

# Case Study: Welsh National Opera - Pricing Down for Revenue Growth

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Based on a presentation given by Peter Bellingham at Tickets.com conference, June 2000. Summarised by J Scudamore

Case studies and research undertaken since the 1980s showed that price was not the most significant barrier to attendance at the arts and suggested that there was scope for price increases. However, through a painstaking research process, Welsh National Opera (WNO) found that for current opera-goers, a decrease in price could encourage more attendances and actually increase revenue.

The sky was the limit – or so it seemed – for opera ticket prices in the mid- to late-eighties and during that period WNO was agreeing strategic price increases at double the inflation rate. However, by the nineties, WNO was experiencing a sustained drop in audiences for its touring weeks in Southampton and initial research showed that this was because opera attendees were lapsing or attending less frequently and that price was the most frequent reason given. In follow-up research using focus groups, price was mentioned spontaneously within a minute of the first group starting and referred to over and over again. Another common theme was that the perceived risk was too great for the money demanded.

Attendees' response was to go less often, to minimise the risk by making safe choices, or to stop going altogether.

Having identified that price was a significant issue, WNO commissioned conjoint research based on the methodology developed for Arts Council of Great Britain by the Decision Modelling Consultancy and published in the Pricing Research Manual<sup>1</sup>. This complex research approach is able to calculate precise demand elasticity curves and identify critical price thresholds for particular repertoire in specific parts of an auditorium, demonstrating how a change in price would affect demand.

The research found that price did drive attendance for a significant proportion of the audience and confirmed the findings of the preliminary research. It also found that price thresholds – the main ones being at £20, £30 & £40 – applied to opera as they did elsewhere and that the £50 threshold would be a

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<sup>1</sup> Pricing Research Manual, AIM/Decision Modelling Consultancy (ACGB, 1995)

major barrier. Customers were willing to make only limited compromises on seating areas if prices became too expensive and almost half would take a chance with unfamiliar repertoire if prices were lower. Opera pricing in the regions was found to be on a knife-edge. Prices had reached a level where further increases would both create negative feeling and reduce attendance and income. Furthermore the analysis suggested that price reductions could generate increased attendance and income, as long as the reductions were well-promoted.

In response to the research findings, WNO piloted a reduced price policy in Southampton. After the summer of 1998 prices were reduced on over 1600 seats. Top prices were reduced by £10 to £34.50 and a new £5 bottom price was introduced – 47% lower than previously. The overall result was a reduction in average ticket price of 14%.

One interesting observation is that the average ticket yield did not fall at the same rate as the average price. As part of the new strategy, WNO did reduce the number of discounted tickets it offered but this also suggests that, with prices lower overall, customers were choosing more expensive seats.

During the four years since the change in prices, the average number of tickets sold increased by 10% on the average for the three preceding years; more than enough to overcome the impact of the reduced average price, with average net income for each performance increased by 5%.

It is thought that the increase in attendance and revenue has been a result of increased frequency of attendance by existing opera-goers and reactivation of lapsed attendees, rather than encouraging new attendees. Although the new pricing strategy has worked, it has become clear that other elements need to be in place, particularly repertoire, and potential audiences need to be repeatedly told that prices have been reduced.

For free resources and discussion on pricing in the arts visit [www.thinkaboutpricing.com](http://www.thinkaboutpricing.com) or join the LinkedIn group: [Thinkaboutpricing](#).