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CENTERPIECE

FOCUS ON: MARKETING

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MARKETING STRATEGIES FOR UNCERTAIN TIMES

BY JIM ROYCE

Robin Pogrebin's article "Uncertain Times: Impulse Buyers Replace Ticket Subscribers" for the *New York Times* (October 16, 2002), has been circulated among many arts organizations. In the article, Pogrebin cites the continuing decline in subscriptions and the rise of the single-ticket buyer as important trends in the symphony, opera and theatre businesses. Most importantly, she points to the consumer's broader range of entertainment options as one of the principal reasons for the decline in subscriptions. It is true: today, people want more flexibility for last-minute changes, and they're more responsive to impromptu attractions.

Consider that research published this month by Initiative Media, one of the nation's largest media buying firms, is advising the film industry to be aware of current consumer attitudes: 75 percent said the war is not impacting their plans to spend disposable income for out-of-home entertainment. While 15 percent said they would spend less on entertainment, women were twice as likely to cut back on expenses. Americans are responding to humor and patriotism in advertising. With regard to iconography in advertising, comedy ranks as the most appealing, whereas violence and scenes of war are much less appealing in entertainment.

Since last fall, uncertain economic times have become war times. In either time, promoting theatrical experiences seems to be a lot more complicated. Consumers are jittery and staying close to home. Ticket sales for many companies, including those on Broadway, are occurring within a few days of showtime. Managers are asking: How should we adapt to these seemingly temporary—or permanent—consumer trends? What do we do about our traditional advance single-ticket sales? Where's my subscription audience going to come from for next season?

With so many questions, this is a time to pause and consider: we're in the theatre business. Improvise and play the current situation to your advantage. Rethink traditional strategies and think fresh. For this *Centerpiece*, I've compiled some quick tips on tactical marketing for the here and now, followed by the aforementioned reprint by Robin Pogrebin.

Marketing *Centerpiece* Curator: Jim Royce, director of marketing & communications, Mark Taper Forum and Ahmanson Theatre. Copyright © 2003 by Theatre Communications Group, Inc. All articles reproduced by permission of the authors. No portion of this publication may be reproduced in any form, or by any means, including photocopying, without written permission from the publisher or author. Theatre Communications Group, Inc., 520 Eighth Ave., 24th Fl., New York, NY 10018-4156, telephone (212) 609-5900, fax (212) 609-5901, website: www.tcg.org. Ben Cameron, executive director; Joan Channick, deputy director; Christopher Shuff, director of management programs; and Rachel Ford, management programs publications associate.

TACTICAL MARKETING TIPS

BY JIM ROYCE

Take a moment to look back at previous downturns in the economy. Every recession since 1919, including the Great Depression of the 1930s, were growth times for the performing arts and film, except for one: the recession of 1990–1991 that followed the Gulf War. The reasons for growth in the arts are simple. As people stay closer to home and conserve cash, they seek out entertainment and experiences that provide inspiration, engagement and a diversion from the everyday routine. How are your company's programming choices and marketing tactics resonating with your patrons in these times of war and recession? Play to your presentational strengths and audience expectations until the environment changes to a more prosperous one. In the meantime, consider the following marketing tips for weathering these difficult times.

Be More Visible

Don't be a sucker for believing that "No one is going out. Everyone is watching the news." Like the last Gulf War, people are nervous about the short and long term. Accept the fact that people may stay close to home, and they are going to be fiscally conservative for awhile. Consumers are putting off big purchase items like cars and appliances. They aren't traveling. Okay, now what? Be prepared by realizing that they won't be shut-ins at home for long.

Remember that people love to be a part of an audience, which is one of the best reasons why live theatre, concerts, museums and film theatres will forever win out over television at home. Stake your public claim that your company is popular and that audiences are engaged with your productions. Motivate people to get out of the house through your advertising and unique promotions.

The biggest challenge now, however, is responding to buyer preferences. Position your advertising to be highly visible when people must get out of the

house and go somewhere close to home, which is, hopefully, not very far from your theatre. Now is not the time to cut back on advertising, unless a very serious national tragedy strikes.

Be Prepared for Late Buys

Many people are not ordering tickets far in advance, instead they are buying tickets for performances this week or early next. Your marketing and advertising tactics need to support this trend, even if it is just temporary. Divert ads from a long lead to bigger impact ads closer to showtime. Get in front of people on the street. Consider using street teams to distribute flyers instead of posterage with window cards.

Don't Buck the Trends That You Can't Change

If people are buying tickets for performances this week or early next week, redirect the timing of your direct mail and advertising efforts to support your buyer's choices. Consider sending direct mail in waves rather than all at once: Send early only to people that you absolutely know will buy far in advance. For occasional buyers or those you may not know very well, schedule mail to arrive a few days before first preview or opening. Lastly, plan mailings to outside lists for delivery close to the day reviews hit. Support your mail efforts with newspaper ads and, whenever possible, on radio.

Think Total Experience

For those single-ticket buyers who are foregoing their vacation travel this year, be prepared to persuade them to switch their vacation dollars for your adventure in subscription theatre. You might allocate extra time to research restaurant and hotel packaging options, to add a little spice and romance to your ticket offer. Give patrons a broader view of the total experience of attending not only your production, but also the character of the atmosphere before and

after. Value-added promotions can lend an enhanced spirit to what's on stage.

For example, a major radio station personality recently hosted a "girl's night out" for the Ahmanson Theatre's opening night of John Leguizamo's *SEXAHOLIX...A Love Story*. The event was promoted on the radio over two weeks, a local restaurant hosted dinner for 12, and limos delivered the group to the theatre. The promotion was a value-added deal on top of a spot buy.

In addition, some years ago, ACT in San Francisco ran a contest for an entire family to attend a Sunday performance of *A Christmas Carol*. Afterwards, the family would have a classic English dinner at a famous nearby restaurant with the actor playing Scrooge. The major daily newspaper and a radio station contributed to promotional advertising on top of ad and spot purchases. The restaurant offered family dinners with an English Christmas dinner theme throughout the run, which ACT promoted in its mail and print advertising.

Another instance of successful packaging happened when the *Titanic* production came to Los Angeles. For the run of the show, a major downtown restaurant agreed to re-create a version of the five-course first-class passenger dinner for its menu and included round-trip shuttle service to the theatre as part of the package deal. For more than two months, the restaurant's patrons received promotions for the *Titanic* deal with their checks, and the restaurant hung a huge show banner outside its door. No ticket or dinner discounts were offered, but the promotion sold the package on the unique merits of its concept.

Know Your Customers' Top-of-Mind Sources

Ask your customers the following question, "When you're at home or work and thinking about entertainment or going out and finding things to do this week, what do you pick up or where do you go to get a guide that gives you a

comprehensive set of choices? Is it the daily or weekly newspaper, the Internet, friends?" What's their first response? You want to know those top-of-mind places where your advertising should appear most frequently and prominently.

You may be surprised to learn that the daily newspaper in your community is a declining influence for many people. People who hear about events by word-of-mouth or from a radio/TV spot are increasingly turning to the Internet to search out where to get more information and whom to call for tickets.

Survey people who are new single-ticket buyers and have never been to your theatre before. Ask them: "Is the daily newspaper one of your top-of-mind places?" If not, you have to ask yourself: "Is my advertising reaching enough people to generate results?" Maybe the paper should do more to promote its entertainment section as the best place for its readership to get a comprehensive view of everything in town.

Unite with Other Performing Arts Advertisers

If your company is a frequent advertiser you may have significant clout—in this down economy—with the paper's business managers. Get other entertainment advertisers together to put collective pressure on the paper's management to create major promotions directing readers to the live entertainment section where your advertising is positioned. Every newspaper, big and small, claims a strong readership. They must, to preserve their high ad rates. Entertainment advertisers are a big source of revenue. Newspapers want to be known as the best guides about what to see and do. Hold the paper's managers responsible for delivering to an engaged readership. The *New York Times* is currently promoting Broadway and its "Arts and Entertainment" section with house ads in other parts of the paper. Every arts organization in the New York City metro area benefits from those ads.

Last fall, a coalition of performing arts and concert companies (representing several million dollars in ad revenue) put pressure on the *Los Angeles Times* to change its rate and incentive structure. It did. And later this spring, the *LA Times*

will launch a series of major promotions to direct reader attention to its performing arts and live entertainment sections, which have traditionally been placed way behind the movie and television pages.

Be prepared to support your paper's promotional efforts with limited-time discount offers and promotions available only to its readers. Don't let the paper off the hook with just one or two wimpy promotional ads. Insist on a major sustained effort over time that will actually create results for your bottom line by maintaining the paper's entertainment section as a top-of-mind place. Full-page ads and filler ads in all sections (particularly in the business and home sections) must be a part of the campaign. It's a win-win strategy if the newspaper is responsive. And if you encounter resistance or a slow to get started attitude, gather a coalition of other performing arts organizations to pull ads. You have nothing to lose if the readership is not responsive enough.

You may also want to engage political and arts council leaders to gain even more clout with your major daily paper. Many newspapers are also financial and promotional supporters of half-price ticket booths. Why? The linkage is a unique benefit to its readers.

Roadblock Consumer Attention with Advertising

Roadblocking is a common tactic used by both radio and TV advertisers to hit target listeners by scheduling some spots to broadcast at exactly, or very close to, the same time (like 5:30 PM) on different stations. If many consumers hear your ad spot during their rush hour commute from work, then find your post card in their mailbox, see an ad in their paper the next morning, and hear a radio personality pitching tickets on their way back to work, you have effectively roadblocked their attention and gained top-of-mind presence. Timing is critical to any roadblocking strategy.

Develop a strategy to set up one or more "roadblocks" in your single-ticket marketing plan. In other words, find key periods of time when you can grab intense visibility in every direction the patron looks: in the mailbox, on the radio, by email, with television promotions, in

newspaper features (or reviews) and other print advertising.

Court Recent Single-Ticket Buyers for Subscriptions

The best prospects for subscription continue to be recent single-ticket buyers to your theatre. If your returns on subscription promotions to outside mailing lists, and/or to people who have never been in your theatre, are like many companies' returns—way below one percent—why bother wasting time, money and effort for so little? Divert those resources to attracting single-ticket buyers throughout the year.

Within a few days of a single-ticket patron attending his or her first performance, follow up with phone calls. You'll get impressions and feedback that will help with your upgrade pitch for a subscription. Don't give up too soon if the patron doesn't bite right away. Post cards, thank you notes and email promotions must be positioned to put your company in the patron's list of top-of-mind experiences—for the production he or she saw and the customer service that surrounds his or her attendance. Gently keep after the patron until he or she tells you to back off. The hardest word for most people to say is "no." Assertive and accommodating service is a key ingredient to the success of your overall strategy.

As an example, consider that Center Theatre Group's subscriber base has remained very stable for its two theatres: the Ahmanson and Mark Taper Forum. Since the low year of 1996, subscriptions for both houses have grown by more than 20 percent and are expected to remain fairly stable with 42,000 subscribers for the Ahmanson and 24,000 in the Taper. Our success in selling and retaining subscriptions is entirely focused on building long-term relationships with single-ticket buyers, re-engaging former subscribers, upgrading donors, gaining referrals from current subscribers and then providing our current patrons with superior service. Our subscriptions are full-price ticket packages (only very far side or rear seats are discounted) and come with a few major perks: top-priority seating locations, free ticket exchange, advance priority with no service charges

for purchase of extra tickets or shows at the “other” theatre, and as much personalized care as we’re able to provide. Renewal rates range from 75 to 78 percent.

To maintain this subscriber stability, we must generate and draw upon a large single-ticket buyer base. The Taper, for example, has a gross number of seats of about 44,000 for each of its productions. Subscriptions represent roughly 55 percent of the total seating capacity. Our major promotional expenditures are aimed squarely at single-ticket buyers throughout the year to achieve overall paid attendance of 80 percent or more.

We also pay particularly close attention to the renewal rate of all subscribers who’ve been continuous for each of the last 36 years. We look for up and down trends, consistency over the long term and adverse reactions in the short term.

As a business strategy, subscriptions are a long-term investment in the relationships you have built with your patrons. New subscribers will never renew at the same rate as your subscribers who’ve been with you for five years or more. The real battleground is getting new people to stay with you for more than two years. You must do everything possible to focus intently on getting this group to become habitual renewals. Typically, the return on investment strategy for each new subscriber renewal goes something like this:

- ❖ 1st year subs. renewing to year 2:
25% to 45% avg.
45%+ is preferred
- ❖ 2nd to year 3:
45% to 60% avg.
65%+ is fast-tracking
- ❖ 3rd to year 4:
55% to 70% avg.
75%+ is wonderful
- ❖ 4th to year 5:
65% to 85%; avg.
90%+ is payoff time

After five years, subscribers should be renewing at 92 to 95 percent. After 10 years, your renewal rate for all

subscribers, including new patrons in their first or second year, should approach more than 75 percent. Organizations with overall renewal rates above 80 percent are making superior returns on their investment.

The figures above assume that there will be consistent programming combined with positive experiences. The battleground for sustaining the investment is clearly at the end of the first and second years. If renewal rates are below or at the bottom of the average scale, you need to seriously review your patron loyalty program.

Many companies focus a lot of attention on the long-term subscribers, when, in fact, they are the easiest to retain. Spend more of your energy with first-timers.

Ask your non-renewals why they didn’t re-up. Then craft a subscriber-retention strategy based on their objections. Remember that first- and second-year subscribers are not in the habit yet. They need to be trained. Here are a few reasons followed by solutions.

❖ **“I forgot to attend a couple of the productions. Therefore, it was not a good value for me.”**

Send specific reminder cards before every production in the season to first and second year subscribers, and follow-up with reminder calls whenever possible. If they are not in the habit yet, don’t let them forget anything. Also, they are paying close attention to value and may not yet be ready to “forgive” the one or two shows they didn’t enjoy as much. Older subscribers are much more willing to forgive disappointing productions that may occur.

❖ **“I had to exchange too many times. It became a hassle to attend.”**

Consider offering a flex-pass membership. Review your exchange procedures to streamline the hassle factor. Make ticket exchange as easy as possible.

❖ **“Getting there on the freeway or finding parking made us late several times.”**

You must provide clear, easy-to-read directions for driving and parking options for both single-ticket buyers and subscribers. Remember the theatrical experience for the evening starts in a driveway at home (or work) and ends there. Put useful maps and directions on your website.

❖ **“We’re having a baby.” “We’ve bought a new house.” “A financial difficulty is forcing us to cut back.”**

You can’t do anything about these lifestyle changes. However, situations change. The baby eventually becomes old enough for a sitter. Money problems improve. And after the first year in a new house, disposable income is renewed. Track these people and keep them engaged with special offers. Don’t let your company become invisible to them. People who were once subscribers are easy targets for special service and follow-up a few years down the road.

Typically, you’ll pay almost as much in promotional costs to get a first-year subscriber as the price of the subscription itself. If you can get more than a 40 percent renewal rate from a first-year subscriber, your investment begins to pay off in year four or five when the cost of renewal drops to a couple of bucks per household, and the renewal rate increases to above 90 percent. But to get a subscriber to renew four years in a row, thereafter becoming a habitual renewal, is a challenge that requires building a solid customer relationship.

Alternatives to Subscriptions

If you can’t get customers to subscribe, set up other hierarchies for building loyalty or strategies to engage people to become more habitual as single-ticket buyers. Anyone who has donated money (in any amount) and is not a subscriber (there are more of them than most people think) might get the benefit of advance order before anyone else.

Flex-passes or memberships that offer advance sales perks, work well for people on finicky schedules. Assign patrons who have purchased tickets to two or more recent productions to an advance priority list, then send offers or promotions about tickets on sale before advertising begins for the general public.

Smaller theatres might want to band together and offer a special affinity card that provides for discounted tickets. Spin off the classic airline mileage card to

create a “night out card” permitting free tickets to selected performances after tickets have been purchased to four or more productions. People like you more when you’re paying special attention to their needs and desires.

On your website, post the dates that you anticipate tickets will go on sale to the general public for each production. Then send direct email or promotional offers reminding people of those dates. Be sure to offer all sorts of opportunities

to your various inside hierarchies to purchase tickets before anyone else.

Again, now is the time to improvise and experiment with current consumer attitudes and trends. Stay as flexible and agile as possible with special-ticket offers. Drop the traditional promotions that take too much time, and yield too little return and opt for broader, more creative ideas.

—Jim Royce, director of marketing & communications, Mark Taper Forum/Ahmanson Theatre, jroyce@ctgla.org

UNCERTAIN TIMES: IMPULSE BUYERS REPLACE TICKET SUBSCRIBERS

BY ROBIN POGREBIN

The season subscription plan, which for generations has balanced the books of symphonies, nonprofit theatres and opera and ballet companies, seems to be losing favor with audiences around the country as single-ticket sales increase in popularity.

This trend, exacerbated by the economic slowdown, may have enormous effects on what is presented, who attends and how performing arts groups manage their budgets.

In classical music, more seats are being sold overall—32 million attended the symphony nationwide last season, up from 27 million a decade ago—but for shorter series and on shorter notice, often through the Internet.

People used to buy 12 to 24 concerts as much as six months in advance for classical and opera productions. Now they often buy four or five concerts at a time, or the occasional single ticket.

“More people are attending than ever before, but they’re buying in different ways,” said Jack McAuliffe, chief operating officer of the American Symphony Orchestra League.

Some arts executives cite economic uncertainty, hard times and the possibility of war as reasons for the shift; others blame increasingly cluttered lives and a reluctance to plan ahead.

Whatever the cause, the bottom is falling out of the way performing arts organizations do business. Historically arts groups depended on season ticketholders as a foundation on which to build single-ticket sales, cover production costs and guarantee a minimum audience. Now people’s short-term buying habits have made revenue unpredictable and precarious. This has forced performing arts companies to rethink how they allocate marketing dollars, plan their seasons and approach customer service.

“There is a general tendency to make decisions later,” said Robert J. Harth, the executive and artistic director of Carnegie

Hall. “Growing up, people talked about the next 5 or 10 years. Now they plan for the weekend. That culture has changed a lot.”

While five years ago the Baltimore Symphony sold 85 percent of its seats through subscriptions and the rest as single tickets, now subscription sales have dropped by 5 percent, while single-ticket sales have increased by 46 percent.

Addressing the growth in single-ticket sales, the Houston Grand Opera has begun spacing out its performances to allow word-of-mouth to spread. And at nonprofit theatres, single-ticket income over the last two years has outpaced subscription sales for the first time.

“It’s a change in the way we live,” said Ben Cameron, executive director of the Theatre Communications Group, which represents nonprofit theatres in the United States. “A lot of theatres are asking, ‘How do we cultivate a long-term relationship with people without subscriptions?’ ”

At the Metropolitan Opera, subscribers are down 9 percent since last year, but they bought longer series and more expensive seats. The Met also saw a surprising burst in single-ticket purchases for *Turandot*, the second production of its season; more than \$20,000 worth of tickets were sold in one day, compared with a previous high of between \$10,000 and \$12,000.

“There is a lot of uncertainty about terrorism, safety, the stock market, corporate scandals, Iraq,” said Stewart Pearce, the Metropolitan Opera’s assistant manager for finance, planning and marketing. “People are less willing to make big financial commitments.”

In the opera world the trend’s implications are considered a mixed bag. The change leaves opera companies living hand to mouth, but it may also mean that more people consider opera casually, as they would a movie or a play. “People are shopping from a broader menu of activities,” said Marc Scorca, president of Opera America, an advocacy group. “Sometimes they’re selecting opera.”

Still, arts groups used to have a sense of how a performance would sell at least a month in advance. Now, many arts executives say, that period is two weeks to 48 hours.

To adapt to the new short-term buying patterns, arts programmers say they need to advertise show by show, rather than focus on selling full seasons as they used to.

But luring single-ticket buyers costs more because a company must advertise more heavily. And subscribers tend to develop an institutional loyalty and to become donors.

The move toward picking and choosing individual performances can also influence programming, arts executives say. Without a solid subscription base, companies might feel loath to present unknown or experimental work. “Not all programming is equally popular, and subscription sales have been a way to introduce audiences to work with which they are not familiar,” Scorca said. “It’s more precarious to program unknown work because you just don’t know whether the public will rally around that work when the time comes.”

To attract and maintain a loyal following, concert halls and theatres are offering customer-friendly accommodations like early curtain times, more flexible exchange policies and a greater variety of subscription packages.

Lyric Opera of Chicago, which has more than 36,000 season ticketholders, offers 22 series and a vast array of prices. One can see all eight operas in a season for as little as \$184 (sitting in the balcony on weekdays) or for as much as \$1,168 (on weekends seated in the orchestra). Because people are buying opera tickets more selectively, Lyric can count on strong sales for *La Traviata*, while Handel’s seldom-performed *Partenope* presents more of a challenge, said Susan Mathieson Mayer, director of marketing and communications for the company. “I think this is going to be a year when people hold onto their money longer and are choosier about what they want to see. They will want to experiment less, to stick with the tried and true.”

The Boston Symphony Orchestra, with more than 24,000 subscribers, has begun to sell an increasing number of six- to seven-concert series, down from series of 20 to 23 concerts over the last decade. That symphony’s four-year-old website, which sells only shorter subscriptions and single tickets, has been generating about five million dollars in annual revenue. “Lifestyles have changed,” said Mark Volpe, managing director of the orchestra. “We’re rethinking how we package our subscriptions.”

At the Roundabout Theatre Company, the largest nonprofit theatre in New York, with 45,000 subscribers, people are increasingly opting to subscribe to four- or five-play series rather than to the season’s full seven. Also, subscribers can cancel at any time and reschedule for another performance, a longstanding

policy that Roundabout officials say is partly responsible for their company’s popularity.

Similarly, the New York Philharmonic is trying a 7:30 PM curtain time this season, instead of the traditional 8 PM start. On Broadway, where theatres have been struggling with a decline in advance ticket sales, several prominent producers—including Disney and Dodger Theatricals—are introducing a 7 PM curtain on Tuesdays this winter.

Classical arts groups are also re-examining their exchange policies. At the Met, for example, subscribers could formerly only exchange tickets for two performances in their series and only if they had seen one of the operas the previous season. Now subscribers can exchange any number of performances in their series and the productions do not have to be ones they saw recently. “People used to select their dates and live their lives around the series,” Pearce said. “Now they want more flexibility.”

Responding to the economic downturn, the Met has also frozen ticket prices for its lower-end seating and raised other seats by less than in previous years, although the price of its prime seats is up \$15 over last year to \$280, or eight shows for \$2,240.

The move away from traditional subscription purchases can also affect the number of concerts an institution presents each year. “Inventory is an issue,” Harth of Carnegie Hall said. “How many concerts do you put out there?”

This consideration weighs particularly heavy on Carnegie Hall as it prepares to open a third stage, the Judy and Arthur Zankel Hall, next September. Similarly, Jazz at Lincoln Center would also seem to have reason for concern, given that it is building three stages in the new AOL Time Warner Center at Columbus Circle. But Hughlyn F. Fierce, the president of Jazz, said that his company’s subscriber base has increased about 15 percent to 1,675 from 1,400 and that he was not worried about empty seats.

The competition for subscribers is particularly intense in New York, with its abundance of cultural options, and this is heightened by tight economic times. “If you hold three or four subscriptions, it’s no different than charitable giving,” Harth said. “You will drop a couple off or lower all gifts because you can’t quite afford it.”

The events of September 11 exacerbated people’s reluctance to plan ahead, cultural groups say. And while people have moved past a tendency to cocoon after the attacks, some arts executives predict that a war would revive that response.

“The pace of ticket sales has picked up,” Pearce of the Met said. “But if we go to war with Iraq, I’m not sure that’s going to really matter. I do think it’s going to be another tough year.”

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