

# Chapter XVI

## E-Commerce Opportunities in the Nonprofit Sector: The Case of New York Theatre Group

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### **EXECUTIVE SUMMARY**

To what extent does having a Web presence reflect on an organization's e-commerce operations? Will a mere brick-and-mortar organizational Web site guarantee online success? This case presents the experience of the New York Theatre Group (NYTG), a nonprofit performing arts organization, in integrating e-commerce in its business practices. The case begins with a very broad overview of the nonprofit sector, the performing arts industry, its delivery channels, and the theatrical production process in general. Then attention turns to NYTG itself in terms of its history, organizational structure, its market segmentation, market trends, and forecasted growth. The strategic planning at NYTG, and the

programs put in place to help it achieve its objectives and mission, are detailed. A survey that maps the demographic attributes of NYTG's patrons and subscribers is discussed. The case concludes with the current e-commerce challenges facing NYTG in particular and the nonprofit performing arts organizations in general.

### **ORGANIZATION BACKGROUND**

Sam Jones works at the renowned New York Theatre Group (NYTG), a large nonprofit theatre organization that has been in operation since 1970. He started working there in early 1996 as a marketing associate/Web site manager. At that time, the Internet was burgeoning into an unprecedented

scale, and he thought, “This is a great, new way to reach our audience. It’s fun, too. How hard can it be to set up a Web site? I already have my own home page.” But things didn’t materialize the way he had envisioned. “Shouldn’t people be rushing to get on the Web site? Why aren’t more audience members using it? What should we do to get more of them to the Web site? Provide tickets online? Let them donate to us online?” he asked.

To answer some of these questions, he set out to do a small research project examining the industry he works in, and the Web presence operations he is responsible for at NYTG. He gathered some data about the nonprofit sector and its contribution to the economy, and then he learned about the current state of the theatre industry in the US in terms of the players, owners, and operations. Since he is working in the marketing area, he needed to know more about the theatre production process and the delivery channels used to present the works developed in the theatre. He distributed a survey to a small sample of the theatre subscribers to know more about their demographics, since he is aiming at attracting more of them to the theatre’s Web site. He also did a market analysis of the area serviced by the theatre. He will submit a report summarizing his findings to his manager, Don Anderson.

What makes Sam’s job interesting is the fact that he works in a nonprofit organization, which is part of a large nonprofit sector that has many players, including relief organizations such as the International Committee of the Red Cross ([www.icrc.org/](http://www.icrc.org/)), environmental organizations such as the World Wildlife Fund ([www.worldwildlife.org/](http://www.worldwildlife.org/)), and social services organizations like the Robin Hood Foundation ([www.robinhood.org/](http://www.robinhood.org/)). Sam reviewed some studies that examined the role e-commerce plays in nonprofit organizations and found that competence in organizational e-commerce operations through their Web presence reflects positively on their performance, and helps customers in prepurchase decisions because they can access the information they need

online before they buy (Saeed, Grover, & Hwang, 2005). Despite this established relationship, many nonprofit organizations have lagged behind in adopting e-commerce. Some of this reticence is due to the lack of IT expertise, uncertain and fluctuating funding, lack of clear benefits for the establishment of a Web presence, and the views of some managers who consider organizational Web presence frivolous and unnecessary. There are about 1.4 million nonprofit organizations of all types and sizes in the US, 60,239 of which belong to the arts, culture, and humanity category (NCCS, 2005). The nonprofit theatre industry occupies a small niche of a billion-dollar field of 1,477 theaters (Voss & Voss, 2004).

Sam learned that nonprofit organizations use the Web in many different facets, such as research, fund-raising, volunteerism, e-commerce, and career development (Oehler, 2000). Fundraising is one of the most sought-after Web activities by nonprofit organizations because of the global reach of organizational Web presence, the high customizability of online messages, and the convenience of online transactions (Roufa, 2000; T’eni & Kendall, 2004). It also emphasizes the critical importance of having a Web presence for these organizations, and especially for nonprofit theatres (Kendall, 2006)

### **The Current State of the Theatre Industry in the United States, With Emphasis on New York City**

Sam works in an industry that is divided into two main categories represented by two main bodies: the Theatre Communications Group (TCG) (<http://www.tcg.org/>) that speaks for the nonprofit sector, and the League of American Theatres and Producers (<http://www.livebroadway.com>) that represents the commercial theatre sector (O’Quinn, 2000). Seventeen theatre houses on the famous Broadway Street in New York City are rented by Gerald Schoenfeld, the chairman of the Shubert Organization. The country’s two publicly

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