DEBUNKING COMMON MARKETING ASSUMPTIONS
PUT YOUR DATA WHERE YOUR DOUBT IS

INTRODUCTION

Common practice, intuition, and assumptions are all too easy for us to accept as true and sometimes we may even formulate our marketing strategies around assumptions that have no proven basis. By challenging assumptions, we sometimes reveal things that never were or are no longer true. Our world changes so quickly that we can no longer rely on each discovery for long. If that new discovery is never challenged again, it can become part of conventional wisdom, as a widely held misconception.

The purpose of this article is to share some of the assumptions marketers at four theater companies have disproved by using data. The important point is: test your assumptions and intuitions with data. None of us can afford to make decisions solely on past experience or hunches.

Marketers from Berkeley Repertory Theatre, Roundabout Theatre Company, Stratford Shakespeare Festival, and Yale Repertory Theatre made a presentation – “Debunking Marketing Myths” - at the Tessitura Learning & Community Conference in August 2012. The eight assumptions fall into the following four categories:

- Patron loyalty
- Pricing, programming
- Preferences of millennials
- Monitoring ROI by market segment
PATRON LOYALTY

ASSUMPTION #1
Active multi-ticket buyers are more likely to buy a subscription than those with lower levels of buying behavior.

It seems logical that those who buy tickets to multiple shows would be the most natural target for subscription initiatives. Roundabout set out to test this theory.

Experiment: Roundabout examined patron buying behavior for the previous 18 months and identified three segments from that data:

- a) buyers who purchased 3+ productions
- b) buyers who purchased 1 to 2 productions
- c) buyers who had purchased 0 productions

Then, Roundabout sent identical emails to each segment, offering a subscription to three productions for $195. A unique source code was assigned to each segment.

Results: Although open and click through rates were 50% higher for segments a and b than for the segment c, the conversion rate was almost 90% lower for segments a and b than for segment c. In fact, the segment that saw the lowest click-through and conversion percentages was segment a, the 3+ segment. One complicating factor may be that this was not the first offer extended to each of the buyer segments, which may account for lower purchase rates among multi-ticket buyers.

Conclusion: Multi-ticket buyers are not necessarily the best targets for subscription offers.
In the context of evaluating its subscription initiatives, Roundabout set out to examine the multi-ticket buying segment as part of a larger study.

**ASSUMPTION #2**

*Subscription is the ultimate “destination” for the repeat ticket buyer.*

Roundabout hired research firms to do a brand awareness study and conduct audience research on customer attitudes and behaviors. The organization wanted to find out whether repeat ticket buyers considered subscription purchase to be an aspiration and whether the marketing efforts should be directing them toward subscription purchase.

Experiment: Roundabout conducted four focus groups, each consisting of a separate audience segment:

a) Roundabout subscribers  
b) single ticket buyers with a proven propensity to subscribe or hold membership elsewhere  
c) single ticket buyers without a proven propensity to subscribe or hold membership elsewhere  
d) non-Roundabout Broadway and Off-Broadway ticket buyers

Roundabout made sure that each group was demographically representative of Roundabout’s current audience.

Results & Analysis: Single ticket buyers without a propensity to subscribe conveyed the highest level of knowledge about New York theatre, including Roundabout (season production offerings, programs for new works, audience development programs, etc.). They also expressed the most positive sentiments about Roundabout of all groups. Lastly, they were most aware of Roundabout’s not-for-profit status.

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**Brand Awareness Study**

Result: Revised Spectrum of Engagement

![Brand Awareness Study Diagram](image-url)
Conclusion: These findings led to the formation of a new spectrum of engagement, challenging Roundabout’s previous belief that subscribers were the most knowledgeable about the institution, and displayed the highest affinity. Whether or not the subscription model is a viable option for these audience members, there is clear potential to increase their investment with the organization in some way – either in the area of financial investment (donation and ticket purchase) or engagement.

This understanding has led to the next challenge: how to increase frequency of attendance among loyal single ticket buyers who are not inclined to subscribe.

**PRICING**

**ASSUMPTION #3**

*Dynamic Pricing is a pricing model used to determine the appropriate value of a ticket.*

Increases in dynamic pricing* revenue is best achieved by instituting pricing increases for the remaining seats after the best seats have sold.

The Stratford Shakespeare Festival has been using dynamic pricing strategies for a number of years. Revenue increases from dynamic pricing were once steady but recently plateaued at $1.5 to $1.7 million in additional revenue per season. That initial growth was achieved with uniform price increases of up to 25% on shows that sold well.

When planning for the 2011 season, Stratford looked for ways to further increase the incremental revenue while also increasing capacity sold on less popular productions. It examined several years of sales data in great depth.

Analysis: Using The Revenue Management Application (RMA)’s Pricing Institute Hot Seat Index, Stratford looked at the average price paid per seat in each theater. Stratford reviewed several years of sales data and determined the average price paid per seat in each theater. Seats were grouped based on average price paid and color coded accordingly giving a simple visual overview of areas affected by pricing increases.

Zones with the highest price paid were not necessarily the best seats. Seats marked in red on the screen shot below represent the highest price, but many are not in the center or close to the stage.
** The Revenue Management Application (RMA) is a reporting software program designed to help project revenue for future productions. The Pricing Institute Hot Seat Index is a report in the RMA used to determine on a seat by seat basis. It can report the number of times a seat was sold, the amount of revenue collected for each seat or how quickly a seat was sold.

Next Stratford used the RMA to look at speed of sale.

Stratford made two findings. First, it found that most seats in the center area, which were the top priced tickets, sold quickly and before dynamic prices came into effect. With a goal of maximizing revenue, it wanted these “hot seats” to be available for sale when dynamic pricing began, because adding 25% on a $100 seat would result in more revenue than 25% on a $50 seat. As a result, center seats were taken off sale until the houses began to fill and prices increased. The hot seats were scattered throughout the A+ zone so there was still good availability for the pre-sale period offered to members and donors.
Second, Stratford used RMA data to rezone houses. Seats were not simply moved from one zone to another but sub-zones were created within larger zones. For example, there are now four sub-zones within the A+ zone.

This flexibility proved beneficial in the 2010 season for a high-demand production. Stratford aggressively increased the base price of a segment of the A+ zone from $100 to $200, and another sub-zone to $150, while keeping some seats at a standard increased price of $125. This provided patrons with a greater range of ticket prices and significantly increased revenue earnings. During the 2012 season, the same sub-zone structure is being used for a production garnering less demand. Some of the A+ sub zones have dropped to the A zone price in order to stimulate sales.

Conclusion: Holding seats for dynamic increases and creating sub-zones were more effective in increasing revenue than implementing percentage increases across all seats. An increase of $2.2 million was earned in 2011, which represented a 29% increase, or $500,000, over the previous season.
ASSUMPTION #4
In a down economy patrons will not buy the most expensive seats; discount channels are necessary.

Berkeley Repertory Theatre challenged the notion that theaters must discount tickets, especially when the economy is bad.

In 2011 Berkeley Rep produced Anna Deavere Smith in LET ME DOWN EASY. Twenty-seven performances were offered on a single ticket basis with prices ranging from $14.50 to $89.

The following screen shots from T-Stats, which shows sales by price type and zone for LET ME DOWN EASY.

(T-Stats is a data mining program with the ease of drop-and-drag technology.)

Results & Analysis: The star in LET ME DOWN EASY attracted a large audience who willingly paid full price for tickets in all sections. Discounts were used strategically and offered for loyalty purposes to subscribers, for a key target of patrons under 30, and for audience development. The result was increased revenue from dynamic pricing and minimal need for discounting.

Conclusion: Berkeley Rep concluded that it is imperative to know your brand and to convey it clearly. Are you a premium provider or a discount provider? If premium, discount pricing may give audiences a different impression, so discounts should be used strategically.

Berkeley Rep is a premium provider, and the fact that it was able to garner increased revenue from LET ME DOWN EASY despite a down economy proves that its patrons are more than willing to pay ticket
prices increased due to dynamic pricing. As such, discounts should be used with caution, especially if your company is a premium provider.

**ASSUMPTION #5**

*Seniors need discounts.*

Yale Repertory Theatre challenged the assumption that seniors will not attend if they are not offered a discount on tickets.

The marketing department introduced dynamic pricing at Yale Rep during the 2009-10 season for the production of COMPULSION starring Mandy Patinkin. It believed demand for tickets would increase as soon as the casting was announced, which was more than three months before the first performance.

Experiment: It conducted an experiment on price resistance in the senior community. Once COMPULSION casting was announced, starring Mandy Patinkin, it increased all prices to the top ticket price. As houses reached 70%, 80%, and 90%, it increased prices again in $5 increments. It also eliminated all senior discounts, so that some senior prices more than doubled from $40 to $82.

Results: Seniors turned out to be less price resistant than the marketing department thought. They continued to purchase tickets at full price with a mere three complaints from patrons, all of whom purchased.

Conclusion: Before the experiment with COMPULSION, senior discounts ranged from 22% to 29% off regular ticket prices. Although there were no stars in the season following COMPULSION, Yale Rep narrowed the gap between senior and full price tickets and have continued to narrow the gap every season. For the 2012-13 season, senior discounts range from just 7 to 11%, with no discounts offered for Saturday evening performances. Sales from seniors remain strong and complaints are rare.

**MILLENIAL PREFERENCES**

**ASSUMPTION #6**

*Millenials are attracted to cutting-edge, contemporary work.*

There are almost 12,000 students attending Yale University, which is obviously a key target for Yale Rep. The average age is 27.

Specially priced student packages have been offered to Yale students for years. The biggest seller is the 6-ticket student pass but Yale Rep also sells 4-ticket passes. Single tickets are discounted for most performances.

The packages are flexible: student pass tickets may be exchanged in any combination for the plays and dates of their choice, with no fees for exchanging. Passes can also be redeemed online. The lowest cost option is the 6-ticket student pass with a per ticket cost of only $10. Clearly, there are no purchase barriers due to ease-of-use or pricing. Yet, only 19% of Yale students attend Yale Rep. Yale Rep would like to increase that number.
Analysis: At the end of last season, Yale Rep decided to test its assumptions about students’ programming preferences. It believed students were attracted to new and/or cutting-edge work. Using T-Stats to access sales data, the marketing department looked at two simple reports: price type, as a means of identifying students, and production genre, and discovered that it could not have been more wrong. Classics were the preferred genre. Only 38% preferred new work.

Yale Rep then broke the total student buyers into different segments according to what they purchased – it found very little difference. Package buyers and single ticket buyers mainly purchased classics.

Findings: Although the findings surprised Yale Rep, the more the marketing department thought about it, the more it made sense. How much theater can the average 27-year-old student have seen? Of course they will be interested in the recognizable instead of something unknown. Assuming most students are attracted to new work is as egregious an error as assuming all seniors like classics.

Conclusion: Yale Rep has debunked an assumption, but now it needs to develop two strategies: one to encourage students to attend new work; and another to capitalize on our new knowledge that students enjoy classics.

MONITORING ROI BY SEGMENT

ASSUMPTION #7
The best strategy for increasing group sales is to focus on tour operators and the travel trade industry.

Stratford Shakespeare Festival used to sell between 40,000 and 50,000 tickets to groups each season. In recent years, sales have declined to approximately 30,000. Tighter marketing budgets led to deeper analysis of its group business.

In the past, Stratford used its group sales budget to attend trade shows and personal sales missions throughout North America. In response to the decline in sales, SSF considered increasing its
representation in trade shows and sales missions to attract new tour operators. Before committing to this increased investment, though, SSF looked closely at group sales over the past four years.

Analysis: In Tessitura, Stratford created a constituency for each type of group customer: corporate, Frequent Independent Traveler, tour operator, social, etc. This allowed Stratford to look at sales by group type.

First, Stratford reviewed sales over the past four years to track changes within each constituency. There were two key discoveries: 1) sales to tour operators had dropped significantly, despite increased efforts with them, and 2) sales to social groups were stable, without increased efforts.

Next, Stratford looked at a geographic breakdown by constituency. It examined whether sales had changed in areas represented by the different trade shows and sales missions Stratford had attended. Surprisingly, not only had sales to tour operators declined in most areas, but 90% of the sales to tour operators were actually from those within a two- to three-hour radius of Stratford.

Stratford then examined new and lost groups by geographic origin, where it discovered further evidence that attending the trade shows and sales missions was not bringing in new business or preventing further losses. In fact, by looking at the original source of new tour operators, Stratford found that only one sale was attributed to trade show or sales mission attendance. This sale was worth about 1/10 of what SSH had spent.
Findings: With respect to tour operators, Stratford learned that attending a broad range of trade shows and sales missions was not enhancing sales. It changed its strategy and will attend fewer shows, all of which will be within the two- to three-hour radius from Stratford. The Group Sales Manager is making personal sales calls to current and lapsed tour operators in order to encourage ongoing business. No effort is being made to attract new tour operators.

Meanwhile, Stratford also discovered good potential within the social group market and has initiated new efforts in this area. In the late summer 2012 they began ticketing on Facebook using Tessitura. Facebook users need not leave the platform in order to purchase tickets on Tessitura. Only one safe login is required. In addition, the website was enhanced to improve online group sales capabilities, and began investing more time in developing relationships with service clubs, professional associates, and other social groups such as churches, Red Hat Ladies, and alumni groups.

Conclusion: Analysis of the potential in social group marketing and the decline in tour operator interest debunked Stratford’s assumption that tour operators and travel trade industry are the best consumers of group sales. While it is too soon to know if the strategy of maintaining nearby tour operator business coupled with an increased investment in social group business will be effective, there are some early positive indications. Sales as of August are on track for both segments and several lapsed operators have purchased tickets.

**ASSUMPTION #8**

*We must advertise in the main local newspaper to sell tickets.*

Several years of budget cuts led Yale Rep to evaluate every aspect of its campaigns and budgets to ensure it was getting the maximum return with each tactic. It began by looking at advertising.

Past research showed that *The New York Times* and the local newspaper were cited as equal sources of information for current and prospective buyers. It assumed this pattern would continue, perhaps not in print but with online versions of the paper. It believed sources used by current audience members would be similar to sources used by prospective audiences.

Experiment: To confirm its assumption, Yale Rep conducted a survey to find out what sources of information its audience consulted for arts and entertainment. Since Yale Rep has email addresses for 72% of patrons, it used an online survey.

Armed with this information, Yale Rep could determine where it should be investing its resources to maintain current buyers, especially single ticket buyers, and attract new buyers. Its assumption was incorrect.
Results & Analysis: Yale Rep learned that The New York Times print version was consulted by 17% of single ticket buyers, with 12% consulting the online version. It would continue its investment in The New York Times advertising. The local newspaper’s print version, on the other hand, was consulted by only 3% and 0% for the online version.

The marketing department broke the numbers down further to determine which single ticket patrons were consulting the print version of the local paper. It was the discount tickets bought by patrons who purchased $20 tickets for three preview performances offered for each production, which generally sold out.

Yale Rep wondered who these discount buyers were. Using T-Stats, it learned that the $20 discount buyers largely consisted of students and people who had recently received complementary tickets.

The data make the decision clear. Since Yale Rep has email addresses for all of the $20 buyers, it could save money and cut all advertising in the local newspaper. But, if it cut all advertising, it worried about losing all reviews and editorial coverage. Is editorial coverage truly separate from advertising? This may be another assumption that needs debunking in the future, but for now Yale Rep will hedge its bets. Spending advertising money to ensure editorial coverage in a newspaper our target audience does not read may seem to be wasted money, but Yale Rep needs review quotes for other promotions.
Conclusion: Because of the findings from its data, Yale Rep reduced its advertising buy by 75%. It didn’t eliminate the buy entirely because of concerns about editorial coverage. Time will tell whether the decision was correct and whether Yale Rep can safely explore the option of eliminating its advertising buy altogether.

CONCLUSION

It is a challenging time to be a marketer. Now more than ever, we cannot take anything for granted. We cannot rely on “what used to work.” The impact of formerly reliable tactics might by now be a myth. But using data to debunk assumptions will save wasted resources in marketing campaigns and direct us to more effective strategies.