

Call it a tenner

The role of pricing in the arts



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Edited by Richard Ings



The editor



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The opinions expressed in this publication are those of the contributors and not necessarily those of Arts Council England.

Contents

Foreword <i>Craig Hassall</i>	7
Preface <i>Richard Ings</i>	9
Introduction Playing with live ammo: Debates around the role of pricing in the arts <i>Richard Ings</i>	13
Chapter One What price epiphany? Assessing the value of the arts <i>Robert Hewison</i>	25
Chapter Two Can we raise our prices please? Building towards a viable pricing strategy <i>Angela Galvin</i>	43
Chapter Three The bottom line: Using pricing to optimise sales and income <i>Tim Baker</i>	65
Chapter Four Pile them high, sell them cheap? Pricing for audience development <i>Paul Kaynes</i>	97
Chapter Five Selling tickets and influencing people: Transaction charges and the customer relationship <i>Beth Aplin</i>	121
Chapter Six Squaring the circle: Does pricing actually matter? <i>Richard Ings</i>	143
Postscript The American scene: New York trends in arts pricing <i>Chris Lorway and Geren Raywood</i>	165

continues overleaf

Contents continued

Pricing in practice: presentations

Richard Ings

Fighting its corner: Hall for Cornwall's eclectic strategies	39
From novice to strategist: Learning to price at the Royal Centre Nottingham	41
Clear about pricing: Cambridge Arts Theatre's fair prices	59
Maximising local interests: Pentabus and rural pricing	60
Starting off cheap but getting expensive: Shifting perceptions of value at The Place	61
A balancing act: Fine-tuning pricing strategy at the Lyric Hammersmith	91
Making an irresistible offer: WNO's subscription scheme	93
To charge or not to charge: Gallery admissions at the Sainsbury Centre for Visual Arts	118
Event by event: Cost-based pricing at The Stables	139
Everything must go: CBSO's January Sale	141
Look – no prices! Sydney Theatre Company's approach to airline yield management	163

Foreword

Craig Hassall

Managing Director, English National Ballet

For those of us lucky enough to work on the business side of the arts, there is an annual ritual that we all undertake called 'The Preparation of the Budget'. We all methodically pore over last year's results, grimace, and then carefully estimate our imminent expenditure line by line. We hope that the fixed costs can stay as close as possible to the previous year and optimistically peg the variable repertoire-related costs as low as we can convince ourselves is enough to get away with to deliver the magic onstage. We tend to spend a lot more time on the expenditure than the income as, sadly, there is very little we can do to affect the latter. Government funding is cloaked in vagaries at the best of times and private sector support usually entails an optimistic guess. Then there is box office income...

This area of the budget is treated as somewhat of a sacred cow. We approach change in this area with great trepidation. The more conscientious of us commission reams of pro bono research from well-intentioned analysts that usually convinces us that what we were already doing is probably okay for the moment, while the rest of us have a stab at some prices and pray that the audiences will still part with their pounds.

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

Ticket pricing is an area shrouded in myths and legends. The days of roll tickets and wizened box office managers clutching a cash-tin are behind us – however, many of the customs and practices remain. We are now in a competitive market where a night at the ballet competes with cinema, cable television, football, YouTube and a

great meal out. The whole process of selling a ticket has been revolutionised by internet sales and computerised box office systems. It is incumbent upon us all to ensure that we are offering our attractions at the right price to the right customer.

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

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

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

Preface

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

Richard Ings

Pricing is a bit of a neglected art and, compared to other industries, we are a bit clumsy in how we manage yield.

Tim Brinkman, Hall for Cornwall

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

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

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

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

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

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

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

How to read this book

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

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

Examples of pricing in practice appear in these essays as part of particular arguments, but these are complemented by eleven stand-

alone presentations of pricing in practice around the country and a chapter-length postscript on pricing in New York.

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

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

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

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

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