House Scaling:
Managing Sold & Unsold Inventory to Maximize Revenue

Crystal Brewe, Vice President, Sales & Marketing, Kimmel Center
Dusty Kurtz, Vice President, TicketsWest
Shawn Robertson, Ticket Sales Director, Center Theatre Group
Steven Roth, President The Pricing Institute, a division of JCA
Introduction
• Devoted to helping arts organizations develop pricing strategies that increase earned revenue and optimize occupancy

• Over to 400 pricing studies world-wide

• Data-driven: We take a metrics-based approach to detailed analysis of customer behavior and price demand

• At least 2:1 ROI on evaluated projects

• Consulting & pricing software (RMA)

• A division of JCA
• People exchange money and time in expectation of receiving value in return
• That value can be more perceived than real
• Perceptions of value are unique to each customer for each event
• There is an intrinsic benefit in offering a range of differentiated prices
Yield management
- Strategy to maximize income from buyers who are not price sensitive
- Example: premium seats

Variable pricing
- Pricing strategy that varies prices by seat and performance
- Example: higher prices on Saturday nights; more inventory available at highest prices

Dynamic pricing
- Variable pricing over the sales cycle in response to changing demand patterns
- Example: changing prices (up or down) based on early sales indicators, shifting inventory
ADDING A PREMIUM SECTION

Times Sold Hotseat™ Index on 13 Matured Performances in Herbst Theatre (2010-11)

Before

Times Sold Index
- 9 to 13 times
- 7 to 8 times
- 5 to 6 times
- 3 to 4 times
- 1 to 2 times

After
• Keep "cusp" seats off sale

• 72 additional “Level I” seating locations when needed

• Assuming a $10 price difference, generates ≈ over $70,000 in additional income potential
WHAT VALUE MESSAGES ARE BEING DELIVERED?

- $27 gap, 73% increase
- $35 gap, 55% increase
- $25 gap, 208% increase
- $52 gap, 433% increase

- 176 seats
- 177 seats
- 157 seats
- 432 seats
Which seats are sell most (all ticket types)? And what’s the income impact?

<table>
<thead>
<tr>
<th>Section C</th>
<th>Section B</th>
<th>Section A</th>
</tr>
</thead>
<tbody>
<tr>
<td>38 - 41 times</td>
<td>29 - 37 times</td>
<td>21 - 28 times</td>
</tr>
</tbody>
</table>

Total Number of Performances: 41
WHICH SEATS SELL FIRST (ALL TICKET TYPES)?

The Pricing Institute Hotseat Index™

287 - 372 days  134 - 286 days  69 - 133 days  0 - 68 days
“TICKETS AREN’T SELLING. LET’S RAISE PRICES”

3 “heritage” concerts
- Number of tickets sold for each show was relatively low
- Patrons choosing most expensive seats
- Increased amount of premium price seats as performance dates approached
- Increased revenue, although rest of house was not very full
Center Theatre Group
Opened in 1967

Music Center of Los Angeles County

Ahmanson Theatre – 2066 seats
Mark Taper Forum – 736 seats

Culver City
Kirk Douglas Theatre – 317 seats
(opened in 2005)

- $35-$40 million in annual sales
- 450+ annual performances
- 50,000 subscribers total
- Over 750,000 tickets sold
CHALLENGES

How do we determine when to adjust pricing?
  Not practical to have a “one size fits all” strategy.
  Cannot be applied uniformly to all CTG venues.

How do we change pricing and utilize all sales channels to increase sales in mid price sections?
  Figure out the “perceived value” to the buyer.
  Top and bottom price seating sells at a much faster rate.

How to communicate the concept of dynamic pricing internally and externally?
  Transparent and honest about the value of buying early.
SINGLE/SUBS PRICING FOR MID PRICE SECTIONS

Rear Orchestra Rows R-ZZ (10 rows)

Changed to: Mid Orch R-W (6 rows)

Orch X-ZZ (4 rows) – Year 2 made pricing equal Balcony

Result: Offers additional lower price point as needed in Orchestra on seats that have traditionally not sold for shows with lower demand

Rear Mezzanine Rows H-P (7 rows)

Changed pricing: Now same as Mezzanine Rows A-G

Result: Allows us to offer “special pricing” of up to 50% off in Rear Mezzanine through CTG sales channels (including Goldstar).

Perception of greater “deal” at discounted price even though it is similar to previous “full price” for section.
EXPAND PREMIUM
SEATING/RESCALE ORCH X-ZZ

- Add 2 pairs of seats per row in Orchestra A-L (44 new seats)
- Add 10 pairs of aisle seats in Orchestra N-P (20 new seats)
- Match Balcony Pricing in Orchestra X-ZZ (4 rows)
EXPAND PREMIUM SEATING

Expand Mezzanine Rows A-B to full rows (37 new seats)
COMMUNICATING PRICING

• Use as a marketing tool for subscription sales

   The Best Seats in the House at the Best Prices.

   We want you to have the best available seats before tickets ever go on sale to the general public. With a full-season ticket package you have top priority for seat locations and you have upgrade opportunities in future years.

   Plus, when the shows get hot and ticket prices go up, your original low-price is guaranteed.

• Do not publish single ticket pricing:

   Prices start at $25 (communicated on web and by staff)
   $25 - $150 (room to expand top pricing as needed)
## Evaluating Results

<table>
<thead>
<tr>
<th>Theatre</th>
<th>Show</th>
<th>Total Income</th>
<th>Incremental Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ahmanson Theatre</strong></td>
<td>God of Carnage</td>
<td>$7,794,940.50</td>
<td>$1,486,838.00</td>
</tr>
<tr>
<td></td>
<td>War Horse</td>
<td>$5,547,221.00</td>
<td>$608,842.00</td>
</tr>
<tr>
<td></td>
<td>Les Miserables</td>
<td>$9,686,666.00</td>
<td>$1,219,947.00</td>
</tr>
<tr>
<td><strong>Mark Taper Forum</strong></td>
<td>The Glass Menagerie</td>
<td>$1,039,049.00</td>
<td>$56,040.00</td>
</tr>
<tr>
<td></td>
<td>The Lieutenant of Inishmore</td>
<td>$994,420.50</td>
<td>$68,131.00</td>
</tr>
<tr>
<td></td>
<td>Vanya &amp; Sonia &amp; Masha…</td>
<td>$1,552,606.00</td>
<td>$127,242.50</td>
</tr>
<tr>
<td><strong>Kirk Douglas Theatre</strong></td>
<td>This</td>
<td>$255,817.00</td>
<td>$13,951.00</td>
</tr>
<tr>
<td></td>
<td>A Raisin in the Sun</td>
<td>$327,990.00</td>
<td>$40,781.00</td>
</tr>
</tbody>
</table>
VANYA & SONIA & MASHA & SPIKE

The price shown in x axis is the average of the Starting Price for that Zone across the performances selected.
• Inventory Management and Dynamic Pricing can be done no matter what the size of your venue is (we have 3 very different sized houses)
• Transparent communication is key, both internally with all staff and with your customers
Academy of Music

- Avenue of the Arts, Philadelphia
- Completed in 1857
- 2,897 Capacity
- Proscenium House
- 4 levels of seating
**DYNAMIC PRICING HISTORY**

<table>
<thead>
<tr>
<th></th>
<th>Current Price</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun Mat - The Phantom Of The Opera</td>
<td>$160.50</td>
<td>$120.50</td>
<td>$140.50</td>
</tr>
<tr>
<td>Nov 22 2013 9:00AM</td>
<td>$150.50</td>
<td>$95.50</td>
<td>$105.50</td>
</tr>
<tr>
<td>Jan 9 2014 10:00AM</td>
<td>$160.50</td>
<td>$105.50</td>
<td>$115.50</td>
</tr>
<tr>
<td>Mar 7 2014 3:00PM</td>
<td>$160.50</td>
<td>$120.50</td>
<td>$140.50</td>
</tr>
<tr>
<td>Sat Mat - Cinderella</td>
<td>$120.50</td>
<td>$105.50</td>
<td>$120.50</td>
</tr>
<tr>
<td>Sep 12 2014 9:00AM</td>
<td>$105.50</td>
<td>$95.50</td>
<td>$105.50</td>
</tr>
<tr>
<td>Sep 23 2014 11:00AM</td>
<td>$115.50</td>
<td>$100.50</td>
<td>$115.50</td>
</tr>
<tr>
<td>Nov 24 2014 5:00AM</td>
<td>$120.50</td>
<td>$105.50</td>
<td>$120.50</td>
</tr>
</tbody>
</table>

- Due to demand pricing increases have been made for almost every BWY production sometimes up to 2-3 times
- New levels will be priced higher to match demand, and lessen the frequency of dynamic pricing decisions
On The Phantom of the Opera our dynamic pricing efforts yielded us an extra $220,075 in revenue.
Due to columns and extreme sides, 25% of our seats are obstructed or limited view.
Demand for premium parquet seats, exceeded the old scaling
Premium Parquet (Zone 1) was increased, and additional zones were added.
The demand for seats is front and center of our Balcony, and our other leveled sections.
To match demand a new zone (Zone 7) was carved to allow for easier pricing decisions.
Pricing exercises indicate the rescale will yield an approximate 4% increase in gross potential for each single performance and an incremental revenue increase of approximately $400,000 per year (using 2014/15 season as sample base).

Price level 1 was increased in capacity by 7.8%, bringing its total to 25% of our house.

In the new scaling all full view seats are represented in price levels 1-5, with limited view & obstructed seats in levels 6-8.
CRYSTAL’S TAKEAWAYS

• Multiple yield, dynamic and variable pricing nudges will certainly increase the incremental revenue but having the correct zones/pricing in place in advance eliminates the need for multiple adjustments and the time investment of waiting for approvals from all partners.

• We were underpricing our top seats based upon what we THOUGHT folks wanted. The data showed us we had too few top price seats.

• The multiple zones created should hopefully allow us to be more flexible and responsive to where audiences want to sit and what they want to pay.
TicketsWest offers a state of the art ticketing solution that includes a robust website, a point and click single event and season/subscription ticketing system with added functionality for integrated group sales, secondary sales, added-value item sales, access control and fund raising management.

- Born in 1986 with the sale of our first Cyndi Lauper ticket in Spokane, WA
- Full service ticketing distributor, serving every imaginable genre
- A special concentration on client and customer care
Students

- Commitment of seats per game
  - A true ‘Student Section’
  - A delicate balance with paid admissions

- Preferred method of entry
  - Utilizing student IDs
  - Creating a fair distribution

- Managing attrition and no-shows
  - Expanding capacities
Playoff Scenarios

- Financial obligations to the NCAA
  - Shift in student ticket policies
  - Standing Room Only options

- Short Turn-Around
  - Timing is critical – be prepared!

- Controlling the message
  - Announce with high fanfare
  - Be careful with the words ‘Sold Out’
  - Understand potential ticket releases
  - Monitor social media
DUSTY’S TAKEAWAYS

• Managing a high amount of inventory in a condensed window of time takes a coordinated effort.

• Inventory management plans need to be vetted well in advance of when they are needed.

• Communication and consistency of messaging to the public is paramount.
Summary
MICRO-ZONING: LEVERAGING INFORMATION

Consistent pattern of demand for most shows

Times Sold Hotseat Index™ on 41 Performances of We Will Rock You, 2010-11

Times Sold Hotseat Index™ on 111 Unmatured Performances of Oliver! and Dirty Dancing, 2011-12

Times Sold Hotseat Index™ on 47 Performances of The Sound of Music, 2010-11
DIVIDE THE AUDITORIUM INTO ABOUT 20 ZONES BUT STILL KEEP AROUND 5 PRICES
Sales, Price and Yield by Zone for The Sound of Music, We Will Rock You (2010-11) and Unmatured Performances of Dirty Dancing

Zone-Level Detail: & Spare Capacity

Average Tickets Issued

Available
Comp
Group Price
Discounted Price
Full Price

Orchestra

Mezzanine
TAKEAWAYS

- Make sure your inventory communicates the right value message and motivates the patron behavior you desire.
- You can add zones without adding prices.
- Inventory Management and Dynamic Pricing can be done no matter what the size of your venue is (we have 3 very different sized houses).
- Transparent communication is key, both internally with all staff and with your customers.
- Multiple yield, dynamic and variable pricing nudges will certainly increase the incremental revenue but having the correct zones/pricing in place in advance eliminates the need for multiple adjustments and the time investment of waiting for approvals from all partners.
- We were underpricing our top seats based upon what we THOUGHT folks wanted. The data showed us we had too few top price seats.
- The multiple zones created should hopefully allow us to be more flexible and responsive to where audiences want to sit and what they want to pay.
- Managing a high amount of inventory in a condensed window of time takes a coordinated effort.
- Inventory management plans need to be vetted well in advance of when they are needed.
- Communication and consistency of messaging to the public is paramount.
Thank You!

Questions?

cbrewe @kimmelcenter.org
dusty.kurtz @ticketswest.com
srobertson @centertheatregroup.org
steven.roth@ jcainc.com