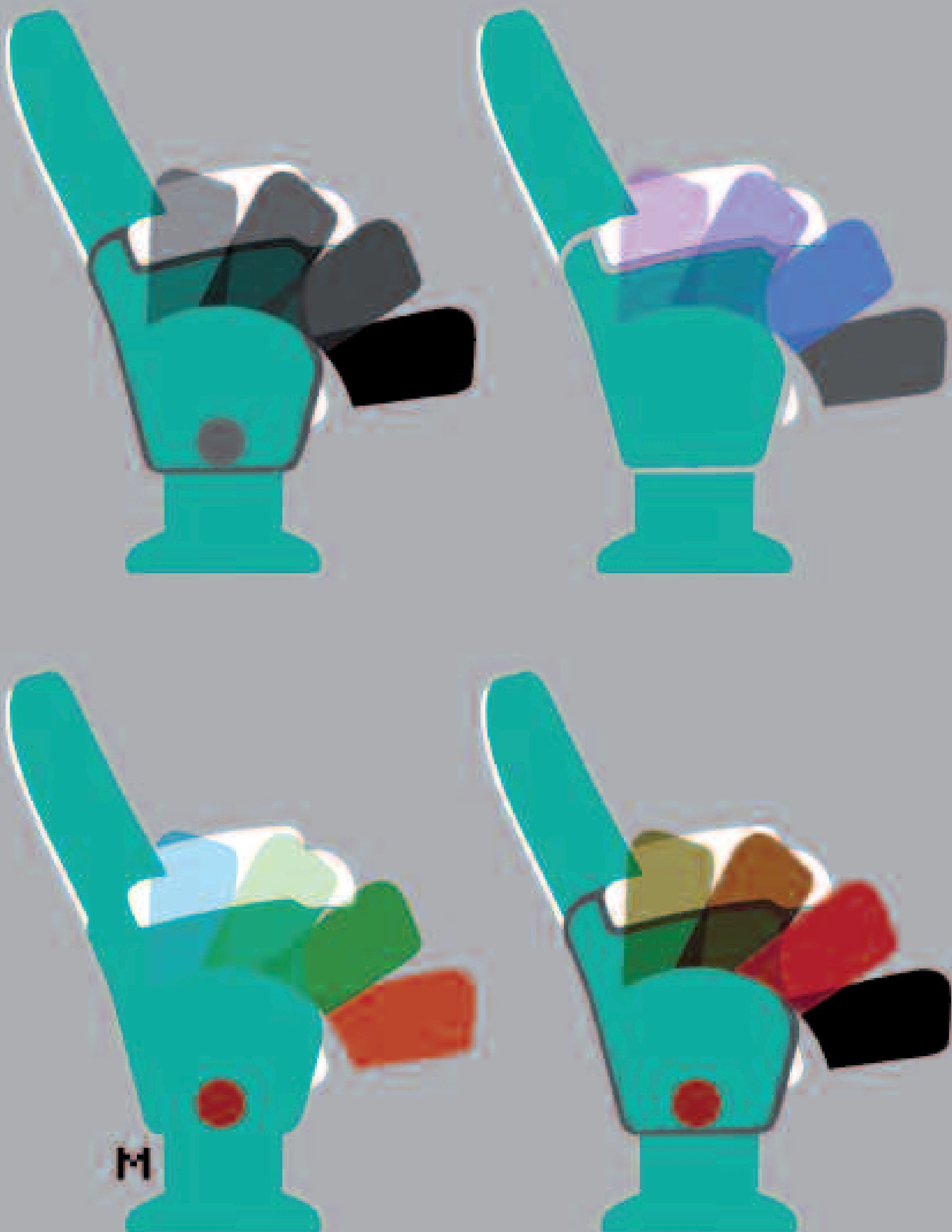
Chapter Four
Pile them high, sell them cheap?



The last chapter's long march through the thickets of pricing strategies and tactics ended with a last-but-by-no-means-least observation on the importance of customer behaviour – behind which may be discovered a whole recent history of attempts to build new audiences and of subsequent reflections on what such attempts might mean for financial growth as well as for improving access.

Though the jury is still out on how important price is relative to other factors, such as simple lack of interest, for many promoters developing new audiences still implies lowering prices. This chapter begins by challenging that assumption and goes on to examine the role of pricing strategy in building and developing audiences, including specific target groups of new or infrequent attenders, such as young people or people with disabilities.

Audience development is more than this, however, and Paul Kaynes turns next to the various ways in which pricing can be used to encourage repeat visits and to retain and develop existing audiences.

This chapter ends by raising an intriguing possibility: if, after research, it seems that pricing reductions (or value-added packages) are a good way of developing a new audience, could this not be funded as a marketing exercise 'rather than a hit to be taken at the box office in pursuit of demonstrating a social conscience'?

Pile them high, sell them cheap?
Pricing for audience development

Paul Kaynes

There's a popular belief that high ticket prices are the reason that our arts venues are perceived by the majority of the UK population as 'not for them'– and that lowering prices would lead to larger audiences and a popular groundswell of support for the arts.

It's an appealing notion. It's also over-simplistic.

Price has a role to play in supporting audience development programmes, but that needn't necessarily mean *lower* prices: sometimes, *raising* prices may be the way to attract new audiences, or retain existing ones. And price is only one of many marketing tools available. To understand why it cannot be used in isolation, we must first understand what audience development is and the way it works.

Audience development is not something that happens in the marketing office on a wet Wednesday. Programmers and artists, education teams and community liaison workers, box office and front of house staff, curators and producers all have key parts to play because audience development happens when a whole organisation knows and understands its constituency. The organisational culture embraces collaborative working to create an environment where existing supporters are cherished and taken on a journey to extend and deepen their engagement, while new people are welcomed and encouraged to build a relationship with the organisation.

Arts Council England and the Department for Culture, Media and Sport (DCMS) launched the New Audiences Programme in 1998. It funded arts organisations to try new approaches to reach new people – particularly those who were considered 'non-traditional' audiences. In those early years the approaches were mainly *quantitative*, ie most of the supported projects focused on getting numbers of new people to attend or try out the arts. Many of the projects were innovative and successful, and some tested the importance of price levels for their target groups. However, the few projects that focused on price alone were not, on the whole, successful, while those that took a broader approach, looking at price alongside a range of issues or perceived barriers, fared better.[1]

Current thinking on audience development not only places a focus on winning new audiences but also champions existing customers and supporters who are ripe for new, more frequent experiences and/or more intense engagement with the arts. Neglecting existing audiences in pursuit of new audiences runs the risk of destabilising the financial security of many organisations, not least because the cost of winning new people is so much higher than the cost of retaining and developing existing customers. Balance is the key.

The different types of audience development, dependent on different mixes of new and existing audiences, and new and existing experiences, are broadly illustrated in the matrix below:

Figure 1: Examples of types of audience development, dependent on artistic experiences and engagement history with an organisation

	Existing audience	New audience
Existing experience	Raising frequency Developing value Deepening artistic engagement	Attracting people from a different socio-economic group to an established programme of work
New experience	Crossover campaign from one artform to another Offering opportunities to explore different types of artistic experience, such as contemporary expressions of a familiar artform	Developing new strands of programme to reach under-represented group, eg new arts programmes designed to appeal to young people who haven't attended before

In this context, price alone can never achieve audience development goals – these are very diverse and have a wide range of targets and desired outcomes. In all cases, audience development relies on the development of relationships between arts organisations and new or existing audiences, and these are unlikely to be mediated by price alone – and certainly not by discounts in isolation from other elements of the marketing mix.

Reducing price *might* have a role to play in achieving some types of audience development objectives, but only if deployed as part of the marketing mix alongside such factors as:

- the programme and its 'surround'
- the way in which the arts activity is accessed
- the appropriateness of the brand values for the target audiences
- the environment in which the organisation operates
- the way the work is communicated and promoted
- the way in which the actual experience is delivered.

There is some new evidence to show that price is quite a long way down the list of reasons that non-attenders don't attend. As part of the *Taking Part* survey (commissioned by DCMS, Arts Council England, English Heritage, the Museums, Libraries and Archives Council, and Sport England) in 2005–06, people who had not attended any arts activity during the previous twelve months were asked why they chose not to attend.[2]

Figure 2: Main reason for not attending arts events

Not really interested	31%
Difficult to find the time	29%
Health not good enough	15%
Costs too much	6%
Never occurred to me	4%
Not enough facilities near home	3%
Lack of transport	2%
Don't have anyone to go with	2%
Wouldn't enjoy it	2%
Not enough information on what's available	1%
Don't know enough about it	1%
Other/don't know	4%

Source: *Informing Change. Taking Part in the arts: survey findings from the first 12 months*

Only one in seventeen respondents selected cost as their main reason for non-attendance – significantly less important than the issues of interest, time availability and health.

The findings from the same survey suggest that there is no statistically significant difference between the proportion of people from the lower socio-economic groups (including those in lower supervisory and technical roles, those in semi-routine and routine occupations and those who have never worked) and the higher socio-economic groups who cite cost as a main barrier. For both groups, lack of time, lack of interest and poor health are far more important.

However, the same survey asked people who don't currently attend very often (one to four times a year) what would motivate them to become more frequent attenders. In this instance, cheaper tickets do become a more prominent factor – with 18 per cent saying it would most encourage them to attend.

Figure 3: Main factor that would encourage more frequent attendance among infrequent attendees

More free time	30%
More performances/events closer to home	19%
Cheaper admission prices	18%
More events about subjects of interest	10%
Better information on what's available	5%
Better access to transport	3%
Better-quality events	3%
More people to go with	3%
More activities for children	2%
Other reason	6%

Source: *Informing Change. Taking Part in the arts: survey findings from the first 12 months*

So price can be a factor, but it isn't the dominant issue. If anything, it seems to be more of an issue for those who already attend and would like to attend more often than for the hard-to-reach non-attenders. As others have already pointed out, the beneficiaries of lower prices are usually the middle-class regular attenders who know their way around venues, not the hard-to-reach groups for which the lower prices are often designed. In effect, the effort made to use price to attract these groups is wasted because the benefits are being taken up by people outside the target group, thereby reducing arts organisations' income and the resources available to invest in attracting new attenders.

Used appropriately, alongside a range of other measures, price can be a crucial part of the offer – a way of encouraging more frequent attendance, of mitigating the risk associated with a specific programme, of reaching a specific group such as young people, of marking out a new programme as different or targeted at a different group. But it can never work in isolation – it needs to be combined with other aspects of the marketing mix (including the programme, promotion and place) to achieve agreed audience development outcomes.

Using the audience development matrix from Figure 1, it's possible to look at some of the actions organisations might take to achieve different types of audience development – though, of course, the actual actions in each case will be determined by the specific circumstances.

Figure 4: Examples of types of organisational activity, dependent on artistic experiences and engagement history with an organisation (pricing-related issues in brown)

	Existing audience	New audience
Existing experience	More effective communications (direct marketing, on-selling at the box office) Creating programming patterns to reflect demand cycles Creating a price incentive to attend more often – eg subscription or season ticket sales *Not necessarily lower prices*	Features and benefits identification leading to new and effective communications targeting the market Test Drive approaches First timers' value-added packages – charging *more*
New experience	New communication styles to support sense of journey and adventure – flagging up links Programming support events and documentation to overcome sense of risk Short-term price incentive	New programme development New communication styles to reflect needs and identity of audience and programme Using 'banner' (sometimes *higher*) pricing to create awareness and initial interest

The rest of this chapter will examine how some organisations have used pricing structures as part of a coordinated audience development plan to achieve specific aims, whether to attract existing attenders more frequently to different programmes or to reach new people with new or exciting programmes of work.

There is a caveat, however: the lack of available research evidence is alarming. There have been very few reliable, robust studies of pricing and its role in achieving audience development objectives. Many feel that price is a crucial issue for the enfranchisement of new audiences but that is precisely what it remains – a *feeling*.

Price and the first-time attender

The Royal Shakespeare Company (RSC) and Audiences London report that one-time attenders don't necessarily seek out lower prices. In fact, in many instances price seems to be less of a barrier than for frequent attenders.

Using price offers effectively as part of a plan to attract first-timers can be challenging because they're more difficult to find and target, price may not be a key factor in their current non-attendance, and heavily discounting a first attendance can lead to an expectation of reductions on subsequent visits.

In the mid-1990s, Arts About Manchester developed a scheme called Test Drive the Arts, which aimed to remove price as a barrier for first-time attenders, while providing reassurance and support to address other likely barriers. Although it was widely adopted at the time, few organisations made Test Drive work for them, but those that did, such as the Hallé, succeeded because of the quality of their planning, long-term follow-through and resource availability.

The initial free offer was followed up by an event offered at a proportion of the normal cost, aiming to encourage the respondents to become full-price ticket payers, weaning them off the need for reductions or free offers. It may take three to five visits before the customer is paying full price and some organisations have never persuaded those people to pay full price, partly because the audience member has become so used to reduced prices that the prospect of paying full price is anathema. This is one of the main pitfalls of the Test Drive approach, and it raises the question whether it can work for everyone.

A comprehensive study of the Arts About Manchester project was undertaken by Morris Hargreaves McIntyre in 1999.[3] It identified two key challenges in running an effective Test Drive campaign:

- reaching people who are genuine first-timers to a venue or organisation and offering them something suitable to Test Drive
- having the capacity to pursue a long-term plan for developing the relationship.

Screening the sourced lists to ensure that genuine first-timers are being reached is one key to success. Organisations often ask the respondents to call a hotline number or make the initial approach by phone, and run through a few key questions to determine whether they fit the desired profile before the initial offer is confirmed.

When there's an initial offer of free tickets, or an added-value experience with no charge, there needs to be a plan to follow up the initial offer with further events, considering when they will be offered, at what price and using which media. Having systems in place to enable consistent measurement of the response rate is also crucial. Morris Hargreaves McIntyre's report shows that of those people who responded and took up an initial free offer, 32 per cent went on to re-attend.

Price isn't the only aspect of the marketing mix which is crucial to Test Drive, but removing it as an initial barrier can be a major driver of motivation to attend for the first time. In addition, working in collaboration with other organisations, or in partnership with an audience development agency, can improve the chances of success.

Issues for first-timers and Test Drive

- don't assume that first-timers are more likely to attend at a lower price
- set the starting price for Test Drive at a level that will enable you to reach full price quickly
- plan the follow-up offers and 'commitment path' before making the initial Test Drive offer; ensure resources are in place to manage and deliver the programme
- monitor and report on each stage of the Test Drive programme
- be clear about who you wish to target and choose a list of people that meets those needs.

Price and developing target groups

Young people

This section looks at the role price plays in encouraging more young people to attend the arts. Young people are usually defined as postcompulsory education age, most commonly those aged 16–24, though some organisations offer reductions up to the age of 26.

Sheffield Theatres' How Much? project in 1998–99 was part of the New Audiences Programme. It sought to encourage more 16–24-year-olds to attend their three theatre spaces (Crucible, Studio and Lyceum) after a study had shown that, while the city had more young people in this age group than the national average, the theatres were attracting a lower proportion than the national average. The project aimed to answer the question 'How does the mix of programming, price and promotion influence young people's attendance of Sheffield Theatres?'

The key determining factor in this project was its mix of various elements – not only price, but programming and promotion as well. However, research among the target group revealed that financial constraints were the most commonly cited deterrent in preventing young people attending the theatre more frequently. 'Don't have enough money' was the most frequently mentioned of all comments (62 per cent of the sample).

Figure 5: Sheffield Theatres' How Much? project: responses to questions relating to monetary constraints[4]

Constraint/view	%
Ticket prices too high	46%
Don't have enough money	62%
Theatres are expensive	26%
Theatres are reasonably priced	47%

Sheffield Theatres, therefore, introduced a flat-rate price of £3.50 for 16–24-year-olds for most shows in the theatres during the project, along with programming productions that were thought likely to appeal to the target group. This was backed up by specially targeted promotional activities, including word of mouth, printed publicity, a website and direct mail.

The most popular incentives which respondents in the same research said would attract them to the theatre were a young person's discount (86 per cent), a free drink with a ticket (69 per cent) and deals with bars and clubs (47 per cent). The researchers then asked those who responded to the How Much? offer if they were prepared to pay more than the £3.50 ticket price: 58 per cent said they would have been prepared to pay more, with the range being 50p to £3 extra.

The key finding was that the low ticket price (though not necessarily as low as £3.50), combined with programming designed to appeal to young people, overcame the perception that going to the theatre was an expensive risk. One respondent wrote:

> The How Much? scheme is excellent, as it is not a waste of money if you don't enjoy the production.

Overall, this programme resulted in 32,000 ticket sales, with people aged 16–24 making up 41 per cent of the audience, compared to just 7 per cent before.

How Much? is one of many projects using price alongside other approaches to appeal to *all* young adults – not just students, under-16s, under-18s or unwaged young people. Organisations such as West Yorkshire Playhouse, the RSC and the City of Birmingham Symphony Orchestra (CBSO) are offering reductions for under-25s/26s without requiring them to be in full-time study, recognising that price can be a real barrier for this market, and that the sense of risk can be greater than for more experienced attenders. There are signs that this approach is changing frequency of attendance and lack of peer group interest, as cited here by a 23-year-old RSC attender.

> Thank you for the £5 scheme you have introduced for 16–25-year-olds. Not only am I able to go and see the RSC productions as I have done in the past few years, I am also able to get my friends to go with me (for many their first experience of live Shakespeare). Not only can I watch great stories, I can also afford to go back and see the productions again to try and learn how the actors are doing it.

The level of discounts tends to be high: 50 per cent off is the norm, either for all events or on selected nights of the week. These reductions are offered in advance (even if only a week in advance, as in the case of West Yorkshire Playhouse), and explicitly encourage planning on the part of the audience member. Where these kinds of pricing approaches work, however, the organisations involved don't rely on price alone to make the impact: they consider the needs of the young target markets in the way they conceive the programmes, the customer experience on arrival and the support materials/events offered. Those organisations that don't do this but simply offer lower prices for young people have limited success.

The RSC went one stage further by offering free tickets for people under 30 for performances in summer 2006. There were 100 seats for each performance in its Stratford Courtyard Theatre that were offered free to telephone, website and personal callers, with a limit of two tickets per order. The scheme was sponsored by ITV Central and two-thirds of the 8,990 bookers hadn't booked at the RSC previously. It's too early to know whether the audiences will be retained and encouraged to pay in future. An RSC £5 ticket offer for 16–25-year-olds has been taken up by 7,000 young people during the Complete Works Festival. Likewise, 68 per cent of them are new ticket bookers to the RSC.

The Fierce Festival of live art in Birmingham has a policy of targeting young people by setting ticket prices for its events as the 'price of a cinema ticket'. There is just one price – always a 'round pound' – and it's featured prominently on the print rather than hidden away in the detail. Many of the audience are not existing arts attenders and are considerably younger than for other contemporary arts festivals. Fierce is perceived to be an alternative to clubbing, going to the cinema or spending the night in the pub with friends. But pricing isn't a sole, blunt tool. The programme, too, has been created with the target audience in mind. The various media platforms through which communication takes place are diverse and matched to the various segments of the audience. The whole organisation uses its creativity to tap into the groups it wants to reach, as well as trying to retain existing audiences through brand and loyalty building.

Tickets priced in this targeted way, where they are linked to events likely to appeal to a young market, are selling in large numbers. Venues regard this investment in youth markets as long-term audience development; the price level may be low, but it is creating an arts habit in young people, often before the financial and time pressures of having a family, taking out a mortgage and caring for elderly parents set in.

Those organisations offering lower prices for young people only on the day or on the door have less success. Even if young people tend to book later than average, it doesn't mean they don't plan in advance. The risk of not being able to secure tickets (however cheap), added to having to plan an evening at a concert or event, drives all but the most determined to settle for a night at the cinema or in the pub. Standby rates sometimes deliberately match the price of a couple of pints, an important comparison in a market used to sales promotions in bars or student unions and whose culture is more discount-responsive than most. But these reductions are often taken up by students (and more often students with a study-related interest) than working young people, not least because of the ease of promoting them to an easily identified market at short notice.

Issues for pricing for youth markets

- it's not price alone – the rest of the offer needs to be right too
- make it meaningful – reductions of 10 per cent or 50p aren't likely to have the necessary attention-grabbing power alongside programming and customer welcome issues
- be clear about the importance of discounting to encourage risk-taking and increase frequency
- think about the prices charged to young people in comparison to other (non-arts) purchases they make and promote them in this way if appropriate
- don't assume that young people make decisions at the last minute – standby approaches rarely work except for the die-hards
- price-led promotions can help overcome the assumption that prices for arts events are much higher than they really are.

Over-60s

With evidence that many people over 60 could afford to pay full price without having an impact on their frequency of attendance or willingness to attend, some organisations, such as the London Philharmonic and Philharmonia Orchestra for concerts at the Royal Festival Hall, have removed price reductions altogether from this group, without a significant impact on attendance levels. There is now a widely held view that many over-60s claiming regular discounts are well-heeled and don't require them. For many arts organisations, this is the aspect of their pricing practice they would most like to change. The number and availability of 'seniors' discounts is on the decline: more organisations are restricting the occasions on which the over-60s can claim money off and the level of reduction offered.

Instead of offering permanent, across-the-board reductions for pensioners, many organisations are using specific events to target this growing market, with or without the incentive of price offers. Some organisations are removing price reductions altogether, while others are linking them to specifically targeted programmes of work, or even offering prices which are higher than usual, representing value-added packages including food and drink, programmes, talks or tours.

For example, the Tyneside Cinema in Newcastle has a specific programme strand; its Silver Screen sees fortnightly daytime screenings of a film specially selected for the market, with tickets at £2.20 each, to include a talk about the film and a coffee. It's effectively a membership scheme and is promoted primarily through word of mouth with existing users, with whom it is extremely popular.

Issues for over-60s pricing

- reductions offered in advance are more successful than those offered on the day
- most impact is achieved by linking seniors' price offers to specific programme strands or days of the week, and offering added value – sometimes at a *higher* price
- consider restricting reductions to this market to protect overall yield, in conjunction with targeted promotions for specific events.

Disabled people

Pricing for disabled people really deserves a chapter of its own, as it is a complex area. Organisations offer a myriad of approaches, and there's little consistency of approach.

Some venues require attenders to register as disabled with the venue to access price reductions. A few even charge for this registration service. Some will offer reductions for the disabled person and one other person, on the basis that some disabled people will need to be accompanied and shouldn't be penalised for that. Increasingly, venues have dedicated access officers, but there are instances of the support offered by these staff being intrusive and over-bearing.

Of course, the experience a disabled person has is informed by much more than the ticket price. As important will be the capacity and ability of the organisation to provide the *appropriate* welcome and support. Requiring disabled people to go through the process of registering with an organisation to access reductions simply puts another barrier in place for what is, after all, a non-essential service. It's likely that such approaches will put off the casual and first-time attender unless they're very determined.

The average earnings of disabled people, however, are lower than the norm. Many disabled people feel that, because they are only getting part of the experience (depending on their disability and the ways in which the venue accommodates them), they shouldn't have to pay full price. Most venues recognise this, but are reluctant to make the price incentives universal to anyone claiming to be disabled, effectively penalising many disabled people for the fraudulent behaviour of a small minority who may abuse the system.

Issues for pricing for disabled people

- reducing ticket prices for disabled people and their carers is often justified by the low earnings of disabled people, and the costs of getting to the venue, or the partial experience they may have
- avoid requiring people to register to receive price reductions – it will deter all but the most determined
- as important as reductions are the customer care policies of the organisation – the support offered needs to be well-judged and not over-bearing.

Pricing and driving up volume

Retention and frequency

So far, this chapter has examined price incentives for those groups that are traditionally seen as worthy of concessions and those who are new attenders.

However, price has also been assumed to be a useful tool in driving up volume among core attending arts audiences either through multiple purchases for a series of events (season tickets and subscription), or by using price as a key tool alongside others as a way of encouraging more frequent attendance without the need for a season ticket approach.

Despite predictions of the decline of subscription, some organisations, especially orchestras and opera companies, continue to rely on it for their core sales. In other artforms, notably theatre, the market for subscription has almost disappeared, but it’s unclear whether this is because audiences are less likely to buy subscriptions or because arts organisations have become less interested in offering them – or less skilled at developing and promoting them.

There is concern that the large reductions associated with subscription – often up to 30 per cent for large orchestral series – are benefiting people who are already committed. Wouldn’t these people attend as frequently without the level of discount offered? What if subscribers were asked instead to ‘donate’ their subscriber reduction to the organisation or maybe to purchase a half-price subscription for a young person? As yet, these interesting ideas haven’t been tested, perhaps because of an assumption of deep conservatism among subscribing audiences.

We need to understand the motivations for subscription much better, to map the impacts of changing reduction rates and package design, and to ensure that the concept of traditional subscription is not a negative one for those who aren't subscribers themselves. We also need to consider how subscription might be developed more effectively as a loyalty scheme rather than a pricing reward, or whether there may be opportunities for offering some subscriber markets added value, as opposed to discounts.

The Birmingham Rep is using flexible prices at the point of sale to increase frequency, offering an additional event at a reduced rate when a customer books a ticket. The success of each offer depends on the suitability of the event match, and the skill of the ticket-seller in promoting the offer. But this does address directly the 18 per cent of 'infrequent attenders' who cite 'cost of admission' in the *Taking Part* survey as the main reason why they don't attend more often. However, there is a contradiction here.

The RSC/Audiences London research into the relative price paid by different audience segments suggests that infrequent attenders are no more likely to pay lower prices than frequent attenders – in fact, quite the opposite. Those who attend once a year in London are among the highest-paying groups (only people attending three times a year pay more in relation to average ticket price), while the amount paid in relation to average ticket price is about 26 per cent lower for people who attend five or more times a year. Similarly, the RSC has found that regular attenders spend less per ticket than one-time attenders who tend to book closer to the performance.

But the research isn't conclusive: many one-off attenders are choosing to attend high-priced events such as major musical events with star names, where discounts are less likely to be available. The same people may choose to pay less for run-of-the-mill events.

Issues for retention and frequency

- explore what the motivations to subscribe or buy season tickets for the organisation might be; don't assume that price reductions are the key driver
- don't assume that reducing prices is the way to encourage greater frequency of attendance – infrequent attenders are as, if not more, likely to pay higher prices, or respond to value-added packages
- consider on-selling at the box office as a means of increasing frequency among less-frequent attenders.

Group sales

A study undertaken by Peter Verwey for the Theatrical Management Association (TMA) in 2000[5] examined the state of group bookings in a range of theatres and performing arts venues, mostly middle and large scale. He found that the overwhelming percentage of groups were of nineteen people or fewer for all types of work except children's and young people's work, where 55 per cent of the groups booking consisted of twenty or more.

Most venues and companies offer reductions for groups of eight or ten and over, though some offer more substantial benefits (including incentives such as dedicated spaces for groups during the interval or opportunities to meet cast or director) for groups of either twenty or forty and above. Verwey found that the majority of venues (around 75 per cent) offered percentage reductions, others offered free seats for group organisers and relatively few (around 15 per cent) offered flat rate reductions. Smaller and mid-scale venues such as Exeter Phoenix Arts Centre lead on free or reduced-price tickets for the group leader, while larger venues tend to offer either flat rate or percentage reductions.

Many group organisers say that adding value to the group booking is more important than (but not necessarily a replacement for) money off. In selling the concept to the group, the organiser can use the additional benefit of special events, talks, tours, free programmes, special interval drinks ordering or seat location to encourage people to take up the offer.

Issues for group sales pricing

- analyse sales data in depth, to understand volumes, price breaks and different market segments
- test rate reductions with all key markets through experimentation
- test added value as an alternative to discounting.

Discounting for yield management

Some organisations have managed to reduce the price of individual tickets while raising the overall level of income achieved. Some of these approaches also have the impact of reaching new audiences but that is not their primary role – it is an added benefit. These strategies depend on high levels of price elasticity: evidence that changing or even lowering price can generate greater income through increased sales than leaving ticket prices as they are. These approaches have challenged the long-held assumption that arts ticket prices aren't that elastic – that raising or lowering prices won't have that much impact on levels of sales.

The most celebrated of these is the National Theatre's Travelex £10 seasons of plays in its Olivier Theatre (and in one instance the Lyttelton). In its first three seasons (April–November 2003–05 inclusive), the National sold around 460,000 tickets at the reduced £10 rate, representing 70 per cent of all tickets sold. Because occupancy rates for plays have risen substantially (from 67 per cent to 92 per cent), and because the theatre has improved its productivity by scheduling more performances, and having fewer dark nights and faster changeovers, the overall *net* income has risen. Additional income has also been raised from the higher number of audience members buying programmes and using other facilities, such as catering.

In addition to the higher levels of income earned, the National's £10 Travelex seasons have reached large numbers of new attenders, though this wasn't their specific aim. In each of the three years it has run, 25 per cent of those buying the £10 tickets have been people who hadn't booked at the National before.

Birmingham Royal Ballet (BRB) achieved something similar at the Sunderland Empire.[6] Following a period when all tickets were £10 (as part of a pricing project by the theatre), prices in the mid-1990s started to rise and audience numbers fell. With the support of the New Audiences Programme, BRB priced all its tickets at £10 (£7.50 for children) for its 1998 seasons. In addition, BRB also aimed to attract non-traditional audiences for ballet, by targeting local community venues, especially those where men gathered, such as working men's clubs and Sunderland Football Club.

Overall, although the socio-economic mix of the audience didn't change, the company attracted 3,322 new bookers and, crucially, it achieved its best ever financial results at the theatre. So, as these two innovative programmes show, lower pricing can, when price elasticity is high, result in higher income levels overall because the volume of additional tickets sold compensates for the lower price charged.

Issues for discounting to increase yield

- test price elasticity for the organisation before discounting to raise yield
- don't necessarily expect that reducing prices in this way will reach a different group of people – while attenders may be new, they're more likely to be from the same socio-demographic groups as current attenders

- find support (sponsor, trust funding, etc) to enable a trial period without risk to the organisation's income
- make plans to continue a successful initiative when the funding stops.

Conclusion

It's too easy to think 'price reduction' when considering the approach an arts organisation might take to attract new and different people to its offerings. Specific market segments – most obviously young people – might respond to price incentives, but only when the rest of the offer is right too.

There's little evidence to suggest that high price is a major barrier for most potential attenders. There are exceptions: disabled people, having a lower average disposable income and sometimes receiving a lower quality experience than others, are more likely to attend if prices are set accordingly. Well managed subscription and season ticket schemes can encourage greater frequency of attendance, but we don't know enough about the role of price incentives in the mix of what's offered.

There are few arts organisations which budget for price reductions as part of their marketing and audience development expenditure. Outside the arts, sales promotions are funded by the marketing department rather than by reducing the level of sales income recorded. Such an approach in the arts could change the culture of price setting. Blanket concessions could be replaced by a more targeted, flexible approach encouraging development and promotion of relevant programme strands. Value-added packages might replace reductions for first-timers and infrequent attenders, and yield management would take on a new importance and focus. Price reductions would be seen as a cost of promotion or audience development rather than a hit to be taken at the box office in pursuit of demonstrating a social conscience.

The sector's greatest need, however, is for more research on the subject of the impact of price on different groups. Some organisations – most notably those agencies conducting large-scale benchmarking exercises in their areas, such as the RSC – are beginning to identify key factors in price sensitivity among different sectors. Those findings are helping to challenge long-held assumptions about price and the role of discounting or lowering prices to attract target groups.

References

1 Projects that benefited from New Audience Programme funding are documented at www.newaudiences.org.uk

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4 Angela Galvin, Peter Taylor, Sophie Withnall and Elizabeth Owen, *'How Much' project report*, Sheffield Theatres Trust/Arts Council England, February 2000

5 Peter Verwey, *Theatre Ticket Sales to Groups*, Theatrical Management Association, November 2000

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To charge or not to charge
Gallery admissions at the Sainsbury Centre for Visual Arts

Given that, unlike our national theatre or dance or music, our national art collections are expected to be fully and freely accessible to the public, which 'owns' them, the big question for many in the subsidised gallery sector is whether to charge for any admissions at all and, if so, on what those prices (or, more often, that price) should be based. After the brief interregnum, in the early 1990s, when many 'free entry' national art galleries and museums were forced into selling tickets to generate income the government did not want to give them, we are now back to a situation where some charge and some don't – or perhaps, like Tate, only charge for temporary exhibitions, largely because these have cost implications beyond those of maintaining permanent collections.

The Sainsbury Centre, based at the University of East Anglia in Norwich, has gone through this change of policy twice, though for different reasons. It took the decision to offer free admission to its permanent collection when it reopened in May 2006, after a major refit. That put the Centre in line with the big national collections and also passed on to the public the benefit of a favourable decision on charging and VAT for university museums, which extended to those university museums in receipt of government funding through the Arts and Humanities Research Council's museum and gallery funding scheme the same VAT status enjoyed by national museums – providing admission to the museum's permanent collection was free.

Although this proviso does not apply to temporary exhibitions, the Centre decided to extend free admission to *Pacific Encounters*, its first temporary show, allowing visitors free access to all gallery spaces. This was partly to celebrate the refurbishment and ensure that all visitors were able to enjoy the full gallery experience with no price barrier and partly to celebrate the *Pacific* exhibition and remove any perception of risk for visitors who might not be familiar with Pacific art and the story of how it was collected by early explorers and missionaries. It was a resounding success. Over 18,000 visits were made to the *Pacific* show in twelve weeks, making it the Centre's best attended exhibition.

When it came to the first major temporary exhibition of 20th century painting, however – a major retrospective of Francis Bacon – a different choice was made. On the one hand, as Kate Carreno, the Centre's head of public services and administration, explains, this was an opportunity to charge, as the public would expect to pay for a landmark event like this. On the other, if no charge were made, the gallery might be completely swamped. Given the Centre's location and audience base, it was felt that to charge more than £4 or £5 would have presented a significant barrier to entry. In the event, the full price was set at £4, and was calculated to make a welcome contribution to earned income but not to cover exhibition costs. Initially, the Centre thought it might charge for one or two temporary shows a year, but it then decided to charge £2 minimum for a full price ticket to see temporary exhibitions from summer 2007. Admission to the permanent collections remains free.

From free to charging

Although ticket prices seem low, certainly in comparison to theatre or cinema admission, the implications of a shift from free to charging are still to be seen. The two 'low-key' shows programmed at the beginning of 2007, an exhibition of paintings by Martin Bloch and a show dedicated to the University's Anderson Collection of Art Nouveau, were expected to attract modest numbers so an early decision was made not to charge for these. However, they did as well in audience numbers as the Bacon show (an impressive 16,000). Although the Bloch exhibition benefited from very good press coverage and both shows generated very positive word of mouth, at least part of the reason for their success was felt to be free admission. Kate believes that, while a visitor's first attendance may not be affected by whether or not the show is free, the pleasant surprise of getting in without paying anything encourages repeat attendance and also persuades visitors to bring friends and family with them second time around. Effectively, not only does it remove the price barrier, it removes – or vastly reduces – the risk that visitors might invest time and money and then not like what they see. They might also recommend the show to their friends. A £2 charge might – or might not – change all that.

The low charges are partly due to the Centre's out-of-town campus location, where parking fees have been introduced, at £1.50 for two hours, and are set with an eye to charges at similar university art museums, similarly located venues with similar programmes, and local venues, such as Norwich's Castle Museum. As at performing arts venues, the Centre offers more than one standard price, including concessions and family tickets, as well as free entry for under-5s and members of the university. To calculate visitor numbers, tickets are issued, even to those visiting the free permanent collections.

Another source of income

It is perhaps ironic that the visual arts sector is so often diffident about charging people when museums and galleries have far greater flexibility to alter their offer to suit their audience. Some galleries do exploit this, for example, with later opening hours or by offering timed entry, where prices can be varied to capitalise on which times are most popular. However, for the Sainsbury Centre or for a gallery like the Whitechapel in East London, which has only one paying exhibition each year, there is money to be made, not in ticket prices but in the gallery shop.

The sale of merchandise in the gallery shop is a crucial factor in income generation in the visual arts sector. The Whitechapel currently earns between £50–100,000 on limited-edition catalogues alone, which compares to its take on the annual paying exhibition of £50–70,000. At the Sainsbury Centre, catalogues, cards, DVDs and other items linked to current exhibitions, along with more broadly art-related products, generate an average spend per visitor of around £3.50, net of VAT, and average spend per shop transaction of between £8 and £12, net of VAT. Interestingly, just as West End theatre data shows that people buying top-price tickets spend more on the rest of the evening out (transport, restaurant and so on), so visitors to the Centre seek to get more value out of their visit – by spending more. It seems that the more prestigious and highly priced the show, the more the customer dwells in the shop and the greater their spend.

With thanks to Kate Carreno
Sainsbury Centre for Visual Arts, www.scva.org.uk

Chapter Five
Selling tickets and influencing people

I think it's a scandal the amount of money that customers have to pay in booking fees. When they call our box office, they know they're calling the National Theatre, not a ticket agent, so I see cutting out these charges as a very strong marketing opportunity. Even though it's very expensive to run our box office operation, it's still a valuable opportunity for us to increase our service to customers.
Chris Harper, ex-Director of Marketing, National Theatre

If price is based on a perception of value, then how about booking fees? These extra charges may be met with a shrug, a snort of irritation or a slow-burning fury on the part of the person booking, but just exactly how did such charges become so common – and how do they square with the growing desire for better 'customer relationship management'?

This chapter challenges current box office practice, unearthing the history of booking fees and examining why audiences have not generally benefited from the cost-saving that new technology and the internet have made possible.

Chapter One began by asserting that buying a ticket for a show can be 'an unpleasant experience', partly because of booking fees. As Beth Aplin shows, this is not simply a quibble but an example of how carefully an organisation must develop its pricing strategy if it is to successfully promote its 'institutional value'.

Selling tickets and influencing people
Transaction charges and the customer relationship

Beth Aplin

> 'So, that's two tickets for *Deal or No Deal: The Musical* at the special half-price offer, making a total of just six pounds. If you'd like to pay by credit card, there'll be an additional £2 processing fee, and also a £1 booking fee per ticket. And we'll be posting them first class for a fee of £2. So that's a total of £12…'

It's a worryingly familiar conversation. As many a disgruntled patron has wondered: just why do venues charge people extra for basic services? Tesco doesn't charge you a 'checkout fee' for the pleasure of being able to give your money to its cashiers. Indeed, most industries incorporate these basic running costs into the face value of their product. So, what makes venues so different?

This chapter examines the evolution of fees in ticket sales and argues that their emergence has been a result of short-term reactions to the introduction of new technologies. As such, they lack a logical rationale for existing in their current form. And, as we'll see, due to a misunderstanding about the true cost of selling tickets, the notion that venues benefit financially from passing on these costs to the customer is a fallacy.

As well as exploring how audience acceptance of fees depends on the relationship different types of venues want to have with their customers, the chapter also examines how the implementation of box office fees affects the in-house box office at venues, as opposed to the impact it may have on companies or ticket agencies. A venue's box office is the contact point between the audience and the venue and, if anyone is going to be affected by the decision to charge fees, it's going to be the box office.

The box office's commercial counterpart – the ticket agency – makes all its money through charging fees, so perhaps we can't reasonably expect it to change its ways any time soon. But the in-house box office is part of a larger organisation – the venue – and this makes its purpose and its options far more open to debate.

To begin at the beginning, let's have a look at how people used to buy tickets in the dark and distant days of a couple of decades ago.

A history of selling tickets

Once upon a time

Until surprisingly recently, people bought tickets by visiting the box office. They would discuss their choice of show, pay in cash or by cheque for their seats and then take their precious tickets away in an envelope.

If they were regular bookers, they might be encouraged to join a mailing list so they could receive a season brochure. This brochure would include an often baffling booking form on which they could mark their selections and list their seating preferences, before sending it off with an open cheque and SAE. Once received, the venue would process these forms, in strict order of receipt, and then enter into an often complex correspondence with the customer as they battled out specific seat choices. Maintaining order and rigid structure was essential to stop chaos breaking out. With only a single paper seating plan and a book of tickets per performance, keeping track of house seats, price breaks and the dreaded returns was no mean task.

Savvy customers would attempt to speed up the process by phoning and reserving their tickets before popping payment into the post. While this made things a bit less chancy for the customer, it made more work for the box office, who needed staff around to take the initial phone call, pull the tickets, wait for the post and then attempt to match up the name scrawled on the reserved tickets with the cheque. Only then could the box office change the status of the tickets from 'reserved' to 'sold' – always assuming that the payment actually arrived. Sorting through all the reserved tickets and pulling out those that the customer had abandoned was a major housekeeping chore.

For the majority of box offices, you paid the ticket price and, provided the customer had enclosed an SAE, that was that – a sale was a sale. Admin fees were only charged to deter complex labour-intensive processes – returning tickets, for example.

And then one day

During the early 1990s, two changes combined to introduce the first ticketing revolution: the widening adoption of credit and debit cards, and affordable computerised ticketing systems. In the 1980s, those computerised systems that did exist ran on mainframe computers and required a dedicated team of worshippers to tend their needs. Consequently, only very large and wealthy arts organisations ever had them.

In those dark and distant days, IBM held the monopoly on personal computers and its prices reflected this. But when the Far East started producing PCs that were 100 per cent compatible, things changed. Suddenly smaller businesses could own PCs that were *nearly* the same as IBM's ones, and for a fraction of the price. No longer were computerised systems the preserve of the elite arts venues, and it was a change that revolutionised ticket selling.

Then the banks wised up to the potential of electronic payment methods. Processing cash and cheques was a time-consuming and expensive business, but now plastic was the name of the game. Sure, a few early birds already had their credit cards, but their foresight tended to inspire suspicious glances rather than respect. But the introduction of debit cards, where customers could clearly see where the money was coming from, made plastic accessible to all. Gone were the worries of hefty credit charges, replaced by the ability to pay for things without the tedious business of actually having to be there. You could now book and pay for your tickets in one relatively painless transaction and the only physical exchange was the box office posting out the tickets.

Interestingly, prices and fees remained unaltered. High admin fees were only charged to those sneaky types who tried to return their tickets. In the world of paper-based box offices this policy had arisen from practical concerns – a returned ticket would mean a mountain of paperwork and an accounting nightmare. On a computerised system, the only real backlash of returning tickets was having to explain to the promoter why its sales figures were down on the previous day.

But every silver lining has a cloud, and computerised box offices were no exception. Although the process of selling tickets was now more streamlined and transactions could be completed in a single call, this system had one major disadvantage over postal systems: it was up to the customers to decide when their purchase would be processed.

In a post-based system, the venue could handle the bookings when *they* chose. If it was a busy day, you could simply mark the date received on the envelope and process them in strict order. With phone sales, however, customers expected to get through first time and to be dealt with there and then – when *they* chose. If you hit a busy patch and people couldn't get through, you would start losing sales. And the booking patterns themselves could be harder to predict. For instance, a favourable review in the local paper could send the phones into a frenzy on the traditionally quiet week when half the box office staff were on their annual backpacking trip.

In practice, this introduction of technology meant that a small army of box office assistants now had to be beside the phone ready to tackle what could either be a rush or trickle of bookings – nobody could predict anymore. This staff cost is the ‘forgotten’ overhead of computerised systems. It explains why the introduction of computerisation, for all its huge efficiency savings, has not had the financial impact that it should have had.

The next revolution

Then, in the mid-1990s, the second ticketing revolution occurred – the internet. Now it was possible to remove the box office staff from the equation completely. We were at the start of a new, super-efficient age of tickets. Well, that was the theory.

The most interesting thing about the rate of internet ticket sales within the industry is the huge discrepancy between venues. For example, the MEN Arena sells 90 per cent of its tickets (for some, not all, performances) via the internet. The only reason it’s not 100 per cent is that they hold some back to placate the poor folks who’ve been queuing in the rain for five hours, waiting for the ticket office to open. Conversely, many other venues feel that 10 to 12 per cent internet sales is really rather good. And some others have not felt the need to introduce real-time internet ticketing at all.

This difference can be partially explained by the behaviour of one ticketing software supplier, Tickets.com, which has by far the largest share of middle- and small-scale arts customers within the UK. When it introduced its straightforward, integrated internet ticketing module in 1996, it was way ahead of the game. However, it decided to charge UK venues £1 per ticket processing fee, plus a moderately priced credit card fee. Many venues thought that their customers would not bear this additional cost and didn’t want to lose £1 per ticket of their own revenue for selling via the internet. So, these venues simply didn’t take up the internet ticketing option.

Another factor is the amount of money venues are prepared to pump into their websites. The internet is another whole new element within the marketing mix – stretched marketing departments have been asked to maintain all their existing channels (brochures, direct mail, posters, etc) *and* add in designing, maintaining and marketing an appealing and effective website. This is especially problematic when it can take some time to see a tangible payback on the investment. Websites may also be another area where arts organisations feel they are somehow *different* from other kinds of businesses: a firm like Amazon manages to express its personality very clearly through its website, while many venues feel the simplest of sites will be enough for its patrons, who are presumed to be above such things.

Yet another problem is the sheer speed of technological change and the investment required to keep up. Arts venues tend to depreciate computer hardware over five to seven years. Many commercial businesses now depreciate computers over two to three years. The arts has a culture where you save up, apply for grants, spend an eye-watering amount of money updating one department's hardware and software, and then heave a huge sigh of relief that this will not need to happen again for another seven years. But, because of the speed of change, most of this stuff is really out of date after four years. Your antiquated equipment doesn't take advantage of any new technological efficiencies, and half the time it isn't even compatible with the cast-offs of a more up-to-date business. New software won't run effectively, if at all, and this can limit the organisation's competitiveness.

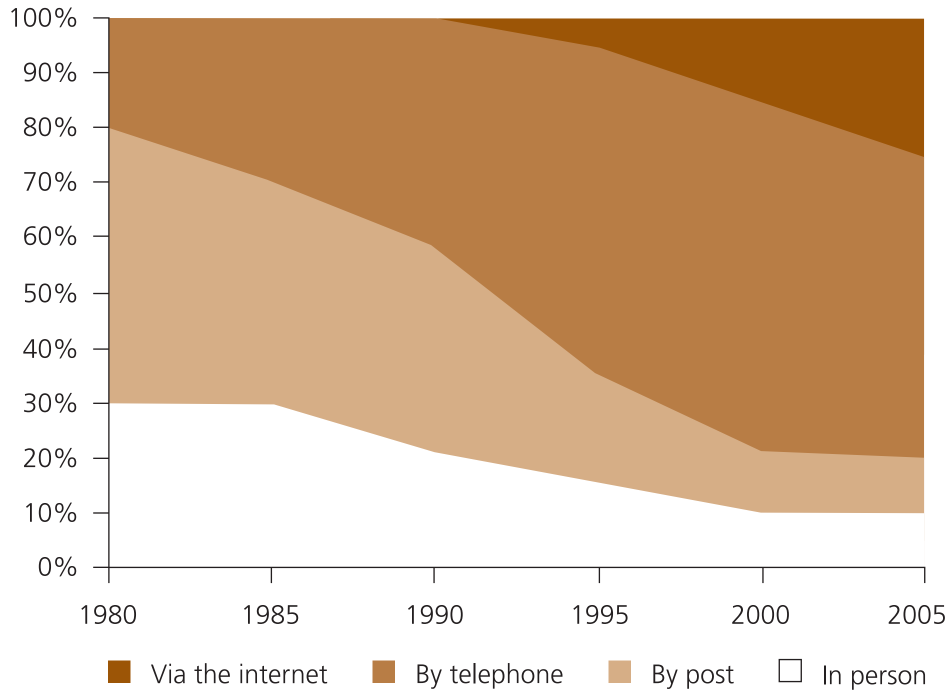
The commercial lesson in all this is that businesses don't spend big bucks constantly updating their hardware and software because it comes in better colours. They're doing it because it makes financial sense. The software changes are making things simpler and quicker (despite how it may feel at the time when first presented with a baffling new array of menus) and improving communication with other departments and with the outside world. In simple terms, new technology helps you to be more efficient, which ultimately saves money.

That said, keeping up with technological change requires expertise as much as money. An organisation needs to know:

- what to buy
- when to invest in one particular innovation rather than another
- how to set it up
- how to manage and maintain it
- how to take a step back and reassess your whole business process.

The last one is important. The time when these innovations really save you effort is not when they duplicate something you used to do but a bit better; it's when the technology takes over whole areas of work previously done by people. That's when it enables you to completely rethink the way you work. The whole aim here is for technology to take on more and more of the repetitive, time-consuming tasks and leave valuable people free to make decisions, manage, communicate with the public and create some life-enhancing art. Easier to say, though, than for arts organisations to do.

If we plot the percentage of tickets sold over time against the method of sale, we come up with something like this:



It does not take rocket science to work out what the future might look like, and we should take note of the fact that many successful businesses are working as hard as possible to speed up these changes.

Data protection and all that

In recent years, various legal requirements for box offices have also had an impact on how things are run. In the era of computer records, the need for adequate data protection is probably the most visible example of this. In essence, data protection laws mean that a venue must have the informed consent of its customers before targeting (or bombarding, depending on who you talk to) them with marketing materials.

The data protection laws also have implications for venues that share their databases with each other. While this has often been seen as a common sense means of attracting new audiences for similar venues, the spirit of the data protection laws requires the data holders to consider what is common sense from the customer's point of view. Despite confusion over quite what this mythical customer might consider to be 'common sense', in practice the entertainment industry has embraced data protection like a surprise visit from a distant relative – someone we're stuck with, even if we're not quite sure what we make of them yet.

What this has all meant, in practical terms, is a requirement to inform the customer, at the time of their first booking, of what may happen with their data. While essential in terms of legal requirements, this has meant further hidden costs in terms of paying a box office assistant to read out a lengthy data protection statement (and then often having to explain what its careful wording actually means to the customer). Perhaps this is one area where internet sales really do excel; if the urge takes the customer to read the data protection statement then it costs no one's time but their own.

Balancing the books

So, we can see that the introduction of new technologies – credit cards, computers, internet booking – had a practical impact on how box offices were required to operate if they were to stay competitive. The question was how venues would react to the increased cost of appearing not entirely antiquated. In the best tradition of human behaviour, they panicked. They introduced explicit fees for customers to cover the cost of these new ways of selling tickets.

Frankly, this was a strange thing to do. Whatever the technology, the selling of tickets through a box office is an essential income stream for any venue. All but the artiest of venues are reliant on selling at least a few tickets for their events, but venues have decided to make parting with cash a premium-rate privilege for any customer foolish enough to try and do so.

Obviously, any moderately bright customer might ask why a supposedly more efficient system was actual costing them more to use, and they'd have a point. The actual cost of supposedly fee-incurring activity is often misunderstood by venues, and this misunderstanding has led to fees which can greatly affect an audience's perception of that venue.

The impact of charges and costs

Easyjet obviously thinks that relatively small fees have a big influence upon customer behaviour – that's why it's £5 more expensive to book by phone rather than via the internet. Consequently, 90 per cent of its customers book online. It is penalising the customer for behaving in a way that costs the company more money. In principle, this is what venues are doing with their fees. In practice, however, they are doing quite the opposite.

Postage fees

The increasing use of credit and debit cards has meant that people complete ticket sales remotely and aren't present to take their tickets away. This led to three possible solutions:

- ask people to pop by the box office when they had a moment
- ask people to collect their tickets on the night
- put the tickets in the post.

The problem with popping by the box office is that it rather undermines the whole streamlined, efficient process. The world of computers and paying by plastic is based around saving time for people with busy lives, a viewpoint not really compatible with dragging people in to collect something they've already paid for. Amazon wouldn't be the success it is if you had to trail out to Milton Keynes every time you ordered a book.

Many people choose to collect their tickets on the night. In busy venues, dishing out pre-paid tickets uses up valuable staff time that could be better spent selling more tickets to customers on the door. Consequently, some venues insist on posting tickets booked a certain amount of time before the performance.

However you look at it, popping the tickets in the post seems the most sensible solution. However, without a stamped self-addressed envelope, where is the postage fee to come from? Simple – charge the customer. The irony of this is that the two options that take the most box office staff time and money are free to the customer, while the most efficient – not to mention the most popular with busy customers – is the only one that incurs a charge! And this irony deepens when we consider that darkest of all arts – the returning of tickets.

Returning tickets

Without wanting to suggest that we open the floodgates and let people buy, return and generally faff about with tickets all over the place, there is a legitimate objection to be made about some of the games being played here: we say 'no returns' – but we don't really mean it. What we *actually* mean is:

- 'We want to discourage you from doing something which used to be complicated and requires staff time'
- 'No one else allows returns, so why should we?'
- 'The promoter wants to see the sales figures going up over time, never down'

- 'If you make enough fuss, the box office manager will make a judgement call about whether your excuse is valid'
- 'If the box office manager does not choose to allow you to return, you can always write a horrid letter to the Chief Exec, and if he or she is in the right mood, they may well overrule the previous decision'

Basically, the more you are difficult and complain, the greater your chance of being allowed to return or exchange your tickets. We are actively encouraging customers to complain, which – other than not being terribly pleasant for the person taking the complaint – uses up considerable amounts of staff time.

I love John Lewis. The shops are bright and spacious; the café is nice and has enough highchairs; it stocks all the clothes I need for frequent travelling; and the staff are knowledgeable and (*almost* always) helpful. The two killer attributes which have endeared me to it for twenty years is its strapline – 'Never knowingly undersold' – and the fact that its staff are just as sweet and charming when I bring a few things back as when I buy armfuls of clothing. I trust them, and they trust me.

They trust me not to spend a lot of my time choosing just the right top and then return it on a whim, and that I won't make a habit of it and damage their overall sales figures. What it means is that I can take a bit of a chance and buy something that I *think* will match and then check it at home, safe in the knowledge that I have not permanently committed myself to a clashing white elephant.

Just think how good it would feel when buying special-treat tickets for the panto, if you knew you could just change them if your kids had forgotten to tell you about the school disco that night. Wouldn't it encourage you to take more risks and book more tickets?

OK, it will take some box office time, so charge a *reasonable* fee. But, over time, can anyone really think that the few quid made charging for returns, with all the attendant staff time apologising or arguing (depending on how good their excuse is), is really going to be worth more than the extra tickets sold to people who feel they can safely take a chance on buying tickets for shows?

Credit card fees

In fact, when we look closely, we can see that almost all common box office fees suffer from a perverse logic. I have been told of three separate venues where over-the-phone box office staff, trying to provide the best customer care they can, have advised customers that the cheapest option is not to pay for the tickets then and there on their credit card, but to reserve them and pop into the venue in person and pay by cash or cheque.

Let's say you're paying your box office staff £6 per hour. When we factor in PAYE and NI, heating, lighting, computer terminal, software licence and so on, it's probably costing you, say, £12 per hour for each staff member. If your staff had taken the booking and accepted the credit/debit card payment, the transaction might have taken ten minutes (with data protection questions), thus costing you 33p debit card transaction fee + £1.20 in staff time = £1.53.

A 'customer-friendly' staff member in a venue which charges a credit/debit card fee is having a ten-minute conversation (£1.20) *plus* spending 10 minutes opening the posted cheque and matching it up to the booking (another £1.20). Then you've got to pay for the time while your accounts department handles the cheque and banks it. And banks will charge a small fee for the privilege – another £1. So, by providing a good service, your box office staff have just cost you £3.40 in fees for selling the tickets. This has thus cost the venue more than twice as much in direct and staff costs. The customer has also been inconvenienced, and possibly convinced that the organisation is more focused upon maximising profits than making life easier for them. And all of this then assumes they remember to actually put the cheque in the post at all. If they don't, a box office assistant will have to be paid to contact them.

Tesco doesn't penalise me for spending slightly more than I can afford and bunging it on my credit card, and it seems to be doing pretty well.

Interestingly, I've recently been told that Ikea has started charging 70p for paying by credit card – but what impression does that give? It reflects Ikea's brand values: it is not about top quality or service or convenience. I have yet to meet anyone who actually enjoys the whole shopping experience from queuing to get into the car park, to queuing to get out afterwards. But the design is nice and most of all it's *cheap*.

Ryan Air operates in a similar way and everyone I know who has flown on Ryan Air recently *hates* it. The introduction of the extra charge for carrying baggage in the hold really leaves you in no doubt that it is trying to keep those enticing headline prices as low as possible while making as high a profit as possible (it is the most profitable airline in the world) by slapping on the extra charges at the end. You feel ripped off. Are these the brand values of your venue?

The internet tipping point

One of the most important issues which has cropped up when venues have been considering their internet ticketing fee is just how much the new equipment, training and software needed to provide this additional way of selling tickets has cost. This is perfectly reasonable. But what does not seem to have been factored into the calculation is the potentially huge savings on staff costs. The savings *should* far, far outweigh the costs.

Probably the main reason for this is because these serious savings don't seem to kick in until about 40 per cent of your tickets are sold via the internet – the 'tipping point'. Then, you are able to reconsider your whole box office model and adjust staffing levels. A vicious circle has built up in some venues where fees are just high enough to put off the casual purchaser, so the level of sales never rises above 12 per cent. As insufficient savings are made to show the potential, the additional running costs seem like pure overhead rather than a potential revolution.

I buy things via the internet when:

- there is a *slight* price incentive
- I have confidence in the company
- there is enough information (well presented) so that all my questions are answered when I want to consider them and I don't need to ring up to complete gaps
- the buying process is logical and intuitive.

I much prefer to buy over the internet but I am often stopped because of the absence of some of the features above.

My most significant recent purchase was airplane tickets for me and two small children to Australia – all completed most satisfactorily via the web. I already knew which airline I was going to fly with, and was able to research prices versus dates at my leisure over a number of days. Having finally chosen and paid, I was able to look at a seating plan of the plane and choose exactly which three seats I wanted on lengthy flights, and could even pre-book the children some special meals. All in all, I must have visited the website six or seven times, printed out sections and sought deeper bits of information as I was ready for them and at times to suit me. I had much better service suited to my needs than if I had phoned up – and I did not have to pay the phone booking fee.

I used to say that, if I was just buying something simple, then the web was quicker and easier, but if I had a complex enquiry I would want to talk it through with someone. But this experience has shown me something new: websites are improving all the time and, when people put enough thought and effort into designing them, you are able to get more information. It can actually be better than talking to someone.

Obviously, only a percentage of the population feel like this, but there is so much untapped potential here – happier, more informed customers who are saving you money every time they self-book and don't require you to have a member of staff 'waiting to take their call'. Surely we should be encouraging this. To argue that the initial outlay in technology might make unwelcome reading for the accounts department is to take a very short-term view. Over time, investment in new technology will reduce staff costs and make the company appear in touch with an increasingly computer-literate culture. We should be encouraging customers to use technology that makes our jobs more efficient and ultimately cheaper, not penalising with fees.

Updating a website costs money, so you ideally need a good ongoing relationship with a friendly web company and need to put aside a few thousand pounds each year to incorporate your new great ideas. Compare this with the outlay on brochures. With a good website you can set up email lists and then contact people monthly with your latest offerings, deeper background on the current production, the latest great press review, the new brochure links and so on to encourage them to click that button and book right there and then. All this without print and postage costs. How much money would it save you in your marketing budget if you needed to print and mail one-third fewer brochures?

'Print at home' technology could well make a big difference in the next year or so. The major ticketing system suppliers are up and running, with cheap barcode readers. What happens is that customers (having been energised by your exciting marketing email and clicking through to buy tickets at once) select and buy their tickets and then chose either to be sent an email that they can print out later or simply to print a page now. This has a barcode which the venue can scan as the customer goes into the auditorium (with assigned seating venues, you may not feel the need to scan as there is only one 'Stalls B12').

When you work this through (no ticket stock, no posting of tickets, no pickup on the door) this just might revolutionise the whole business. Spend your valuable staff time and expertise communicating with the right people in the right way and then let customers take their time to choose their own seat (and let them see the stage view from each seat) and complete the whole booking process themselves. Some venues are, apparently, offering the customer a £1 discount if they 'print at home'. We might be looking at 70 per cent of most venues' tickets 'self-sold' within a few years, so:

- don't charge credit card fees
- don't charge postage fees
- don't charge internet booking fees.

But instead:

- make it cheaper to book online
- make it cheaper to print your own tickets.

Inform and then empower your audience.

The relationship between venue and customer

Is there really anyone out there who feels happy about paying fees? The important question, though, is whether this will affect their behaviour, specifically through discouraging them to book further tickets.

The answer to this, in my view, lies in the type of venue charging the fees, and the sort of relationship it wants with its customers. At the risk of being contentious, many arts organisations tend to fall into two fundamental types and, while any one customer may well visit both types of venue, they may well feel a different level of *emotional* attachment towards them.

Type A venues

These venues tended to be among the first to take up the option of charging additional fees for credit and debit card payments when the law changed to allow this. They mostly charge postage fees and increasingly charge general booking fees. If you wish to attend, you will pay the ticket price plus one or more additional fees.

These venues report a relatively low level of comments from customers about the fees being charged. This is because the customers have little emotional attachment to the venues. Essentially, what these venues offer is a highly commercial transaction – premium prices and fees in exchange for a known quantity. The audience is not encouraged to feel any real ownership of the venue, since it is the product on offer which is the selling point.

Type B Venues

These venues will be trying to form lasting links with their audiences, through education programmes, membership schemes and an artistic programme aimed at encouraging audiences to try new and unfamiliar things. Essentially, they are asking us to trust them.

Some of these venues now charge more fees and, according to many box office operators, introducing these creates some 'slight resistance'. The fact that Type B venues receive more such complaints than Type A venues reflects the fact that their audience feels a genuine attachment to the venue. They complain because they care.

It is my belief, however, that the introduction of fees in these venues has a very negative and damaging effect. If we can at least agree that no one likes paying fees, then we can assume that their acceptance at Type A venues is because their product is unashamedly commercial and the fees are just seen as a cost of doing business.

At a Type B venue, however, the audience is being asked to trust the venue. To try new things. To experiment. All of these things seem to be in stark contrast with asking people to pay additional fees for the privilege of spending money with them. While all venues must, of course, be financially solvent, it seems odd for places that often pride themselves on their artistic content to then treat their customers as cash-cows. The type of fees associated with Type A venues are out of kilter with the sort of inclusive, risk-taking image that Type B venues want to promote. And who knows how many fewer chances an audience will take when they feel they'll be charged to the eyeballs for the pleasure of trying something unfamiliar?

Conclusion

It is my firm conviction that fees have been introduced as a knee-jerk reaction to new technology – which is actually supposed to make things cheaper and more efficient. By charging fees to cover these costs, venues are damaging their relationship with their audiences. Furthermore, since none of these fees has evolved out of a rational, thought-out strategy, they often penalise behaviour that actually helps to cut costs at the box office. Venues need to consider:

- how much a fee-incurring transaction *actually* costs – both in staff time and direct costs
- how you want to encourage the customer to behave
- what sort of relationship you wish to have with your customers

- as the rest of the world is in the middle of a *huge* internet revolution – eg what percentage of your audience has previously booked with Easyjet and printed their own boarding pass? – what kind of impression does your venue project?

Charging fees is always going to make people unhappy. If you're also asking them to trust you and take chances, don't kid yourself that charging them to do business with you won't have any effect.

Event by event
Cost-based pricing at The Stables

The Stables in Milton Keynes is a major live music venue with a menu of jazz, blues, folk, rock, classical, pop and world music all served up in a purpose-built auditorium that seats 398 people. Its size is crucial to its pricing strategy.

According to its chief executive, Monica Ferguson, prices are usually set higher than other venues due to ‘our limited capacity and our proven ability to sell artists at a higher ticket price because of the intimacy of the venue’. This relies, of course, on the popularity of the artist and quality of the experience. Monica gives an example:

If we know that someone like Bill Wyman is playing here and is also playing Derngate twenty minutes up the road, we can afford to generally charge between £5 and £10 more, because there are enough people prepared to pay extra to see him in our intimate auditorium rather than in the 1,000-seater.

An emerging artist, however, will be priced low ‘to encourage experimentation’, as there is no benchmark to follow – ie how quickly it sold out last time and at what price. When a new artist is booked, the venue looks at what others are charging and what the cost of the show is before setting its own prices.

Pricing in the main auditorium at The Stables is intended largely to cover the direct costs of running the event and to contribute to overheads. Most shows are priced according to the cost of the event and the perceived demand for tickets, and most are set in consultation with the artists’ management as they frequently involve guarantees, calls and box office splits. Certain types of events are priced to develop audiences and ensure diversity in the programme, such as world music, classical and contemporary jazz, but most are priced according to demand. Some events are given pricing structures that encourage advance purchase; others rely on targeted discounts; and, for yet other shows, pricing bands are moved according to demand. This, Monica explains, happens mostly on special one-off fundraising events with high prices where ‘we create tiered pricing to test the demand, then move the availability to maximise ticket yield’.

The same demand-driven approach is taken to increasing or lowering prices. If a show is selling badly, Monica will consider targeted discounts, and each offer is tracked carefully to assess success and prevent a culture of discount expectation. She also uses this as guide in deciding whether to take the show again or as part of the negotiating tactics with the agent to lower future fees or, indeed, pay higher fees if the show has done particularly well and it is clear that demand for tickets has outstripped supply. 'We rarely drop prices from year to year if an event has struggled, but we may consider introducing new price bands to provide greater choice.' As every event is priced differently, The Stables has much greater flexibility to vary its pricing without creating price resistance.

The Stables is also about to launch a second space – Stage 2, which will seat around eighty, to support the development of emerging artists and new audiences. Monica explained that the pricing strategy for this space will be radically different from the main auditorium. Research has indicated that people seem to have a price threshold for this space of around £10–£15 and that the lower the ticket price, the more likely they are to experiment.

Fundamentally, while it would be desirable to cover costs in this space, we recognise the need for this space to be resourced in other ways and to take a long-term view of it as an investment in our future programme and audiences. This resourcing is likely to be achieved through funded projects and sponsorship or because it is driving additional secondary spend through bars and catering.

With thanks to Monica Ferguson
The Stables, www.stables.org

Everything must go

CBSO's January Sale

If a fashion store can have a January sale without damaging its year-round sales, then why can't an orchestra or a concert hall do the same? According to Sarah Gee, the former director of communications there, that was the thinking behind the January Sale promotion that the City of Birmingham Symphony Orchestra, based at Symphony Hall Birmingham, launched in 2001. It was only after its iconic maestro, Sir Simon Rattle, had departed in 1999 that the steady drop-off in attendance that had been occurring each New Year in the eight years since the Symphony Hall opened was noticed.

In a startling move, prices were slashed by 50 per cent, yet the first week's takings were nearly three times the usual weekly income. To mix metaphors, that finger in the wind had the orchestra's marketing department holding its breath to see if this initiative would go on to wreck the following monthly sales figures. It didn't. It also had the added bonus of drawing in a significant number of new audience members, tempted to take a risk, along with loyal attenders, most of whom didn't seem to mind the cut-price approach. One who did – the managing director of a firm sponsoring the CBSO – thought it 'cheapened the brand', but the orchestra's reputation has survived, the press was largely supportive and the January Sales have continued. Other than reducing that initial, rather hefty cut to 33 per cent off, there has been relatively little fine-tuning of the scheme; a two-for-one deal in the second year drew complaints from singletons and was dropped. In the world of classical music, it's perhaps a brash idea, but one that is more than commonplace in retail. Where the shops get to clear out their old stock and bring in the new season's, the orchestra has cleared out much of its enormously complex subscription offers for the second half of its season, and instituted an elegantly simple way of getting more people in to listen to really good music.

With thanks to Sarah Gee (former director of communications)
City of Birmingham Symphony Orchestra, www.cbso.co.uk