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THE PRICING SPECIALISTS

A professional video camera mounted on a complex rig, featuring various cables and a microphone. The camera is positioned in the foreground, with a blurred background of what appears to be an outdoor setting. The rig is black and metallic, with various adjustment knobs and cables visible. The camera lens is prominent, showing some technical markings.

# The Price of Fun: Exploring the latest pricing trends in the UK's leisure and entertainment industries

By Tom Wells and Karim Serhal

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While confidence is still subdued, consumers are starting to increase their non-essential spending. The savviest entertainment and leisure companies are finding new and differentiated ways to entice more customers through the door and encourage them to spend more when they're there. What kinds of optimised pricing strategies work best within the sector? How can your business make the most of the potential?

The 'Barbenheimer' phenomenon that packed out cinemas during the summer now seems like a distant memory. Whatever branch of the entertainment and leisure sector you operate in, attracting customers and sustaining revenues can still be a hard slog. And the pressure on returns is heightened by the rising costs you face.

Consumers are still prepared to spend – everyone needs cheering up in tough times. But from cinemas to gyms, this is a highly competitive sector. The default response is offering cut-price deals across the board. But that could leave a lot of revenue on the table, especially at high-demand peak times. Worse still, some customers may pick up on the prevalence of offers and only buy when the price is cut.

A dangerous temptation may be to follow the pack on price cuts. But that won't help you to stand out and sustain revenues in a crowded marketplace. Worse still, it could end up in a 'no win' race to the bottom on price.



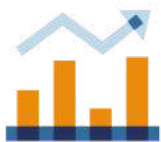
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## EXPLORING NEW OPTIONS

As more sophisticated and effective options open up, the good news is that you can attract more customers without always having to slash prices and miss out on revenue. Here are four of the pricing models that we've been helping entertainment and leisure clients to explore and successfully apply in their businesses:



### 1.DYNAMIC PRICING: ADAPTING TO DEMAND

Having been pioneered in the airline industry, dynamic pricing has become increasingly common across the entertainment and leisure sector.

Under this strategy, you modify prices according to demand. That might be differential prices for afternoons and evenings or low prices as tickets go on sale, then raising them the nearer the show is to its start. The results offer an ideal balance between customer satisfaction and revenue optimisation.

Prominent examples include off-peak gym memberships. Subscribers can only go at restricted times, but pay lower fees. This encourages more people to join, while helping to even out gym capacity at peak times.

But it's not just gyms that can benefit from dynamic pricing. In London, night clubs such as the Ministry of Sound release different batches of tickets, with prices going up the closer you get to the event date. For example, the prices for their regular Tuesday Student night vary from £5 to £15, depending on the batch.



### 2.SUBSCRIPTION MODEL: THE EMERGING NEW NORMAL

Subscription-based pricing models are revolutionising the way we consume entertainment and leisure in much the same way as they've transformed access to media and software. These models aim to boost customer loyalty and reduce transactional friction by incentivising long-term commitment. Cinemas are among those leading the way through membership schemes that include priority bookings, members only screenings and discounts on food, drink and associated screening services.

Another example is London Zoo, which offers annual memberships for around £80, which allow unlimited visits throughout the year. When compared to their regular £31 single entry ticket price, the membership seems like a good deal – it's the equivalent of less than three visits. Although some members are likely to visit more than three times, London Zoo is still benefiting as this is the result of induced demand. In other words, if memberships were not offered, the majority of visitors would only attend once or twice, and decide to visit other leisure parks on other occasions, meaning a lower total revenue for London Zoo. This example gets more interesting with their gold annual membership for £106, which also includes parking, discounts and other free activities.





## 3. INCLUSIVE PRICING: BROADENING ACCESSIBILITY

Many businesses are exploring the concept of pay-what-you-can models. This pricing strategy aims to broaden take-up by making products, services or experiences more affordable and accessible to a wider range of people. In one example, cinemas often vary the price of tickets according to sight line and proximity to the screen. There are also low-price family shows during school holidays, which screen films that may no longer be on general release. When set up well, inclusive strategies can attract customers who might not have considered going or been put off before. In a ground-breaking example, Cambridge United has teamed up with picturepath to provide a visual visitor guide for supporters to help reduce anxiety among children with special educational needs (SEN). As a result, many children with SEN have come along to games for the first time and could go on to be lifelong supporters. More broadly, this sends out the message that Cambridge United is a caring, family-friendly club.

In another innovative example, the Teatreneu comedy club in Barcelona has experimented with charging customers per laugh, using facial-recognition technology to track how much they enjoyed the show. They may of course hate the acts. But such novel strategies will help your business to stand out within your core market and reach out to curious new customers.



## 4. ANCILLARY REVENUE: THE UPSELL GAME

Entertainment and leisure businesses can boost revenues through ancillary sales.

One of the biggest potential money spinners is T-shirts and other merchandise at concerts. For example, fans at Taylor Swift's Eras show spend an average of more than \$200 each on merchandise.

In turn, Disney makes more than \$5 billion a year (around 6% of total revenue) from selling its own branded merchandise and licensing rights to other companies such as games developers.

But the upsell opportunities for many other types of entertainment and leisure businesses remain largely untapped. For example, could businesses like cinemas do more to capitalise on the merchandising potential of hit and cult films?



## MAKING THESE STRATEGIES WORK FOR YOU

Particular strategies may be more applicable to some businesses than others. But there are some common priorities that will help you to make the most of the potential:



### 1. Get inside the mind of the customer

Customer data and analytics can give you an edge by providing key insights into what particular types of customers value, what would encourage them to come and then incentivise them to return. In turn competitor analysis can help you determine how to stand out from the pack.



### 2. Be ready to respond

With the data to hand, it's important to think about where customers are on their journey of choice.

For example, they might be walking down a busy high street trying to work out what to do with the rest of their evening. Dynamic pricing is ideally suited to this kind of 'in the moment' decision.

In another instance, the potential customer may not have been to the cinema for years. So they're unlikely to be ready for membership just yet. But if you can draw them with an inducement like a birthday special offer, how might you build on this to develop a longer-term relationship and revenue stream?



### 3. Test and respond

Some models might be better suited to some geographical areas and customer segments than others. Pilot trials and simulations can help you to test customer reactions and hone your strategies to the demands of the target market.



### 4. Get the message out early

Be clear about what you're offering and what's in it for the customer. For example, let them know that they can save by buying early or have to pay more at the last-minute. That way revenues match demand and late customers understand why the price they paid is higher.





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### DON'T MISS OUT

Through strategic pricing, you can optimise your share of the customer spend. You can also build relationships and gather associated data that will strengthen your competitive position once the economy and spending power improve.

If you'd like to know more about the different pricing strategies in entertainment and leisure and how your business could benefit, please feel free to get in touch.

### Get In Touch

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