Today’s Agenda

• Introduction
• Pricing Perceptions, Steven
• “A Christmas Carol,” Lori
• “The Steins Collect,” Nicola
• “Candide”, Darby
• Q&A
Pricing Principles

• People exchange money and time in expectation of receiving value in return
  – That value is more perceived than real
  – Perceptions of value are almost unique to each customer for each event

• Differentiated prices work when there is a distinct, perceived difference in value that motivates behavior

• Price differentiation allows cultural organizations to achieve multiple objectives
  – Optimize volume of attendance
  – Promote accessibility
  – Maximize income

• Cultural organizations have a range of variables available to adjust prices in order to achieve multiple objectives; including revenue management
The Psychology Of Price
Pricing Strategy Is Determined By Four Factors, And Your Objectives In Relation To Them

Your costs
(financial objectives)

What you offer
(artistic objectives)

Your customers
(social objectives)

Competition / marketplace
But Really, It's All About Value

Your costs
(financial objectives)

What you offer

value-based pricing

Your customers

Competition / marketplace
Motivations For Attending And Price/Value Implications
What Are You Telling The Audience?

What behavior do your prices encourage?

- Range from top to bottom
- How many prices in between
- Differences between prices

All affect the attractiveness of each price

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“What’s the Best Seat?” “And Can I Get it?” (Illustrative)

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www.thinkaboutpricing.com + discussion forum on LinkedIn

steven@thepricinginstitute.com
781 330-9967
MAXIMIZING REVENUE THROUGH VARIABLE AND DYNAMIC PRICING FOR GOODMAN THEATRE’S
“Why does Scrooge love Rudolph the Red-Nosed Reindeer? Because every buck is dear to him.”
• *A Christmas Carol* (ACC) is one production Goodman Theatre counts on to produce consistent revenue.

• Over the past five years, total sales have been level; average capacity has approached 90%.

• Average price and yield has kept ahead of inflation; income continued to climb.

• Despite strong performance, we suspected there was more we could do to increase sales revenue in a material way.
Total sales have been relatively level. Average price/yield continued to climb.

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To explain our journey to pricing redemption, it makes sense to look at the past, the present and the future of this 34-year old “annuity”...
THE GHOST OF CHRISTMAS PAST
(What we’ve done for a very long time)
THE GHOST OF CHRISTMAS PRESENT
(2010)
THE GHOST OF CHRISTMAS FUTURE
(The best is yet to come!)
THE PAST

- **Variable pricing based on historical demand:**
  - Weekends in December and week before X-mas priced highest
  - Previews in mid-November, mid-week performances, student group matinees and post X-mas shows priced lowest

- Two pricing zones in house (A and B)

- **Special discounts:**
  - For “lower yield/capacity performances,” group sales, student groups

- **Accessibility objectives:**
  - $25 Sundays in A and B
# Christmas Carol

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8:00pm $61/53 | 11/20 |
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| 2:00pm $61/53  
6:30pm $43/25* | NOON $43/33 | NOON $43/33 | NOON $43/33  
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2:00pm $71/59  
8:00pm $71/59 | 8:00pm $61/53  
2:00pm $71/59  
8:00pm $71/59 | 12/11 |
| **12/5** | **12/6** | **12/7** | **12/8** | **12/9** | **12/10** | **12/11** |
| 2:00pm $71/59  
6:30pm $44/25* | NOON $44/34  
7:30pm $44/34 | NOON $44/34  
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8:00pm $76/64 | 8:00pm $61/52  
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8:00pm $76/64 | 12/18 |
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7:30pm $76/65 | 2:00pm $76/65  
7:30pm $76/65 | Christmas |
| **12/26** | **12/27** | **12/28** | **12/29** | **12/30** | **12/31** | New Year’s Eve |
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7:30pm $40/30 | 2:00pm $40/30  
7:30pm $40/30 | New Year’s Eve |
• Demand-based pricing (DBP) added
  – Late November, 2 weeks into the run
  – Ticket prices had potential to increase by $10 in A; $5 in B
• Positive outcome to DBP motivated us to contact The Pricing Institute
THE PRESENT (2010)

• *Most of the 2010 run came close to selling out, but price increases were too little and too late to have a substantial impact on yield*  

» The Pricing Institute
In 2010-2011 most of the run was close to selling out, but price changes were too little and too late to significantly impact yield.
“Ghost of the Future, I fear you more than any specter I have seen. But as I know your purpose is to do me good… I am prepared to bear your company, and do it with a thankful heart.”

- Scrooge, A Christmas Carol
THE FUTURE

• Implement revenue management/demand-based-pricing earlier with fewer, bigger jumps
  • Adjust pricing:
    – Raise most starting prices, particularly for best-selling performances
      – Minimize gap between A and B pricing
    – Maintain lower mid-week prices, especially for groups

• Include re-scaling and inventory management opportunities
  – Introduce an AA section (three-tiered pricing; not limited to ACC)
    • Create two different house configurations:
      – Ratio of AA seats to A seats would change for best-selling time periods

• **Anticipate a revenue increase of 5%!**
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**2010 Performance Data – Quartiled**

**High Cap Low Yield**

- Perf Cap (> 90%)
- Avg Yield (< $60)

**High Cap High Yield**

- Perf Cap (< 90%)
- Avg Yield (< $60)

**Low Cap High Yield**

- Perf Cap (< 90%)
- Avg Yield (> $60)

**Low Cap Low Yield**

- Perf Cap (< 90%)
- Avg Yield (< $60)

**Consider Separately**
Consider Pricing by Segment

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- high avg. yield ($\geq$60), high capacity ($\geq$90%)
- high avg. yield ($\geq$60), low capacity ($\leq$90%)
- low avg. yield ($\leq$60), high capacity ($\geq$90%)
- low avg. yield ($\leq$60), low capacity ($\leq$90%)
- In between

In between

Adapted # Times Sold Hotseat

Hotseat Index™ – number of times issued
(54 performances of Christmas Carol 2010-11)

- Issued 54 times
- Issued 53 times
- Issued 51 – 52 times
- Issued 46 – 50 times
- Issued 36 – 45 times
- Issued <36 times
Albert Ivar Goodman Theatre—Main Floor

Aisle 1

Aisle 2

Aisle 3

Aisle 4

ALL OTHER (ACC)

AA

A

B

Partial
“I will honor Christmas in my heart, and try to keep it all the year. I will live in the Past, the Present, and the Future. The Spirits of all Three shall strive within me. I will not shut out the lessons that they teach.”

- Scrooge, A Christmas Carol
BAH HUMBUG!
San Francisco Museum of Modern Art

- Founded in 1935
- Current building opened in 1995
- 635,000 visitors last fiscal year
- 45,000 member households
The Steins Collect
MATISSE, PICASSO, AND THE PARISIAN AVANT-GARDE
The Steins Collect Challenge

- Possibility of being a blockbuster
- Most important exhibition for several years
- Time to re-evaluate admission and membership pricing
Questions

• Should membership prices be increased at the start of the Stein exhibition (May 2011) and if so, by how much?

• How does the value of the general admission price relate to the value of membership?

• Should current deeply discounted prices for Senior and Student admission categories be increased at the start of the Stein exhibition and if so, by how much?

• What opportunities exist for increasing revenue and/or attendance by introducing a dynamic admission pricing model?
Sample Admissions Analysis

SFMOMA has second highest adult admission rate - $5 more than Exploratorium and $11.95 less than Cal Academy

Major exhibitions gain momentum towards end of run
Admissions

Findings

• Regular general admission price of $18 is priced competitively

• Senior and student admission prices are below our competitive set

• Historic attendance patterns during major exhibitions suggest opportunities for revenue management:
  - Targeted discounts to drive attendance and word-of-mouth buzz at the start of the exhibition
  - Variable pricing opportunities to increase revenue towards the end of the exhibition.

Recommendations

• Raise Senior and Student admission price as soon as possible:
  - Senior from $9 to $12
  - Student from $9 to $11

• Introduced $7 surcharge ticket for Stein exhibition across all categories

• Offer targeted 20% “early bird” discounts to select audience segments for first 10 days of exhibition

• Conduct onsite visitor survey in early June to determine whether to implement variable pricing for final 3-4 weeks
Sample Membership Analysis

Transactional Membership pricing was lower than most of the competition.

No negative response on part of new members to membership price increases.
Membership

Findings
- General agreement that transactional levels are priced too low compared with our competitive set.
- Dual and Senior Dual categories are particularly undervalued
- New membership sales are driven by the popularity of the exhibition, far less than by price
- Existing members try to beat the clock when prices are increased

Recommendations
- Increase transactional categories by $10 at the start of Stein:
  - Individual - $80 to $90
  - Dual - $105 to $115
  - Senior Individual - $45 to $55
  - Senior Dual - $65 to $75
- Don’t pre-announce price increase, but offer renewing members the old price if they renew by their expiration date
- Evaluate in early 2012 and consider second increase in a year’s time.
Results: Admissions

- Exceeded attendance projections by 19% or 57,000 attendees
- Exceeded revenue projections by 13% or $440,000
- Senior and Student price increases generated $90,000 in incremental revenue
“Early bird” discounts:

- 220,000 emails sent to Charles Schwab clients: 1,921 tickets sold for $37,000 in revenue
- 36,000 emails sent via partner community organizations: 25 tickets sold for $500 revenue
Results: Admissions, continued

Variable Pricing:

• Increased the special exhibition fee by $2 on Saturdays and Sundays, for last 3 weekends

• Netted $29,000 in incremental revenue above our original projections for these weekends.

• Continued to sell out majority of time-slots for these final weekends.
Results: Membership

- Over 11,000 new members
- Not a single complaint about price increase
- Members view discounted rates as a “loyalty discount”
- Financial impact:
  - $128,000 in incremental revenue from increased membership prices through September 2011
Total Revenue impact:

- $285,000 in incremental revenue!!
Nicola Rees
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Introduction

➢ The Shakespeare Theatre Company
  ▪ Now in our 25\textsuperscript{th} season, Shakespeare Theatre Company presents classic theatre of scope and size in an imaginative, skillful and accessible American style
  ▪ Located in Washington D.C.

➢ My history
  ▪ 15+ plus years in marketing for the Arts
  ▪ Served as Senior Managing Consultant for TRG for 2 years
  ▪ Consultant for STC prior to taking over as Director of Marketing for last 2 years

➢ Today’s case study
  ▪ 3+ years of variable pricing history
  ▪ Focus on \textit{Candide}; best variable pricing results to date
  ▪ Looking at trends of buyers purchasing \textit{Candide}, subsequent purchases and retention post \textit{Candide}
Variable pricing resulted in $115,000 in incremental revenue

Pricing strategies included:
- Price bumps, typically in increments of $5 (volume)
- Rezoned price zones (high yield)
- Created a premium section (high yield)

Discounting was also considered a variable pricing strategy
- Used to build advance (pre-reviews) and re-engage lapsed audiences
- Increased demand
- Helped to dress problem performances and/or sections

Tracked the behavior of three ticket types
- Base price = starting price that created a base price for subscriptions
- Increase = any ticket price raised above base price
- Discount = any ticket price dropped below base price
5 Year Ticket Analysis

- Pre-Harman, productions were at 25,000 tickets on average and 90% of seats were sold.
- Post-Harman, capacity increased significantly.

### Ticket Type Time of Purchase

- Time of purchase of each ticket type was key to success:
  - Early discounts built advance and tightened inventory on select performances.
  - Demand warranted more aggressive price increases around 3 weeks to first performance.

![Diagram showing ticket type time of purchase](chart.png)
A previous purchase of an increased ticket **did** effect the *Candide* purchase.

- Interestingly, 2/3 of buyers that bought an increase ticket had only purchased one ticket increase prior to *Candide*.
Different types of patrons purchased differently

- Current Subs purchased base price, add-ons consisted of more increases than discounts
- Buyers from our database purchased more evenly across all types
- New buyers to STC predominantly purchased increases

<table>
<thead>
<tr>
<th>% of Ticket Type Purchased</th>
<th>Discount</th>
<th>Increase</th>
<th>Base price</th>
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<tbody>
<tr>
<td>Current Subscribers</td>
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<tr>
<td>Lapsed Subscribers</td>
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<td></td>
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<tr>
<td>Single Buyers</td>
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<td></td>
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<tr>
<td>New Buyers</td>
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</tbody>
</table>

![Graph](image_url)
Various ticket types did not seem to affect retention (returned to date)

- Two slight anomalies:
  - Lapsed Subs showed higher retention rates after purchasing discounted ticket
Subsequent Purchases

- Subsequent purchases made by *Candide* single buyers
  - Base buyers came purchased in same season at much higher rates and most often another single purchase
    - Specific effort was made for same season package conversion
  - Strong subscription conversion from base buyers in next season
    - Important to note many of those had same season single purchase as well

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<th>Purchase in Same Season</th>
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<tr>
<td></td>
<td>Package</td>
<td>Single</td>
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<tr>
<td><strong>Base</strong></td>
<td>8%</td>
<td>56%</td>
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<tr>
<td><strong>Discount</strong></td>
<td>1%</td>
<td>24%</td>
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<tr>
<td><strong>Increase</strong></td>
<td>2%</td>
<td>16%</td>
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<table>
<thead>
<tr>
<th></th>
<th>Purchase Next Season</th>
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<tbody>
<tr>
<td></td>
<td>Package</td>
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<tr>
<td><strong>Base</strong></td>
<td>3%</td>
<td>14%</td>
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<tr>
<td><strong>Discount</strong></td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Increase</strong></td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Key Findings

- Relationship between types of purchases and time of purchase is important and trackable
  - Increases should go up as discount and base decreases
    - Metric that can help in decision making
- Target accounts with a history of purchasing increased tickets
  - Particularly one-time buyers; premium seating seems valuable
  - Garner additional income from pushing performances that have received ticket increases
- Retention is not particularly tied to variable pricing
  - Anomalies here and there, but at STC tends to be more about follow up marketing effort or other factors
  - Churn rate on new buyers is high anyway
    - Need better retention strategies overall
    - Variable pricing isn’t the culprit
- Investigate the transparency of variable pricing as a pitch in subscription
  - Not currently an active strategy; but findings thus far does not point to the practice being a deterrent
Thank you

- Steven
- Lori
- Nicola
- Darby