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**9B17E013**

American Idiot: The Value of Billie Joe Armstrong[[1]](#footnote-1)

*Kyle Maclean wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.*

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It was Sunday October 2, 2010. Ira Pittelman, the lead producer of the Broadway musical *American Idiot,* had an analysis to conduct. The lead guitarist of the band Green Day, Billie Joe Armstrong, had been starring in the show as a fill-in performer for the past week. Revenue was up, and the audience response had been stellar. The rock star was enthusiastic about joining, and it was possible that Armstrong would be interested in coming back to the show. Before doing so, it had to be determined how much money Armstrong brought in.

BROADWAY THEATRE

Broadway productions were performances that took place in the heart of New York City at 41 theatres, which each had a minimum of 500 seats and primarily showcased theatrical productions.[[2]](#footnote-2) The majority of these theatres were owned by three groups: the Shubert Organization Inc., the Nederlander Organization Inc., and Jujamcyn Theaters. Together, these groups owned 31 of the 41 theatres.

A Broadway show went through two phases in its life cycle on Broadway. When customers first began to see the show, but before reviews were published, the show was said to be “in previews.” Customers who paid to see the show during this period did so with the knowledge that some aspects of the show might be works in progress. The creative team behind the show used this period to make rewrites to it and to change elements to better match audience response. While some shows made very few changes during previews, others made substantial changes. The musical *13*, for instance, removed an intermission during previews.[[3]](#footnote-3)

Shows played eight performances per week, with Monday usually being a “dark” day when no performances were scheduled. Other days saw either a single performance, or sometimes two, if an afternoon matinee performance occurred. While eight shows per week was customary and often contractually obligated by the actors union, exceptions existed. On holiday weeks, such as during Thanksgiving, some shows held extra performances to enhance revenue. During previews, it was not uncommon for a show to perform fewer than eight performances to give extra time for rehearsals and rewriting.

In the quick-changing world of entertainment, yearly reporting was too long. Financial reporting thus revolved around a weekly schedule, and grosses were released publicly every Monday.

AMERICAN IDIOT

*American Idiot* was the title of an album by the well-known punk rock band Green Day, which had sold over 85 million records worldwide. The album was released in 2004, debuting at number one on the Billboard charts and quickly achieving cultural significance. Director Michael Mayer, known for his work on the Tony Award–winning show *Spring Awakening*, approached the band to adapt the album into a musical, using the songs as inspiration for a story. The musical adaptation incorporated additional dialogue and songs from the band’s latest album, *21st Century Breakdown*; it was about three friends who were uprooted from their small town and went their separate ways.

The musical premiered at the Berkeley Repertory Theatre in Berkeley, California, in 2009. It was an immediate hit, and the producers decided to extend the run twice.[[4]](#footnote-4) The show eventually transferred to Broadway, which cost an estimated US$8–$10 million[[5]](#footnote-5) in upfront costs.[[6]](#footnote-6) The show started previews March 24, 2010, and officially opened on April 20, 2010, to mixed reviews. The *New York Times* said, “The show is as invigorating and ultimately as moving as anything I’ve seen on Broadway this season. Or maybe for a few seasons past.”[[7]](#footnote-7) The Associated Press said, “The show has the barest wisp of a story and minimal character development.”[[8]](#footnote-8) Grosses for the first 27 weeks averaged $704,000 per week, but after six months of running on Broadway, the show had still not returned a profit.[[9]](#footnote-9)

BILLIE JOE ARMSTRONG ARRIVES

During the week of September 29, Tony Vincent, the actor who played the character “St. Jimmy,” was planning to take time off for personal matters. In ordinary situations, he would have been replaced by an understudy—another member of the cast who also knew the role. That week, however, Armstrong offered to take over the role. Armstrong was the lead vocalist, primary songwriter, and guitarist in Green Day, and as such, had a built-in fan base.

On Sunday night, September 27, 2010, a press release was sent out to let the public know. Since he had no traditional musical theatre training, it was unknown how well Armstrong would perform in the show. However, the week went well. The *New York Times* later noted that “Mr. Armstrong sings with a surging, gut-driven power that brings out the snarling anger in the music with a fierce intensity,” and gave a good review of his performance.[[10]](#footnote-10)

*American Idiot* grossed $1,092,334[[11]](#footnote-11) in the week that Armstrong performed (see Exhibit 1) compared to $480,566 in the previous week—a 127 per cent increase in revenue—and average ticket prices increased by 28 per cent.

Moving forward

With the week concluded, grosses from the week were available to analyze. Armstrong had not yet discussed monetary compensation,[[12]](#footnote-12) but the production team had to decide how to respond should Armstrong offer to act in the musical again. How much should be offered to the star? The week that Armstrong had been in had higher revenues than the week before, but was the previous week the best comparison week? How could Pittelman account for the fact that different weeks might be different? How much had Armstrong improved revenues? Could a revenue-sharing agreement work here, and what were the pros and cons of such an arrangement versus a fixed fee contract? The decision was a complex one, and careful analysis was needed in order to ensure that both parties were receiving a fair deal.

EXHIBIT 1: sample box office Data

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Week Ending | Show Title | Revenue | Average Price | Top Ticket Price | Seats Sold | Capacity | Performances |
| 1/3/2010 | *A Little Night Music* | $1,031,543 | $137.05 | $350 | 7,527 | 7,448 | 8 |
| 1/3/2010 | *A View From the Bridge* | $601,729 | $84.56 | $250 | 7,116 | 7,553 | 7 |
| 1/3/2010 | *Billy Elliot: The Musical* | $1,663,895 | $146.74 | $300 | 11,339 | 11,368 | 8 |
| 1/3/2010 | *Burn the Floor* | $594,252 | $75.44 | $174 | 7,877 | 8,352 | 8 |
| 1/3/2010 | *Bye Bye Birdie* | $667,496 | $83.41 | $142 | 8,003 | 8,208 | 8 |
| 1/3/2010 | *Chicago* | $888,536 | $105.45 | $185 | 8,426 | 8,640 | 8 |
| 10/3/2010 | *American Idiot* | $1,092,334 | $85.56 | $250 | 12,767 | 13,672 | 8 |
| 10/3/2010 | *Billy Elliot: The Musical* | $982,542 | $93.18 | $300 | 10,545 | 11,368 | 8 |
| 10/3/2010 | *Bloody Bloody Andrew Jackson* | $284,719 | $41.61 | $190 | 6,843 | 8,240 | 8 |
| 10/3/2010 | *Brief Encounter* | $250,116 | $39.74 | $127 | 6,294 | 8,016 | 8 |

Note: All dollar amounts are in U.S. dollars

Source: Created by authors using data from Broadway World, “Broadway Grosses,” accessed July 20, 2017, www.broadwayworld.com/grosses.cfm.

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of the American Idiot production or any of its employees. [↑](#footnote-ref-1)
2. Zachary Pincus-Roth, “Ask Playbill.com: Broadway or Off-Broadway—Part I,” Playbill, February 8, 2008, accessed July 25, 2017, www.playbill.com/article/ask-playbillcom-broadway-or-off-broadwaypart-i-com-147549. [↑](#footnote-ref-2)
3. Kenneth Jones, “*13*, Jason Robert Brown’s Pop Musical about Coming of Age, Opens on Broadway,” Playbill, October 5, 2008, accessed July 25, 2017, www.playbill.com/article/13-jason-robert-browns-pop-musical-about-coming-of-age-opens-on-broadway-com-153925. [↑](#footnote-ref-3)
4. Extending the run consisted of moving the closing date back and adding more performances to sell. [↑](#footnote-ref-4)
5. All currency amounts in the case are in U.S. dollars. [↑](#footnote-ref-5)
6. Patrick Healy, “Rocker Follows His Work onto a Broadway Stage,” *New York Times*, September 27, 2010, accessed July 27, 2017, www.nytimes.com/2010/09/28/theater/28billiejoe.html. [↑](#footnote-ref-6)
7. Charles Isherwood, “Stomping Onto Broadway with a Punk Temper Tantrum,” *New York Times*, April 20, 2010, accessed July 29, 2017, www.nytimes.com/2010/04/21/theater/reviews/21idiot.html. [↑](#footnote-ref-7)
8. Michael Kuchwara, “Alienation Sings! ‘American Idiot’ Comes to B’way,” Boston.com, April 25, 2010, accessed July 29, 2017, http://archive.boston.com/ae/theater\_arts/articles/2010/04/20/alienation\_sings\_american\_idiot\_comes\_to\_bway/. [↑](#footnote-ref-8)
9. Healy, op. cit. [↑](#footnote-ref-9)
10. Charles Isherwood, “‘Idiot’ Welcomes Back a Bad Influence,” *New York Times*, January 9, 2011, accessed July 27, 2017, www.nytimes.com/2011/01/10/theater/10idiot.html. [↑](#footnote-ref-10)
11. The figure presented was known as a “gross-gross” and did not consider subtracted transaction fees such as credit card fees or Ticketmaster charges. [↑](#footnote-ref-11)
12. Healy, op. cit. [↑](#footnote-ref-12)