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Pricing Dance

- and developing audiences

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ARTS COUNCIL OF NEW ZEALAND *Tei Aotearoa*



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DANCE AOTEAROA NEW ZEALAND

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This resource brings together up to date information on pricing dance performances and developing audiences. The online reference sources for this information are listed at the end.

Pricing

“Pricing is one of the most sophisticated tools available to managers of cultural organisations and there are literally hundreds of variables that can be adjusted to help them achieve both their financial and social objectives”¹

There are essentially three pricing strategies:

- Skim pricing, sets prices high to skim a segment of the market
- Penetration pricing, sets prices low to attract a larger market
- Neutral pricing, removes price from the equation

Although neutral pricing is often adopted by default, it is a combination of all these strategies that works best for most organisations.

Perceptions of Value

Price is not usually a major barrier to performing arts attendance. Creative New Zealand research found that only 16% of New Zealanders who attended the performing arts less often in 2005 said it was because they couldn't afford to (56% said it was because they had less time or other commitments).²

Any cost however will be a barrier if the individual does not place any value on what is being offered.

In New Zealand thousands of people pay as much as \$90 to watch a game of rugby. Would they pay the same to watch contemporary dance? Would they pay \$5? Most of them probably not. But price is not the issue, it is the value they associate with the experience they're being offered.

We need to develop a better understanding of what people value so that we can communicate the value of our event to them.

“When presented with a price for a product, or in this case experience, we all constantly and unconsciously weigh up the relative value of that offer compared to the other things we might do with the same amount of money.”³

¹ <http://baker-richards.com/pricing/printhome.htm>, Oct. 2007

² New Zealanders and the arts: Attitudes, attendance and participation in 2005. Creative New Zealand, Apr. 2006

³ <http://www.baker-richards.com/pricing/resources/understandingperceptionsofvalue.pdf>, Oct. 2007

There are a number of factors that affect people's perception of value, the nature of the event, but also the profile of the customer.

Customer Profile

Some people do not have the disposable income to attend a performance, but for most it is a choice how they spend their money. Their occupation and lifestyle will impact on the way they see your performance. For example, do they have children? Is this a family event? But most importantly, what experience or knowledge do they have of dance. If they regularly attend dance events they will have a better understanding of what you are offering and its value, than someone who has limited or no experience of dance performance.

If you are trying to attract a new audience with limited dance knowledge what will you do to ease them into the experience?

The Nature of the Event

The venue for the performance will have a big influence on how the event is perceived. What are the facilities at the venue? Is it comfortable? close to parking? does it have a café? Can the venue offer a good night out compared to a restaurant or bar? Is the venue situated where there are other social amenities or activities nearby that people can go to prior to or after the event? More and more the social consumer is looking for a whole evening out, not just attending an event and going home (however families may have different needs).

How special is the event itself? Is it part of the annual season or a one-off event? Who is performing?

How the event is perceived may reflect the reputation of the dance company or the reviews and media coverage it has received. Short season events are often not reviewed until after they close, this makes communicating their value more difficult. A personal recommendation (word of mouth) is the most powerful form of endorsement.

Viral promotion (text, email and verbal) based on personal recommendation is a new and growing marketing tool. For recent articles on this visit www.fuel4arts.com.

Setting Prices

It is important to consider competition when setting prices. The competition may not be another dance event, but a pub down the road, a sporting event or the movies.

The price people are prepared to pay will vary greatly and therefore to maximize both your income and accessibility you need a variety of prices. With only one ticket price there will always be people who would have been prepared to pay more and those who would have attended if you had charged less.

The following case study illustrates how an organisation changed their pricing and increased sales.

Case Study: The Place, London (Wood, 2002)

The Place is a 300 seat centre for contemporary dance in central London, with around 150 performances a year. The work is generally new or innovative dance, ranging from well established companies to an annual platform season of new companies.

The audience is mostly young adults and includes students and dance professionals, many of whom have low incomes. In the past *The Place* had one price for every performance and this varied according to the company performing.

The Place introduced price differentials; they offered four main prices with different booking conditions. The idea was to offer the cheapest tickets to people who booked seven days in advance of the show with no refund or exchange available. And then as the show time approached the tickets became more expensive, with tickets being sold on the night at the most expensive price but refunds or exchanges permitted.

Over a three year period this new pricing strategy increased *The Place's* net ticket yield by 14%, ticket sales by 28% and net income by 44%.

Pricing Tactics

When setting prices it is vital to provide a range of prices to reflect how much customers are willing to pay and their perceptions of value. There are four variables to consider when setting prices.

Price variables: how many prices you have and the price range from high to low.

Venue variables: different prices for different parts of the auditorium (e.g. stalls, circle, balcony). You need to ensure that you have the right number of seats at each price to meet customer demand.

Product variables: different prices for different productions e.g. evening/matinee or weekday/weekend.

Transaction variables: cheaper rates for early purchase of tickets.

Concessions Policy

In addition to these core pricing tactics you need to consider your concessions policy. Here are some of the groups you could include:

- Seniors
- Unwaged / Community Services Card
- Students
- Children / Families
- School groups

For families bear in mind that the traditional family of 2 adults and 2 children is now a minority and your package will need to be flexible.

“Pricing in general and concessions in particular can send strong messages about an organisation and who it thinks it is for”⁴

Audience Development

If you are looking to develop your audiences here are the issues you need to address:

- Getting people to attend for the first time
- Persuading people, who already attend, to come more frequently
- Getting those who attend frequently to try a wider range of things
- Building loyalty

This is known as the ‘ladder of commitment’. Pricing can be an effective way to encourage people to attend more frequently or try new things, but for many the more difficult problem is how to develop new audiences.

⁴ <http://www.baker-richards.com/pricing/resources/concessionspolicy.pdf>, Oct. 2007

Increasing Party Size

Group bookers can deliver a high volume of sales, and if your event is likely to attract groups then it is probably worth discounting to encourage them.

You will need to consider the nature of the groups and how best to respond to them, for example schools, work groups or friends would each need to be approached in a different way.

In addition to discounts for large parties, ticket offers such as four tickets for the price of three may increase multiples and could make a significant difference to sales.

Increasing Frequency of Attendance

Encouraging more frequent attendance should be a key objective for most arts organisations and offering discounts to people who have previously attended a performance is the most effective way of getting them to return.

"Frequently attending customers are more likely to keep coming – and keeping existing customers is far cheaper than generating new ones ... the potential 'lifetime value' of these customers more than makes up for short-term losses."⁵

In addition, because these people are familiar with the organisation they are more likely to take risks and try something new.

There is a range of options for sales promotions to encourage greater frequency of attendance:

- A 'money off next purchase' or voucher to encourage a repeat.
- Two performances for the price of one / three for two / four for three etc.
- Loyalty cards or points schemes provide flexibility for customers, but be aware that these schemes can be expensive to set up and run.
- Packages: discount if you book three / four / five, through to full subscription. This encourages customers who are willing to plan their attendance and try different things. Packages may also include added value offers.

For longer seasons offering cheaper first night tickets can help generate crucial word of mouth. But don't undervalue your product, a good price can indicate quality and scarcity and give an impression of high value.

⁵ <http://www.baker-richards.com/pricing/resources/discountingwhatdoigetinreturn.pdf>, Oct. 2007

First Time Attendance

To attract new audience members you need to begin by creating a list of individuals to target. Here are some of the ways you could create a list:

- Work with a local commercial gallery, book shop or sports centre to send your information through their mailing lists
- Create a mailing list by placing a competition in the newspaper
- Run a "shop a friend" scheme (asking present attendees to provide names of people who might be approached)

To get people on the first rung of the ladder, to convert them from non-attenders to attenders, a scheme called *Test Drive* has been developed in the UK. The essential elements of the scheme are:

- To introduce people to something in the arts for the first time
- This introduction uses incentives e.g. free tickets, discounted tickets, or value-added benefits (free drink, programme, transport)
- Follow up offers are made to the person to build an ongoing relationship

This scheme is labour-intensive and works most effectively for subscription organisations with adequate resources for planning, running and monitoring a campaign.

Planning

What you need to do before you start:

- Research – speak to Creative NZ and other organisations who have run audience development schemes in New Zealand
- Set SMART objectives (Specific, Measurable, Achievable, Realistic, Timely)
- Think about your target groups. What are their barriers to attendance? Make sure that what you are offering them is appropriate
- Plan in detail

The following questionnaire, devised by Anne Robertson for *Test Drive*, can help you design your own campaign. By filling out the chart in as much detail as possible, you can hone a select target group and get an accurate idea of how effective your marketing strategy will be.

Next to some decisions there is a score which refers to that choice's likelihood of contributing towards a 'high response' campaign (1 = most likely, and 10 = least likely). When you have added up your score, the **lower** it is, the **more effective** your campaign is likely to be.

1. What are the objectives of your campaign? Put them in order of priority.	
1.	
2.	
3.	
4.	
5.	

2. Who is the campaign aimed at?	
Current arts attendees	(1)
Lapsed arts attendees	(2)
Active intenders	(5)
Passive intenders	(7)
Resistors	(9)
Rejecters	(10)

3. Where are they?	
Primary catchments (urban)	(1)
Secondary catchments (urban)	(4)
Primary catchments (rural)	(4)
Secondary catchments (rural)	(7)

4. What action are you asking people to take?	
Try new brand of familiar art form	(1)
Try new art form at familiar venue	(2)
Try a new venue	(6)
Try the arts for the first time	(10)

5. How are you going to identify people to target?

Your own database	(1)
Existing lists from other arts orgs.	(3)
Existing lists from non-arts orgs.	(5)
Create a new list	(5)
Random geographical	(10)

6. What are you offering as an incentive to act?

Free tickets to a ticketed event	(1)
Discounted entry to ticketed event	(3)
Value added benefits to a non-ticketed event	(3)
Value added benefits to a ticketed event	(5)
Money back guarantee	(6)
Pay what you like/can	(7)

7. Do your new customers have a choice of dates?

Yes	(1)
No	(5)

8. Do your new customers have a choice of product?

Yes	(1)
No	(5)

9. How will you communicate with them?

By telephone	(1)
Personalised direct mail	(2)
Direct mail	(4)
Media advertising	(7)
Door to door distribution	(10)

Tip: Promotional material should be high quality especially for completely new attendees. If working with direct mail, spend time personalising letters. You are four times more likely to elicit a response to an offer if the approach is personal. Run a PR campaign simultaneously with the campaign.

10. How will you distribute tickets?

Send them out free of charge	(1)
Charge to send them out	(5)
Collection on the door	(7)

11. What is your budget for this project?

Research	
Additional Staff	
Cost of offer	
Print	
Distribution including mailings	
Other	
Total	

12. How will you record the over-demand (if any) to your offer?

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13. How will you gather qualitative feedback (how they felt about it) from your respondents?

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14. How will you gather quantitative (numeric) feedback?

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15. What will be the nature of your SECOND offer to this group?

(Use this section if you are doing a *Test Drive* campaign)

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16. What will be the nature of your THIRD offer to this group?

(Use this section if you are doing a *Test Drive* campaign)

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We hope this resource starts you thinking about pricing strategies and how to develop new audiences.

DANZ also provides an audience survey form on the DANZ website and can give advice on the process of running a survey and some analysis support,

www.danz.org.nz/resources.php.

Further information

Much of the information in this resource comes from Baker Richards Consulting (UK) - they work with cultural organisations to maximize their income through pricing. Their website contains articles, tutorials and case studies that give detailed information on pricing: www.baker-richards.com

Case study - Dynamic pricing at The Place:
www.baker-richards.com/pricing/resources/place.pdf

Creative New Zealand: www.creativenz.govt.nz

Audience and market development resources, including:
Smart Arts - marketing the arts in New Zealand
Full House - Turning Data into Audience
www.creativenz.govt.nz/our-work/audience/resource-list

New Audiences, Arts Council of England:
www.newaudiences.org.uk

Extensive resources section including:
Practical guide to Test Drive the Arts
Move on Up - how to Test Drive and TelePrompt develop audiences
www.newaudiences.org.uk/resources.php (Practical guide/toolkit)

Australia Council for the Arts: www.fuel4arts.com