Center Theatre Group – Beyond Revenue Management

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Center Theatre Group (CTG) in Los Angeles has been in existence since 1967. Since that time productions in its venues have won virtually every theatrical award, including a special Tony Award for theatrical excellence. CTG has three houses, from a 2,100-seat theatre hosting major musicals and plays, to a more experimental 317-seat space. The Mark Taper Forum seats 732 and is known primarily for plays.

Jim Royce, Director of Marketing, Communications and Sales, has earned a reputation for being on the cutting edge of arts marketing and in 2010 the company adopted dynamic pricing as standard practice.

These two examples show how Center Theatre Group has integrated revenue management with their marketing and development strategies.

1 Optimizing re-scaling and re-zoning

CTG completed a pricing study with The Pricing Institute ahead of its 2010 season. For the Mark Taper Forum CTG moved from a two-price house to a three-price house (see exhibits 1 and 2 below) to provide more price points and increase income from the best seats.

Using The Pricing Institute HotSeatIndex™, the CTG marketing team divided the house into 28 seating zones within these three prices (see exhibit 3). Each zone was assigned business rules governing which zones could be discounted or used for complimentary seats; most prime location seats now required full payment and could not be comped. Prices of particular zones could be changed on a performance-by-performance basis, enabling CTG to maximize revenue and optimize inventory throughout the run of each production.

Marketing teamed up with Development over the management of subscriber upgrades to the most desired sections, so that an upgrade to certain sections would now require the subscriber to also become a higher-level donor, and to continue at that level for subsequent seasons. When prime seat locations were not renewed or used to accommodate an upgrade, these seats became full-price, never discounted or comped (under the business rules for those sections), and were held until Development found a suitable donor. The zones least in demand were then identified as available for special promotions.

The combination of rescaling, managing flexible zones for each performance, and requiring a donation for upgrades to the best sections yielded significant results, including a 9% increase in average prices across the board, an 83% subscription renewal rate, and a 28% increase in subscription revenue, equaling $2.5 million.

2 Pricing for a new audience - "The Lieutenant of Inishmore"

"The Lieutenant of Inishmore" played the Mark Taper Forum in the summer of 2010. Through surveys of preview attendees the marketing staff determined that this controversial play would generate significant word-of-mouth through the hundreds of comments, both pro and con, coming from a younger audience, and that this could significantly increase demand. To further engage this target audience, CTG published a broad cross-section of the comments on its website and through Facebook and Twitter.

Based on the social media buzz CTG put a plan in place to increase ticket prices if the show got strong reviews, which it did. Prices were increased across-the-board between $10 and $20, putting top prices at $70, and discounts that were scheduled to expire the day after opening were not renewed. CTG also realized that although the audience was certainly voicing its opinions about the show on-line, they were not buying tickets until the last minute. CTG held onto their pricing strategy and almost every performance sold out; bringing in $93,000 over the show's income goal.

Exhibit 1: Historical Pricing for the Mark Taper Forum

Exhibit 2: Re-scaling

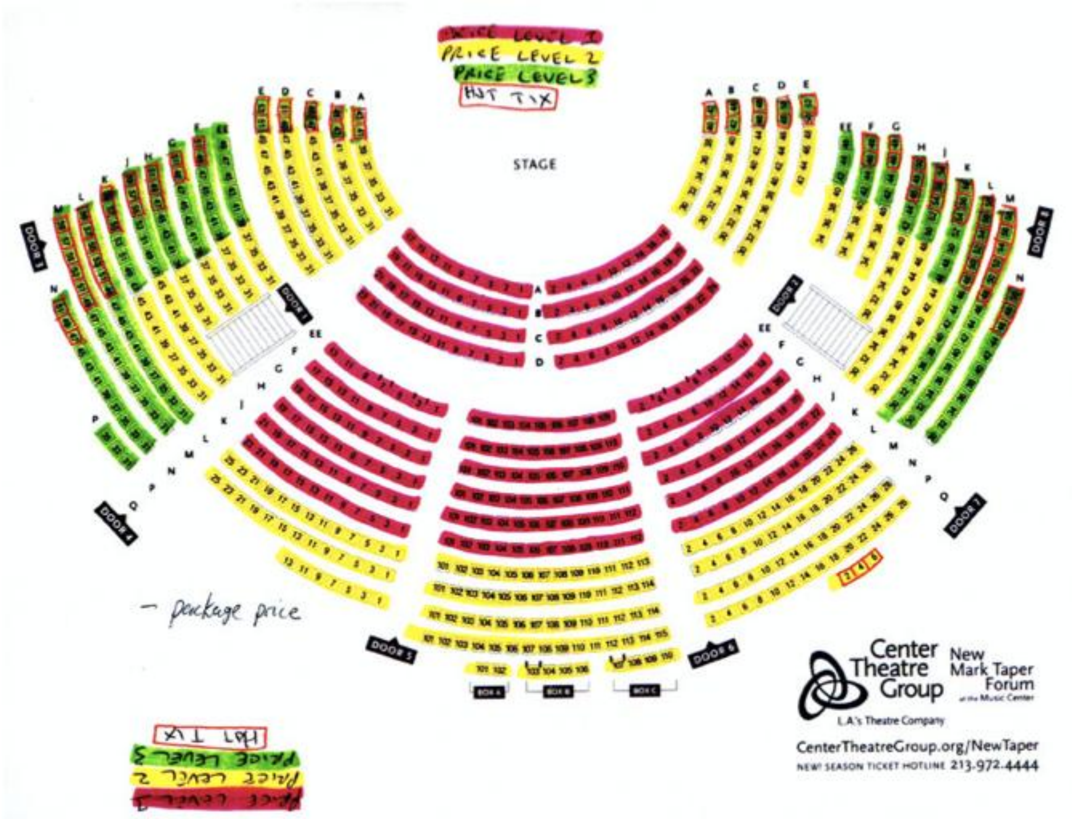

Exhibit 3: Re-zoning