
Live Theatre Business Model Case Study



Image: Live Theatre's Live Works courtyard CGI courtesy of Live Theatre. Image by Flanagan Lawrence

Mark Robinson, Thinking Practice



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Live Theatre has embraced conscious risk-taking and social enterprise to future-proof new writing, theatre and education work.

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Live Theatre Business Model Canvas



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Introducing Live Theatre

Live Theatre was founded on Tyneside in 1973 as a radical theatre company, taking plays to audiences in non-theatrical locations.

Since 1982 it has been based in a set of converted old almshouses and warehouses on Broad Chare, Newcastle Quayside.

It is a new writing theatre and has worked with lots of the leading playwrights in the UK. Many playwrights such as Lee Hall have had decades-long relationships with Live Theatre.

Redevelopments in 1997 and 2005 increased the size of the buildings. Social enterprises The Broad Chare pub and The Schoolhouse office complex opened in 2011 and 2013 respectively.

In 2014 Live Theatre began building work on Live Works, a £10 million capital development to purchase and develop quayside-fronted land and buildings adjacent to the Theatre. This will include the creation of new commercial office space, a public park and a children and young people's writing centre.

Live Theatre is a limited company and a registered charity. It has a subsidiary trading company and has also created a Special Purpose Vehicle to manage the Live Works development.

The Business Model

Live Theatre’s business model is based on the quality of its theatrical and education practice and on exploiting its assets to create income to support this cultural activity.

Although some parts of its programme such as the Youth Theatre are free to participants, Live Theatre is not generally a free model; many activities, such as theatre shows, are paid for. However, tickets are heavily subsidised and financed by other Customer Segments such as funders and by other Key Activities such as trading and social enterprise.

Live Theatre has a small capacity for its productions, with just 280 seats. Despite capital development, it is no longer possible to increase this on the current site. This has shaped how it can deliver the different elements of its Value Proposition and how that proposition has evolved under the leadership of Chief Executive Jim Beirne and Artistic Director Max Roberts.

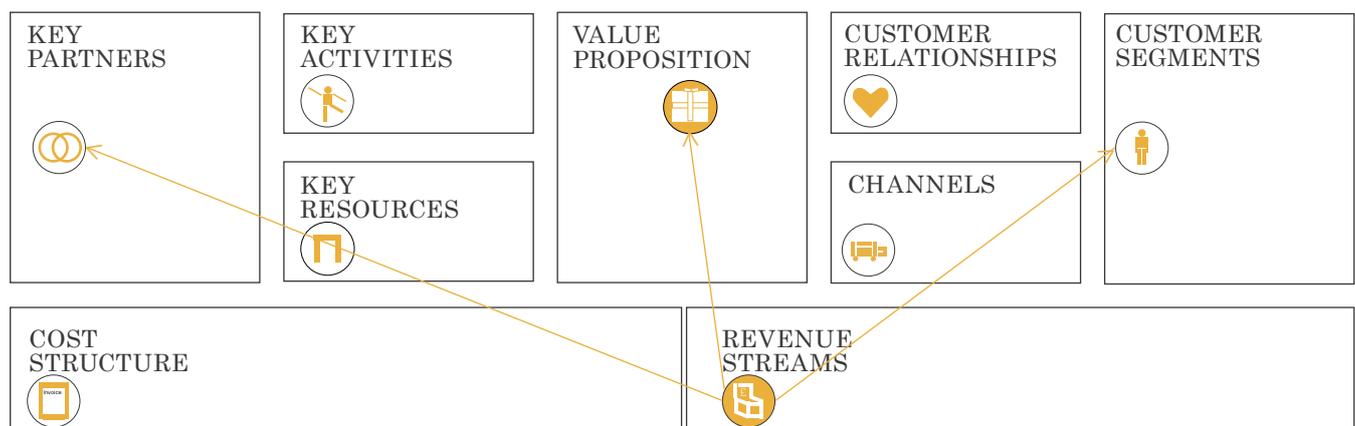
Creating and sharing new theatre that reflects contemporary issues and experiences, and giving young people the chance to fulfil their potential through theatre have always been core to Live’s work. As the building has been developed through a series of extensions and refurbishments, the spaces have enabled the offer of creative space for creative industries and social enterprises. They have also enabled the development of social spaces, some of which are not directly connected to the theatre but nevertheless form an integral part of Live’s larger brand.

Live is an example of an organisation where finance-driven innovation has been combined with an increase in the overall offer to the public. Due to the limited size of its venue and public sector budget cuts, Live needed to grow the revenue generated from sources other than ticket and grant income in order to deliver the cultural benefit to its target audience. It has done this through use of loan and grant funding to create assets that bring in reliable revenue streams through social enterprises. These are to a large extent operationally ‘unbundled’ from the core cultural activity.

In addition to continuing to develop the artistic offer, Live has also increased its ‘social offer’ by developing places for people to meet, socialise and work. Live Works will add a new public square to this. This has become part of the overall Value Proposition, doing what they describe as ‘developing our corner of the city through everything we do.’ The restaurant, pub and workspace offers are all part of animating the Newcastle Quayside and bringing people together in positive social spaces. These also have a positive return financially.

New writing and education work have continued to evolve and more emphasis has been put on touring successful plays, often in co-productions. The current Live Works development will also see the launch of Live Tales, applying the organisation’s new writing expertise differently to the young people’s sector. This will include working with volunteers to deliver the Live Tales workshops for schools and other groups.

The Core of Business Model Innovation



Based on the Business Model Canvas by Strategyzer.com

Innovation in Live Theatre’s business model is both finance and offer-driven. Perhaps the most significant innovation is its use of loan and grant funding to create assets that bring in reliable revenue streams through social enterprise. The aim is that by 2018 the social enterprises will create £500,000 per annum of unrestricted funds to invest back into Live Theatre’s mission.

In 2010 Live Theatre set out with a plan for four social enterprises that would develop new income streams in the long term.

Future-proofing Live Theatre

In 2010 Live Theatre set out with a plan for four social enterprises that would develop new income streams in the long term. They would all build on the long-term proven high quality that is central to Live's brand. Three of these have now been created.

The Broad Chare is a joint venture gastro-pub with the 21 Hospitality Group, led by a former Michelin star restaurateur. It supports one play a year by investing 10% of its turnover back into the work of Live Theatre.

The Schoolhouse is a small business incubator and workspace. The Schoolhouse refurbishment was completed in April 2013 and it is now largely let to small businesses. It supports two members of staff, initially bringing in around £30,000 per year.

Beplaywright.com is a commercial online digital training business that uses some of the most important core skills of Live Theatre - literary know how and writer development - in a unique online course. It supports a small education project each year. It is a good example of how innovation in the business model helps overcome physical constraints. They shifted from 'evening classes' for aspiring playwrights that were constrained by class size and location to much larger numbers and a potentially global reach by being online.

Such innovation does require investment. Live Theatre has been innovative in this area too, using soft loans instead of grants. Esmee Fairbairn Foundation were extremely supportive, creating a soft loan of £210,000 to help create The Broad Chare and Beplaywright.com.

This was then followed by a grant of £250,000 to enable staffing capacity over three years to manage the step change involved with creating Live Works. Charities Aid Foundation's CAF Venturesome fund has also assisted with loan finance.

Most recently the £10 million Live Works project has been supported by a mix of income from Arts Council England, European Union and charitable grants and providential loan from Newcastle City Council. Live Works is a £10 million capital project that combines a cultural, commercial, and civic amenity at the heart of the Newcastle Quayside. Work began in August 2014 with completion due in June 2015.

Live's approach places an emphasis on innovation and on risk-taking. Live continues to take risks both artistically and organisationally. The leadership recognises the risks inherent in the current approach but is taking the risk consciously. Large loan and grant-backed development are not seen as risk-free. A close eye on the money, tight project management and a phasing of activity with development focused on key strategic resources have all helped mitigate those risks.

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What we can learn

Like many arts organisations, Live Theatre saw some years ago that the future of the funding model that had sustained it was going to change. Local authority funding would only reduce or become more prescribed in its function in an environment of commissioned activity rather than core funding. Public funding for the arts would reduce overall and would be contingent on a combination of extremely high artistic quality and business accumen.

Given the size of Live Theatre, and the high percentage of tickets sold for its performances, there was only moderate scope to increase earned income by adjusting the commerciality of the programming mix. The future would require working cultural and physical assets harder. This would involve turning the high awareness of Live's brand, even among those who do not attend, into both additional audience members and consumption in Live's other sites - be that the pub, restaurant or online.

The cultural assets - the writer development, plays and education work - are now often used for several purposes. Material from 'in real life' playwright development or from marketing finds new users via Beaplaywright.com. Plays will tour in co-production and several have grown in scale, most notably The Pitman Painters. Not every play will be such a 'hit' but those that are will be used to maximise income so that investment can be made in future development.

Annual accounts show a reduction in 'voluntary income' as a proportion of overall income from 70% in 2010 - 2011 to 53% in 2013 - 2014. That was largely due to reduction in funding from Newcastle City Council and a reduction in that final year in grants from trusts.

Fundraising from trusts and foundations has been a consistently strong part of the revenue income mix. It is likely to be difficult to maintain at previous levels due to changes to trusts' positions, competition and reluctance to fund the same organisation over many years.

Funds generated by the variety of trading activities increased from 13% of overall turnover in 2010 - 2011 to

25% in 13 - 14. However, part of this change can also be linked to reductions in City Council funding.

The aim is that by 2018 the four social enterprises will create £500,000 per annum of unrestricted funds to invest back into Live Theatre's mission. That will go to fund a continually developing programme of theatre and education work.

This mix of activities has been possible because of the particular mix of skills in the staff and trustees of Live Theatre. These include property development and large-scale entrepreneurial business development. This has led to a rather heartier appetite for risk than some boards of trustees might have shown in funding alternative ways for Live to develop sustainably. The mix of skills and personalities has been carefully developed by the CEO with a number of chairs, building a positive mix of continuity and change into the make up of the board.

The development of new social enterprises has not added to staff structure. These are run from existing staff resources, especially time of senior management, and with grant or loan support in start up phases. Given the innovative use of loan funding, Live will need to include loan repayment in its cost structure from 2018. Negotiating low-interest deals has required a particular skill set. The management of finances and cashflow has also required special attention. The pace of change has been carefully considered, avoiding trying to do everything at once. It has been measured but continual.

The support of Key Partners was important to making the shifts in the model. This included funders and the City Council involved on a financial level. It also included writers and cultural partners, many of whom had enjoyed long relationships with Live Theatre reaching back to its days as a Marxist co-op. Communicating how the financial innovation was to support the enduring but evolving mission of developing diverse new voices, making new plays and encouraging young talent has been crucial.

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