

**No Funds, No Fun:
A study to identify means through which Thai small-sized
contemporary theater troupes can achieve financial sustainability.**

Introduction

Although Thailand's first contact with westerners dates back to the 16th century, western theater did not truly find its place in Thai society until the end of the Second World War. The emerging theater industry in its early years was presented with multiple challenges including the advent of cinema in Thailand and continual totalitarian regimes during the Cold War. It was not until Montien Thong Theatre was established in the mid 80's that Thai independent artists began to thrive (Kamsorn, 2013). Since then, Thailand started to see a growing number of small-sized contemporary theater troupes, initially in Bangkok and subsequently in major cities throughout the nation.

Small-sized contemporary theater troupes have long contributed creative materials in both content and forms to the Thai theater community; however, too many of them have been struggling to stage shows barely at a profit, if not a loss (Keitprapai, 2013) – let alone generating growth.

In an attempt to help strengthen the Thai theater community, this paper aims to identify means through which Thai small-sized contemporary theater troupes can achieve financial sustainability. Five out of eleven core members of Bangkok Theatre Network will be used as a specimen of Thai small-sized contemporary theater troupes. To comprehend their current financial positions, this study will scrutinize their total revenue against functional expenses. In addition, this research will also examine these performing arts organizations in the Thai legal context as it might increase or decrease channels for financial growth. After a comprehensive study on financial and legal aspects, this paper

will identify actions that will potentially strengthen their financial health, thus their missions.

As all five small-sized contemporary theater troupes in this research have voluntarily contributed their facts and figures, all of their information will remain confidential.

Pradit Prasartthong, the Secretary-General of Bangkok Theatre Network, has defined a small-sized playhouse as “a theater the size of which is between 10 x 10 meters and no more than 15 x 15 meters, with seating capacity for 20 - 100 people, operated on a regular basis by public or private sector artists to support fine, experimental, non-commercialized art that is neither educational nor traditional in its nature.” This paper adopts such language to define small-sized contemporary theater troupes in Thailand as theater groups who present their work in such venues and manners.

Financial analysis

While for-profit corporations make profits to enrich their shareholders, mission-driven organizations make profits to carry out their missions. Profits are equally needed in both sectors. Regardless of what sector to which it belongs, an organization risks becoming insolvent with continuous negative changes in net assets.

In order to yield financial gains, total revenue has to exceed total expenses. This simple equation, however, is elusive in the real world, particularly in Thailand where there are several unique limitations. Evidently, most small-sized contemporary theater troupes in Thailand incur losses or make not enough profits to sustainably grow. The

following findings on total revenue and expenses of the five representative theater troupes might shed light on the underlying causes.

Revenue

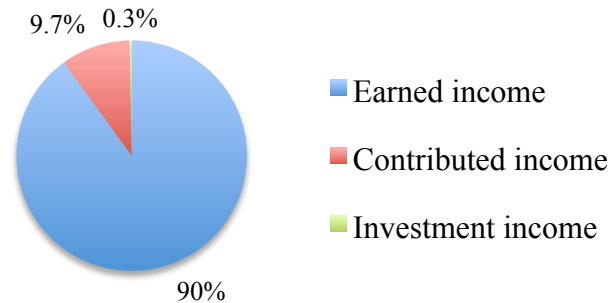


Exhibit 1: Revenue sources of the five sampled theater troupes.

Arts organizations have three major streams of revenue; earned income, contributed income, and investment income (Orlinoff, 2016). Firstly, earned income includes ticket sales, sales of inventory, corporate sponsorship, fees from educational programs. Secondly, contributed income covers individual and corporate contributions as well as government grants and support. Thirdly, investment income generates from short-term and long-term investments, namely, dividends, interests, gains from stocks and bonds.

Earned income ranges from 76.9 – 100% of their total revenue. Two of the five sampled troupes depend 100% on earned income. Ticket sales make up 87.7 - 100% of all earned income while the next largest portions are fees from workshops or related program services, followed by sales of inventory, and space rental fees.

A closer look at their earned revenue reveals that Thai independent artists acknowledge that a structural deficit – a condition in which an organization’s expenditures surpass its receipts – is an inherent flaw of a performing art organization. In

lieu of the star system¹ that Thai large-scale commercial theater companies employ, some offset the deficit by producing lighthearted plays so as to attract larger audience. Others whose missions are at odds with staging popular shows opt to offer additional educational programs, rent out their space, put up merchandise for sale, or make profits off of unrelated business such as a coffee shop or a spa, instead.

Tickets are priced at 350 - 550฿², with a mean of 460฿. The average monthly income per person in the Bangkok metropolitan area³ is 26,161฿ while the average monthly spending on recreational activities is 1.1% (National Statistical Office, 2016). That places the average cost of a single ticket at 160% of the average of all spending on entertainment in one month combined. The surge in price also tends to persist as production costs continue to rise under the current totalitarian regime and its ensuing economic hardship (Phantachat, 2016).

Contributed income varies from as surprising as 22.7% to as tragic as 0% of their total revenue. The biggest funding source is international institutions at approximately 91% of all contributed income. Grants from the Thai government are as scarce as individual contributions.

The volume of fundraising activities as well as the percentage of contributed income to total revenue is low, especially if compared to their U.S. counterparts. This implies that the status of contemporary performing arts in Thailand leans towards being a

¹ The term ‘star system’ refers to the established feature in the performing arts industries, film in particular, that exploits stars to attract a great deal of commentary from many quarters (McDonald, 2000).

² The ‘฿’ symbol represents the Thai Baht currency.

³ The Bangkok metropolitan area includes Bangkok, Nonthaburi Province, Pathum Thani Province, and Samut Prakan Province.

commercial commodity rather than a public good. It might as well suggest a lack of development fellows and expertise.

As corporate sponsorship in Thailand predominantly focuses on events with a higher number of attendees (Keitprapai, 2013), Thai small-sized contemporary theater troupes turn to mission-driven international corporations for financial assistance. The Japan Foundation, the Friedrich-Ebert-Stiftung, Korean Cultural Center, the Wellcome Trust, and the Toyota Foundation are among the generous few. Nevertheless, many grants set specific guidelines on the creation of the work such as a requirement to produce a collaborative work with foreign artists, on particular topics, or in certain geographic areas.

Even though the Office of Contemporary Art and Culture was established under the jurisdiction of the Ministry of Culture in 2002, the scarcity of government support for Thai contemporary art practitioners has remained high. A mere 3.4% of its annual budget is allocated to working contemporary artists while the rest is channeled to implement a top-down centralized cultural policy. Two of the five sampled troupes have each received only one grant in 14 years, while the others have been awarded none.

A prominent local government that has increasingly patronized small-sized contemporary theater troupes in the recent years is the Bangkok Metropolitan Administration through Bangkok Art and Culture Centre. Most of its support comes in forms of in-kind donations such as access to a performance venue in a prime location at a discounted rate or no cost.

The sunny side of having little to zero dependence on the government sector is that building a self-reliant community, although with insufficient funds to effectively

operate, promotes participation and engagement in the Thai theater network (Prasartthong, 2012). Another upside of it is that there is less self-censorship. After the 2014 coup d'état⁴, several politically-engaged artists produced plays to criticize the military junta. They could do so without concerns of discontinuation of government subsidies. Unfortunately, some have been arrested while others, among them is one of the five case studies of this paper, have been closely watched.

Investment income is, for the most part, an experimental game rather than a serious business, adding up to 0.3% of their total revenue. Two of the samples have portfolios with small unrealized gains in the stock market.

Expenses

Expenses can roughly be divided into two main categories; direct costs and indirect costs. Direct costs are expenses that can be readily identified with a particular service while indirect costs incur to support the delivery of services (McLaughlin, 2016). Direct costs can further be grouped into fixed costs and variable costs. Fixed costs are initial expenses of providing services regardless of how much revenue the programs generate. Variable costs refer to expenses that vary with the volume of services provided (Orlinoff, 2016).

Fixed costs of the five troupes consist of production and public relations expenses. Their variable costs are mainly comprised of wages, meals (as a benefit), and performance venue rental fees. Their fixed costs average 32.2% while variable costs average out to 67.8% of total direct expenses.

⁴ The Merriam-Webster dictionary defines a coup d'état as “a sudden decisive exercise of force in politics, especially the violent overthrow or alteration of an existing government by a small group.”

Their indirect costs cover office rental fees, online media expenses, general and management costs, and membership fees for Bangkok Theatre Network. Since these small-sized contemporary theater troupes are loosely incorporated, there are no full-time officers and no salaries to be counted as indirect costs, giving them an impressive program expense ratio of 92.4%.

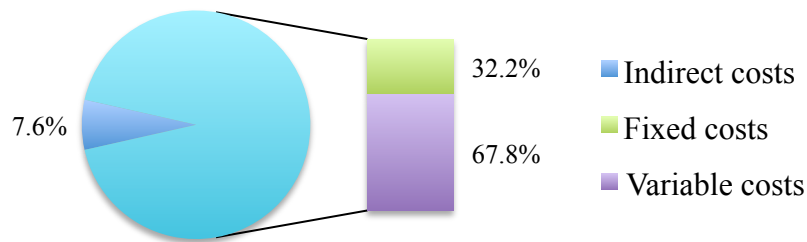


Exhibit 2: Total functional expenses of the five sampled theater troupes.

The five troupes share a similar business model, which is mutually agreed upon by the troupes and their artists. They operate on a production basis. In the event that total expenses exceed total revenue, they will reduce variable costs in order to compensate for the loss. Since most performance venue rental fees are either non-negotiable or free (for those who have their own spaces), it is the wages for cast and crew that are subject to fluctuate depending on how their performances perform financially. Although there have been few cases in which they had to add more shows because tickets were sold out, the general scenario is the expected pay amounts will be compromised.

Legal factors

U.S. tax laws contain no fewer than 39 separate sections that permit organizations to claim exemption from federal income taxes. (Salamon, 2012) The best known is

Section 501(c)(3) of the Internal Revenue Code, under which organizations are eligible to receive tax-deductible contributions in accordance with Code section 170. (Internal Revenue Service, 2016). Such charitable contribution deduction gives taxpayers an incentive to support 501(c)(3) organizations, which include the majority of performing arts organizations in the U.S.

Similarly, The Revenue Department of Thailand exempts charitable organizations, specified by the Finance Minister pursuant to section 47(7)(b) of the Revenue Code and Section (3)(4)(b) of the Royal Decree, from corporate income taxes. The sole purpose of said charitable organizations must be to promote social welfare, education, religions, culture, environment, or sports within the Kingdom of Thailand. Thai taxpayers can itemize deductions from contributions made to these charitable organizations up to 10% of their net taxable income.

Only a foundation or its equivalent can be classified as a charitable organization. The minimum assets needed to register as a foundation is 500,000฿ (the equivalent of \$14,000). To apply for the tax-exempt status, a foundation is required to submit an audited statement of financial position as well as an audited statement of activities. It is also required that 1) no less than 60% of the foundation's revenue be spent on the benefits of the public; 2) the foundation's revenue not be generated in exchange of products or services unless such products or services are related to religions, education, medical care, or social work; 3) no less than 65% of the foundation's expenses be spent on the benefits of the public.

None of the five troupes are a foundation for the obvious reason; they never had enough assets to establish one. In fact, all small-sized contemporary theater troupes in

Thailand, including Bangkok Theater Network itself, are not even a legal entity as they are loosely incorporated. One of the five troupes, however, has come one step closer to being a legal entity by forming into a taxable entity called ‘a non-juristic body of person’⁵ for the purpose of grant receiving.

Recommendations

Recommendations made by this paper are not absolute solutions to overcoming financial hurdles in the Thai small-sized theater community. Nonetheless, the following suggestions should, more or less, ease the financial situation in the sector and gear Thai small-sized contemporary theater troupes towards financial sustainability.

According to the World Giving Index, Thailand was ranked number one on countries donating money to a charity in 2011 and ranked twelfth in 2016. It is unfortunate that the proportion of revenue sources from the collected data indicates that there is a relatively low volume of activities to generate contributed income. It is strongly recommended that Thai small-sized theater troupes increase fundraising efforts to raise revenue from individual donations and domestic corporate contributions. The United States has set a great example with 39% of total income of nonprofit arts organizations raised from philanthropy (Salamon, 2012).

To attract more philanthropists, it is advised that Thai small-sized theater troupes as well as Thai academia begin to make an argument that the arts in general and the

⁵ A non-juristic body of person is defined by The Revenue Department of Thailand as “a contract into which two persons or more enter in the same manner with an ordinary partnership, but with no intention to share profits.”

theater arts in particular are also a public good, which deserves support from every sector of the society.

Western contemporary theater has a niche market in Thailand, hence a niche of art donors. Some of these potential donors might not have enough financial resources available to contribute; however, they might be capable of giving their products or services. In-kind donations not only can expand donor bases, but also can turn into cash if there are no restrictions on the donations. As the collected data point out that the ratio of in-kind donations to total contributed income is low, it is suggested that Thai small-sized theater troupes also solicit in-kind donations in addition to cash donations.

Thai small-sized theater troupes are encouraged to collect demographic information from the audience and event participants for the purpose of fundraising and audience development. Such information is vital for internal use such as a decision-making process, as much as for external use, for example, as supporting data for solicitation.

As more funds are raised to a certain amount, ticket prices are encouraged to be lowered. A less prohibiting ticket price will, in turn, contribute back to audience development. This reciprocal relation can help maintain an organization in a good financial standing.

Investment can be a source of income for large organizations, but can be a source of risk for small-sized theater troupes. At this time, Thai small-sized theater troupes are advised to focus their time and energy on maintaining existing earned income sources and actively searching for means to raise additional funds so as to stabilize their financial positions and eventually reach financial stability.

As far as a business model is concerned, it is highly recommended that wages for cast and crew not be compromised at the end of each production in the event of a financial loss. Fluctuating payments have a negative impact on not only artists' personal lives, but also on staff relations, which can result in a high turnover, thus a negative impact on the theater community as a whole. Discontinuous opportunities for artistic and organizational development are among the biggest hindrances to the growth of contemporary theater arts in Thailand (Prasarthong, 2012).

The tax-exempt status can bring in more revenue for Thai small-sized theater troupes; however, the cost of obtaining and maintaining is greater than the value of possessing one at this stage. In addition, the charitable organization status bars theater troupes from vending, including ticket sales. As a result, it is recommended that Thai small-sized theater troupes not register as a charitable organization.

Increasing engagement in development efforts would necessitate additional manpower. It is advised that small-sized theater troupes outsource their development work to professional fundraising and development agencies, so as to rely on their expertise. In so doing, however, they will still need to work closely and extensively with the outsourcing contractors to reach out to their donors and audience. Compensations for these agencies can be in forms of percentage of funds raised, if negotiable.

In case theater troupes make a decision to carry out development tasks by themselves, or in case independent artists opt to perform these tasks as their full-time jobs instead of moonlighting, it is highly advised that they seek working knowledge or personnel in the field to support them, as it carries a substantial degree of risks. Higher education institutions can play an integral part in this regard by educating more arts

administrators and circulating more working knowledge to the Thai theater community.

Even though it is advised that small-sized theater troupes be recognized in the eyes of the laws, it is inconclusive which legal structure best benefits small-sized theater troupes in Thailand. Previously, one small-sized theater troupe, now defunct, registered as a sport gym (Phantachat, 2016). One can also register as a public benefit organization, apart from the aforementioned charitable organization structure; notwithstanding, it does not grant any tax incentives or benefits to performing arts organizations. At the very least, registering as a non-juristic body of person can eliminate the liability for tax evasion.

In conclusion, this paper suggests that Thai small-sized contemporary theater troupes 1) maintain existing earned income sources, 2) increase fundraising efforts, 3) outsource their development work or seek working knowledge to raise funds, 4) also solicit in-kind donations in addition to cash, 5) lower ticket prices, 6) collect demographic data of their attendees, 7) not compromise wages for cast and crew to compensate for a loss, 8) be recognized in the eyes of the laws, 9) not register as a charitable organization, 10) make an argument that the arts are a public good.

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