



Applying Value-Based Pricing for Museum Growth

In the modern experience economy, traditional museums find it challenging to compete with pop-ups and Instagram-friendly exhibits that are so appealing to younger masses. The result is that in recent years many museums across North America have experienced a steady decline in attendance.

Our client, a national science museum faced this challenge and wanted to understand how visitors evaluate decisions and make choices between competitive options. Pricing Solutions conducted extensive research that contributed to a revenue increase of ~85% over the museum's target revenue for the entire year.

85%

Over Target Revenue Increase

280,000

Museum Visitors in 4,5 Months

3X MORE

Museum Members

The Challenge

The client was about to re-open its doors after a three-year period of repair and renovation. Prior to closing, the museum was regarded with affection; some favourite exhibits had been experienced by visitors as children who then wished to share these exhibits with their own children. Despite such favourable impressions, prior to closing for renovations the museum had experienced a long-term gentle decline in attendance numbers and ticket sales.

The science museum has two companion museums, one for aviation and one for agriculture, with a membership to cover all three. The client wondered if a reasonable return on revenue (ROI) could be delivered for the substantial work that had been done to the museum. Specifically, Pricing Solutions made recommendations about:

- Setting admission price for the science and the companion museums
- Adjusting parking costs
- Setting membership fees
- Whether special exhibits should be included within the admission price or as a surcharge.

Building a Solution That Fits

1. Competitive Analysis & Kick-Off

As a first step, Pricing Solutions conducted desk research to review prices charged by other museums (by visitor segment) for attendance, membership, special exhibits and parking.

The results were made available in dashboard and Excel documents, and built into the overall pricing story described in the report.

2. Museum Site Visits

Pricing Solutions made site visits to each of the three museums. At the science museum, which was closed for renovation, the goal was to anticipate the needs of visitors, particularly around accessibility and parking.

At the two companion museums the site visits included casual conversations with customers and staff around price and value, and their expectations for the science museum once it opened.

3. Quantitative Research amongst Museum-goers

Primary research was conducted to understand the usage and appeal of the museums within a competitive set of museums. The research was focused around the issues of parking, accessibility, and willingness-to-pay. This research was done via a ~15-minute online survey taken by museum-goers who live within 100 km of the science museum.

The Pricing Solutions team tested five price levels with monadic samples matched by age with a total sample achieved of n~1,000. The analysis categorized respondents that matched the admission and membership categories of adult, family, senior and student. Predictive analytics, using CHAID, was used to explore which segments were most likely to be interested in each museum.



4. Qualitative Research amongst Members & Final Recommendations

As a final stage, phone interviews were conducted with members to understand their perspectives and to test price/value hypotheses amongst this knowledgeable group.

Pricing Solutions' final recommendations included:

- Recommended new admission price and membership fees (and opportunities to increase value)
- What the new price should be adjusting for companion museums (a bundled deal)
- Recommended parking fees
- How to structure pricing for special exhibitions.

The Result?

The client's management team adopted recommendations to set admission prices that optimally captured the value of the three museums, which enhanced the benefit of membership and early enrollment, and which guided the positioning of prices for parking.

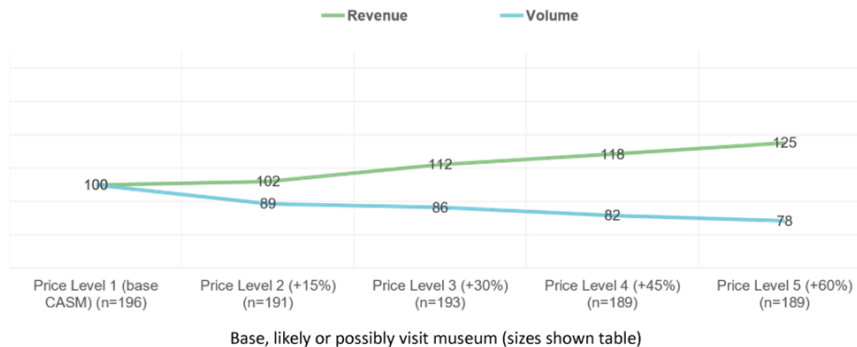
It was important that the management team was comfortable and confident that prices were not set too high in a way that would cause customer resentment and/or negative media feedback.

In the first four and a half months, more than 280,000 people came through museum's doors. In the last year, museum membership increased more than three-fold, and overall operating revenue is approximately 85% over target for the entire year.

What's the Pricing Solutions Difference?

Pricing Solutions maintained strong engagement with all the senior stakeholders at the museum from the start of the project to ensure the project delivered against what the client viewed as 'success'. Our team spent the time to really understand customer viewpoints, and how the value of the museums varied by key target segments.

In addition to this attention to detail, our team has a proven track record of delivering clear and actionable pricing recommendations to improve revenue and profitability, rather than simply providing customers insights to their clients.



Above: The volume of people willing to pay admission to the museum drops by 22% at Price Level 5 (+60%), which would imply a revenue increase of 25%.

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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