

## **DINNER THEATER: GIFTS OF THE MAGI – WOULD THE GIFT BE GOLD OR COAL?**

Timothy Redmer  
A. Gregory Stone  
Regent University

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*Jefferson Ledgerwood, a new member of SIFE, was confused! After all, he had already been a successful business man! This was a chance to establish a revenue stream for the organization which was horribly dependent upon the university to make ends meet. However, the SIFE president wanted no new projects, no new events, and would not approve of the venture. At the same time, the school dean wanted its students to take entrepreneurial risks – taking action on an idea was seen as more critically positive a decision than its ultimate success or outcome.*

*Jefferson still saw the venture as a way to bridge the gap between the theatre department and the business school, plus the Founders Inn wanted additional business during their off days and times. The theatre department had already balked at the idea of adding a Christmas play to their lineup of events, so there was no “competition.” And the community expected something with a Christmas theme to come out of the university. There was an opportunity staring him right in the face that could be a win/win/win!*

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### **DINNER THEATRE PROPOSAL**

“This is not the time for the Founders Inn to shove a contract in our face!” shouted Jefferson. “They’re supposed to be collaborating—not torpedoing the project!”

This was not the first glitch the team had encountered. Speed bumps are a part of any entrepreneurial endeavor, but this was certainly the biggest one to date. How could a major conference hotel, a theater group, and a free enterprise student organization work together anyway?

The dinner theater venture was no small undertaking! The Christmas season was rapidly approaching, and Regent University had no major Christmas event—not much of a season statement for a Christian university. More importantly, there was a community expectation undercurrent that Regent would/should/could do some-

thing with a Christmas theme for the holiday season. But, truth be told, nothing had happened for more than a decade—not since the annual live nativity scene had been abandoned by the theater department due to student apathy.

### **THE FOUNDERS INN**

The Founders Inn Resort and Conference Center was a five star hotel complex with conference facilities suitable for meetings and events of up to 1,000 people. The buildings were located on the Regent University campus and served both the university and the Christian Broadcasting Network corporate headquarters. It was also active in serving the greater Hampton Roads community by offering attractive conference and convention packages. The Founders Inn also competed for national conferences especially with Christian based organizations.

The Founders Inn, although owned by the university, was operated by an outside management company foreign to biblical business principles and collaboration. Everything was strictly a contractual relationship, but the leadership team were extraordinarily talented individuals and personable!

### **REGENT SUMMER THEATRE CAMP**

The Regent Summer Theater Camp had garnered quite a professional reputation, thanks to their founder, Chris Nelson. A graduate of the school in which he worked, he possessed his own entrepreneurial spirit, and made things happen when others only watched. Having founded the Regent Summer Theater Camp, the community was aware of how he could take the raw talent of high-school-aged students and mold them into small-theater professionals.

The Regent University Summer Theatre Camp Program provided a safe place for young people to excel, train and experience their art. Each summer Chris Nelson produced two summer theatre camps which reached out to local middle and high school students. At these camps students took classes in dance, acting, voice, improvisation, stage combat and stage management. The students also participated in a fully produced musical. The camps stressed practical theatre skills and education, along with character and integrity within the art.

His first-class theater performances were held in the camp's own well-established performance venues. Many of the students vying for parts were attracted from The Governor's School for the Arts sponsored by the Virginia Department of Education. Talent followed his mentorship, and he knew how to cast characters in his plays so the right person was always in the right seat on the right performance bus.

### **STUDENTS IN FREE ENTERPRISE**

The Student in Free Enterprise (SIFE) team was driving the project; trying to get everyone to play together for the sake of the entrepreneurial opportunity. The Regent SIFE team was part of a larger global not-for-profit organization challenging students to develop community outreach projects that teach market economics, success skills, entrepreneurship, financial literacy, and business ethics.

SIFE team members such as Jefferson were taught to leverage their personal educational experiences, the expertise of their faculty advisors, the support of their local business advisory boards, and the resources of their institutions. Their program outcomes would create real economic opportunities for members of their community. The effectiveness of their project would ultimately be judged at the spring regional and national competitions. And this was just the type of new project their portfolio needed.

### **DINNER THEATRE PROJECT HISTORY**

Setbacks had dogged the project team from the beginning. The faculty in the School of Communication and the Arts used up two weeks trying to make a decision on whether to add another play to the already-established theater season. Even though it was a Christmas play for the community, they voted no. Worse yet, the money for the production was sitting there waiting to be used. It had been put up by the SIFE team and the School of Global Leadership and Entrepreneurship (GLE).

Based on all of the budget projections, the performance would result in a tidy net profit after expenses were paid. SIFE and GLE would put up one half of the “venture capital” for the production, and the split the profit with the Regent Summer Theater Camp after expenses were paid. That additional revenue for the Summer Theater Camp was pivotal in providing the resources required for Nelson to market and advertise his productions for the upcoming summer. It was a win/win/win—well, at least until the faculty politely declined to play in the traditional theater game.

That led to the critical team meeting. Jefferson Ledgerwood, a second semester MBA student, and Christine Dunn, former law school student in the business program, were both SIFE members. The SIFE president had made it clear that she wanted no part of any new projects. According to her, the other team members were already swamped, and she had already voiced her opposition regarding this venture. Revenue or not, there just was not time to add this to the plate of responsibilities.

But the GLE dean felt differently. He wanted its students to take entrepreneurial risks. In fact, taking action on an idea was seen as more positive a decision than its



ultimate success or failure. But the SIFE president could make life miserable, and she could terminate membership at will, or, at the very least, divert all of the resources to other projects thereby starving an initiative to its death.

Jefferson, Christine, and Chris huddled around the restaurant table to discuss the failed Christmas theater play. “Well, I guess it’s all officially dead, but I did appreciate the attempt to make it happen,” lamented Chris Nelson. “There’s no reason why we still can’t do this!” Jefferson grumbled. “Chris, you said a Christmas play could attract guests staying at the Founders Inn. Why not take the play to them? Let’s use one of their ballrooms and put on a dinner theater performance!” Everyone at the table sat staring at each other as each tried to think of some reason it wouldn’t work.

“I put on a production several years ago called *Gifts of the Magi*,” Chris explained. “It’s the right length, uses only a few actors, and doesn’t require much in stage props. It could work!”

“It’s basically the same production costs, just a different delivery system,” Jefferson quickly added. Jefferson stood up and started slowly walking around the table, carefully choosing his next words. “This way, we differentiate our product from the rest of the market! No one is doing a dinner theater in the Hampton Roads area.” His eyes light up as he looked at his peers. “Since it’s a Christmas play, it’s also family friendly!”

“Think about The Founders Inn traditional elegance and reputation for culinary feasts,” Jefferson contemplated. “That could function as the drawing card for a high quality dinner theater performance. It would provide the right ambiance for fine dining and an outstanding theater performance—all in the Christmas tradition and caliber for which the Founders and Regent are known!”

“But will the Founders Inn work with us? Christine asked. “There’s only one way to find out!” snapped Jefferson. “If people don’t take action, then nothing will ever happen. Let’s make a counter-apathy statement with this project! Let’s take a step of faith!” Jefferson was defiant about this project! After all, he had a successful track record to back up his talk. Working toward his MBA, his undergraduate SIFE experience plus twelve years in the marketplace as an entrepreneur had matured his full-fledged “can do” attitude.

He’d already been a success mortgage broker in California! This was a chance to establish a revenue stream for SIFE who sorely needed the funds. SIFE was horribly dependent upon the university administration to make ends meet. And the university



wanted to cut the fiscal umbilical cord.

Christine had just finished law school, and functioned on the side of caution. She could crunch numbers with the best of finance majors, and could also assess outcomes from a legal perspective as well. She was just the right balance to Jefferson's entrepreneurial drive.

Based on the numbers they had formulated, \$25 could go toward the meal, with another \$25 going toward the theater performance. They would be contracting with the Founders Inn for the meal. The issue would be whether or not the Founders Inn would want to charge additional fees for space, equipment, the stage, lighting, or other peripheral. After all, it was common for them to charge business meetings \$600 for using a data projector for one day.

Christine believed if 100 tickets are sold for each performance the project should make at least \$12,000 after the costs of the food. That would be enough income to cover other costs. The dinner theatre project would be a financial success if any money was made especially given the relatively short time period to put everything together. (See Attachment 1 for some budgeted information and assumptions.)

The only way it could be successful would be if the Founders Inn staff viewed SIFE and the Regent Summer Theater Camp group as collaborators—not customers. Being treated as a customer would kill the venture. If, however, they worked together to pull off the first dinner theater event, they could build on that relationship for future dinner theater events. It was all going to be based on if a relationship could be formed with the talented executive staff of the Founders Inn.

Strategically, this could become a long-term success if the pilot project worked. Ideally, a Christmas dinner theatre play could be presented every year for the local community as well as for the holiday guests at the Founders Inn. The program could also be expanded to offer other dinner theater performances throughout the year if the interest and demand proved favorable.

However, for now it was more of a short-term opportunity. Decisions would have to be made quickly and marketing initiatives implemented to get the word out about the dinner theatre performance if consensus was reached to offer the dinner theatre.

## **MEETING WITH FOUNDERS INN**

The Founders Inn business office conference room was small and cramped—hardly the type of room conducive to thinking big. Charlene, the Director of Catering, looked up over the top of her glasses and peered at Jefferson, Christine, and Chris. She had been carefully perusing the budget figures provided by the project team. She glanced over at her own pad with number scrawled on it. “We can do this,” she announced. “Based on my head chef’s calculations, the meal will cost you \$30. That’s inclusive of the service charge and the tip.

A micro smile slowly etched itself across Jefferson’s face. “Are there any other charges? He quickly asked. “No, that’s it,” Charlene quipped. “How many people do you think will attend each performance? 200? 300?”

“I think 100 is pushing it for something brand new until our name gets known,” Jefferson replied.

“We would want you to hold the first performance on the Sunday following Thanksgiving as a part of our Grand Illumination weekend,” Charlene added as she took off her glasses. “That’s a great venue to advertise the other five performances as well.”

“Our preparation schedule had us starting the following Sunday,” Chris quickly added. “That’s really pushing it from a production standpoint, but we can probably push ourselves to meet it.

## **THE GO OR NO GO DECISION**

Jefferson saw the venture as a way to bridge the gap between the theater department and business programs, plus the Founders Inn wanted additional business during their off days and downtimes. The theater department had already balked at the idea of adding a Christmas play to their lineup of events, so there was no “competition.” As far as anyone was aware, the only theatre production even being offered in the way of competition was the same performance *Gifts of the Magi* by a local university in a city 35 miles away, but not as a dinner theatre performance. According to critics, this performance by the local college was not being well received. Chris hoped these negative reviews would not impact this proposed endeavor. Also the community probably expected something with a Christmas theme to come out of the university. There was an opportunity staring him right in the face that could be the win/win/win everyone was looking for!

The *Gifts of the Magi* was perfect for a dinner theater. Based on the short stories of

O'Henry, the play's action focused around Christmas in New York, and featured two young lovers both out of work and penniless. It had humor, drama, sorrow, music, and a happy ending—all in one eighty-minute play!

The simple u-shaped stage would provide glimpses of various city folk going about their holiday business. Characters include a cheerful bum who wants only to get arrested so he can spend the night in a cozy cell. The production is gracefully enhanced by tuneful songs and neatly tied together by a newsboy-narrator, who adds his own songs and informative observations to the delightful proceedings. Six characters, minimal props, a talented pianist, a ballroom with drop down spot lights, and SIFE's sound system—the dinner theater package was complete!

The dilemma is how to get everything in motion up to make the venture profitable with the first performance in less than 60 days from getting the “buy in” from all the parties involved. There is a pricing issue for tickets, cost issue with the meals to be provided by the dinner theatre facility, fixed and variable cost with doubts about which would be which, and the “yours, mine, and ours” marketing concerns.

How could they quickly promote the event and get the required 100 people to attend each performance. They could make the meal costs, but what about the “complimentary” tickets that could win friends, influence the reviewer to attend, and persuade people for the future of the event? Breakeven seemed to be a constantly moving target!

But everything was coming together from the production perspective. An excellent cast was already practicing lines, the first postcard mailing was set to go out to area theater patrons in 24 hours, and the rights to the play for six performances had been purchased. Everything was falling into place exactly as planned. They were approaching the point of no return on this venture and had overcome all of the setbacks along the way!

That's when Jefferson opened the envelope from the Founders Inn. Inside he found the contract. They had never mentioned they would be sending a contract. His mind went pinballing to the former conversations. Okay, contract, contract; that's how they are used to operating. It's probably all okay.

He started scanning it quickly. It had the \$30 per meal price to which they had all agreed. Yes, they lost \$5 per ticket off of the theater revenue, but still the numbers looked good. They had even figured out how to accommodate theater only patrons who did not want to eat. That would actually balance out the \$5 per ticket loss. Ev-



everything was as it has been discussed. Only on the last page of the contract did he see the line that caught his eye. “SIFE guarantees a minimum of 100 meals (\$3,000) for each of the six performances.”

Jefferson’s thoughts went reeling. What were they thinking? This was not part of the discussion! What were they trying to pull? He threw down the contract shouting, “They’re supposed to be collaborating—not torpedoing the project!”

What should they do? Money had already been invested. Should they stop the production? There was no time left to work out details, or negotiate anything! Everything was set to fall like dominoes! How could they adjust? Jefferson had to decide if the project was go or no go!

**TABLE 1**

**DINNER THEATRE INCOME (TICKET REVENUE LESS MEAL COSTS)**

<u>Ticket Sales</u>	<b>Projected</b>
November 25 (Evening Performance)	\$2,000.00
December 2 (Afternoon Matinee)	\$2,000.00
December 2 (Evening Performance)	\$2,000.00
December 9 (Evening Performance)	\$2,000.00
December 16 (Afternoon Matinee)	\$2,000.00
December 16 (Evening Performance)	\$2,000.00
<b>TOTAL PROJECTED INCOME =</b>	<b>\$12,000.00</b>

**Dinner Theater Expenses**

<u>Personnel Expenses</u>	<b>Budgeted</b>
Director/Tech	\$2,000.00
Assistant Director/Choreographer	\$1,250.00
Pianist	\$500.00
Actor	\$500.00
Actor	\$500.00
Actor	\$500.00
Actor	\$500.00
Actor	\$500.00
Actor	\$500.00
<b>Total Personnel Expenses =</b>	<b>\$6,750.00</b>
<u>Production Expenses</u>	
Royalties (Dramatist Play Service)	\$750.00
Costumes	\$400.00
Set Construction & Light /Rental	\$500.00
Props	\$50.00
Sound Technician	\$0.00
<b>Total Production Expenses =</b>	<b>\$1,700.00</b>
<u>Other Expenses</u>	
Ticket Box Office	\$600.00
Rehearsal Rental Space	\$350.00
Marketing	\$1,000.00
<b>Total Other Expenses =</b>	<b>\$1,950.00</b>
<b>TOTAL PROJECTED EXPENSES =</b>	<b>\$10,400.00</b>
<b>TOTAL PROJECTED INCOME =</b>	<b>\$1,600.00</b>

Assumptions

- Ballroom capacity =130 (100 dinner, 30 for theater only)
- Evening performances are forecasted to be 80% adult ticket sales and 20% children ticket sales
- Afternoon matinee performances are forecasted to be 50% adult ticket sales and 50% children ticket sales
- 6 Total Public Performances
- Adult Dinner Theater Ticket Price: \$50.00 (\$30 for meal, \$20 for theater performance)
- Children Under 12 Dinner Theater Ticket = \$35 (\$20 for meal, \$15 for theater performance)
- Adult Theater Ticket Only at Door = \$20
- Children Under Age 12 Theater Only Ticket at door = \$15