

REVENUE MANAGEMENT FOR THE ATTRACTIONS INDUSTRY: PUTTING DYNAMIC PRICING INTO CONTEXT AT YOUR FACILITY

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IAAPA
Attractions
Expo



imagine
THE POSSIBILITIES

Introduction Handouts: Martin Lewison



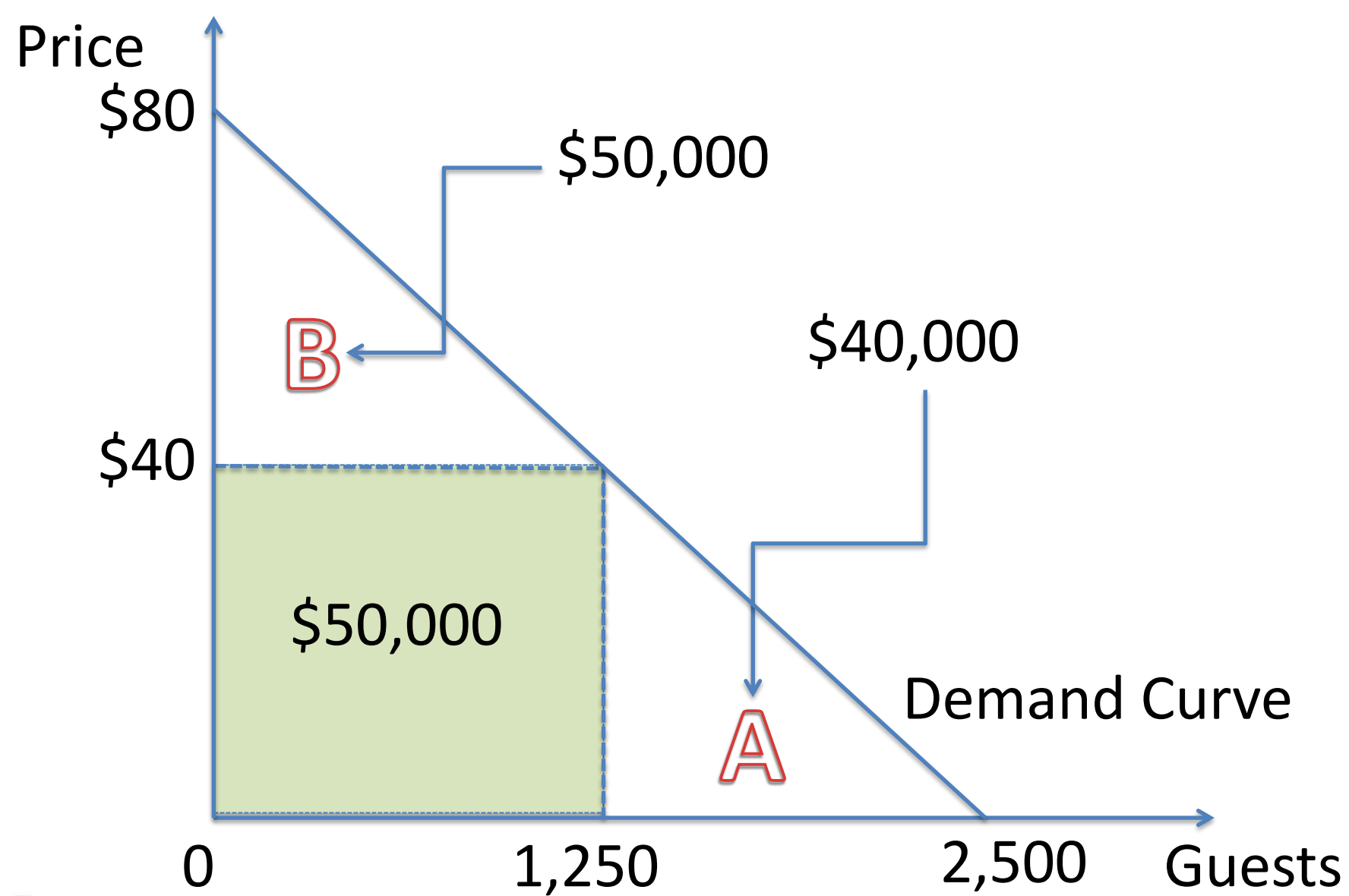
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Selling at Different Prices: Price Differentiation

- Ordinarily, most facilities set a specific admission price (in the diagram on the next slide: \$40), and based on that price and other factors, you sell a certain number of admissions (for example, 1,250 in the illustration). At that price with 1,250 guests, your revenue is \$50,000, represented by the green box.





Revenue Implications of Price Differentiation

- But for some guests, \$40 is too dear. They're willing to pay for entry, but not \$40. The revenue that you lose by not having a price below \$40 comes to \$40,000, represented by the lower triangle "A".
- On the other hand, some guests willing to pay more than \$40. We're making some assumptions here, but in this example, you're leaving \$50,000 on the table! If you could charge each and every guest at their max willingness to pay, your revenue would include the green box, plus triangle A, plus triangle B, a total of \$140,000.



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Limitations of Perfect Price Differentiation

- In reality you cannot capture **all** of that revenue:
 - You're not interested in the lowest price points when the guest's maximum willingness to pay is less than your marginal cost of serving a guest.
 - Welcoming every possible customer at their maximum willingness-to-pay could lead to a capacity nightmare.
 - It often makes more sense to sell to fewer guests, but at higher prices.
 - There are parks with explicit capacity maximums on their websites.



Guests with Inelastic Demand

- Ideally, you want to identify those guests who are less price-sensitive and:
 - Upsell
 - Impose restrictions (rate fences) such that they are unable to access discount pricing



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Pricing by Type

- Different types of guests are offered different prices to reflect differing price sensitivities. Age, height, student status, groups, and disability are common determinants of type sorting.



Product Versioning

- Product versioning is a means to upselling.
 - Often goes hand in hand with group pricing.
 - VIP experiences and queue products can be likened to high end versions at the extreme of a product line.
 - Different segments will often identify themselves as price sensitive or not by the version of product they choose, and the concept of “paying more to get more” is widely acceptable to guests.



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Product Versioning: Custom Bundling

- Since bundles like VIP experiences are often priced very exclusively, allowing customers to pick and choose bundled elements (e.g. a extra fee for tickets that don't expire) can sometimes lead to upsells in cases where a predefined bundle would be rejected.
- Another example of this is when parks offer a 2nd day of admission at a reduced price, essentially an upsell.



Channel Pricing and Time-Based Differentiation: Two Sides of the Same Coin

- Channel pricing is when different prices are charged **depending on the guest-selected distribution channel.**
 - Online Sale vs. Gate Pricing
- Time-based differentiation is when **guests can self-select price on time-related product attributes.**
 - Discounts on Late Admission
 - Discounted Advance Sales (Dated/Undated Tickets)
 - Upcharge Queue Products also differentiate guests as to the value they place on their time spent in the queue, everything else held equal.



Advantages of Advance Online Sales

- Earlier collection of cash flows
- Better attendance estimates
- Possibility of beneficial smoothing of attendance from more expensive peak dates to less expensive non-peak dates.
 - Price sensitive segments more likely to look for a deal online in advance than less price sensitive customers.
 - We can also talk about upcharge queue products here because they differentiate guests as to the value they place on their time spent in the queue, everything else held equal.



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Advent of Booking Calendar Engines

- Starting to come into use, e.g., for special events and limited capacity facilities like Discovery Cove
- FastPass+ introduces booking requirements for individual attractions, shows, character meets, and viewing areas for parades and fireworks



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Couponing

- Guests self-select and spend time and effort to obtain a discounted price
 - In general, those who will go to the extra effort are thought to be more price-sensitive
 - Any customer willing to make the effort is eligible for the discount.
 - Customers are more accepting of price differentials that rely on self-selection than those mechanisms in which the seller chooses which customers get which prices.



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Dynamic Pricing

- Simply means that, as demand increases, price should be increased; as demand falls, price should be decreased. Effectiveness closely linked to forecast quality. Busiest dates should have their prices raised accordingly.
- Inclusion of weather and other variables, e.g., booking pace, in demand predictions
 - Truly dynamic pricing would involve continuous revision of demand estimates and corresponding adjustments in price. Guests willing to be flexible with their plans and visit during off-peak can realize non-trivial savings.

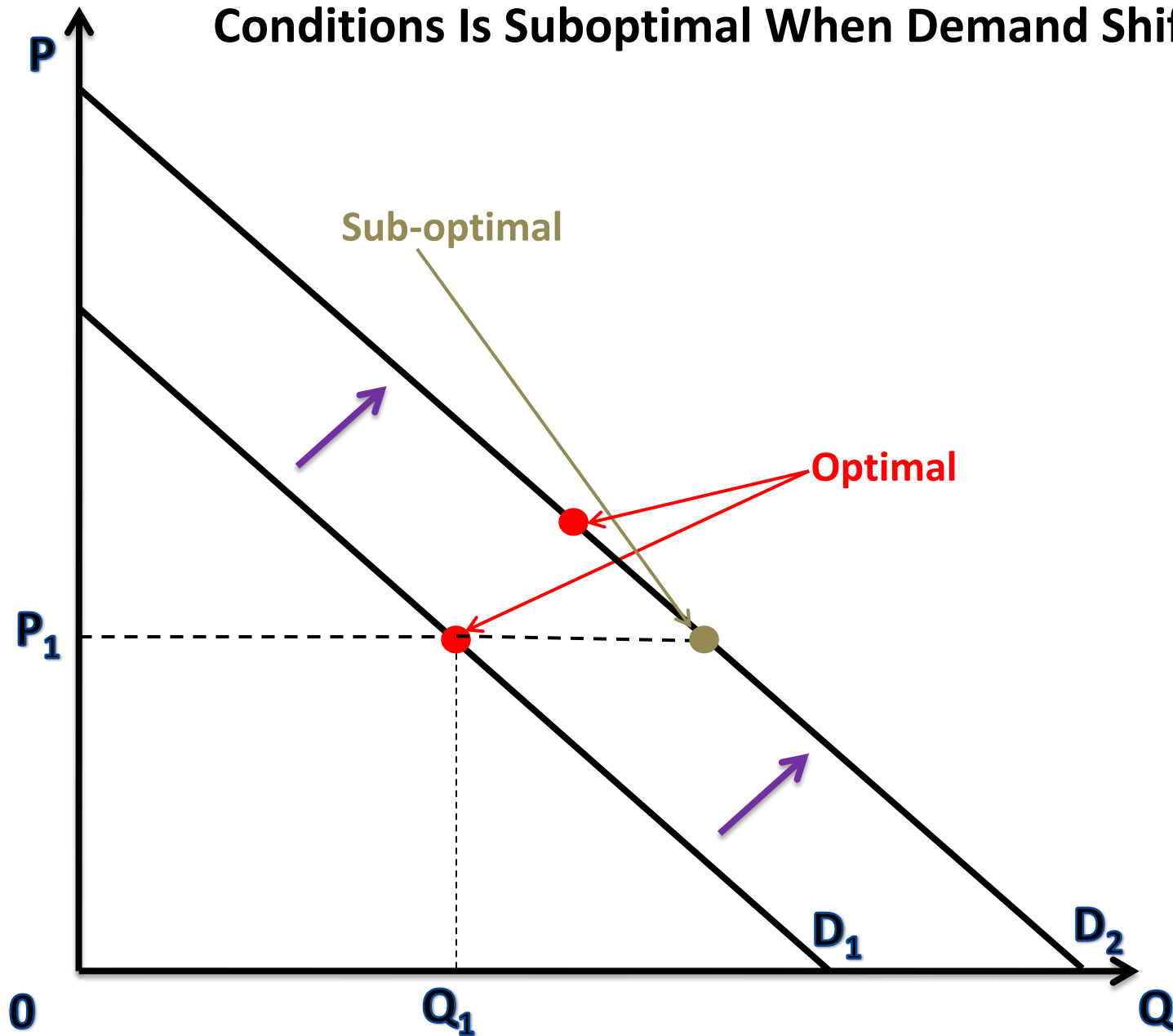


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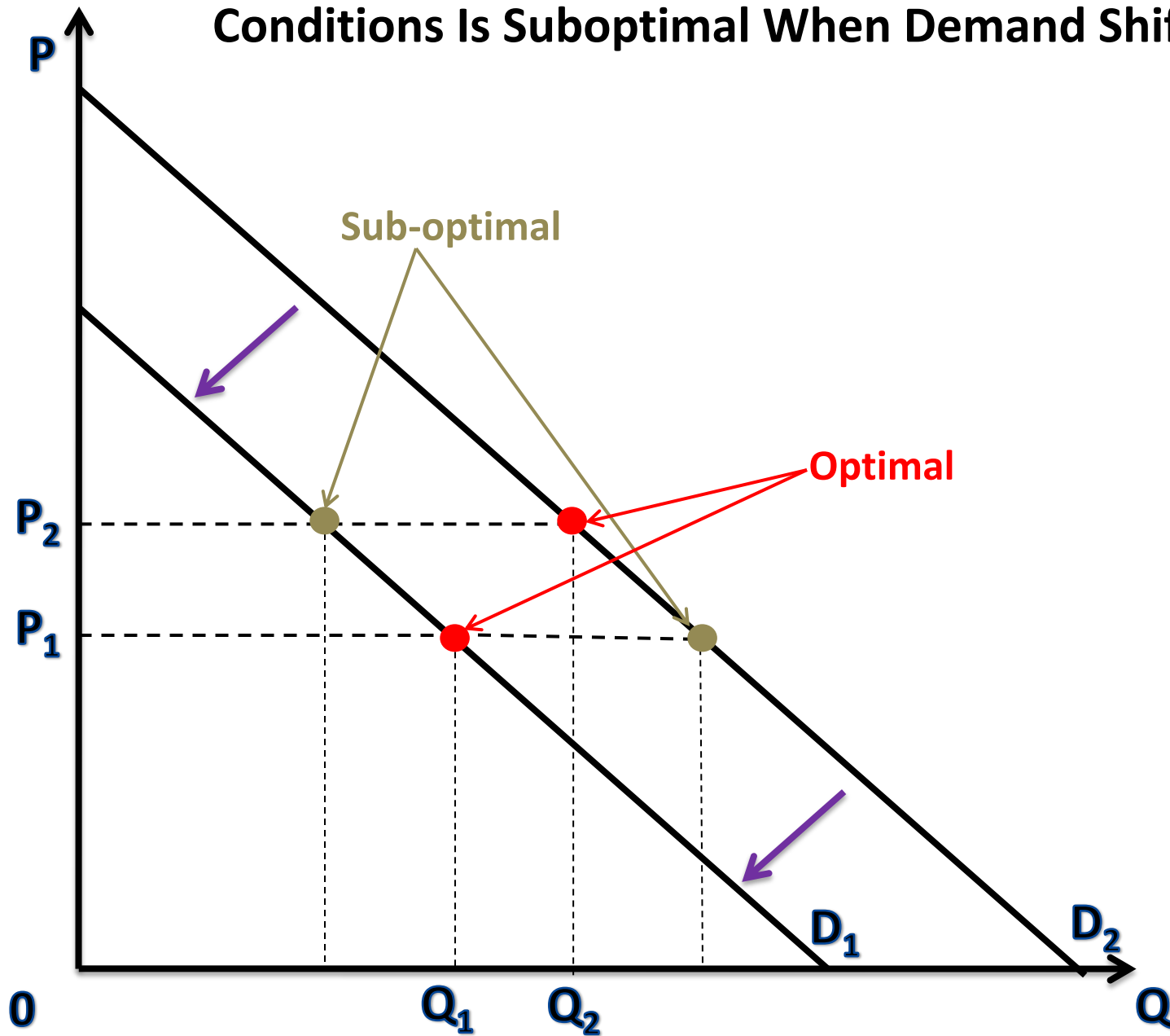
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Enhance Your Revenue

- Install High Quality Digital Price Signage
 - Don't lock your price in for the season and then discount off of that. You're leaving money on the table.
- Collect More Data About Your Guests and Potential Guests
 - Clicks, mobile, live-in-person
- Create a relationship with each guest and market one-to-one
 - Reward Guests for Loyalty



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Thank you

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