is to maximize profit, which means the producer is expected to make fair gain which should be “customer pocket friendly”. The process of achieving this involves the use of simple arithmetic calculations which demonstrates how fairness in pricing should be done to favour both the investor and the patron. Pricing is a very important factor in theatre performance practice because it builds cost effective bridge between quality and quantity of audience presence.

Literature Review

The literature available for this study is generally scanty, particularly in Nigeria due to poor attention given this aspect of theatre management. The few that are available on the internet are from researches that were carried out in other countries whose data and way of doing theatre business may differ from ours because of consistency in theatre business. This is in addition to the restriction on some of them. However, the few available shall be reviewed in whatever way they are related to this study. The dearth of data or research materials in this area of theatre management arises from the inconsistency in live theatre business in Nigeria and the way the few available were managed. County (2000) stated “some of these pricing issues have received scanty attention as applications of broader economic theories” (p. 2). The careless handling that tails ticketing in theatre management business indicates poor approach and attitude to it particularly in recent time. County (2000) further noted that “In fact, there are many disjoint works on ticket but no real literature per se on the topic” (p. 2). This is an indication that the neglect in this area of theatre business study is not peculiar to the developing countries alone, that it includes developed countries because County’s study emanated from London business school. That wraps the assumption that it is a universal phenomenon.

At the inception of theatre business in Nigeria there were theatre management procedures which were followed that have been played down on due to intent to improve on gate takings, evade tax or as an act of ignorance practice. Whatever the situation, it contributes to the importance of this study. Any method of gate taking that does not follow the laid down process may lead to abuse

of scaling as recent media posting records as much as one hundred thousand each for four persons on a table in some theatre programmes. This may be exceptionally arranged, alongside the laid down process. Nobody may sit on such table because of the price or someone may deceitfully sit there to attract others. There may be no ticket issued for such usurious gate taking, which is an attempt to evade tax if any. It is on this premise that Adedokun (2001) opined that “the price in all sections must be equitable and appeal to the public (p. 53). Therefore, whatever is done that is inequitable and does not appeal to the audience is done as an act of ignorance, because it will breach standard and repel patrons not only for that business but for subsequent similar businesses. If at all such attempt succeeds it will be for a class and it will exclude so many others thereby curtailing the market size. Effective pricing in theatre business is very important if theatre market must grow for the benefits of the people, government, theatre business men and the artists.

Theoretical framework

This paper is hinged on these theoretical frameworks which are important in the scaling of the house focused on maximizing profit in theatre production. This is germane to realizing the total production cost of the theatre in particular. On this note Clements (2018) asserts that “concert ticket prices are generally set to maximize profits, according to event organizers...” (p. 8). It must be noted that profits are not easily maximized without maximizing expenses and waste. Maximizing profit should also put into consideration the product and the consumer considering the nature of theatre arts as goods that is unique in its own right. Hence, Clements (2018) opined that; “Theater performances fall into the category of experience goods, products that must be consumed before they can be accurately evaluated. Consumers cannot determine the true value of attending a theater performance until after they have attended, but they must purchase tickets in advance. While some information are available to help consumers decide whether this is likely to be an experience that they will value, such as critics’ reviews or advance press about the production, purchasing a theater ticket is always a bit of a gamble. As such, the price of a theater ticket must in part communicate the value of the experience to the consumer” (p. 3) with a view to sustain his custom or rather patronage.

For the fact that theatre is an experience goods implies that the customer has no means of

determining the state of the performance before paying for the ticket. Particularly if it is a live stage performance, because a recorded performance like film or home video could advertise with excerpts from the recorded material. For live theatre performance, it is in attempt to get the experience of the performance that motivates the customer to pay for the ticket. However, the experience determines future patronage which is also very important for theatre business continuity. Although there are free theatre performances which are indirectly paid for through sponsorship, the essence of theatre ticket is to sustain the business of theatre performance. On this view Johnson (2005) posits that; “At the most basic level, the purpose of charging a price for attending a theater performance is to enable the company to earn revenue to offset the costs of production. The marketing literature differentiates between two basic pricing models. In the cost-plus model, the company determines the total cost of production, allocates this cost across the units produced (in this case, tickets), and sets a price that will enable a predetermined profit margin. In the value- based model, the company measures consumers’ willingness to pay for a product, and implements cost saving procedures to reduce the production cost per unit until it is below the price that consumers are willing to pay” (p. 1).

The importance of ticketing in theatre is of necessity; however, the importance should not override the importance of gauging affordability by customers. Otherwise, the objective of ticketing may be defeated in this regard. More so that Clements reiterated the danger of reputation risk for artists, which implies “Artists may avoid very high prices because they do not want to be perceived as gouging fans. Similarly, event organizers told us some artists have a certain brand or image—such as working- class appeal—that could be harmed by charging very high ticket prices” (8). Therefore, one of the elements of good theatre ticketing is to avoid price harm. This must be considered so as to sustain patrons thereby sustaining the business of performance.

Business of the “house”

The theatre is often referred to as the house in professional theatre practice in view of what it is to the artist. Specifically, the house is uniquely recognised in theatre management because of its importance, hence Ademola Adedokun (2001) posits that; “The “house” in the theatre refers to the auditorium essentially. This is the area of the theatre design specifically for the audience.

The construction, style, infrastructural facilities and space do enhance relation and enjoyment. How the audience is received in the theatre, led into his seat and courtesy or melancholy accompanying all interactions he has in the theatre is all part of good or bad house management” (p. 48). The house seemingly is the heart of the theatre, its effective management determines the survival of the theatre.

The house is central in theatre business because all the preparations for any theatrical performance is planned to take place before the audience seated in the house. Without the audience theatre cannot be said to have taken place, even in a non-commercial theatre. The audience, is so important in theatre performances that the playwright or scriptwriter writes for an audience. The director directs for an audience and the actor and actresses acts before an audience. The theatre manager provides managerial expertise to enable the audience enjoy the performance. Whatever constitutes the totality of what has been organised for the theatre is done for the purpose of the audience. The centrality of an audience enjoyment of theatre performance triggers a careful preparation by all those involved in it. The house, in an exceptional manner provides the comfort required for the enjoyment of theatre performance. It is in the provision of this comfort that the theatre manager seeks organizational benefits, having invested money, material and human effort. One major way of realizing this benefit is in form of profit on investment which can only come from the audience. The realization of the amount of money invested and the profit thereof must be done through the fairest means possible through maximization of cost of production and profit in a way that it will benefit audience and the producer through the process of scaling the house.

Scaling the house

Ademola Adedokun (2001) used “scaling the house (fixing ticket prices)” (p. 51) as one of his subheadings in “Theatre Administration and Management Procedure”. He enumerated the process of fixing price in a theatre. “Scaling the house” as commonly used is an abbreviation of the “economies of scale” commonly used in economic discourses, particularly in production. But in the first concept it was coin to match theatrical purpose. County (2000) comments; “Front seats usually cost more than those located further away. Industry professionals call ‘scaling the

house' the process of pricing the front rows (referred to as 'golden circle') at high prices and reducing prices all the way to the nosebleed section" (p. 171). It means the process of price management of mass production of theatrical services so as to reduce the cost of production per unit. Case (1999) defined "production as the process by which inputs are combined, transformed and turned into outputs" (p. 157). Hartzell (2006) viewed production as "all the process involved in providing goods and services to the market from the extraction of raw materials to the retail of finished product" (p. 313). Theatre arts fits into the economically defined process of production because it combines playwriting, directorial, technical, performance and managerial inputs and transforms it into an output in form of performance. By this, theatre performance has passed through the process of providing service and goods in form of entertainment to the market from the extraction of raw ideals as creative materials to the retail of finished product at unit sales in form of ticketing for individual seat. It is therefore expected that the ticketing for individual seat requires fairness that will be beneficial to the customer and the producer, hence the need for scaling the house.

Scaling the house evolved with commercial theatre in the industrial revolution era. This was further influenced by the industrial nature of theatre production. More so, that the word "production" is the same in the production of goods and services as well as it is in theatre. The application of the principles of "economies of scale" in other industrial goods and services production is the same with the process of scaling the house, the essence is to ensure that "the price in all sections must be equitable and appeal to the public. Obviously, the job of scaling the house should not be done in a hurry; it should be considered carefully, part by part. (Adedokun, 2001, p. 53). An equitable and appealing price can only be achieved through the use of simple arithmetic in scaling the house. However, there is a slight exception to this considering recent ticket management in performances where a table for four persons is highly priced. The question is, are these seats commensurate with the price? This question becomes necessary because any seat that is highly priced is expected to be lavishly comfortable. It is in this view that County (200) opined that 'in many venues, more expensive seats do not only offer a better view but are also more comfortable and are located in more lavishly decorated sections. More expensive seats

are often wider, offer more leg spaces, and are made of softer material which makes seating for a long period less unpleasant” (p. 178).

It is expected that when a patron pays anything extra he or she should get value for the money. Unfortunately, not everybody can afford this luxurious seat. Hence, the theatre cannot be scaled along that luxurious line of action.

Arithmetic of scaling the house

A successful scaling of the house will be fairly difficult without a little knowledge of arithmetic. This is because arithmetic constitutes the base of effective actualization of scaling the house. Jaggi (2006) defined “arithmetic as a branch of mathematics which deals with numerical aspects of numbers which involves the study of the skills necessary to manipulate numbers” (p. 19). In this discourse, numbers are skilfully manipulated to determine unit price per seat in the theatre house to be paid by a customer. It is pertinent to give relevant examples in this regard thus: If the total numbers of seats in a theatre house are hundred and the total cost of production is one hundred thousand naira for a performance that will run for two day, how does a theatre business manager determine unit price per seat and profit? The profit margin is usually between twenty to twenty five percent of the total cost of production. However, we shall use twenty percent in the following example:

Total number of seats	100
Total cost of production	₦100, 000
Profit (20% of total cost of production)	₦ 20, 000
Number of days for the performance	2 days

$$\frac{\text{Total cost of production + profit}}{\text{Total number of seats}} = \frac{\text{₦100, 000 + 20,000}}{100}$$

$$= \div \frac{\text{₦ } 120,000}{100} \text{ unit price per seat} = \text{₦}1000 \text{ (for one day)}$$

If the performance is going to run for two days: $\frac{\text{price per seat}}{\text{number of days for performance}} = \div \frac{\text{₦}1000}{2}$

$$= \text{₦}500.00 \text{ (is the unit price per seat).}$$

If the total cost of production is one hundred and twenty thousand (₦120, 000.00) and the performance is billed to run for two days what should the business manager do? There are two options:

- (a) Out of the hundred seats twenty should be designated as special seats with doubled unit price per seat. That automatically increased the initial price of five hundred naira (₦500.00) to one thousand naira (₦1000.00) for the twenty seats.

$$\text{₦}1000.00 \times 20 \text{ seats} = \text{₦}20, 000.00 \times 2 \text{ days} = \text{₦}40, 000.00$$

$$\text{₦}500.00 \times 80 \text{ seats} = \text{₦}40, 000.00 \times 2 \text{ days} = \text{₦}80, 000.00$$

$$\text{₦}40, 000.00 + \text{₦}80, 000.00 = \text{₦}120, 000.00$$

- (b) The performance can run for three days. If the performance is to run for three days, two factors must be considered (1) possibility of having the expected size of audience bearing in mind the attractiveness of the performance which can necessitate audience demand for a repeat performance . (2) affordability of the gate fee.

$$\frac{\text{Total cost of production}}{\text{number of days for performance}} = \div \frac{\text{₦}120, 000.00}{3} = \text{₦}40, 000.00$$

number of seats

100

$$\frac{\text{Unit price per seat}}{\text{number of days}} = \frac{1,200.00}{3} = \text{N400 (Unit price per seat).}$$

The use of arithmetic does not only strengthen the process of scaling the house, it helps its understanding as well as gave accurate result, justify the price and makes the process of pricing justifiable.

Importance of scaling in theatre performance

Scaling is very important in theatre performance, particularly in commercial theatre. Even in none commercial theatre scaling is also very important because the size of the expected audience and what is required to meet their entertainment needs is used to solicit funds from theatre donors and patron. The effectiveness of scaling in performance is more profound in the following:

- *Fair price:* Scaling is the process of determining the unit price per seat in the house. It will be difficult to determine fair price in the theatre if scaling procedure is not followed. Therefore, scaling is the source of determining fair price in theatre performance.
- *Maximization of profit:* Arbitrary profit in any business is a deterrent to fair price. This restricts the level of patronage because it makes price higher than expected. The percentage of profit is derived from the total cost of production. For instance, if the total cost of production is one hundred thousand naira, additional twenty to twenty-five thousand naira is the profit. That makes the total sum one hundred and twenty or twenty five thousand naira only. Maximization in this context is to make best use of the economies of scale in determining price and to prevent unfair price which is capable of restricting customers' patronage.

- *Explainable profit:* Scaling the house provides for explainable profit. It must be noted that profit in business is based on 60% percent. If the business yields more profit, it becomes a windfall. Case (1999) asserted that we assume that firms are in business to make a profit and that behaviour is guided by the goal of maximum profits. But what is profit? In simplest terms, profit is the difference between total revenue and total cost: Profit = total revenue – total cost (p. 161). An example of this is shown below;

Total revenue	N120. 000
	–
Total cost of production	<u>N100. 000</u>
= Profit	<u>20,000</u>

When you minus total revenue from total cost you get profit as the balance as shown above. Explainable profit is important because it is an indication that the performance is properly managed. In addition, it aids payment of tax where necessary.

- *Audience development:* When the unit price per seat in a performance is affordable and commensurate with the total performance package provided, the audience will regularly patronise the theatre. The pocket friendliness of the scaled unit price per seat encourages audience participation with confidence, which enhances audience development.
- *Accounting purposes:* The process of scaling enhances accounting procedure for the performance. It makes auditing process easier with a focus on the end result which is to minimize internal and external fraud.
- *Dual-core marketing job fulfilment:* Hartzell (2006) explained dual-core marketing job as; “The initial part of the dual-core job is that marketing managements customer needs and desires including those needs and desire the customer is not aware of as well as those he recognises” (p. 127). The process of scaling the house may not be known to the customer, but the customer enjoys its result. In this case scaling the house is a fulfilment of dual-core marketing prescription.

Factors influencing the process of scaling the house

Every economic decision is hinged on factors that will enable it to attain its objectives. Therefore, scaling the house is dependent on three important major factors and three minor factors. The three major factors are economic, performance and capital.

Economic: Adedokun (2001) asserted that fixing ticket price depends on a number of economic factors. These include,

- (i) size of the theatre and capacity
- (ii) type of theatre programmes
- (iii) quality/standard of production
- (iv) frequency of production
- (v) extent of publicity coverage
- (vi) audience potentials
- (vii) extent of available capital for operation (p. 51).

These economic factors are very important in the determination of theatre ticket price for theatre performance. However, the economy of the country is a major determinant of the viability of each of these factors. For instance, the decision to establish theatre troupe with a good capacity is dependent on audience potential and available capital. This implies that, if there is no capital, as a result of poor economy the theatre troupe may not be established. Even when it is established, the audience may not have the purchasing power to buy ticket if elaborate theatre productions are performed because the purchasing power to buy ticket is restricted by poor economy. Hence, in price fixing, theatre ticket price, the economy of the nation, state or locality must be considered. The economy also influences the type of theatre programmes, standard of production, theatre production frequency and publicity coverage. The economy impacts on these factors and enable them to shape price determination. This is “economy-economic impact” the power of the whole economy that strengthens economic factors to propel the

economy. In essence, these economic factors are dependent on the viability of the entire economy. As the economy influences economic factors, so these economic factors influence the purchasing power of the people and influence the fixing of theatre production ticket price in an affordable or unaffordable manner.

- **Performance:** The elaborate nature of any theatre arts performance is a principal determinant of the total cost which is broken down into unit cost for the audience as a ticket price. Therefore, if a performance is elaborate it does not necessarily mean that it will be expensive, particularly if it is technically elaborate, because these materials could be sourced locally at reasonable cost. When the cost of sourcing materials, human resources and finance is high, certainly the cost of production must be high. Another performance aspect that could heighten cost of production is the technicality of performance that requires expertise. If it is a highly technical performance that requires expertise then it must induce more cost. This is often experienced on home video or film production. However, stage production, depending on the cast, crew and technicality can also induce high cost. All these enable performance to aid unit price of ticket determination.
- **Capital:** Capital in this context implies money and human resources. Any performance that has sophisticated “capital” imparts and automatically contributes to the determination of the price. For example, if the actors and actresses involved in a production are of “Gold Star” cadre or rating, whose earnings are stratospheric, certainly it will aid high pricing for gate taking. If the technical crew and the materials used are also of high cost, it will also contribute to the determination of the price. If the theatre production is a commercial theatre production, whose earnings and savings cannot carry an elaborate production, and it decides to borrow money on interest, depending on the time, if the interest rate is high, then it automatically influences cost as it determines unit price of ticket.

The three minor factors are ticket bulk buyers otherwise known as middlemen/franchisers, price competitiveness and future planning. These are referred to as minor factors because they do not economically, but they consciously determine the process of pricing.

- ✓ Middlemen/Franchisers: These are the persons who buy theatre ticket from the producers, or theatre managers at a discount and sell to the expected theatre audience. The amount discounted is important because it has to be planned for so as not to amount to loss to the producer or theatre manager. If the discount is too insignificant, it could lead to excess addition to the original price by these middlemen so as to make extra gain but this could lead to loss if the excess price is rejected by the would be buyer but to the future detriment of the theatre house. This is because the middlemen are seen as representative of the producer, theatre manager or theatre house. These consciously influence the ticket price determination in a theatre.
- ✓ Price competitiveness: This is an important influencing factor though regarded as minor in an environment where theatre companies are many, active and the competition is high. In this regard, price competitiveness is capable of sustaining a theatre company if its pricing is competitive. *BusinessDictionary.com* (2019) defines price competitiveness as “a price lower than that offered by the competitors, or a price made more attractive because of added incentives,” ... (p. 1). It is only through competitive pricing that effective pricing that is reasonable and attractive can be achieved with a view to achieve objective.
- ✓ Future planning: The third assumed minor factor that influences scaling the house is future planning. The previous records of scaling the house can enhance future planning as well as the expected market size. If the previous available data is progressive the tendency is that it should be sustained. If it is uneven it implies that it should be made even and if it is not progressive it should be made progressive. The success of any theatre arts business is dependent on future planning because theatre arts business is the most delicate to manage without future planning consideration because losses incurred are difficult to recover. This is because its recovery takes extra hard work of improved marketing and performance cost.

The promoter who does business with a performer is allowed to fix his own price; that is if he has paid the artist to perform before an audience. According to County (2000) “promoters are responsible for the setting of price for their own events and generally tailor prices to the demand

of the particular events. For example, the performer on a tour may set different prices in different city stops to match the specific demands”(p. 178) of the different communities..

Recommendations

The house is the main business centre of the theatre, and it must be understood as such for proper financial management. In order to achieve proper financial management scaling becomes very important. Scaling the house is a requirement in the management of contemporary theatre performance ticketing. In as much as it was derived from the “economies of scale” which aids the reduction of unit average cost per product engineered by increasing the scale of production in industries, it replicates the same effect in theatre production. Therefore, scaling the house should be seen as a viable resource that will advance theatre management, particularly the area of ticketing. More so, scaling the house is applicable to drama, music, dance and comedy performance ticketing as well as other related art businesses like cinema etc., hence it should be emphasised in the teaching of theatre management, apart from the accountability purposes of scaling the house, its dual-core marketing implication is very important towards audience development. The theatre manager is therefore under obligation to put his eyes on these factors, particularly those that influence scaling in attempt to determine price at the fairest and just level so as to encourage patronage.

Conclusion

Scaling the house is an important financial aspect of performance arts management. It is the core of theatre business management, a means of valuing customer’s response to call for patronage. It is important because it is a means of fixing the fairest price that is patron attractive. The process utilizes the usefulness of arithmetic in scaling the house; this has been proven with the examples given. The implication of not acknowledging this usefulness has the potency to induce fraud, audience dissatisfaction due to high gate taking, lack of accounting standard, unjustified profit and subsequent low patronage. The understanding of the factor that influences the process of scaling helps to ensure its success. On this note, effective scaling of the house is expected to give the best result that would benefit both the audience and managers of the theatre. Obviously, the success of the commercial theatre is dependent on scaling if it must break even, so also is the non-commercial theatre if it must be well finance by sponsors. The achievement of the objective

of the theatre is dependent on money and scaling is the process of realising the money through ticketing, hence scaling is an inevitable part of performance arts business management.

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