

## THE ABCs OF NATIONAL TOURS EXPLAINED TRANSCRIPT

**Ken:** Hey, everybody, it's Ken Davenport. Welcome to *The ABCs of National Tours Explained*. I'm thrilled you're all joining me for this webinar. The road is actually one of my favorite topics – I spent a good deal of time out on the road with *Cinderella*, *Jekyll and Hyde*, the tour of *Chicago*. It's a great place and a great way to see the country on someone else's dime and also really learn the ins and outs of the business and what makes the road tick. You really can't understand the inner mechanisms of it until you get out there, or until you take a webinar like this, so I am glad you are all on board.

There is a lot of information that really exists in this microcosm of the touring market out there and if you're not out there on it, it's really hard to understand how it all functions but we're going to break through all of that stuff tonight. Again, thank you all for joining me. What I love about this webinar, like all of them, actually, is that, just like the touring markets are scattered all over the country and all over the world, so are you. We've got people from Florida, from Tennessee, from California, so thanks to all of you for joining me.

Big thanks of course to The Producer's Perspective Pro members in the house who are getting this webinar for free as part of their membership – thanks for being part of the club, guys. If you want to join the Pro club and get future webinars and newsletters and offline events all for free, visit [TheProducersPerspectivePro.com](http://TheProducersPerspectivePro.com). Sign up to get a 30-day free trial – yes, you could be watching this webinar for free. Every month a brand new one and some really cool stuff coming up – how to get free press for your show, how to market your show with no money, licensing and all sorts of stuff – so do check it out.

A reminder, of course, that this webinar will be emailed to you in the next 24 hours so you'll be able to watch it again, look at some of the takeaways that we have for you at your own convenience. Pro members – it will be sitting in the archive with a bunch of other webinars and training courses that are in there; there's like 30 hours in there now, so it will be in there tomorrow as well so if you want to download it you can go there later on and at any time during your membership.

Okay, it's time to learn our ABCs – the ABCs of Touring. And, with that, the agenda, please. We always start our webinars with an agenda and this one is no different. Here is how this webinar is going to break down. What a tour and a Starbucks have in common. I went through about three or four different titles before I came up with this one and this ended up being my favorite.

Bullet point number one – What a tour and a Starbucks have in common. Five benefits of a national tour for producers and investors – this is a great one, as you'll see, for those of you raising money; it's a great way to pitch involvement in a Broadway show and a national tour to those people who are thinking about investing.

The three economic models of touring – there are different ways to get your show out on the road. How national tours actually get booked – how they're sold, how a tour ends up popping up at your local performing arts center. How to get your show out on the road. And then, of course,

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we'll end up with a Q&A, we'll take any touring questions you have and we'll hopefully have a little time for questions on anything you've got going on right now. Okay, sound like a plan? Everyone up for this agenda? Good, let's hit it!

What a tour and a Starbucks have in common. Okay, so look, if there is a trend to all of my blogs and webinars it's that Broadway is a business and it's essential that we treat it that way. If you look at my blogs, you'll constantly see me talking using business terminology and language – what's your USP or your unique selling proposition? Financials – I talk about ROI – all things that are common parts of the vernacular in the traditional business world but we often forget about them in Broadway. Well, I'm a big believer in thinking about Broadway like a business. If you treat it like a business it will treat you like a business and maybe not be as risky as it is.

Okay, so if we treat Broadway like a business that means your show isn't just a show; your show is a company, it's a product. Or we could think about it like a startup – a startup company. I actually call myself a serial startup guy. If I do three new shows a year that's three new companies I'm starting up. I've got to raise money for each one, I've got to develop a management team for each one, I've got to find a "storefront" or a theatre for each one, so a new show is like any other startup out there, like, I don't know, Uber. I don't think people recognize that logo – they just changed it; I think it was a mistake. Anyway, that's the Uber logo. What about Soul Cycle? That was a startup. Or my favorite fast food franchise, Panda Express, which is now coming to New York. That was for me. So Uber, Soul Cycle, these are all corporations, all startups that have gone on to success and at one point they were just one of these things.

Now, look, I know you're probably thinking "Please, tell me Ken is not comparing my show to a fast food Chinese place." Yes, yes I am. I really, really am, and you know why you want me to? Because if your show is half as successful as Panda Express or any of the companies of the logos you're staring at right now, you'll be making enough money and have enough reach that you'll be able to write and produce anything you want. Imagine that. So let's think about these companies for a second – how did they become successful? Uber, when it was just one guy starting this thing up, and with Panda Express it was a family, actually – I know the whole history of these guys, I looked into investing in it because that's how much I loved it so much – it was just a family with a restaurant, Soul Cycle just had an idea about revolutionizing the exercise world with cycling but a specific brand of indoor cycling. So how did they become a success from that idea and that first startup location? Did they just have that one? Did Panda Express say "Hey, we're just going to sit in that one location and just sell as much lo mein as we can?" No. Did Uber stay in one city? In New York City, I remember the first few days of Uber – everyone got a Mercedes, by the way, it was luxury cars you got. Did they just stay in one city? No. The most successful companies in the world, from accounting offices to restaurants to carpet cleaning services, they franchise their companies. They duplicated it and they sent it out all over the world and that's when the money really poured in – and shows are exactly the same.

In fact, a national tour is a show's first franchise. The Broadway company is like the first Starbucks, the very first one, and the national tour is the startup spreading Starbucks all over the world. That's how you have to think about it – "My startup is in New York," or, frankly, startups can actually be wherever – perhaps yours is a specific show that exists in Branson or Chicago or

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wherever and that's the mother company and from there you're going to franchise all over the world but that's how you have to think about it.

I often call the Broadway companies the mothership – I think about it like UFOs and all the different franchises and the tours are like pods coming out of the mothership – but, again, try to think about it like a corporation. You're going to start your first one and then you're going to replicate that and spread it all over the world.

Now, how does this affect your bottom line? A number of ways. Let's look at five benefits of a national tour for producers and investors.

Number one – new capitalization means new investments. Now, it's important to understand that every national tour – first national tour, second national tour if you're lucky, London companies, etc. – all of them are separate companies, therefore they require separate capitalizations. It's a different franchise, right? It's a totally new company. Now, a side note here is there might be some language in the investment documents for Broadway shows that allow Broadway producers to use profit from a Broadway production to capitalize a national tour but, honestly, I've only heard of that happening once. 99.9% of the time a new company is formed and a new round of capital is raised so it's a totally different thing. Now, most Broadway producers give investors in the Broadway company, or the mother company, that first Starbucks, the right to invest in additional productions and if the Broadway company was successful then it's a safer bet that the tour will be successful as well, right? You take the big risk on Broadway, audiences go crazy, hopefully you win a Tony award but, even if you don't, if there's enough of an audience response then, all of a sudden, you put out a national tour and the risk is going to be less because you know that audiences are living your show so it's a safer bet because you have that audience response and if you can build it with the right economic model – and we'll discuss that in a minute – then it's got much, much less risk than the Broadway company. So investors and producers get the benefit of an additional investment in much more of a sure thing. This is a huge benefit and, again, one of the things that we pitch to Broadway investors that can mitigate their risk is “Hey, you're going to get the first right to invest in a tour of this show if it's successful and, frankly, you're going to get the right to invest in any production that I do – if I do two tours, if I do London, if I do Toronto, if I do Australia,” and, by the way, that model that I just laid out for you – a national tour of London, Toronto, Australia – you know what that is? That's *Kinky Boots*. All of the investors in the Broadway company of *Kinky Boots* have gotten the right to invest in the future companies that I've been associated with, and what happens when you get a big winner, like imagine you're an investor in the original Broadway company of *Wicked* and you get the right to do all the others, it's, to use gambling terminology, it's a parlay – you're getting one and then another and then another and they're all paying back profit, a huge benefit, which is the reason why a lot of people invest in a Broadway show, because they get the right to do the future ones which are less risky. So it's a big benefit for producers and investors to get a national tour out.

Number two – tours pay royalties to the Broadway company. Let's go back to the corporate analogy – if you franchise a McDonald's or franchise a TCBY, I don't even think they exist anymore, but if you franchise something you're going to pay a franchise fee to the original

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company that created the franchise in the first place. You're going to pay a franchise fee. Well, national tours pay their own version of franchise fees – they pay royalty money back to the mother company, which again is that Broadway company, right? So they may kick back 1% in a royalty every week. That money then trickles down to the investors and helps the Broadway companies recoup, which is another reason Broadway producers are very eager to get tours out, because it all flows back. There's a little kickback – and this is, again, identical to the franchise market. A lot of people, if you watch *Shark Tank* – watch *Shark Tank*, it's great training for producers, by the way – but you'll see a lot of entrepreneurs start food trucks and their goal is to get food trucks in many, many cities because, even if they're not running them – and, by the way, as you'll see, in a lot of cases national tours are built the same way, you're not doing a lot of the running – you're not running them but you're collecting some money as a result. You're getting some passive income that's trickling down to your investors. A huge benefit to getting a national tour out.

Next – in addition to royalties, tours pay net profits to the Broadway company. Net profit is money profit after a show recoups, so once that tour recoups – and, again, since it's much less risky than the Broadway production, there's a much, much higher chance that the show is going to recoup – 5% of the net profit, 5% of all the profit after recoupment, on a tour could kick back to the Broadway company. This could be very, very significant and, again, speed up recoupment or add additional profit to the original Broadway investors. So, yeah, in a crazy way the Broadway investors, when a tour has recouped and when a Broadway company has recouped, they're double dipping a little bit. There's a little bit of a crossover but that's the benefit they get from taking that big risk when they invested in the Broadway production.

Another benefit – now we're getting a little bit further, more passive and not exact amounts being paid every week but these are benefits – tours increase subsidiary activity. Now, what do I mean about that? By subsidiary activity I really mean stock and amateur productions. After your tours are done, after you as a producer have moved on to other projects and high schools now want to do your show, community theatres, regional theatres, dinner theatres – well, it is proven that having a national tour out in the market can actually increase the number of productions that your show gets, just because there was a tour out. I'm going to tell you the story – one of the reasons I know this is I follow closely what the other players in the industry do, of course you learn a lot. When a show is successful the theatrical production companies – Samuel French, MTI, etc., which are going to be the subject of the next webinar, actually – these companies, and there are very few of them, they get into bidding wars for the shows – the royalties and the commissions that they take are usually the same but what differs, for the most part, is the show's advance. A company may say "I'll give you \$1 million advance on your future royalties." Half a million, \$100,000, whatever it is – this is where they try to outbid each other. Now, one of these companies used to give the author/producers – because producers, which is really the investors, get a share of those advances – one of these publishing companies used to give authors a larger advance for every single week that the show was booked on the road, even though it meant that the publisher would have to wait to release the rights. Now, what do I mean by that?

Publishing companies get the rights and they're not allowed to release them to the market until the producers and authors say so. It usually means until the Broadway company has closed or the



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tours have closed – until something you have done isn't competing with the East Hackensack High School production of your show. So they have to wait, and when they wait that means they're not making any money, even though they've shelled out a significant advance, so conventional wisdom would say they want to release the rights immediately. Well, this company used to offer more money for every single week that the show is out on the road because that publisher knew that if they show played Minneapolis, Omaha, or East Hackensack then the local drama teachers, the students, community theatres, etc. would all be much more likely to see the show and therefore much more likely to do the show because, as much as we'd like to believe, not every person can make it to New York to see a Broadway production – they wait for the tours and if they don't see it on the road they may never see it, so how will they know to do it? They won't. They need to see it, they need to feel it, they need to feel the emotional, cathartic reaction they have when seeing that show and being in the theatre in order to really get them to want to do that show. That's what made me want to do shows when I was in high school – I used to come into Broadway to see them or see them on tour. Tours increase subsidiary activity and subsidiary activity on a show can be substantial income over a very long period of time.

The fifth benefit – tours actually help advertise Broadway. Now, Broadway shows can't afford to advertise nationally, because even though so many of our audiences come from out of town – it's like 65% – they come from so many places all across the country that you couldn't afford to reach them all. So what do Broadway producers do? We wait until the tourists get here and then we just hammer them with advertising. As soon as you land – been to an airport recently? There's stuff for *Waitress*, there's stuff all over the place at the airport trying to get your business as soon as you land. That's what we do, but not everyone gets to see the show in the week that a show is on the road, right? So imagine, there's tours, they advertising touring productions in each city. If you're in Baltimore and there's a show in Baltimore they're going to advertise in Baltimore. Omaha, East Hackensack, wherever that is. Well, again, if you live in Baltimore and you see advertising for, I don't know, *Hairspray* – *Hairspray* takes place in Baltimore so that's why that came to mind – well you might miss it. Maybe you're on vacation that week but you saw a billboard, maybe you're just busy, who knows, it's your kid's softball tournament, for whatever reason you don't get to see it but you've seen the advertising – the impressions start to stack up. Now, if you come to New York, *Hairspray* is running – which, they say it might be coming back after the NBC live telecast – and you've seen advertising for it, you land at that airport, you see another bit of *Hairspray* advertising, *Hairspray* has a one-up impression on you, or maybe even more, right? So by having a tour out it's literally advertising the New York production with a Broadway producer not having to spend any money.

I'll give you a specific example from my producing history – *Altar Boyz*, my first big show, Off Broadway, had its most successful summer the year after its tour was out – and that's because the tourists come to town in the summer and *Altar Boyz* had a positive word of mouth in their market – because, again, these shows are not there for very long, so if someone sees it on a Friday night there may only be two days left for people to see the show, they can't change their plans even though they heard great reviews about it from their friends, "I missed it, dang it!", they come to New York in the summer, they see a poster, they see it on TKTS, they say "Oh my God, that's the show that we missed back in Louisville, let's go see that!" That's another great way that Broadway productions and producers and investors can benefit from having tours out there.

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So I talked about tours being less risky than Broadway – let's talk about what makes them less risky by looking at the three economic models of touring.

Now, the first and most common type of economic model for a national tour is what we call the guaranteed tour. It's crazy that we even use the word "guarantee" in the theatre industry, right? But it's true – the first type of tour and the most common, again, is called the guaranteed tour. Now, the guaranteed model is when a presenter – and I should take a moment and define what a presenter is. A presenter is the local promoter of the tour in a specific city. It's the person or the company that runs the subscription series or runs the venue in, again, Baltimore, Dallas, San Diego, Chicago, Grand Rapids – there are all these theatres and performing arts centers around the country that have Broadway series or that just present entertainment for the local market. The presenter – makes sense, right? – is the person presenting that show in that market, as opposed to the producer, who is you, who has come up with the idea, who has spawned the show – again, thinking about it as the founder of the company, and the presenter is the franchiser, the person that's going to franchise it and put it up locally.

So, going back to the guaranteed tour model from a second, the presenter guarantees a tour a certain amount of dollars just for showing up. This is the guaranteed model. So what amount of dollars for a Broadway show? This can be anywhere from \$275,000 to \$350,000, plus there's usually a percentage of ticket sales as well as a portion of profit if the presenter recoups. Okay, so does that make sense? The presenter will take the risk and say to the producer of a tour "I will give you \$300,000 to bring your show to my city." That's the guarantee – \$300,000. Sounds very attractive, right? Much different than Broadway – we're going to get to that in a bit – it's literally the flip, 180-degree economic model from Broadway. The presenter says "I'm going to give you \$300,000. Guaranteed. No less, and maybe more if I recoup my engagement," because there are additional expenses that the presenter is going to have – let's look at them. A presenter is going to have a guarantee – we just talked about that – maybe a royalty to you as well. "Oh, I'm going to give you 10% of everything over \$500,000," so there's some other expenses in there. Local expenses – their rent, their advertising, the stagehands – these are all things that a producer would normally pick up, right? On a guaranteed tour, you don't. You show up, you get your \$300,000, you get your royalty, the presenter is taking care of everything else. Now, they'll usually build in some presenter profit, like "Hey, if I do get all this stuff then I want to take \$20,000 out of it, or \$50,000," whatever that is, "because I took this risk," and usually there is some other expenses. Now, if all these things recoup then there's a split, usually, of profit after that. So, again, you walk in, you get \$300,000, you get that royalty, and if the presenter recoups all of these expenses that you see on your screen you're going to be in a profit split. Now, these expense can easily add up to, depending on the market, \$600-800,000 a week – sounds like a Broadway show, right? Even some markets are close to \$1 million – they've got to pay for a loading, they've got to pay for advertising, and if you're in a big, expensive city – San Francisco, Boston, Chicago – these expenses can add up, but if that presenter can recoup them you are going to be in a profit split, usually something like 60%-40%, which is great, you're really in the money then. Everyone's goal is to get to that profit split, get to that profit split. Now, again, the important thing to note about the guaranteed model is that it's the opposite of how a Broadway show works – a producer is guaranteed a certain amount of money just to walk in the door plus the upside. So a producer can figure out how much they're going to earn and make sure their

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show costs less. There's no risk that way. If you can figure out that "Hmm, my fixed expenses only cost \$250,000, I'm getting a guarantee of \$300,000, that means I have \$50,000 less to pay off the startup costs," the production budget if you've watched the Breaking Down a Budget webinar that we have in the Pro archives or that you can get separately. If you save some money you can actually back in to your entire budget so you can figure out a model so that there's no risk – and this is the big tip: a show's operating expenses on a national tour should always be less than the guarantee plus the amortized production expenses. This is the golden rule of touring – you make this happen, there should be no way that your show goes on the road without recouping. None. None! So not only do we call it a guaranteed tour in terms of that's what we call the money that you get when you walk in the door in Grand Rapids but it's also because it should be guaranteed profit for the investors. Now, look, there are always ifs and I never guarantee profit to anybody – you never know what can happen, snowstorms can happen, trucks can break down, stars can leave, who knows what could happen? But on paper, a great national tour producer should be able to map out a scenario that shows the investors, as long as everything goes according to plan and we play the markets we've booked, then we should make at least this much money and have an upside. It's nice, right? We like those models. Again, another reason why national tours are a huge benefit, because it's a way to give investors a chance to get some profit with very, very little risk, and if the show in New York hasn't yet recouped this can actually dollar cost average – to use a stock market term – their investment. It's like buying a stock at a lower price. We're going to get to more about this in a second but let's go back to the three economic models of touring – we got a little sidetracked in my excitement about guaranteed tours, I love them so much!

The next type of touring model is the four wall. Now, the four wall, basically, is the Broadway model. It means that a producer is literally paying for everything inside the four walls of the theatre and renting those four walls. He is taking all the risk – all of the expenses are his or her responsibility. Now, why do you four wall, then? "Oh my gosh, I don't want the risk of a Broadway show again!" The simple answer is because you get to keep the bulk of the profit. Forget that 60-40 split, you're getting it all now, it's all you. Four walls are more rare these days but the shows that go out on four walls, yeah, you can imagine which ones – big ones. The *Hamilton*'s of the world. The shows that go "Oh, we're going to make a lot of money so I'm not sharing it with everyone." That still means they have to partner with the local presenters somehow, because no Broadway producer is going to go into the market and be like "I'm going to advertise here. I'm going to do the research and..." No, what you do in a four wall deal is you hire a presenter. You say "You're going to present for me, it's on your series, I want your subscription, I want all that stuff and I'll pay you X and you're getting a guarantee this time but you're not getting the upside with me – I'm keeping all of that myself," and you might think "Well, on a big show, why would a presenter let that happen?" Wouldn't they say "Hey, no, I want a guarantee because I want more profit?" Well, usually, again, the four wall shows are so big that the presenter needs and wants that show to deliver to their subscribers – the *Lion King*'s, etc.

Okay, the next type of economic model is what we call terms or sharing deal. There's a great podcast with a couple of our booking agents, Steve Schnepf and Meredith Blair, we'll include links to those in the email with the files for this tomorrow, definitely listen to those if you want

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to learn more about the touring business from the booking agent, and we're going to talk about who those people are in a second, but they talk about the terms or sharing deal. Basically what the terms or sharing deal is, it's a hybrid, it just means a little bit of a guarantee but we're going to share more of the expenses and more of the profit, perhaps, so we're going to go in, you're going to pay for this, I'm going to pay for this and we'll figure it out. Touring has gotten trickier over the years – if you talk to a lot of general managers these days they'll tell you “Oh, you can't, there's no such thing as a guaranteed tour anymore.” Honestly, if anyone ever tells you that, fight them and keep cracking that whip until you get a budget that works. I do not believe that any tour should go out – and I learned this from one of the best national tour producers who was a boss of mine at one point – he would not send the tour out unless, on paper, it was guaranteed to make a certain amount of money, and literally he pulled the plug on shows that not only didn't recoup, that didn't make X amount of profit. He literally said to me “That's not making enough money for us to justify doing this show.” So, again, crack the whip with those general managers, make sure you are getting something on paper that is as close to a guarantee as you can get. But touring has gotten trickier – in some cases producers have had trouble getting shows out on the road and they can't get guarantees or they can't get high enough guarantees so what they do is they do these terms deals, or terms deals are sometimes used as filler, like “Oh, I've got 20 weeks of tours but there's a couple of weeks I have layoffs and I can't find someone to take it on the guarantee,” so you go and you offer them “Hey, let's do a sharing deal. We'll share the risk and we'll share the profit.” Now, as I mentioned, without a doubt, the most popular economic model out there is still the guaranteed tour and it's actually the most popular for both sides – and you would think “Why would it be popular for the presenter?” It is. I'm not going to begin to understand all the different economics of the presenters' economic models and their budgets and where their money is but they have a certain amount of overhead involved in their expenses, enough to cover them, they've got subscribers to satisfy. The guaranteed tour is what has worked most. Now, what the exact guarantee is, that's the big debate and we'll also include the podcast with the webinar tomorrow of a couple of presenters, Al Noccioolino and Jeff Chelesvig gave great discussions about this, because actually that number, that \$285-350,000 for a guarantee for a Broadway show today, that number hasn't changed in about twenty years – like literally *Cats*, when it went out on the road, and it will probably go out again, went out way back when for the same money as tours are going for today. Yeah, it's a little confusing given how much ticket prices have gone up and inflation but there's been a lot of expenses on the presenter's side. Listen to those podcasts, you'll hear it from their perspective, the presenter's perspective, if you will, and you can get an understanding of what the challenges have been – but, again, that's one of the reasons why it's gotten trickier, so terms deals have opposed up here and there.

Now, we know what the deals are, we know what the benefits are, let's talk about how these tours get booked. Just like actors and writers have agents, shows going on the road have agents too – they're booking agents. I've alluded to them; those are the podcasts I've mentioned – the booking group, the road company, these are companies that their job is to sell national tours to the various markets around the country. They deal with the contracting; they deal with any issues when the show is out on the road. Now, the process of it, what I like to think of it as and how I explain it to people is that it's like the stock market. A producer like myself goes to a booking agent, says “Come see my show, I think it could tour,” the booking agent goes and says “Yep, I



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think it can tour too,” and there’s a little discussion. The same thing happens in the stock market – the founder of a company goes to a big investment bank and says “Hey, look, I think I can go public,” the investment banker takes a look at the company and goes “Yep, it can go public,” and then what happens is there’s a little discussion – ‘What should we price it on?’ Right? The same thing in stock markets, the same thing in the national tour. How many trucks will go out? let’s figure out some of the basic parameters. Then the booking agent goes to the market, literally like a stock broker would go to the market selling stocks. “Hey, I’ve got Walmart selling at \$15!” Well the booking agent, like that trader, goes to the market “Hey, everybody, I’ve got *Getting the Band Back Together*! *Getting the Band Back Together*, a brand new musical coming from Ken Davenport selling at \$300,000 a week. Who wants it?” Boston raises their hands – “I’ll take it for two weeks!” Dallas – “I’ve got it for one!” Chicago says “I’ll take *Getting the Band Back Together* for four weeks but I only want to pay \$285,000 because you’re saving money by not travelling your company each of those weeks. I know you’re budgeting to move them every week and I want it for four weeks so I’m going to save you some money so I don’t want to pay \$300,000,” and so on and so forth. The agent stays in the market, figures out all of that stuff then comes back to the producer with a list of all the cities that want the show, a map that shows the route from week to week that hopefully allows you to get to each city within 24-48 hours. Remember, you can’t go from San Diego to Boston in one night. Your set is trucking across the country, right? So the agent has to route it around the country with everyone scheduled in. That can be pretty ugly at times, especially during snow season up in snow country – you’re trying to go from Utah to Montana in 24 hours in February? Good luck! So the agent comes back with a list of the cities, the route and, most importantly, a gross total of how much you’re going to be guaranteed in each city, plus all the upside deals that we talked about. This is the fun part that I alluded to before because if the agent comes back to you and says “Hey, here’s your route, the total gross guarantee on the route is \$15 million.” You, as a producer, now have incredibly valuable information because you now know what the minimum about is you’re going to earn. You can now go and build your show, figure out how much it costs to build it (production budget) and run it (operating budget). You’re going to figure out how much that’s going to cost you and you’re going to make it the total, all of those running weeks, 15 weeks times, let’s say, \$400,000 a week or \$250,000 or whatever it is. 15 weeks times \$250,000 plus the \$2 million to put it up. I’m not doing the math – let’s say that costs \$10 million. They told you you’ve got \$15 million worth of bookings. Guess what? You have a profit of \$5 million. That is massive profit, by the way, so none of that math is real but you get the point. National tours are sold in a way that is beneficial to the producer. You know what you’re going to go out and get before you build you company. You can even go further – you can estimate your royalty. Remember I told you that it’s common that shows get a percentage from the presenters based on their ticket sales? Well you can go in and say “Don’t you have a subscription?”, “Yes.”, “What are you loading in?” That’s what we call it, the subscription load-in. “Well my subscribers represent at least \$300,000.”, Well, guess what, if your royalty is 10% then you know you can at least walk away with your guarantee plus \$30,000 plus any single ticket sales, but now you know, guaranteed, if I don’t sell a single ticket I’m making \$330,000 from that market. So you can do all of this financial modeling to make sure that your investors are protected and, again, you’re going back to them and saying “This is why this is a great investment.” Not a good investment but a great investment. That’s how national tours are booked. Now, four walls are booked the same way but much easier because you basically just call and say “Hey, we want to rent the space. When do

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you have four weeks, two weeks, three weeks available?" As long as the presenter has that time available and wants that show it's a much easier thing to do but, again, the same way, usually there's an agent involved. With some of the bigger ones you don't need them because you can just call and do it yourself – I'm going to talk a little bit about the DIY movement in a minute – but four walls, again, are booked primarily the same way, just easier. The same with terms deals or hybrids – those are harder sells, usually you're filling slots, the presenter isn't jumping up and down to book your show, offering you cash, so it's a little bit more complicated, it usually takes a little bit longer, often you're put off, "Wait, wait, wait," because they're looking to see what else is going to be available.

Those are how the tours get booked. Now let's talk about how you get your show out on the road and some of the characteristics of successful shows and some of the factors and things you can do to your own show to make it attractive to buyers. Now, look, booking agents and presenters are risk adverse and one of the factors that they look at are successful Broadway producers. That's what they look for. They let the numbers speak for themselves and the first shows that people want on the road are the ones that are selling lots of tickets in New York, and you'll hear the presenters talk about that in the podcast that we send you. That's the unfortunate truth but it is the truth so that's the number one way to get your show out on the road, is have a successful New York production. Off Broadway as well – if the shows are big enough Off Broadway then, yes, you can get your shows out on the road without a doubt. Remember, these people are just risk adverse but they know their audiences, their own subscription audiences, look to Broadway. They're banging on the door of their presenter's office saying "I want to see *Hamilton*! I want to see the show that just opened up on Broadway! I want to see these shows so deliver us these shows!" So these are usually the first shows that presenters snatch up. As soon as shows open, if there's heat on them, boom! Presenters grab them. "Give me that show! I'll take a week, I'll take two, I'll take three, I'll pay the guarantee, don't worry about it."

Of course, another way to get your show on the road is stars. Now, look, the one thing I will say is that certain stars are harder to get on the road these days but the great thing about living in 2016 is that there is a very broad definition of 'star' so perhaps you look to American Idols that have not ever done a Broadway show before and they weren't even the top one or two but they've got a name value. *Dancing With the Stars*, YouTube stars, who knows? The definition of 'star' is much, much different these days and much broader, so when you're looking to get your show out on the road, look through the gamut. There are A stars, B stars, C stars, etc. and depending on what your production is and where it's trying to go, there is probably someone who can add value to it. Look, I found a star for *The Awesome '80s Prom*, a one night a week interactive show Off Broadway – Dustin Diamond. I don't know if he's still in jail or not but he was in jail. He did the show. There is a star for every show, so just because I put up stars like "Oh, Ken, how am I going to get Liam Neeson or Tom Cruise to do my show?" You're not, especially on the road. These A level stars don't want to do it but broaden your definition of star and look all over the place and you can find one.

Big brands get on the road. Now, why do I bring this up? Because you're like "How do I get access to big brands?" Well big brands doesn't just necessarily mean movies turned into musicals. There is show based on *Cheers*, the television show, going out on the road this year,

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put together by a medium sized touring company. Look for things that may have value that you could develop into a tour if you're a producer or a writer looking for an idea that you think is a touring one.

Okay, now, number four about how to get your show on the road – don't just think first national tours. These top three things I've mentioned here, these are usually the first national tours, the big tours that go out, but here's the great thing – there are so many other versions of tours these days. I actually was around for the birth of the second class, they call it, national tour, or the non-union national tour. When I was an actor in the early '90s all of a sudden these companies – Networks, Troika, Phoenix, 3D – starting popping up all over the place producing non-union national tours. Why? Because, yes, whatever city you're in, there may be a big performing arts center, there may be a big Broadway series, but there may be a small theatre too, or in another city 30 miles away or 60 miles away or 200 miles away there may be a smaller performing arts center. Maybe they don't have the population to fill a theatre with people paying \$80 so they can afford to get *The Phantom of the Opera* in for a week but they still love the theatre, maybe they want a one or two-night tour of *South Pacific* – I was actually cast in a one-nighter tour of *South Pacific*, playing Luther Billis. I didn't take it, which is a good thing – I saved people a lot of misery, I think. I would have been horrible. So there are lots of different versions of tours out there and different ways for you to get them out. So when you're thinking "Oh, great, I can never get my show out on the road, I don't have a successful Broadway production, I can't get a star," there may be other tours for you. There are college tours, comedy shop tours, there are all sorts of different types of tours out there, and here's a tip and a way for you to find out about those different types of tours and how you can see them – visit APAP to see the different types of tours on the road and how your show fits in. APAP, for those of you who don't know the web address is right there, is the Association of Performing Arts Presenters and every January they do a conference where they invite all the presenters – remember that word – from around the country to New York City to basically go shopping. It's like a holiday shopping spree. It's a giant conference where people are selling tours go – booking agents but also individuals – and my advice to all of you looking to understand the touring market is go. Go this year – go to the website, go and just wander around. You will see everything from tours of, yes, the company that represents *Hamilton* will be there, so will the company representing a one-man Mark Twain show, so will dance companies, so will magicians, so will concert tours. Everything, you name it, and you will be amazed at how many different types of tours there are these days. So the biggest suggestion I can give you is go to this place. You will see that there is a place for your tour out on the road, even if it didn't play New York. A lot of those big halls, they want the big New York shows, of course, but the smaller halls in smaller cities, they don't care. If you can put together a show that appeals to their audience – maybe it has a C star in it, maybe it's got some kind of brand association, maybe it's based on some pre-existing music – who knows, but if you can put something to them that they think they can sell, they'll buy it whether or not it was in New York. So go to APAP this year, check it out, you'll learn a lot about the touring industry.

My last tip on how to get your show out on the road – BYOB. Be Your Own Booking Agent. You can do this, I have seen this happen many, many times. The first thing that all producers try to do is find a booking agent – and we've got a list of them on Pro, by the way. You can market your shows to them to try to get them to sell for you. Now, obviously that's the best and the

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easiest way to do this, but let me tell you something, these booking agents get a huge fee – huge! Often more than the general managers and the producers. It's a big fee, and sometimes a bit of profit as well, because the tours don't happen without them, that's their justification for the large fees. So even if you get one you may be taking a huge chunk out of your profit. There is nothing stopping you from being your own booking agent. Get a list of all the theatres around the country from APAP – again, this list is also on Pro, all these presenters. Do mailings yourself, go to the conferences yourself – go to APAP and present. APAP, not only can you rent a booth and pitch your show, you can also have a workshop, you can show your show to people without having a production here in New York. You can rent a ballroom and say “Hey, I'm doing my one-man show about Mark Twain,” I always use Mark Twain as an example because I think there are like three of them out there, “I'm doing it in the ballroom, come see if you like it, we'll talk, we'll negotiate,” you can do it yourself. So just in case you don't get a booking agent, that doesn't mean you should give up getting your show out on the road if you believe your show works for the road. Be your own booking agent. Do whatever it takes, because if you have something that's working or that you believe will work, get it out on the road, because there is a huge benefit to it, like we talked about. If you can get your show set up on a guaranteed tour, you've got a steady stream of income and your producers and your investor, they will be guaranteed some money, as close as you get, but more importantly it helps grow your brand. It helps expose you and what you're doing to the rest of the world. Starbucks would not be what it is today until it started with that one thing, that one store that I showed you in that picture. Once you get that one store it's essential that you spread those stores all around the world. Not only is it economically successful it's financially successful and that will give you the financial foundation for you to do your next show. The key to success in this industry is finding something that works and then franchising it.

And with that, my friends, let's take some questions. Welcome to the question and answer section of the ABCs of National Tours. Okay, so if you've got a question, it's very simple, you can see it on the slide right there – hit \*6. Now you will be called on, it's like electronically raising your hand. Do me a favor then – tell me your name, tell me where you're calling from and then ask your question. And, just so you know, after you've asked your question you're going to be put back on mute, so just name, where you're calling from, I'll say a quick hello and then ask your question and I will hit it. Okay, let's see, any questions out there on national tours or about anything that's going on with you today? Here we go, first question – hit it!

**Audience Member:** My question is can you explain the difference between a subscription model theatre and one that is non-subscription model, as far as getting a tour for a show booked there?

**Ken Davenport:** So a subscription model, which is most of the touring houses around the country, this is their version of their own guarantee, it's what mitigates their risk and actually a good subscription model is what allows them to offer a guarantee. Now, remember, these people are putting in tour after tour after tour into their theatre. They know, have an idea, of what they're going to do. They can look at their history and say “Here's the worst we ever did, so let's make sure we don't pay more than that,” so they've got lots of data that helps them come to a guarantee that they believe they can pay, and the biggest portion of that data is the subscription model. They go out and say “Hey, I'm going to try to do six, seven shows a year, we're going to see a subscription to everybody, they're going to pay \$500, they're going to get every show, I'm



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going to have a guaranteed bucket of money coming in that I know is going to be there.” It’s their guarantee – basically they’ve gone to a consumer and said “I want a guarantee. Pay me \$500 and I’ll guarantee you six shows.” It’s the same model as them coming to a producer. So that’s what they do; they work very hard to increase the size of that subscription because it just mitigates that risk. Now, if you are not a subscription model, if you don’t have a subscription, then you are taking a huge risk in trying to sell single tickets. It’s like Broadway – there’s no subscription, every single Broadway show opens with not a single ticket sold. When you open a tour, they open it with hundreds of thousands of dollars in tickets sold already. One of the big reasons and ways that they get subscriptions is they say “This is the only way you’re going to get a guaranteed ticket to *Hamilton*.” So they wait for these big hits and they use that to anchor their season and often they’ll pay a lot for those shows or cut very aggressive deals for them just because it guarantees more subscriptions and more subscribers using that. So obviously markets try to build up subscriptions as much as possible, but here’s the one little wrinkle – many of these models have add-ons to their season, specials, they’ll add a show on that’s like a week only that they don’t put on subscription. A big risk for them, big risk, they have to really depend on single ticket sales. So those shows, those add-ons, those specials, are usually the very, very low priced touring option. It’s like *Altar Boyz* was a very, very cheap tour so we threw that out there and we were add-ons because it didn’t really cost them much. Our guarantee was \$95,000, it’s like a no-brainer. So they’d be like “Okay, we can put that on a special, on an add-on, because we don’t need to make \$600,000 to break even.” The tip for you guys, selling tours out there and trying to market to them, is that’s a way to get it on in bigger house in a bigger season, married next to shows like *Les Mis* or *Hamilton* or whatever, if you’re on special, but that means you’ve got to have a much lower price to do it. Okay, thanks for that question. Let’s take another question. Who’s next? Shoot – name, where you’re calling from and question.

**Audience Member:** What is, in your opinion, the biggest downside of a national tour? Like what would be the number one challenge with a national tour, in your opinion?

**Ken Davenport:** The number one challenge to a national tour is really quality control, because, and it’s the same thing – we’ll go back to the franchise model – this is why, if you know the franchise model very well, there are different types of franchises. I used to work for Domino’s Pizza when I was a kid and there were two different types of stores – there were corporate stores and there were independent stores and the corporate stores were like the national tour version of a four wall; the corporate was like “We’re renting this space, we’re doing it all and we’re maintaining it,” and the other independents were they let the other person go to whatever city they wanted and, again, just like the four wall, the corporate stores were in the places where Dominos felt they were going to make the most money. The same model again – I can’t preach this enough, how Broadway is just like every other industry out there. So we’ll do as many four walls, we do a lot of these independents. Now, the challenge is national tours are cheaper, they have to travel each week or sometimes every half a week or every night, that means that it requires a different physical production. That physical production not only has to move quickly, be assembled and taken apart quickly, because you’ve got to get to the next city, and also the longer these load-ins the higher the cost for the local presenters and they don’t want high cost there, right? So it’s got to get up and get down quickly and it has to fit in 50 different theatres around the country and the challenge is that it’s very hard to get a set to do that so often shows

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will go out – and I’ve seen this happen many times – and the shows are too big in the first two cities and scenery gets left on the loading dock because it’s like “You know what? That extra piece, we can’t do it. We can’t get it in the truck fast enough and we’re never going to. That scenic piece is cut. We can’t take all these costumes so there can’t be three costume changes there can only be two.” So that’s the biggest challenge and you really need a crackerjack creative team that can work within the confines of the touring budget. Now, remember, I’m not going to send a touring budget out unless I can make money with that guarantee, right? That means “Okay, creative team, roll up your sleeves,” because it’s going to be unique. One of the best examples of this was *Legally Blonde* on Broadway, which was a massive production here on Broadway. Unfortunately, it didn’t recoup even though it ran a year and a half, I think, at least. It didn’t even come close. There was a television special about it. Well, when they went on the road they were like “No, no, we’ve got to do something different here.” Totally reconceive that sucker, and they did and the tour was very, very successful. Also quality control – look, it’s harder to get actors to go out on the road so you’ve got to work really hard, the salaries are less on the road, it’s harder to get cheaper hotel rooms – it used to be that actors could make tons of money and save tons of money on the road with their per diem – you used to just live off your per diem and bank your salary. It’s harder to do that now because housing is so expensive. It’s tougher to get great actors. That’s a very long but, I think, important answer to your question, which is quality control – physical production and talent on stage, what that show looks like – that is your biggest challenge and the biggest... We’re going to call it a challenge, I’m not even going to call it something negative. Okay, next question – go ahead.

**Audience Member:** Hey. Two kind of quick questions. I guess I’ll do the first one first because it kind of segues with that whole quality control thing – would you be able to talk a little bit about musicians and local musicians versus travelling musicians? I’m a composer so I’ve seen a lot of debate on this and I actually wrote one of my thesis papers on this so if you could talk about what makes up a show – do you use a travelling orchestra versus using local musicians and how that gets associated? Is that up to the music director? I don’t know if that makes sense. Then my second question was how does this differ from the sit down productions, like on Broadway and Chicago, how do the national tours differentiate from those? So those are my questions.

**Ken Davenport:** Great questions. Very advanced questions when we get into the musicians. It’s an incredible quality control issue because, think about it, and it’s also just a great reminder of how amazing musicians are. When I was in band in high school we got a piece of music on the first day in September, we played it in December. It took us four months to get it right. Well, what happens with orchestras and bands around the country with a national tour is, traditionally, usually, especially on the big shows, because you’re not going to want to travel with twenty musicians, you’re going to take some key people, usually. You’re going to take a conductor, you’re going to take a first keyboard player, associate conductor, a percussionist usually goes with you, maybe one other, a handful of people, and then in each market you’re going to pick up local musicians. So you’re going to arrive in San Antonio on a Monday and there’s going to be an orchestra rehearsal that afternoon and that band, in 24 hours, is going to learn that music and play it on Tuesday night. Now, yes, charts can be sent in advance, you can look at this stuff, but what’s amazing to me – and I’ll never forget the first time I heard it and heard “What do you mean? This band just got all these charts and that’s how they sound?” It’s amazing. Professional

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musicians in this country, incredible. So that is the traditional model. Now, what sometimes happens is that music can be so unique or sometimes bands are smaller so that the producers, the composers, the music directors get together and say “Now, look, it actually makes more economic sense and we’ll get a better product if we travel with all of our musicians.” Now this only really works when the musician number is smaller – eight, nine, four, three, whatever it is – and we call this self-contained, it means we’re traveling with all our instrumentalists and we don’t have to pick up locally. Now, here’s where it gets interesting is that, if you remember, musicians are like stagehands, so on a guaranteed tour the local musician costs would be borne by the presenter. Well, if you say, all of a sudden, “Hey, I don’t need any local musicians,” the presenter goes “Great, I don’t have to pay for them!” and that’s where a producer goes “Ah, ah, ah – I’m going to be bringing all of them, at great cost to me because I have to fly them and house them and pay them per diem.” So here’s what we do, and this happens in most cases where there are self-contained bands, there is what we call a musician reimbursement – we travel with them and then we bill the presenter the cost of what they would have spent on hiring that number of local musicians, which can be a significant amount of money but the presenter is not paying anything more than they would if we picked it up locally. We’re getting a better product, we get that reimbursement – it usually costs us a little more because, again, we’re traveling them as well, but again, we get a higher quality control. In the bigger markets we don’t worry, frankly, about the quality control as much because in the San Francisco’s, in the Chicago’s, in the Los Angeles, in these markets we know that the musicians are of A+ quality because there is so much work there for them so usually we’re not worried at all about picking up. Usually the worry comes when you have complicated scores and you’re going to cities where there just may not be the depth of the type of musician you need. Hope that helps answer your question and we will take the next question now.

**Audience Member:** I already have a tour – I have a one-night show with about 25 scheduled performances already – and the thing I’m concerned about is if my star gets sick or gets clunked on the head some night and can’t perform. I was looking at the key man insurance and I wondered if you could talk about that and liability about actors getting hurt on the road or something like that.

**Ken Davenport:** Yeah, well my first piece of advice is don’t let your actor get sick or get clunked on the head. Now, since we really can’t control that, it’s an issue. I’m not sure about your case, if you have an understudy, this is obviously most shows do on Broadway, no matter who the actor is there’s someone covering it, it’s also required by the Actors Equity association. Usually then you have to have a deal with your presenter – on Broadway, if the person above the title doesn’t appear we allow people to get refunds. This is something you need to work out with your presenter in advance. If your star – and I’m not talking about your show because your show really doesn’t function if you don’t have an understudy, the person can’t appear, but anyone else out there, if your star doesn’t appear you have to have an understanding with your presenter that you’re going to allow refunds and that you’re going to get billed back for those refunds or your guarantee is going to be reduced. That’s what I’ve seen happen a number of times – “You didn’t produce the star so we’re going to prorate some of your guarantee because of that star.” So that happens a great deal. In your case especially it sounds like you may not have an understudy so in that case the show is going to be cancelled. That presenter is certainly not going to pay you that

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guarantee for that night. That's what's going to happen. What I try to do is, yes, you can absolutely look into 'key man' insurance. In the theatre industry we call it star insurance, it's non-appearance insurance, it's insurance for what happens if this person gets sick. Now this can be very expensive and also it usually has one or two performance deductibles, so if your star gets sick for one night and then appears the second night you're probably out. So I would definitely look into some insurance for your star and if you need some recommendations I'll recommend some insurance brokers for you for that and actually you've just given me a great idea – we don't have theatrical insurers on Pro, we're going to get some up there in the next couple of weeks. So we'll do that but in the meantime just send me an email and we'll get you some insurance people to give you some quotes if you need it. The other thing to do, though, is because I've had shown cancelled before, not necessarily for star non-appearance but the more common one for national tours is shows are cancelled because of weather. I was in Grand Forks, North Dakota with a 103 fever and it was a blizzard and we teched there for a week only to have the show cancelled because of that blizzard. So what did we do? Well, we talked to the presenter, "When can we come back?" and about two months later we made a 12 hour, in one day, drive from Nebraska to Grand Forks, North Dakota, to make sure that that performance happened. So that's what you want to look at – hopefully there are some gaps in your schedule that, if anything like that happened, you could come back and play the date. It's a conversation you need to have with your presenter, a cancellation clause in all your contracts, it's something that you can look at to see what happens if you don't do it. You want to figure out how you can make your presenter happy, of course, and your ticket buyers happy at the same time. So look for the insurance, look for other ways that you can fill in the gaps in your playing schedule and come back and play the date again. You want to play the date – not just monetarily; you want to build your brand; you want to get audience members in there.