

Touring 102

Let's take a look at the business model of touring.

When "Touring Madness! the Musical" plays Random City, the box office income is split up between the local Presenter (Random City Arts Foundation) and the Producer (Peripatetic Productions.) First, various fees – such as credit card fees and group sales commissions -- are deducted to yield the NAGBOR (Net Adjusted Gross Box Office Receipts); from this the Presenter pays the Producer a guarantee plus 10% of the NAGBOR, takes out the Presenter expenses (local crew, musicians, advertising, rent, etc.), and – if anything is left – the remainder (known as the "overage") is divvied up 60% to the Producer and 40% to the Presenter. That is more or less the standard paradigm.

If the Producer raises \$5,000,000 to mount "Touring Madness!" for the road and it costs him \$300,000 a week to run this show, then – amortizing his capitalization over a fifty-week booking season – he needs to make a \$400,000 a week to break even. So if [cue the flying pigs] he gets a \$400K guarantee at Random City and the show grosses a million dollars, the NAGBOR will be \$930K and – assuming Presenter expenses are \$320K – the Producer gets \$563K and the Presenter gets \$367K. In the more likely instance that the gross is \$750K, the NAGBOR is \$700K, and the Producer gets \$400K plus \$70K -- that's it. The Presenter gets \$230K -- not even enough to cover his expenses.

Now, because of the recession, the not-for-profit Random City Arts Foundation has lost half its subscribers, most of its donors, and absolutely all its local government funding. So, when Peripatetic Productions asks for \$400K, RCAF says, "No. We'll give you \$280K." (For their five-show season, the RCAF might be able to afford one \$350K show, one \$280K show, and three \$230K shows. The expensive slot probably goes to "Wicked" or "Jersey Boys," the three cheap slots go to a concert, some acrobats and a non-Equity show, and the modest show is a Production Tier or SETA tour.)

With a \$280K guarantee, Peripatetic Productions makes \$515K on a million dollar gross but only \$368K on a \$750K gross. In other words, regardless of the guarantee, if the show grosses a million dollars a week, everybody's okay and if the show grosses \$750K, things are tough. And in today's economic clime, grossing even \$750K can seem optimistic.

Gross	\$1,000K	\$750K	\$1,000K	\$750K
Expenses	\$70K	\$50K	\$70K	\$50K
NAGBOR	\$930K	\$700K	\$930K	\$700K
Guarantee	\$400K	\$400K	\$280K	\$280K
Plus 10%	\$93K	\$70K	\$93K	\$70K
Prod. Pre-Ovge	\$493K	\$470K	\$373K	\$350K
Pres. Expenses	\$320K	\$230K	\$320K	\$320K
Overage	\$117K	\$0	\$237K	\$30K
Prod. Share	\$70K	\$0	\$142K	\$18K
Pres. Share	\$47K	\$0	\$95K	\$12K
Prod. Total	\$563K	\$470K	\$515K	\$368K
Pres. Total	\$367K	\$230K	\$415K	\$332K

With an average guarantee of \$280K, however, and enough one-week-or-less engagements, Peripatetic Productions can use the SETA and reduce its running cost from \$300K to \$270K – and suddenly the \$368K from that \$750K week in Random City now almost covers the show's \$370K nut. And under the SETA, every Actor in the company (who's earning less than three times Production Contract minimum) gets 0.25% of the Producer's share of the overage -- \$125 extra for that \$750K week in Random City, \$385 for the million dollar week. That's why a tour that makes neither sense nor money on the full Production Contract can make both sense and (almost) money on one of the Tiers or on the SETA.