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## The Subscription Equation (and other tactics)

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Probably the most frequent question I am asked is if I believe subscriptions are dying. And if you would have asked me five years ago, I would have answered in the affirmative. I, like many others, believed the subscription model was outdated - a worn out old chestnut that needed to be replaced. I even had data to prove it. From our peak in 2002 until 2007, Arena Stage had lost 40% of its subscriber base! I was convinced we had held onto a failing business model for far too long, until I started testing alternatives.

In 2008, working with **Shugoll Research**, we developed several focus groups with specific target audiences, including current subscribers, lapsed subscribers, multi-show buyers and single ticket buyers. During these focus groups, we presented several alternatives to the traditional subscription, many of which had been recently introduced by other theaters, and to my complete horror, none of them tested anywhere near as well as the traditional subscription. Even if I wanted to abandon our subscription model, I didn't have any attractive alternative. Then the realization came – if our customers still want subscriptions and our subscriber base is rapidly declining, then the way we sell, market and promote subscriptions is fundamentally flawed (it should be noted that we also tested satisfaction with artistic product and found that was not a challenge for us). In short, we were killing subscriptions.

As our 2012-13 season comes to a close, I'm happy to report that we have experienced significant increases in our subscription base for four consecutive seasons, almost achieving a record high number of subscribers and since 2008, have increased our subscription revenue by 115%. Even more surprising, the turnaround started to occur in 2009 at the height of the global

economic crisis and a full 1.5 years before the opening of the new Mead Center for American Theater.

If I were to articulate the formula of our success, it would look like this:

**great artistic product + best seats + best price + outstanding customer service  
= more subscribers**

Artistic Product: Whether we like to admit it or not, the most important of the 4Ps of marketing is product. If your customers are not satisfied with the artistic product of your organization, you will not see an increase in your subscription base.

Best Seats at the Best Price: Being able to get the best seats in the house at the best possible price is a powerful value proposition for subscribers. If you have a robust subscription base, often times the only way to get the best seats in the house is by subscribing. Make sure to message that in your sales materials. Also, be very careful of undercutting your subscriber average ticket price, particularly at the last minute. A substantial last minute discount may provide a lift to an under-performing production, but the long term side effects could be much worse.

Outstanding Customer Service: Let's be honest – customer service usually sucks these days. So it's the perfect opportunity to shine. Steward your subscribers like development does their donors. Be proactive in finding ways to provide exceptional service. For example, if inclement weather is coming, instead of waiting for subscribers to call you to exchange their tickets, why not send them an email alerting them of the inclement weather and offering to make the exchanges on their behalf? And if you don't already, find ways to thank your subscribers throughout the year. For example, there is a theater on the west coast that partners with a winery each year to give their subscribers a free bottle of wine when they renew their subscriptions as a way of thanking them for their support.

Beyond the formula, below are a couple of significant strategic changes we made that made all the difference:

**Lengthen the Subscription Campaign:** Prior to 2009, Arena Stage would announce its season in March and would continue to sell subscriptions until October, providing for an 8 month subscription campaign. These days we begin our subscription campaigns in January and sell through March of the following year, thereby lengthening our campaigns to 15 months. Avoid delaying the start of your subscription campaign at all costs. Each week you lose will be very costly, and you cannot replace lost weeks.

**Don't Forget About Upgrades:** When I was taught how to market subscriptions, I learned to break a subscription campaign into two parts: renewals and acquisitions. Today, we have an additional focus on upgrades. Our goal is no longer just to renew our subscribers; we want to upgrade them as well year after year. Primarily we focus on getting subscribers to increase the number of plays on their subscription, but you can also have them upgrade into better seats, add parking to their orders, or increase their annual fund donation. This year we are even experimenting with add-ons for café meals to great success. In FY13, almost ten percent of our subscription base upgraded into larger packages, which doesn't sound like much until you consider that amounts to roughly \$175,000 in additional revenue. On top of which, full season subscribers have a renewal rate 25 percent points higher and give donations that are 4 times larger than partial season subscribers.

**Speak to Subscribers Like You Know Who They Are – Because You Do:** Gone are the days when you can create one beautiful season brochure that speaks to all of your patrons, and then mail it over and over again until you beat people into submission. Subscription renewals and solicitations should be highly targeted. You know what types of productions each patron likes and on what nights they like to attend. If you sell café meals and parking through your box office, you even know if they like to park and what they like to eat. You know if they are a full price or discount buyer, how many shows they attend a year on average, and how many people are usually in their party. So why are we still wedded to one size fits all solicitations? Our job is to get the right offer in front of the right prospect at the right time. And we have all the data we need to accomplish that.

**Develop a Sales Pipeline.** Even up to a few years ago, we would mail subscription solicitations to traded lists. Then we started to look closely at our response and tracking reports. Guess what – we found that list trades were not working, not even close. It would have been just as effective to drop season brochures out of a helicopter over the city. And this was considered a “best practice” that every major arts organization in the city bought into.

However, we were not measuring efficacy. The failure of these campaigns is easy to understand. In short, we were asking people to marry us before we went on a first date. Most of these targets had never seen a show at Arena Stage. Why would they invest hundreds of dollars when they had never stepped through our front doors? We changed tactics and concentrated our efforts on developing a sales pipeline. We would trade lists for single tickets, primarily to our most popular productions. This in turn would create an influx of new single ticket buyers. Once they had their first experience at Arena Stage, we would send them an offer to return to a second show. Once a patron had seen two or more shows, the likelihood that that would then respond to a subscription solicitation quadrupled.

Don't waste time and money mailing to poor prospects. Instead concentrate your resources on developing more multi-show buying patrons as those will be your best leads in your next subscription campaign.

**Testing and Failing.** The only way to succeed is to fail. The key is to succeed on a grand scale, and fail on a small one. Aggressively measure the success of every campaign, no matter how small. And test something new at least every week. Tactics will change from year to year, and you'll need to adjust in order to maximize return on investment. As we doubled our subscription revenue over the past four years, we actually started to spend less as we grew more efficient. For example, I like to test new offers in our telesales room. Over the period of a week, we may have three or four offers in the telesales room. By the end of the week, after a thousand or so calls, we usually have a clear winner among the offers tested. That offer is then rolled out in an email solicitation, and if it responds well, then we'll include the offer in a large direct mail campaign and then test it against the current control package to see if we achieve a better ROI.

If you are currently experiencing less than stellar results on your subscription campaign, before throwing the baby out with the bathwater, I'd encourage you to examine each of the variables in the subscription formula above, and then vary your tactics to see if you get better results. Sometimes it isn't the model that is dying, it is how we apply the model that is responsible for our underwhelming results. At least it was in our case.