

On the Feasibility of Using the Business Model of Broadway Musicals in Chinese Musicals

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Abstract. The purpose of this paper is to explore the perfection of the business model of Broadway musicals by analyzing the phenomenon of profit growth after the epidemic in recent years, as well as the advantages of its production process. The analysis of the Broadway business model will assist the readers in learning the essential instruments of making a musical famous around the world. Meanwhile, it focuses on exploring the feasibility of applying the business model of Broadway musicals to Chinese musicals. The conclusion drawn from the research is that the Broadway model can be applied to Chinese musicals. With innovations in performance management and theater, Chinese musicals will face another improvement in the global musical market. By using the successful example of "King's Table," which originated in China and was exported to Korea, it is not difficult to find the potential power of Chinese musicals under the effects of the Broadway model.

Keywords: Broadway musicals, Chinese musicals, Business, Theater and performance.

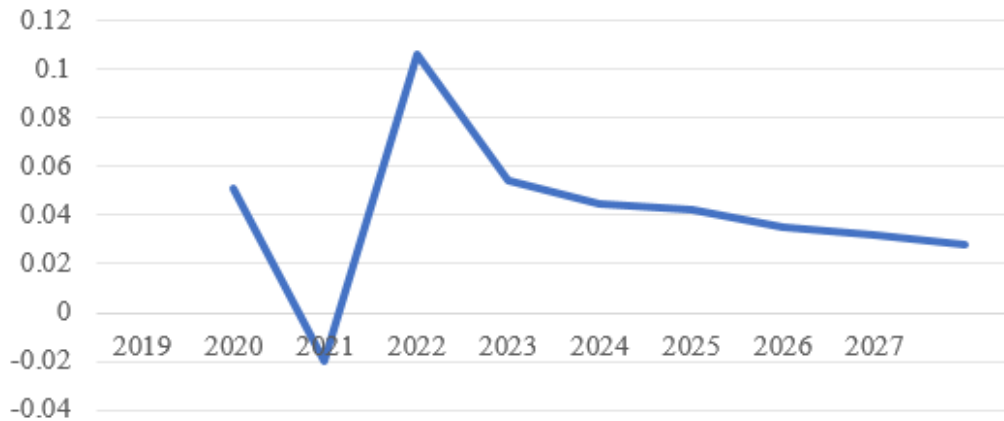
1. Introduction

The study finds that Broadway musicals, as an art form with a long history and cultural heritage, have stable demand and strong brand influence in the market, which provides a solid foundation for the sustainable development of its business model. Whether the business model of Broadway musicals will work in China's domestic musical theatre is a complex and challenging issue [1]. Although the Chinese musical theatre market is relatively new and has a different historical and cultural background from that of Broadway, there are some potential opportunities and lessons to be learnt. By delving into the business model of Broadway musicals, we can better understand how it stands out in the market and try to find out from the analysis whether the future direction of Chinese musical theatre is applicable.

2. Analysis on Broadway musicals

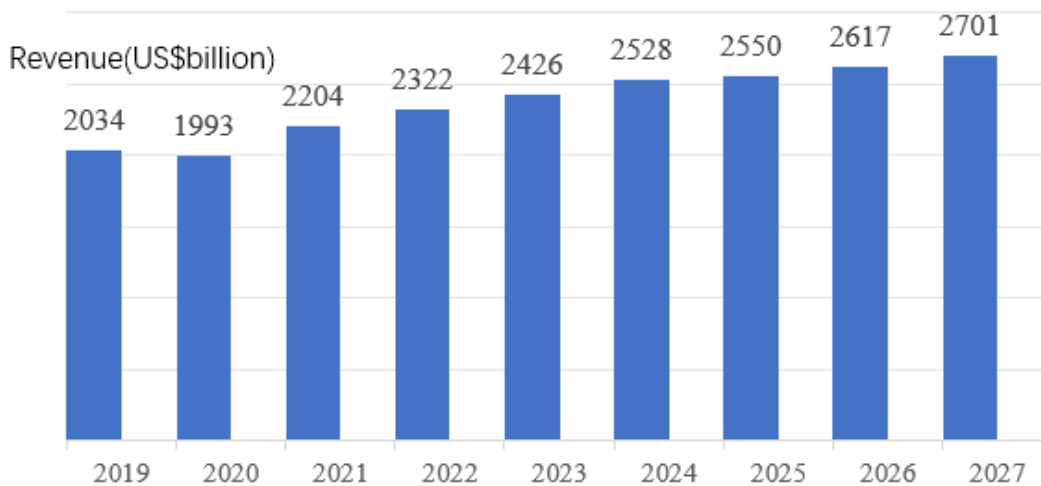
2.1. Recent Economic Background

The year 2022 marks an important turning point for the entertainment and media industry. Total global entertainment and media (E&M) revenues grow by 5.4 per cent in 2022 to reach \$2.32 trillion. This is a significant deceleration from the growth rate in 2021, when the global economy and industry began to recover from covid-19. Over the next five years, growth rates will decline sequentially. By 2027, revenues will grow by only 2.8 per cent from 2026. This is lower than the overall economic growth rate of 3.1 per cent projected by the International Monetary Fund (IMF) for that year (Figure 1 and Figure 2).



Source: PwC’s Global Entertainment & Media Outlook 2023–2027, Omdia, IMF

Fig. 1 Annual growth of E&M.



Source: PwC’s Global Entertainment & Media Outlook 2023–2027, Omdia, IMF

Fig. 2 Global Revenue of E&M.

2.2. Revenue of Broadway

Musicals are theatre productions of a sentimental and amusing nature, with simple and unique plots that offer music, dance and dialogue [2], which are a form of offline immersive entertainment. As shown in Figure 3, attendance of Broadway musicals by Americans increased after the outbreak, with total revenues of approximately \$1.6 billion in 2022/2023, nearly double that of the previous year, but still short of pre-epidemic levels [3].

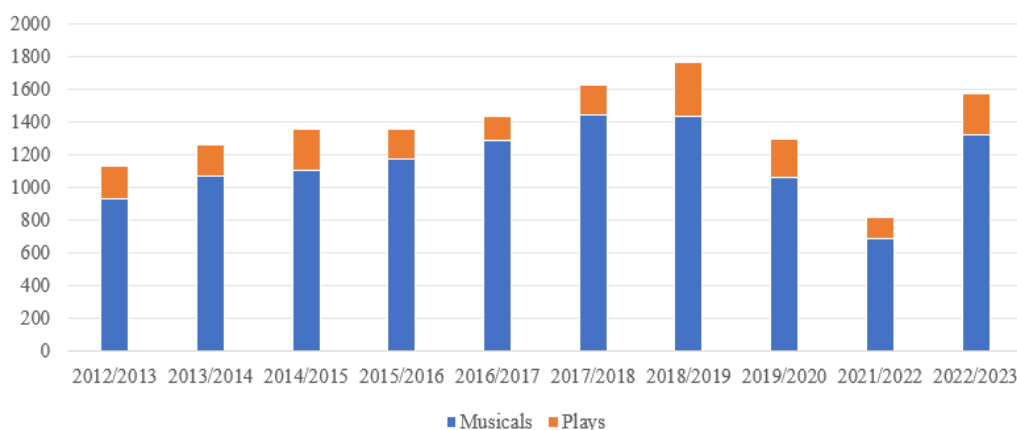


Fig. 3 Gross revenue of Broadway shows in New York, United States from 2012 to 2023. (In million U.S. dollars).

Even so, Broadway, which has been in business since as early as the mid-1800s, has a well-established business model to learn from. Although statistics show slight variations, it is generally accepted that most Broadway shows do not recoup their investment, but often a small number of popular productions can generate most of the revenue for Broadway in a single season [4].

2.3. Business Model of Broadway Musicals

In order to analyse the business model of a Broadway musical, it is important to first understand the preparations that must be made before a musical is performed.

2.3.1. Casting and rehearsals

Casting for exceptional actors, singers, dancers, and musicians to bring the characters and music to life starts as soon as money is secured. The creative crew then oversees rehearsals to ensure that the acting, dancing, and music are flawless [5].

2.3.2. Theatre Selection

Broadway shows are staged in different theatres in the Theatre District of New York City. The Producer must secure a suitable venue to accommodate the set design, technical requirements and seating capacity of the production. Theatre contracts are negotiated and rent is paid accordingly. There are 500 or more seats in the Broadway theatres located in Midtown Manhattan, while off-Broadway shows that based in Manhattan don't own this amount of seats [6], which provides accommodation for a larger audience.

2.3.3. Marketing and promotion

Broadway shows mostly rely on marketing and promotion to draw audiences. Theater enthusiasts are the target audience for advertising initiatives that aim to generate excitement and interest. In addition to more modern techniques like social media, email marketing, and online ticketing platforms, this also covers more conventional techniques like print, radio, and television.

Social media has become increasingly important to marketing strategies for Broadway productions in recent years, but many traditional Broadway productions do not fully utilise social media channels. *Hamilton: An American Musical*, for example, identifies its success strategies through Instagram, Facebook, Twitter, YouTube, and TikTok accounts. The use of innovative social media tactics by *Hamilton* and other similar shows has contributed to the growth of a diverse and ethnically diverse audience on Broadway, and these emerging audiences are a key factor in a future where more authentic and increasingly empowered people will determine the future direction of Broadway [7].

2.3.4. Ticket Sales

Revenue from Broadway shows comes mainly from ticket sales. Tickets are purchased through a variety of channels, including official show websites, ticketing platforms, telephone bookings or theatre box offices. Ticket prices vary according to seat location, demand and popularity of the play.

2.3.5. Performances and merchandise

The essence of Broadway is live performance. Shows usually run multiple times per week, including matinees and evening shows. In 2022-2023, Broadway reached 1,474 performance weeks [8]. In addition to ticket sales, revenues come from merchandising, including cast recordings, branded clothing, and souvenirs.

3. Chinese Musicals Application In Broadway Business Models

3.1. Chinese Musicals Development Background

In the past 40 years, China's musical theatre industry has performed more than 300 local original musical works, but the whole industry is still in a long-term depression. The musical industry chain in China is just starting out, original musical invention and performance are not yet at a high level,

and the localization of musicals is still not completely finished [9]. However, through China's original musical "King's Table" which will be exported to South Korea in 2022, we can see that the Broadway art and business model is feasible in China.

3.2. Chinese Musicals Success Example

At the end of 2022, the operator of Asia Tower, Shanghai Yawahu Theatre Operation and Development Co., Ltd. signed an agreement with Never Ending Play, a South Korean musical production company, to sell the copyright of the company's original musical "King's Table" to the South Korean side, which is the first time that China realised the export of overseas copyrights of an original musical. Since the opening of Asia Tower, it has completed the construction of 19 "Star Spaces", staged 6,656 performances, with an audience of 437,900 and a box office of 116 million RMB. Among them, "King's Table" has had 88 performances since its opening in September 2022, with an average attendance rate of over 90% and a box office of 3.424 million yuan, and the annual box office is expected to exceed 10 million yuan [10].

"Star Space" is a small, ambient theatre in an office building, which differs from a large theatre in that its productions include plays, musicals and operas. Borrowing from the Broadway model, StarSpace has opened several theatres in Shanghai, just as Broadway has spread outward from Manhattan, building on the reputation of its resident actors and many rehearsed performances. The stage characteristics and performance format of ambient musical theatre in Asia Tower greatly enhance the actors' on-site resilience and infectiousness, and the "one person playing multiple roles" line-up arrangement also helps to improve the overall level of the actors, stimulate competition within the team, and provide a richer experience for the audience. In terms of business model, in addition to learning from Broadway, there are also innovations. Asia Tower has changed the traditional business of earning rent, but is responsible for the operation of the theatre and the production of the project, and the theatre creators and performers to adopt a common share, the later share of the cooperation mode.

4. Conclusion

To sum up, whether the business model of Broadway musicals can work in China's domestic musicals depends on the condition of China's musical theatre market, the improvement of the production level, theatre branding and other factors. Despite some challenges, by learning from the successful experience of Broadway musicals and innovating with Chinese national conditions, Chinese domestic musicals are expected to achieve better development in the future.

The inspiration in the study is that a business model in America may be used in China, and gain the same result of success. The reason can't be separated from the comprehensive understanding of the Broadway show model and the familiarity with the Chinese musical market, which adds innovative characters given the country's cultural background.

The limitation of the study is that the method is generally based on other research but lacks first-hand data and information. Collecting questionnaires and conducting interviews with people may fill the blanks in the paper.

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