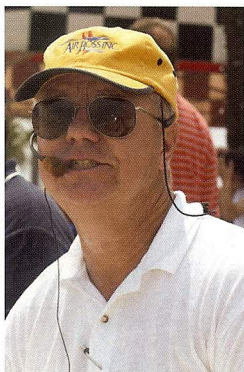




Ticket Pricing Theories

“Double your price, cut your business in half and make twice as much money.”



That quote came from a business seminar I attended 30+ years ago. The seminar was about start-up companies and how so many new business owners thought they could grow their business by offering a lower price than their competitors. But it does not work that way. Low-price mentality is a pathway to failure. You can't *buy* business and stay *in* business.

The genesis of this essay was an email discussion with “Wayne’s Gang” moderated by Wayne Gauldin, a former director of the Janesville, Wisconsin airshow. The

discussion was about the dichotomy of airshow ticket prices this year ranging from \$5 with free parking, to \$25 + \$10 to park. How does ticket pricing affect the sustainability of the airshow industry?

Far too many airshows think they can be successful by keeping their price of admission low, ridiculously low in many cases, and attract enough customers to “make it up in volume.”

Here’s a classic example:

Once, two brothers went into the watermelon business: They bought watermelons for a dollar each, transported them to the city and sold the melons for \$1. They soon realized they were not making any money. They carefully considered all the reasons for the lack of profit. Finally, they agreed on a solution: Buy a bigger truck.

The problem I present now has to do with airshow sustainability. Is the lack of sufficient revenue the main cause of airshow failure? Fact is, far too many airshows underprice their tickets therefore lack the profit required to sustain the event. They, like the Watermelon Brothers, find many excuses to keep from doing the obvious — raise the admission price!

Family Pricing

I’ve heard many “reasons” for rock-bottom admission prices and free parking, most of which revolve around the desire to “keep the prices family-friendly.”

Well, maybe you should take the kids to the Ringling Bros. Circus in Atlanta, for \$25 per person. Or the Carowinds Amusement Park in North Carolina, for \$39 a head (ages 3 to 61). How about Six Flags over Georgia, at \$44.99?

Here are a few more:

Cyndi Lauper Concert, Morristown, New Jersey: \$47.00 - \$91.00; Anderson Indiana Speedway, \$25.00; Natalie Merchant Concert, Greenville, South Carolina, \$30.00 - \$50.00

And do you remember the 2008 ICAS survey, which indicated that 90% of those shows which raised their ticket price saw *no effect* due to the increase? If families can afford the tickets to other regional attractions, they can afford a reasonably priced airshow ticket.

Here’s a recent example of a show with a reasonable price at the gate. The 2010 Eau Claire, Wisconsin Airshow charged \$17 in

advance, \$25 at the gate, and \$10 to park. The field was full of happy, enthusiastic paying customers. (Both days.) Let’s do a Q&A:

Question: Does cutting your ticket price in half double the number of spectators?

Answer: No. Within a given marketing area, only a finite number of potential customers will consider attending the airshow. Of this finite number, the “buy decision” will be *influenced* — but not *controlled* — by the price of admission. The greater influence will be how the event’s value is perceived by the potential customer. That perception is controlled by *marketing, reputation* and *past performance* — not admission price.

Halving your ticket price will not double your gate. Price alone will not attract enough additional customers to equal or exceed the dollars lost in the ticket-price reduction.

Question: Does doubling the price of your ticket cut the number of customers by half?

Answer: No. Using the pretense of a finite customer base in a given market area, let’s play with some numbers. Let’s say 10,000 persons are predisposed to attend your show. You charge \$10 per person, which gives a gross of \$100,000. Now, say you raise your price to \$20. How many of the 10,000 will not come to the show due to price resistance? Half? If so, 5,000 spectators still equals the same \$100,000 gross. But I expect (and as the ICAS survey and Eau Claire prove) the number of “no-shows” would be less. Let’s presume you lose 20 percent of the predisposed customers. Now, 8,000 spectators equal \$160,000 — \$60,000 increase in gross revenue. You can extrapolate these numbers to fit your situation.

Reducing the spectator count also increases the show’s net profit: Not as many port-a-johns, less trash to pick-up, fewer law-enforcement officers to direct traffic, etc. So the profit-per-spectator increases.

How many of our show producers think in terms of “profit per spectator?” You should! Back in my car wash days, we were washing over 1.5 million cars per year. We tracked the cost to the penny on a per car basis. A one-cent increase in annual cost per car took \$15,000 away from the bottom line ... my money! (In 1970 dollars too!) Back then we charged \$5.00 for a full service car wash, so we had to wash 3,000 extra cars to make up for that *one cent* increase in cost.

To summarize, let’s reverse the question. Should you cut your admission price to get more people on the grounds? Assume your “old” price was \$10 per person, and you are considering cutting it in half to increase your attendance. At \$10 per head, 10,000 spectators generates \$100,000 gross. At \$5.00 per person, you would need 20,000 spectators (a 100% increase) to generate the same gross. But if your “finite number” is 15,000, it just won’t happen, ever.

But if you double the price to \$20, you can break even with half the number of spectators. Chances are you won’t lose that many, and if you attracted 7,500 attendees, you’d gross \$150,000

No Profit = No Airshow

If you think cutting your ticket price in half will generate a 100% increase in spectators, I have some nice (oily) beach-front property on the Gulf Coast for sale. Give me a call.