

OLIVER WYMAN

June 11th, 2009

Churn Revisited: Is Anyone Making Butter Yet?

Atlanta
Symphony
Orchestra



LA PHIL



BOSTON
SYMPHONY
ORCHESTRA

THE CLEVELAND
ORCHESTRA



Situation, objectives & guiding principles

Oliver Wyman is collaborating with 9 of the most prominent US orchestras to grow their audience and reduce churn



Situation

- The Senior Marketing Professionals of 9 prominent US Orchestras asked Oliver Wyman to assist in understanding the barriers to and motivators of repeat visitation, identify ways to stimulate repurchase, increase frequency, and reduce churn
- Oliver Wyman undertook this effort on a pro bono basis given its fit with our institutional DNA of customer-led, fact-based growth strategy
- Oliver Wyman treated this engagement as we would any other “paying” client, with a dedicated team of top consultants

Introduction to Oliver Wyman

Oliver Wyman was formed in 2007 when several 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

- \$1.5b in revenue
- 3,300 staff
- 40 offices



Project overview – Analytical path

To reduce churn, we need to understand guests' behaviors, uncover the true drivers of these behaviors and design the right offers

Phase I

Detailed Box office analysis and customer clustering

Phase II

Satisfaction / Perception research

Phase III

Offer design and testing

Areas of focus

Historical behavior

Who exactly are the orchestra-goers?

Customer experience

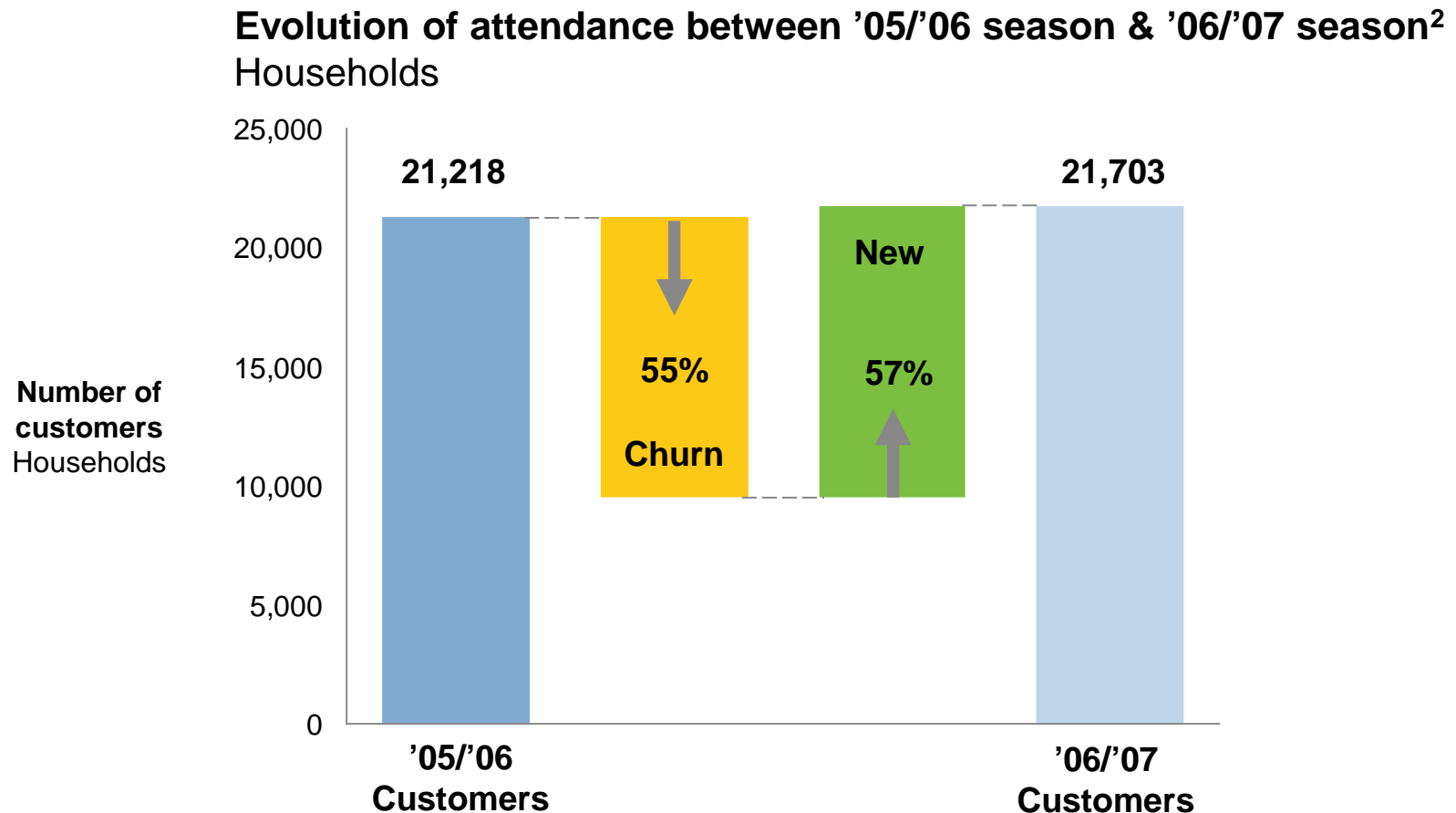
What elements of their experience drive them to come back...or not?

Decision at the point of purchase

What offers will be most successful in bringing them back again?

New customers and churn

Orchestras do a great job at bringing new people into the halls but have difficulty retaining them year on year



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

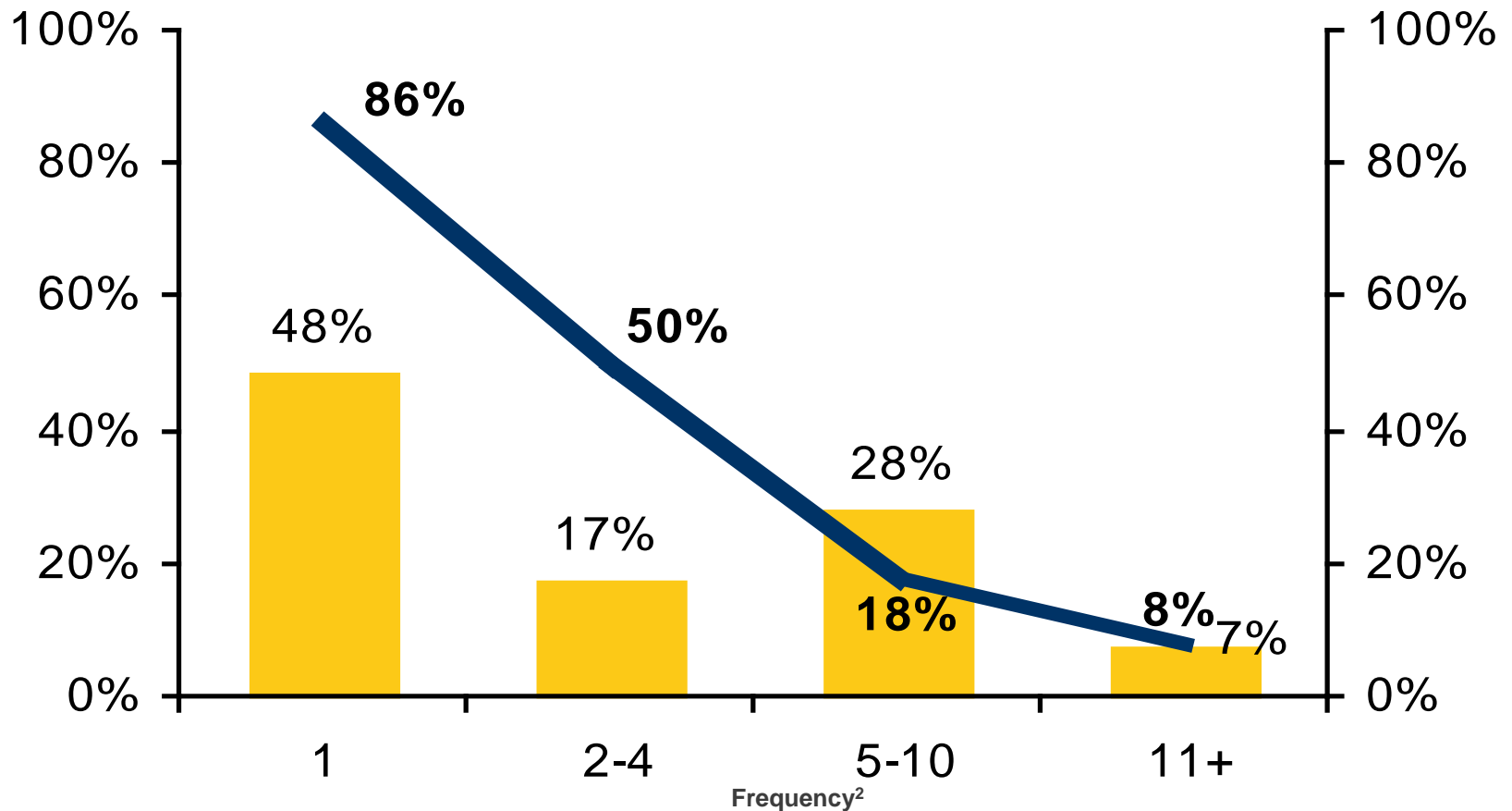
1 – One or two years “dippers” are estimated to be 9% of the audience - Calculated with patrons who came in '03/'04 and skipped one or two years.

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

Predictors of churn

Frequency and tenure are the most significant predictors of churn

Churn by frequency – '05/'06 season



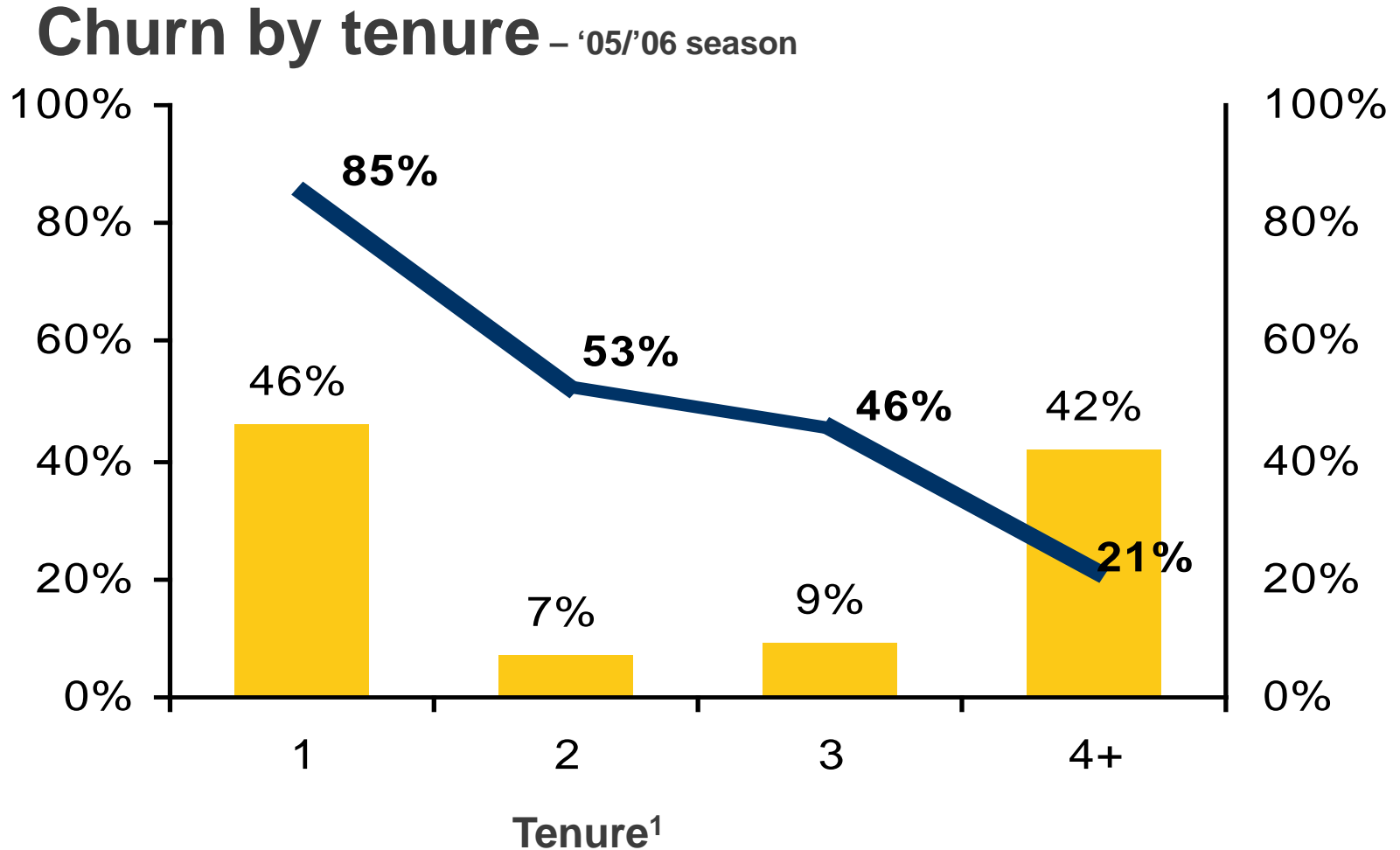
Source: All orchestras box office data (2006), Oliver Wyman analysis

1 - Years since first concert attended

2 - Number of concerts attended in 2005/2006

Predictors of churn

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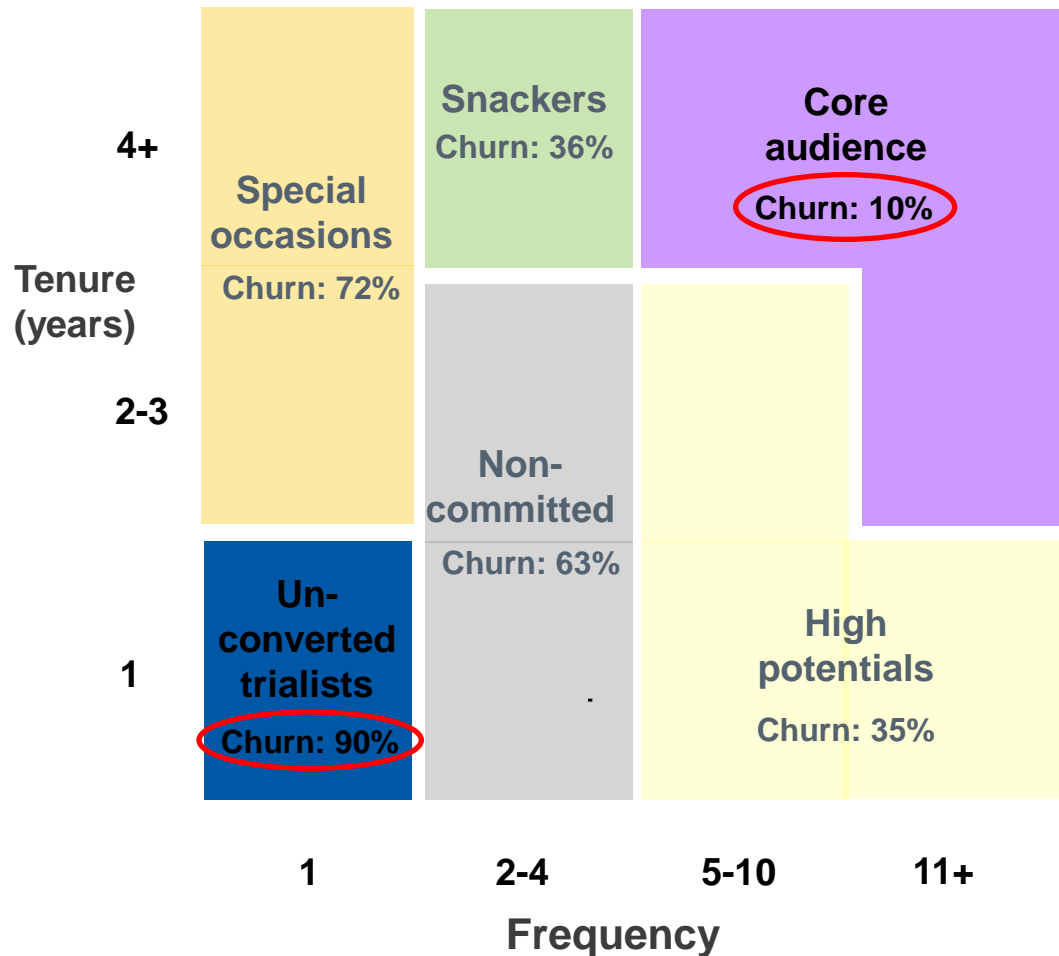
1 - Years since first concert attended

2 - Number of concerts attended in 2005/2006



“Clustering” of guests

We have used frequency and tenure to define six clusters of guests with very different behaviors – but encouragingly similar “DNA”



- **Unconverted trialists:** 1st timers who attend one concert and don't come back
- **Special occasions:** Customers who attend only one concert per year, but might attend for multiple years
- **Non-committed:** People who attend a couple of concerts per year but still churn at high rates
- **Snackers:** A subscriber who consistently attends smaller concert packages and is very loyal in attending concerts for many years
- **High potentials:** Will attend a lot of concerts and are likely to purchase a subscription but not yet long term converts
- **Core audience:** Almost all are subscribers, will attend numerous concerts every year for many years

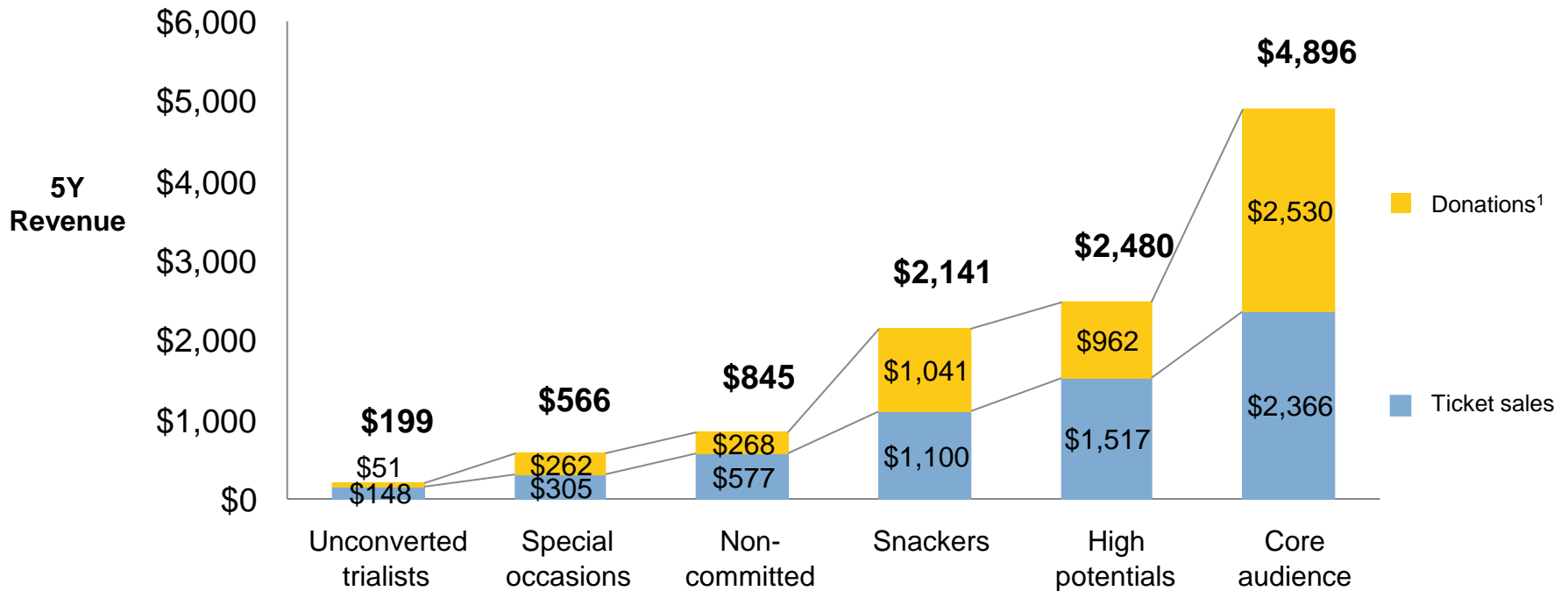
Source: All orchestras box office data (2006 national averages), Oliver Wyman analysis

Long-term value of guests by cluster

Successfully “graduating” these Unconverted trialists yields very significant increase in long term value

5y value for one average household, by cluster

Average of 4 orchestras



Source: ASO, The Cleveland Orchestra, NY Philharmonic, San Francisco Symphony box office data (06-07), Oliver Wyman analysis, Figures Inclusive of donations
 1 – Donation is much more highly correlated with tenure than it is with frequency

Phase I recommendations

**High-level recommendation: Explicit and differentiated focus on
Unconverted trialists**

Factor analysis

From the 78 attributes tested, we have identified the 16 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 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 & purchasing

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

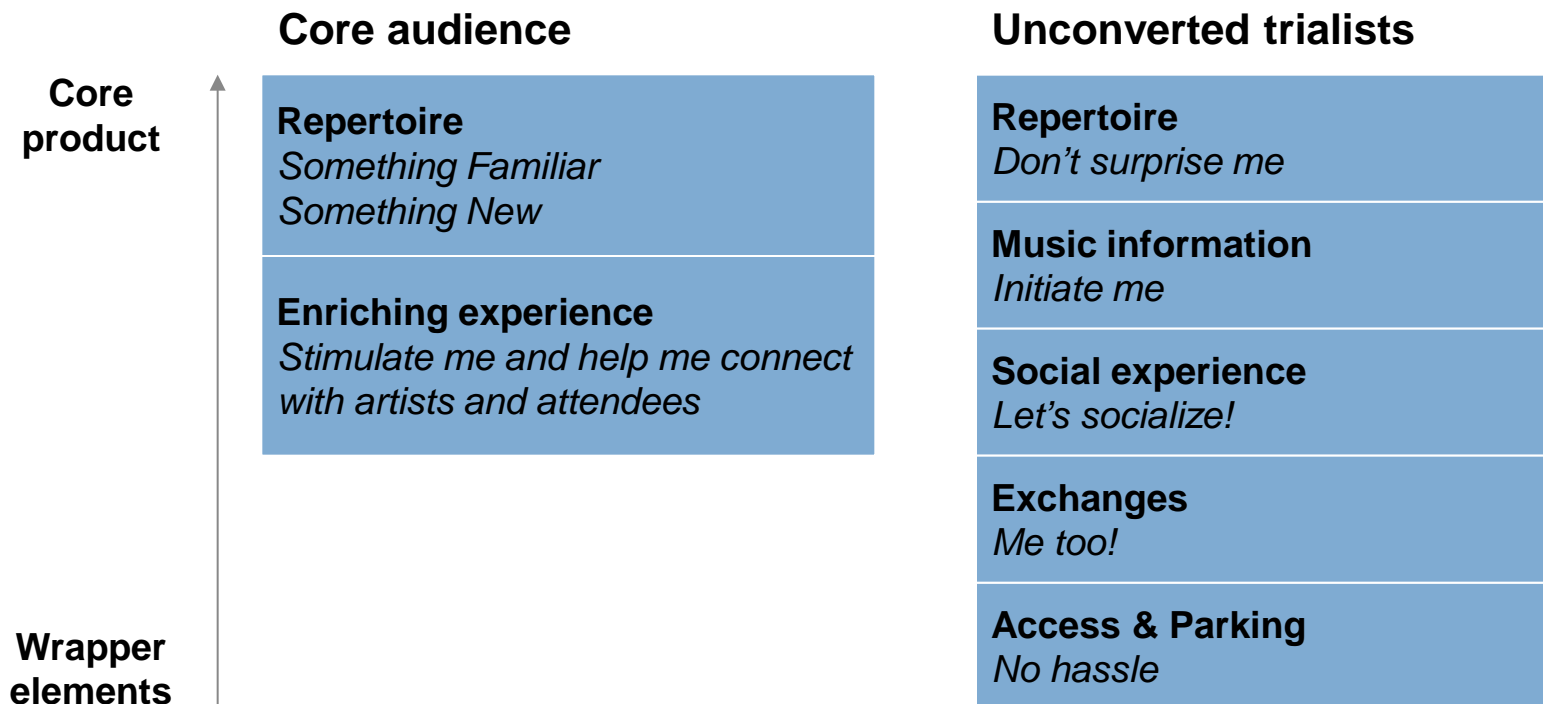
Exchanges

- Exchanging tickets is easy

Areas of focus by cluster

Experience is tantamount for all, however, experience for Core Audience is the music, while for Trialists it is a seamless end-to-end experience

Important elements of the customer experience



Note: Areas of focus can differ by orchestra, as their current performance should also be taken into account in the prioritization process. But the seeking of a holistic experience is consistent nationwide

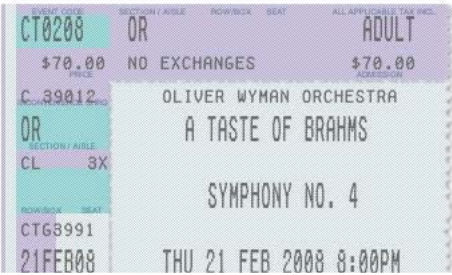
Phase II recommendations

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

“Killer” offer for Unconverted trialists


Defined using the optimal levels for most attributes, the “killer” offer increases share of single tickets by an extra 40% for Trialists

Base offer



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

“Killer” offer



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

+40% share of single tickets

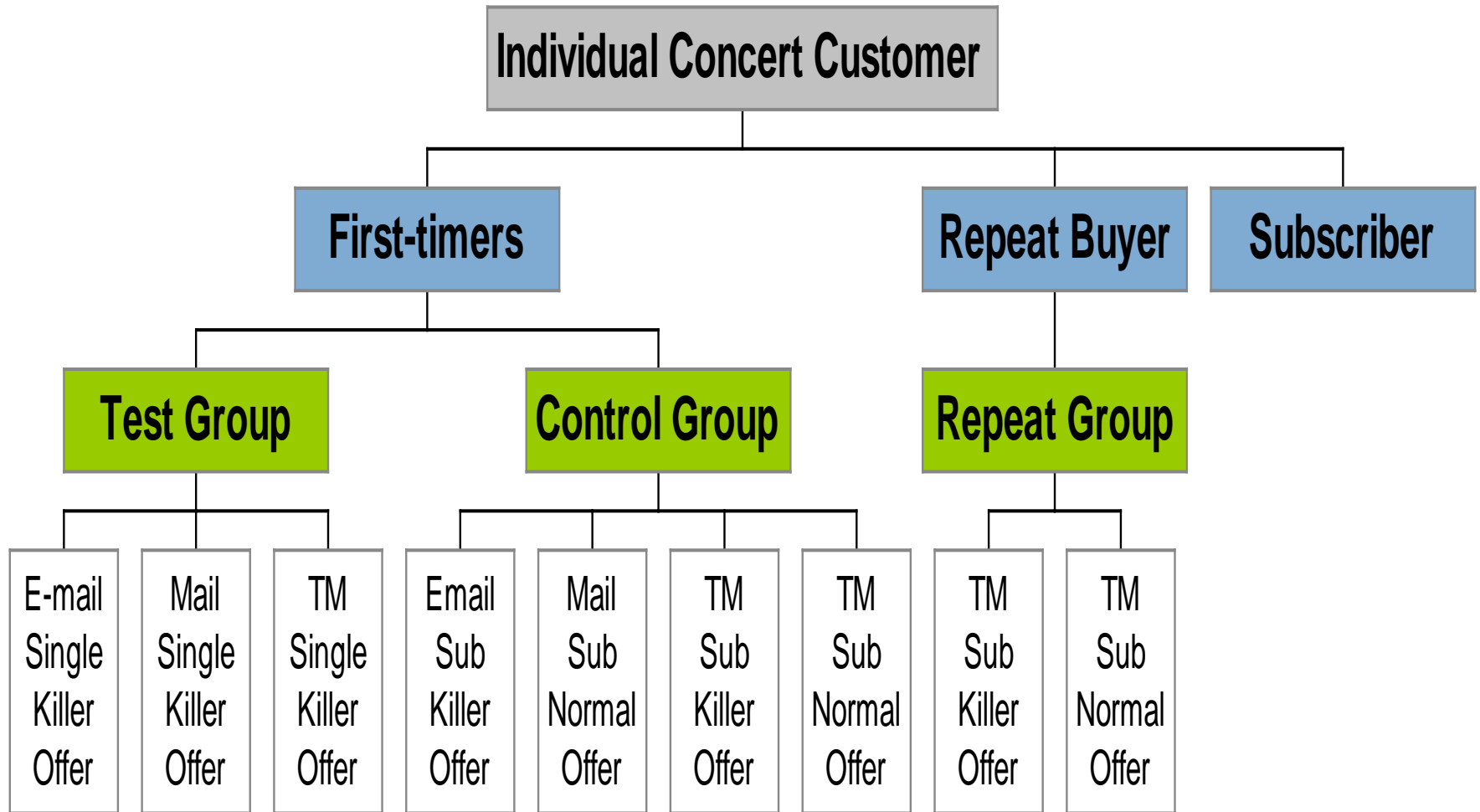


Source: Oliver Wyman Strategic Choice Analysis® survey, Box office data for weighting of orchestra, cluster and churn, unweighted N = 1,908

Phase III recommendations

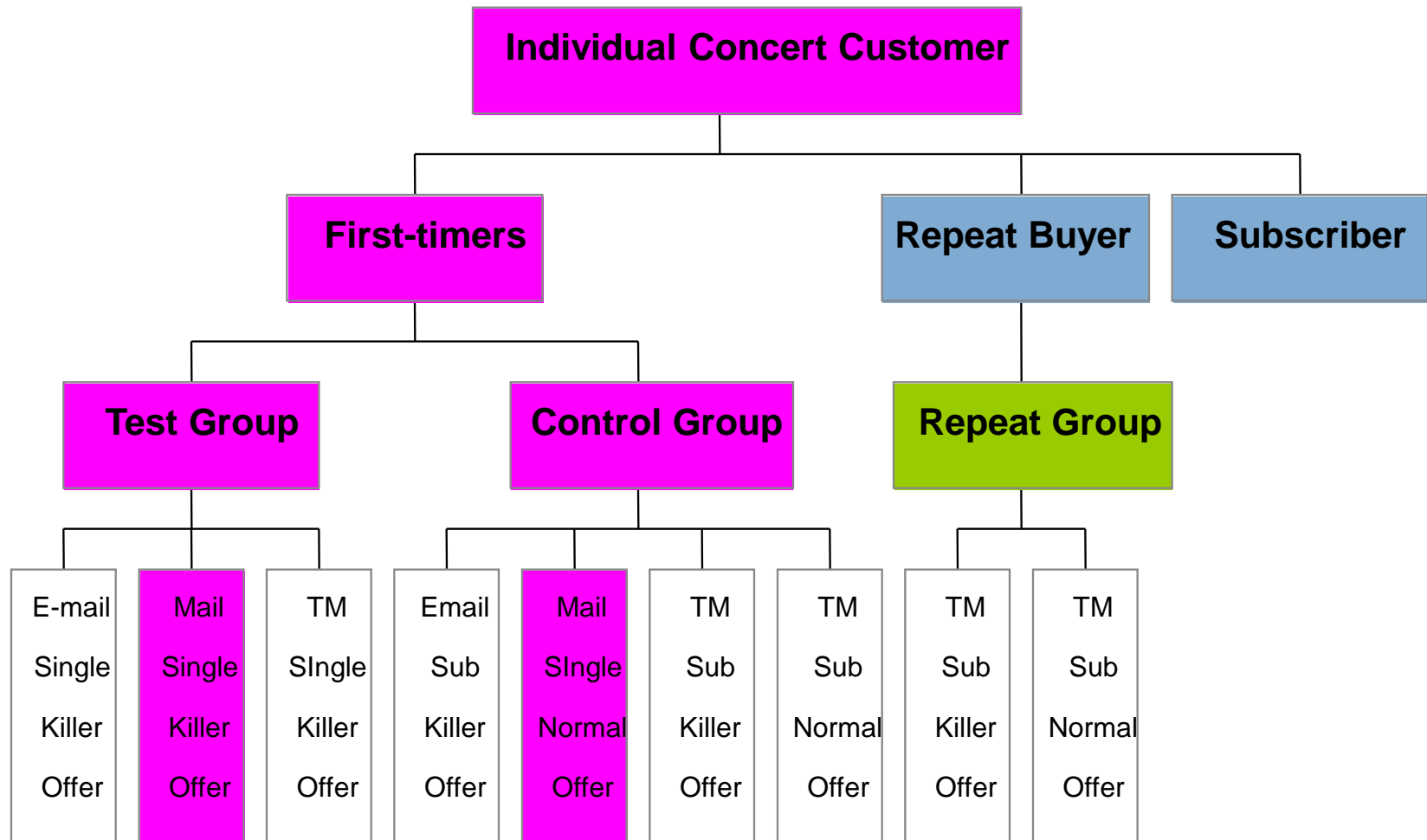
High-level recommendation: Use tailored promotional offers to sell another single ticket or two to Unconverted trialists before asking for a commitment

ANALYSIS CONSTRUCT



SIMPLE KILLER OFFER TEST

New York Philharmonic for *Tosca* offer to test (50% off) and control (announcement)
 Boston Symphony Killer Offer to 1,500 with 50% off and free drink.



Source: Oliver Wyman customer experience methodology, results from one individual participating orchestras

SIMPLE KILLER TEST OFFER

New York Philharmonic

5:1 Killer to Announcement

SIMPLE KILLER TEST OFFER

Boston Symphony Orchestra

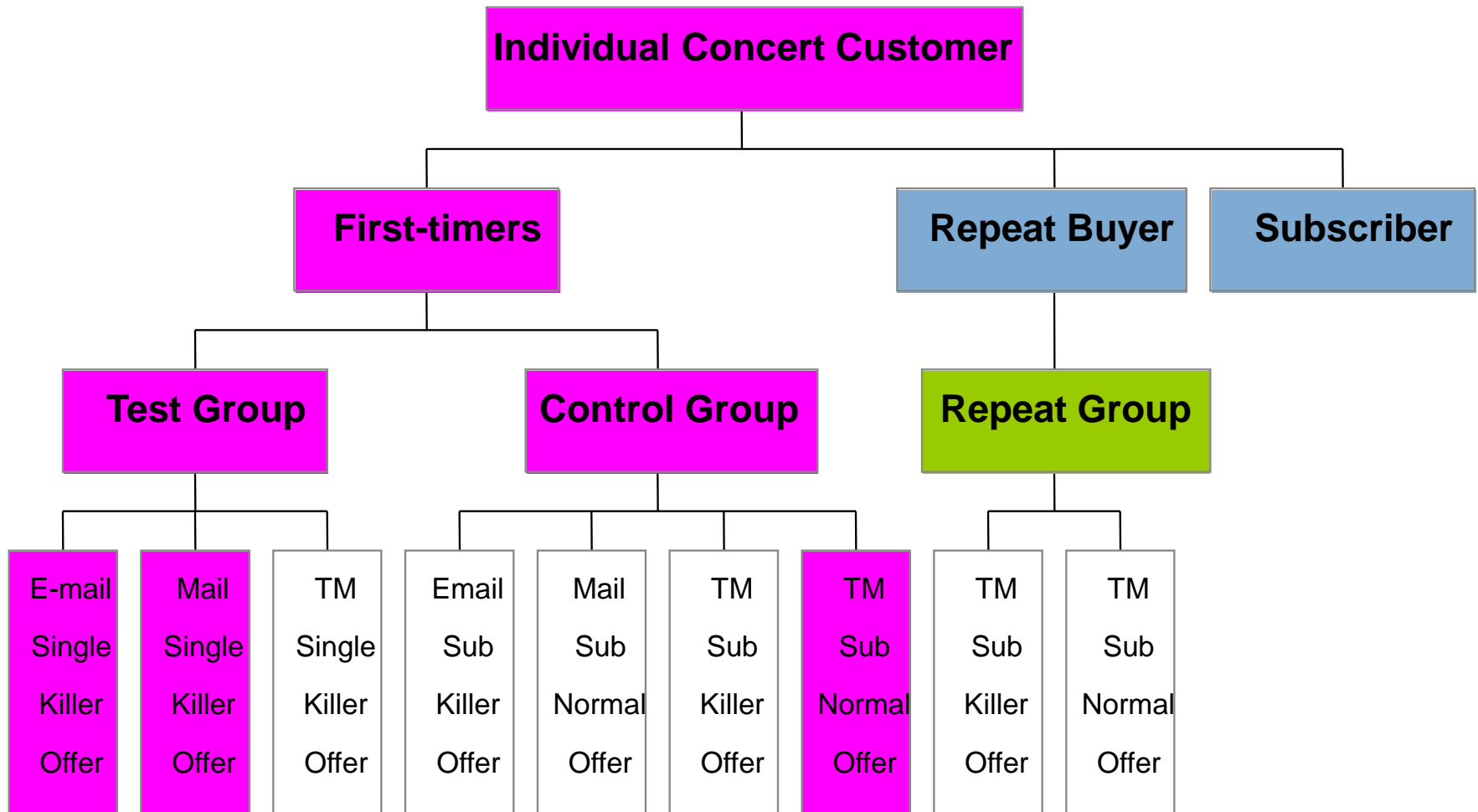
35% Accepted

NEW TO SYSTEM TEST

Baltimore Symphony Orchestra

Test Group - \$15/\$20 Off the Cuff - Twist (Email and Robocall/Mail)

Control Group - Normal Subscription Offer



Source: Oliver Wyman customer experience methodology, results from one individual participating orchestras

NEW TO SYSTEM TEST -- Baltimore Symphony Orchestra

- E-mail Households = 5.2
- Call/Mail Households = 0.9
- Control/TM Households = 2.0

NEW TO SYSTEM TEST -- Baltimore Symphony Orchestra

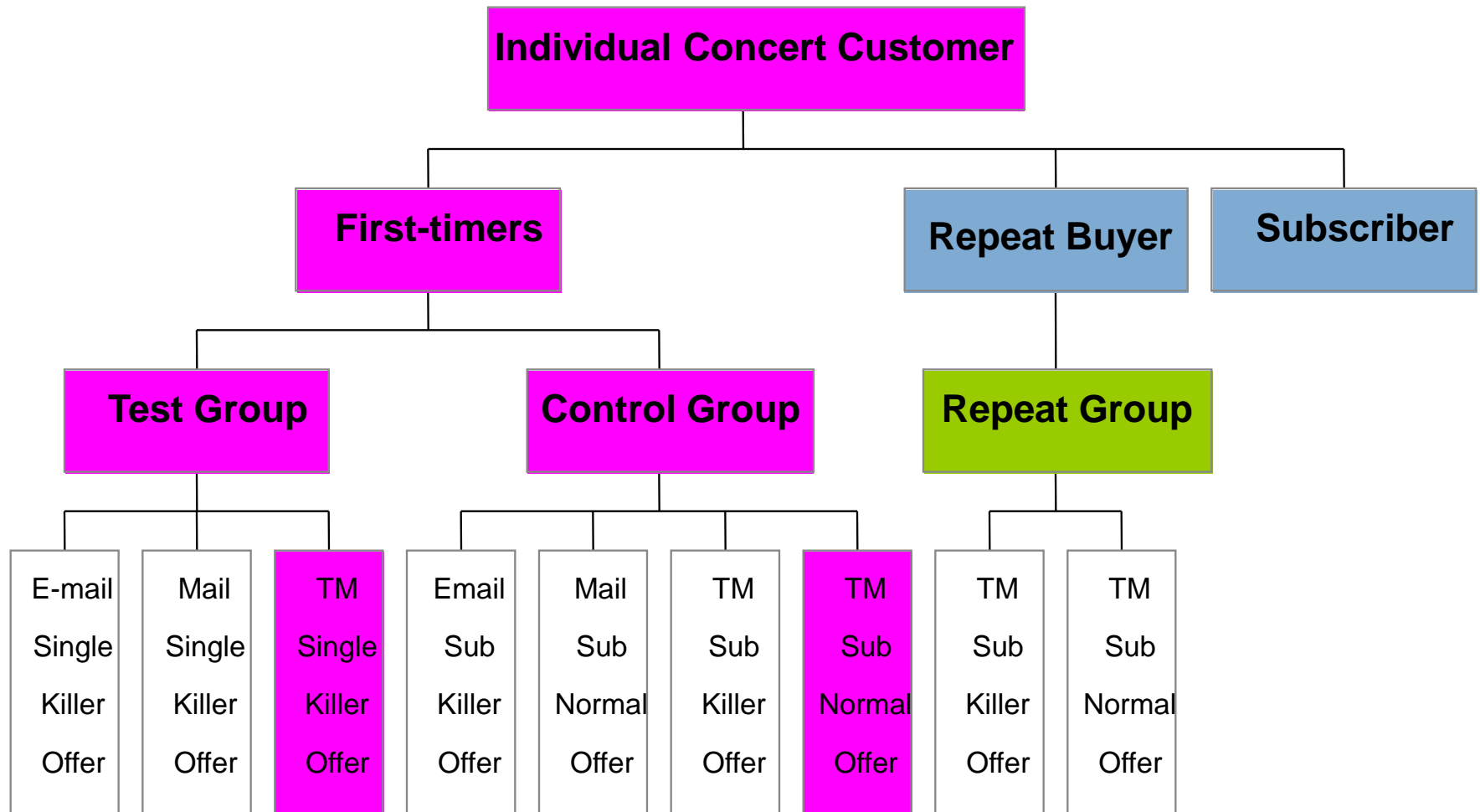
- E-mail Revenue = \$262
- Call/Mail Revenue = \$ 46
- Control/TM Revenue = \$741

NEW TO SYSTEM TEST -- Baltimore Symphony Orchestra

- E-mail Cost of Sale = \$0.01
- Call/Mail Cost of Sale = \$1.52
- Control/TM Cost of Sale = \$0.22

TELEMARKETING TEST

Cincinnati Symphony - 50% Killer and Normal Winter Season to Summer
New York Philharmonic - 50% + Drink Individual Test and Normal Subscription



TELEMARKETING TEST

New York Philharmonic

- S Control Households 4.0
- IC Killer Households 12.0

Cincinnati Symphony Orchestra

- S Control Households 0.5
- S Killer Households 9.2

TELEMARKETING TEST

New York Philharmonic

- S Control Revenue \$1,203
- IC Killer Revenue \$1,786

Cincinnati Symphony Orchestra

- S Control Revenue \$197
- S Killer Revenue \$814

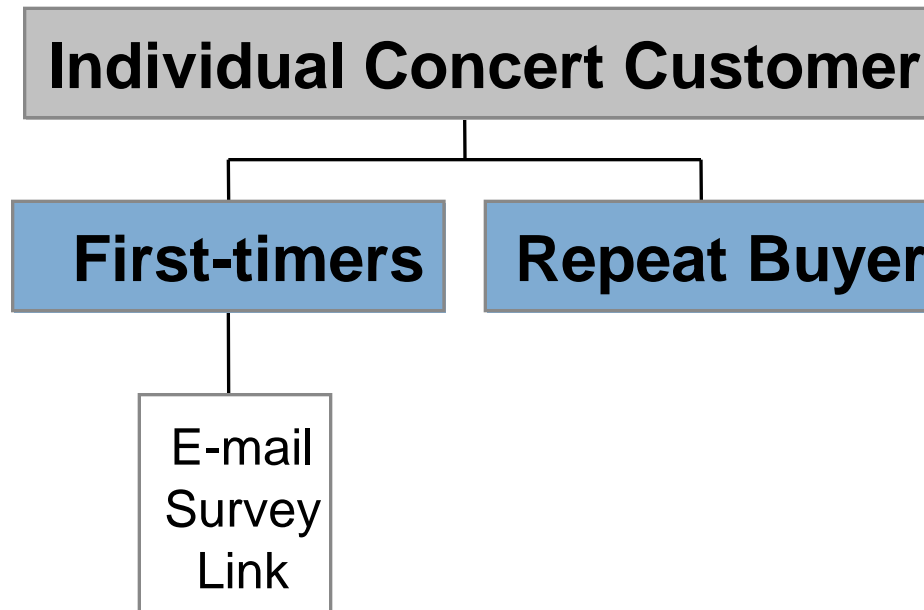


CUSTOMER NURTURING

Pensacola Symphony Orchestra

Source: Oliver Wyman customer experience methodology, results from one individual participating orchestras

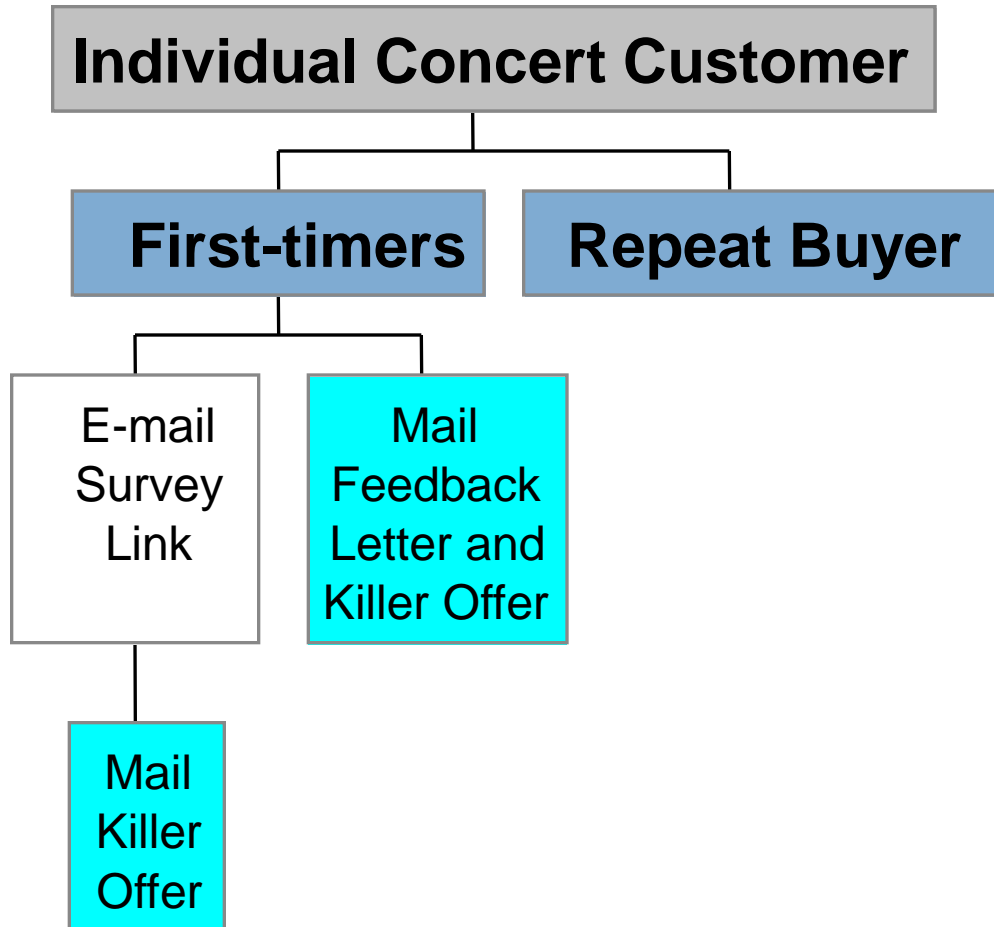
CUSTOMER NURTURING MODEL



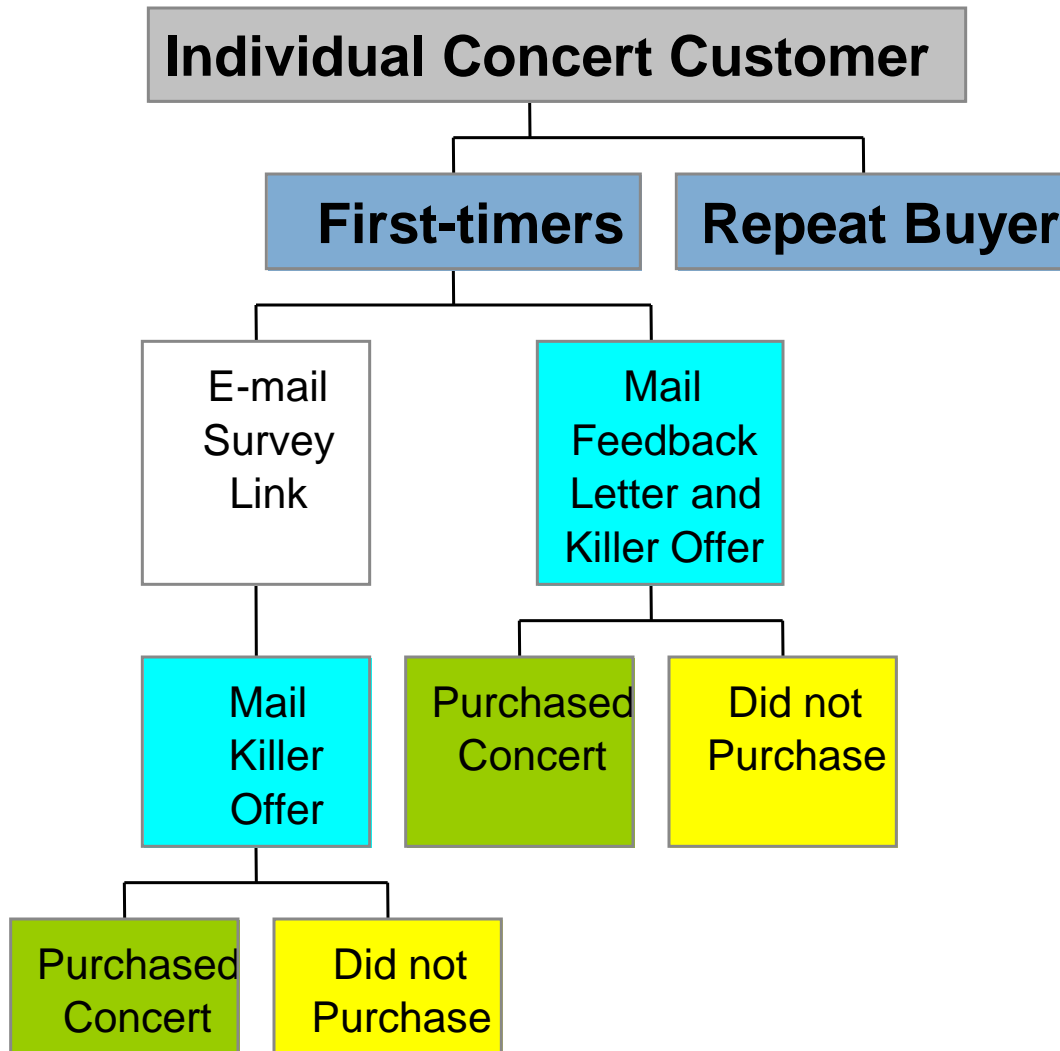
ONLINE SURVEY

- Is this your first concert?
- Would you recommend the orchestra to a friend?
- How influential were these marketing efforts in your decision to attend?
- How familiar were you with each piece before the concert?
- How much did you enjoy each piece you heard?
- How strongly do you agree with attributes about the concert?
- What did you enjoy most about the concert?
- What could the orchestra do to make your next experience more enjoyable?
- What type of programming do you enjoy?
- To receive a special offer from the orchestra, please enter name and email.
- Thank you.

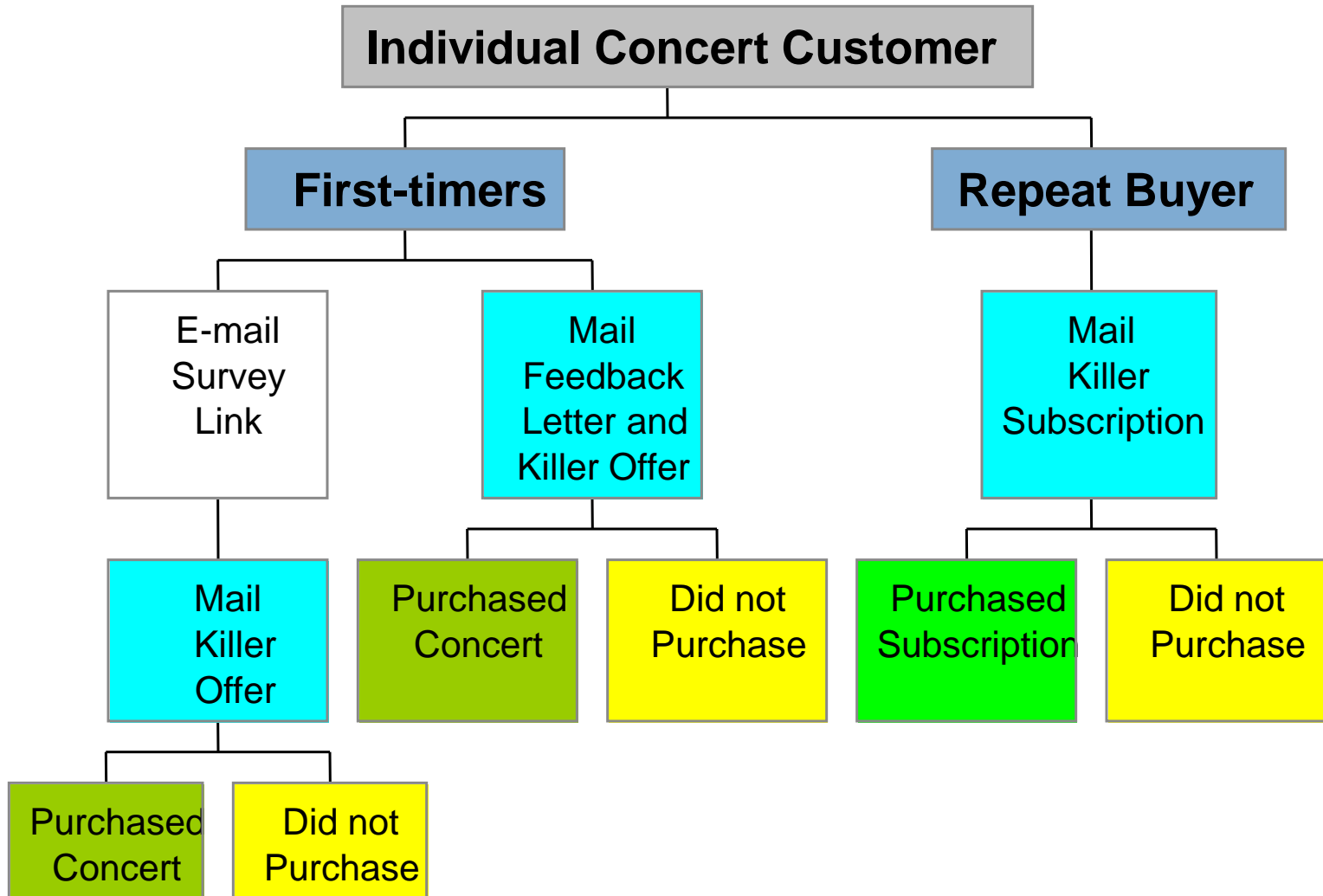
CUSTOMER NURTURING MODEL



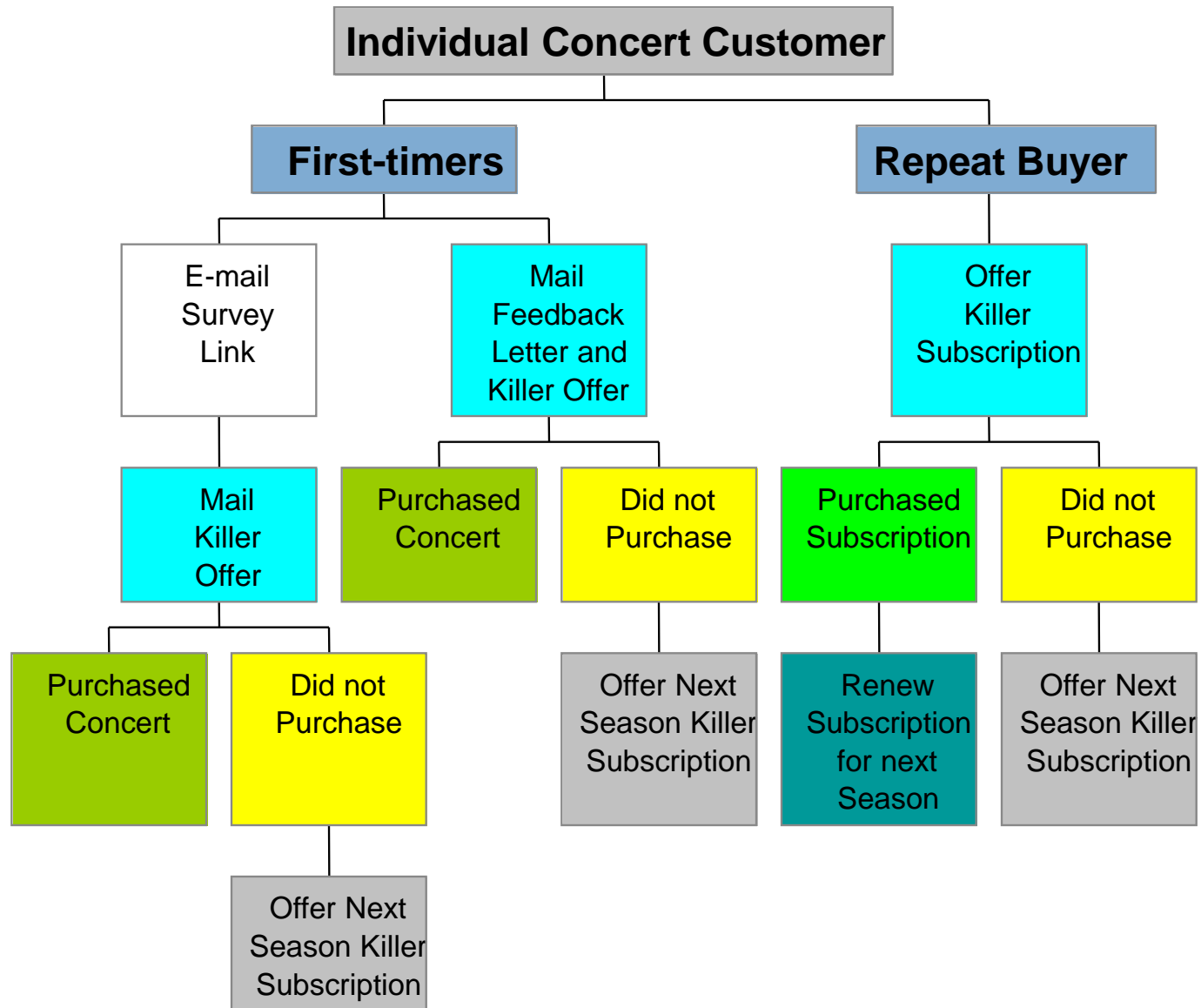
CUSTOMER NURTURING MODEL



CUSTOMER NURTURING MODEL



CUSTOMER NURTURING MODEL



CUSTOMER NURTURING MODEL - DICHOTOMIES

- Value of immediate sub. revenue from few vs. KIC revenue from many more
- Timing - Morning After vs. Quarterly
- Role of feedback in Nurturing vs. Selling
- Acquisition vs. Retention

CUSTOMER NURTURING MODEL - PICK3 OFFER

- Best Available Seats
- \$ per ticket - a savings of up to 62%
- Limited time offer
- Web sales only
- Choose 3 or more concerts

CUSTOMER NURTURING MODEL - PICK3

Syracuse Symphony Orchestra

- One week after Labor Day
- Choose from full season of 40 performances of 21 concerts
- Pick 3 or more for \$29 per ticket
- 5,683 tickets for \$165,000
- 65% online
- 83% ICT or NTS
- Cost of sale = \$0.13

CUSTOMER NURTURING RESULTS

Baltimore Symphony Orchestra
2009-10 Subscribers (to date)

- NTS attended 1 concert 0.3%
- NTS took Killer Offer 3.8%
- NTS attended 2+ concerts 10.4%

CUSTOMER NURTURING RESULTS

Orlando Philharmonic Orchestra

2009-10 Subscribers (to date)

▪ Attended 1 concert 2.9%

▪ Attended 2+ concerts 22.6%

CUSTOMER NURTURING RESULTS

Pensacola Symphony Orchestra


2009-10 Subscribers (to date)

- Attended 1 concert 3.7%
- Attended 2 concerts 8.8%
- Attended 3+ concerts 12.8%

CUSTOMER NURTURING RESULTS

Pensacola Symphony Orchestra
2008-9 Contributors

- Attended 1 concert 1.8%
- Attended 2+ concerts 10.2%



For further information or to share your experience in combating churn,
contact:

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