

Upping the ante

Raising the ticket price of a consumer show can be profitable says Vivid Interface MD Geoffrey Dixon, but the gut feeling must be backed by hard fact.

I OFTEN WONDER HOW scientific pricing analysis is for most consumer shows. My guess is not very.

There are ways in which we can develop a pricing proposition and have a strong degree of faith that the direction we are going in is the right one. This is not just guessing. Over time we have worked with many consumer shows and we have looked at the statistical correlations that underlie successful shows, and shows that are less successful. Of course, our clients tend to have successful shows because they understand the value of market research – our interpretation of relationships of one component of the data with another helps us to develop a pricing model that works.

Looking at how well research can work to establish an appropriate pricing model for a show, I can point to early 2000 when working for Haymarket. We were able to provide the data that enabled it to maximise revenues, to develop pricing opportunities through exclusive delivery, and to benefit from pricing individual elements of show delivery.

The best example of pricing success though, was with the International Classic Car show at the NEC.

Our research identified that it was significantly under priced. I recommended doubling the ticket price, and after much hand wringing, it was done. The attendance rose, the profits rose by 350 percent and the value for money rating increased over the year before. These results came from understanding the statistical correlation between certain factors, which I shall come to. But also understanding brand psychology – Vivid has two psychologists on the payroll.

The psychology was the show was priced too low, and so the expectations of the show was low. We doubled the price and we doubled the expectations, and more people came and had a great time because it was, and no doubt still is, a good show.

The following year there was a need to add a third day, because the numbers on the Sunday had increased to a level that was a tad uncomfortable, but there was no room for growth.



Dixon: increase expectation

The plan was to open the show on the Friday. We suggested that based on the research we could double the entry price again on the Friday, and market it as a special day. By doubling the price and increasing the expectation, we could move visitors from the Sunday to the Friday - and it worked again, increasing profits again. This time it was only a 50 percent increase, but

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from a much higher figure.

So how can we do this?

Measuring value using research and the influence of price and benefit on value ratings:

Consumer shows generally score well on value for money. On average 56 per cent of visitors to consumer shows rate the show they are at as good or excellent value for money, and only 10 percent rate the show as poor or very poor.

‘Value for money’ is a composite of price and benefit. One proposition that we work to, is that where the perception of

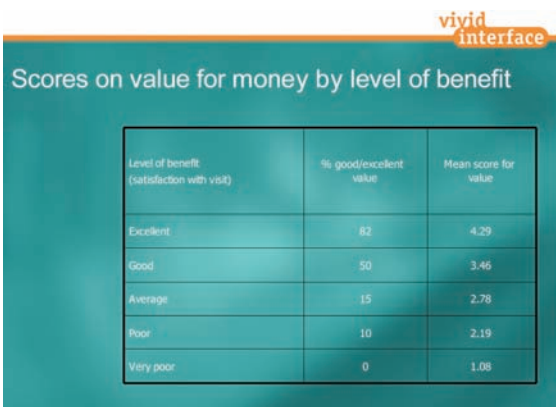
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benefit is strong there can be considerable price elasticity.

It is important to understand that price is often not the issue. It is the 'perception of benefit' as it relates to the price that is important to the consumer.

The chart below shows how the perception of value is enormously influenced by the perception of benefit. It also demonstrates the validity of the value for money question. The data comes from typical consumer shows held at the NEC. The chart shows the percentage of visitors who rate a show as good or excellent value for money, falls from 82 percent for those who rate their satisfaction level as excellent, down to 0 percent for those whose satisfaction level is very poor. A similar change is reflected in the mean scores.

In looking at year-on-year price increases, I am often told visitors



will not come back if the price is increased. Actually, most visitors to a show will not know whether the price has changed since last year. On average, half the visitors to a consumer show are new visitors, and a substantial percentage of the previous visitors did not come to the last show. In total, 70 percent of the visitors to a show did not attend the previous year, and are therefore not in a position to do a year-on-year price comparison. Those coming back are doing so because their perception of benefit was high.

What these charts demonstrate is:

- The importance of both price and benefit on the perceptions of value
- The validity of at-show value ratings from research surveys

If we look at value scores against likelihood of return for three typical NEC shows, we see that in each case there is a point where the rate of decline has a sharp increase, but it only happens when the value score falls below average. Therefore, as long as we keep the perceived value at average or above for most visitors, there is likely to be a net gain in revenue from increasing the cost of entering.

We need to be looking at who is saying that the show is good



value for money, and who is satisfied. In most cases these are a minority of the audience, but we must know how the dissatisfied relate to the show, and to the future development of the show.

Now we have a case history of how increasing the entry price for a highly rated show has very little impact on the perception of value.

In 2005 we noticed that the excellent/good score on value was very high compared to the AEO/Vivid Interface Consumer Show Index © (72 percent vs. 56 percent) and that satisfaction ratings were also very high. We therefore recommended a significant change in the entry charge. In 2006 there were only slight falls in perceived value and satisfaction (falls of five percent and three percent respectively), but revenue and profit increased significantly with no impact on visitor numbers.

One way of testing price elasticity is by measuring interest in premium ticket offers. This is an extreme example where premium tickets were priced at either £60 or £100 (the sample was split for this). We can see firstly that the £100 offer has a much lower take-up. We then use a formula developed from our publishing research where we assume 75 percent of 'very likely' will buy, 50 percent of 'quite likely' and 25 percent of 'might'. This enables us to see which price generates the best return. In this instance £60 gives us £1,335 per 100 visitors and £100 gives us £1,900.

Likelihood of uptake:

	Premium offer at £60	Premium offer at £100
Very likely	9 percent	5 percent
Quite likely	21 percent	19 percent
Might	20 percent	23 percent
Quite unlikely	21 percent	23 percent
Very unlikely	29 percent	29 percent

The point? Don't just brainstorm a price increase, take a detailed and analytical look at what can be achieved. There has to be some gut feel in the equation, but it must be backed by hard fact.