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Hackney Empire Business Model Case Study

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Case Study Author:

Mark Robinson

Thinking Practice



Published 2015

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Hackney Empire Business Model Canvas



Hackney Empire provides
‘variety theatre for the
twenty-first century and
a bridge between the arts
and popular culture’.

Introducing Hackney Empire

Hackney Empire is a theatre in a grade II* listed building, designed by the renowned architect Frank Matcham.

Historically a music hall and then used as a bingo hall, it was restored to regular theatrical and performance use in the 1980s. A major renovation took place between 2002 and 2004.

Hackney Empire is the largest performing arts venue in Hackney and sits at the heart of Hackney’s Cultural Quarter.

Hackney Empire Limited is a registered charity and company limited by guarantee. The building itself is owned by Hackney Empire Preservation Trust and there is also a trading subsidiary.

The programme of the theatre encompasses opera, musical theatre, music and comedy. Empire calls this ‘variety theatre for the twenty-first century’ and ‘a bridge between the arts and popular culture.’

The building now includes the 1,300 seat main theatre, rehearsal and office spaces, a bar and a cafe. Hackney Empire both produces and presents work, working in partnership with a number of key partners including English Touring Opera and the BBC Concert Orchestra.

In 2013/2014 there were 162 performances of 60 different productions on the Empire’s main stage. Playing to over 125,000 people. 71% of available seats were sold.

The innovation in the model has concentrated on the cost base and the revenue income by increasing the amount of money earned.

Business Model Innovation

The Business model for Hackney Empire was remodelled in 2009/2010 by incoming Chief Executive Clarie Middleton.

A financial crisis and the threat of reducing subsidy required a strategy that could minimise risk and maximise potential. This has been achieved through a focus on costs and profit or return margins on activity. That has led to changes in the offer, markets and partners.

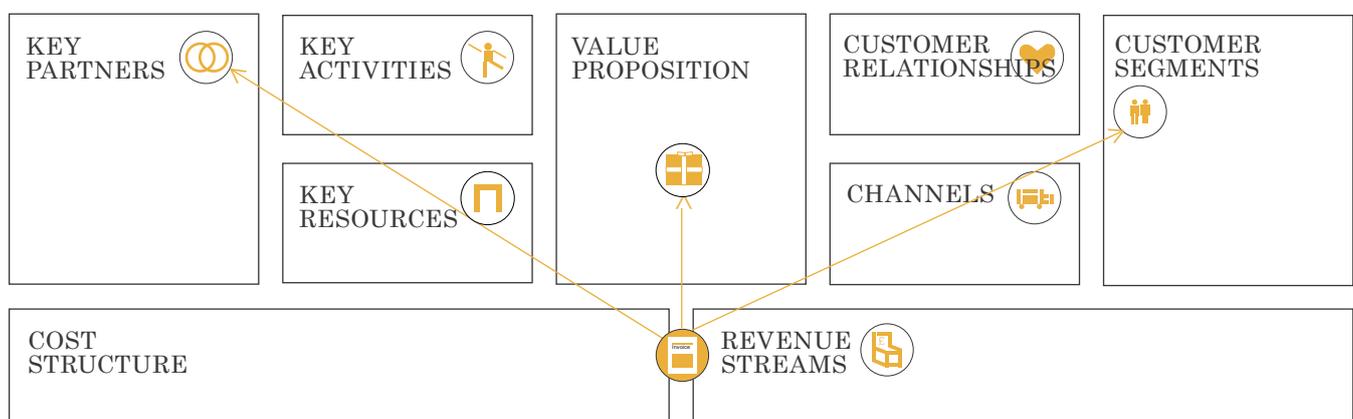
The business model is driven by the Value Proposition and the Customer Segments. However, the innovation in the model has concentrated on the cost base and the revenue income by increasing the amount of money earned as opposed to gained from grants.

Core staffing was reduced and more use was made of associates and freelance staffing that can expand or reduce according to need.

Associate producers have been especially useful in broadening the artistic range and will continue to explore the spectrum connecting opera and musical theatre. This has also helped Hackney Empire develop a diverse artistic direction without costs increasing.

A more return-on-investment focused and data-driven approach to audiences and programming was also introduced.

The Core of Business Model Innovation



Financial crisis and the threat of reducing subsidy led to finance-driven innovation in Hackney Empire's business model. Core staffing was reduced and a more return-on-investment focused and data-driven approach to audiences and programming was introduced.

‘There are no areas of artistic activities allowed to be considered as ‘loss leaders’.’

The Business Model

A holistic and informed view of activity has been important to developing the business model. Data informs decision-making about programme and potential partnerships. Three elements are considered:

1. The quality of the offer
2. The relevance to customer or audience needs
3. Revenue implications

These elements are applied to all areas of the work of the organisation, from what’s on stage to commercial hires and catering.

Increasing use of data allows staff to ‘adopt the customer perspective’ and assess the relevance of audiences. This goes beyond demographics to understanding behaviour and motivation and informs relationship building and programme design. The organisation has invested in data collection and a new CRM system so that it can continually analyse audiences. This has helped revise the approach to pantomime for instance. Return (margin) from this crucial part of the annual programme has increased from £30,000 to £400,000. The pantomime is important to the annual budget so the insight that data can bring is vital.

The margins achievable on all activity are carefully considered and deals structured to provide a financial return in line with the business plan. Contractual deals with producers and promoters keep risk to a minimum and deliver margins towards overheads of approximately £5,000 per performance day. The business plan works on the basis of 130 nights per year at this margin (excluding the pantomime) alongside grant income, fundraising and commercial.

The model for developing activity has shifted since 2010 with more co-productions with companies such as Birmingham Rep. These help spread risk, reach broader audiences and engage with fresh talent. There are no areas of artistic activities allowed to be considered as ‘loss leaders’. All activity must show quality, relevance and return. The approach is to create a spread of work that minimises financial risk and the risk of work not being excellent artistically. It is conceived as a ‘slate’ or ‘portfolio’ rather than a list.

The Value Proposition aims to draw in the programme, customers, audiences and funders required to make the model work financially and culturally. Financial success is dependent on enough of the right kind of programme for enough days a year, the margin achievable on that and the commercial use of the building assets.

Income from the programme is complemented by commercial activities and use of space and facilities. This includes rental of hot desks, rehearsal studios and meeting spaces, although these sometimes form part of partnerships. They also assist with the organisation’s developmental roles working with companies in the disability sector for instance. Income in public sector grants has reduced from 25% of turnover in 2011 to 16% in 2014.

The artistic offer is integral to the Value Proposition. It has sharpened in recent years to reflect the idea of a great night out in an iconic venue that provides variety for the twenty-first century. This involved creating an artistic policy that embraces opera and music theatre as exemplifying different parts of this modern variety. The programme evolved to include four types of activity:

1. ‘Foundation’ projects - those where the Empire is proactively involved and in which it invests people, time, facilities, marketing or money. Risk and return are carefully considered.
2. Risk free rentals or box office split events.
3. Local community events often with reduced price rentals.
4. Creative Learning and Participation programmes.

The programme includes a relatively high proportion of events and mini-festivals. This is partly because the location means the Empire must do something markedly different from the West End theatre and venues such as Sadler’s Wells. Chief Executive Clarie Middleton describes the Empire as operating between La Boheme at one end and Tina Turner at the other.

Hackney Empire has strategically diversified its Customer Segments. The audience for its ‘core’ arts offer is deliberately varied in age, location and

Hackney Empire plays a role in the social, cultural and economic regeneration of Hackney. This is a key part of the Value Proposition to the local authority and local people.

motivation as well as being culturally diverse. It uses its location to its advantage, aiming to attract local residents as well as those from other parts of the city and visitors to London. Audiences tend to be very product-driven, with very high proportions of first-time and occasional attenders or participants. Music theatre is developing a loyal audience of repeat visitors. Dynamic pricing can respond to all market segments, with prices being much lower than the West End.

Hackney Empire conceives of itself as a local resource but not a community theatre in the narrow sense of that phrase. Around 25% of people on the CRM database have Hackney postcodes and the remainder come from London and beyond. In 2013-2014 35% of audiences and 90% of the young people participating in creative learning programmes came from Black Asian and Minority Ethnic backgrounds. The scale and location of the theatre mean the Empire can play a role in the social, cultural and economic regeneration of Hackney. This is a key part of the Value Proposition to the local authority, as well as to local people. The Empire also currently delivers some youth services for the Borough of Hackney, through a three year Service Level Agreement.

The theatre plays an important role in developing young and emerging performers and other artists locally. It has developed pathways for artists, from talent shows to creative learning and professional development programmes. This is important to the brand, connecting to the Empire's history of supporting new local talent. Although hires, rentals and community use are part of the mix the Empire sees itself as primarily a place for creation and artistic innovation within its traditions.

The Hackney Empire building is a heritage site in itself. The refurbishment of the building was a key driver in re-establishing the Empire as a theatre and is now being used to create more diverse income streams. It is attractive to film and television companies given its special atmosphere. The use of the Empire as a location extends beyond its heritage aspects to include use for film series, for stand up comedians and as a 'black box' space. This has been an increasing revenue stream in

recent years, improving return from the assets of the organisation. Location and film work generated £61,391 in 2013/2014.

Catering has historically been a difficult part of the operation to make work satisfactorily in terms of offer and return. It was for many years delivered in house. In 2009 it was decided that catering was not a core skill and bar and cafe moved to partnership arrangements. These went through various iterations before settling with two current partners. The cafe and bar are run by separate local companies who have moved out of the 'pop up restaurant and bar' field. These return £100,000 per annum without any investment into staff. Partners pay rent plus a share of turnover over an agreed threshold.

The organisation has strategically developed its digital capacities. Digital technology is used to drive up income generation, understanding of audiences via data and creativity and engagement in digital and media arts. The organisation is experimenting with live-streaming and feels there is scope for further expansion. It is also exploring the use of digital technology to make the building more accessible to people with impairments and disabilities. One such project will see the building 'mapped' digitally to enhance the visitor experience for people with visual and aural impairments.

Clarie Middleton describes the results of the change she has led at the Empire as having now got the welcome, the audience development and the approach to cultural diversity to the right place. Work remains to be done to deliver greater consistency of ambition artistically, in a way informed by data and knowledge of audience. This means pushing more boldly at the edges of the definitions of 'twenty-first century variety theatre' in collaboration and co-production with skilled and like-minded partners.

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