

Case Study: Santa Fe Opera

Steven Roth (President, The Pricing Institute)

The Santa Fe Opera is an international summer festival, which completed its 55th season in 2011. The Opera is an outdoor venue with a capacity of slightly over 2,200. Patrons often arrive hours before curtain to enjoy an al fresco dinner and a glorious view of the sun setting before the opera starts. Santa Fe offers five productions in full repertory over an eight week season. The season consists of 37 performances and two concerts.

The Opera was hoping to increase revenues by enhancing its existing approach to pricing. In past seasons prices for all operas and performances were the same. A 5% across-the-board price increase was traditionally added at the beginning of August. The Opera needed additional evidence to help inform its new approach to pricing. Initial data analysis by The Pricing Institute confirmed a slight but steady decline in capacity and revenues over the past few seasons; the majority of tickets were sold to single ticket buyers; subscriptions were declining; and comps were increasing.

Santa Fe Opera recognized that a successful dynamic pricing strategy required much more than just adopting a change in tactics by a few people. A cross-functional pricing team was empowered to make pricing changes. The team met each week to review upcoming dynamic pricing opportunities and evaluate the impact of past changes. The team used sales and income reports from the Revenue Management Application and T-Stats to identify pricing opportunities and evaluate their impact. The team made some quick, far-reaching changes, starting with increasing prices in “undervalued” areas (Standing Room and lowest priced single tickets). The team implemented subsequent changes on a weekly basis, raising prices based on capacity demands and lowering selected sections to increase access.

Dynamic pricing was applied to all performances. At the end of the season Santa Fe Opera sold 9,384 tickets at increased prices and 225 at reduced prices. Top prices rose from \$183 to \$225 for the most popular performances. Santa Fe Opera earned over \$130,000 in incremental revenues. Santa Fe has adopted a three-tier pricing approach for their 2012 Season, anticipating each performance’s demand by repertory and previous sales patterns.

The commitment of the pricing team over the summer helped instill a new revenue management culture throughout the organization.