Call it a tenner

The role of pricing in the arts

Edited by Richard Ings

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Foreword

Craig Hassall
Managing Director, English National Ballet

For those of us lucky enough to work on the business side of the arts, there is an annual ritual that we all undertake called ‘The Preparation of the Budget’. We all methodically pore over last year’s results, grimace, and then carefully estimate our imminent expenditure line by line. We hope that the fixed costs can stay as close as possible to the previous year and optimistically peg the variable repertoire-related costs as low as we can convince ourselves is enough to get away with to deliver the magic onstage. We tend to spend a lot more time on the expenditure than the income as, sadly, there is very little we can do to affect the latter. Government funding is cloaked in vagaries at the best of times and private sector support usually entails an optimistic guess. Then there is box office income… This area of the budget is treated as somewhat of a sacred cow. We approach change in this area with great trepidation. The more conscientious of us commission reams of pro bono research from well-intentioned analysts that usually convinces us that what we were already doing is probably okay for the moment, while the rest of us have a stab at some prices and pray that the audiences will still part with their pounds.

As many of us receive a range of subsidies from government, ranging from sparse to begrudgingly adequate, there is a tacit unwritten code that we must not, in any way, be seen to engage in commercial tactics. We are not beholden to shareholders to deliver juicy profits, nor are we driven purely by the bottom line. Here then is the dilemma. We are all acting responsibly, I hope, to save money and maximise income. Why then, are we not allowed to seriously consider ways in which we can maximise income from the box office as well? We do this to some extent already by programming repertoire that will earn us enough income to balance the more esoteric parts of our repertoire. How about then also really examining the building blocks of box office revenue?

Ticket pricing is an area shrouded in myths and legends. The days of roll tickets and wizened box office managers clutching a cash-tin are behind us – however, many of the customs and practices remain. We are now in a competitive market where a night at the ballet competes with cinema, cable television, football, YouTube and a great meal out. The whole process of selling a ticket has been revolutionised by internet sales and computerised box office systems. It is incumbent upon us all to ensure that we are offering our attractions at the right price to the right customer.

It is possible to enlist pricing strategies that enshrine the value of the house while also allowing outreach strategies to bring in a new market. How often have we ventured on a special-offer promotion and then researched the results only to find that we have simply sold the tickets to our regular customers at a lower price? Perhaps one of the reasons for our reticence in tackling the pricing agenda is trepidation. Once one delves into the potential for pricing variations, the result is often a baffling matrix of opportunities.

How much does it cost to fly to New York? Well, it depends… It depends on when you want to fly, where you want to sit in the plane, how early or late you book, who you choose to fly with, what offers your loyalty scheme throws up, what you are packaging up with the flight and even who you book through. What does a ticket to the theatre cost? Well, the same variations apply, although we often don't see the correlation. A seat in a theatre is a perishable asset – it is not worth anything after the show has finished. An empty seat on a plane is worthless once you are in the air (although worth its weight in gold if you happen to be sitting adjacent) and an empty hotel bed is just a pile of linen once the sun has set. We have to capitalise on the value of that theatre seat in advance as much as possible. Until now, we have either not felt that we have the right to be a little bit commercial in attacking pricing or we have felt that it is all too overwhelming to even start pulling apart. Until the arrival of Call it a tenner, that is.

My experience in other countries has already opened my eyes to the possibilities of experimenting with ticket pricing. The chapters in this book not only provide a mandate to overhaul pricing structures – not doing so, it asserts, is no longer an option. A variety of strategies are canvassed and explained. The book is not designed to be read from cover to cover (although you are welcome to do so). As the world of ticket pricing is so idiosyncratic, the reader is encouraged to pick and choose as a suggested strategy strikes a chord. When you are reading this publication, please keep an open mind. You may need to blow some ingrained preconceptions out of the water. Most of all, test these suggestions out. You will find a new level of ticket pricing enlightenment, hopefully in time for next year's budget setting ritual.

See you in the cheap seats!

Preface

New thinking about the strategic role that pricing can play in the arts

Richard Ings

> **Pricing is a bit of a neglected art and, compared to other industries, we are a bit clumsy in how we manage yield.**
> ***Tim Brinkman, Hall for Cornwall***

Pricing, once barely researched or mentioned in the arts, is increasingly recognised as a critical marketing and financial tool. In terms of maximising revenue, the growing adoption and adaptation of yield management techniques suggest that a new, more dynamic approach to pricing is emerging. In terms of developing audiences and, beyond that, achieving wider social access to the arts, price also has a part to play, though how significant a part is still a matter for fierce debate.

What is not in question is that most arts organisations, whether subsidised or not, whether a flagship venue or a small touring company, whether in the performing or the visual arts sector, would benefit from re-examining the role of price in sustaining and developing their artistic work. There is a need for a more rigorous process in researching, setting and evaluating pricing structures – for pricing strategy, in other words – rather than relying on custom and practice or opportunistic (or desperate) pricing tactics.

By exploring current theories about pricing in the arts and presenting examples of practice, this book is intended to inform and inspire arts organisations to develop their own strategic thinking with greater confidence.

The publication is, therefore, aimed primarily at arts managers who are directly involved in setting price and the cost of entry in their organisations – from experienced senior staff whose key task is to set pricing strategy to newly appointed staff given a responsibility for pricing within a much larger brief. The publication should also prove a valuable resource for those engaged in funding and supporting the arts, including agencies, local authorities and other funding bodies, including Arts Council England.

As a general introduction to the debates on the role of price in the arts and to current practice, it is intended to help managers to develop their thinking about price and question received wisdom, to identify the issues that they need to address in their own particular situation, and to give them the confidence to formulate their own strategic solutions.

But the book must strike a note of caution, too. If experience tells us anything, it is that pricing the arts is never easy; success at the box office is not predictable, any more than it is for the actual artistic product. Nor can audience behaviour be reduced to simple utilitarian motives – how could anyone have foreseen, for example, the spike in demand for premium-priced tickets in the West End that followed the bombings in July 2005, when theatre receipts were otherwise well down?

There are no formulas to follow and no one instance of success which can be transferred entire and unchanged to a different context. Readers will, in the end, have to make up their own minds and take their own chances. All this book can do is give them a better idea of how to go about setting prices strategically. This is not a 'how to', more a 'why – or why not?' guide, intended to challenge assumptions and to encourage out-of-the-box thinking about pricing. Above all, it is about the need to recognise how important pricing is and what a trick we are missing if we don't transform it into an active strategic tool.

How to read this book

This publication is not designed to be a comprehensive manual or the last word on pricing in the arts. It is a collection of discrete essays articulating the beliefs and experiences of people established in the field on various aspects of pricing, theoretical and practical.

Although these essays may, therefore, be studied quite independently of each other, there is a basic narrative thread holding them together. This takes the reader from a broad consideration of the main issues to a historical consideration of price versus value in the arts; from the contingencies that affect the development of a pricing strategy to the range and purpose of various pricing tactics and tools; from the implications of pricing decisions for audience development to the question of box office and customer relationship management. This narrative ends with an examination of two contrasting examples of corporate pricing strategy.

Examples of pricing in practice appear in these essays as part of particular arguments, but these are complemented by eleven stand-alone presentations of pricing in practice around the country and a chapter-length postscript on pricing in New York.

Although coverage is, perhaps unavoidably, weighted more towards venues and the performing arts here, we have conceived this book as a resource for all arts organisations, including touring companies, galleries and festivals. Pricing is not just about the theatre and the concert hall.

No doubt some readers will know more than others, but a good manager keeps learning, not least to keep pace with a rapidly changing culture and economy. We hope that we have struck the right balance between ‘teaching grandmother to suck eggs’ and talking over people’s heads. Pricing may be, as one theatre manager has remarked, ‘the most basic of our venue management skills’ but skills can atrophy without exercise and new challenges, just as pricing structures can ossify without a constant review of their impact and effectiveness.

As a start, readers might want to pause a minute or two before beginning this book to see how easily or fully they can respond to the following short set of questions:

- What kind of policy do you have on pricing? Is it a written strategy?
- The relationship of value to price in your strategy: how do you judge what price to set in relation to your product(s)? *Do you, for example, cut prices when you have an unknown quantity on your programme?*
- What research have you undertaken into what prices you should be setting? *If you have competitors, who or what are they, and is their pricing influential in any way?*
- How do you decide on increasing or lowering prices? *And how do you present/introduce those changes?*
- What resources do you turn to in order to find the right pricing tactic, eg penetration pricing, yield management, etc?
- What part, if any, does pricing play in developing your existing audience or drawing in new audiences?
- How do you sell tickets and how far do you exploit customer data to monitor your work, including setting prices?
- What other approaches to pricing are you aware of and what help would you need, if any, to explore other pricing options and re-evaluate your pricing strategy?

Introduction

Playing with live ammo

Playing with live ammo

Debates around the role of pricing in the arts

Richard Ings

Pricing: A neglected art?

> **Managers are always nervous about really engaging with pricing as a marketing tool because it feels like playing with live ammo.**

Tim Wood, marketing manager at The Place, a leading contemporary dance venue, neatly encapsulates here the paradox of pricing in the arts: *it is so important that many people are afraid to do anything about it.*

That is why every success story you hear about pricing begins with an admission that 'once upon a time, there was no strategy'. Prices had been settled on by following well-worn formulae or were based on untested assumptions. Often, the decisions had been taken either on the hoof or by someone in junior management. Sticking to 'how it's been done before' may or may not be a peculiarly British trait, as one manager remarked to me, but it's still not uncommon. Equally prevalent is the practice of setting the marketing department a target attendance to meet, which means effectively that product (and the artistic choice behind that product) is determining the role of pricing strategy.

Partly because pricing has had such a low profile in the arts, it is not that rare to discover that a newly appointed venue or marketing manager has had no previous experience in pricing. Unlike such managers, Dave Murphy had accumulated a long business CV, most recently with an oil-trading company, before becoming chief executive at Cambridge Arts Theatre. He brings an outsider's fresh perspective to the art of selling the arts. From what he has seen, the arts sector often demonstrates a poor understanding of economics, from neglecting the basics – such as the need to do rigorous cashflow checks on a regular, if not daily, basis – to grasping the dangers of over-marketing a finite product: 'If customers demanded more barrels of oil, I could find more barrels to sell them, but if the house is a sell-out, I can't suddenly magic up more seats to meet the new demand.'

Part of the problem, at least in the subsidised sector, is that price has been something of a dirty word – something to reduce or otherwise hide away in order to generate new audiences or a broader social mix, not something to explore as part of a broader strategy for growth. This goes back in some cases to the feeling that the art comes first and that the size of the audience – and the income it brings with it – is not as crucial. Equally, venues have been, perhaps understandably, nervous about being seen to use pricing to maximise revenue in case it jeopardises their pitch for subsidy, although current Arts Council policy is to support arts organisations to 'thrive, not just survive'.

Whatever the strengths of these various explanations, the result is that there is a lot of confusion and nervousness about pricing. So, it seems odd that, until recently, there has been very little detailed research into its role in the arts. Consequently, arts managers have had very few resources available to help them to develop a pricing strategy – or, more fundamentally, to appreciate that pricing can be a strategy.

Broach the subject with managers, however, and it is soon clear how important pricing issues are to them, how many questions they need answered and how unsure they sometimes are of how to proceed – or how far to go in handling 'live ammo'.

> **I have recently been thinking about the damaging effects on advance sales and box office income of getting into the habit of giving away last-minute discounts, and would be interested in a system where, as a sector, we rewarded advance booking instead, so the ticket price would gradually increase nearer to the time. I don't have the courage to try this myself yet and wouldn't want to alienate customers, who might go to competitors that discount at the last minute.**
> ***Haleh Ahmadian, Head of Marketing and Customer Relations, Sherman Theatre***

> **Pricing is a critical issue. The balance is always between trying to keep tickets affordable at the same time as being realistic about the cost of production. We don't have a set policy, but treat each show on a case-by-case basis. In practice, we usually price shows higher on a Friday and Saturday and pepper a run with options like a 'cheap Tuesday' or a special schools price. At the end of the day, we try to keep it all as simple as possible for the public, to attract them through the nature of the work in tandem with its cost. The truth is that there is no regular audience in London so every show has to be judged by its own merits.**
> ***Alexandra Bowley, Programming Manager, Riverside Studios***

> **I'm very interested in maximising ticket revenue through using banded pricing in a previously one-price house – looking at booking patterns and pricing accordingly, so, for example, if you know that for dance the seats with the best sightlines sell first, increasing the price of those. The range of prices would mean that the event is still financially accessible, but should, however, generate greater income, and has the benefit of being flexible – higher price seats for one genre do not have to be the same as for another.**
> ***Jo Dereza, Acting Director, South West Arts Marketing, formerly Marketing Manager, Exeter Phoenix***

Myths and mysteries: a lack of resources

> **Pricing is one of the more scientific areas of marketing that demands significant analysis and investigation. Unfortunately, it is still far from being a perfect science, meaning that making decisions and implementing them is complicated and risky.**
> ***Jessica Hepburn***

In the absence of a reliable source of information or support for creating a pricing strategy – and this may have to wait until the next generation of database management systems – managers have a limited number of options at their disposal, as Jessica Hepburn, executive director of the Lyric Theatre in Hammersmith, explains.

> **In determining our pricing strategies, we have a number of resources. We draw on our own analysis of box office data to look at patterns of booking, which informs how certain initiatives are implemented. We also discuss strategies with industry colleagues, and look at competitors' pricing models and review their success. We look at current literature from consultants such as Baker Richards and the Arts Marketing Association and learn from other industries such as the airlines. With the risks involved, the more shared experience and information the better.**

In a situation where there are few clear answers and little authoritative guidance, venues tend to gravitate towards examples of success in the hope that they can piggy-back on them. But if an organisation wants to emulate the National Theatre

‘Travelex effect’ – and quite a number have wanted to – can they really pull it off without incurring financial penalties? And when they start to look deeper, the ways in which such successes have been achieved seem to contradict each other. One venue cuts its top-price tickets to increase yield, while another reduces the number of price bands and raises the top price each year to achieve the same result. If one Introduction: Playing with live ammo venue is considering moving away from a single price and splitting the house, the next will be looking at trying out one price across as many events as possible.

Out of this slightly panicky atmosphere arises a range of myths and shibboleths: ‘young people will only come here if they get a big discount’, ‘public subsidy means that we cannot charge a realistic price for our show’, ‘we cannot drop concessions for the over-60s’, ‘our audience would resist a ticket levy’, ‘two-for-one offers are a good way of pushing up sales’, ‘prices cannot be raised once they have gone on sale’, ‘standard concessionary rates satisfy our access responsibilities’ and so on.

Each of these myths has been debunked by managers willing to challenge the assumptions that lie behind them. Tim Brinkman, for example, claims that his 75p ‘theatre development fund’ charge on each ticket sold by Hall for Cornwall was the inspiration for a major West End chain of theatres to do something very similar. Deborah Bestwick, director of Oval House, argues that concessions need to represent a *meaningful* reduction, not just £2 off the full price, to be fully effective. And so on.

Beyond the constricting power of such myths, managers have some very real and tangible practical challenges to their freedom of operation.

Striking a deal: market forces

It should be remembered that arts organisations have limited room for manoeuvre financially, as they lack the capital base that enables a company like Sky to try out risky pricing strategies and to sustain large initial losses to secure its market. Arts companies, in contrast, are simply not as free to change their prices. For those subsidised by local authorities or arts funding bodies, even the most sophisticated understanding of value and price cannot prevent the roof falling in when grant cuts are announced, so caution is endemic – and probably wise.

They are also operating in a complex economic environment, where it is not always clear who or what their competition is – other local venues, the alternative of a CD or a cinema ticket purchase, a night at the pub – or how the local demographic can be turned to their advantage. Even if the organisation has national significance and thus draws on a wider potential audience, it is, most managers would argue, crucial to know the local market before setting any kind of strategy or using any type of tactic. As Jane Pugh, project manager of Carn to Cove, Cornwall's rural touring scheme, remarks, 'each village has different needs and issues' which affect pricing strategy.

Paul Maurel, artistic director of the Laurence Batley Theatre, gives a vivid example of how pricing strategies are, by definition, market-driven and particularly local market-driven.

> **If we look at a product like Phil Cunningham and Aly Bain in concert, Colin in Inverness will be able to think of a number, double it, and make that the charge, and fill three times over. That means he'll probably buy the concert at no more than a derisory guarantee against a fairly hefty split. Paul in Ayr has a smaller capacity and is in the central belt, but could still expect to sell out if he prices reasonably, and invests quite a bit in marketing. So he'll pay a higher guarantee, take a smaller split and add a marketing contra. We, on the other hand, in Yorkshire, would struggle for a half-full house, would face a big straight fee, and would lose massively. You could reverse the above process for booking a production by Hull Truck.**

As Paul's comments serve to illustrate, the setting of price is, for receiving venues, not a simple matter of imposing a structure but a struggle for a fair deal with the producing company – even more so if the venue has no box office of its own or puts out its ticketing to an external agency. Pricing strategy has to be pragmatic in these circumstances. Craig Hassall, managing director of English National Ballet (ENB), describes this process of negotiation from the point of view of a touring company.

> **Typically, the theatre will control the box office. And the case with the ENB, and I'm sure a lot of the touring companies, is that we don't simply go and rent the theatre. It's a risk share. The theatre foregoes its rent for a share of the box office and you negotiate the split between you and the theatre – generally, ENB takes 75 per cent of the risk, the venue 25 per cent – so the theatre then has a stake in the marketing, the pricing and so on. The theatres are usually not going to be as sophisticated in the pricing model as the company – and probably less likely to take risks as well. So it's difficult to negotiate**

> **with a receiving house, which is also a riskshare partner, on taking a risk on a passing strategy, because they want to do it the way they've always done it. They have 25 companies coming through in a year and, as a rule, they don't want to start catering too much to the idiosyncrasies of one of those companies.**
>
> **The other complication is that a lot of the theatres are owned by the Ambassador Theatre Group or Live Nation, so you don't even have the sense of a local market. You have a centralised ticketing agency, Ticketmaster, which just volume sells. Dealing with someone in London about a venue in Birmingham means that there's quite a disconnect with the human beings involved. They're not going to take a risk on a local buying or pricing strategy because they just don't have the expertise or the interest.**

A negotiation over setting prices is often about squaring one strategy with another. When, for example, the London Symphony Orchestra recently tried lowering prices to draw in new audiences, two different pricing structures were literally embodied at their concerts at the Barbican Centre, where yield management approaches are focusing on maximising income. So, a customer who had paid the LSO £25 for a ticket sat alongside another who had paid the Barbican £65. Which brings us to the audience, their perception of price and value, and the question of price sensitivity.

Does price matter? Audience perception of price and value

One of the more remarkable aspects of pricing in the arts, particularly in the areas of theatrical performance and live classical music, is its sheer complexity. In one detailed study of Broadway pricing carried out a few years ago, the researcher discovered that for one particular show there were, on average, 8.7 different price categories per night *out of a possible seventeen.*

One might picture how hesitant a customer might become, faced with that choice, cross-referencing each price on the seating plan, imagining the sightlines, perhaps, or wondering if the cheaper matinee the following day might be an option, but almost certainly mindful now of how much they want (or had planned) to spend – and conscious, too, that there may be competing attractions that might be cheaper or more fun just down the road or even back at home… If this had started out as a spontaneous impulse – the customer seduced by the posters outside the theatre and eager for the value of the experience they promised – it has quickly become a question of mental haggling over the cost. Angela Galvin, chief executive of Sheffield Theatres, questions why things have to be so opaque.

> **In this sophisticated marketplace, pricing is the touchstone against which artists judge the value being placed on their work, and a benchmark for persuading audiences confronted with a cultural cornucopia that ours is the event to attend. Pricing secures our artistic and financial futures. Why then do so many arts businesses communicate prices across the whole range of marketing materials in logarithmic grids? With footnotes. And inconsistencies. It’s the bit of the brochure that catapults the required reading age from twelve to forty-seven years.**

Part of this complexity is due, ironically enough, to the enduring assumption that arts audiences are particularly price-sensitive and will appreciate a price tailored to them. Hence, the plethora of discounts and special deals, as if price were the determining factor in deciding to go to the event. The available evidence, however, suggests that both first-time and regular attenders are more likely to be attracted by the offered experience than by price alone: *the tickets cost me a fortune, but it was worth it.*

The Glastonbury Festival famously sells out on the spot. In the old technology days, punters would queue overnight to secure tickets for this kind of event; now, a finger hovers over the BUY button. Both then and now, price is really not the issue – and not, in these cases, because prices are low. The tickets for the last Rolling Stones’ tour rose to over £100 – and were exchanged for considerably more on the black market. The perceived value of seeing the ultimate rock survivors perform outweighed any financial qualms – you know what you’re getting with the Stones or Glasto, or you think you do. The price is – for the practical purposes of selling tickets – virtually invisible.

The same seems to apply at the other end of the market.

> **I understand why things change and I put the reason for them changing precisely on the price of a ticket. It was different when everything cost \$3, or \$3.50, or at the most \$5. You could pay to see a cheap Jaws ripoff and pay the same money to see A Star is Born, no worries. But now you’re talking about \$10, \$12 – it doesn’t make sense. Quentin Tarantino, explaining why exploitation movies now go straight to video (The Guardian, Friday 4 May 2007)**

Quentin Tarantino’s comment reflects a clear understanding that price can be critical in getting people to see your art, whether that is an exploitation movie of the kind he recently apotheosised in his own film *Death Proof*, or a Shakespeare play or a concert of new music or an exhibition of Old Masters. However, what is particularly interesting about this argument is that it seems to demonstrate that only when the price becomes *visible* to the customer do distinctions over the relative value of competing attractions become critical in deciding to attend or not. In other words, when cinema tickets were too cheap to be concerned about, customers would chance going to see less worthy or less commercial or less mainstream films or films that had no recognisable stars or directors.

Once price becomes an issue – something customers have to mull over before committing themselves – perceptions of value kick in. And all those films they might have gone to see end up, without fanfare, on the shelves of the local Blockbuster – until, of course, a customer or a video store employee (as Tarantino once was) discovers one and, given that the price of renting any DVD is relatively inconsequential, decides to give it a whirl – and thus discovers its true value.

It is also worth noting here that assigning higher value is, in some significant way, related to reducing the level of risk. With its highprofile stars and its artistic and dramatic qualities reinforced by good reviews and industry buzz, a film like *A Star is Born* would be a much safer bet for a pricey evening out than, say, the latest flick from a Bmovie maker like Roger Corman. This should remind us that going to any arts event involves some level of *risk* – and that this is why vast numbers of people never darken the doors of the local theatre or gallery or arts centre. They don't know quite what they are going to get, so they don't know whether they would get anything out of it or even enjoy it – and, in some cases, they don't feel they would even be welcome, judging by the building or the people who *do* go. Education and social habit play their part, too.

So, to sum up. In Tarantino's example, the perceived value of going to see an unknown quantity was not an issue because the price was so low. In the case of the Stones or Glastonbury, the cost of a ticket was not an issue because the perceived value was so high. Either way, the risk of wasting time or money was rendered negligible, making a ticket sale more likely than not.

This example of 'neuro-economics' – the mental process that goes on when considering any kind of bet – demonstrates why managers should keep a careful eye on the wider cultural trends that affect how people are choosing to spend their money, time and energy. People's perceptions of value do not remain static as the culture shifts. For example, the development of secondary marketing, otherwise known as scalping, has been given a huge boost now by the internet, and eBay in particular – and that will undoubtedly influence perceptions of value and thus the setting of prices.

Finally, we turn to how arts organisations might be able to move forward in developing their audiences by consolidating and maximising their revenue

The lure of yield management: maximising income

> **There is a latent conflict between access objectives and income optimisation which forms a constant ideological backdrop to ticket pricing.**
> **Elizabeth Hill et al, Creative Arts Marketing, 1995**

A central issue addressed in this book is whether and how far pricing strategies might square the circle – that is, optimise revenue without compromising audience development and social access.

This is obviously a particular concern for managers of subsidised organisations, who believe they have a particular obligation to their audiences to keep prices low. How can they then draw in more than the usual crowd without discounting themselves into debt?

The question is whether by, in a sense, creating a dual-pricing policy, 'young-person's-railcard' style, the subsidised sector now has to live with the consequences and not be able take advantage of more commercial techniques to maximise revenue. A stark example of this difference is the curious tradition of *closing* a best-selling subsidised show while the West End is freer to extend runs – and product-test new shows. Subsidy seems to have made things more complicated. The need to explore what might be transferable from commercial practice is urgent, as Craig Hassall remarks.

> **People should feel empowered to be a little commercial about pricing. Because the subsidy is the public support. You needn't keep your prices below what you could charge in the market. That's like a double subsidy. Just because we're subsidised, it doesn't mean we charge less if people can afford to pay more.**

Craig's comment seems to point directly to the lure of yield management techniques, which are now being tested and applied by some arts and venue managers.

Yield management, first developed in the travel and hotel industries, can take many forms in the arts, but it is essentially about increasing yield by varying prices or price ranges. It can mean increasing higher prices at a slightly faster rate, while still maintaining low prices elsewhere. A few organisations are starting to use so-called airline pricing, where the price paid for a specific seat for a specific performance will vary according to when the booking is made. Prices might be increased at the end of the week, to increase yield and control demand – and this may stimulate more attendances earlier in the week. And so on.

Not everyone believes that yield management is the panacea. It is still probably too time consuming in a hammer-to-crack-a-nut way for smaller venues, while for organisations that pride themselves on providing a quality programme there are stages of the ‘Easyjet route’ they’d rather not go down. Chris Harper told me that when he was head of marketing at the National Theatre the rep system he served was ‘too complicated to try that staggered price escalation’.

> **The flight isn’t part of the experience; I don’t think that the theatre is comparable to an airline. The holiday’s the experience and we’re selling the holiday.**

It is certainly true that theatre does not have the resources or indeed the vast amount of historical data needed to match the ability of airlines to predict how to obtain the highest yield out of each flight, so yield management in the arts may never be as reliable – this is the arts, after all, with all its risks of noble failure. However, just as the airline passenger will rarely wonder what the passenger next to them paid for their ticket, so audiences are now beginning to accept variable pricing.

For some, yield management is the future. Ticket prices will be delivered like stock prices, based purely on supply and demand. Until that point, the debates will continue – and do so, in the following pages

Chapter One
What price epiphany?

This chapter outlines the historical and cultural context of current debates on value and pricing in the arts.

> **When John Kemble tried to raise prices after the opening of the new Covent Garden Theatre in 1809, he provoked sixty-seven days of rioting and a public controversy that raged in the press for several months; he was eventually forced to give way to the supporters of 'the Old Price'. John Brewer, The Pleasures of the Imagination: English Culture in the Eighteenth Century, 1997**

It would seem that pricing in the arts has always been an emotive issue and one that the popular media of the day can be relied upon to cover with some eagerness. For those particular theatregoers two hundred years ago, the value of the arts was not in question – they were clearly enthusiastic enough to take to the streets to defend their right to enjoy theatre. The problem lay rather in how that value had been translated into price and whether that price was perceived as fair.

In this chapter, Professor Robert Hewison goes back to first principles. Although this is a book about price, it has to address the fact that what people are looking for is value – and so we must examine the relationship between the two. He explains, via Adam Smith and John Ruskin, how 'value in use' differs from 'value in exchange' and describes both how we arrived at our mantra of 'value for money' and how the cultural sector is challenging that utilitarian viewpoint by arguing for the arts' 'intrinsic values'.

As a vital part of our economy, the arts are subject to the laws of supply and demand but they are also particularly vulnerable to cultural shifts, from popular enthusiasm for cultural products during the exigencies of wartime to our postmodern culture, where apparently infinite consumer choice is counter-balanced by ferocious demands on our time and energy.

What price epiphany?

Assessing the value of the arts

Robert Hewison

Buying a ticket for a show can be an unpleasant experience. The queue at the box office is long, the staff are surly, the show sold out. Telephone booking merely transfers the process to the ether, adds a booking charge, and you still have to queue up to show your credit card. The internet adds the worry over security of financial information. Yet when an arts organisation sells you a ticket, it is the beginning of a personal relationship. Before that, the company will have been communicating in general through advertising, reviews and word of mouth, but the message becomes particular only when money changes hands. The price of a ticket is as important a means of communication as the name on the marquee and the image on the poster. Oscar Wilde famously defined a cynic as ‘a man who knows the price of everything and the value of nothing’. Cynicism, I might add, is the response of someone who – like punters who are told the show is sold out – is disappointed in their hopes. This is a book about price, but it is value that people are really looking for.

In the chilly world of economics, price is a monetary expression of the worth that individuals, groups or that abstract being ‘the market’ assign to an object or activity. Is the show worth the price of a ticket? From the seller’s point of view, price will be a reflection of the costs of the raw materials involved, of the labour employed and of the additional overheads, such as maintaining plant, administration, marketing, taxation and so on. Setting a price should therefore be simple: add up your costs, stick on a bit extra to make a profit that can be distributed or reinvested, decide what you can get away with, and set out your stall.

But who will buy? From the buyer’s point of view, willingness to pay will depend on a much more complicated set of variables, beginning with the ability to pay in the first place. To buy means to make a choice between buying and not buying, and between the range of objects and activities on offer. That will include a consideration of the ease or otherwise of getting hold of a ticket. Willingness to pay will depend on the utility the buyer attributes to what is on offer, and what importance they attach to that utility: *is this show a must-see?*

The amount the buyer is willing to pay will also be affected by the perception of the relative scarcity or availability of what is being offered: *how long is the queue, how hot is the ticket?* Thus, price is the monetised expression of a very complicated set of valuations. In real life, we have to take into account such unscientific things as emotions, and the cash element may be the least important factor in the equation. Many people complain that culture has become a commodity. Few appreciate that what we think of as commodity is shaped by culture.

Culture is the key to the fundamental distinction made in *The Wealth of Nations* (1776) by the founder of modern economics, Adam Smith: 'The word "value", it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing goods which the possession of that object conveys. The one may be called "value in use", the other "value in exchange''.'[1] Value in exchange is reasonably easy to understand: it is the amount of money or goods or services that a person is willing to give up in order to be able to acquire certain goods or services. The idea is so neat and simple that many economists, including Adam Smith, have based their calculations exclusively on value in exchange. But why are we willing to exchange one thing in order to possess another? Because, presumably, that which we want to possess has some value in use – some utility – to us.

John Ruskin, in *Unto This Last* (1862), had a lot of fun with this problem, pointing out that many of the things that have the greatest value in use frequently have little or no value in exchange. The air we breathe would be a good example. Contrarily, many of the things that have the greatest value in exchange frequently have little or no value in use. Ruskin asks what is the value of the gold in the moneybelt of a drowning capitalist as it drags him to the bottom. When we talk about value in use, the value lies not in the object, but in the use we make of it, and the nature of that use is our moral responsibility. In order to challenge the cold utilitarianism of Victorian England, Ruskin sought to redefine wealth as welfare and value as vitality, and even coined a term that summed up the true product of industrial society: 'illth'.[2]

The narrow economic calculations of utilitarianism have continued to be made, however, and from the 1980s on they have borne down ever more heavily on those working in the arts. Ruskin may have argued that 'there is no wealth but life',[3] but life has become harder and harder in the arts as the cultural sector has become subject to an ever stricter regime of accountability. The rule is not 'value for life' but 'value for money', defined as 'economy, efficiency and effectiveness'. The supposed efficiency of the market replaces the benign bumbling of bureaucrats, citizens have become consumers, and the results of creativity are reduced to products. To demands to deliver value for money has been added a series of tests that measure the success of cultural organisations, not in terms of the quality of what they do, but in terms of public service agreements that demand 'quantified improvements in outputs, efficiency, access, quality promotion, income generation or private sector funding', to quote PSA Target 14 of the Department for Culture, Media and Sport.[4] This is the language that defines the obligations the government places on cultural organisations to deliver social outcomes according to its political agenda.

The new utilitarianism is being challenged, not because cultural organisations disagree with the government's desire to improve social conditions in relation to health, crime, education and employment, but because the arts are an indirect way of going about it. What is more, a regime of targets, tables and testing does not sit easily with the less easily calculable outcomes of art. Indeed, by imposing external, instrumental requirements on arts organisations, the government makes it harder for them to carry out their core function, which is to make or present art.

That this is a problem felt right across the cultural sector was emphatically demonstrated in June 2003 when the National Theatre and the National Gallery came together to sponsor a conference, 'Valuing Culture', jointly organised by the think tank Demos and the cultural consultants AEA. The conference was attended by the Secretary of State for Culture, Media and Sport (DCMS), Tessa Jowell, who evidently listened to what was being said. In May the following year she published her essay *Government and the Value of Culture*, which acknowledged the difficulties caused by thinking of the arts purely in terms of economic and social outcomes. 'How', she asked, 'in going beyond targets, can we best capture the value of culture?'[5]
How can we get hold of a ticket to ride?

Cultural value

Over at Demos, a senior researcher, John Holden, had been working on the answer, which he first gave in a pamphlet, *Capturing Cultural Value*, published shortly after Tessa Jowell's essay.[6] Holden does not deny that the arts bring economic benefits in terms of employment, exports and regeneration, or that cultural activity has beneficial social outcomes for those who take part. But he argues that there are other ways of valuing the arts that are intrinsic as opposed to extrinsic to what they are and what they do. Drawing on a range of different disciplines – anthropology, environmentalism and brand valuation – and different theorists, notably the Australian cultural economist David Throsby and the American expert on administration Mark Moore, who has popularised the concept of 'public value',[7] Holden proposes that there are several ways in which an object or activity can be said to have *cultural value*. These can be summed up as:

- l use value: it engenders expenditure that supports jobs and further economic production
- l existence value: even though only a certain number of people may directly enjoy something's 'use value', the fact of its existence creates an opportunity that others may enjoy it at another time, or are simply content that it exists at all
- l bequest value: it represents something that people will be able to pass on to future generations
- l historical value: it constitutes a link between the present and the past and locates people in time
- l social value: its enjoyment is a collective as well as an individual experience, and can strengthen social bonds

- l symbolic value: it generates symbolic meanings that are expressive, for instance, of individual or collective identity
- l spiritual value: it has the capacity to produce feelings of the numinous or the sublime
- l aesthetic value: it generates feelings of visual and/or auditory delight.

There are, as David Throsby has shown in his book, *Economics and Culture*,[8] ways of monetising these values so as to come up with a price, in what is essentially a sophisticated form of opinion polling, but that is not the point here. Cultural value is a way to re-engage with the quality of the experience of art, to re-legitimise the discussion of those aspects of the experience that evade numerical quantification. While as individuals we may be prepared to give money to enjoy some or all of these values, unless we keep the object exclusively for our own delectation – like a painting in a vault – we do not in fact own them, and even then we only control access to the work, not the value of the work itself. They exist as public goods which, being public, are price*less*.

The debate about cultural value has put the concept of value-in-use back into value-in-exchange, and the fact that politicians are prepared to take part in the debate offers hope that those who set the terms in which cultural price transactions take place do, in fact, appreciate the significance of the numinous as well as the numismatic. But price has its uses, since we need a way to turn the infinite number of individual decisions about what something is worth into a figure that is practical to apply. When it comes to setting a price for cultural goods, as, to be realistic, we have to, there are some real-world factors relating to scarcity and competition that have to be taken into consideration. Culture cannot entirely escape the clutches of the laws of supply and demand, though as we will see, it tries.

The challenge of affluence

Arguably, the last time the arts in Britain enjoyed a competitive advantage over many other goods and services was during the Second World War. One of the reasons that they did so demonstrates the enduring power of cultural value: people found, especially in poetry and music, a spiritual resource that comforted them in anxious and dangerous times. Equally, the demotic tradition and free speech of the British stage seemed to be one of the things that people were fighting for. Yes, there was a desire for escapism too, but the demand for serious reading was such that you could sell almost anything – provided you could get the paper to print it on. Paper was rationed, like almost everything else, and scarcity adds a value all of its own. While full employment guaranteed a certain level of disposable income, the goods that people generally like to spend it on – food, clothes, holidays – as well as many essentials such as furniture, were in short supply.

This combination of factors, cultural and economic, meant that people were more ready to spend what money they had on the arts. The arts were also in short supply, and it was in order to guarantee a supply of concerts and stage performances that for the first time a British government began to subsidise the performing arts, through grants and tax relief. Libraries, museums and art galleries were already publicly funded, since the Victorians considered them to be conducive to public education and national sobriety, but from now on governments – via the Arts Council of Great Britain and its successors – had to wrestle with the irresolvable questions of what was art and what was entertainment. It is worth recalling that during the war entertainment had also been regarded as a public good, supplied by ENSA, the Entertainments National Service Association, to keep war workers on the go.

Since the war, affluence and availability mean that the arts have lost their temporary advantage, but at least in terms of disposable income there is still something to play for. Not only are we individually (or at least most of us) far better off than people were fifty years ago, but the amount of our income that we can spend as and how we like has also increased as a proportion of our overall income. The Henley Centre for forecasting has tracked so-called discretionary spending in the United Kingdom since 1976, and predicts that it will continue to rise.[9]

The problem for arts organisations is how to steer enough of that spending their way. Not only are all those goods that were scarce or unavailable in wartime piled high and in abundance, the culture of consumption is such that a pair of jeans is no longer a useful item of workwear, but a fashion statement, an expression of identity – in fact, a form of culture. 'Style' is an elaborate symbolic code signalling status, sexual availability and, above all, a sense of self. It also plays a crucial role in encouraging the circulation of commodities by using symbolic goods to enforce fashion's endless cycle of redundancy and return. With such creativity on the High Street, there is no need to go into art galleries, when so much time can be devoted to the semiology of the sock.

And time is now an issue. While we have more and more disposable income, in order to earn it we have less and less disposable time. What is worse, those that have the most time, such as the retired and the unemployed, may well have the least money. The consequences of being cash-rich but time-poor are having a noticeable effect in the theatre, where since the turn of the new century plays have become distinctly shorter. The three-act structure, with two intervals, has disappeared, and many new plays have no interval at all. Contemporary dance appears to have led the way, where the physical demands are such that performances are limited by the performers' endurance, but the concentrated intensity of the piece generates audience satisfaction – and allows you to have something to eat afterwards. There does not appear to be public resistance to shorter performance times – indeed, they seem to be welcome. So here is a new factor in the price/value equation, and a new twist to the old adage that time is money.

Market failure

The problem of price setting in the cultural sector is complicated by attempts to introduce non-monetary considerations that will affect monetary outcomes. In the abstract world of economics, the invisible hand of the market will determine price through the inexorable operation of the laws of supply and demand. But when we look at the operation of the economics of the arts, we find that conditions are determined not by the invisible hand of the market, but its opposite, market failure. Market failure occurs when it proves impossible to produce certain goods in sufficient quantity and/or at an acceptable price to justify their existence in purely monetary terms. As far as the market is concerned, the sums don’t add up. The result is that the market fails to produce, or under-produces, cultural goods such as art, literature, orchestras and new political plays, and it is difficult to protect desirable landscape or historic properties from the depredations of developers. The market has been altered by regulation – as in the case of green belt land and heritage properties – or by state or private philanthropy that ensures, through subsidy, that there is a sufficient supply of socially necessary cultural goods.

One of the reasons that the arts are particularly susceptible to market failure is that they are unable – outside books, film and recordings – to reproduce their creations in sufficient numbers to exploit their success beyond a certain level. (It is because books and recordings are repeatable that they represent a different form of competition, as it were, between perishable and non-perishable cultural goods.) Nor can the arts easily achieve economies of scale. You cannot downsize a symphony orchestra, nor can you upscale an auditorium without radically altering the audience experience. So, the visible hand of patronage, persuaded by those arguments for cultural value that were rehearsed earlier, reaches in. It does not matter who the patron is (though what is demanded in exchange for patronage means it is rarely disinterested); the market is now distorted, with consequences for both those in receipt of patronage and those who are not.

Thus, we find ourselves in the paradoxical position that the subsidised cultural sector is in competition with the unsubsidised, rather as the BBC is in competition with commercial broadcasting. But while there are obvious advantages, in terms of survival, in not having to make a profit, there is a cost in terms of the expectations placed on a company that receives public money, be it from taxation or the National Lottery. The right to fail artistically seems to come with a fair number of obligations to succeed in terms of policy outcomes. In practice, in the arts the two sectors are mutually dependent. The commercial sector looks to the subsidised to take risks and invest in training; the subsidised looks to the commercial sector to exploit their creations in such a way as to be able to reward them with a share in the profits, and so continue to function in the pursuit of the generation of cultural value.

Audiences are largely indifferent to the issue of equity between the commercial and non-commercial sector, and are happy to be served by a mixed economy. They buy tickets on the basis of what they want to enjoy, not whether the producing organisation is subsidised or not, and in any case price levels will tend to converge on what the market will bear. There is rough equivalence in the pricing structures of the two sectors, in so far as the commercial sector is present at all. (What they can't make a profit from, they don't do.) A top-price ticket to the venerable *Mousetrap* at the St Martin's Theatre cost (in 2006) £37.50, exactly the same as a top-price ticket to a production at the National's Lyttelton Theatre. Musicals (a commercial sector speciality) are more expensive, with a top price around £55 (a 400 per cent rise in twenty years), but then opera can be expensive too. Raymond Gubbay has so far managed to find ways of avoiding market failure by generating a genre of 'arena opera', but for the most part opera is a subsidised sector speciality where modest seats are comparable to those for a musical, and a top ticket at the Royal Opera House will cost £180. National museums that are funded not to charge entry fees have an advantage over independent museums, but tend to charge similar fees for specially mounted exhibitions. The Royal Academy, which is not publicly funded, has a current top price of £9 for an exhibition, the subsidised National Gallery the same for a temporary show.

The tendency for there to be price convergence across the cultural sector is not really surprising. Benchmarks are established by prejudice and custom, rather than careful sums on a pocket calculator. Under pressure to justify the existence of public subsidy, from time to time people have made price comparisons between ticket prices in the arts and say, rock 'n' roll or football, as some contributors to this book do. It cost at least £80 to see the Rolling Stones in Britain in 2007. It costs between £45 and £95 to see a Premier League football match as an adult who does not belong to a supporters' club. But surely these offer different forms of social experience. The real competition is between different judgements of cultural value; price considerations are secondary. The same is true of other forms of consumption. Dinner at The Ivy, opposite the St Martin's Theatre, will cost you considerably more than *The Mousetrap*, but, though both are ephemeral experiences, they are not really comparable when it comes to calculating price. The competition between The Ivy and *The Mousetrap* (assuming you can afford either) is cultural more than it is economic – fine French cheeses, or mousetrap.

Public interest pricing

Prices, in whatever case, have to be set. When it comes to calculating what they need to charge, arts organisations have to consider three different sources of income: state/local authority subsidy; commercial and private sponsorship; and commercial activity, including shops, restaurants, publications, conference and other hires – and of course tickets. As has been shown, the existence of subsidy will distort the situation when it comes to pricing. Only the Adam Smith Institute, at the height of Thatcherism in 1987, has argued that the existence of public subsidy is positively harmful, seriously proposing 'a three- or four-year programme over which the Arts Council's grant would be reduced to zero' – and even then it had to admit that the national museums would not be able to survive without state help.[10]

Unfortunately, all attempts to regularise and rationalise cultural statistics seem condemned to failure, and it is very hard to find longitudinal studies, or even studies that use sufficiently comparable categories, to make a direct comparison with today. But it does appear that public subsidy has fallen as a proportion of publicly funded arts organisations' income since the Adam Smith Institute started promoting its Thatcherite arguments in the 1980s. One reason is the growth of business and private sponsorship, which Mrs Thatcher's government was keen to promote. This combined source of funding is sensitive to economic conditions, but the trend has been upwards.

An arts organisation will be proud to be earn its keep – and possibly earn more independence from the policy objectives of its funders at the same time – but there are two lessons to be learned from this trend. The first is that, in spite of substantial real increases in cultural subsidies, the pressure is on organisations to earn more. With public funding expected at best to plateau, organisations are going to have to be ever more careful about how they manage their pricing.

The second point is that we need to be more articulate about what might be called 'public interest pricing'. Just as cultural value is a way to express the non-monetary objectives of arts organisations, public interest pricing would be a way to indicate the particular policies towards its audience that an organisation has. This should go beyond the standard 'concessions' for pensioners, unwaged, etc and be seen as a way of creating positive value. As I have already suggested, pricing is another way an institution has of communicating with its public, and how an arts organisation communicates can be as important as what it communicates.

Again, we have John Holden of Demos to thank for showing that arts organisations are not only creators of cultural value, but that the way they behave creates a further range of values that he calls 'institutional value': '*how* organisations operate is as important as what they strive to achieve'.[11] This is more than making sure the coffee is hot and the lavatories are clean; it goes to the roots of the way an organisation sees itself, how it defines its purpose and how it expresses its values in relation to the public. In *Cultural Value and the Crisis of Legitimacy* (2006) he develops the concept of institutional value to argue that the tripartite relationship between the public, the professionals who manage cultural organisations and the bodies responsible to politicians that fund them is breaking down, and that the mismatch of objectives is causing the cultural system to become 'a closed and ill-tempered conversation between professionals and politicians, while the news media play a destructive role between politics and the public'.[12]

The reason for insisting on the importance of institutional value and the role that ticket-pricing has to play in generating it is that arts organisations have to recognise that they are more than sites for the presentation of objects or activities that have cultural value: they are themselves the creators of value through their relationship with the public and through the way they work within themselves. So a ticket will not simply be a *billet*, but should be handled like a *billet-doux*.

The cultural economist David Throsby argues that economists are ‘deluding themselves if they claim that economics can encompass cultural value entirely within its ambit and that the methods of economic assessment are capable of capturing all relevant aspects of cultural value in their net’.[13] Surprisingly, for an economist, he goes on to argue that the dominance of the modern economic paradigm must be resisted: ‘it is essential that cultural value be admitted alongside economic value in the consideration of the overall value of cultural goods and services’.[14] In other words, we must reframe Oscar Wilde’s dictum and say that before we can set the price of something we must understand the value of everything. As cultural organisations are already well aware, their duty is to create epiphany. Later, they can worry about the price.

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Fighting its corner

Hall for Cornwall's eclectic strategies

As the only purpose-built professional arts venue in Cornwall apart from Tate St Ives, Truro's Hall for Cornwall faces several major challenges, though perhaps none as life threatening as the initial loss of £300,000 in its first year, 2000/01, when the Lottery money ran out before it could be used to run what it had built.

Once relatively rich through fishing, farming and mining, Cornwall resembles one of its own numerous holiday homes, unoccupied (and not earning) most of the year. It's a low-wage, fragile economy and, coupled with a small scattered population, that can't help but have a major impact on pricing strategy. What its director, Tim Brinkman, calls 'a great space' has to be filled – and with a great variety of events. It's a flexible auditorium, with a maximum capacity, when the seats are folded away, of 1,700. This means, theoretically, that a two-week sell-out run could swallow up Truro's entire population (around 18,500): one way of demonstrating that Hall for Cornwall has to reach out much further for an audience than most city-based venues – thirty miles on average.

A varied programme

To do that, Tim has to programme eclectically. There is theatre, from the touring production of *The History Boys* to coproductions with the indigenous Kneehigh Theatre Company; music from classical chamber concerts to Coldplay and Morrissey gigs; there is an ice show; and there is dance, from ballet to contemporary. Each event is priced separately, with five price bands and a range of concessions; more likely sellers are priced more highly. Before committing to a production, Tim has to calculate how many of each ticket-type buyer will attend, allowing for up to 45 per cent on concessionary rates for each performance. It's a simple, traditional approach, based on steadily building up a history of what sells and to whom, but it seems to pay dividends: 180,000 tickets are sold each year and houses are on average 68 per cent full – and it does not prevent the introduction of more adventurous work to what is often perceived as a conservative audience.

A couple of years ago, Tim took a 'terrifying risk' in presenting the only southwest date for dancer Wim Wandekeybus's tour – and it sold out, since when he has continued to demonstrate that there is an open-minded local audience who happen to enjoy cutting-edge dance. Tim has resisted pricing such events down, as he feels that would cheapen them, but there is a small, though clear, price differential between them and safer choices. A top ticket for Rambert Dance Company or Birmingham Royal Ballet would be £21, that for Nederlans Dans Theater £18.50 and, for a lesser-known company, £16.50.

Economic realities

Flexibility on pricing does not extend to concessions, where Tim would prefer to mediate prices, shifting the number of seats within price bands, rather than change any concessionary deals. So, while venues elsewhere might, for example, 'Volvo count' and reduce concessions for older people, on the basis that many are able to pay the full price, such a policy in Cornwall would be hugely controversial.

The economic environment also means that Tim, as director of a receiving house, has to strike sensible box office deals with incoming companies that may be more used to playing in wealthier regions; he asks them, for example, what they would charge in Darlington or Hull, rather than Manchester or Birmingham. Part of the bargain he strikes includes passing on to the promoter the credit card charges that might otherwise be passed on to the customer. Instead of a booking fee, Tim has instituted a 75p levy on tickets to go towards a 'theatre development fund', cash income that he can retain as an essential element in investing in a future for Hall for Cornwall.

With thanks to Tim Brinkman
Hall for Cornwall, www.hallforcornwall.co.uk

From novice to strategist
Learning to price at the Royal Centre Nottingham

In 2001, Jonathan Saville was brought in as head of sales, marketing and development for the Royal Centre Nottingham, which comprises the Theatre Royal and the Royal Concert Hall. The job description is wide-ranging, from box office management to corporate development schemes, but pricing is a central responsibility. Like many managers given such a wide brief, Jonathan had no actual training in pricing so, to begin with, he 'cut and pasted' (his own words) from old prices. He based his pricing structure on top price for dress circle, second highest prices for front of stalls, third for back of stalls and lowest for balcony. This was a rather blunt instrument, he discovered, so he sent for the cavalry, in the shape of a leading pricing consultant who helped Jonathan to identify areas of under-pricing and ways of increasing yield. Jonathan says that he is now 'selling the same seats to the same people for the same kind of shows but making more money'.

The most vital pointer the consultant gave him was to identify what sold well first – it happened to be centre stalls and the dress circle – and to price up accordingly. Jonathan is now rigorously enforcing five pricing bands, even where prices of some bands for some shows are the same – so, for example, band A might be £16 and band B £14 but bands C, D and E might all be £12. The differentials are never more than £5, often less, apart from the balcony, which is steep and can have a limited view, where the difference can be anything from £5 to £12. This rigour extends to never altering the prices over a run, even one of six weeks; if the production runs into trouble, Jonathan markets it through special promotional deals (eg three for the price of two) with a newspaper or a radio station. Turkeys he just has to live with.

The dangers of discounts

Jonathan has learned to avoid cut-price deals: 'they cause more problems than they solve'. Some of these problems are the result of a frustrating box office system that is capable of mailing special offers to people who have already booked. There was the case of the six women who booked the tickets as a group. Because a different member of the group had booked the tickets this time around, the usual booker received a £10 half-price offer in the post – which led all the women to complain that they had been charged full price. There is also the danger of creating an expectation of discounted tickets. Jonathan cites a show at a nameless UK theatre where a show was not selling until the box office got a call asking when the discounted tickets would be available, 'because you always do it'. The theatre stuck it out and the show did sell – but nail-bitingly late in the day.

The example of other venues is important for managers learning to price effectively. Jonathan continues, like many managers, to share thinking on shows and prices with similar venues – including, in his case, Birmingham Hippodrome, Theatre Royal Plymouth and The Lowry, Salford. He has recently, for example, emailed half a dozen to get a feeling for pricing an Alvin Ailey American Dance Theater show – getting five replies indicates it is a mutually supportive system. Also vital to Jonathan is the support he receives from his managing director who, even though he is 'not trained in marketing', recognises how central pricing strategy is to realising the theatre's vision.

All systems go

Jonathan is now moving forward with the procurement of a new box office system and is planning to expand internet bookings, which currently account for 20 per cent of sales. He refers to one venue which went from 14 to 40 per cent almost immediately with a more sophisticated system. Historically, there has been no audience development. Another consultant confirmed that their understanding and usage of audience data was not really giving them the best information to enable them to actively target more potential customers. So the theatre has now appointed a customer research and memberships officer to take it into the realms of CRM – customer relationship management. It is all a far cry from 'cut and paste'.

With thanks to Jonathan Saville
Royal Centre Nottingham, www.royalcentre-nottingham.co.uk

Chapter Two
Can we raise our prices please?

Can we raise our prices please?

Building towards a viable pricing strategy

Angela Galvin

If pricing is vital in promoting institutional value, in an age when many products, from cars to computers, are valued as enhancing experiences as much as practical and useful objects, then arts organisations and venues clearly need to take it seriously. And that means making it part of their overall strategy and vision. In this chapter, Angela Galvin argues that the purpose of a pricing strategy is to 'exercise some control over where we position ourselves and the impact this has on our artistic vision'. Judgements are still often made on the basis of price, and pricing in the arts can be fearsomely complicated – and controversial.

> **The theatre world is not normally silent or bashful… So why is it so silent when it faces the highly serious allegation of ripping off consumers and creating barriers to access? *Select Committee Report on Theatre, The Independent, 26 March 2005***

So, not only is setting a pricing strategy a crucial financial and management tool, but it is also an essential step in persuading the public and the media of an organisation's integrity and value – 'pricing is at the fulcrum of the balance between artistic expression and audience expectations'.

Taking that step, however, requires a rigorous analysis of the audience and its needs and thus a firm commitment to the kind of research and development that, paradoxically, many subsidised organisations are not yet adequately funded to carry out.

Declining attendances, ageing audiences, economic uncertainty, deep-seated complacency. Is the picture really that grim? This chapter examines some of the internal and external forces that influence pricing decisions in the arts, suggesting that while pricing cannot exist in isolation, pricing strategies can provide a solid platform from which to interrogate the dynamic between the expectations of business stakeholders, artistic expression, audience demand and a sustainable future.

> **Britain's Royal Opera house must… draw new patrons with lower prices and stop giving free tickets to London's glitterati.1**

Many people assume that, once we've discussed the Royal Opera House and the West End, the issue of pricing has been pretty much explored. The entire vibrant and diverse cultural sector is misrepresented by such damaging generalisations and by unfair comparisons with other sectors in the economy. The demands – to reduce prices to attract new audiences, to give fewer rewards to core audiences, to charge less for programmes and drinks – are echoed across the sector and around the country. Communicating to artists, audiences and funders the true cost of responding to these demands is a complex challenge. It requires a strategic response.

We might start with a simple question: why do we charge for admission?

> **There are some things best left to the market, and the theatre is not one of them. Standing in a queue for Tate Modern, 2,000 of us happy in the rain, I wondered why waiting to go into a theatre never felt like this: people of all ages and professions with only one thing in common – none of us paid to get in… No-one seems to think that modern art for free is ridiculous – why cannot theatre be the same?2**

Through pricing, arts businesses can, in theory, maintain control over their programming, their relationships and their future. It is a fundamental management tool. Yet arts organisations have pursued paradoxical strategies:

- spending more on the spectacular and charging less at the box office
- providing an infrastructure for creative expression while eschewing commercial best practice, and
- delivering pricing-led audience development initiatives for public funders, while facing real cuts in levels of public investment.

The purpose of a pricing strategy is to exercise some control over where we position ourselves and the impact this has on our artistic vision, on public perceptions of 'value for money' and on our future. That is why the term arts *business* is used throughout this chapter.

Establishing a position on pricing (which will not be the same for every organisation) requires that we confront five key strategic issues:

- profitability
- sales
- cash flow
- audience growth
- value/quality.

Links between cost and value

In other areas of the consumer economy, producers understand that investing in quality is not only measurable but can also lead to cost savings. At the same time, consumers are moving away from the association of low price with poor quality. Nevertheless, the perceived link between price and value remains, as illustrated by the infamous Wisconsin knife sale

In the late 1960s, a large department store in Madison, Wisconsin held a special sale on electric knives. Although they were priced very low, surprisingly few knives sold. The store then raised the price a little, and the knives quickly sold out. What could explain this strange phenomenon, which clearly is not what a demand curve suggests should happen?

> **The most likely explanation for this event is that people often make judgments about the quality of items based on their prices. Usually, high-quality items are expensive and low-quality items are cheap. Thus, when people see an item that appears unusually cheap, they suspect that the item has low quality. In the knives example, people must have thought that something was wrong with the knives because the price was so low. When the store raised the price a bit, people no longer thought that the deal was too good to be true.3**

Whether true or apocryphal, this story highlights the importance of three key and interdependent elements:

- setting prices
- quality control
- managing expectation.

Arts businesses rarely communicate the strategy, rationale and practical considerations behind their pricing decisions. What customers see is ticket-level information: how much it will cost to attend a particular event. They may assume that the best seats are the most expensive or speculate that reduced prices signal that the venue is trying to whip up an audience. Either way, they will certainly be looking for a good deal. Arts businesses are operating within an environment where the notion of 'value for money' competes with the traditional perception that a relatively high price is a sign of good quality.

To be effective in this highly competitive marketplace, pricing strategies should be informed by programming and audience development plans; offer a workable balance between conflicting pressures, say between artistic and commercial imperatives; and recognise the perceived difference between cost and value. Our responses to these strategic issues should enable us to:

- recognise the difference between cost and value
- establish the best fit from a cost-plus or value-based pricing strategy
- build profits rather than cut prices.

Assessing audience behaviour

A strategic approach to pricing must focus on longer-term objectives that, while not necessarily transparent to our audience, must be crystal clear to us and our organisation. So, for example, if we all buy in to the idea of rewarding our audiences for ‘good behaviour’, we must be able to define precisely what this means. Is it advance booking? Is it loyalty? Is it filling empty seats at the last minute? We can safely assume that most arts venues would prefer their audience to visit several times each year, to book in advance and to pay the premium price for their tickets. If this assumption is correct, the Theatre Audience Survey 2003/2004[4] will have gained mixed reviews from West End theatre managers.

Good news from the survey includes the identification of a loyal group of regular visitors, with theatregoers visiting the West End 6.2 times per year on average and just one in five of the sample attending only once during the survey period. The feedback on advance booking is less reassuring, with one in every four tickets booked on the same day as the performance, and almost half of all bookings being made during the week preceding the performance.

Also of concern is the finding that, although satisfaction with trips to the theatre is high, with 61 per cent of theatregoers saying that in terms of overall enjoyment their trip was ‘very good,’ only 43 per cent felt that the value for money for their trip was also ‘very good’. Fiftyseven per cent of tickets are booked at full price, while a quarter of theatregoers purchasing reduced-rate tickets would not have attended had only full price tickets been available. Various scenarios might be extrapolated from these findings:

- one where a group of aficionados attend avidly, the majority enjoying the experience – and what’s more, paying full price for their tickets
- one where arts businesses have a loyal – perhaps shrinking – core audience and a canny – perhaps growing – number of people navigating their way to cut-price ticket deals across the whole leisure offer, so if one artform is too expensive they will go elsewhere
- one where the trend for last-minute or spur-of–the-moment leisure decisions cause cash flow problems and longer-term challenges in maintaining a sustainable artistic programme.

And so on. The more questions we ask, the more fine-grain detail we can incorporate and the more likely we are to plan our responses than to make knee-jerk reactions to these and other scenarios as they arise.

Establishing a pricing strategy requires the collection and analysis of supporting information that, at the very least, covers:

- calculations of ticket prices based on covering the fixed and variable costs both of individual productions and the whole season of work
- calculations on the value or benefits for audiences:
  - l what benefits audiences gain from attendance
  - l the criteria our audiences use for buying decisions
  - l what value audiences place on receiving the benefits we provide
- benchmarking with the competition, ranging from theatres within a certain drive-time through to the cost of dining out at a mid- to high-range restaurant.

Simply gathering the information necessary to build a pricing strategy will create a firm basis of knowledge, understanding and recognition.

Researching a pricing model

The process of researching, developing and applying a relevant strategy will create the framework within which artists, audiences and arts businesses can plan for a financially sustainable future, grow and diversify audiences, and increase the quality of and engagement with the artistic programme.

Given that a pricing policy is only as strong as the artistic and audience development strategies, all of which should inform each other at any planning stage, it is vital to carry out effective research into product, audience behaviour, and the cost *and* value of everything we do.

Asking the right questions, challenging orthodoxies and suggesting tactics are all building blocks for a robust and effective pricing strategy that unpicks the true cost and interrogates the value and benefits of our work. A strategic approach to pricing enables us to secure income and profit artistically as well as financially. And it builds a case for those areas of our work that require public aid because they meet a social and political agenda as well as an arts business one.

In research terms, a pricing strategy can begin by assigning a figure to every facet of an event, including the physical production, marketing, front of house overheads and other less visible elements that all contribute to the event being staged and audiences being accommodated. This exercise generates the total price tag. Once we know the cost of everything, we can start to assess its strategic position and its market value. So, for example is an event going to be a loss-leader to attract new audiences? Or is it an expensive event for core audiences?

Developing a coherent pricing model is important for both artistic and commercial reasons. If pricing decisions are well presented, they can communicate some unambiguous messages to our audiences about the quality of the work they will see, persuading new and core attenders and generating the revenue that will support further artistic endeavours. The importance of identifying our strengths and putting a value on them can be illustrated by Sheffield Theatres' response to the artistic and audience dynamic of the Crucible's unique performing space.

> **[The Crucible's] design was directly influenced by the ideas of 'theatre in the round' developed by the director Tyrone Guthrie, whose associate Tanya Moiseiwitsch worked with the architects, and it remains one of the most exciting theatrical spaces in the country. A central thrust stage is embraced on five sides by a steeply raked bank of seating for 1,000 people… achieving the intimacy, immediacy and flexibility which Guthrie advocated.**[5]

When the theatre space itself gets such good reviews, there is an absolute responsibility to maximise its potential.

In 1971, when the Crucible first opened, the configuration around the thrust stage was explained to would-be audiences with the legend, 'No seat is more than 60 feet from the stage.' In the intervening years, directors and audiences lost confidence in that configuration and productions were directed end-on, as though the Crucible were simply a misshapen and misguided proscenium theatre.

By 1996, the auditorium had been priced to reflect the buying patterns of audiences. A funnel to the front of the stage was priced higher, implying that these were the 'best seats'. Not unusually, these 'best seats' sold first while the sides became the cheap seats and were rarely sold to capacity. Directors and actors had no incentive to play to all five sides, so the best seat/cheap seat pricing model actually directed the artistic vision, and eventually became a self-fulfilling prophecy – the space simply didn't work for artists or audiences.

The decision to go back to the original ethos was taken from a joint artistic and marketing perspective. The idea was to celebrate the strengths of the playing space and of the auditorium: to direct shows to all sides and to sell seats at the same price on all sides. To support this endeavour, a single price has applied across the auditorium since 2000/01.

Initial audience resistance was overcome by artistic delivery on the marketing promise that theatregoers would have a different experience but one of equal quality throughout the auditorium. There are targeted discounts, but there is no premium pricing for any area. The artistic delivery of a pricing promise made a significant contribution to an increase of 71 per cent in Crucible audiences between 2000/01 and 2004/05. Of course, the Crucible's thrust stage affords a very particular pricing potential, but the message of consistency holds true for any arts venue.

The strategic lowering of prices can also be used to attract price-sensitive new audiences in a planned way – preventing the kind of wholesale discounting or inconsistent pricing that drives down income, dilutes perceptions of quality and value, and makes anyone who has paid full price feel like a sap. Since 1998, the introduction of targeted discounting in Sheffield, including £1 public dress rehearsals, cheaper previews and Young People's Nights, has been rewarded in a variety of ways, including:

- generating valuable word of mouth through higher 'front end' audiences
- factoring in low-price performances at the earliest budgetary stage
- engaging price-sensitive audiences with scheduled development initiatives
- meeting stakeholder demands for price-led initiatives
- testing assumptions about levels of risk, motivation and price sensitivity.

The learning from this exercise can be applied in a wider sense by ensuring that pricing strategies examine and respond to five key variables:

- image and market positioning
- strength of the benefits for customers
- rewarding 'good behaviour' (for example, loyalty or advance booking)
- acknowledging price-driven audiences
- incorporating strategic responses rather than panic discounts.

A long-term view of audience growth, artistic development and business sustainability is made possible through analysing the impact of a pricing strategy in five key areas:

- maximising profitability
- increasing sales
- controlling cash flow
- planning targeted audience growth
- increasing our perceived value.

At the heart of all this lies the need to invest in the quality of artistic programming and audience development. If a performance, an exhibition or a screening falls short, the pricing strategy will need to demonstrate virtuoso repackaging in order to get people to attend, let alone buy premium tickets. That's no way to express a vision, entice an audience or, indeed, run a business.

Whereas in 2001 it might have been legitimate to ask why theatre wasn't free when people didn't pay to see modern art, we are now seeing the challenges as well as the benefits of free entry to our galleries and museums, with special funds being sought in order to fund new acquisitions to maintain the interest of new audiences. Across artforms, new and exciting work can also be the most financially risky. Without ticket revenue, the risk is increased. In that respect, pricing is at the fulcrum of the balance between artistic expression and audience expectations.

The right kind of investment

There is no simple answer to the question, 'What is public funding paying for?' It could be for the audiences, subsidising ticket prices so that the huge number who can't afford top-price tickets are not disenfranchised. It could be for the art itself – bringing an international touring exhibition to a gallery or museum, or allowing larger casts in theatrical productions. Or it could be for supporting infrastructure, guaranteeing up-front, in-the-bank money as opposed to income generated at risk against matured events, projects or publications. A considered pricing strategy can satisfy all three answers in a virtuous cycle of art, audiences and sustainable forward planning.

Since 2005, the Audit Commission's Comprehensive Performance Assessment has focused the attention of agencies investing public resources on delivering 'improvement of public services; as seen from the perspective of users; while providing value for money for taxpayers; targeted and risk proportionate; and delivered in partnership.'[6]

In organisational terms, delivery requires the investment of resources into developing artists, staff skills, facilities, marketing and support materials, research and evaluation. And of course, every responsible arts business should be making this happen. Yet, strategies for redressing long-term imbalances, often in sensitive areas, need to be thoughtful, informed and consistent. This is something that in most other sectors would be seen as requiring a massive and long-term process of research and development (R&D).

At a time when the European Union is urging all European businesses to increase their (R&D) expenditure,7 and there has been a call for government resources to be channelled into research and education, the arts have made scant progress in increasing public and private investment beyond ad hoc initiatives. In other sectors, thorough R&D is seen as essential for long-term financial survival. The arts are not alone in finding it difficult to free funds for large R&D exercises that will not necessarily lead to commercial gain, but we may be unique in embarking on such a programme in the knowledge that our resources to do so are, at best, inadequate.

How can arts businesses match their funders' expectations? If we accept 'audience diversification' and 'social inclusion' as examples of areas for improvement that are not only desirable but fundamental, we have to seek clarification on what support will be available.

The policy statements outlining the position of the Museums Libraries and Archives Council and Arts Council England both imply that in pricing terms these activities will be 'loss leaders', with prices set so low that they act as a promotional device and draw new audiences into the sector. But lowering prices to draw in an audience is a one-off tactic rather than a strategy for artistic development, audience growth and business sustainability.

While such tactics can be employed on an ad hoc basis, their impact is greater as part of an operational plan that employs them strategically. Yet, arts businesses tend to focus on just one or two pricing options. A wider pricing strategy would audit current use, identify over-reliance and judge the relevance from the full range of pricing tactics available.

A more confident approach to ascertaining and communicating the worth of our sector to audiences, communities, business and funders can be established by considering our relationship to eight general statements:

- pricing impacts on control, sustainability and advocacy
- pricing dovetails with the social inclusion and cultural diversity agendas through price-led audience development strategies
- preparing a strategy helps us take informed pricing decisions based on the true cost of each production, identifying where profits lie and where subsidy is required
- pricing strategy creates a solid and workable framework while being flexible enough to accommodate variables between productions, audiences and stakeholders
- awareness of the full range of variables informs our choice on cost- or value-driven planning and audience development
- the role of the strategy is to plan the implementation of pricing tactics by design rather than default
- the ability of arts businesses to generate their own revenue is central to growth, development and sustainability. This is particularly the case as we find ourselves facing immense pressure to devise and implement pricing strategies that balance the demands of funders, the desires of consumers and the struggle for survival

- regular review of the strategy, using customer information, our own experience and some market research, enables us to work towards a sustainable future.

Making art, losing money?

Within the wider debate about the degree of influence and control sought by public funders in return for relatively low levels of investment, there is an issue we've been hesitant to name: the close relationship between making art and losing money.

This problem is put into sharp relief by two of the UK's leading Shakespearean companies. In January 2006 it was reported that the Globe theatre had returned a pre-tax profit of £1.5 million, its tenth consecutive year in the black – without any public subsidy. In the same report, the Royal Shakespeare Company, which receives almost £13 million from Arts Council England and aims to break even, stated that the company could not operate without subsidy. Yet, with standard ticket prices ranging from £5 to £31 at the Globe, and from £5 to £42 for the RSC in Stratford, we might reasonably expect that the RSC had the greater prospect of ensuring sustainability through its box office. The complicating factor is that economies of scale rarely apply to theatrical production.

> **While the Shakespeare Globe stages six productions between May and September each year, the RSC mounts an average of 30, runs a permanent company of actors and operates in three theatres in Stratford-upon-Avon and three in London (currently). The RSC also sends out tours to the regions and internationally.[8]**

And so the more work created, the higher the costs and the greater the pressure on finances.

Pricing strategies won't guarantee a grant of £13 million, but the underpinning research and analysis can reveal precisely who 'subsidises' the cost of delivering an artistic programme. It can reveal the true cost of complying with funding criteria. It can help tease out the difference between 'subsidy' and 'investment'. And it is the key to taking control of our position within the arts funding landscape.

Historically, arts businesses have been unable to accumulate financial reserves to draw on for R&D or to mitigate the risk of, say, commissioning a new work. Alternative sources of support, such as Lottery and corporate funding, look set to be diverted elsewhere at least until 2012. But perhaps the severest challenge to arts sustainability is more immediate and comes from the stakeholders whose demands are the greatest.

Local authorities and Arts Council England set measures called key performance indicators (KPI) and these currently imply a direct correlation between 'subsidy' (or more accurately, 'investment') and attendance by calculating the ratio of box office income to public funds per seat sold.[9] So, for example, at Sheffield's ratio the case would be that without public investment each £10 theatre ticket would have to be priced at £15 in order to make a revenue contribution equivalent to the lost subsidy.

From this perspective, the most important function of public funding seems to be to subsidise ticket prices. In fact, the KPI reports from local authorities and the Arts Council 'double count' the impact of their investment, through monitoring levels of activity, artists, audiences, diversity, education, governance, trading and even customer satisfaction. Arts businesses would be well advised to factor all of these elements into their pricing strategies as risk mitigation should public subsidy be threatened.

Whether or not the market would bear increased ticket prices, there are other arguments about the role of theatres, museums, galleries and other arts businesses in adding value and excitement to the cultural life of communities, cities and regions: by producing excellent work, engaging with local communities, running learning programmes in schools and building audiences. The sector has also engaged with the wider social and political agenda, with economic and capital regeneration schemes and with ad hoc initiatives. Again, the Theatre Audience Survey is a useful template for the layers of information required to underpin a strategy. Perhaps its most relevant finding here is that the average expenditure per theatregoer as a direct result of the theatre trip is £116, with travel, food and accommodation being the major additional costs. If, as the Arts Council's economic surveys suggest, arts businesses can demonstrate just a fraction of that economic impact, the return on public investment is evidenced and the case for public funds reinforced.

The importance of a pricing strategy

This chapter is not an argument that the arts are owed a living from the public purse, rather a discussion of the tensions of demonstrating a return on investment to public funders, representing 'value for money' to audiences and expressing a commitment to creative development. The arts economy is, essentially, fragile, regardless of scale. In this context, engaging with the political and social agendas for economic regeneration, destination marketing and social integration can strengthen the perceived value for money of public investment in the arts. But there is usually a funding gap between public investment and organisational need. Arts businesses have to make up the shortfall and one of the key tools open to them is price.

Without reserves and with fewer exceptional awards, arts funding has reached a defining moment. In the past, our decisions have been influenced by the need for accountability and by gratitude for public funds. The ‘efficiencies’ driven by stand-still (or worse) public funding have created a sector well practised in cost management. Now arts businesses need to meet head on the challenges of effectively managing both costs and revenue. The ability of arts businesses to generate their own revenue is central to their growth, development and sustainability, as we are under immense pressure to devise and implement strategies that balance the demands of funders, the desires of consumers and our own struggle for survival.

As the public sector becomes engaged in the ‘improvement’ agenda of the Audit Commission, arts businesses need to confidently assert their own measures of successful investment. We need to influence the key performance indicators, particularly those that affect the fundamentals for business management on which public partnerships are being judged: new products and services; target ages, consumer segments and income groups; staff skills and capabilities; capital developments, and so on.

To call public funding ‘subsidy’ rather than ‘investment’ assumes that arts businesses are, at best, valued and valuable but intrinsically unviable. Greater awareness of pricing and the development of a coherent pricing strategy may not just help arts business to move away from dependency on shrinking public funds. Paradoxically, it may also gear the sector up to argue for increased and sustained public investment with more confidence and greater clarity.

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Clear about pricing

Cambridge Arts Theatre's fair prices

As far as the paying public is concerned, Dave Murphy's overriding aim as chief executive of Cambridge Arts Theatre is to provide them with 'a good programme priced fairly'. To be seen as fair, the venue tries to set out its prices in as clear a way as possible – clear in the dual sense of *comprehensible* and *transparent*.

Only twice in the three years he has been in post has Dave tried a two-for- one deal, and would only consider it if a production was going disastrously. Instead, there are two pricing tiers – three if you include the annual panto – and any product the theatre takes on is crowbarred into one or the other. More mainstream work, such as *The History Boys*, is sold for the highest possible income, though not at the expense of alienating the audience. A ticket for a production starring Felicity Kendall could easily sell for £40 or more here, but Dave sticks to the regular price bands of £10, £20 and £30. A lower range of prices – £10, £15 and £20 – is offered for subsidised or more experimental work. In both cases, the number of seats will vary within bands, depending on predicted appeal– though, once set, they won't vary, whatever the sales. So, when a production needs longer-term audience development to sell or is likely to appeal to a poorer section of the audience, half the house may be available at £10 with only a few £15 and even fewer £20 tickets on offer. The vital issue, for Dave, is that *price bands remain the same*. It would, he feels, devalue the show to sell it at, say, £10, £12 and £15 instead.

The reasoning behind the setting of particular prices is evident to the customer. The brochure is 'transparent', Dave claims – anyone can work out what the deal is and see that it is fair. Partly as a result, there is little price resistance, though a few students moan (there are no concessions for them). There is more concern about where to park or eat than about prices. Dave has an equally transparent approach to booking fees, which are levied simply to cover the cost of sales rather than as part of a deal with promoters.

There is, however, one downside to such a simple and clear pricing strategy, Dave admits, in that it makes it that much harder to put prices up: switching to £11, £16 and £21 would seem – at least initially – 'a bit odd'. As the National Theatre would agree, simplicity comes at a price.

With thanks to Dave Murphy
Cambridge Arts Theatre, www.cambridgeartstheatre.com

Maximising local interests

Pentabus and rural pricing

Just because ticket prices are generally lower in the country than in the city, it doesn't mean that pricing strategies have to be unsophisticated. A couple of years ago, Pentabus Theatre ran an outdoor show, an adaptation by Bryony Lavery of Mary Webb's novel *Precious Bane* which featured eight professional actors and 180 singers recruited from the local community. These were formed into three choirs, one for each of the three weeks the show ran. Box office was handled by the Music Hall, Shrewsbury's sole venue for professional theatre. In terms of selling tickets, the choirs presented a problem, as Pentabus director, John Moreton recalls: 'Participants always expect their friends and family to come free.'

The solution was to set up a Choir Members Offer scheme, where each singer was offered four tickets for family and friends at a reduced rate of £5, which they could purchase through the Music Hall box office using a secret codeword. Singers were also allowed a free ticket to attend a show they weren't singing in. The full pricing structure was as follows:

Tues £8/£6 (choir offer applies)
Weds/Thursday £10/£8
Friday £12/£9
Sat/Sun £12 across the board

This stepped pricing promoted attendance on the least popular nights, a policy reinforced by dropping concessions on Saturdays or Sundays. (This last tactic has to be understood in a context where, as John explains, some of the smaller theatres in the wellto- do market towns never offer concessions to pensioners 'since these make up 90 per cent of their audience and are the richest section of society'.)

The results were good. The average ticket sale was £9.20, and an astonishing 77 per cent of the audience were new attenders, according to the Music Hall database.

With thanks to John Moreton
Pentabus, www.pentabus-theatre.co.uk

Starting off cheap but getting expensive

Shifting perceptions of value at The Place

The idea came to John Ashford on an Easyjet flight to Barcelona. The venue he continues to direct, The Place (in Euston, central London), was about to undergo a major refurbishment and an Arts Council-run stabilisation programme. By the time the venue reopened, in autumn 2001, an innovative new pricing strategy was in place.

The Place is a small studio theatre, with a capacity of almost 300, which shows, almost exclusively, contemporary dance performances. No seat has any great advantage over any other in terms of sightlines and none are allocated. So, the question is: how do you increase yield through the level of price differentials in such an auditorium? The answer is: by finding something other than the quality of the seat to base different prices on. Remembering his airborne epiphany, John, with the support of his marketing manager, Tim Wood, decided price should be shifted on to *when the customer books their seat*.

Rather than us imposing a value on each and every performance, according to the price you wanted to charge for it, we wanted to shift that perception of value on to the person buying the ticket.

Establishing the new strategy

Out went the old one-price structure (£10 or £12 with £8 concessions), and in came five new prices: £5, £7, £10, £12 and £15. The venue explained that there would always be at least twenty tickets at each price for each performance. The sooner you booked, the more likely you would be to secure the cheapest, £5, ticket. Leave it until the last moment to decide to come and you would almost certainly have to pay £15. The idea, John explains, is to attract people with the low prices on offer – and then sell as many tickets for the highest price possible.

The £7 ticket is for the usual concessions but unusual in that it is not the cheapest offer – partly because not all people eligible for concessions are actually less well off. The £10 ticket has to be bought at least 24 hours in advance and cannot be bought at the door. Given that, at The Place, as much as 60 per cent of sales are from ‘walk ups’ (people just turning up on the night), the fact that the £10 ticket cannot be bought on the door is significant. The second highest-priced ticket, at £12, can be exchanged for credit towards another performance if the customer is unable to come to the performance. Even more flexible is the top-priced ticket, £15, which can be exchanged or refunded; interestingly, John remarks, few take up that offer, so making it is easy.

All five prices are offered for all performances, no matter how celebrated or how untested the performers. John feels it’s invidious to price down riskier work: ‘We don't want to say, "It's only a fiver for this performance because it's not very good".' But there is obvious flexibility in the structure that will allow the venue to sell more of one price ticket than another. This can have a significant impact on yield, as Tim explains:

With the same headline prices, we sold out two performances, completely sold out. One netted under £2,000, a yield of about £6.50, and the other was nearly £3,200 – yield: £10.88. We're approaching a 50 per cent increase in yield with the same prices and the same number of sales.

The success of the strategy

If the purpose of the strategy could be seen as a way to increase income, it might also have been a way of securing income earlier. Yield did go up by £1 a ticket on average, but it soon became clear that there would not be a lot more early bookers. Those who book late are doing so for a reason – they are not sure they will be free that night. The fact that they are prepared to pay the premium price for this convenience helps the venue to achieve an increase in yield.

Not only has yield gone up, but the public perception of value at The Place has actually improved since the change in strategy. In 2000, 75 per cent of customers surveyed said they thought that The Place was 'good' or 'very good' value for money. When it reopened two years later, that figure had gone up to 85 per cent.

There are challenges, however, as Tim points out:

The terrifying thing about this strategy is that, traditionally, you price something and, if it's not selling, you start discounting and making all sorts of offers to generate some demand for this show you can't shift. Our pricing works the other way round, it starts off cheap and gets more expensive. So if it's not selling, it's even more terrifying. Though we can, as Easyjet do with their penny flights to Denmark or Spain, send round an email to say there are some new £5 tickets now available.

Reviewing the strategy

Another current debate is around how to increase prices now that the increase in yield is falling behind inflation. In the first year, net yield went up 12 per cent and, in subsequent years, up 7 per cent, then 6 per cent and last year 3 per cent. So, John concludes:

We've been selling fewer tickets at the cheaper price and more at the more expensive price without the public knowing and have squeezed out probably the highest revenue we can from these price structures. So we are now at the point where need to review.

Perhaps the most challenging aspect of this strategy, however, has been communicating it to a public used to thinking that a higher-priced seat is a better seat. Both John and Tim are puzzled that few venues, even those of the same small scale as The Place, have tried this approach. Until that happens, the box office at The Place will still have plenty of explaining to do.

With thanks to John Ashford and Tim Wood
The Place, www.theplace.org.uk

Chapter Three

The bottom line

What do your customers value about you? This is one of the fundamental questions that need to be asked before setting a pricing strategy. It emphasises the need to look at both who our customers are, and how their individual circumstances influence their 'perceptions of value'. These perceptions are not just a matter of academic interest, but are of crucial importance for every arts organisation's pricing. Setting prices is not just about balancing the budget, but about addressing a whole range of issues that will require a sophisticated response.

This chapter provides a structured and comprehensive overview of what pricing strategies and tactics are available to organisations ready to set a coherent strategy. There are no set formulas, of course, and no room anymore – at least, so we hope – for the cynical view of one delegate at a marketing conference who remarked, 'I love "best available" – it's the best way to get rid of the crap seats.'

Instead, what Tim Baker offers here is a smorgasbord of pricing options with some pointers on where and when organisations might best use them – and some questions that need to be asked. There are no full-blown recipes for success: every organisation needs its own particular strategy, based on its own particular answers to these questions and to the unique challenges it faces. Here, then, are some tools – but no conclusions.

The bottom line?

Using pricing to optimise sales and income

Tim Baker

Perishability and the peculiar nature of arts pricing

'The problem is that ticket prices are too high. If only they could be reduced, more people would come.' The complaint echoes through press articles, boardrooms and funding meetings. But should price always get the blame for poor audience figures?

Thousands of people pay around £40 every week to watch ninety minutes of football. Would they pay the same to watch contemporary dance? Would they pay £10, or £5, or even £1? In most cases, probably not. But price is not the problem – it's the value they associate with the experience on offer.

We have to face the fact that many people don't think that the arts offer them anything they value, and in that context price is irrelevant. The problem may simply be that people don't understand the value of an artistic experience because it hasn't been communicated effectively, but the fact remains that, unless people value something, the price is irrelevant.

Price elasticity of demand explains the correlation between demand for a product (ie the number of tickets sold) and changes in price, assuming all other factors remain constant. In general, if you charge more for something you'll sell less of it, and vice versa. The underlying logic is undeniable; if you charge less, you'll sell more tickets. But to whom? It is most likely to be to the people who are coming already, because they already understand and appreciate the value of the experience. In other words, most of the people who will benefit from lower prices are the educated middle classes who are already attending. This only becomes a problem when the price is subsidised, which it often is, with the aim of encouraging *all* people to attend. Direct solutions to this problem imply some form of means-testing, which would be contentious and difficult to apply.

While price elasticity of demand offers a persuasive argument that reducing prices will increase attendance, is reducing price the best way to promote arts attendance? Advertising a lower price can work in particular circumstances, but unless the message is carefully managed there is a danger it devalues the experience. One problem is that those working in the sector can undervalue their 'product'. This lack of confidence has a number of causes, including an inability to communicate value effectively, and is compounded by the perishability of most arts 'products': if you don't sell it by curtain-up, you can't put it on the remainder shelves. This often leads to indiscriminate last-minute discounting, undermining perceptions of value among people working in the sector as well as the customers. In other words, rather than simply reducing prices, we need to develop a better understanding of what people value, and better skills in creating and communicating that value. If we can do that, a sophisticated pricing strategy can be used to maximise both access and income.

This chapter summarises seven basic building blocks towards a more sophisticated pricing strategy:

- pricing in the marketing context: pricing doesn't work in isolation, and the starting point, as in all elements of marketing, is understanding markets
- objectives and strategy: there are three strategic approaches to pricing that can be adopted, achieving a wide range of objectives
- putting a price on value: perceptions of value are almost unique to each customer for each event and understanding them is fundamental to pricing strategy
- the price is right: so how do you set prices? What are the variables that can be adjusted, and how can the arts benefit from revenue management?
- sales promotion: using pricing tactics to increase sales
- implementing pricing strategy: how to present prices and implement pricing on the front line
- basic monitoring: analysing data to assess your strategy.

Pricing in the marketing context

Although pricing can be an extremely powerful tool in achieving a range of objectives, it doesn't work in isolation. Price is just one of the seven Ps and to be effective it must work alongside the other six strategies for Product, Place, Promotion, Process, Physical evidence and People. While all of the Ps should work together, the most important for pricing are 'product' and 'promotion':

- product: what is the value that you are offering? Not just the artistic experience, but the venue, catering and so on
- promotion: the value that the product offers is worthless unless you are communicating it in terms of benefits – what will customers get out of it?

Creating and communicating value is fundamental to effective pricing. The starting point for all marketing, however, is understanding your market. In terms of pricing, this means:

- an understanding of price demand, usually based on analysis of price, yield and sales for previous events or promotions
- an ability to segment your current and potential market, principally according to behaviour. The basis of such segmentation is analysis of your customer database. This can be enhanced with primary research on characteristics and motivations
- a more general understanding of the local market context, including market size and demographics
- an understanding of the marketplace: what the 'going out' options in your local area are, as well as the prices of direct competitors (and not just their prices, but also an assessment of the value that they offer).

Objectives and strategy

Arts organisations can use pricing to achieve a wide range of objectives: maximising yield per ticket, increasing volume of sales, or improving accessibility for people for whom price would otherwise be a barrier.

Although pricing tactics are many and varied, there are essentially three strategic approaches to pricing. 'Skim pricing' sets prices high, consciously attracting only a small sector of the market. 'Penetration pricing' does the opposite; prices are set low in order to sell a greater volume. A more common strategy in the arts is 'neutral pricing'. This seeks to take price out of the equation altogether, recognising that, for most people, price is not the reason they decide whether or not to go to the arts.

Three pricing strategies

Skim pricing

Skim pricing involves deliberately setting a price that only a small segment of the market can afford. This requires that customers place a high value on the product. It can be employed where someone else pays (for example, corporate entertainment), with impulse purchases, where there is some degree of exclusivity, or where there is an emotional end-benefit (eg jewellery and the arts). However, making it a sustainable strategy for a whole business requires a clear competitive advantage, through, for example, a strong brand.

> **There are some arts organisations whose limited market means they are able to base their strategy on skim pricing, and others where the international brand is so strong as to allow for much higher prices, such as the Vienna Philharmonic.**
>
> **Skim-priced corporate entertainment packages are still commonplace in the arts, although greater competition has emerged since they first became popular in the 1980s. However, many arts organisations also find that there is a sector of their market that simply asks for 'the best seats'. Events with a major star or that are good for special occasions or treats – typically the West End, big musicals, ballet or opera – attract those who use price as an indicator of high value when they want a guaranteed good night out.**
>
> **This opportunity can be exploited by offering a premium price, in addition to a neutral pricing strategy. Creation Theatre Company presents site-specific productions in Oxford. By identifying the key benefits sought by customers who ask for 'the best seats' (including additional leg-room, pre-show drinks, programmes and priority bar queues), it is able to offer a package charged at an additional premium which is purchased by over 10 per cent of the market. By maximising income from those willing to pay for a premium experience, the company, which does not receive regular subsidy, is able to operate a penetration pricing strategy for other more price-sensitive markets, including students and schools.**

Penetration pricing

Penetration pricing means using price as a key selling proposition, making price the main reason why people should buy your product. It is generally used to gain or hold market share in a competitive market (and it is important to note that in this context ‘market’ refers not only to the number of people purchasing, but to their total spend). It only works as a long-term strategy if costs can be lowered and there is the potential for a significant increase in volume of sales – and competitors are not able to respond.

There are relatively few cases in the arts where market conditions mean that penetration pricing is financially viable on its own, not least because few arts attenders buy solely on price and therefore, by charging less, you will be passing up revenue opportunities and risk undermining the value of your product.

> **The National Theatre’s Travelex season is a classic example of penetration pricing: a stripped-back product at a lower price, re-positioning the brand in the highly competitive London market.**
>
> **Other organisations, such as the Queen’s Theatre in Hornchurch and Derby Playhouse, have used penetration pricing in particular market circumstances to gain their share of spend by increasing frequency of attendance through very low-priced subscription schemes.**

Neutral pricing
Neutral pricing is essentially neither ‘skim’ nor ‘penetration’, with prices set at a comparable level to those of competitors. This is not to say that prices will be the same as those of competitors. They may be the highest or the lowest, but they are defined by the perceived value of the offer, relative to the competition. A neutral pricing strategy is often adopted by default and usually forms the core of an arts organisation’s approach to pricing.

Which strategy is right for you?
For most arts organisations, a combination of strategies works best: neutral pricing as the basis for standard prices, skim pricing for customers willing to pay more for the best experience, and penetration pricing to address markets where other barriers to attendance are significant. This is rather like the pricing you’ll find at your local Tesco: most brands and products priced competitively, with the ‘Finest’ range for those willing to pay more for higher quality, and the ‘Value’ range for the cost-conscious.

There are a number of factors to take into account when considering which combination of strategies works best for your organisation. Your costs and your customers form the parameters within which prices can be set: if you do not cover your costs, or if you charge more than your customers are willing to pay, your organisation will be unsustainable. However, between these parameters pricing offers all sorts of possibilities for helping you meet your objectives.

Costs

Historically, pricing strategy was cost-based: you decided what you wanted to do, worked out how much it would cost and then how much you needed to charge, based on the number of attenders you thought you would attract, in order to get that money back. But this can be a good way of losing money. A lower price charged for a product that is just as good, but happens to cost less to produce, represents lost income (and potentially lost sales, by suggesting that it is of lower quality or value). More significantly, forcing prices higher than the market is willing to bear to help pay for higher costs may reduce sales.

Customers
While there will be a small section of the market for whom cost is an absolute barrier to attendance, for most – and certainly for the majority of the educated middle classes who currently attend, especially in an age of easy credit – it is less a question of how much they are able to pay, and more of what they are willing to pay. This is a function of their perceptions of the value offered.

Objectives
A pricing strategy must start with 'what the market will bear', with costs coming into the equation in calculating whether an organisation can afford to stage a particular event. But that usually leaves significant room for manoeuvre in allowing price to address a range of different objectives.

Arts organisations normally have three sets of objectives, all of which have a significant bearing on pricing strategy, but which can also create contradictions.

- **Artistic objectives** define the work of the organisation. They tend to require maximum occupancy, often for specific events that might be difficult to sell. This means that there will be pressure to sell the tickets at any price as long as the event is seen as a success.
- **Financial objectives** also require maximum occupancy, but are also much more concerned with the income per ticket.
- **Social objectives** determine what sort of customers an organisation wants to attract. These can conflict with other objectives: for example, customers desired for social reasons may not generate the yields required to meet financial objectives.

Putting a price on value
Like all aspects of marketing, pricing starts with an understanding of the people you want to attract, and the benefits that might attract them. What are their motivations for going out? People go to arts events for all sorts of reasons, including special occasions and specific shows and events.

What needs are people trying to meet when they go out? What are their alternatives? This sets the context for price – what value are they seeking? – and allows you to understand your competitive set and the context within which customers are judging the price/value trade-off.

Understanding perceptions of value

When presented with a price for a product or experience, we all, consciously or unconsciously, weigh up the relative value of that offer compared to the other things we might do with the same amount of money – or, just as importantly, with our time. This weighing up of value is affected by many different factors and may even change at different times for the same offer. For example, you might visit the same restaurant for a business lunch, a romantic evening and a Sunday lunch with the extended family; your perception of value (and the price you would be willing to pay) would be different on each occasion. In the case of a theatre visit, tickets bought for a birthday treat will be valued very differently from a regular subscription you take out for yourself.

Of course, the event itself lies at the heart of the value a customer will attach to it. How special is that event? Is it a normal part of your season, or a once-in-a-lifetime experience with a star performer (nothing drives value like perceived scarcity)? Perceptions of value are also affected by other factors, including the facilities and ambience of the venue and a company's brand.

Brands are all about creating value. Brand value is, however, external to the specific attributes of a product. For example, designer clothes create a value – and thus willingness to pay a price – that goes far beyond the basic utility offered by the item. Other brands create a sense of familiarity or trust. While there is a small segment of the arts-going market that actively seeks out risk, for the majority of customers, risk is, in a sense, the opposite of value. An experience that is new or unfamiliar makes it very difficult for the customer to understand the value it might offer and thus weigh up whether the price is a fair one. In certain circumstances a lower price can help overcome perceptions of risk, by suggesting a 'bargain', but it can work the other way. Price can enhance perceptions of value (which is why Stella Artois once claimed to be 'reassuringly expensive'), with a higher price used to suggest higher quality. Equally, a lower price may suggest lower quality. You may choose a flight for its cheapness, but you're unlikely to pick your dentist purely on the basis of price.

Perceptions of value also depend on the profile of the customer. Earnings, occupation and lifestyle all have an impact on the way that value is perceived, and life-stage – most significantly whether or not they have children – will have a tremendous psychological and practical impact on the type of experience a customer will value. Someone looking for a family day out, for example, will have a very different framework for assessing value than that of a single person looking to impress someone on a first date.

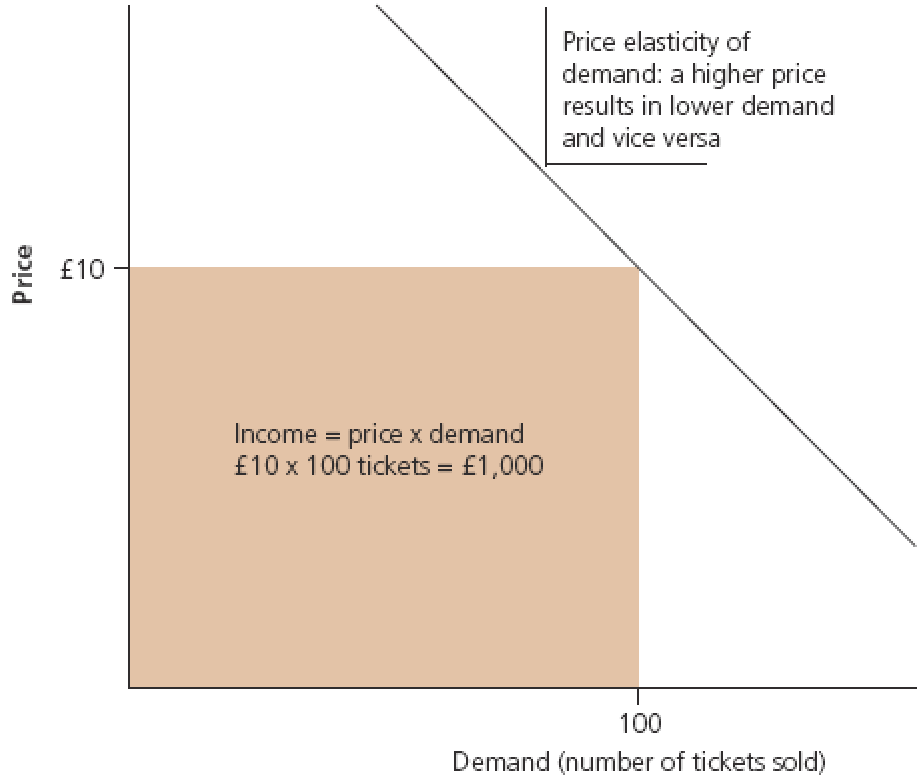
Perhaps the biggest influence on the way a customer perceives the value of the event you are offering is their experience and knowledge of that type of event. A regular attender at a theatre over many years will have a far more acute understanding of the relative value of your offer than a first-time attender. Regular attenders are able to make comparisons of relative value – between different artists/productions, the merits of different parts of the house, and so on – and also of the availability of substitutes from the competition. Regular attenders therefore tend to be more price-sensitive than infrequent attenders, who are more likely to use price as a proxy for value (a high price equals a guarantee of quality).

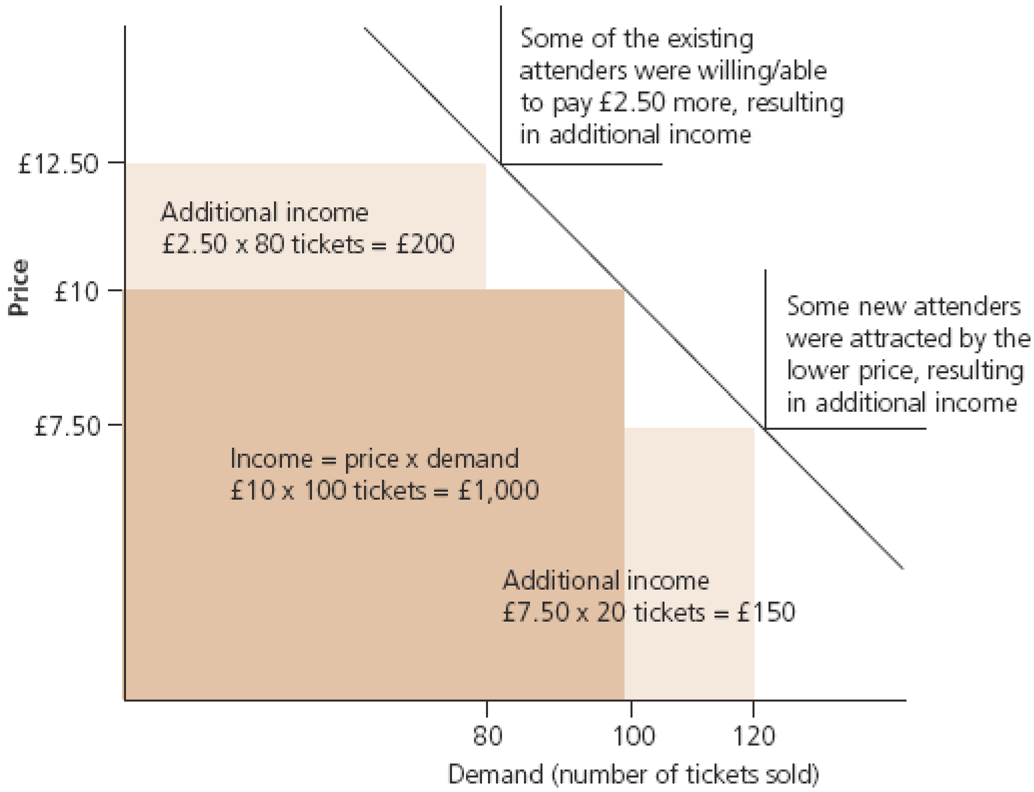
Price differentiation

Perceptions of value are individual to each customer for each event. As a result, the price that customers are willing to pay varies significantly. The key to maximising income and accessibility is to differentiate prices to reflect that variability. Maximising both income and access depends on having a wide variety of price points to meet different perceptions of value.

There are examples where it is difficult to have more than one price (eg in the visual arts), and there are sectors in which a single price works well (such as popular music, where it is commonly accepted there is just one price for a gig). However, having only one price leaves you with very few options when you need to increase income: you can either put the price up or try to sell more tickets.

Price elasticity of demand means that with only one price there will always be some people who would have paid more, and other people who may have come had you charged less. Both represent lost income opportunities.


Price elasticity of demand: a higher price results in lower demand and vice versa
Price
£10
Income = price x demand
£10 x 100 tickets = £1,000
100
Demand (number of tickets sold)


Some of the existing attenders were willing/able to pay £2.50 more, resulting in additional income
£12.50
Additional income
£2.50 x 80 tickets = £200
Price
£10
Some new attenders were attracted by the lower price, resulting in additional income
£7.50
Income = price x demand
£10 x 100 tickets = £1,000
Additional income
£7.50 x 20 tickets = £150
80
100
120
Demand (number of tickets sold)

As the graphs above show, the way to gather that lost income is through price differentiation. Whether your organisation is large or small, performing or visual arts, the principles of price differentiation apply. If it is not possible to break prices in an auditorium, or your organisation is not auditorium-based, you need to look at other options for differentiation.

In cultural organisations there are a wide variety of tactics that can be used to differentiate prices. Choosing which mix of price differentiators to use depends on the differences in value that will motivate your customers and on the simplicity of presentation.

The price is right?

So you know your target markets, the value they are seeking and how to communicate those benefits effectively. How do you set prices?

This section examines, first, how to set prices, then the variables available in the price differentiation 'toolbox', the importance of value fences and, finally, the flexibility that can be achieved using revenue management tactics.

Setting prices

Pricing textbooks talk about 'valuing competitive differences', meaning the different economic benefits of product features. While this is difficult with something as intangible as an arts event, it's still worth trying to ask what you do better or worse than the competition and what that is worth to your customers.

But that begs the question of what the competition is exactly. Price competition in the arts is very rarely direct (people rarely decide to go to the play at Theatre A rather than Theatre B purely on the basis of price). Competition isn't necessarily the theatre down the street, but any other substitute product or experience that a customer might purchase to meet their particular needs. A social occasion could be spent in the pub. A birthday treat could be a sporting event. And cultural enrichment is available through an increasing range of media in the home or a good book.

Actual prices will be set around your headline price: the main point of reference compared to the price of possible substitutes. This would usually be the top price (excluding any premium offer with added value), but should also include consideration of bottom prices (excluding discounting).

However, it is very rare that you will need to set prices in such an abstract way. Although it is useful to reconsider issues of value from time to time, if you have an established audience or established offer, your existing prices will be the starting point for the actual prices you set, and you can examine price demand in relation to those offers and audiences.

Price differentiation is fundamental to an effective pricing strategy. The number of variables that can be used to differentiate prices is enormous – which you use will depend on your product and the need to keep the resulting price schedule as simple as possible for the customer.

The price-differentiation toolbox

At the heart of the toolbox are the four core price levers: price variables, venue variables, product variables and transaction variables. The key to a sophisticated pricing strategy is setting these variables to reflect the individual value perceptions of different customers for different events.

Price variables are not just the different prices you charge but, perhaps more importantly, how many prices you have, what the relationship is between those prices (the range from top to bottom, as well as between each price) and the way that your prices reflect natural price thresholds. The number of prices you could have is potentially large, the main limitation being the need to present them as simply as possible to customers. A minimum of three is probably best: many customers automatically look at mid-range prices, but others will look for the best seats or for a bargain.

Where prices are presented in a range it is important to think about the relationship between them, so that the next price is within reach; if your prices are £10, £20 and £30 you are creating big jumps for customers to trade up. The importance of price thresholds is difficult to prove definitively, but we all know instinctively that £10.01 feels wrong. Thresholds exist not only at round numbers – £5, £10, £15, etc – but at the £2.50 intervals too.

Venue variables describe how prices reflect the attributes of an auditorium (stalls, circle or balcony, but also front to back, side to side and different types of seating). It is vital to make sure that the number of seats at each price reflects levels of customer demand.

An analysis of patterns of demand for Regents Park Open Air Theatre revealed greater demand at top price than seats available. Increasing the number of seats at top price allowed for further demand, and overall price changes resulted in significant additional income. It is vital that any such changes reflect actual differences in quality of view, acoustics and so on, and that those differences should be perceived by customers. When City of Birmingham Symphony Orchestra (CBSO) moved into Birmingham Symphony Hall, they priced a very complex auditorium in a logical way, but

found that over the following seasons their yield fell. Customers were 'learning' the hall and finding that cheaper seats were just as good as more expensive ones. Detailed price demand analysis allowed the orchestra to identify which seats the customers thought were best and re-price them accordingly. As a result, they were able to increase yield by 7.5 per cent.

Product variables describe the way you change price schedules for different productions or performances.

It is often standard practice to price productions or artists differently. However, this is not always desirable: analysis of demand often shows that higher priced shows sell better than lower-priced ones. It can be argued that pricing a similar event at a lower price creates the suggestion that it is not as good as a more expensive event.

Presenting a run of performances also offers the option of changing prices by time of day (matinees versus evenings), day of week, or over the course of the run. This can be highly effective, both by maximising income from those willing to pay most, eg for a special Saturday night out, and by shifting demand from the more price-sensitive customers to the less popular performances. For example, Theatre by the Lake in Keswick offers penetration-priced package deals for performances at the start of its long summer season to free up seats during the peak months of July and August.

One of the most effective uses of this technique is for Christmas shows, where peak performances are more expensive, shifting demand to off-peak performances and maximising income from the less price-sensitive customers.

Transaction variables allow prices to be adjusted based on the time of the transaction or the sales channel used.

Airline revenue management systems use transaction variables, increasing the price the later a booking is made. This depends on having a late-booking market willing to pay more for the benefit of delaying their choice (or to book earlier to secure a discount). This doesn't always apply in the arts, although there are countless small venues effectively doing the same thing by charging less in advance than on the door. Marlowe Theatre in Canterbury offers Early Bird rates for customers booking months in advance for its Christmas show, thereby persuading customers to book as much as a year before the performance takes place.

Changing prices by sales channel depends on whether there is additional benefit from one sales channel versus another. One could argue that since online booking offers the benefit of convenience, it should be more expensive than other channels. However, the number of cost-cutting online sales operations means that most customers expect online prices to be, if anything, cheaper than elsewhere.

Discounts and surcharges

Discounts and surcharges (including transaction fees) offer further opportunities to differentiate prices, overlaid on the core price levers described above.

Discounting

Discounting is the most flexible means of price differentiation, because it offers three variables that can be changed:

- applicability: who can claim discounts (either concessions or sales promotion) based on behaviour or other characteristics
- availability: how many discounted tickets are made available, for which performances, and at which stages in the sales cycle
- discount rates: what the different discount prices are.

The main problem with discounting as a means of price differentiation is that it only reduces prices. However, you can maximise income by controlling and differentiating discounting.

The principles of differential discounting apply to concessions, as well as to sales promotions. For example, it is not necessary to offer the same discounts to well-off seniors as to unemployed people on income support. It is already possible to make different promotional offers to different database segments according to previous booking history, but exciting possibilities exist around online sales if ‘cookies’ can be used to identify returning customers.

It is also common to see organisations maximising income by restricting availability of some or all discounts and concessions for peak performances. Some, like Birmingham Hippodrome, make all discounts and concessions ‘subject to availability’ and are thus able to close off discounts after a certain number have been allocated for popular performances.

The key potential benefit of discounting is selling more tickets, but it also has a number of dangers and, if used indiscriminately, can undermine value.

While there are furniture shops that have non-stop sales, there are many examples of arts organisations where indiscriminate discounting has had a disastrous effect on ticket sales; customers no longer book in advance, but have learned they can wait for the special offers to start. The key to avoiding this problem lies in ‘value fences’.

Transaction charges

Unlike discounts, transaction charges have the advantage of being ‘extra’. They are also relatively flexible, eg per ticket versus per transaction, as well as the actual level of charges. It is also possible to adjust charges by sales channel, payment type, performance or customer profile.

Transaction charges are particularly attractive to venues with external promoters, because additional income from ticket sales is usually shared, whereas transaction fees are retained. Although customers tend to dislike them on principle, transaction fees are now commonplace and unless there is competitive advantage derived from not charging them, not doing so simply represents lost income.

Good fences make good customers

Customers should always understand the reason for a difference in price. In pricing theory this is known as ‘value fencing’ – the reason why someone will pay more for something (the genuine additional value) or expect to get a discount. The most important point about value fences is that they need to reflect benefits that are important to customers. For example, when setting price breaks in an auditorium, you need to understand which seats the customers think are the best.

The best value fences will be based on points of competitive advantage that are valued by customers (such as comfort, view, acoustics, quality of service) and as such may translate into brand values. For example, The Broadway in Barking offers a ‘Big Night Out’, in which people place value on the cabaret style seating, waiter service and social experience as much as the performance itself.

It is important to remember that value fences can mean taking something away as well as adding value. So, the ‘deal’ for standbys is that you pay very little for good seats, but you have to take a genuine risk on availability. If you leave holes in value fences, you can be sure that customers will jump through them. If customers work out that standby is always available on decent seats, why would they bother paying full price in advance?

Revenue/yield management

Revenue (or yield) management is used by most airlines and has been successfully applied to many other industries, including hotels and rail companies, to manage inventory and maximise income. Essentially, revenue management involves setting a range of price classes which are opened and closed according to a comparison of actual sales against a forecast. It thus includes control of discounting, but also the management of inventory to ensure that sufficient product is kept available for purchasers willing to pay the highest price for convenience at the last minute.

Revenue management requires the ability to segment customers into micro-markets with identifiable patterns of demand for different prices and products. This requires a sophisticated pricing strategy and an ability to forecast, monitor and react to sales patterns and external market factors. Implementing a successful strategy requires commitment throughout the organisation, a willingness to implement changes at a strategic level and, often, financial investment. Critically, it will not work without strong market demand for the product or service in question.

On the surface, the arts, entertainment and sport sectors have many similarities to industries where revenue management has been successfully applied. However, there are some critical differences created by the different nature of the value offered by arts events, so if revenue management is to work, its principles need to be understood and applied in unique ways.

The main principle of revenue management is to adjust price differentials in response to changing customer demand, in order to maximise both occupancy and income. The entertainment sector already uses many revenue management techniques, eg differential pricing by time of day, day of week, availability of concessions by performance, cheap previews, Early Bird and standby. Some organisations already adjust price breaks by performance and many adjust prices to control inventory for Christmas shows. Many organisations control discounting by operating quotas. A few arts organisations have developed airline-style pricing strategies, where prices change by booking time, perhaps the best example being The Place, a dance centre in London.

Revenue management doesn't have to be an 'all singing all dancing', dynamic model where prices and availability change constantly (as happens with sophisticated airline systems). It can be simple things like removing concessions from weekend performances, having several different seating plans for an auditorium, or adjusting the number and schedule of performances of a panto.

The key to applying revenue management is adopting a scientific approach to planning and to the ways in which simple existing tactics are applied. This will include better informed and more finely tuned decisions about the need for last-minute promotions, design of subscription schemes, application of discount quotas, changing seating plans between performances, offering premium seats and managing inventory away from peak performance, but also adjusting inventory – how many performances of what, when?

Sales promotion: Using pricing to increase sales

While controlling discounting can maximise income, the main benefit of discounting is selling more tickets, by encouraging trial, increasing frequency of attendance, increasing party size and, if necessary, shifting unsold seats at the last minute. In developing discount tactics, it is important to distinguish between sales promotions (to increase volume) and concessions (which are about social objectives).

Discounting to encourage trial

Price alone is rarely the main reason for people not attending, but, packaged with other elements that address barriers to attendance, discounted prices can be effective. An example of this is Test Drive schemes that encourage 'free trial' while addressing other barriers, through, for instance, print designed specifically for new attenders. Often the biggest challenge with these schemes is getting people to re-attend at full price.

Discounting to increase frequency of attendance

Research consistently shows that the majority of people who attend the arts do so very infrequently. (For example, only 39 per cent of those who attend plays do so more than once a year, just 9 per cent of the population.[1]) Assuming the seat would otherwise go unsold, every £1 a customer spends on an additional attendance represents additional income, and often that only means getting someone back for a second visit in a year. Consequently, it is usually worth discounting and taking a 'hit' on yield to increase frequency because, assuming you have spare capacity, you are obtaining additional income and building your relationship with the customer. Frequently attending customers are more likely to keep coming – and keeping existing customers is far cheaper than generating new ones, so marketing costs are reduced. The potential 'lifetime value' of these customers more than makes up for short-term losses. Furthermore, discounted prices and familiarity with the organisation can encourage greater risk taking. And it makes planning a great deal easier if there is a guaranteed sales base to build on, allowing more time and resources to be deployed developing attendance from more difficult markets.

Discounting is effective in increasing frequency of attendance, because previous attenders have a better understanding of value and thus appreciate the deal they're being offered. However, before implementing sales promotions to increase frequency of attendance, it is critical that you know the current frequency of attendance and thus the points at which to encourage trade-up.

The range of options for such sales promotions is wide.

- A 'money off next purchase' voucher offers a simple approach to encouraging repeat attendance from new or infrequent customers. However, it can be difficult to control what else they come to without complex conditions, and there can be issues in ensuring non-transferability (ie stopping customers giving it to someone else).

- Two events for the price of one, three for two, four for three, etc offer a slightly more controlled version, especially if the date/product of the other purchase is stipulated.
- Loyalty cards or points schemes provide flexibility for customers, creating an incentive to frequency without the need to plan in advance. It is also possible to charge people to belong to a scheme and to add value to promote greater frequency of attendance.
- Packages: discount if you book three/four/five events, through to full subscription. This encourages customers who are willing to plan their attendance to try different things. Packages booked in advance are good for cash flow and can help marketing planning. Packages might also include added value offers.

Maximising income through subscription

Subscription schemes aim to maximise sales by increasing frequency of attendance. They encourage customers to buy tickets for a package of events in advance and thereby attend more events than they otherwise would have done.

Discounts are essential in creating a sense of value for money, and placing a deadline on the offer can create a sense of urgency. However, the level of discount offered is rarely the most significant factor in the decision to subscribe. Most people who subscribe do so because they like to plan (and the main reason people don't subscribe is that they don't like to plan).

> **Derby Playhouse wanted to encourage more of its audience to see a whole season of their work. Generating an earlier cash flow was also a primary objective. They launched a very simple subscription scheme, offering four shows for the price of two. Before launching the scheme, advance season ticket sales were as low as 1,000. In the three seasons since, they have generated as many as 16,300 advance ticket sales. Although the scheme was principally aimed at existing attenders, 30 per cent of subscribers had no previous booking history. Yield, predictably, fell, but not by much (less than 5 per cent), and increased sales meant that average income per performance rose.**

In designing a scheme, it is important to research the nature of the offer that will motivate the market (and ensure the organisation will not lose out). Schemes range from a 'take it or leave it' offer of a complete season, to 'choose a series', with a choice of packages (eg a Wednesday or Friday series, or a drama subscription or comedy package), through to 'pick and mix' schemes aiming to give a customer maximum flexibility and choice.

> **CBSO had a highly successful fixed-day subscription running for many years, but found that retention, and especially uptake, had**

started declining for the highest frequency packages. They commissioned research to help in designing an additional, flexible scheme, ensuring that the levels of discount, choice of concerts and other benefits differentiated from the original scheme to meet the needs of new subscribers, without causing too much slippage from the original and highly beneficial scheme.

Once a scheme has been designed to suit the market and maximise sales, there are a number of structural variables which can be adjusted to improve yield and volume, and thus total income: eg season length, offer timing and availability, discount levels and number of purchases required.

Where possible, organisations should also try to address barriers to purchase. Common reasons cited for not subscribing are: size of financial outlay (so let customers pay in instalments), not wanting to commit in advance or inflexibility of schedules (so offer ticket exchanges) or wanting to choose which performances to attend (offer a 'pick and mix' subscription).

Increasing party size

Group bookers can deliver a high volume of sales and it is worth using pricing tactics to encourage them. However, doing it properly requires investment that is probably only worthwhile if groups represent a significant market.

Larger groups effectively make the organiser a member of your sales team. Above all, you need to consider the nature and motivation of groups and organisers, eg groups of friends, corporate entertainment and schools all seek different benefits. In some cases, a group discount may be a key benefit sought, but often organisations have a 'one size fits all' groups policy that means that some groups are being given discounts when they would actually prefer added value (eg best seats, 'hosted' service, catering, separate room). It can be time consuming to properly respond to the nature of different groups with a direct sales operation, so a dedicated member of staff may be required.

'Four for two' can be a better way of expressing a 50 per cent discount and higher multiples can make a significant difference to sales. Since most people come in pairs, two for one is no more than a 50 per cent discount – it won't increase sales. You need to assess current party size and thus the points at which to encourage trade-up.

Last-minute discounting

Perishability is a key problem of selling tickets for events, but feeding the late-booking culture causes problems.

- Standby: attracts last-minute attenders and at the same time shifts seats that wouldn't sell otherwise. However, this has helped to create endemic late booking in several markets, especially where conditions (eg eligibility and time of purchase) are not applied or have been extended.
- Rush: same as standby but only available on the door. This does not have such a bad effect on booking and it is easier to control quotas. It also creates a value fence because it requires customers to take a real chance (unless they learn that tickets are always available).

Implementing pricing strategy

Price incentives

There are many different ways to express a discount or offer a price incentive, such as:

- x tickets 'free'
- fixed price, eg £5 best available
- fixed discount, eg £2 off
- percentage discount.

The trick is to pick the one that makes your discount seem the greatest.

Although not exactly a price incentive, a money-back guarantee can help to offset the risk that some may perceive in unfamiliar work – and few people do ask for their money back!

Putting it all together

Make sure all the different elements – prices, price differentiation, sales promotions, concessions, revenue management – work together to achieve your objectives. Are your value fences motivating? Do they work in the right places to achieve your objectives (eg frequency of attendance)? What are you getting in return for offering a discount?

Having established a range of differentiated prices, look at the price range from top to bottom, the relationships between prices (ie how big a jump you're asking customers to make to trade up), and the relationship to the round-number thresholds.

Presentation of prices

Think about the message your pricing communicates about your organisation. If you are pricing productions differently, what are you saying about the quality of each production? What do concessions say about the audience your organisation wants to attract? What kind of booking behaviour do you reward?

If your strategy includes penetration pricing or sales promotion involving discounts, remember that the price becomes a key part of the message. If the idea is to persuade people to change their behaviour because of price, then you need to make that clear.

You don't need to put every detail of every price and discount on every piece of publicity. The basics might be no more than the range of prices (from top to bottom, because if you start from the bottom the top can seem very expensive!) and the concessions available.

Above all, keep it simple. A good pricing strategy should be swanlike – all the activity goes on below the surface!

Writing it down

Having decided on a pricing strategy, write it down in a policy document accessible throughout the organisation, especially to box office or other front line staff. Include details of concessions policies and the circumstances under which tickets are discounted. In developing your concessions policy, the fundamental question is: to whom do you want to be accessible? Segment and target your concessions so that they meet the real needs of the markets for whom price is a barrier.

It should be possible to use the strategy as the basis for future tactical pricing decisions, unless conditions change or new opportunities present themselves. Each time new 'products' are introduced, new target markets identified, or other major changes implemented, it will be necessary to go through some or all of these steps.

Pricing on the front line

The best pricing strategy won't function properly unless it is understood and implemented by the box office. Sales staff can offer valuable input into understanding the benefits sought by customers, as well as providing a reality check on the rationale of the pricing strategy. However, it is important that sales staff don't impose their own perceptions of value. Sales staff often have comparatively low levels of disposable income and high frequency of attendance, making their perceptions of value very different from those of most customers.

Another problem arises where the transaction process has adapted to regular customers. Because regular attenders have a better appreciation of value than non-regulars, they will often know what they want. Where the sales process adapts to these customers, the box office team becomes reactive, rather than asking questions and making recommendations. Asking appropriate questions makes for a faster transaction and makes the process easier for a new or infrequent attender. For example, asking someone where they would like to sit is a common question in transactions, but is not welcoming for a new attender (because it implies they ought to know) and makes an 'up-sell' difficult.

A key challenge for the future is making the most of price in the transaction process in different sales channels, in particular encouraging up-selling and cross-selling as part of an internet transaction.

Monitoring

Monitoring means understanding the behaviour of your audience and patterns of demand between performances in relation to your prices. You can tell a lot about the impact of pricing through analysis of data held on a box office system.

A full review of pricing should not be necessary every time you set prices. Effective monitoring means you can identify problems and opportunities that indicate the need to re-consider elements of your strategy. The basics are set out below.

Sales analysis

The key statistics for sales analysis are:

- mean price (total potential value divided by number of tickets available)
- gross yield (gross income divided by number of tickets sold)
- percentage discount ((mean price minus gross yield) divided by mean price) multiplied by 100).

These values can then be analysed against sales (total and average sales and income and percentage capacity sold) by a number of variables such as production genre, year, day of week and so on. This analysis can be used to observe correlations between price, sales and income, and thus identify price sensitivity.

Note that pricing is about tickets sold, and so complimentary tickets must be filtered out. Analysis must also be based on gross income, including VAT, commission and so on, because what matters here is what the customer pays, not what the accountant counts.

Discount analysis

It is important to be able to monitor uptake of sales promotion and concessionary discounts. This can be done using discount codes (sometimes called 'buyer types') on a box office system. It is worth taking time to think through discount codes, because ad hoc codes soon multiply and make analysis impossible. Each discount should have its own unique code, but you also need to have some way of grouping them together so that the important distinctions are easily identified, eg sales promotion versus concessions, groups, frequency incentives, Friends, 'company' tickets and so on. As a rule of thumb, it is difficult to analyse more than around a dozen code groups.

Analysis takes two main forms: monitoring uptake of specific concessions or sales promotions (in the latter case to measure cost effectiveness); and looking at distribution of demand for different discount types for different events (as per sales analysis).

Sales by price band/part of house

In an ideal world you would analyse sales by price or part of house alongside sales and discount, but this is a more specialist job than you might think. Some box office systems can show sales by each price or part of house, but even then, you need to be able to see discounts. One common mistake is to identify strong demand at top price without necessarily being aware that many seats were 'sold' to sponsors or as part of 'best available' offers.

Customer behaviour

Again, it can be difficult to get this information in a user-friendly format, but the basics for pricing include customer retention rates (the number of new customers versus retained customers – the latter normally being more aware of price and value and more price resistant), frequency of attendance (fundamental for designing any sales promotion to increase frequency), group size (ditto for group rates), and details of which events they attend.

References

1. Target Group Index, Arts Council England, 2002

A balancing act

Fine-tuning pricing strategy at the Lyric Hammersmith

The strategy

As part of its 2005-08 marketing strategy, the Lyric took a detailed look at its pricing strategy and formalised a policy of revenue maximisation. The Lyric's new approach, according to Jessica Hepburn, executive director, was 'to attempt to maximise income from non-price sensitive customers whilst remaining accessible to price-sensitive customers'.

In 2005, the Lyric created two models for pricing the auditorium: economy and premium. Whether a performance was priced economy or premium depended not on just the usual 'feel' for how it would sell, but on an analysis of historical box office data, which showed, for example, that performances at the beginning of a run and on weekday evenings were harder to sell. Jessica also examined the Lyric's popular tradition of cheap tickets on a Monday night, part of its commitment to accessibility. Shifting the cheap tickets to performances earlier in a run succeeded in increasing yield, thus, Jessica says, 'enabling us to promote economic accessibility on performances that have been historically more difficult to sell'.

The strategy has paid off modestly over the first two years, with average ticket yield in the Main House up from £10.74 in 2005/06 to £11.60 in 2006/07, though this is partly due to an increase in ticket pricing. Average attendance has remained steady at 70 per cent. One recent innovation, made possible by Patron Edge, a box office system from Blackbaud, is that premium and economy performances can be set once the theatre has a sense of how the show is going.

Any pricing strategy is influenced and shaped by the particular context in which the venue or organisation operates. A strategy looks outwards and inwards, for example taking account of competition within the sector and responding to customer demand.

Adjusting for the competition

As part of its research for the new marketing strategy, the Lyric looked at its main competitors, in this case helpfully identified by Audience London's Snapshot survey, which looks at venue cross-over of audiences. Crucially, the Lyric knew strategically where it wanted to be positioned: below the National Theatre, the Barbican Centre and the West End; comparative with the Almeida and the Royal Court; and above the Tricycle and Battersea Arts Centre. It was vital, Jessica says, that 'we used our pricing to send messages to our audience about the value of our work relative to other venues'.

When the Lyric increased its prices in 2006, for example, the top price rose from £25 to £27, but the lowest full price ticket proportionately less, from £12 to £13. The cheap ticket nights (£9) and student tickets (£7) remained untouched, on the principle that 'increasing the top price sends a message that the Lyric's work is of a high quality; while the lower prices maintain accessibility'.

Jessica is also interested in other pricing models used by competitors, including the National Theatre's £10 Travelex scheme, a popular initiative that dissuaded the Lyric from increasing the price of its £9 nights.

Adjusting for the public

Although the need to increase revenue drives price hikes, a careful eye must be kept on what the market will allow. For example, the decision to increase prices last year was supported by an analysis that showed that there was no significant price sensitivity. Indeed, at many performances, the higher-priced tickets were selling at a faster rate than lower-priced tickets. A Mosaic analysis, based on customer postcodes, indicates that Lyric audiences come largely from wealthy areas and professions. A look at other theatres' current prices also demonstrated that the Lyric's prices were 'very competitive'. Thus, it was decided that the Lyric could increase prices with a relatively low risk of a decrease in demand.

With thanks to Jessica Hepburn
Lyric Hammersmith, www.lyric.co.uk

Making an irresistible offer

WNO's subscription scheme

Opera can be a 'special occasion' purchase. Our pricing strategy, however, is aimed at putting on a cultural programme for everybody. We want people to come more often and try out more kinds of opera, not just ***Carmen****. Lucy Shorrocks*

Think of opera and most people think of high prices. This is partly because, no matter what the range of prices on offer, people tend to remember the price of the best seats. It is also because, until very recently, opera was genuinely at great risk of overpricing itself and losing an audience, as the Welsh National Opera (WNO) discovered when it commissioned research from Tim Baker into its own pricing practice. That research found that price was crucial in driving attendance and that audiences would be more likely to take risks on less popular work if prices were lower.

From research to implementation

Since then, the WNO has set out to create an opera-going habit by selling the maximum possible number of seats for the minimum possible price. With an annual box office target of £3m, Lucy Shorrocks, WNO's marketing director, is not entirely joking when she says that if the company could sell three million tickets at £1, it would. However, as the biggest venue it tours to is the Liverpool Empire, with a capacity of 2,225, that is not a likely scenario. The next best thing, the company felt, was to find a way to increase audiences not just by encouraging new people to come but by getting existing attenders to come back and, crucially, given the company's need to remain vital artistically, to try out operas they previously might not have considered going to see. The strategy that WNO has adopted is thus driven by frequency and risk – and it takes the form of a novel subscription scheme.

This strategy is currently applied at three of its main touring venues, in Birmingham, Southampton, Llandudno, and, most impressively, at its new flagship base in Cardiff, the Wales Millennium Centre (WMC), which opened in November 2004 (the WNO launched its first season there the following February). This venue can seat 1,800, virtually twice the capacity of the New Theatre, where the company used to perform. Having, on the basis of its research, introduced a new strategy of reducing prices to drive up attendance at the Mayflower in Southampton in 1998, the WNO bit the bullet and, when it moved, reduced its old top price of £47 to £35. It also reduced the number of price breaks from thirteen to seven partly because there were virtually no seats in the new venue that didn't have perfect sightlines or acoustics (key considerations in pricing the former venue, built a century ago). And even the lowest price was cut, from £8 to £5.

A different kind of subscription

Having made the overall offer more financially attractive, the WNO then created an unusual subscription scheme to tempt audiences to come back for more: when bookings first opened, tickets could *only* be obtained by subscribing, with single tickets finally going on sale several months later. The hope was that, having lured subscribers in with big names like Lesley Garrett, they would then discover that they had wider operatic tastes than they had first thought. The fact that tickets for *The Flying Dutchman* with Bryn Terfel sold out on subscription before individual sales had opened encouraged people to feel it imperative to subscribe if they were to get the best possible deal – and the best possible tickets.

In mounting a production of a popular work, like *The Flying Dutchman*, the temptation is for venues to price fairly high but then to price down less familiar work, such as Tchaikovsky's *Mazeppa* or Handel's *Jephtha*, to encourage people to take a risk. At the WMC, however, if customers commit themselves to booking at least five operas a year, they can choose two operas from list A, ie the safest choices – say, *Don Carlos* or *The Merry Widow* – and then receive a discount on two of the less familiar operas; the most risky evenings are discounted by 50 per cent, so the top price for *Mazeppa* was, in operatic terms, a bargain at £17.50.

Longer-term outcomes

The WNO has gone through nearly three cycles of this scheme and Lucy is cautiously optimistic about its longer-term outcomes. Certainly the sales picture was good right from the start: the initial figures, comparing WNO sales at the New Theatre in 2004 and at the WMC in 2005, show a 96 per cent increase in seats sold (from around 21,000 to 41,000) and an 87 per cent increase in gross cash income (from around £482,000 to £901,000), while the average price paid for a ticket fell by 5 per cent. Even more satisfying is the fact that, over the last three years, 26–35 per cent of each house has been sold through subscription. That statistic might just be the first concrete sign of a major cultural shift in attitudes towards opera-going.

With thanks to Lucy Shorrocks
Welsh National Opera, www.wno.org.uk