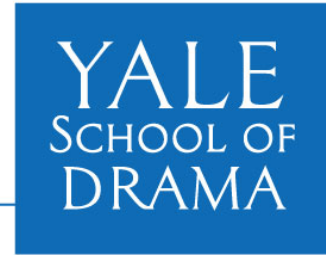


# Theater Management Knowledge Base



Interview

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## DAVID HAWKANSON

*Conducted by Edward A. Martenson*

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*Additional questions by theater management students*

*David Hawkanson is the Executive Director at Steppenwolf. He previously served in similar positions at Guthrie Theater, Hartford Stage Company, and Arizona Theatre Company.*

**HAWKANSON** I started in high school working as a lighting designer in summer stock in Pennsylvania, and had about three companies fold on me in my first year as a “professional paid designer.” I decided I was going to go into management. In my senior year in high school, I went to Westport Country Playhouse, which at the time was the foremost theater company on the East Coast. It was a big star stock house—they had a chain of four other theaters that they owned, and I was a management intern with them. And fortunately, I just by happenstance wound up going to the same college as the Executive Producer, a guy named Jim McKenzie, who later did the bail out of A.C.T. in San Francisco. He became a mentor to me through a good portion of my career.

In those days, there weren’t a lot of nonprofit opportunities around. There was the Alley,

there was Cleveland, but they didn’t have management jobs. The managers in those operations were ex-stage managers or ex-actors who couldn’t work anymore. The business was about counting tickets and putting up posters—it wasn’t about the things we talk about now. Theater management wasn’t perceived as a profession. It was something of a dumping ground.

I went to college in Wisconsin because I could work summer stock up in Wisconsin, and when I was there we also bought an old movie theater in Door County and ran it as an art film house through my college years. During my undergrad, when McKenzie took over A.C.T., I had the opportunity to do residencies there while he was trying to turn that theater around. It was a really formative experience for a young student in management.

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This interview was prepared by Professor (Adjunct) and Chair of Theater Management Edward A. Martenson and Managing Editor of the Theater Management Knowledge Base Michael Bateman, as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation described.

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I was coming to Yale for grad school but then changed my mind on my way to New Haven. (I think it broke my mother's heart). Instead, I went home and worked in a mailroom at U.S. Steel for six months. I finally got a job at the Guthrie, where I had always wanted to work. I had an incredible opportunity at the Guthrie, because the theatre was going through a major change in its economic model. At that time The Guthrie and several other theaters in their early years had their earnings gap underwritten in full by the Ford Foundation. In its eighth season, the year I joined the Guthrie, Ford pulled the plug on its sustaining support. For some reason the theatre's leadership never anticipated or prepared itself for this inevitability and it put the organization in crisis. The Guthrie had never made the case to its community about the need for sustaining support. It didn't have a development office or staff, the trustees had not been prepared to take on fundraising or fiduciary responsibilities. In the middle of that season, we ran out of money. We were doing cash flows every other week, and we weren't sure that the theater would survive. This was the flagship of American theater.

But the crisis was a great opportunity for me... I was the house manager—the lowest paid person on the management staff. As my superiors were being let go, I just kept moving up. In the end, two years later, I was the number two person in the management group at age 22.

**MARTENSON** And still the lowest salary.

**HAWKANSON** Absolutely, I didn't care. It was a fantastic opportunity. Again, we were all just trying to figure out what this nonprofit model was. Where contributions were coming from, what individuals were expected to do. All of these basics that we now take for granted. When I was there, the Guthrie was still paying property taxes, still paying admissions taxes, because the city and state didn't see the

theater as being a nonprofit, tax exempt organization.

After a couple years at the Guthrie, based on some unusual community development work I did in sponsor development in the Midwest, Nancy Hanks, the Chair of the NEA brought me on to her team at that agency NEA. I did that for about a year and a half—another great experience in terms of learning the national arts scene, but eventually I wanted to be out in the field again. I went on to San Francisco's A.C.T., not knowing what I was going to do, and became a manager in residence for a year. It was the 10<sup>th</sup> anniversary of A.C.T., and A.C.T. being A.C.T. was always trying to figure out what they were going to be in their second decade. At that time artistically they were arguably the most exciting theatre company in the country. Financially, they were constantly at risk. So they brought me in to evaluate their model and their relationship to the San Francisco community.

Then I grew up, and went to Arizona, and took over this fledgling Arizona Civic Theatre, which at the time was a community theater with a budget of about \$175,000. It had staggering debt of \$250,000, and but still aspired to be a LORT company.

These two pretty powerful guys in Tucson came up to San Francisco and convinced me I should come down and take this on. The first interview I had was in Mexico, in a wonderful bar, drinking margaritas, talking about the future of theater. I stayed overnight, got on a plane, came back, and accepted the job. I never saw the theater, its work or the town. But it was just so interesting to me, and I took it, and I had the best nine years of my life there.

Arizona was a fun project. On one hand, it was exactly what I was ready for. I had done political organizing, I thought I had figured out Arizona, how I would build support in a state with little or no philanthropic base, limited

interest in in professional theater, and wasn't supporting anything other than buying off county supervisors. But I realized in taking that job that I was not going to be working with the caliber of artists or artistic directors that I had been so lucky to work with in my career up to then. And I vowed that I would figure out a way to change it. If we were going to be successful in building that company, then we were going to be at the caliber of the Guthrie or ACT. In the end we accomplished that at least for a period of time.

We built The Arizona Theatre Company from a \$275,000 company to a \$5,000,000 company. We built a two-city model, serving both Tucson Phoenix, two very different communities politically and socially. It was one of those jobs that was much more heavy-handed in terms of artistic programming than I have ever been in my career. I used all my contacts to get us to the place I thought we needed to be nationally. I had to consider what I needed to do for our board to build an institution.

Then I went to Hartford Stage with Mark Lamos, the director whose career started in Arizona. We were the same age, our careers grew together, we grew a company in Arizona together... did some exciting work.

**MARTENSON** And you hired Mark, if I recall. How did you find him?

**HAWKANSON** He was an actor at the Guthrie—Michael Langham brought him in—one of the lead company members. Lamos had just done Hamlet at the Old Globe and he had directed something at the Old Globe, the first directing job he had ever done. So we brought him down to Arizona to direct, and he was a fantastic director. Most importantly, he could attract the caliber of actor that we needed.

**MARTENSON** Could you say more about that? You just finished describing a wide range of authority you wielded at Arizona. Then you got

to a place at Hartford where you thought you were getting too much.

**HAWKANSON** Yeah, I'll be honest: in Arizona, I had to do it, because there wasn't the leadership to do it, until Mark came in. In Hartford, we were operating at a level of artistic sophistication where it would have been outrageous if I was involved. I don't have that creativity, sophistication, skill, to work at that level. That's not what I do. I didn't want to be in that position.

When I first came to Hartford, Mark's opera directing career was taking off. I had a really fantastic marketing/communications guy on the team, and we really consciously created a presence for Mark in the city of Hartford on an ongoing basis. We were giving an indication of presence when he really wasn't there. We had to do it, because we again had serious financial challenges and the community was not happy with Lamos's lack of presence. Mark's work in opera was important to his career, and we figured out how to do it. But you can only do that for so long before the emperor's new clothes come back to haunt you.

**MARTENSON** So you didn't change your mind, you were just doing what was necessary. You said earlier that when you were wielding that kind of broad influence, it was because the leadership was missing.

**HAWKANSON** In Arizona, the leadership wasn't as sophisticated as we needed it to be to pull ourselves together as a professional company in that market. I took the job because it was a fascinating community development job. And I knew the compromises I'd have to make to do it. Loved the artistic team, but they weren't at the level we needed to be to prove to Arizona that they deserved and could support a professional company that they didn't yet have.

When I left Hartford, I felt that Mark's career was going in such a way that the role of the managing director would change and I was uncomfortable with that, and how that would impact me and the rest of the artistic staff. That new relationship was not something that I really wanted and would eventually put at risk all we had accomplished.

After Hartford I took two years off to get a whole bunch of stuff off my list that I really wanted to do. I did a turnaround at Crossroads Theatre in New Brunswick, the African American company. That was an interesting experience as a white manager.

Then I went to the Guthrie with Joe Dowling for six years. For my period there we really were focused on designing and building a new home for the theatre. I was not very happy there. When the building was sited, designed, and mostly funded, I left. Then I took more two years off, did more things on the list.

I was making a speech in New York, and Michael Gennaro, my predecessor at Steppenwolf, was in the audience. He came up to me, and he said, "Hawkanson, would you consider spending six months with us as a consultant? We'll pay you whatever you want." And I said, "Well, what do you want?" And he said, "We just can't figure out what to do next. We're so successful, we're really uncomfortable about it, and we just need some way to shake it up. And you're absolutely the person to do it." And I said, "Absolutely."

Susie Medak, who you guys have met, and was an intern with me at the Guthrie, came up to me after and said, "You taught me how to negotiate. What the fuck was that about? You didn't even say, 'I'm too busy, let's see if I can fit it into my calendar,' or 'I'm not sure,' you just grabbed it." I said, "Susie, none of us understand how that company operates. I'm not going to lose the opportunity to try and figure it out." And I went, and it was a really

interesting six months. No one listened to me, but I fell in love with Chicago, and I fell in love with Steppenwolf. Michael then had a family problem and I've been with the company for nine years.

When I came to Steppenwolf as a consultant, I did about 60 interviews in the community, and two things really scared me. People were saying they didn't know the difference between the Goodman and Steppenwolf. And at that time, there wasn't a lot of difference. Our brand wasn't defined, we weren't doing the kind of work we're doing now in terms of more new plays, edgier work. We were doing a hodgepodge of stuff, trying to meet the needs of everyone in the ensemble, and it was eclectic programming.

But the biggest issue I kept hearing from the community was that we were the Chicago Cubs of theater companies. At that time, the company had one African American in it. When I interviewed Gary Sinise, I said, "I'm hearing from the African American community and others that they don't want any part of the theater, because you're a bunch of white suburban kids. You don't reflect the diversity of Chicago." And Sinise responded, "we came out of the suburbs, and that's who we are."

Martha Lavey slowly changed that, which was critical to the work we could do, it was critical to how the audience of Chicago looked at us, and it was critical in terms of our own sense of citizenship and community.

Martha was a member of the ensemble—John Malkovich invited her in. At Steppenwolf, the artistic director always comes out of the ensemble. The executive director is picked by the board, and hired by the board, but the artistic director is picked by the ensemble, and then contracted by the board. It was Frank Galati's idea that Martha should become artistic director after another ensemble leader had stepped down. She had a low profile—few

knew her. But with the help of the founders, she set the company on a course that has really gotten the company the acclaim and recognition it enjoys today. When you're in a company or ensemble situation, that's a different set of dynamics than when you're jobbing in actors. Martha has been the first artistic director that didn't direct, but she does occasionally act. It's a different dynamic for a manager.

While our attendance has grown significantly in the last ten years; the makeup of that attendance has changed...8 or more years ago 70% of our audience attended as subscribers, now it's 40-45%. That's a giant change. We were able to do fewer known plays and present work without our founders very comfortably at 70%; now we're at a whole different ball game. We do 13, 14, 15 productions a year—some are brought in, some work-shopped, some first look. Of the finished productions, five are subscription series, our main meat and potatoes. If we're lucky, one or two give an extra \$300,000 or \$400,000, takes us over the top in single ticket sales. If that doesn't occur, you're in deep shit, unless you turn around and change your ticket prices, or put in dynamic pricing, or do other things, which we don't do.

We have \$40 million of real estate, not because we raised money to buy or build, but because our board did real estate deals. We had a six million dollar cash outlay for the \$40 million of real estate we have today. Now we're getting ready on an unannounced campaign to add 70,000 square feet, and we're going to have to do it the old fashioned way—raise the money.

**MARTENSON** You borrowed the money for the first phase?

**HAWKANSON** Yes, because we had been in the long process of designing a campus to the south of the property: two theaters, an atrium, replacing a theater, a whole new way the

audience could interact with us in a public square. Suddenly, a year ago last fall, the building to the north of us became available. We'd been trying to get it for years. We had no choice—we went and bought it for \$6.25 million, and we're going to transform it into a learning center and other functions. We had to get it done.

We have a \$17 million bond issue, which will fold into the campaign.

**MARTENSON** Are those bonds through the city?

**HAWKANSON** No, they're tax-exempt bonds, which every college uses. There was a piece in the *Times* about the private sector using them.

Our interest rate is 1-1.5%, ungodly low. And it deceives you into thinking you can do things you can't do. There's an incredible piece in the *Chicago Tribune* about a museum that had used these bonds to accelerate ambitious programs that it was sure would see a return, and now it's stuck with \$100 million of bad debt.

Steppenwolf is unlike any management experience I've ever had before. The thing about Steppenwolf is that it tries so hard not to be an institution, not to be the Goodman. It is adamant it won't be another regional theater, that takes risks and does them well.

As the company developed, it started sending works off and on Broadway, and some members, such as Malkovich and Sinise, started to develop careers in other fields. But they never lost touch with, or ownership of, the company, and they gradually brought in other people to replace them. Ten years in, when they got the theater they have now, and things started to hit the fan, as they tend to when you get your first grown-up theater, the founders came back, rebuilt Steppenwolf, brought in an artistic director. Today we're a

company of 43 ensemble members, ranging in age from 23 to 82—Lois Smith is our oldest ensemble person. It still is an actor-driven culture. We now have directors like Anna Shapiro, Tina Landau, writers like Tracy Letts and Tarrell McCraney. .

The idea of the culture is: you never say no. You say, “Why not?” instead of “Why?” You should always be willing to put yourself at risk. No idea is a bad idea until it is determined to be a bad idea. All the things that you can imagine drive a manager crazy. But they wanted to build a theater where the artist was the voice of the institution. Now we have an artistic director, like everyone does. We have an executive director, myself. We have hierarchy, we make decisions, there’s a curatorial processes going on all the time, but the whole point of the company is to be there for those actors, directors, and writers. The point of a season is to be a showcase for what they want to do, in a way that no one else can. Sometimes it’s a disaster, sometimes it’s incredible like *August Osage County*, but as a manager, it’s fascinating.

The challenge is, it’s not a small theater. We have \$40-50 million of real estate. We have an investment portfolio of \$24-25 million, we have an operational budget of \$14-15 million, we’re in the middle of a \$70 million capital campaign. We have all those grown-up things, and the challenge for Martha and me is to make sure that the culture stays true, that we can always put things at risk if it’s important for the artists and we’ve really thought it out. I would argue that we’ve been immensely successful artistically, because the company has continued. Put itself at risk, because it’s an incredibly talented group of people who hold each other in very high esteem, and because it’s extremely competitive. And as a result of being artistically successful, we’ve been successful financially.

When I first came to Steppenwolf, I was asked to make a presentation for a foundation, and I asked for an organization chart. Everyone sort of looked at me, and the comment was, “Well, we’ve never had an organization chart, because no one can ever decide where the board fits versus the management team versus the ensemble.” That’s because the ensemble was created first, the first trustees were doctors and friends of ensemble members’ parents. Then it became more grown-up. But unlike the Chicago Symphony, started by a group of well-meaning civic leaders who said, “Let’s have a professional symphony, it was just started by a group of actors who wanted to act and created a company so they could do what they wanted to do. So as you start getting into issues like who owns what, and fiduciary responsibility, it gets murky. And intentionally so.

I had an org chart for about the first five years I was there, and then decided it was a bad idea. We don’t use org charts anymore.

**MARTENSON** You’re right, no one understand how this thing works, and I never expected it to last beyond its founders, but it did.

**HAWKANSON** This is by far the longest running institutional ensemble in the country. It has perpetuated itself, and it has done it in a very interesting way. In the early years, as Sinise and Malkovich and others were doing work elsewhere, they said, “We’ll come back and do work when we’re here, and when we do work here, we’ll be paid for it.” Even though our brand is an ensemble, we don’t take any financial responsibility for these people. That means two critical things: one, we’re not carrying overhead that’s not on stage, but, more importantly, you can expand the ensemble, and you’re not taking work away from anybody.

Lookingglass Theatre Company, which is a fantastic ensemble company in Chicago, has been very reluctant to expand or bring in the

next generation of artists, in part because it doesn't want to take work away from those that depend on it for their livelihood. We pay well, we take care of our people well, and we're always there if they need money, or are in trouble, but we don't take responsibility for their lives. We take responsibility for their artistic aspirations, but not their lives. That's a big key to the success. Steppenwolf's ensemble can expand and contract depending on resources.

**STUDENT** I'm curious about the board relationship. If they're hiring the executive director, but the ensemble is choosing the artistic director, are there artists on the board?

**HAWKANSON** There are two ensemble members on the board. But if you go through our by-laws, it doesn't mention the ensemble's existence or role in the theatre. The ensemble is singled out as a core value as well as in our mission statement. Because no one can figure out how to handle it. I'm trying to figure out how to bring this up. We've got some board members who've been on since day one, and as we lose that institutional memory, there's bigger pressure to make sure it's outlined in some way. It's part of our storefront culture, in that everyone has a different interpretation of the story. Of why it happened, what the rules are, how it happened. In some respects, it's been good. But in other respects, all you need is some super-ambitious board member or ensemble member to tip it over and get you trouble. So we're trying to figure out how to deal with it as we're coming into our 40<sup>th</sup> year. I think everyone's more comfortable talking about it now than they were before.

Steppenwolf didn't want to be another LORT theatre so they said, "We're not going to be on a LORT contract, and we'll stay a storefront." Now it's big, successful, sophisticated institution and we're on a storefront CAT contact. We're not in LORT at all.

**MARTENSON** You talked earlier about whether the full range of organizations in the field are going to survive into the future. Maybe you could talk about what you see as the major issues confronting the field? You've talked about how Steppenwolf has excelled at the level of the institution.

**HAWKANSON** Well yes, it's excelled. Chicago has a large, active, theatre audience you can take your market segment. You can be successful in this market without having to play to a broad segment of the audience. Next to the ensemble, the biggest asset Steppenwolf has is its audience—critical, well-thinking, life-long learners trust us, they don't care about old plays or new, just get mad when we extend—they're unique. That audience has been created because the actors never cared about audiences and just did what they wanted to do and thus created a cult behind them—created a rich, stimulated audience.

It's hard as a theater manager to know where the opportunities are going to be tomorrow. There are going to be some large institutions in New York or outside that will thrive, and have a rich, long life. I think there are a whole slew of mid-size companies that are struggling, not getting any support. Most are getting killed badly by state agencies, which used to support us. Corporate funding is horrendous. And foundation funding—national funding—is changing where it's focusing. It's doing more initiatives, less institutional reward funding (merit funding). Then some theaters are sitting in market places where they are the only answer, and they have to be everything to everyone, and the more you try to be that as a producer, the less distinct your work is, and the less distinct, the less competitive you are in the marketplace where people have lots of choices.

We've worked hard at Steppenwolf in changing our relationship to our audiences

and our single ticket buyers. We're very much on a public square trajectory, an engagement trajectory; we're heavily invested in it.

Again, I just think it's really hard for these companies that are the only game in town, have the mid-size budget, and are in a funding environment that doesn't have diversity to it. And the scariest thing to me is that we're seeing more and more that some companies, to stay alive, contract their season, rely on a smaller audience base, on individuals, and on higher ticket prices to make the model work. To me, that's the kiss of death.

I realize I'm a fossil, but our dream when we started this movement, or followed leaders who started it, is that we were going to have theater that was public, accessible, just like the libraries. Everyone would use it, everyone would access it. I think it's a valid dream, and at times we've fulfilled it, but it's getting harder to see that as a national movement. Just as it's getting harder and harder to find orchestras in this country to play Mahler. There's no easy way to get around that reality.

So as men and women who want to go out into the performing arts—theater—it's about what that next model is, that next thing that is the opportunity that will allow us to do great art in a reasonable circumstance, and make a difference in the civic dialogue. I get really excited—but excitement can only go so far—about the National Theatre of Scotland and some of the companies that are in London. These are non-institutional-based companies—they don't have facilities, so they don't carry any of the overhead of facilities that we have carried for many decades.

The fact is, even something as exciting as National Theatre of Scotland gets 30-40% subsidy from government, and we don't have that, so those models will be hard to make here. I don't know. Every time someone says we have to come up with another model, some

of us fossils just want to shoot them, because it's not that easy. If you're going to be retail, totally retail, it's going to affect the work you do. You lose ability to fail, which is one of the most important things a nonprofit can do—to succeed as well as fail, but not be out of business if you fail.

**STUDENT** Did you have pushback in Arizona when trying to create the new model there?

**HAWKANSON** Arizona was a really interesting place as an arts manager to try and create a new model, or to try and figure out how to create a professional company from scratch. It was interesting because the culture of the state was highly entrepreneurial, and, despite being known as a good place to die, when I was there the median age was 29-30. You could find smart, interesting people, and you could fail, or kite a payroll, because they were doing that every day of their own lives. That was the environment that let us, as a group, really go for bust, because people were used to it, and were risk takers. You couldn't have done it in St. Louis or Boston.

**MARTENSON** Would you explain kiting the payroll?

**HAWKANSON** It's when you put payroll on Friday, and you know who's sleeping with who, you know who's going to be out of town, you can estimate which actors will send their checks back to Minneapolis, and so you can cover the payroll with about a quarter of what the payroll actually is. And then you hope that you get enough cash over the weekend, so that when the rest falls early in the next week, you don't get caught.

The really great thing was, in the early days, the ATM systems were not connected in a way that they went right to the correct accounts. So if you could go on a Friday or Saturday, hit a couple ATMs, and get enough to pay cash for those you couldn't get a check to, they'd let



you do it, and so you could ride for at least four or five days. Well, you had to do it. If you didn't have the money, Equity would close you down.

I miss those days... sometimes.

**STUDENT** I see this pattern of being opportunistic rather than strategic. Relating back to how the field is going to change in the future, do you feel that that we need more of that? We're all taught that strategic thinking is more the essence of sophistication than opportunistic thinking.

**HAWKANSON** Well, I think it's a little bit of both. Because of changes in the last ten years, Steppenwolf is a far more sophisticated and strategic operation than it was before. I'm just saying that what's important to remember about a company that seems to be successful is that there's a certain culture that has to exist for it to work effectively in a world that is opportunistic by nature. We're not sitting still—we've been blessed by several large foundation grants in recent years, and we've been blessed with sophisticated research in terms of audiences. If subscriptions aren't the glue that will hold us together, what is? How will we create the loyalty, responsibility, and commitment that subscriptions have allowed us to create since Danny Newman came up with this at the Lyric Opera of Chicago 50 years ago?

It's scary—a company like Steppenwolf has 85% of its individual contributed income coming from subscribers. That doesn't mean they won't give if they don't subscribe, but they're our biggest source of giving. And you're looking at a mechanism that is slowly eroding on a generational basis.

You know, Newman always said to treat your subscribers better than anyone else. You never give anyone anything better—the subscribers are the most important. In other words, treat single ticket buyers like shit. Or they're

transactional and that's that. Well, we found in our early research that single ticket buyers had the same identity with the company as subscribers—critical thinkers, life-long learners, risk takers—even though they were only coming every year and a half.

Looking at that, going through some focus group work, we changed our whole single ticket buyers strategy. We treat them the same as subscribers. We know now that the primary reason for subscribing—which has changed since the early days—is not getting the best seat or price. The reason is that people don't want to miss something. They know they have to organize their life, and subscribing allows them to organize. It's a critical change. They don't care if someone's getting a better benefit than them. So we have worked really hard at engaging single ticket buyers in a different conversation, and we're seeing more contributions from that group. It's working, even though we need to get more frequency out of them.

I'm not suggesting that kiting checks is the mantra that you should be dreaming about, but I do think, whether it's strategic or opportunistic, the opportunities for you as a group of managers are going to be just as obscure as they were for my generation.

If someone told me I'd be earning a good salary, have a pension, two houses—we never thought that could happen. That's a bad example, because I'm a very senior manager but most of us have pension and health programs that no one dreamed about 20-30 years ago. A lot has changed, and the course of our careers has changed—nothing was strategic. So it's not going to be an obvious path. Hopefully it'll be a great path, but it's not going to be obvious.

I'm a great believer that you mentor your whole life. That never changes. I believe you get with the smartest person you can find in

the room—and that’s not always the most likeable or trustworthy person. If you attach yourself to them, make yourselves indispensable to them, learn all you can, your career will go forward.

Because it doesn’t happen any other way, I think. That has never changed about our profession.

**STUDENT** Could you talk about pricing and dynamic pricing?

**HAWKANSON** I knew you were going to bring this up. I do not believe in dynamic pricing. I think it goes against the grain of all the things we talked about, about what we want these institutions to be, how they place themselves in a community, and the dialogue in the community.

There’s the recognition that the funding world has changed, that state governments are walking away from funding. There was a production for which tickets started at six dollars. By two weeks after, it was up to \$160. Two major theaters in Chicago have taken tickets that are substandard—balcony—they’ll start selling them at \$40, move up to \$100 if they sell.

We’ve all looked at load factors; we’ve looked at what that means. But if you want to be a truly diverse institution to a community, I don’t think you achieve that through retail pricing on what only one segment of the market can bear. You’re going to get a very different audience, and have a different appeal. If you go on the Steppenwolf site, and order a ticket—our top price is \$70 and we guarantee a certain number of \$20 tickets for every performance. If you buy a ticket for \$20, at the end a pop-up will come up and say, “Will you contribute?” If I pay \$20, and the normal price is \$70, I might take that pop-up seriously.

If I paid \$175 or \$160—more than at a

commercial theater down the street—then how dare they ask for a contribution?

We have 4500-contributors—the backbone of our economic model. They have been with us through recession, contributions ranging from five dollars to \$150,000. I think you put that at risk if you tell people we can get the top price and maximize that.

It’s putting at risk—not the NEA, because it’s not relevant—not state arts, because that’s not relevant—but I think there are other things in the nature of what these organizations have become, and how we position ourselves in the communities that we put at risk if we’re a retail operation and we’ll take the highest price for any performance because we need it. I think it’s a short-sighted point of view.

If that pop up gets me \$400,000 of contributions, when you’ve only got \$100,000 from dynamic price increases, I’ve won my argument. And by the way, that’s a tax deduction to the giver, and that contribution creates a sense of loyalty and ownership that higher tickets don’t create. It’s a difficult issue, because there’s not great research on either side.

A lot of managers will say, “With dynamic pricing, we’re discounting on the other side, so it allows us to make more seats available at a lower price.” I’d say, if you look at those theaters, they don’t use dynamic to be fair, they use it to make more revenue.

I think it’s a really exciting topic to debate, because it goes to the issue of what these institutions are all about.

**MARTENSON** You have to behave as if you’re for educational purposes, because there are foundations that are willing to make up the difference from the revenue that you lose from behaving that way. Then the foundation goes away, so you have to be more retail. But the

more retail you are, the less it feels like the educational purpose you began with. Is that an unbreakable cycle?

**HAWKANSON** I had a foundation officer in our office the other day, asking why we do educational youth programs. Lady, we do education with all our audience members. It's key to our engagement relationship.

Different theaters have different philosophies on their relationship to the audience, what they want that relationship and interaction to be. But we take education very seriously as a conversation with the community.

**MARTENSON** It sounds to me as if you think that the moment the environment pushes us in the direction of retail, is the moment when you have to be smart and assert your educational purpose.

**HAWKANSON** In our 30<sup>th</sup> season, the idea came up that we do a season of all new plays. We knew if we were going to do that, there would be plays that worked, plays that didn't, plays that would make people feel mad—that's just inevitable. And the question was, how do we get them into a discussion that gets away from that transactional thing, so one hot-headed husband isn't walking away saying, "That wasn't worth \$75," and never coming back.

But anyway, just before that, we premiered a Bruce Norris play called *Pain in the Itch*, a fantastic play, one of the best. One of the characters was a six-year-old who goes around scratching her crotch—turns out to be venereal disease. We had this young girl scratching her crotch in this satirical, comical play—questionable, taste-wise. But that's Bruce.

We decided to protect ourselves. We were going to have post-show discussions at every performance—let them scream at us, let them

yell at us, make sure they didn't leave mad. But it's Chicago. The scratching was a non-issue. What was really interesting was that we got into these incredible conversations. They weren't conversations like, "How do you memorize lines," they were carefully managed, getting audience members to argue with each other. It was an incredibly rewarding experience. We decided that would be done after every show, regardless of the play. And we do. Every performance. And we have different conversations online. The reason we do it is, we want to get the audience relationship away from a transactional one. If you start charging \$150 on a ticket, you'll blow that right out of the audience.

People who go to Broadway are event buyers. They think every moment, "Is this worth it?" The family of four that takes kids to the latest Disney hit and spends \$2,000—you don't think they're thinking about the value? I don't think you have an interesting theater if that's part of the relationship. That's what we're trying to get away from. Even though we sell 200,000 tickets a year, I think there's a way to do it.

When we did *The Good People* and a couple other plays, those conversations were going on for three, four years—amazing conversations. It changed the relationship those people had with each other and with the theater.