Original Article
ISSN (Online): 2582-7472

ShodhKosh: Journal of Visual and Performing Arts
June 2024 5(6), 2208–2212

PRICING STRATEGIES FOR PERFORMING ARTS: A THEORETICAL PERSPECTIVE

Dr. Rani Maria Thomas[1]

[1] Associate Professor Department of Economics, Assumption College Autonomous, Changanassery, Kerala, India

Corresponding Author
Dr. Rani Maria Thomas,
drranimariathomas@gmail.com

DOI
10.29121/shodhkosh.v5.i6.2024.2979

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

ABSTRACT

This paper explores the various pricing strategies for performing arts. The traditional pricing strategies focus more on tangible goods that differ from services in many respects. Even in the service category, performing arts have a unique place. The reasons for this uniqueness are explained in this paper. Innovative pricing methods are extensively used in modern times. The study compares traditional, dynamic, and innovative pricing strategies for performing arts. The study suggests that there is no single strategy for any performing art. It varies with time, quantity and quality of audience, place, duration of performance, degree of competition, brand image, etc.

Keywords: Pricing, Competition, JEL classification: D40, D46

1. INTRODUCTION

Pricing is a significant decision to be taken by the producer of a good or service as it has a direct impact on the profitability, market share, and sales of an individual or a firm. The pricing objectives are different for different firms. Thus, the pricing strategies adopted are linked to the pricing objectives. Pricing objectives are generally aligned with the vision and mission of the organisation, firm, or individuals. Performing arts form a category of commodities that provide intangible experience, making value purely subjective. Quantification of this experience or utility from the consumer's perspective lies at the heart of pricing. The price charged by the service provider becomes just, from the consumer's angle, when that exactly matches the perceived value. Different strategies have been adopted by service providers over the years, to achieve their goals, at the same time maximising the consumer experience.

2. PERFORMING ARTS VS OTHER GOODS AND SERVICES

Performing arts differ from other goods and services in many respects. Firstly, it provides an intangible experience making its utility measurement subjective. Performing arts, unlike other commodities, cannot be stored for future consumption. Live performances have limited capacity. This limited supply has implications for its pricing.

Each art gives a unique experience that can't be compared with any other service or art form. This uniqueness calls for a distinctive pricing strategy for each performing art. Yet another distinctiveness is its dynamic demand. Factors like time, day, and season are the major determinants of its demand.
Most performing arts have high fixed costs making the production cost very high, but the experience cannot be stored for future use. Thus, the unsold entry tickets expire after each performance. Performing arts have cultural, political, and historical significance. Some of the art forms are twined with local, regional, and national cultures. People appreciate and are willing to pay for performing arts due to their cultural significance. Though there is competition among the various art forms, each has its uniqueness and power to provide a distinct experience. The following section explores the traditional, dynamic, and innovative pricing strategies in the context of performing arts.

3. PRICING STRATEGIES

When setting prices, performing arts organizations must consider several factors. The economic theories consider demand and supply as the most important twin factors determining the price of any commodity. These factors influence the pricing of performing arts as well. Besides, the target audience demographics and preferences do play an important role. Competition from other entertainment options and production costs also impact pricing decisions. Venue capacity, marketing strategy, brand image, and seasonal fluctuations are also decisive factors. Additionally, organizations should weigh revenue goals against accessibility concerns, ensuring prices balance artistic and financial sustainability.

1.1 Traditional Pricing Strategies

The pricing strategies are generally classified into traditional, dynamic and modern, or innovative. Traditional strategies use conventional pricing methods. They include cost-plus pricing, competitive pricing, value-based pricing, penetrative pricing, and skimming pricing. These methods are an integral part of the microeconomic analysis.

Cost-plus Pricing

The Cost-plus pricing is also known as mark-up pricing. In this method, the production cost of the organisation is calculated by adding all the fixed and variable costs and then adding a markup to determine the selling costs. The expected profit is the markup. This approach ensures that costs are covered and provides a predictable profit margin. For example, a Kathakali performer calculates the ticket price by adding the actual expenses like overheads, salaries, venue rental, and marketing expenses, and adds a 15% markup to determine the ticket price. In this case, the price doesn’t reflect the actual demand conditions in the market.

Competitive Pricing

Competitive pricing strategies are adopted mainly in oligopoly markets. Competitive pricing means setting prices in line with the competitor’s price. The major advantage of this pricing strategy is that it helps to maintain market share and prevent customers from switching to rival firms. However, the main disadvantage is that it fails to reflect the differences in quality and limits revenue growth. For example, if a dance troupe notices that its rivals charge Rs 1000 for a ticket, they tend to fix the ticket price nearer to that. The dance troupe, in this situation, fails to charge as per its distinctiveness and loses its potential revenue gain. The price charged by the competitor may not be realistic in reflecting the demand.

Value-based Pricing

Value-based pricing sets prices according to the perceived value of the performance or experience to the customer. This approach considers factors such as unique artistic content, production quality, and audience demand. Organizations estimate the value customers place on the experience and price accordingly. For example, a prestigious music band charges premium prices for its productions due to its high artistic value and exclusive experience. Value-based pricing can maximize revenue but requires accurate customer value perceptions. Failure to identify the perception might result in losses to the band.

Penetration Pricing

Penetration pricing strategy involves setting low initial prices to attract a large audience and build market share. The basic philosophy here is to penetrate the market with a low affordable price. This strategy aims to build a customer base and create buzz around a new production or company. Performing arts companies provide tickets at a discounted rate for their initial shows to attract more audiences and to find a place in their hearts for further shows. This pricing strategy attracts customers belonging to all income brackets. The company may lose profits in the short run when this strategy is being adopted to boost sales.

Skimming Pricing

Skimming pricing is the practice and strategy of setting a high initial price to maximize revenue from enthusiastic customers willing to pay premium prices. Some performing art organisations provide exclusive initial shows to high-end customers at a high charge. Yet other organisations offer VIP packages or premium seating at higher prices. Selling seats for different prices also falls under this category. VIP gallery at a very high charge for a unique, close-watch experience is a typical example of this strategy. It might attract the creamy layer of the population but might keep away the price-sensitive customers.

3.2 Dynamic Pricing Strategies

Dynamic pricing strategies were popular in the early 21st century. The prices of performing arts are adjusted in real-time based on their demand and consumer preferences. This helps organisations to maximise their revenue irrespective of time and place considerations. Besides, yield management and tiered pricing are also employed for achieving organisational goals. Major dynamic pricing strategies are demand-based pricing, yield management, tiered pricing, premium pricing and discount pricing.

Demand-based Pricing

Demand-based pricing can also be called peak-load pricing. It adjusts ticket prices according to real-time demand, allowing performing arts organizations to capitalize on volatility or fluctuations in audience interest. This approach uses data analytics to track sales, website traffic, and social media engagement, enabling price adjustments to maximize revenue. For instance, a puppet show company increases ticket prices for a popular show on weekends when demand is high and decreases prices for weekday performances. This strategy ensures a steady flow of revenue to the company. Low profits during weekdays compensate for high profits during weekends.

Yield Management

Yield management uses the philosophy of pricing based on different degrees of performance experience by allocating seats at varied rates. When the seats are limited, high-paying customers are given the seats first and gradually to other customers at lower rates. This helps to optimise pricing, maximise revenue and make the shows more affordable and acceptable. Yield management systems use algorithms to adjust prices based on factors like time of purchase, seat location, and audience demographics. For instance, a popular magic show uses yield management to charge premium prices for front and center seats while offering discounts for upper-level seats. This is one of the popular strategies used by performing art shows.

Tiered Pricing

Tiered pricing is a variant of yield management strategy. Price differentiation is at the heart of this pricing method. This method offers different price levels for the same performance, catering to diverse audience segments and increasing overall revenue. In this method, segmentation is based on seat location, viewing experience, or exclusive amenities. For example, categorising the tickets as premium, standard, and budget-friendly with varying rates is employed by many performing arts companies. This helps the companies to maximise their revenue and profits by attracting a large audience.

Premium Pricing

The premium pricing strategy aims to provide a better experience to its prime customers by offering them some add-ons during the show or event. High prices are charged for exclusive experiences, targeting customers willing to pay for exceptional value. Performing arts organizations create premium offerings, such as VIP packages, meet-and-greets, or exclusive seating areas. Premium pricing leverages the perceived value by providing the customers with private reception, exclusive rest lounges, and food and beverages during the shows. This attracts high-end customers to the shows. VIP packages for certain services is a typical example for this pricing method.

Discount Pricing

This strategy is based on the consumer's psychology of getting attracted to offers with discounts. Performing arts companies provide discounts to certain shows, and certain categories of audiences to promote sales. For example, special ticket rates on certain days and categories like students, and senior citizens incentivise them to purchase the tickets and build loyalty.

3.3 Innovative Pricing Strategies

Innovative pricing strategies in the performing arts use non-conventional approaches that diverge from the traditional pricing methods in microeconomics . These strategies are more customer-centered pricing methods. Consumer's willingness and attractiveness to pay lies at the heart of this method. Pay-what-you-can pricing, Name-your-price pricing, Subscription models and membership programs, and Dynamic discounting are the major innovative strategies aimed at building consumer loyalty and enhancing the audience base.

Pay-what-you-can

Pay-what-you-can pricing is a consumer centred pricing strategy. Customers themselves determine the price on the basis of their expected value from the performance or service and affordability. It empowers audiences to set their ticket prices, promoting accessibility and affordability. Many organisations that have implemented this strategy experience an increased customer attendance, satisfied customers and diversity of audience.

Name-your-price

Name-your-price pricing strategy comes under the same genre as the pay-what-you-can strategy. This also is a customer centred pricing strategy. The customers are allowed to specify their desired or preferred price. In this method, organisations provide the customers with a ceiling price and a floor price. Customers can suggest a price within this range. This kind of book building pricing price strategy is commonly used in the pricing of shares. A Music Concerts company offering tickets in a price range is an example for this strategy. It improves customer engagement and thereby their experience.

Subscription models

This is a strategy that incentivises customers to attend and have a better experience. In this model, usually tickets are offered at a discounted rate to the frequent attendees to remain committed and loyal to the company. Subscription models are good for a company to ensure audience for each show and makes sure a sustained guaranteed revenue. Subscription comes for a series of events for a specified period at a discounted rate. This strategy provides a win-win situation to the company as well as the customers.

Membership programs

Membership programmes are adopted by several performing arts organisations to foster a community feeling and to instil a sense of ownership. Members get exclusive benefits like priority seating and meet-and-greets. Memberships enable them to take part in the organisation of various events and shows.

Dynamic discounting

Dynamic discounting uses AI-driven algorithms to offer targeted discounts based on audience behaviour, maximizing revenue and attendance. This enhances customer loyalty and reduces customer churn. This strategy helps to increase ticket sales and revenue growth.

From the analysis of the various theoretical pricing strategies, it can be inferred that organisations adopt a typical pricing strategy based on their objectives and vision. Dynamic and Tiered pricing increases revenue, whereas membership pricing and subscription models support customer loyalty and engagement. Value-based pricing considers perceived value and the willingness to pay. The skimming pricing helps to increase revenue in the short run and the penetrating pricing limits revenue gain in the initial period. Generally performing arts companies use a combination of two or more pricing methods to achieve optimum sales and revenue.

CONFLICT OF INTERESTS

None

ACKNOWLEDGEMENTS

None

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