

OLIVER WYMAN

June 12, 2008

Audience Growth Initiative Detailed findings and recommendations

Atlanta
Symphony
Orchestra



LA PHIL



BOSTON
SYMPHONY
ORCHESTRA

THE CLEVELAND
ORCHESTRA





Contents

- **Introduction to Oliver Wyman and project overview**
- Phase I insights: Customer behaviors and clustering
- Phase II insights: Repurchase and satisfaction drivers
- Phase III insights: Offer design and testing
- Integrated recommendations

Introduction to Oliver Wyman

Oliver Wyman was formed in 2007 when three fast-growing firms joined forces to create one of the world's leading management consultancies.

MERCER

Management Consulting

- 26 offices worldwide
- World leader in *general management consulting*

MERCER OLIVER WYMAN

- 29 offices worldwide
- World leader in *financial services consulting*

MERCER DELTA

Organizational Consulting

- 14 offices worldwide
- World leader in *organizational change consulting*

OLIVER WYMAN

- \$1.5BN in revenue
- 2,900 staff
- 40 offices worldwide
- Clients: 9 of the Fortune 10 and half of the Fortune 100

Situation, objectives, and guiding principles

Oliver Wyman is collaborating with nine of the most prominent US orchestras to grow their audiences and reduce churn



- The Senior Marketing Professionals Group, comprised of representatives from nine prominent US orchestras and facilitated by Engaged Audiences LLC, was formed to share experiences and address their common marketing issues
- In 2007, the group asked Oliver Wyman to help them understand the barriers to and motivators of repeat visitation, and to identify ways to stimulate repurchasing, increase frequency, and reduce churn
- We undertook this pro bono initiative as an opportunity to help performing arts institutions by using our industry knowledge and our unique skills and expertise on customer-led, fact-based growth strategy
- We staffed the engagement with a dedicated team of top consultants led by the head of our global media and entertainment practice, provided oversight from a steering group of senior directors, and presented the findings to the management and boards of each participating orchestra

Our approach

This is not a market research study, but rather a rigorous, customer-based strategy initiative to yield real, actionable change and tangible impact

Provide deep **expertise**, experience, and knowledge

Employ a clear, **objective**, fact-based approach

Deliver **practical solutions** and **tangible results**

Work **collaboratively** and engage the organization



Real impact

Highlights of relevant case work

We applied a customer-based strategy methodology that has had proven results in many industries

Case study

European ISP

Relevance to America's Orchestras

- Challenge of broadening appeal and identifying / addressing drivers of churn
 - Wide scope of geographies (France, Germany, UK) with commonalities and differences
 - Use of Strategic Choice Analysis® to test potential pricing moves before launch
 - Combination of feature optimization, pricing structure, and pricing level
- *Impact: Justified a business case to invest in an aggressive broadband upgrade to address dial-up performance issues and reduce churn*

Airline

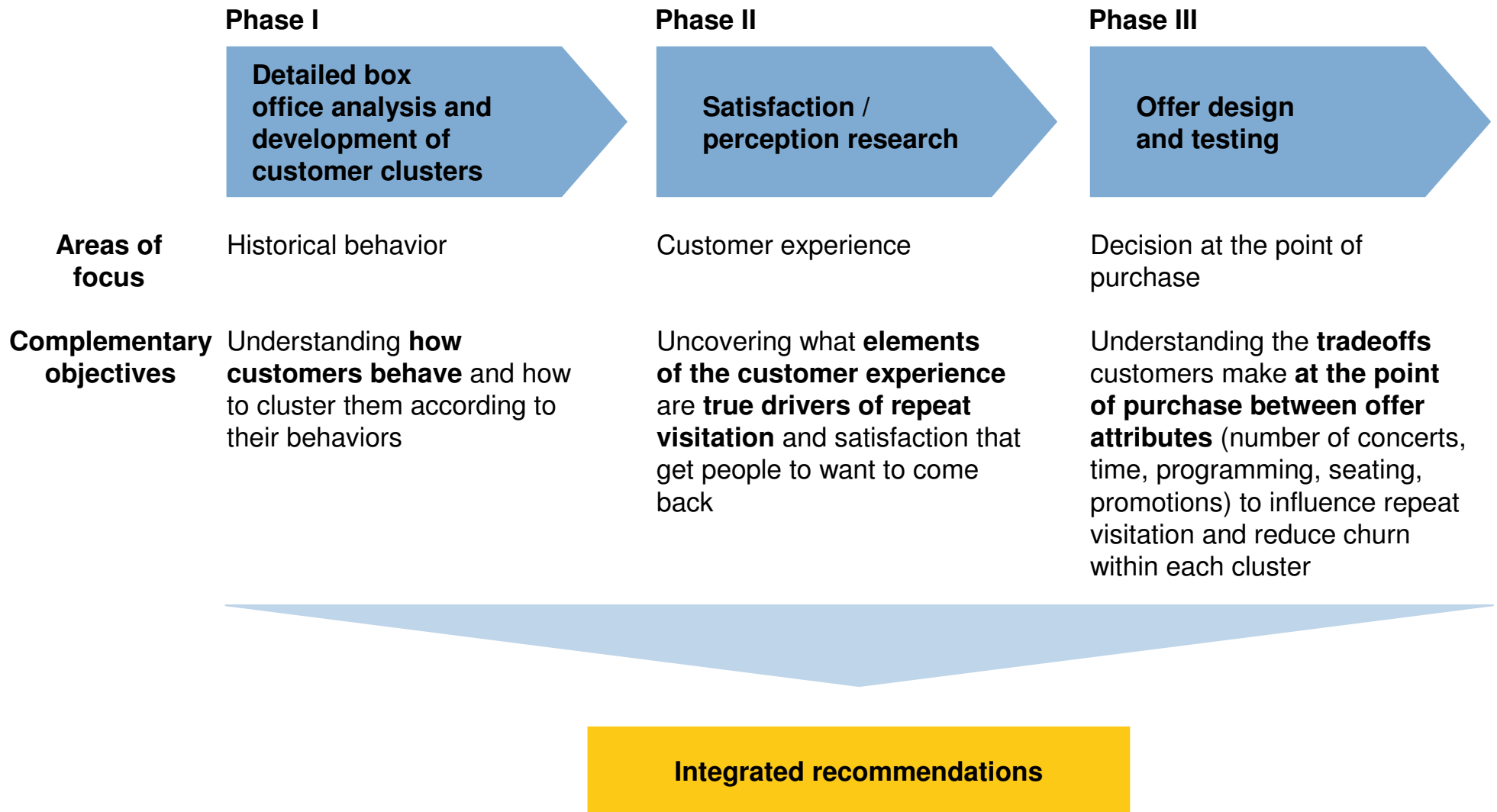
- Focus on leisure travel market; increasing incidence of infrequent travelers
 - Identification / prioritization of drivers of ticket repurchase in the customer experience
 - Understanding of cost / attractiveness of service elements to serve segments profitably
- *Impact: Re-allocated product investments to the most profitable areas and reclaimed customer experience vs. main competitor*

Royal Opera House

- Offer-optimization in a not-for-profit environment
 - Pricing strategy for a capacity-constrained destination
 - Segment-specific offer / price optimization
- *Impact: Pricing and offer design changes to more than make up for budgeted revenue shortfall*

Project overview – Analytical path

To reduce churn, it is essential to understand guests' behaviors, uncover the true drivers of those behaviors, and design the right offers to influence customers to repurchase



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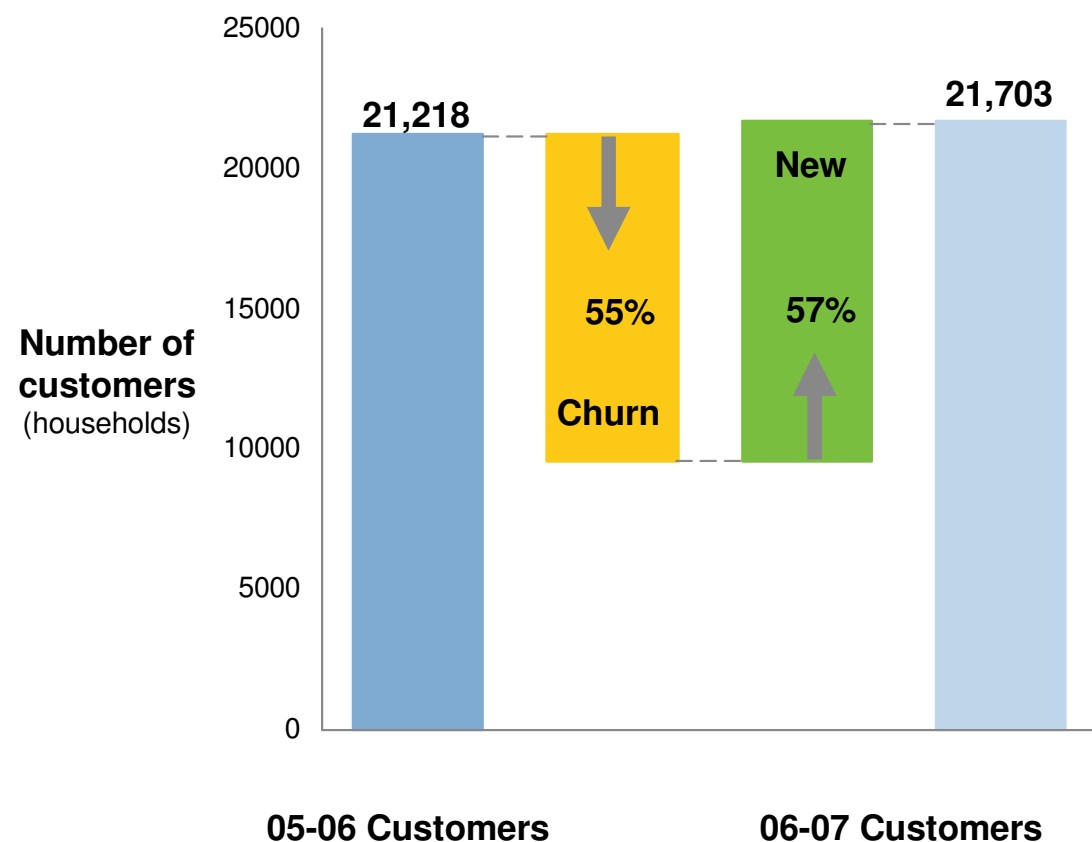
New customers and churn – All orchestras

The orchestras do an excellent job of bringing in new people (57% new customers in 2006-07) but cannot retain them as 55% overall churned from 2005-06

Definition and scope

- **A churner is defined as a customer who does not come back the following year**
 - Patrons who “dip” or attend non-consecutive years are considered churners¹
- **This study focuses on concerts from the regular classical series**
 - Dataset excludes non-classical performances
 - Also excludes group sales, non-individuals, and comped tickets

Evolution of attendance between 05-06 and 06-07 seasons (national average²) (households)



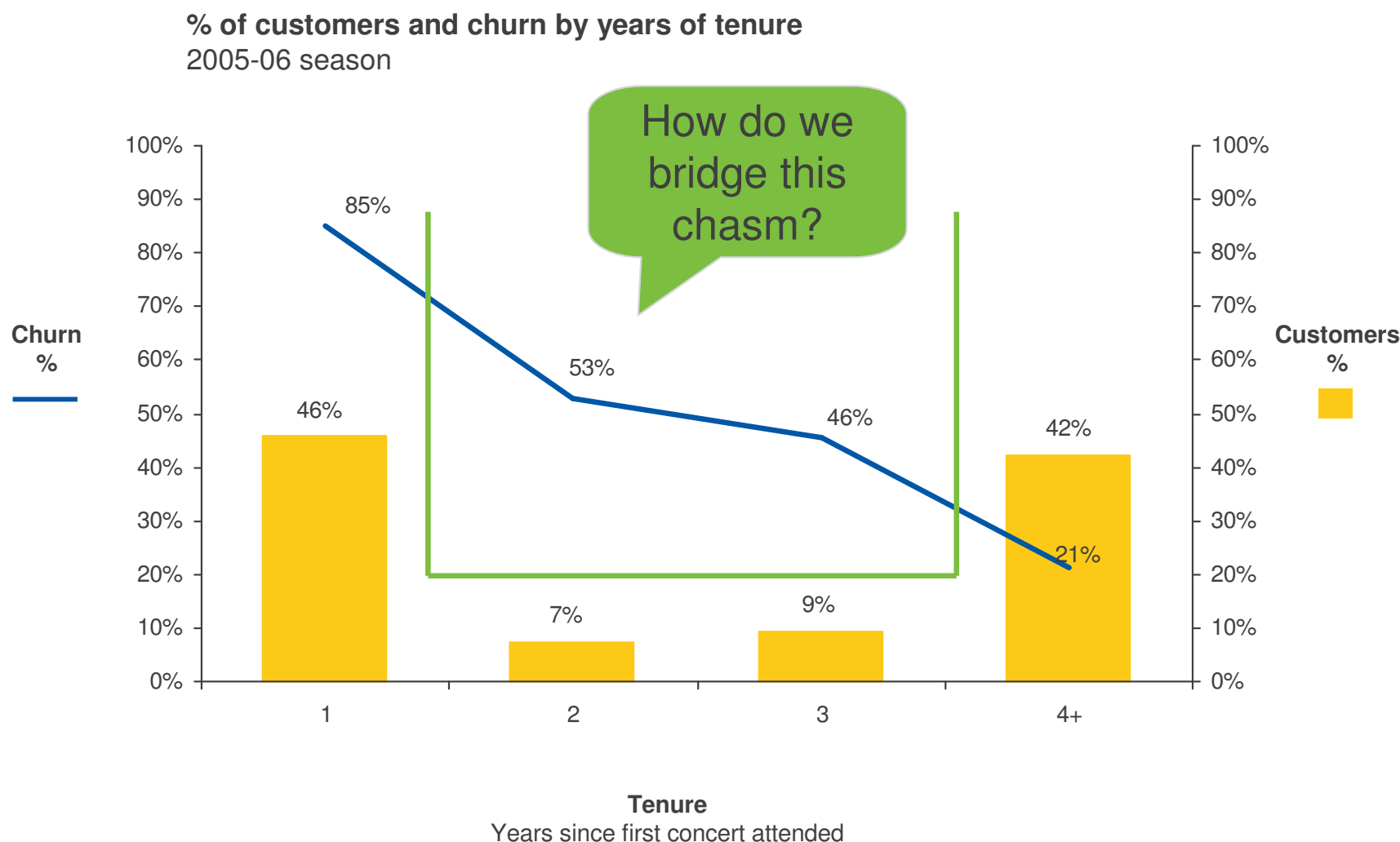
Source: All orchestras box office data (2006), Oliver Wyman analysis

1. One or two years “dippers” are estimated to be 9% of the audience. Calculated with patrons who came in 03-04 and skipped one or two years

2. National average: volume-weighted average of the 9 participating orchestras

Composition of customer base – All orchestras

The customer base is starkly demarcated between first-time trialists (churn of 85%) and long-term loyalists (tenure of 4+ years; churn of 21%) with a 2-year chasm between them

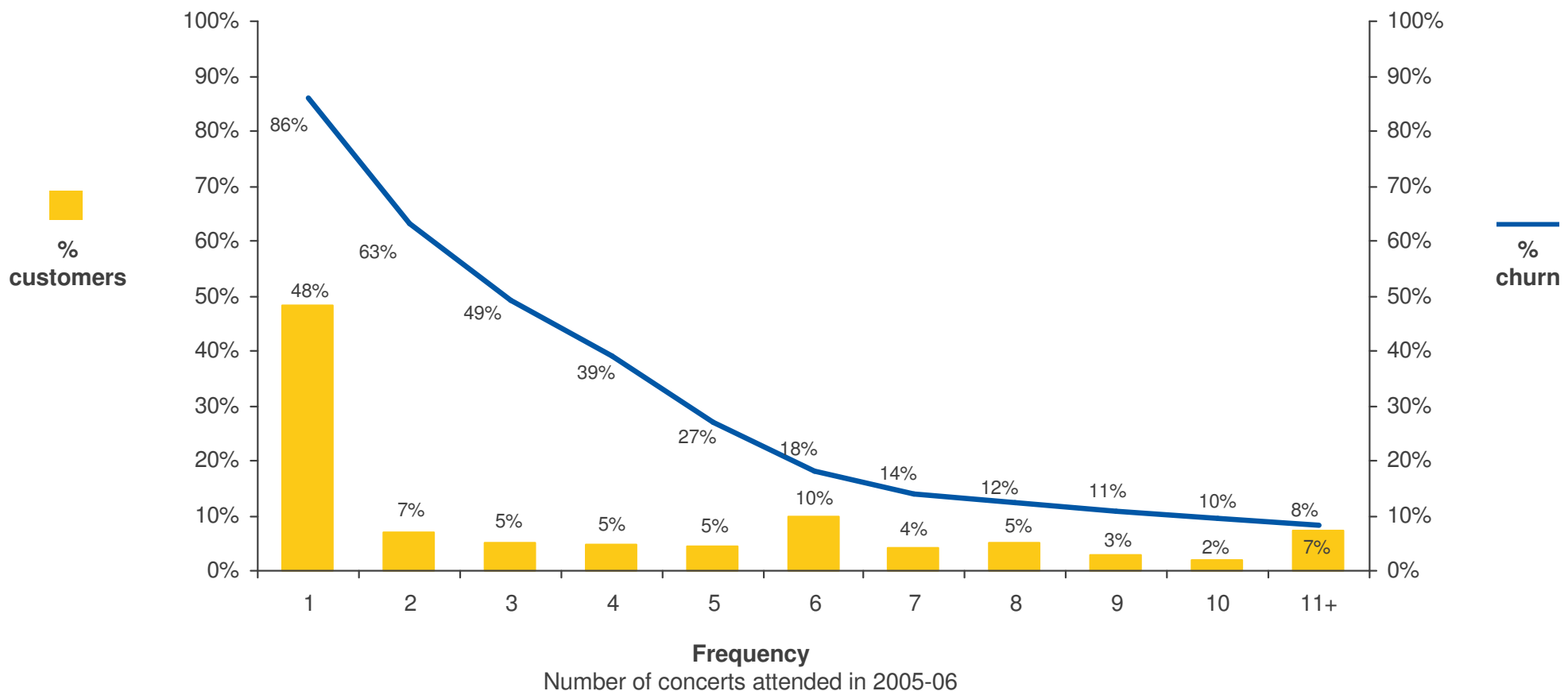


Source: All orchestras box office data (2006), Oliver Wyman analysis

Churn and frequency – All orchestras

Churn drops dramatically with increased attendance in a given season; frequency of visits is therefore a key element to consider when clustering by behavior

% of customers and churn by frequency of visits
2005-06 season



Source: All orchestras box office data (2006), Oliver Wyman analysis

Clustering analysis – Summary

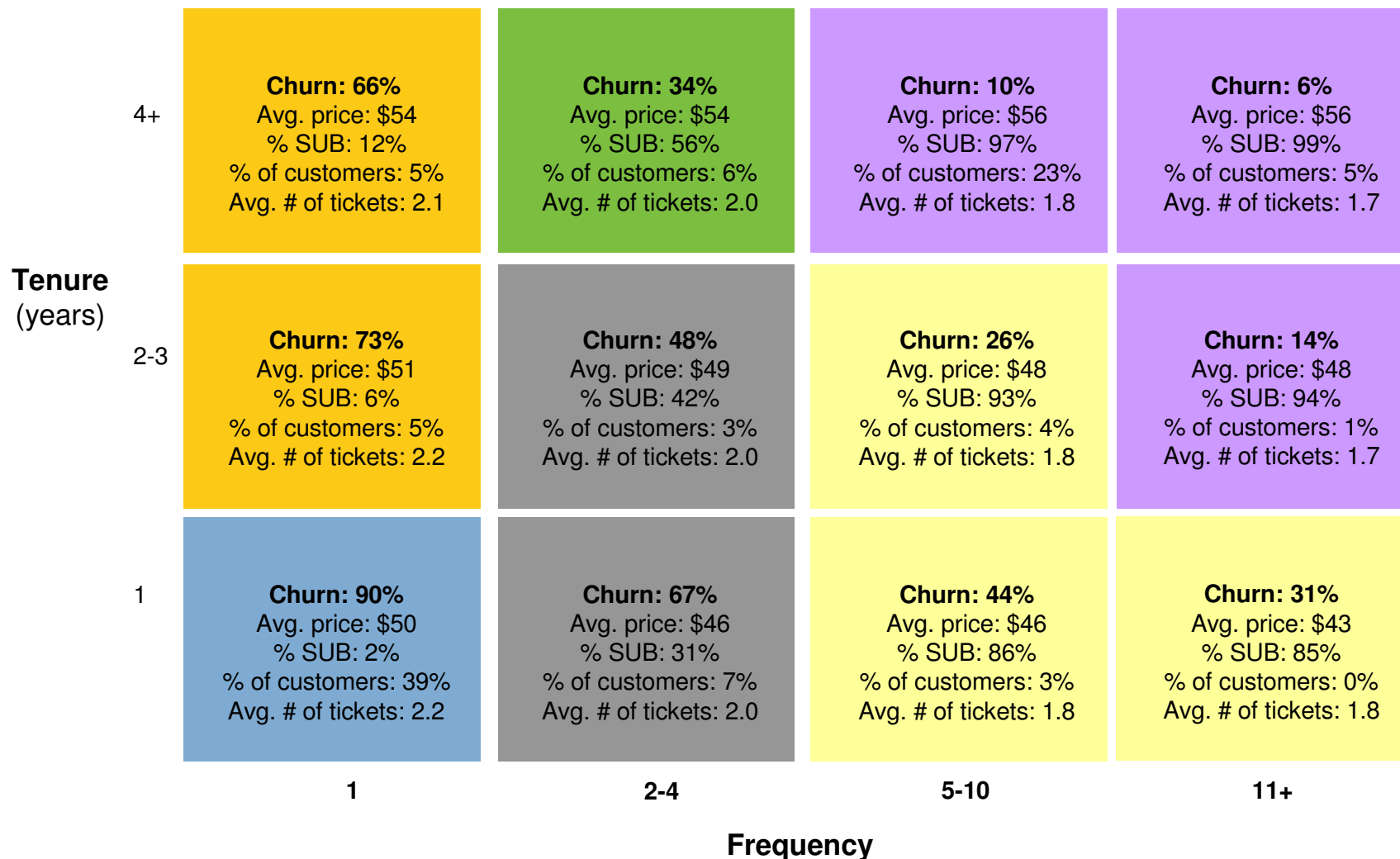
Frequency and tenure are the two most relevant axes for rule-based behavioral clustering

Variable evaluated	Results	Churn driver	Descriptive variables
Frequency	<ul style="list-style-type: none"> ▪ Significant churn variation by frequency of visits 	✓	
Tenure	<ul style="list-style-type: none"> ▪ Significant churn variation with tenure 	✓	
Subscription vs. single-ticket buyers	<ul style="list-style-type: none"> ▪ Significant churn variation between SUB and STB but somewhat accounted for by frequency 		X
Price	<ul style="list-style-type: none"> ▪ Little churn variation between various price bands 		X
Programming	<ul style="list-style-type: none"> ▪ Significant churn variation which will have to be investigated through further analysis and survey results 		X
Distance from concert hall	<ul style="list-style-type: none"> ▪ Slightly higher churn for customers far away but limited improvement potential 		X
Donor status	<ul style="list-style-type: none"> ▪ Churn variation significant between donor and non-donor but highly correlated to tenure and frequency 		X
Seasonality	<ul style="list-style-type: none"> ▪ Churn constant across seasons 		X
Day of the week	<ul style="list-style-type: none"> ▪ Churn constant across days of the week when “de-averaged” by frequency 		X

Source: Oliver Wyman analysis

Characteristics of frequency and tenure clusters

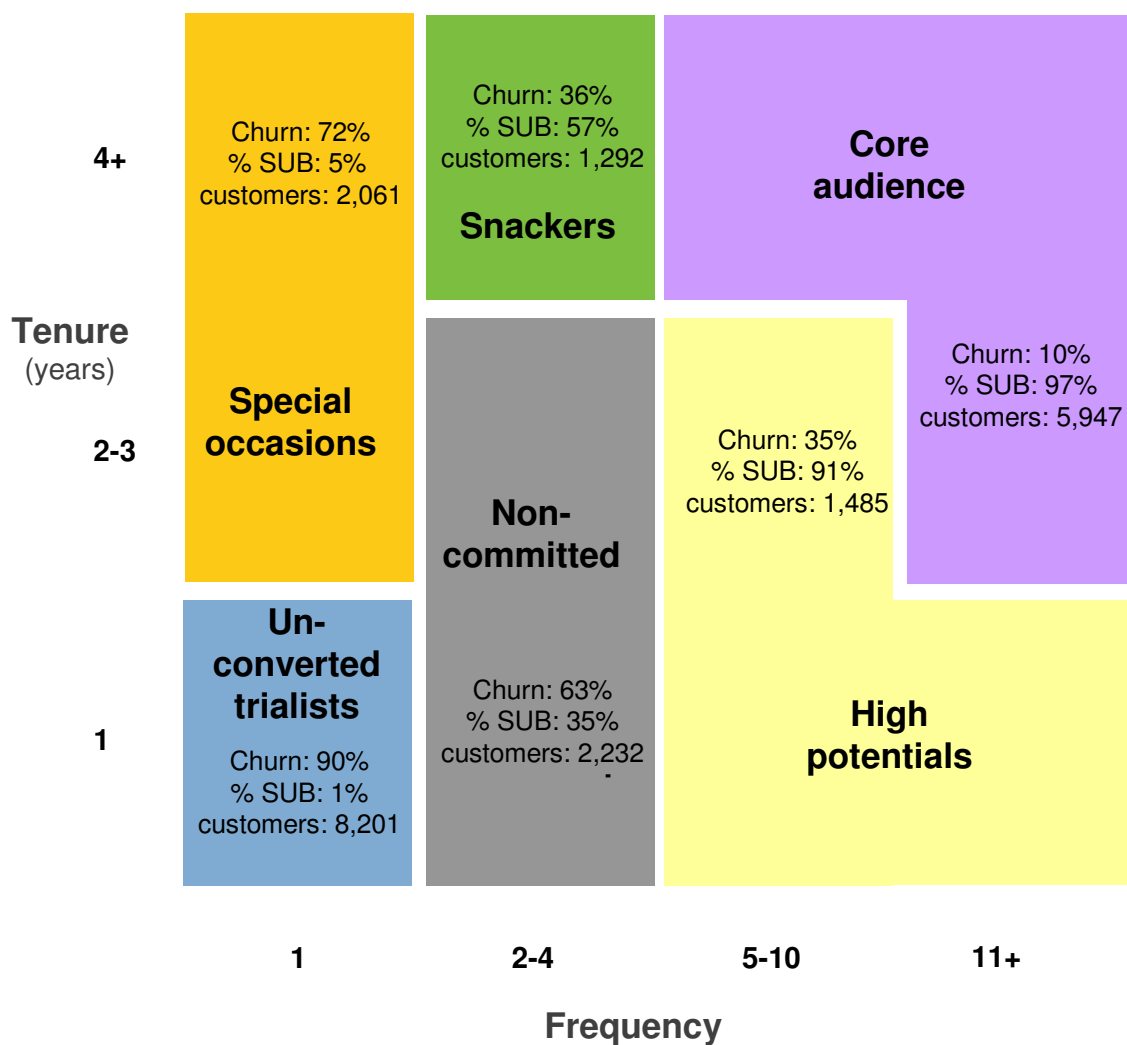
Clustering by tenure and frequency reveals distinct churn behaviors; frequency has slightly more weight than tenure in reducing churn (i.e., having a customer come more often in the same season has slightly more impact than having them come back the next season)



Source: All orchestras box office data (2006), Oliver Wyman analysis

Characteristics of frequency and tenure clusters, defined

We identified six clusters that reflect different customer behaviors and require tailored action steps to reduce churn

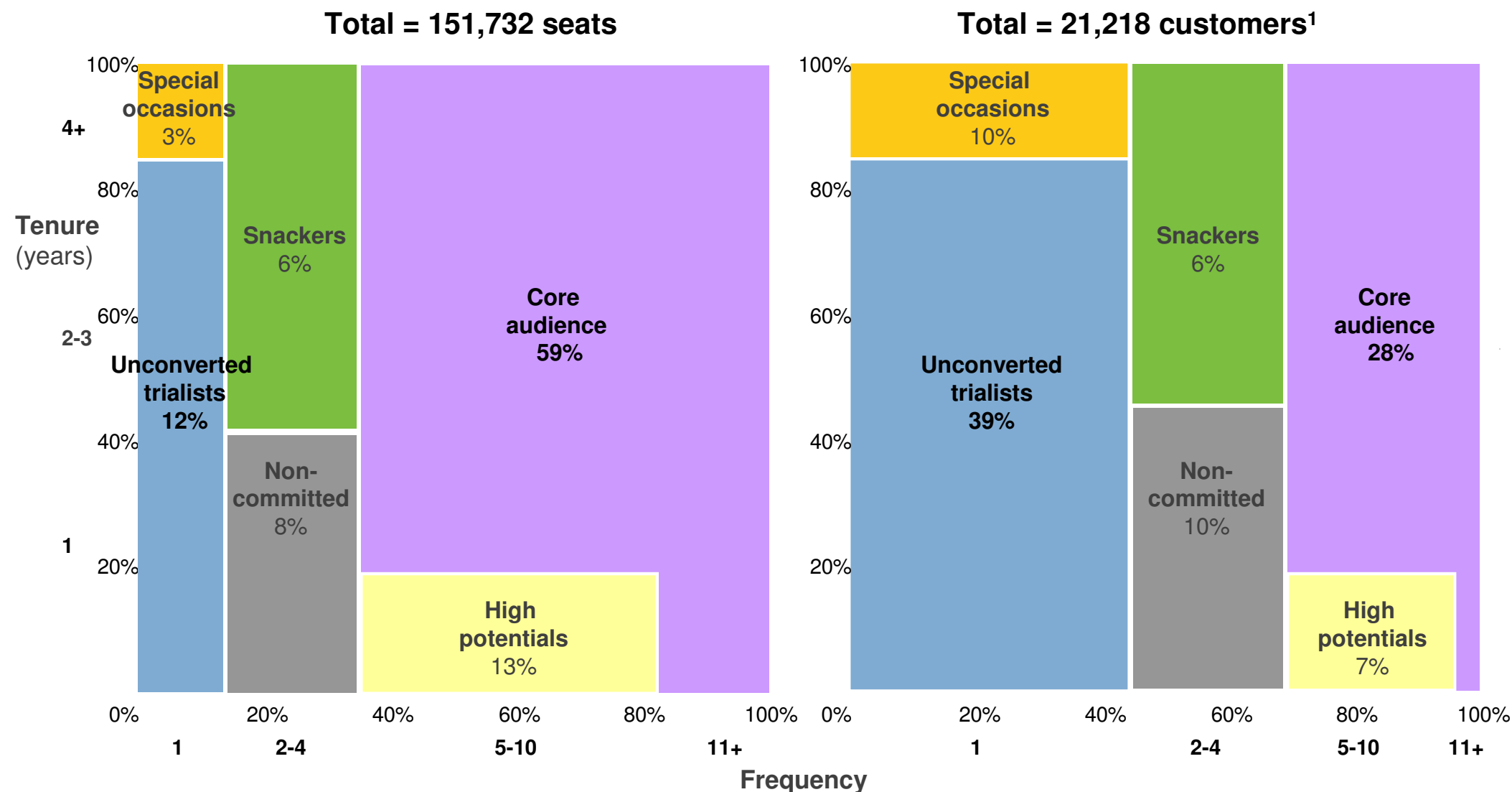


- **Unconverted trialists:** First-timers who attend one concert and don't come back
- **Special occasions:** Customers who attend only one concert a year, but might attend for multiple years
- **Non-committed:** People who attend a couple of concerts a year but still churn at high rates
- **Snackers:** Subscribers who consistently attend smaller concert packages and are very loyal in attending concerts for many years
- **High potentials:** Those who attend a lot of concerts and are likely to purchase a subscription but are not yet long term converts
- **Core audience:** Patrons, almost all of whom are subscribers, who attend numerous concerts every year for many years

Source: All orchestras box office data (2006 national averages), Oliver Wyman analysis

Frequency and tenure clusters by number of customers and seats

Low frequency patrons (39% of customers) only fill 12% of the seats, thus representing an important opportunity for orchestras

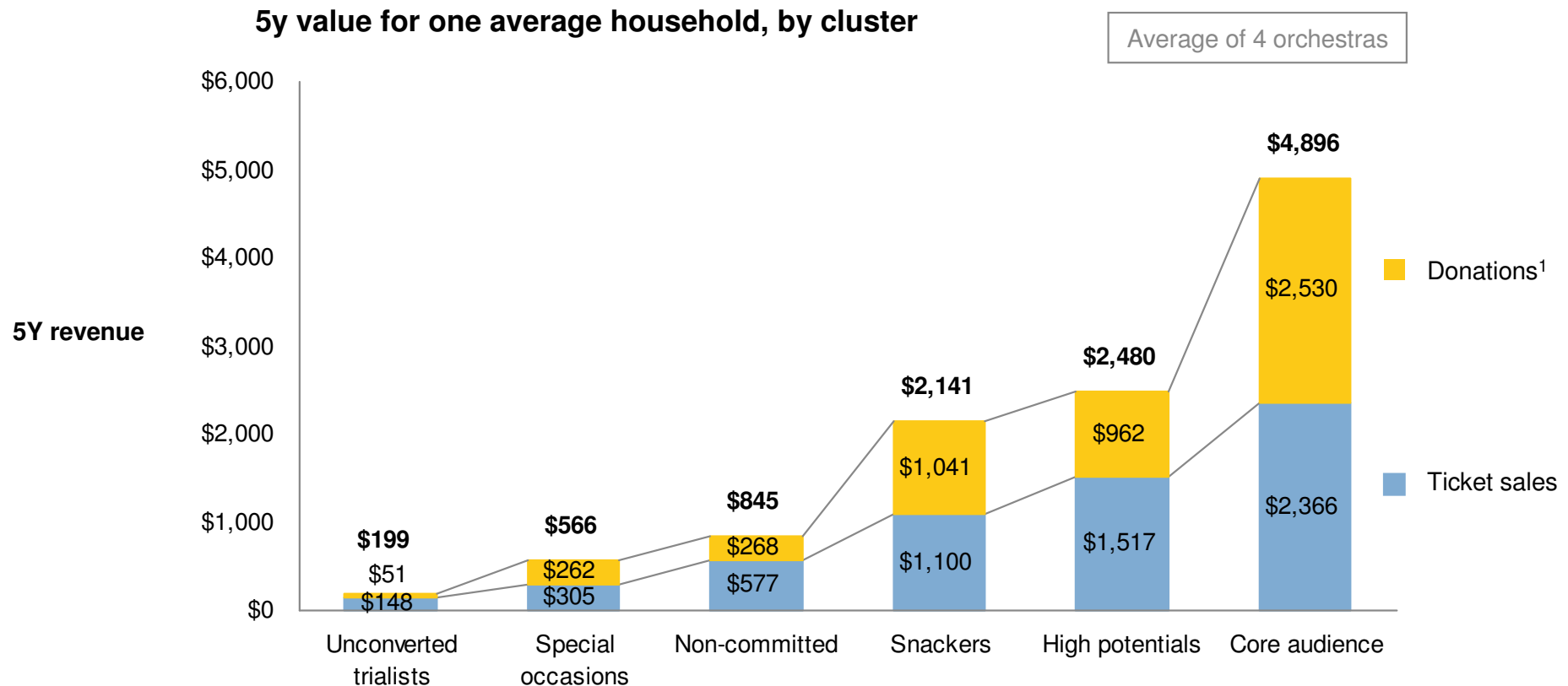


Source: All orchestras box office data (2006), Oliver Wyman analysis

1. Average number of households across all orchestras

Long-term value of customers by cluster

Successfully graduating customers from unconverted trialists to other clusters yields a very significant increase in long-term value



Source: Atlanta Symphony Orchestra, The Cleveland Orchestra, New York Philharmonic, San Francisco Symphony box office data (06-07), Oliver Wyman analysis. Figures inclusive of donations

1. Donations are much more highly correlated with tenure than frequency

Clusters DNA - Summary

While clusters exhibit some differences in demographics / motivators, the gap is not large enough to be an insurmountable barrier to conversion

Attendance motivators

- All patrons listed their **interest in the orchestra and in the pieces** as top reasons to attend
- But secondary reasons to attend highlight more significant differences:
 - 24% of unconverted trialists went as a trip to the city and
 - 91% of the core audience attended a concert because it was part of their subscription

Demographics

- All clusters are **highly educated** professionals / retired with an **average income from \$70 to \$125**
- The **lower frequency clusters are ~20 years younger than the core audience**, still active, and include a high percentage of out-of-towners

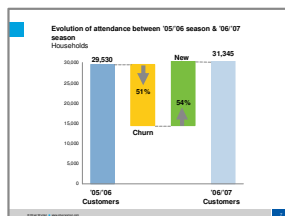
Affinity with classical music

- All clusters are satisfied and claim to be **familiar with and enjoy classical music**, but the core audience is somewhat more so than unconverted trialists

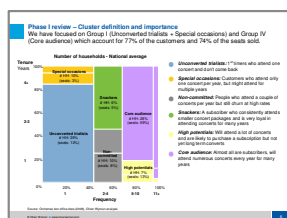
► **Low-frequency patrons could eventually mature into loyal patrons if the right customer experience and offers keep them around for a few years**

Source: Oliver Wyman Phase I survey, Oliver Wyman analysis
Details in appendix

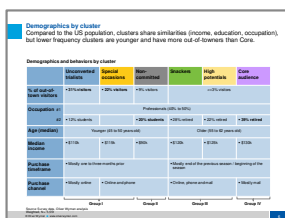
Phase I findings – Summary



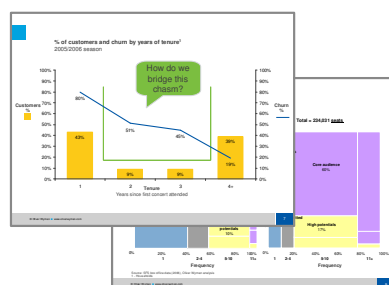
- The orchestras do an excellent job of bringing new people into the hall (55% new customers in 06-07) but cannot retain them (55% overall have churned from 05-06)



- Churn is highly correlated with tenure and frequency of attendance
 - Tenure: 84% of first-timers churn vs. only 20% of those who have attended performances for ≥ 4 consecutive years
 - Frequency: churn of 86% for customers attending one performance vs. only 11% for customers who attend 8+ performances in a year
- We focused on tenure and frequency of attendance to identify six behavior-based customer clusters: unconverted trialists, special occasions, non-committed, snackers, high-potentials, and core audience



- While the clusters exhibit some differences in demographic / motivators, most low-frequency / low-tenure patrons have the right DNA to become loyal patrons (high-income, highly educated customers with an interest in classical music and the orchestra)



- Nonetheless, the customer base is starkly demarcated between unconverted trialists, with a churn of 90%, and long-term loyal core audience (high frequency, tenure of 4+ years), with a churn of 10%
- Unconverted trialist (39% of customers) fill only 12% of the seats, thus representing an important opportunity for orchestras
- It is all the more important to graduate unconverted trialists to the core audience because the core audience also generates the bulk of donations

Phase I – Key insights and remaining questions

Key insights

- There are very distinct clusters of customers who attend the orchestra
- Orchestras should shift some of their attention to unconverted trialists to ensure that they come back and to build the next-generation core audience



Remaining questions

- How can orchestras bridge the chasm and ensure that trialists come back so that they have a chance to convert the trialists into future core audience members?
- What are the drivers of repurchase for low-frequency patrons?



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Linking customer experience to behavior

A better alternative to self-stated customer satisfaction surveys is to establish a measured relationship between actual experience and churn, at the level of the individual customer

Step I

Customers score their experience

- Concert-goers were asked whether they agreed / disagreed (5 pt scale) with 78 customer-experience-related questions
- For example:
 - During the season, the selection of pieces is appealing
 - The ushers and security guards are friendly and helpful
 - There are enough parking options near the concert hall

Step II

Attributes grouped into relevant factors

- Survey questions, which are attributes of the customer experience, were grouped by correlated factors

- For example:

Contemporary music

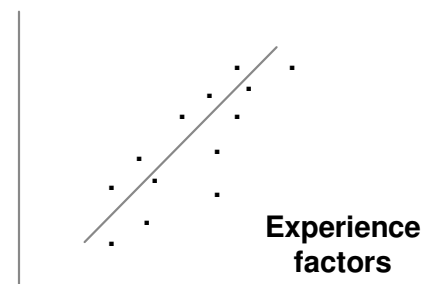
- I enjoy contemporary orchestral music
- I like the sound of contemporary orchestral music
- I understand contemporary orchestral music
- I am very interested in not-so-well-known composers

Step III

Correlation made between factors and repurchase / satisfaction

- Correlations were made between customers' experience factors and their behavior, leading to an understanding of what really matters to them as opposed to what they say matters to them

Repurchase / satisfaction



Step IV

Compare to current performance to prioritize

- Current performance (vs. peers and vs. internal best-performing factors) was analyzed to highlight priority area
 - Focus on high-importance, lower-performance factors

Factor analysis

Out of the 78 attributes tested, we identified 16 as the most robust factors that influence customer behaviors.

Core product

Repertoire

- During the season, the selection of works is appealing
- During any given performance, the selection of piece(s) is appealing
- The selection of performances within a subscription series is appealing

Hall

- The auditorium architecture and décor are appealing
- The lobby is attractive
- The auditorium acoustics are state of the art

Contemporary music

- I enjoy contemporary orchestral music
- I like the sound of contemporary orchestral music
- I understand contemporary orchestral music
- I am very interested in not so well-known composers

Enriching experience

- Attending a concert is stimulating
- Attending a concert is entertaining
- Attending a concert is always a special experience
- I can feel a connection between the artists and myself when they perform
- I feel a connection between myself and my fellow attendees

Orchestra prestige and quality

- The orchestra brings us famous guest conductors
- This orchestra is one of the nation's leading orchestras
- The orchestra brings us famous guest soloists
- The musicians' level of play is always outstanding

Music enhancement

Music information

- I look for information on the music before a concert

Live commentary

- Pre-concert discussions increase my enjoyment of the concert
- The conductor's personal comments enhance my enjoyment of the concert

Special effects

- Special lighting and / or visuals enhance the music

Hall access

Access

- The concert hall is easily accessible by public transportation
- The policy regarding latecomers is appropriate
- I feel safe in the hall's surroundings

Parking

- There are enough parking options near the hall
- Entering / exiting the parking lot is fast
- The hall is easily accessible by car

Ability to attend

- My health permits me to attend concerts whenever I want
- I never miss a concert I have tickets for

Social experience

Social outing

- I always find friends / family members to go with me
- I always top the concert with a nice dinner or drinks
- I don't mind going alone to a performance

Bar

- The orchestra's bar offers the refreshments that I want
- The service at the orchestra's bar is fast and friendly
- The orchestra's bar is good value for the money

"The orchestra club"

- Being able to talk about concerts give me some "prestige" at work / with friends
- I enjoy meeting other attendees during the orchestra's receptions
- I love events where I can meet the performers and the directors in person

Transactional

Planning and purchasing

- I can easily get schedule / price information on the orchestra's website
- Purchasing tickets is easy

Exchanges

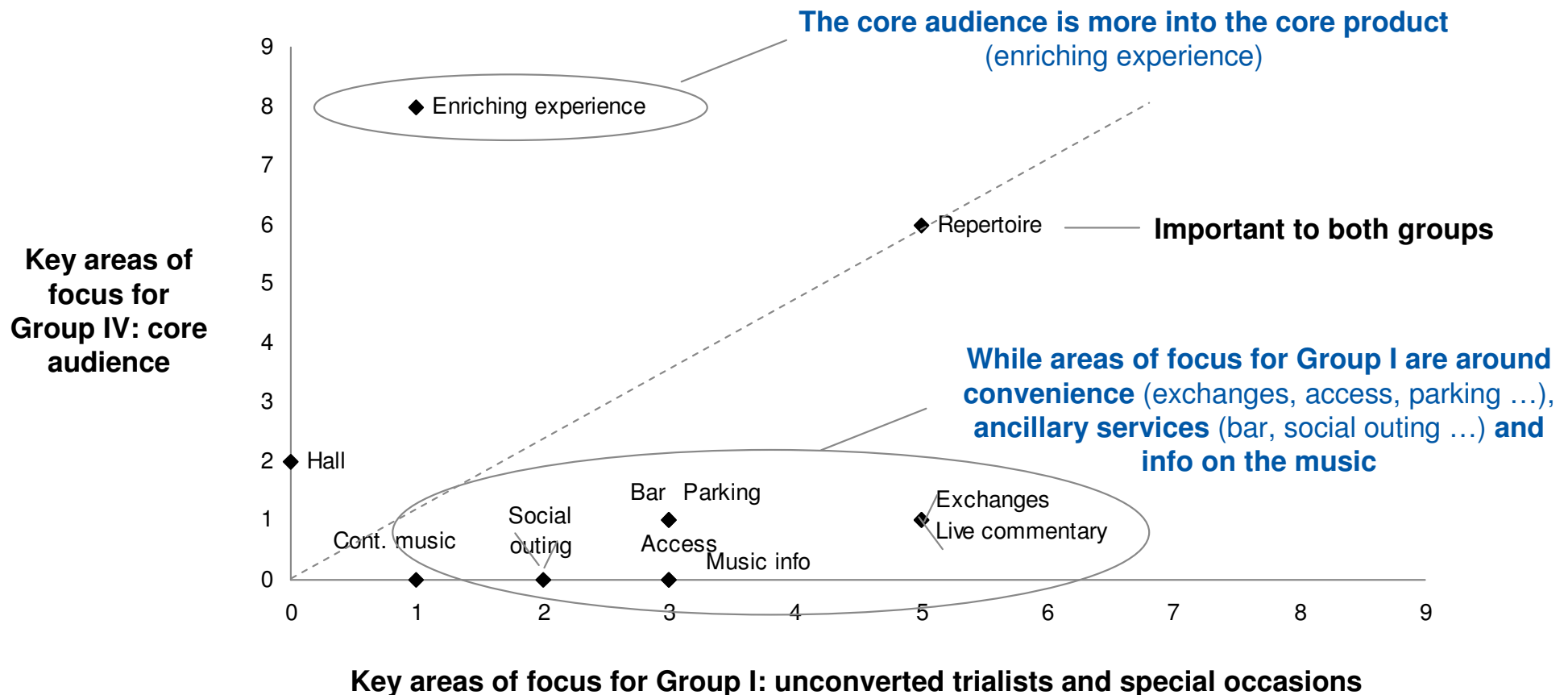
- Exchanging tickets is easy

Areas of focus by cluster – All orchestras

Across all nine orchestras, besides repertoire, satisfaction of low-frequency patrons is driven by convenience, music information, and ancillary elements, while core audience satisfaction is driven primarily by the core product

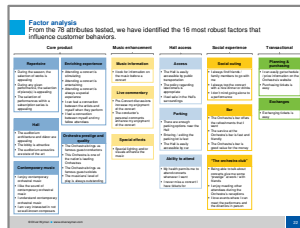
Areas of focus by customer group

Count of orchestras for a factor is a primary focus

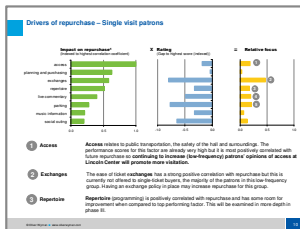


Source: Oliver Wyman Phase I survey, Oliver Wyman analysis

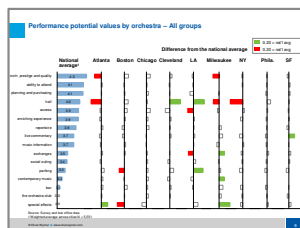
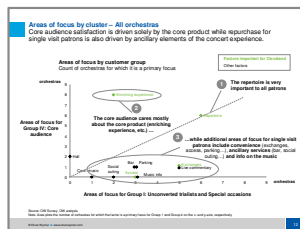
Phase II findings – Summary



- Identified 16 factors that drive the overall customer experience and the likelihood of repurchasing tickets to a symphony
- 5 factors are tied to the core product, 3 to music enhancement, 3 to hall access, 3 to social experience, and 2 to ticket transactions



- The repertoire is very important to all patrons
- In addition, the core audience only cares about elements of the core product (mostly how enriching the experience is)
- Conversely, single-visit patrons are looking for a more seamless end-to-end customer experience where all elements count. They value:
 - Music information tailored to them
 - Ease of ticket exchange and hall access
 - Social elements of the experience, such as the ability to go with friends / family and the availability of a bar



- Elements of the experience that drive repurchase are somewhat similar across cities, but orchestras' performance on these factors varies, indicating that each may need to focus on improving different areas

Phase II – Key insights and remaining questions

Key insight

- Focus on providing a seamless end-to-end experience to single-visit patrons (unconverted trialists and special occasions)



Remaining questions

- Are we going after these unconverted trialists the right way?
- What offers will ensure that they come back, even just one more time?



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Phase III overview – Simulating a future purchase decision

Understanding trade-offs that guests would actually make allows us to identify the offers that will bring them back

Q: Which of these offers would you have purchased had these been available this season?

Click on menu item for description.	Single concerts		Subscriptions		Flex package	
Package & times 	1 concert Friday night No exchanges	1 concert Friday night Exchanges (for \$5 fee)	2 concerts Weeknight Exchanges (for \$5 fee)	9 concerts Weeknight No exchanges	6 concerts Friday night Exchanges (for \$5 fee)	
Program 	Romantic works 3 familiar & unfamiliar pieces Includes solos Up-and-coming	Romantic works 3 familiar pieces Includes solos Famous	20th century works +1 contemporary piece 3 familiar & unfamiliar pieces Includes vocal solos Famous	Classical works +1 contemporary piece 3 familiar & unfamiliar pieces Includes vocal solos Famous	Flexible Pick any 6 concerts of your choice	
Music info 	Brief onstage intro to less familiar pieces	Program notes on the website	Pre-concert talks on program	Program notes on the website	Program podcasts on the website	
Seating 	Quality section Select your own seat 1 seat upgrade (subject to availability)	Quality section Best seat available	Quality section Select your seat	Quality section Select your seat 1 seat upgrade (subject to availability)	Quality section Select your seat 1 seat upgrade (subject to availability)	
Parking 	Free shuttle from lot	Valet service (available for \$30)	Valet service (available for \$30)	Spot within 5 min. walk (available for \$15)	Free shuttle from lot	
Promotion 1	Meet & greet the musicians	\$15 restaurant coupon	Meet & greet the musicians	Free drink	Not available	
Price per person	\$65	\$75	\$135	\$448	\$224	
Promotion 2	50% off listed price	25% off listed price	25% off listed price	50% off listed price	50% off listed price	
Grand total (for 2 people)	\$65 1 concert	\$112 1 concert	\$202 2 concerts	\$448 9 concerts	\$224 6 concerts	
Please select an offer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Approach and insights

- Customers chose between various offers with different key elements
 - Scientific experiment simulating a purchase occasion
 - Tested package size and time, programming, music information, seating, parking, price, and promotions
- Each of the 5,678 respondents made 12 offer choices, yielding over 68,000 purchase decisions
- Statistical modeling identified the individual utility of each offer element
- This allowed us to define optimal offers by customer group
 - Tested various combination of offers to maximize the utility for a given cluster / group
 - Built orchestra-specific recommendations

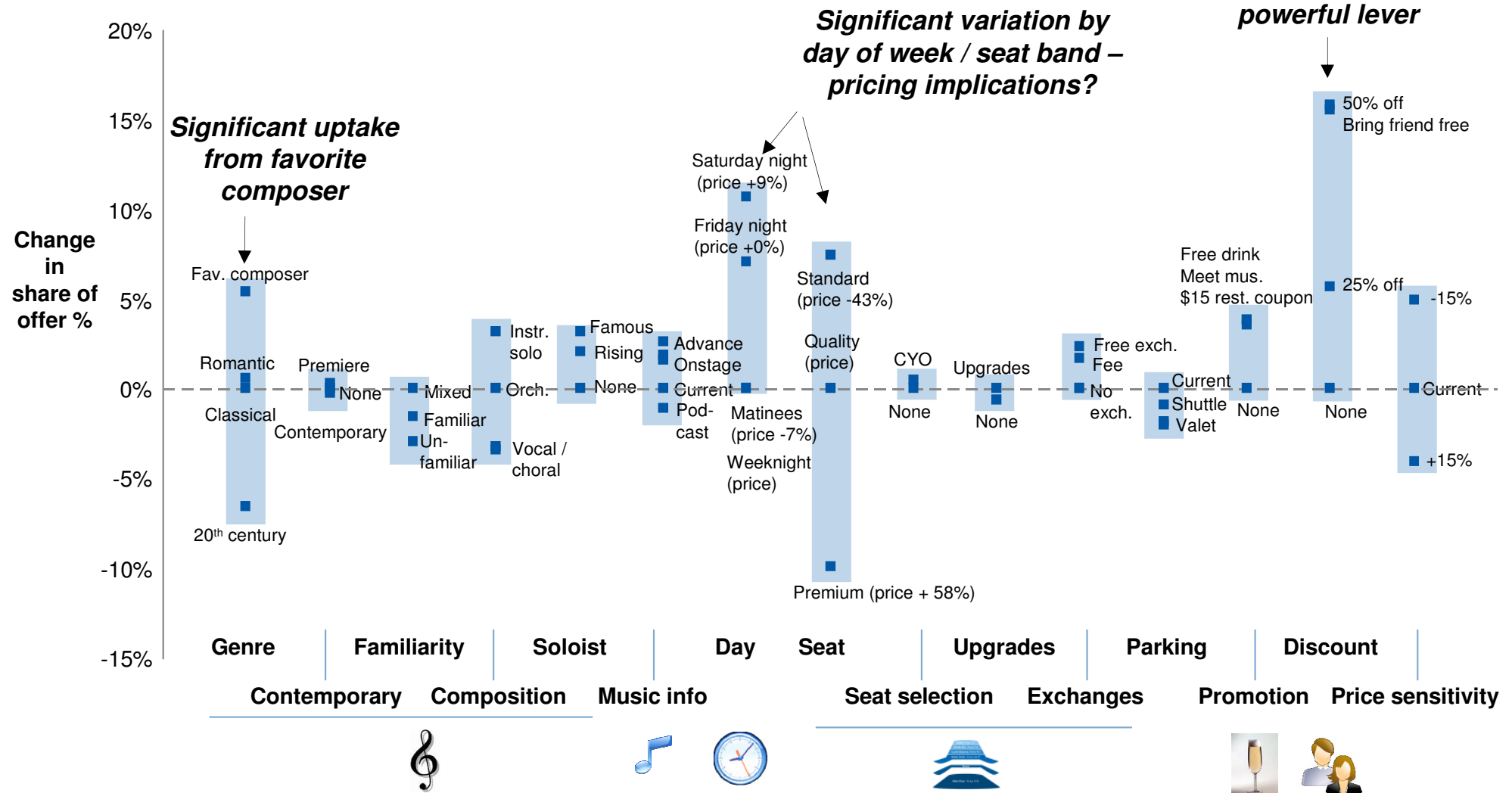
Summary – Unconverted trialists (all orchestras)

Discounting is by far the greatest lever to increase share of single tickets for unconverted trialists

Change in share of offer of single tickets

All other attributes and offers held constant

All orchestras, unconverted trialists



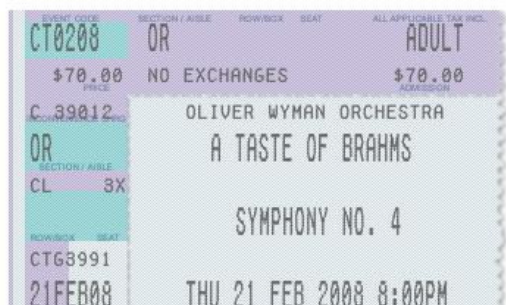
Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

Killer offer for unconverted trialists

Based on the optimal levels for most attributes, the killer offer increases share of single tickets for unconverted trialists by an extra 40%

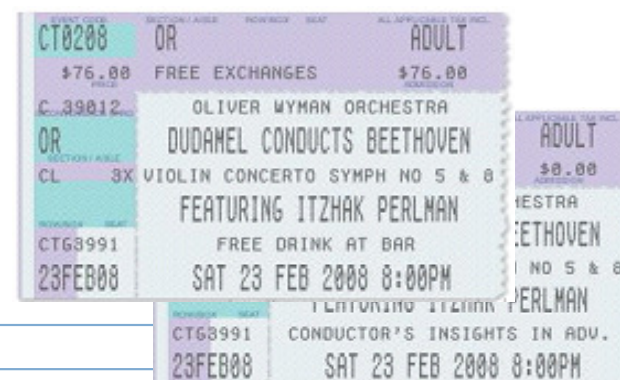
All orchestras, unconverted trialists

Base offer

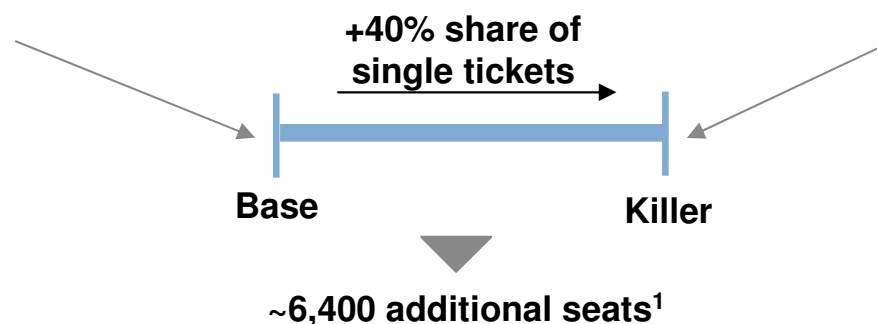


- Weeknight
- Romantic music
- All orchestral / no soloists
- Program notes on the website
- Three familiar and unfamiliar pieces
- Quality seats

Killer offer



- Saturday night
- Favorite composer
- Famous instrumental soloist
- Conductor's insights in advance
- Three familiar and unfamiliar pieces
- Quality seats
- Bring a friend for free
- Free drink
- Free exchanges



Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

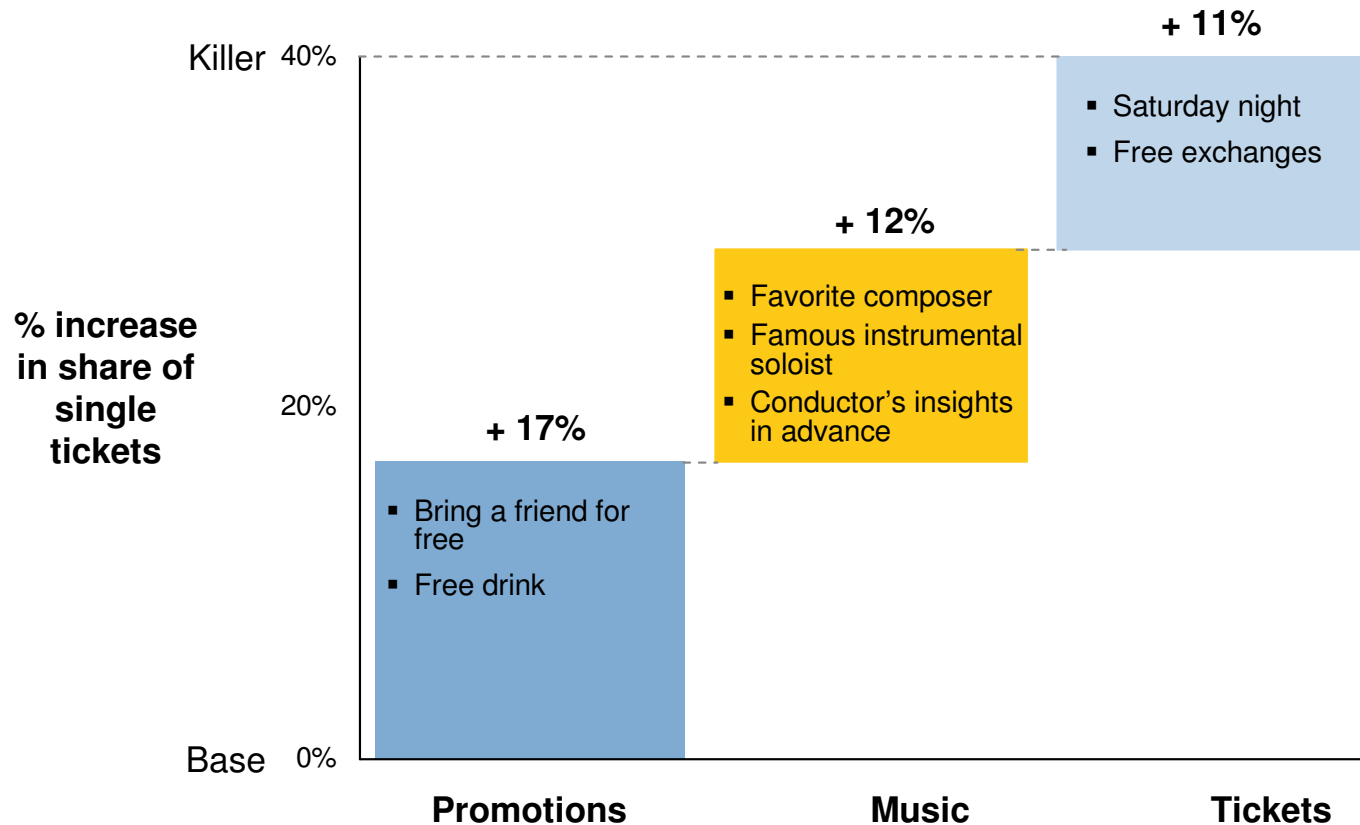
1. Assuming 8,000 unconverted trialists on average

Components of the killer offer – Unconverted trialists

Killer offer with Saturday night tickets at 50% off, with best programming and free exchanges could lead to a 40% increase in share of single tickets

All orchestras, unconverted trialists

Building blocks of killer offer



Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

Impact of killer offer

Killer offer could lead to a 6k per year increase in ticket sales and a 2.8% increase in capacity utilization.^{1 2}

Offer improvement

Extra tickets ¹

Extra capacity utilization ¹

Comments

Promotions
+17%



$17\% \times 8,000 \text{ hh} \times 2 \text{ tks}$
= **2,720 tickets**

$2,720 / 225\text{k seats}$
= **1.2% capacity**
0.6% paid capacity

Music
+12%



$12\% \times 8,000 \text{ hh} \times 2 \text{ tks}$
= **1,920 tickets**

$1,920 / 225\text{k seats}$
= **0.9% capacity**
0.45% paid capacity

Other
+11%



$11\% \times 8,000 \text{ hh} \times 2 \text{ tks}$
= **1,760 tickets**

$1,760 / 225\text{k seats}$
= **0.8% capacity**
0.4% paid capacity

Total ²

$40\% \times 8,000 \text{ hh} \times 2 \text{ tks}$
= **6,400 tickets**

$6,400 / 225\text{k seats}$
= **2.8% capacity**
1.4% paid capacity

- This only represents a short term / one-season view of the benefits of such an offer because it does not take into account
 - The tickets these patrons will buy next year
 - The reduction in churn associated with that second purchase (see details on next slide)

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Extra tickets based on an average of 8,000 unconverted trialists patrons purchasing 1 concert / 2 tickets per year. Capacity is estimated at 2,500 seats / hall for 90 concerts

2. No capacity or budget constraints taken into account

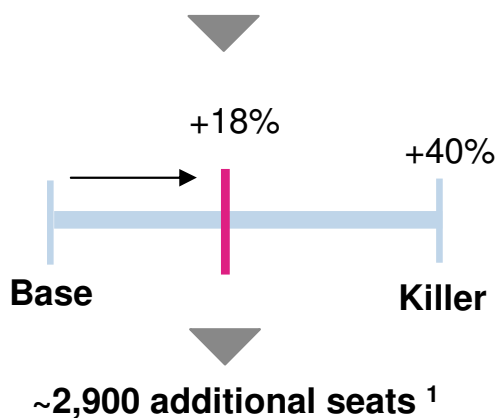
Alternative offers: Examples of variations on the killer offer

More realistic offers reveal distinct tradeoffs between programming, logistics, and promotions in achieving the same share

All orchestras, unconverted trialists

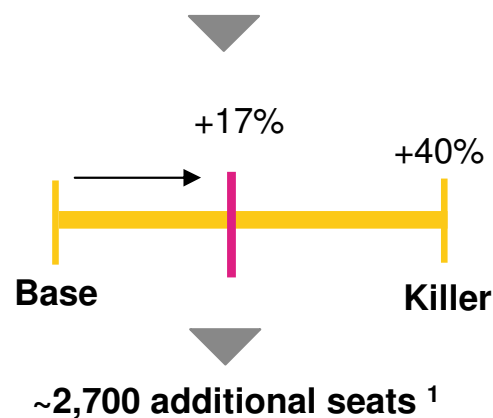
Alternative offer #1

- **Saturday night**
- **Favorite composer**
- All orchestral / no soloist
- **Conductor's insights in advance**
- No discounts
- No promotions
- No exchanges



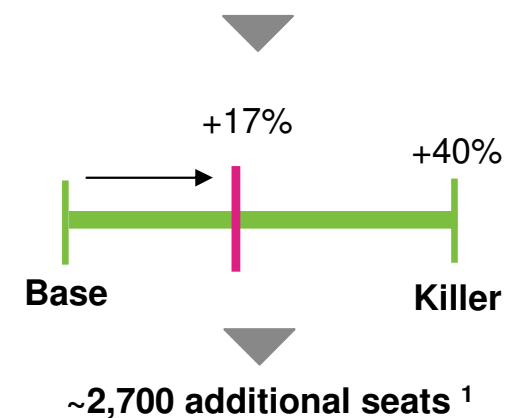
Alternative offer #2

- Friday night
- 20th century music
- **Famous instrumental soloist**
- Pre-concert talks
- **25% off**
- **Free drink**
- No exchanges



Alternative offer #3

- Weeknight
- Classical music
- All orchestral / no soloist
- Program notes on the web
- **Bring a friend for free**
- No promotions
- **Free exchanges**



Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Assuming 8,000 Unconverted trialists on average

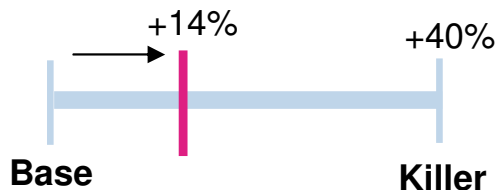
Alternative offers: Programming

Programming is another important component of the killer offer, but the uptake from the best programming is less than that of most promotions

All orchestras, unconverted trialists

Offer 1: Best programming

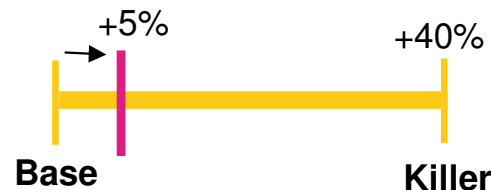
- Favorite composer
- Famous instrumental soloist
- Conductor's insights in advance
- No contemporary music / world premiere piece
- Three familiar and unfamiliar pieces



~2,200 additional seats ¹

Offer 2: Better programming

- Classical composer
- Up-and-coming instrumental soloist
- Pre-concert talks
- No contemporary music / world premiere piece
- Three familiar and unfamiliar pieces



~800 additional seats ¹

Offer 3: Good programming

- Classical composer
- All orchestral / no soloist
- Conductor's insights in advance
- No contemporary music / world premiere piece
- Three familiar and unfamiliar pieces



~300 additional seats ¹

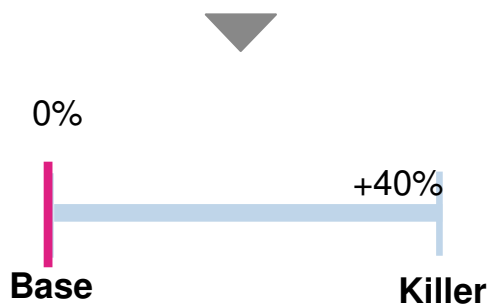
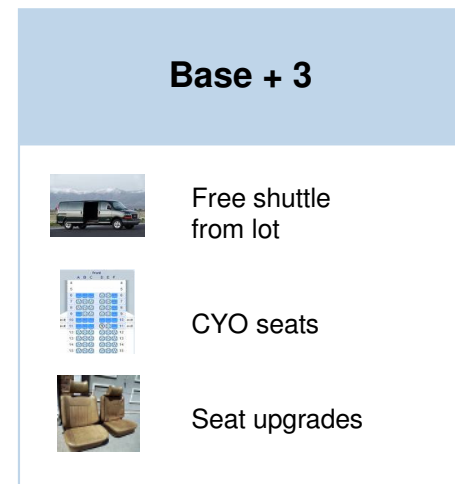
Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Assuming 8,000 Unconverted trialists on average

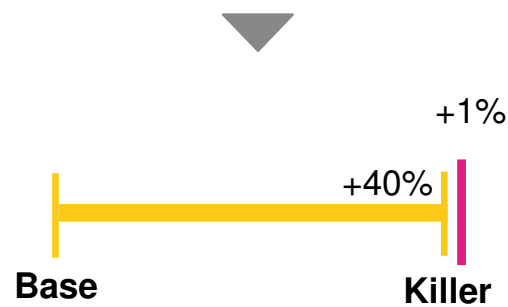
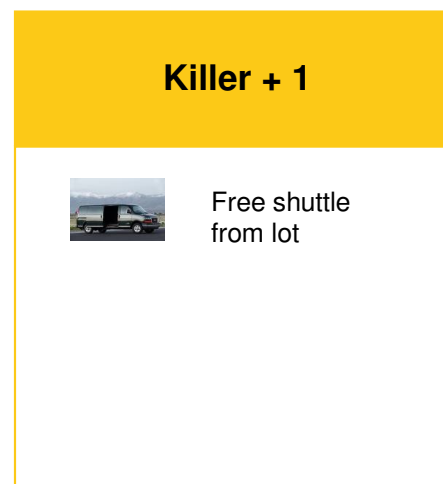
Alternative offers: Killer-plus

Some attributes are only effective when combined with an already very seductive offer

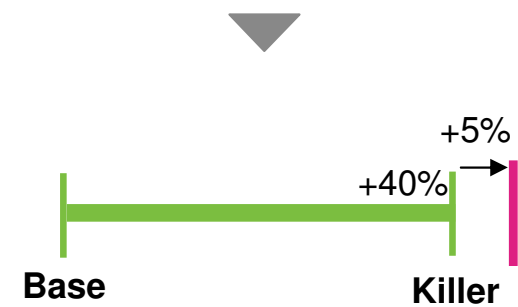
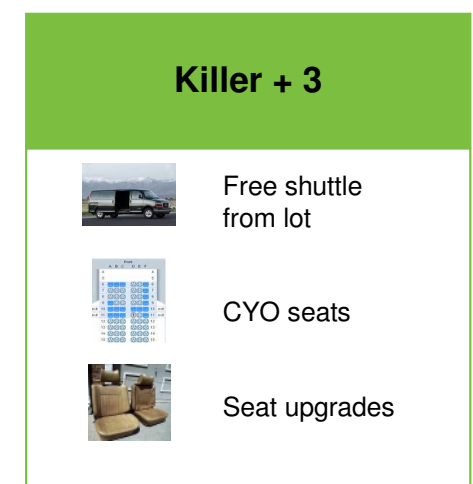
All orchestras, unconverted trialists



No impact on top of the base case



~160 additional seats¹ on top of the killer offer



~800 additional seats¹ on top of the killer offer

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Assuming 8,000 Unconverted trialists on average

Alternative offers: Promotions

Price discounts and promotions are by far the most powerful lever and represent half of the uptake to killer offer for unconverted trialists

All orchestras, unconverted trialists

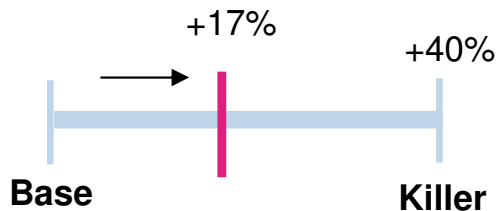
Promotion #1



Bring a friend for free



Free drink at the bar



~2,700 additional seats ¹

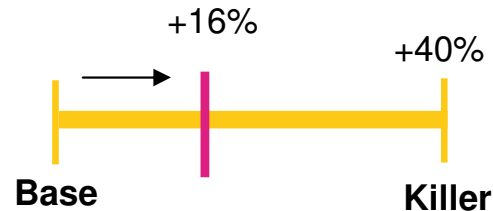
Promotion #2



50% off ticket



Meet the musicians



~2,600 additional seats ¹

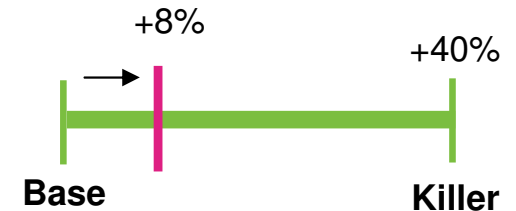
Promotion #3



25% off ticket



\$15 restaurant coupon



~1,300 additional seats ¹

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Assuming 8,000 Unconverted trialists on average

Package size and appeal of offering a single ticket first

Targeting unconverted trialists with single tickets or small subscriptions in their first year yields twice as many tickets over two years as trying to sell them a subscription up-front

The few weeks following the first concert attended by an unconverted trialist is an important time and opportunity to target them. Let's examine three options starting with **100 patrons**:

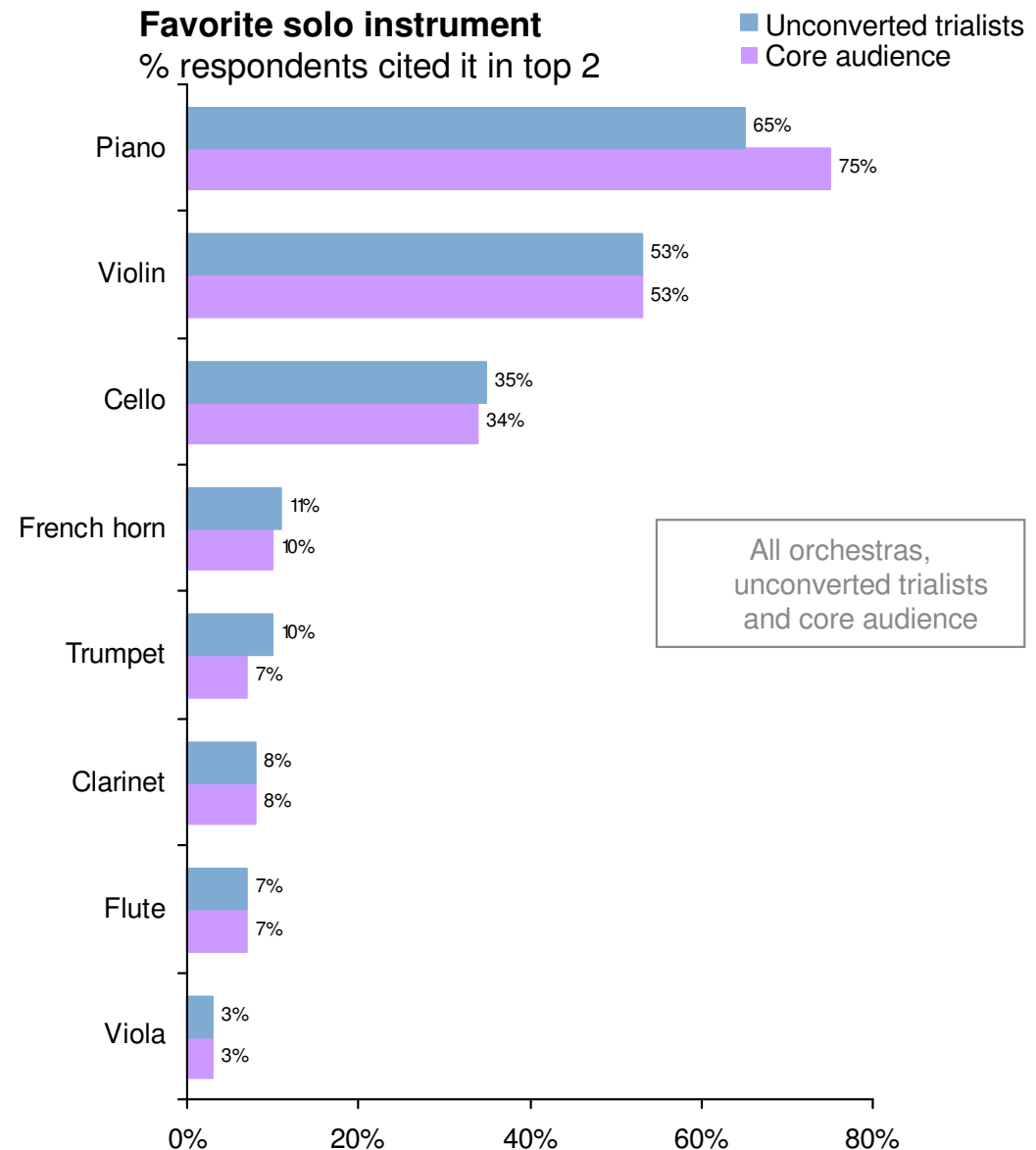
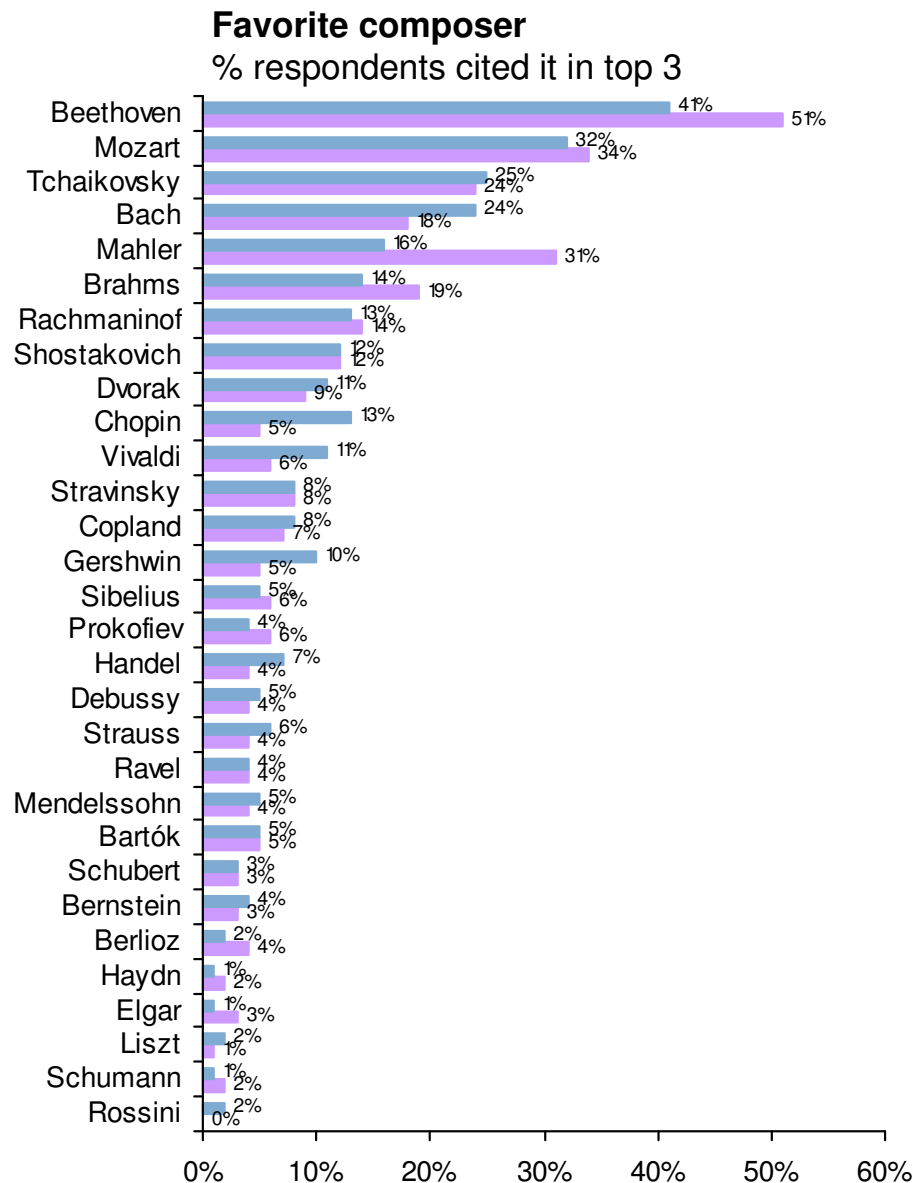
	Option 1	Option 2	Option 3
Offer	<ul style="list-style-type: none"> Offer a killer ¹ large subscription (5 concerts) for next season 	<ul style="list-style-type: none"> First offer a killer ¹ package for one individual concert this season Then try to sell a killer ¹ large subscription for next season 	<ul style="list-style-type: none"> First offer a killer ¹ small subscription (2 concerts) this season Then try to sell a killer ¹ large subscription for next season
Results	<p>20 customers</p> <p>152 tickets sold</p>	<p>30 customers</p> <p>296 tickets sold</p>	<p>33 customers</p> <p>356 tickets sold</p>
Comments	<ul style="list-style-type: none"> Only 14 customers will buy the large subscription 	<ul style="list-style-type: none"> Graduating unconverted trialists to non-committed is a key step as non-committed patrons are more likely to buy larger packages and have a lower churn rate 17 customers bought the large subscription 	<ul style="list-style-type: none"> Graduating unconverted trialists to non-committed is a key step as non-committed patrons are more likely to buy larger packages and have a lower churn rate 13 customers bought the large subscription

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908

1. Killer offer includes 50% off, free exchanges, Saturday night concert with three familiar and unfamiliar pieces from your favorite composer, conductor's notes in advance, famous instrumental soloist, free drinks

Music: Favorite composers and solo instruments

Skewing the repertoire towards unconverted trialists' favorite composers / instruments will also be beneficial for core audience as they share the same preferences (...for Beethoven!)



Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908 for UC and 1,202 for CO

Framework for detailed results

Let's look at results by family of attributes

1. Music



Programming



Music information

2. Package sizes



Single / flexible /
subscription

3. Tickets



Day of the week



Seats / upgrades /
exchanges

4. Promotions



Promotions

1. Music – Impact on share

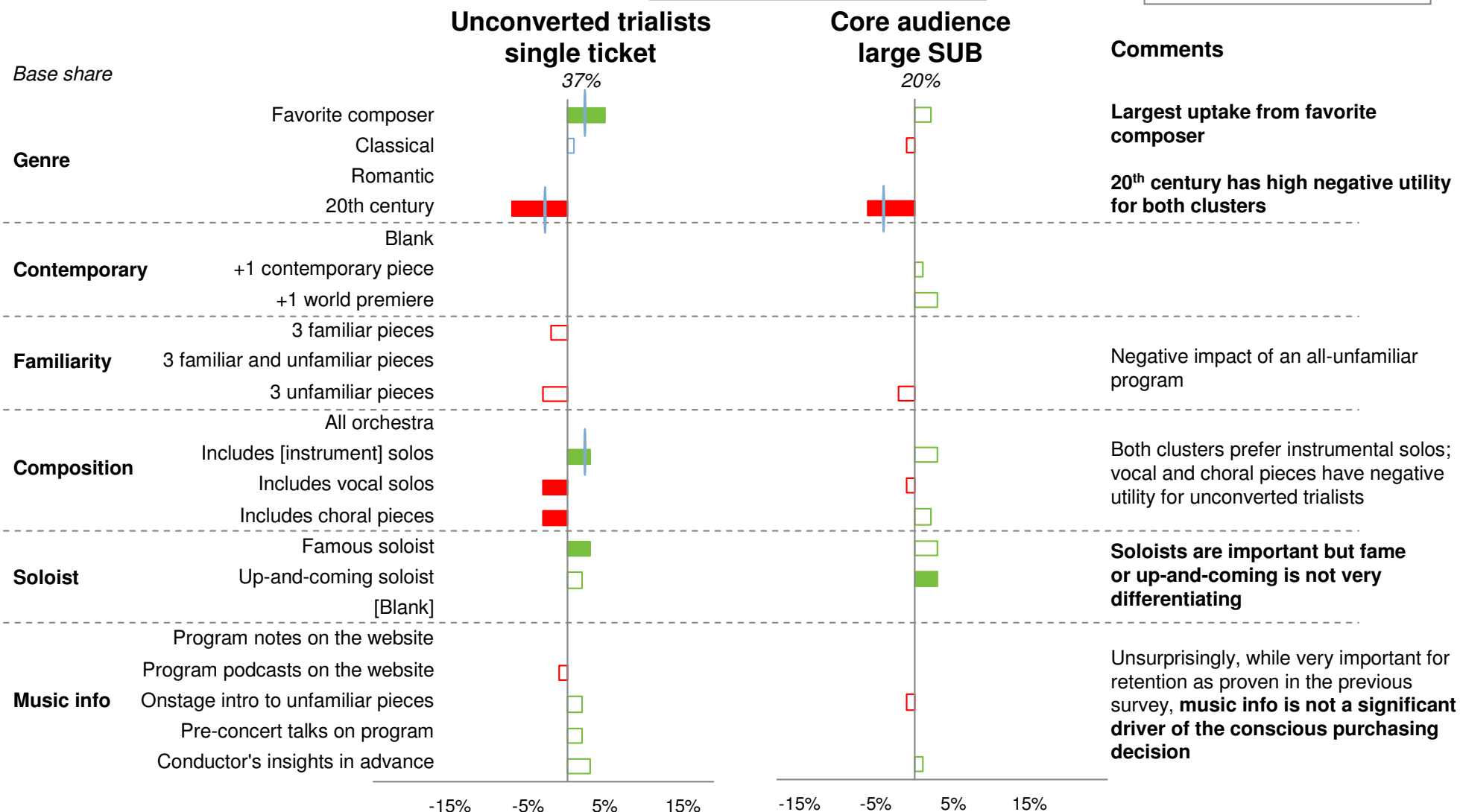
Unconverted trialists are very sensitive to both their favorite composer and soloists. The orchestras could offer these specific concerts when calling on this cluster

Change in share-of-take of offer

All other attributes and offers held constant

All orchestras, unconverted
trialists and core audience

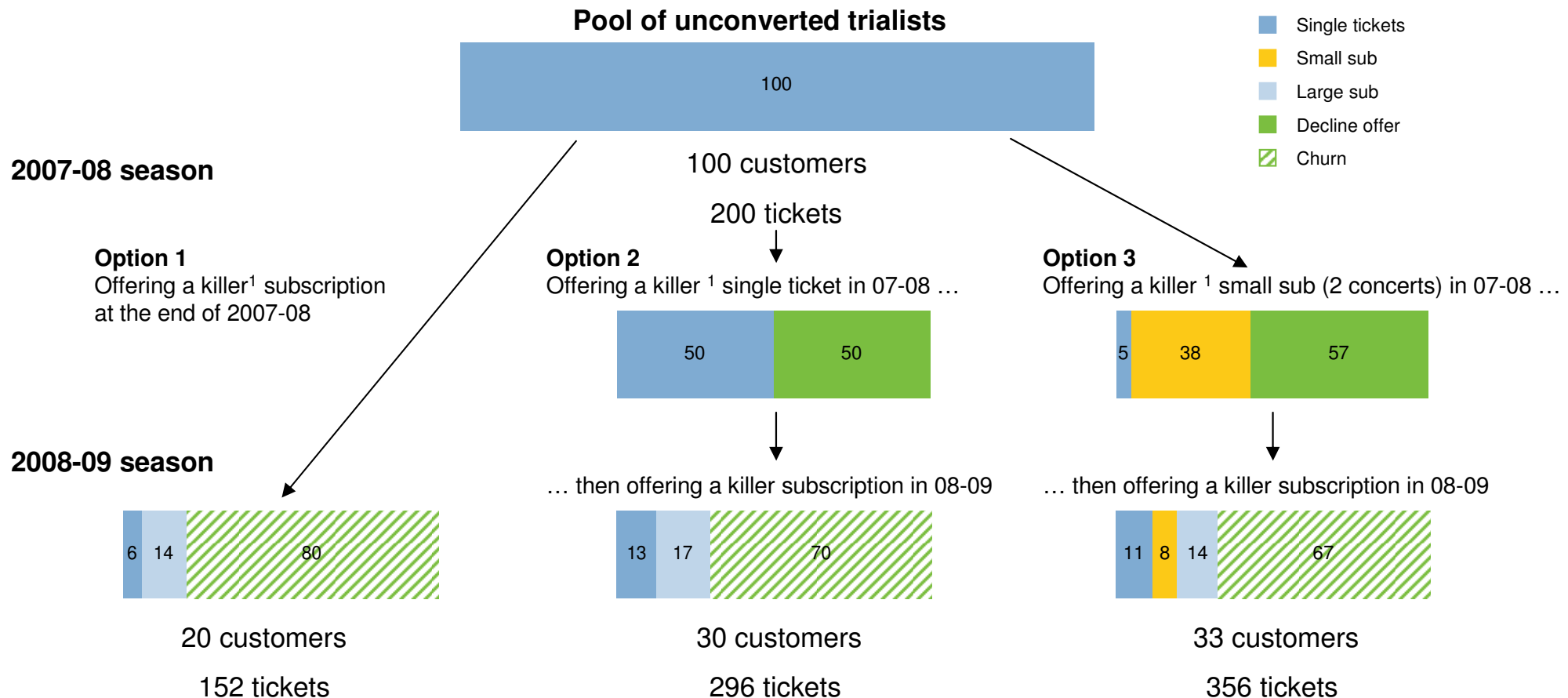
Positive impact >3% 0-3%
Negative impact <-3% -3-0%



Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908 for unconverted trialists and 1,202 for core

2. Package sizes – How to maximize retention while maximizing ticket sale

Waiting one season to push a killer¹ subscription (5 concerts) will result in less churn and more tickets sold



► By offering a killer single ticket or small subscription within the same season, these unconverted trialists are converted into non-committed, who have a higher propensity to purchase larger packages and have a lower churn rate

Source: Oliver Wyman Strategic Choice Analysis © survey. Churn rates from box office and model. Box office data for weighting of cluster and churn: N = 1,908

1. Killer offer includes 50% off (subscription) or bring a friend for free (single tickets), free exchanges, Saturday night concert with three familiar and unfamiliar pieces from your favorite composer, conductor's notes in advance, famous instrumental soloist, free drinks

3. Tickets

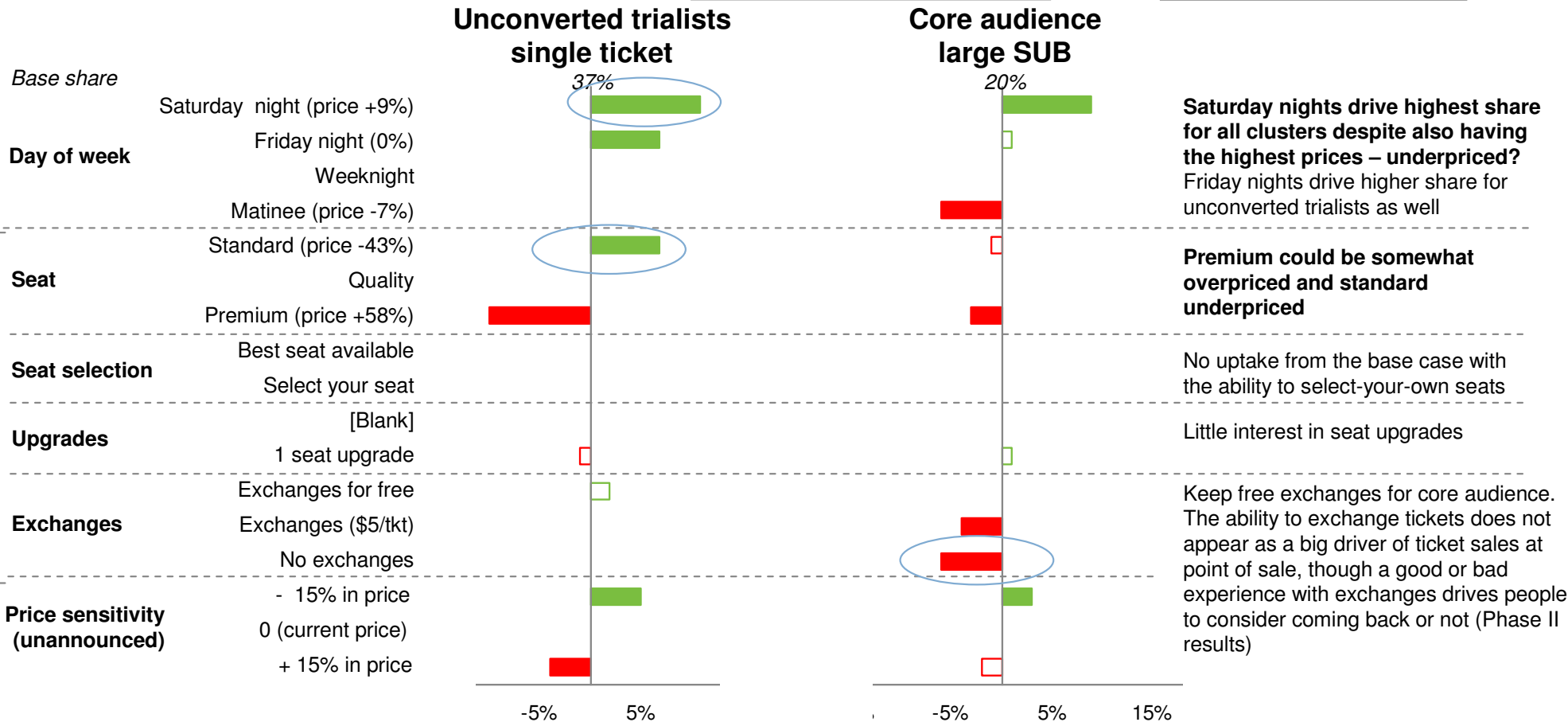
Saturday tickets drives disproportionate demand, even with today's higher prices. Is there an opportunity to further increase prices?

Change in share-of-take of offer

All other attributes and offers held constant

All orchestras, unconverted
trialists and core audience

Positive impact >3% 0-3%
Negative impact <-3% -3-0%



- Review pricing and / or inventory by day of the week, potentially
 - Increase price for Saturdays both for ST and SUB and Fridays for ST? Discount matinees even more?
 - Limit subscriptions on Fridays?

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908 for unconverted trialists and 1,202 for core

4. Promotions

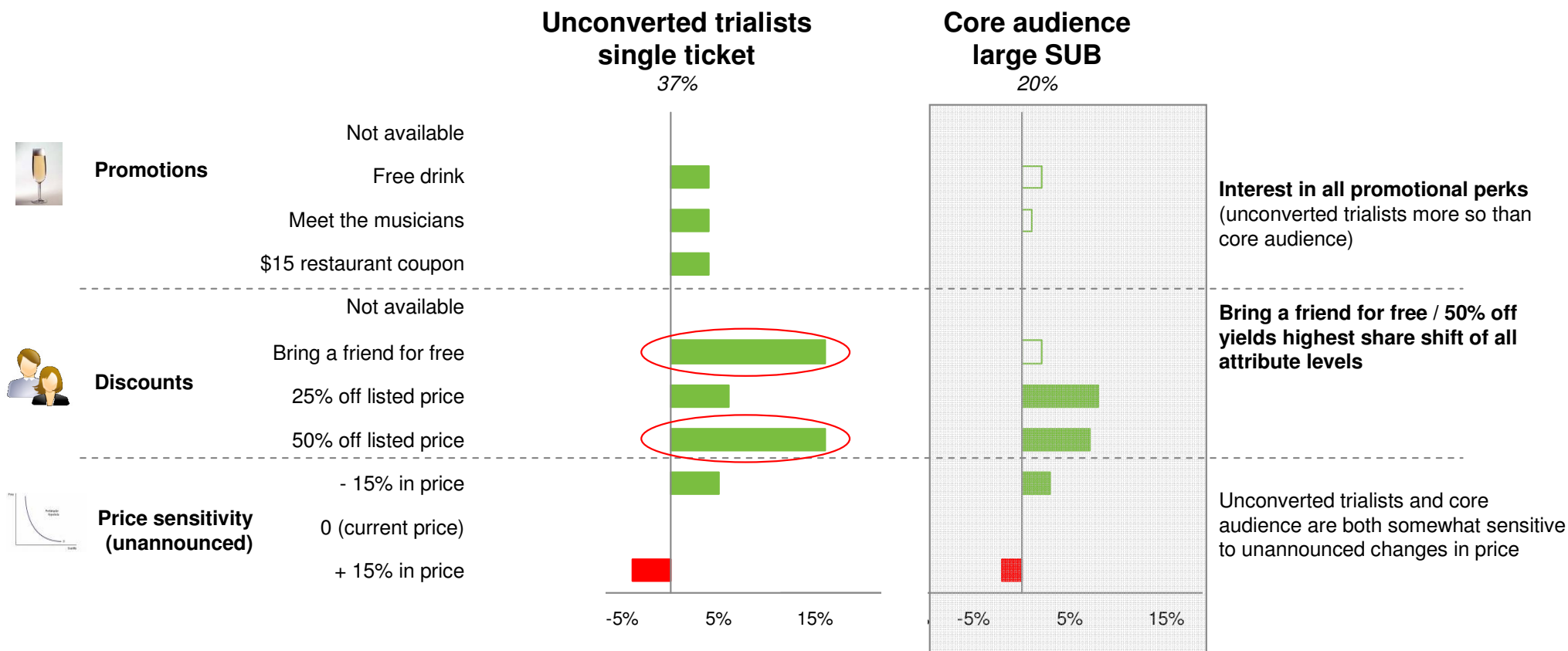
Promotions yield a large increase in share, especially 50% off. They are likely to be very effective at bringing unconverted trialists back

Change in share-of-offer

All other attributes and offers held constant

All orchestras, unconverted trialists and core audience

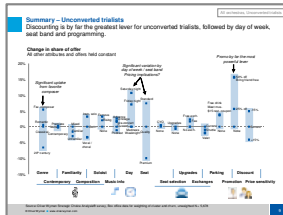
Positive impact >3% 0-3%
Negative impact <-3% -3-0%



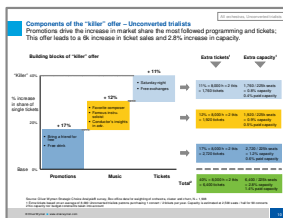
- Given their very low churn rate, there is no / little need to offer new promotions to the core audience

Source: Oliver Wyman Strategic Choice Analysis® survey. Box office data for weighting of orchestra, cluster, and churn: unweighted N = 1,908 for unconverted trialists and 1,202 for core

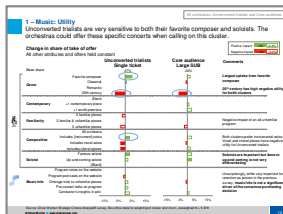
Phase III findings – Summary



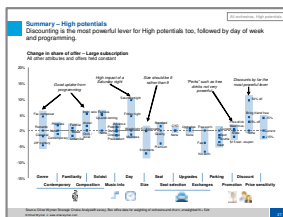
- For unconverted trialists, the most powerful levers for increasing retention rate are discounting, programming, and day of the week
- Secondary levers include promotions (free drinks ...), free exchanges, music info, seat upgrades, and select-your-own seats



- A killer offer for unconverted trialists could decrease churn by as much as 40%, which would translate into an additional ~6,000+ tickets sold per year
- Even though aggressively pushing large packages might yield some short-term results, more unconverted trialists will be retained in year 2 by targeting them with appropriate offers such as single tickets and small packages. This larger base can then mature over time into the core audience



- Launching packages for unconverted trialists should not hinder the core audience experience / revenues
 - As unconverted trialists and core audience express the same musical preferences, satisfying one group will not be detrimental to the other
 - Smaller packages can be targeted (almost) exclusively to low-frequency patrons



- The most powerful levers for increasing sales of large subscriptions (6 concerts) to high potentials are also discounting, programming, and day of the week
- This would be an up-sell from 2-plus concerts, potentially selling an additional 700 seats



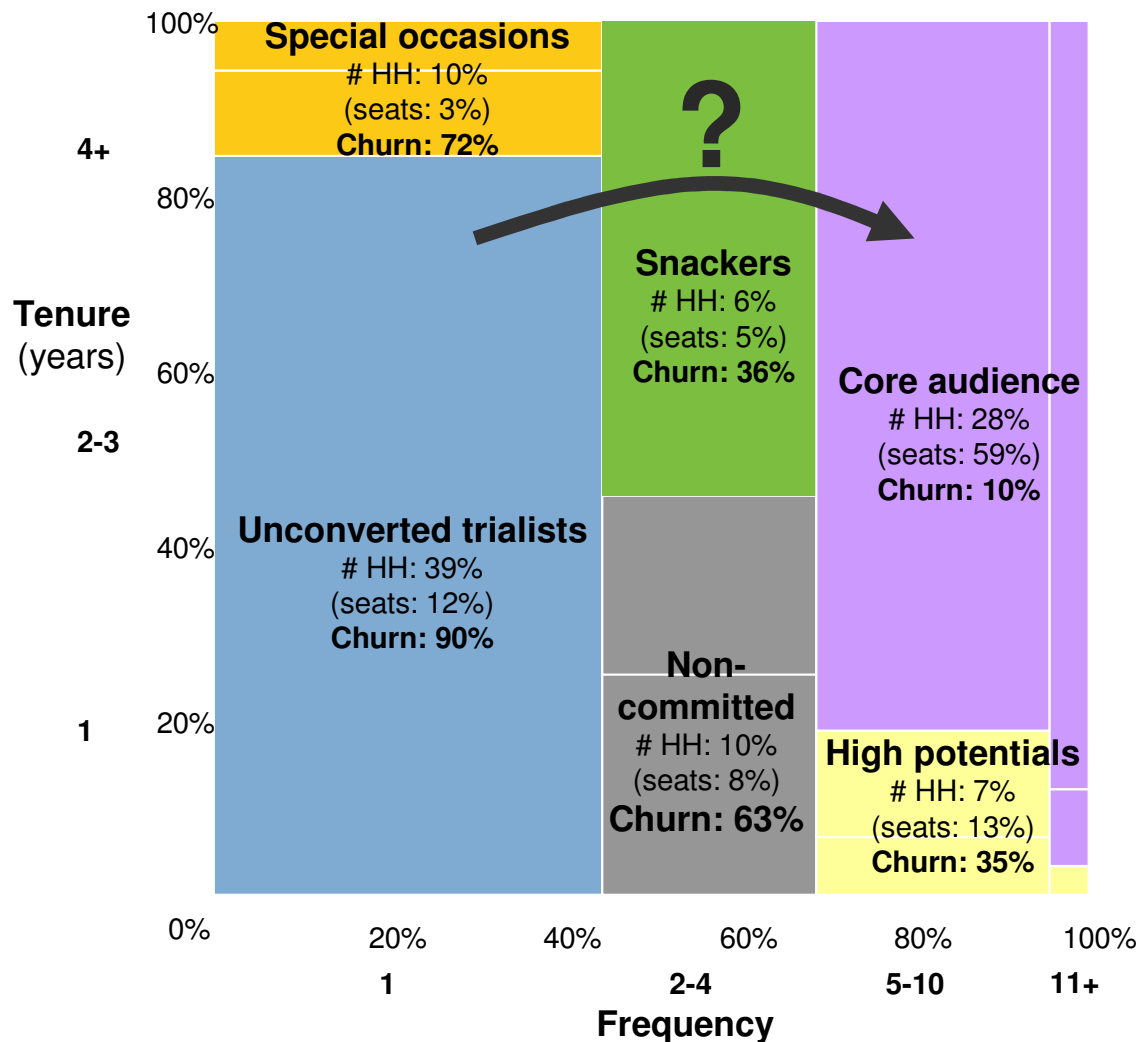
Contents

- Introduction to Oliver Wyman and project overview
- Phase I insights: Customer behaviors and clustering
- Phase II insights: Repurchase and satisfaction drivers
- Phase III insights: Offer design and testing
- **Integrated recommendations**

Phase I recommendations

High-level recommendation: Focus on retaining unconverted trialists

Number of households - national average



- Orchestras have been successfully focusing most of their efforts on two main endeavors
 - Fulfilling the needs of their core audience of subscribers, which is essential as core audience members fill 60% of the seats, generate 80%¹ of the donations, and churn at only 10%
 - Acquiring new customers: 55% of the patron base was new in 2006-07
- Orchestras should now also focus on retaining these new customers so they can slowly mature into core audience members
 - Unconverted trialists represent 39% of the audience, but only 12% of tickets and 2%¹ of donations, and they churn at 90%

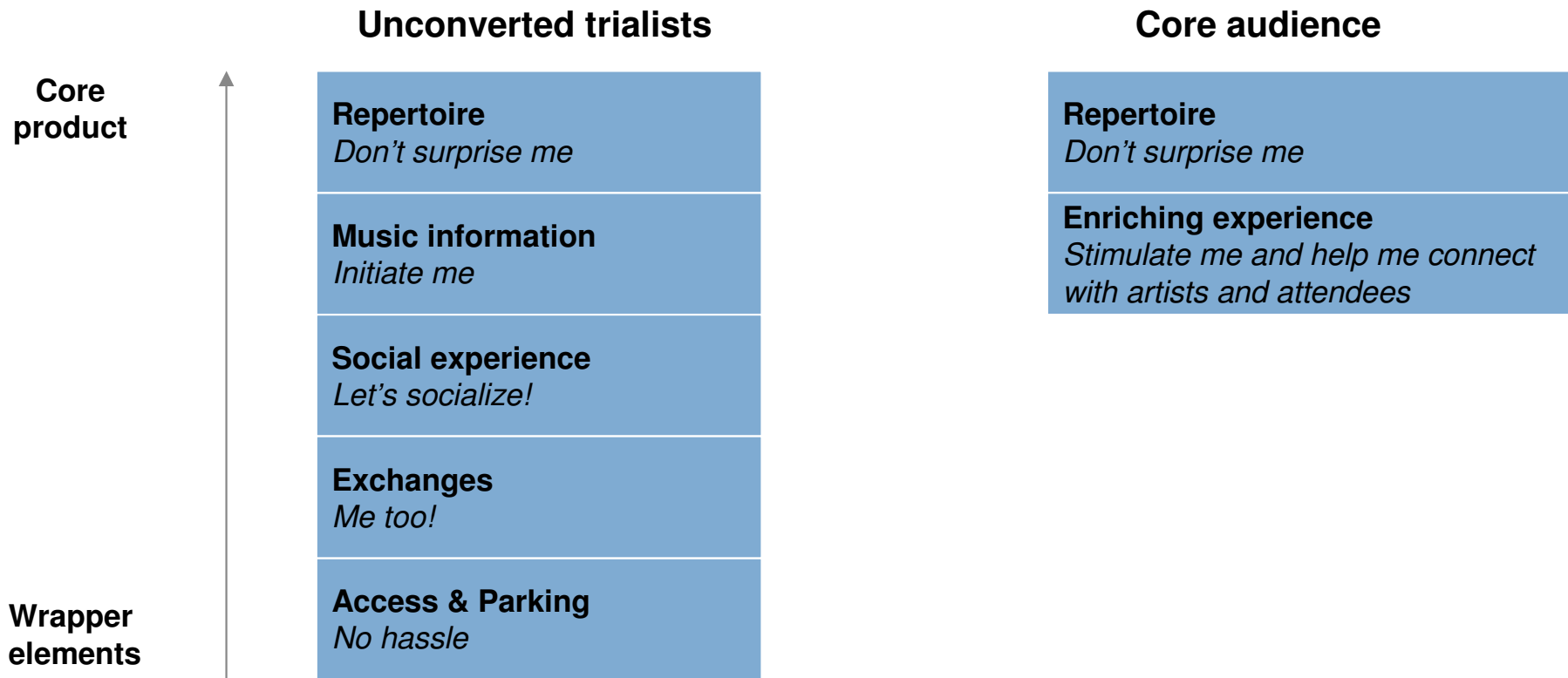
Source: All orchestras box office data (2006), Oliver Wyman analysis

1. Average for San Francisco Symphony, New York Philharmonic, Atlanta Symphony Orchestra

Phase II recommendations

High-level recommendation: Create a seamless and social end-to-end experience for unconverted trialists

Important elements of the customer experience



Note: Areas of added focus will differ by orchestra, as an orchestra's current performance on each customer experience element should be taken into account in the prioritization process. But the benefits of providing a holistic experience is consistent nationwide

Phase III recommendations

High-level recommendation: Use tailored promotional offers to sell another single ticket or two to unconverted trialists before asking for a commitment

Optimize next sell-opportunity

- The few weeks following their first concert is an important time to target unconverted trialists
- This opportunity is best used by trying to sell them one or two more individual tickets
 - By increasing unconverted trialists' first-year frequency, orchestras increase their familiarity, reduce churn, and increase the chances that they will buy packages (and possibly donate) down the line



Use a Killer offer



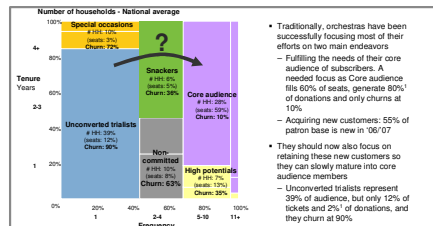
- Saturday night
- Favorite composer
- Famous instrumental soloist
- Conductor's insights in advance
- Three familiar and unfamiliar pieces
- Quality seats
- Bring a friend for free
- Free drink
- Free exchanges

+40% share of single tickets

Integrated recommendations

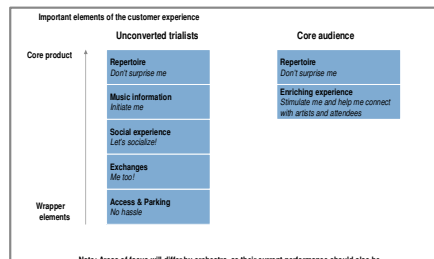
Orchestras need to redefine their value proposition for unconverted trialists

1



- Shift attention to unconverted trialists to ensure that they come back and build the next generation of core audience

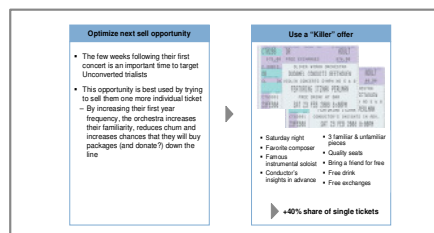
2



- Focus on providing a seamless and social end-to-end experience to unconverted trialists

Defining a new and comprehensive value proposition for unconverted trialists

3



- Use tailored promotional offers to sell another single ticket or two to unconverted trialists before asking for a commitment

Judy's orchestra experience

"This was my first time back to the orchestra since I was a kid, but it is likely to be my last"

Illustrative

I hadn't been to the Orchestra since I was a kid, so I bought 2 tickets for a Mozart concert.

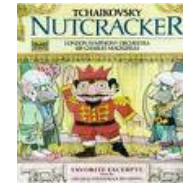
That day, work got completely crazy so I couldn't make it.



I tried calling the orchestra to exchange the tickets, but I was told my only option was to "donate" them!



I decided to give it another shot 3 months later when my favorite composer, Tchaikovsky, was playing



Parking was a nightmare. It took us 25 minutes to find a spot!



By then, it was too late to have dinner. I was starving at intermission but the bar was super crowded, didn't have any food, and a drink was \$12!



The musicians played very well but I knew nothing about two of the pieces played.



Imagine my surprise when 3 days later the orchestra called me to ask if I wanted to buy a subscription. I told them no and then 3 weeks later they called for a donation!

Buy & Donate Now

Although I don't think I'm ever going back, they continue to flood me with mail, phone calls and emails. What a drag!



Defining a new and comprehensive value proposition for unconverted trialists

Repertoire



Don't surprise me: I want pieces that "ring a bell"

Enough familiar concerts to choose from during the season

Music information



Initiate me: Really? Interesting to know!

Enough background to enjoy the performance

Social experience



Let's socialize!: I want to have a good time with my friends

Enjoyable pre- (and post-) concert experience

Socializing opportunities at the concert

Exchanges



Me too!: I want flexibility

Easy to exchange tickets, even for single tickets

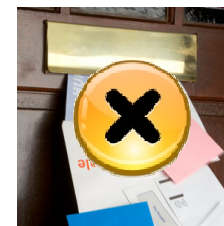
Access



No hassle: I just want to park and forget about my car

Easy to get to and park at the hall

Relationship building



Don't ask me to marry you after the first date: I don't want to commit yet

One step at a time

Compelling offers



Such a good deal: A no-brainer to go another time

Right discount / promotional offer combination

John's great anniversary

It was such a special and festive night ...

Illustrative

I wanted to go to the Philharmonic with my wife on a Saturday close to our anniversary



*Fortunately, they had a **Beethoven (my favorite!)** concert with a **violin soloist** that month*



*It was so easy to purchase tickets online, I could even **pick the seats**. **Exchanges were free** – just in case we couldn't find a babysitter!*



*I was afraid of commuting, but I did **reserve and prepay a parking spot** near the concert hall when buying my tickets. The **confirmation email** even had the **directions!***



*I really liked the email we got a week before the concert with **comments from the conductor and a podcast**.*

It got us really excited about the evening.



*We had dinner in a nice restaurant nearby that the orchestra recommended. They had a **pre-theater menu**, which was very good and served quickly*



*We arrived early at the hall, so we left our coats at the **complimentary coat check** and read the **playbill**. Turned out, the soloist was a famous guy from South America!*



*The **conductor shared a funny anecdote** and gave us something to listen to*



Continued ...

John's great anniversary

... we decided to do it again a month later

Illustrative

The music was great. I **wasn't expected anything less** from the Philharmonic!



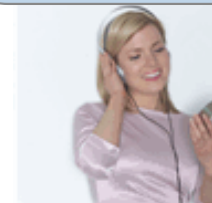
During intermission, we had a **glass of champagne** with my wife's favorite chocolate treat. We had enough **time to sit and chat at a table**.



Leaving the hall and the parking was quick.



The following week we **received a CD** of the performance we attended reminding us of the good time we had.



A week later we **received a brochure with 2 or 3 concert packages in the spring**. They offered **great discounts and free drinks** to the first concert



We bought a two-concert package



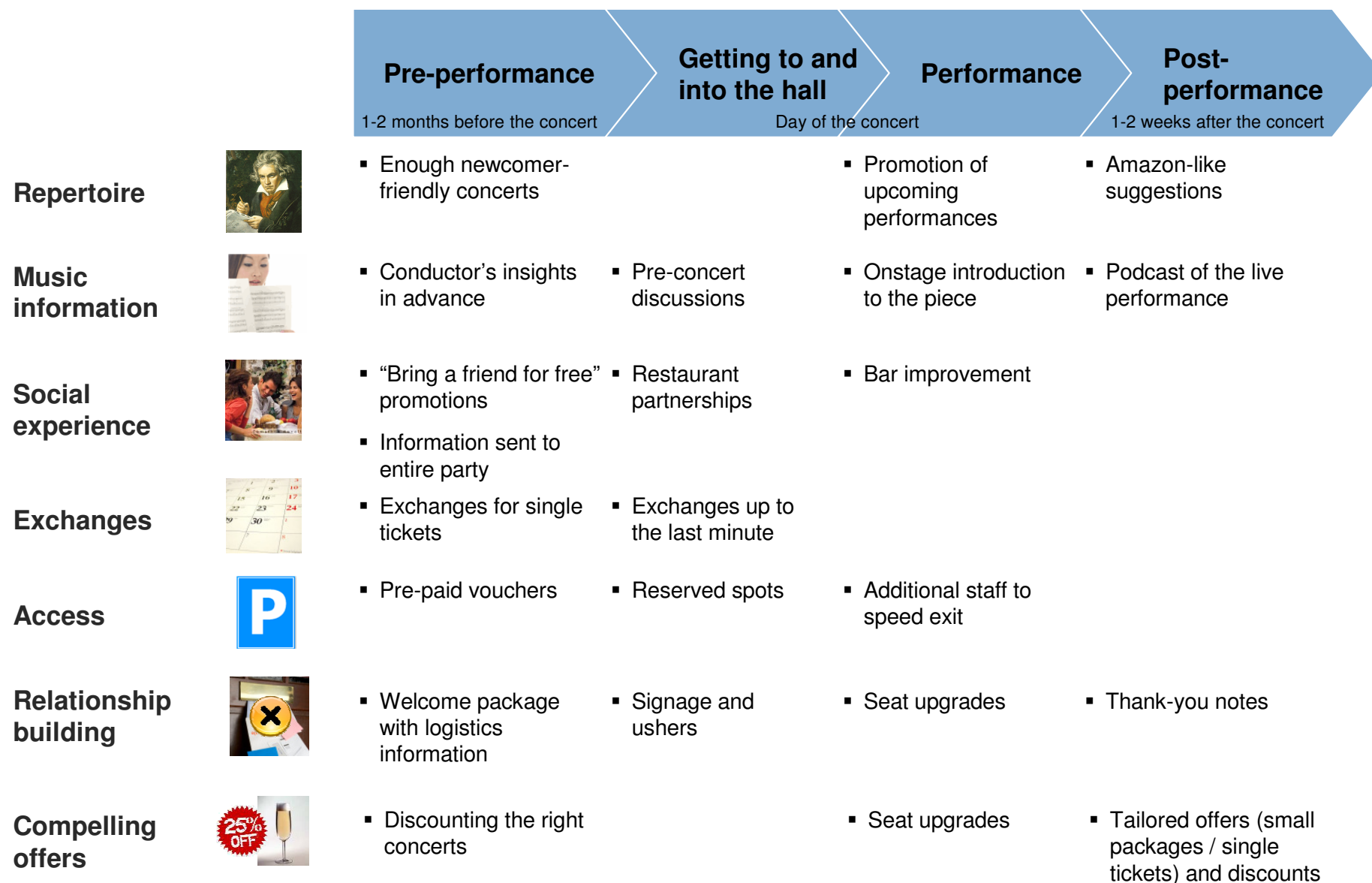
We're still wondering why we didn't do it earlier!

...



Value proposition for unconverted trialists

The periods before and after the concert are inherent parts of the orchestra experience and should be seen as opportunities to enrich it



Potential additions to the newcomer customer experience

The pre-performance focus should be on getting them familiar with the hall and the music



- Offer a number of newcomer-friendly concerts per season and spread them out across the season
 - Programs with at least one very popular piece / composer
 - In priority on Fridays and Saturdays nights
- Search by date / day of the week or composer / piece for people with simple preferences
- Provide “Concert recommended for first-timers” flags on website



- Send information on the composers / pieces to the patron before the concert (potentially in reminder email)
 - Ideally, include personal comments of the composer / soloist / musicians
- Gear a section of the website at newcomers



- Encourage newcomers to bring friends by offering volume discounts, such as bring-a-friend-for-free promotions
- Offer possibility of specifying close-to-those-seats for parties buying separately
- Send information (confirmation / reminder) to all parties coming, not just the patron who purchased the ticket – additional benefit of increasing marketing database
- Link with social networks



- Offer exchanges and / or refunds for no / small fee to single ticket buyers



- Partner with nearby parking lots to sell flat-rate parking tickets in the same transaction



- Ask customers if they are first-timers when selling tickets
- Provide a seating chart with the possibility of choosing seats (partial view clearly marked)
- Send a “Welcome to the orchestra” package with information on parking, bar, etc. (potentially in confirmation email); could include drink or parking voucher
- Send reminder email - keep it free of sales pitch
- Identify concerts with a high percentage of first-timers and adjust operations accordingly (e.g., add more ushers)



- For hard-to-sell concerts (contemporary music, vocal, etc.), don't fill the hall by giving complimentary tickets to prospects

Potential additions to the newcomer customer experience

In the few hours before the performance, the focus should be on facilitating access and the social experience



- Host pre-concert discussions geared at newcomers where the experts (musicians, directors, music professors) answer questions



- Make the hall feel inviting warm and inviting
 - Have a mingling area next to the bar if there is scarcity of seats
 - Decorate the hall (piece of art, lighting, flowers, etc.)
- Offer packages with nearby restaurants (dinner before) or bars (drinks after)
- Host newcomer receptions



- Ensure fast entry and exit (flat rates, pre-paid vouchers, extra staff, police help)
- Offer valet parking
- Partner with a car service company for after the concert
- If necessary, improve security between the hall and the nearest public transportation station(s)



- Provide or improve signs to help customers find their seats



- Offer complementary (and fast) coat check

Potential additions to the newcomer customer experience

The performance is about the music, but not only – the bar can add a social / festive tone to the experience



- Promote upcoming performances
 - Through playbills, concierge, flyers/postcards



- Particularly at first-timer heavy concerts, have the conductor provide a brief introduction of the piece (specific enough not to bore the core audience)
- Improve the program notes, make them more engaging
- Provide an information booth with self-service leaflets on composers, genres, instruments



- Minimize bar waiting time and throughput capacity
 - Increase staff, stations, hours of operations
 - Provide the option of pre-ordering intermission drinks / using vouchers to speed the process
- Transform the bar from an afterthought / time killer into a enjoyable experience
 - Review and improve selection
 - Review pricing / offer targeted discounts including try-our-bar offers



- Have seat upgrades for newcomers so that they can experience premium view / acoustics

Potential additions to the newcomer customer experience

After the first performance, the goal is to sell patrons one or two extra concerts – not to ask them to marry you – so no donation / subscriptions calls in the courtship period



- Send “If you liked that, you’ll also like this” recommendation emails



- Send a podcast / CD with extracts of the live performance



- Offer / sell performance-related goodies, such as CDs / DVDs of live performance, pictures of performers



- Offer exchanges to newcomers who have missed a concert (along with recommendation for a similar concert)



- Send a “Thank you for coming” note
- Send Christmas / Valentine’s Day cards without sales pitches
- Don’t solicit donations / large subscriptions too early (wait and do it after a few concerts)

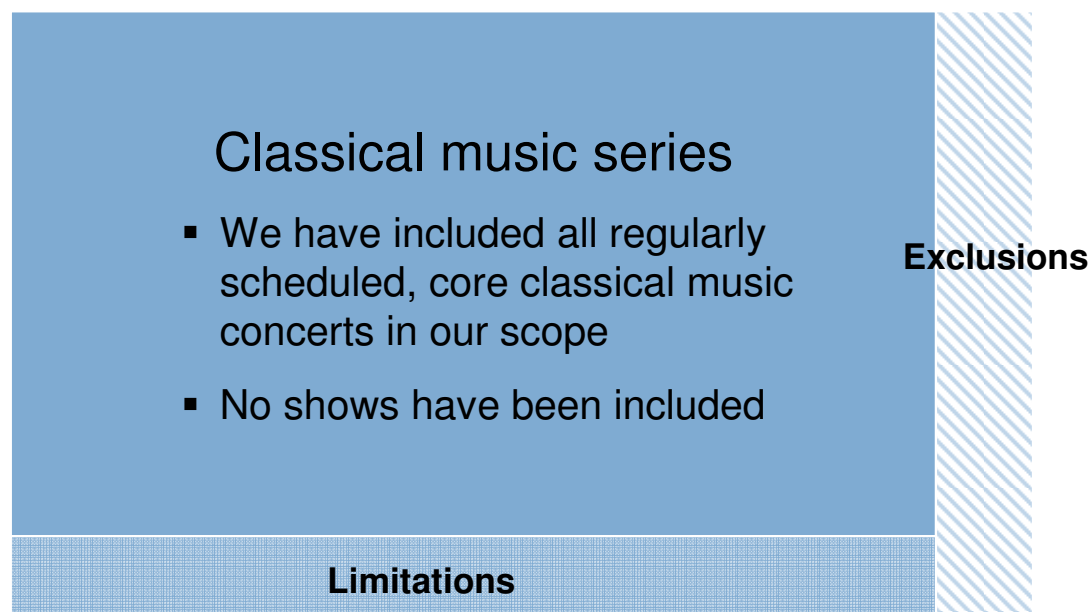


- Approach by preferred channel in the month of the concert with tailored offers
 - Newcomer subscription series (2-4 concert package of very popular pieces)
 - Small choose-your-own subscription
 - Single ticket
- Offer discount for second visit (sent with tickets, voucher given on the way out, sent with thank-you note, sent a few weeks later)
- Implement loyalty program with simple benefits (subset of subscribers’ benefits), such as exclusivity periods for most popular concerts, transaction-fee waiver if purchasing more than 5 concerts

APPENDIX

Data assumptions and limitations

This project focuses on understanding the behaviors of individuals who decide to **purchase** tickets for classical music orchestra concerts. As a result, we have made exclusions and assumptions and identified certain data limitations



Assumptions / exclusions

- Group sales – 4.7% of customers
 - Accounts that have purchased >8 tickets a concert, across all seasons
- Complimentary tickets – no revenue
- Exchanges – accounted for
- Non-classical music concerts
 - Pops, holiday concerts, and special performances attract a different audience and have been excluded
- No shows – counted as attended
 - Given lack of data for most orchestras, we are counting all those who purchased tickets as attendees

Limitations

- Inconsistent purchasers
 - If two friends (different names and addresses) alternate buying tickets for each other, they would alternate as churners (unidentifiable duplication)
 - Okay if same household
- Significant changes to the identification of a customer account, such as a name change, would cause the same issue
- Poor transaction records (e.g., cash purchase)
- False first-time visitors
 - In some cases, we have only 5 (or fewer) seasons of data available
- Dippers
 - Customers who come one season but skip at least the next season and return have been labeled dippers, who are estimated to make up ~9% of the customer base (based on the 2003-2004 season)

Orchestra Audience Retention Initiative – Participants

Atlanta
Symphony
Orchestra



LA PHIL



BOSTON
SYMPHONY
ORCHESTRA

THE CLEVELAND
ORCHESTRA



Senior Marketing Professionals Group – Orchestras

Charlie Wade, Atlanta Symphony Orchestra
Kim Noltemy, Boston Symphony Orchestra
Kevin Giglinto, Chicago Symphony Orchestra
Sandi Macdonald / Emily Grimes, The Cleveland Orchestra
Joan Cumming / Shana Mathur, Los Angeles Philharmonic
Stephen Duncan / Susan Loris, Milwaukee Symphony Orchestra
David Snead, New York Philharmonic
Ed Cambron, The Philadelphia Orchestra
Michele Prisk, San Francisco Symphony

Engaged Audiences LLC

Jack McAuliffe, President

Oliver Wyman – Project Team

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