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How Much Will a CRM/Ticketing System Cost?

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How Much Will a CRM/Ticketing System Cost?

The answer isn't straightforward. It all depends on fitness-for-purpose, on volume and value of sales, and just what you will have to pay for, and whether you can manage a capital or revenue purchase. Cost is often highest in the minds of many arts organisations in considering an appropriate CRM/ticketing system but it's important to remember that there are no inexpensive systems which are likely to offer the necessary functionality required.

There are a confusing range of prices out there which makes it difficult to compare like-with-like directly and when unpicking it all reveals that the 'cost of ownership' can be many times more for one system compared to another.

Cost of ownership

To begin with it's important to compile a cost-of-ownership for more than three years in order to make a realistic comparison between the various pricing models, taking into account all the costs.

A 5-year 'cost-of-ownership' is the best time period to test comparative cost-effectiveness because for most arts organisations, 5 years is about the most frequent change cycle they are able to handle, for a 'mission-critical' tool.

Organisation time and effort is also a cost, and whilst some suppliers will say they will make it easy for organisations, another reason for planning in terms of 5 years is the internal cost of changing systems. It is worth noting that many of the main suppliers are usually willing to offer a competitive supply solution so be prepared to negotiate.

There are a number of elements which make up the cost. What is included, or not, is of course important, but the key factor to be considered is the kind of pricing model used.

Pricing Models

There are four that are most regularly used:

- **The Fixed Price** tariff usually involves a life-time or fixed term license to use the software, with the condition that you must also pay for the annual software maintenance charge. Both PatronBase and Tessitura supply on this model to not-for-profit clients. This can offer the lowest cost of ownership and best value for money.

- **Terminal-User Based Licensing** essentially involves a license fee for each installed terminal/concurrent user, often charged as a higher amount in the first year, then a lower charge in subsequent years; some suppliers have different charges according to the character of the users – ticketing, administration, marketing. The installed terminal basis can be more expensive because every terminal on which the software could run is charged for; the concurrent user basis costs less but can be annoying if too many users try to log-in at once. SeatGeek (formerly Toptix) supply SRO4 on this basis. Though many clients don't like the restriction of the concurrent user basis, it can offer good value for money in some cases.

- **Pay-as-you-go by volume** charges on the basis of the volume of sales – the number of tickets sold – with sometimes quite detailed description of what counts as a ticket sale. Some suppliers will sell a life-time license for a specific annual volume of tickets, and will also sell additional batches of volume as required in the future so for example Audience View supply their system on this basis. Some system suppliers agree an annual volume and tariff, and then charge monthly based on the actual number of tickets sold; ENTA (Best Union) supply their system on this basis. It can be confusing when some suppliers refer to "per-ticket fees" as the basis for their charges, and many organisations assume that these are applied to the ticket purchaser's transaction when in fact they are simply the suppliers' way of calculating their charge to the client. Some suppliers will include the provision of terminals, Chip and Pin readers, etc. in with their service which are likely to be externally hosted. It's important to remember in this instance that any charge based on volume will become more expensive in total cost with larger numbers of sales, though the amount charged per ticket sold will usually reduce. It is also important to re-visit and negotiate per-ticket based rates on a regular basis as suppliers will often reduce these. For organisations of an appropriate size and scale, this model can be cost effective and value for money.

- **Pay-as-you-go by value** charges on the basis of a commission on the value of sales (the gross value of the tickets sold) and will often give a quite detailed description of what value is included. This can typically be a low sounding percentage commission of 2-3% on sales totals, but doing the maths here is important. So for example 3% on £100,000 is £3,000 and on £1M is £30,000, per annum with the charge recurring every year and some suppliers impose a minimum monthly charge. Spektrix, TicketSolve and SeatAdvisor charge on this commission basis. The problem with this charging model is the effect on the rest of the operation. For venues which split earned ticket sales income with promoters or producers, these will usually exclude such commissions being deducted off the gross and require the amount to be deducted from the venue's retained share, likely to be under 25% of the total. This model can be further confusing when making comparisons, since some of these suppliers also offer "no-up-front-charges", so making what is included, or not, very important. It can still make this the most expensive model by far and likely not to be suitable for non-ticketed (or limited ticketed) organisations such as museums and art galleries.

The price model may determine how the quoted price is calculated, but there can also be a list of additional costs. That's because most suppliers now include separately quoted elements to enable their system to go-live:

- Most suppliers add **"Third Party software"** with their solutions such as quick addressing, payment gateways, etc. There can be additional charges for these, sometimes involving an up-front license fee then recurring annual license fees, charged either on the basis of volume or the number of users. Suppliers seem to make different deals with these third party companies, so the costs will vary between suppliers. Some simply pass on the cost to their users while others add a mark-up. All suppliers will charge these as additional costs.

- **Payment Gateways** have become a significant cost. There is usually an up-front initial license fee, perhaps an installation and set-up cost, and then an annual or sometimes monthly charge. There can then be transaction charges (on top of any credit/debit card commissions), at different levels for on-line, phone and counter. Payment Gateway costs are an issue for Finance Directors, since they can vary by volume and the channel, according to the deal in the contract.

- There will be hardware and telecommunications costs for **Chip and Pin readers** at the counter. Suppliers offer payment gateways on widely differing terms, some securing volume rental agreements to keep the cost per venue down, others adding a margin to pay-as-you-go charging. Watch out that your bank does not require you to use a particular Payment Gateway. It can be necessary to move bank accounts to save money.

Payment methods

While the ‘pay-as-you-go’ payment methods are set up as either monthly or annual charges (which may be in advance, or may be adjusted to the actual volume of sales) the other models offer a wider range of supply and payment terms, which can help with cash-flow. Separate from the ‘Software as a Service’ model (which is a revenue charge) the Fixed Price Tariff or Terminal-User Based Licensing and volume licenses under the ‘pay-as-you-go-by-volume’ model are usually treated as a capital item, especially by not-for-profit charities, local authorities and funded venues. The capital approach can be helpful in achieving certainty of costs and managing the impact on your cash-flow.

This means that in treating the system as a capital item, apart from any annual license and support costs, it is paid for up-front at the time of purchase. However, it is worth noting that there are payment mechanisms to assist in achieving the purchase if the capital cost is not immediately available. In the past, suppliers have offered leasing and instalments as a purchase method. For example PatronBase offers payment in instalments over three financial years to organisations that can make the case thereby repaying the capital cost over three financial years.

To sum up what's important is ensuring that system costs from different suppliers are carefully compared so that costs and cash flow are properly accounted for over the 5-year anticipated life. And of course functionality and fitness for purpose are as important as cost if not more so!

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