A Pricing Model with Flexibility

THIS SECTION WILL COVER

- The benefits of a flexible pricing model

- Guiding principles for flexible pricing

- Steps for creating your first flexible pricing model and for monitoring sales

- Examples of flexible pricing in practice

A Pricing Model with Flexibility

WHAT IS FLEXIBLE PRICING AND WHY IS IT IMPORTANT?

Setting prices in response to demand can bring benefits to both organizations and audiences. It's a practice that's commonly used in other sectors, from booking train tickets early to enjoy the best prices, to paying extra for flexibility when confirming a hotel. While it's not yet as widely adopted in the cultural sector, flexible pricing has shown a positive impact on purchasing patterns, revenue and staff capacity for the organizations that implement it.

When tickets go on sale at a fixed or highest price, it's impossible to increase overall income potential and easy to reduce it. Last minute offers, inflexible policy and lack of fees at the door all work to deter early buyers.

Choosing the right fixed pricing model for each event relies on accurate forecasting and assumptions about audience behaviors. With a flexible, popularity-based pricing model, it's possible to accelerate slow sales and maximize the potential of the most popular events.

HOW TO BUILD YOUR FLEXIBLE PRICING MODEL

There are three guiding principles for flexible pricing:

- **Be transparent.** Advertise maximum and minimum pricing, and make your policy explicit in your terms and conditions.

- **Involve everybody.** Make sure your whole sales and front of house teams understand your model and can explain it to audiences if they're asked.

- **Never go lower.** Once a ticket is on sale, its price should only go up - that's key to driving early sales and maintaining trust with your ticket buyers.

The steps below are based on an auditorium with unallocated seating, ticketed in a single price band. Use this model as it stands or adapt it to your own organization.

1. Use the **Popularity-based Pricing Calculator** to help set a median ticket price for each event. This will be roughly equivalent to the single price you might have set if you weren't working flexibly.

2. For each event, set out your median, minimum and maximum ticket prices. Define the points at which you plan to increase prices, and use data from similar events to set targets for each month, week or day of the sales cycle.

- If an event is unlikely to reach capacity and you anticipate running $10 offers at the end of the sales cycle, start with those $10 tickets now.

- If you're targeting a sell out, reduce prices by a smaller amount or plan to raise prices sooner.

- Aim high with your maximum prices. If prices never rise that high then every audience member will feel they've saved. If an event sells quickly, you'll benefit fully from its success.

3

3. Agree how to list flexible prices and ensure this is reflected in your policies. Give audiences a clear indication of the minimum and maximum they might pay. This shows your early buyers how much they're saving, and ensures late buyers aren't put off by higher price tiers.

4. Once you're on sale, run or schedule regular reports for each event - at least once a week for steady sellers, as much as once an hour for high- demand events. Add your sales figures to the worksheet and use the **Traffic Light** column to quickly flag slow and fast sellers, then gradually increase prices to reflect demand.

5. As well as overall capacity, compare tickets sold with your target sales at that date. If you've sold 60% three weeks from the event date, but you'd hoped to sell 80% by that point, you might keep prices lower; if you're ahead of target, increase them by a larger margin. By working dynamically, rather than advertising fixed dates for price increases, you give yourself the flexibility to assess each situation based on data, marketing activity and revised forecasting.

6. If you're working with multiple price tiers, you have still more flexibility. Adjust the overall pricing model, individual price tiers, or reallocate seats to higher-priced zones. Make sure you offer a range of prices until you're at 80-90% of capacity, then adjust so the last seat to sell is at your highest price point. Check that your full range of offers and accessible tickets is available at every stage.
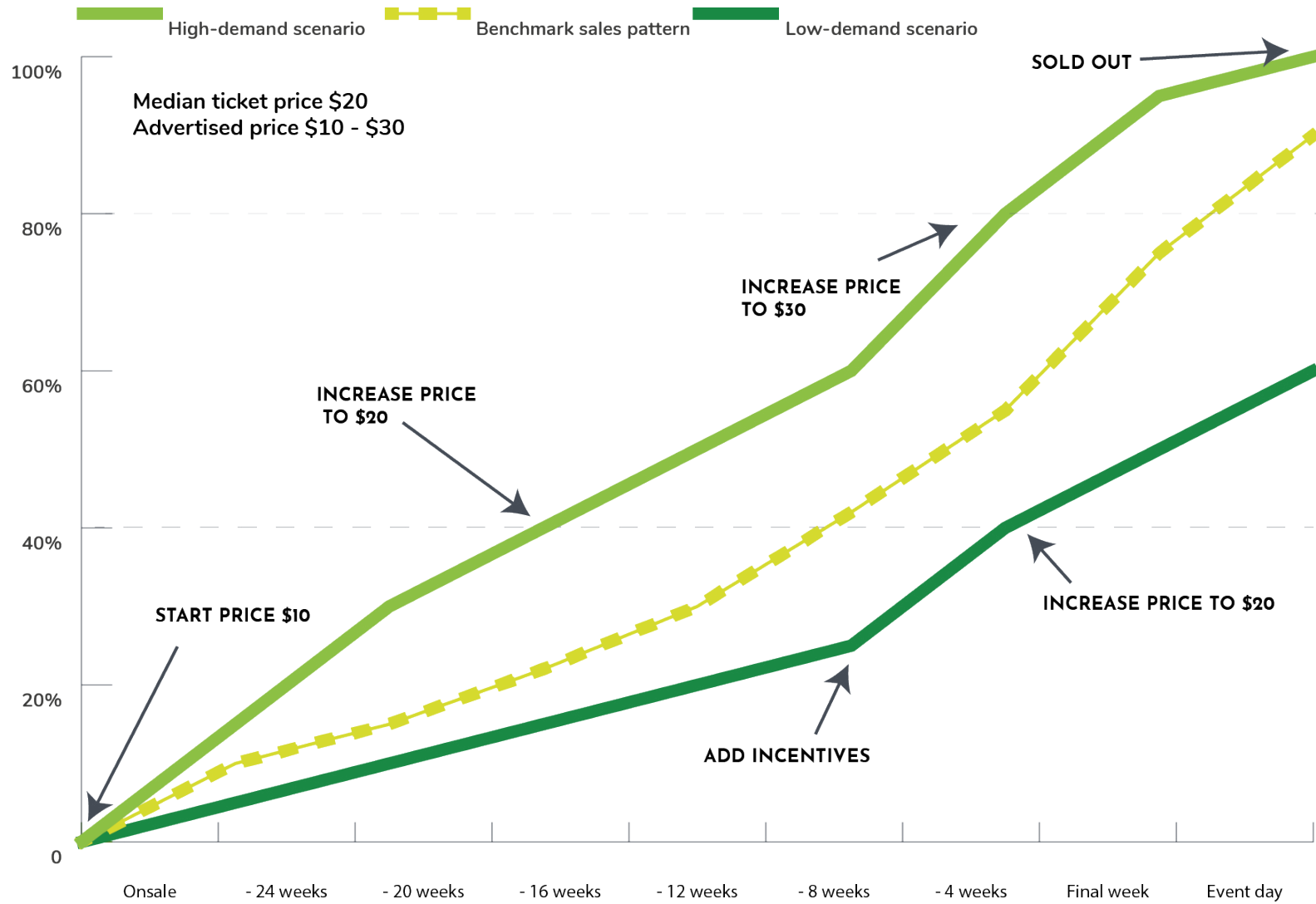
7. Create a Continual Improvement Plan to gradually improve the accuracy and detail of your forecasting and maximize ticket revenue. Consider the following KPIs:

- Average ticket price

- Timing of sales: days before each event

- Purchasing patterns and ticket price over time

- Overall revenue and capacity sold

Flexible pricing: an example

This chart on the next page shows how, with flexible pricing, your team could:

- Increase overall ticket income

- Respond to below-target sales

- Reward early buyers

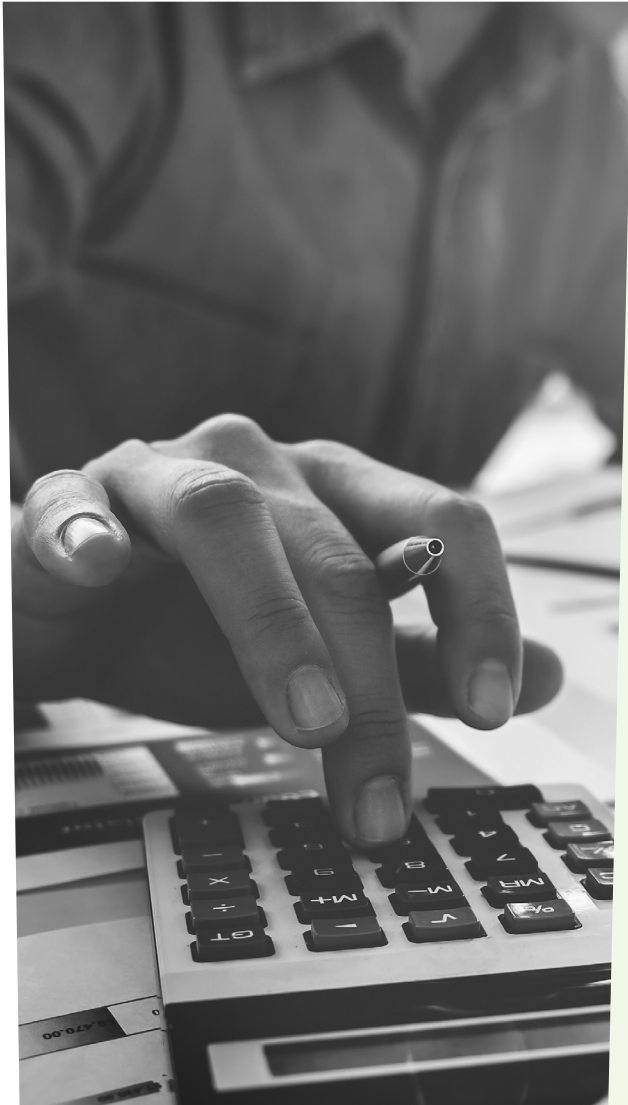- Improve audience communications and upselling as the event approaches

High-demand scenario   Benchmark sales pattern   Low-demand scenario

Median ticket price $20
Advertised price $10 - $30

SOLD OUT

INCREASE PRICE
TO $30

INCREASE PRICE
TO $20

START PRICE $10

INCREASE PRICE TO $20

ADD INCENTIVES

100%
80%
60%
40%
20%
0

Onsale   - 24 weeks   - 20 weeks   - 16 weeks   - 12 weeks   - 8 weeks   - 4 weeks   Final week   Event day

Expert tip: flexible pricing

JCA Arts Marketing works with cultural organizations to help them grow attendance and engagement. They have helped hundreds of organizations increase earned revenue through optimized pricing. Jamie Alexander, Senior Manager at JCA Arts Marketing, gives her top tip for maximizing revenue through flexible pricing.

"When using a flexible pricing strategy, it's important to spot demand early. If you wait until ticket sales reach a certain capacity threshold, you could be leaving money on the table. Instead, consider increasing prices at any point in the sales cycle when sales are stronger than comparator performances. The earlier you raise prices, the more money you'll make in support of your mission!"

Flexible pricing models: additional resources

Use the **Popularity-Based Pricing Calculator** and **Traffic Light Report** to set and monitor pricing for your organization's events.

To explore pricing in more detail, click this icon to view a pop-up list of industry experts who can help you develop your pricing strategies.

Spektrix Users: Click this icon to view a pop-up list of Support Center articles to help you implement this advice in your system.