

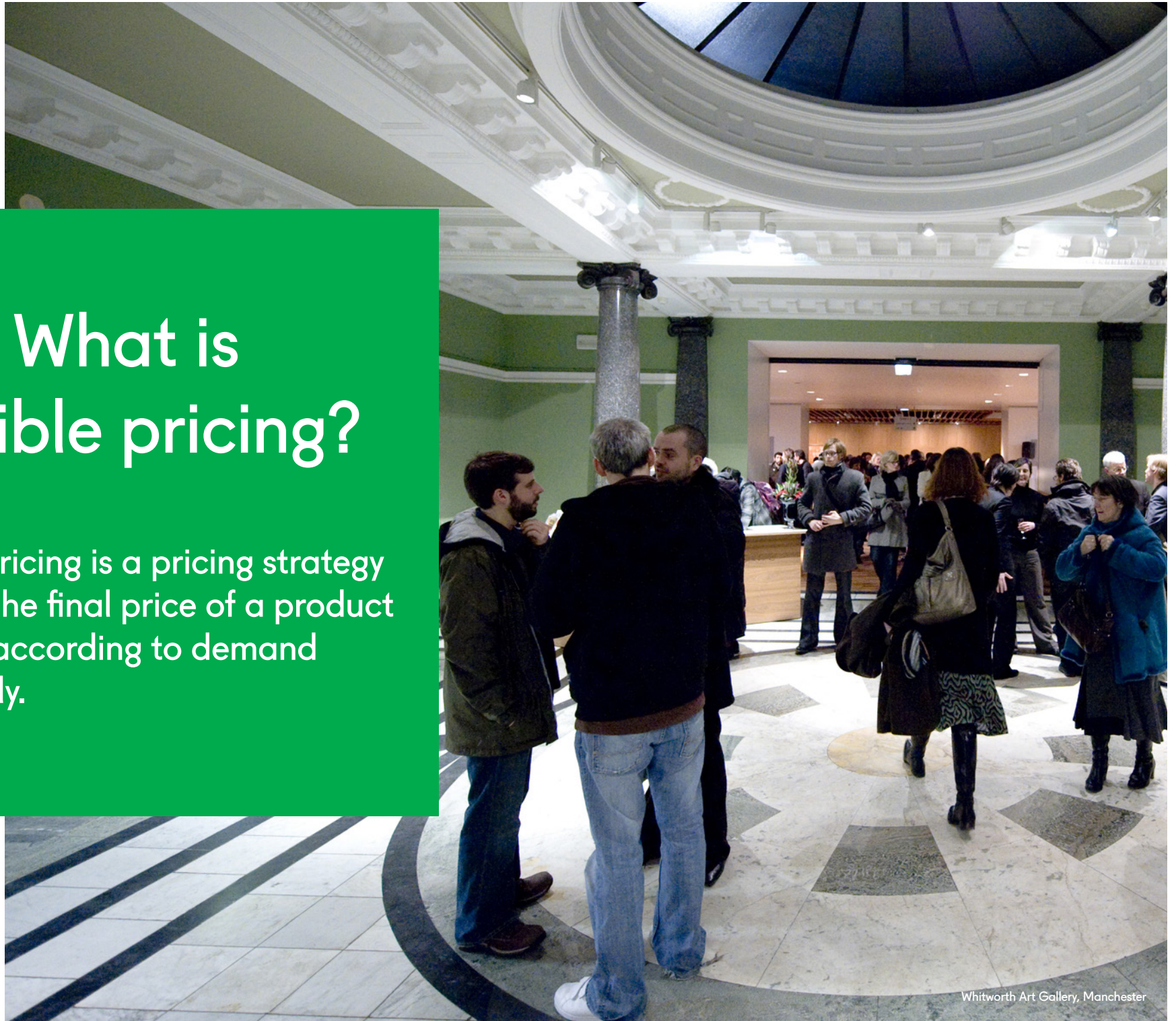
# Flexible pricing and the cultural sector

*The early bird catches the worm*



# What is flexible pricing?

Flexible pricing is a pricing strategy whereby the final price of a product changes according to demand and supply.



Flexible pricing comes in many forms and has become increasingly common in recent years.

We experience it across a range of sectors, particularly in travel when booking trains, flights and hotels, where the price can vary according to how early we book or how popular our chosen time of travel is.

Many of us are familiar with a choice of ticket options and prices that can be booked for the same service at different times.

## Why is this important for the cultural sector?

Many sectors, including the cultural sector, are showing increasing interest in the opportunities and benefits that this type of pricing can offer both the consumer and the seller.

However, little insight currently exists regarding consumer awareness, perceptions and openness towards flexible pricing for the cultural sector specifically.

During 2017 and 2018 we commissioned research to develop these insights, and to provide actionable recommendations to help guide cultural organisations in future decision-making around ticketing and pricing.



Phyllida Barlow, cul-de-sac exhibition, Royal Academy of Arts, London, 2019. © Phyllida Barlow.  
Artwork courtesy of Hauser & Wirth. Photo: Josh Caius

# Aims and approaches

Our research aims to outline the overall awareness, perceptions, comprehension and appeal of the concept of flexible pricing among both consumers and cultural industry stakeholders – as well as the key benefits.

We set out to investigate:

- under which circumstances flexible pricing would be of most benefit to consumers and cultural industry stakeholders
- how flexible pricing might best be delivered, particularly from a consumer perspective; for example, how it could be referred to, how it could be marketed, etc.
- one or more hypothetical flexible pricing options that could be further explored with industry stakeholders



## Our approach

Qualitative research was carried out in two stages to gain insights from both consumers and stakeholders:

### 12 stakeholder interviews

With cultural industry leaders and stakeholders working in development, marketing and membership from organisations of varying sizes across the UK.

### 6 consumer focus groups

In-depth consumer research with two sets comprised of participants from London, the North and East of England, and the Midlands:

1. had attended a cultural event in the last year and had experience of flexible pricing
2. had purchased tickets to a cultural event in the last six months and included individual members of cultural organisations



Bloomberg New Contemporaries, BALTIC Centre for Contemporary Art, Gateshead, 2017.  
Photo: © Andy Smith



# Insights and observations

## Stage 1: Stakeholder insights

**1** Organisations conduct regular pricing reviews for many reasons, including business planning, best practice and budget cuts.

Reviews are carried out using methods such as benchmarking other organisations or examining their own pricing options, and a combination of the two.

**2** There is good collective knowledge of flexible pricing among cultural industry stakeholders, but this comes from experiencing it outside of the sector, rather than from experience of applying it to the cultural sector.

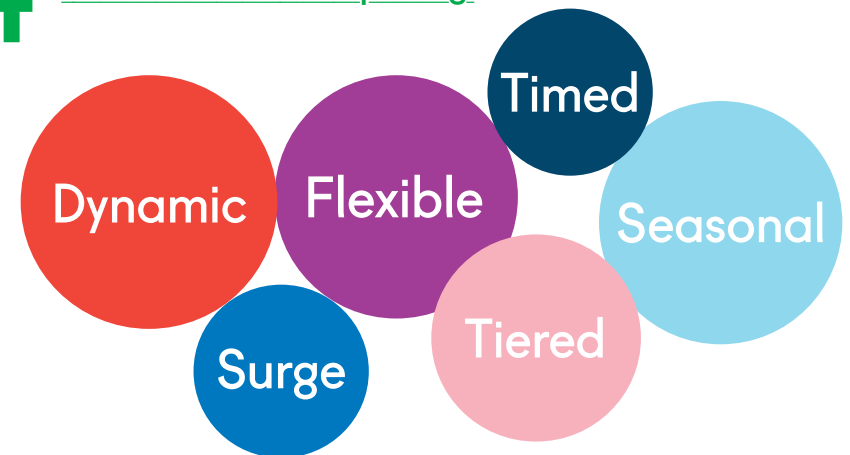
The sectors that stakeholders most associate with flexible pricing are theatre and travel, particularly hotels.

Leisure in all forms is regarded as being the most progressive sector, but much of this is based on perceptions of leading organisations rather than specific experience.

**3** All organisations who took part in the interviews are currently considering or have considered a variety of pricing options.

These ranged from seasonal pricing, timed tickets, testing on/off peak, early-bird offers and weekday vs weekend pricing through to simple discounts.

**4** A number of terms are used to describe flexible pricing.



*"I don't know if I'd call any of it particularly innovative – we're all used to paying upfront for better prices!"*



# 5 A number of factors impact how flexible pricing is used.

## Internal factors:

- the public programme structure, this may be managed by one department or many
- the ticket offer – in multi-faceted organisations it is difficult to manage all the different offers consistently
- training and costs of staff required
- the capabilities of the CRM (Customer Relationship Management) system dictates what is possible
- ticket operator involvement – where tickets are sold through a third party, the ticket operator needs to be involved in the pricing process

## External factors:

- different types of audience – there are a number of factors to consider, including whether an organisation needs to serve a wide range of audiences and/or concentrated groups and repeat consumers, domestic and international audiences. Different audience attitudes and incomes also need to be considered

- the success of the public programme – both the historic and anticipated success of ticket sales will dictate demand for the programme
- membership schemes can complicate the options available, as price-points for membership and the benefits included need to be taken into account
- the need to meet engagement and admission targets that have been set for certain audiences
- the complexity of the pricing and how easy it is for consumers to understand
- the impact on visitor experience – the need for the consumer to consider multiple variables, for example visiting during off-peak hours and taking time off work, or assessing if a lower-cost ticket impacts the perceived value of the overall visit
- the individual's choice – what is the real value of the experience for them? Where does price sit in the decision-making process? How does an individual's dwell time impact the venue's capacity?

## 6 Understandably, many are risk-averse to adopting a new pricing system without knowing how customers will react.

Current insight into consumers in relation to pricing is largely derived from their behaviour.

Most stakeholders agree that consumers have been conditioned to accept variable price offers, with a sense that there is a distinct set of 'canny' consumers.

Importantly, what isn't known are the tipping points at which consumers will draw the line and therefore not buy.

## 7 There is agreement across stakeholders that there is an opportunity to consolidate best practice.

*"We simply don't know how people are thinking about this"*



## Stage 2: Consumer insights

Focus-group participants had attended a diverse range of cultural events. Our findings can be summarised as follows:

### 1 Cultural consumers are very aware of and familiar with the overall concept of flexible pricing, across a range of sectors.

Like the cultural industry stakeholders, consumers recognise travel and hotels as using flexible pricing, as well as airlines, insurance, utility providers and car hire companies.

### 2 Audiences are sceptical of many pricing systems, but accept them.

Based on experience, consumers believe that organisations rarely offer discounts without there being clear benefits for the organisation.

Consumers assume that they may not be getting the best deal and that someone else is 'in the know'. They believe you have to 'play the game' to benefit from price variations in any market.

*“'Dynamic' in particular sounds like a spectacular piece of overclaim!”*

### 3 Cultural consumers can be identified in terms of three typologies when it comes to pricing:

*Life's a competition* – will get the best deal and are prepared to spend time finding it

*Cheerfully resigned/doing our best* – will make some effort to check out the options and don't mind doing so

*Scowling from the sidelines* – these consumers resent the fact that they need to try, or just don't have the time

Consumers recognised that organisation is key, and that you need time to make it work.

### 4 Consumers understand the terms 'flexible pricing' and 'dynamic pricing', but reject them as being 'business-speak'.

Terms such as 'flexible' or 'dynamic' pricing are not regularly used by consumers, so there is no spontaneous awareness of the terms themselves.

To consumers these terms feel like jargon and are at best business-derived rather than consumer-orientated. Once consumers are prompted, the meaning of such terms becomes clear.

Audiences acknowledge that they have experienced flexible pricing without using the term. Tickets for such things as theatre, rail, airline and hotel bookings, off-peak zoo tickets and even early-bird offers for festivals were stated as examples when prompted.



Nottingham Contemporary, Art Fund Museum of the Year 2019 Finalist  
Photo © Marc Atkins / Art Fund 2019

*“There's no such thing as a free lunch”*

## 5 Well-known brands such as Uber and EasyJet have left some consumers resigned to the inevitability of flexible pricing schemes.

There is a sense that price increases, strategies and hidden extras are part of the consumer experience these days, and consumers – although resigned – are sceptical.

## 6 Consumers who are less culturally engaged are more focused on price, and therefore more conscious of and open to pricing initiatives.

For those less culturally engaged, price is much more important in the decision-making process. These consumers have fewer clearly informed expectations of both the content of a show and its attendant value, and therefore a fair price is harder for them to determine.

There is a sense that there is a 'smart' way to book, which can add to anxiety; however, these consumers represent a significant engagement opportunity as they also understand that it isn't difficult to 'join the smart set' by signing up to receive regular updates.

Among these consumers, value for money is judged against a criteria based upon previous experience both within and, more importantly, outside the cultural sector. There are no specific expectations around how a museum or gallery should act, and museums are regarded as no different to other companies with products or services to sell.

Savings and best prices are critical for many potential visitors. Focus-group participants equally appreciated that arts organisations might not be best placed to deliver sophisticated pricing strategies, but they did want to see beneficial offers promoted.

The understanding that there are ways to access shows and events other than at headline prices increases the appeal at every stage of the decision-making process.

*"If everyone does priority boarding then no one is priority"*

## 7 Consumers who are more culturally engaged don't like to associate cultural organisations with aggressive pricing strategies.

Regular visitors are aware of the relative price-points of exhibitions, what the latest 'deals' are and how best to access them.

They are tuned in to the increasing price of blockbuster exhibitions and can be separated into those who will draw the line at escalating prices, and those who will pay whatever the price.

In practical terms, £20 is regarded as a notional and soon to be broken barrier for blockbusters, while there is no lower price limit.

As prices rise, pricing as opposed to the price itself becomes more important.

It is thought that the cultural sector generally delivers value for money, but the financial aspects are something of a 'necessary evil'. These consumers are initially surprised that arts organisations are using different pricing strategies, but this comes more from a cultural rather than a practical perspective.

On reflection these audiences understand that it makes perfect sense to secure the future of an arts organisation, but it is something they prefer to happen 'behind the scenes'.



Phyllida Barlow, cul-de-sac exhibition, Royal Academy of Arts, London, 2019.  
© Phyllida Barlow. Artwork courtesy of Hauser & Wirth. Photo: Josh Caius

## 8 There is scepticism as to whether cultural organisations should engage in pricing practices unless they benefit all parties.

Despite the charitable status of many museums and galleries, there is a perception that most major organisations are well supported and therefore a sense that cultural organisations shouldn't be trying to squeeze every last penny out of each show and audiences.

Focus-group participants were, however, interested in offers and see the sense of adjusting prices to peak and off-peak times, and want to feel that pricing offers are mutually beneficial to both visitors and galleries.

## 9 The range of different terms for pricing and the various ways they are applied creates confusion.

Several factors (conscious or otherwise) affect the consumer's decision-making process when deciding what or where to attend.

Questions such as 'what's new?', 'what's free?', 'what's once-in-a-lifetime?', 'what must be paid for and what might there be a deal on?' need to be considered.

When there is a commitment to a certain event or show, pricing becomes a conscious issue.

Participants were familiar with the following concepts but not necessarily the specific terms:



Despite consumer familiarity, it was recognised that these terms aren't being used by cultural organisations with any consistency. This makes consumers naturally suspicious of whether the 'deal' is genuine and cautious of exploring the offer further.

Consumers assume that, even if they find a deal, hidden extras will appear as soon as they click through to the next page. This activity is intensely disliked, as is there being too much choice on offer.

### Pricing initiatives within the cultural sector:

- membership – the simplest route to ‘must-have tickets’
- plus ones
- early-bird purchase (and ‘last chance’)
- off-peak discount
- ‘lifetime’ membership
- the 15-month year
- free dayparts (eg mornings)

## 10 The term ‘flexible pricing’ itself isn’t well recognised among consumers.

While the concept of flexible pricing is well enough understood, the term is perceived as somewhat casual – and money isn’t something cultural visitors want to be casual about.

If there is flexibility in pricing of any sort then it has to be to the consumer’s advantage. The potential for too much flexibility that benefits the organisation at the consumer’s expense only serves to make consumers distrustful.

## 11

If cultural organisations are going to promote flexible pricing, it needs to be done with total transparency – but even that presents consumers with problems.

Focus-group participants felt that if organisations are to promote flexible pricing, then they must be honest about why they are offering tickets at a cheaper price than at other times.

Organisations must explain how the price structure works, and if surge pricing is being used at certain times, visitors want to be informed well in advance of when tickets will be cheaper.

Participants recognised that, in order to find the clarity they want, they must put in a reasonable amount of research themselves. For some of the more culturally engaged this is entirely acceptable; for the majority however, it falls into the ‘too difficult’ box.

Audiences would much prefer cultural organisations to promote clear and simple pricing offers.

*“Let me make an informed choice”*



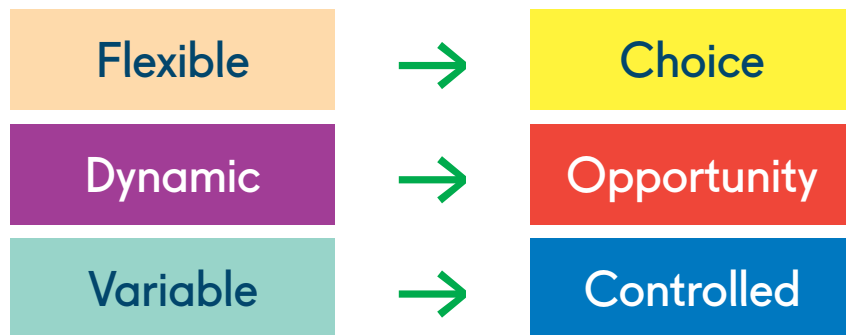
# 12 If the cultural sector is to embrace flexible pricing, it must do so wholeheartedly by adopting best practice from other sectors.

Focus-group participants felt that, if flexible pricing is to be of benefit to audiences in the cultural sector, it should borrow from those outside of the sector such as airlines, holiday companies, etc.

It is important that brand integrity is maintained throughout.

# 13 Nomenclature must be consumer-orientated.

There is an opportunity to introduce such pricing concepts into the cultural sector by adopting an umbrella term for pricing deals, but it must be consumer-benefit driven.



# 14 There would remain a degree of scepticism among consumers, even regarding the larger cultural organisations.

The two biggest barriers are:

- presenting consumers with a problem they don't need
- adding further complexity to the decision-making process

The concept has some appeal if kept simple, but only if it benefits both parties equally.

Most importantly, it needs to orientate around visitor needs and to reflect them in communications.

The larger organisations are seen as having the resources and visitor numbers to pursue new initiatives and are recognised as having already done so. Once benefits have been proven, they will provide the blueprint for smaller organisations to follow suit. This in turn removes any element of risk for more financially vulnerable organisations.

*"Talk to us in a language we can understand"*



Hew Locke: Here's the Thing, IKON Gallery, Birmingham © Hew Locke courtesy of the Hales Gallery. All Rights Reserved, DACS 2019. Photo: Andy Smith

# 15 Opportunities exist to explore further pricing initiatives.

The following are suggestions which could be adopted, based on:

## Experience in other sectors

- **'Flexi' tickets, as used in theme parks:** A range of tickets that enable visitors to attend exhibitions and events at any time between two dates. The dates would either be specified by the visitor, which in turn determines the price on a scale they can adjust, or dates specified by the organisation.
- **Exhibition bundles:** Operated much like a monthly gym pass. Visitors can attend as many times as they wish over the course of one month. The month starts when the ticket is purchased. The cost of the ticket depends on when the month occurs in the year-cycle.
- **Blockbuster ballots:** Where demand for an exhibition is anticipated to exceed supply, a ballot could be held in advance. There could be a small charitable fee to enter the ballot; however, an 'Olympics experience' should be avoided.

## Visitor needs

- **Café/restaurant reservations:**  
Many participants were enthusiastic about being able to attend an exhibition in the knowledge that they have a table reserved either before or after the event.
- **Parking-inclusive tickets:**  
In some instances the opportunity to drive to an event is appealing, especially if travelling as a family or with elderly relatives.
- **Seating vs standing options:**  
Some participants would be prepared to pay more to exercise the choice to stand or sit, rather than one or the other commanding a premium.

## The role of technology

- **A 'today's tickets' section on the website:**  
This would focus on availability and any offers for outstanding tickets. It could also highlight forthcoming ticket releases.
- **A simple ticketing app:**  
This would allow visitors to check ticket availability at a glance.
- **Regular ticketing emails:**  
These would focus on ticket availability rather than just promoting shows. They should be concise and carefully limited.

## Other suggestions included:

- **Child-free visiting periods:** For those seeking an adult-only experience.
- **Refer a friend:** Entitles the purchaser to a discount for a reference.
- **'Russian Roulette':** Pay only 50% of the cost of an unknown future show, which requires commitment 12 to 24 months in advance.



John Constable, *Salisbury Cathedral from the Meadows*, 1831, on display at Tate, 2013

# Summary and recommendations



# Summary

Pros and cons of flexible pricing:

## Pros:

For consumers, flexible pricing...

- ✓ facilitates budgeting
- ✓ drives price reduction
- ✓ expands choice
- ✓ encourages transparency
- ✓ empowers visitors

For cultural organisations, flexible pricing...

- ✓ widens audiences
- ✓ increases revenues
- ✓ spreads income
- ✓ focuses programming
- ✓ provides new content opportunities

## Cons:

For both consumers and cultural organisations, the disadvantages of flexible pricing include...

- ✗ complexity of administration
- ✗ conflict with existing discounts
- ✗ overcrowding
- ✗ perception of 'dumbing-down'
- ✗ price inflation



## Recommendations

- Research and adopt best practice from other sectors.
- Be consumer-orientated in how you refer to flexible pricing, and what you call it.
- Your pricing setup needs to be totally transparent so it is clear and simple to consumers.
- Explore opportunities for further pricing initiatives.
- Initially, larger organisations will be best-placed to deliver flexible pricing.



Tate St Ives, winner of Art Fund Museum of the Year 2018. Photo © Marc Atkins / Art Fund 2018

## How best to deliver flexible pricing?

1. Set clear foundations:
  - *The brand*: Any new pricing model should be positioned as part of the overall organisational brand, not as a cheap alternative.
  - *Nomenclature*: Naming should be benefit-orientated.
  - *Identity*: A separate identity to the organisation's regular pricing scheme is unnecessary.
  - *Communications*: Tailor digital marketing to the individual's personal preferences.
2. Foster continuous price-checking within the organisation.
3. Encourage early booking.
4. Send targeted invitations to audiences based upon their preferences.
5. Promote spot deals – customers want to know they're getting a good deal, and regular spot deals can build trust.
6. Foster brand loyalty – reward frequent/returning customers.
7. Explain to audiences how the price structuring works, including:
  - why you need to charge more (eg to cover increases in staffing at specific times)
  - how it fits with your 'rate card' pricing
  - what causes prices to vary
  - how the costs break down
8. Inform visitors well in advance of occasions when tickets will be cheaper.

## [About Art Insights](#)

Museums and galleries face a challenging landscape. Social, political and economic factors are impacting how they innovate, engage with their visitors and share both knowledge and collections.

With challenges come new possibilities. At Art Fund, we want to help inspire the way forward.

We commission research to explore the potential for museums and galleries to harness change, and reach new audiences. Offering key insights and suggesting actions you can take in your own organisation, our Art Insights reports focus on a number of current sector trends.

We hope these reports provide rigorous, practical advice, and we invite arts professionals to use them in shaping the future of their organisation and the sector as a whole.

## [About Art Fund](#)

Art Fund is the national charity for art.

We give grants to help UK museums and galleries acquire and share works of art, support the professional development of curators, and inspire and engage new audiences.

For the latest news and funding opportunities, sign up to receive our regular Museum Bulletin at [artfund.org/bulletin](http://artfund.org/bulletin)

[artfund.org/supporting-museums](http://artfund.org/supporting-museums)

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Based in Soho, London, Muse create marketing, brand and audience strategies.

With clients in multiple sectors across the world, Muse have worked with some of the most commercially successful and creatively awarded brands of modern times. Culture sector clients include the Victoria and Albert Museum.

[musestrategy.com](http://musestrategy.com)