

Reimagining the Orchestra Subscription Model

A major new study by the League and Oliver Wyman, a global management consulting firm, provides a comprehensive, data-based analysis of trends in orchestra subscriptions—and offers strategies for revitalizing subscriptions to meet current expectations.

by Heidi Waleson

When Alan McIntyre and Namita Desai of the management consulting firm Oliver Wyman were asked to undertake a study of subscription trends for the League of American Orchestras, they knew what the concern was: anecdotal evidence across the field indicated that subscription sales were declining, particularly at larger orchestras. Indeed, subscriptions, once the cornerstone of all kinds of performing arts institutions, had been on shaky ground for at least a decade. But exactly how shaky was that ground—and why? And what could be done to reverse the trend?

In “Reimagining the Orchestra Subscription Model,” a data-driven study conducted over eight months in partnership with the League, the Oliver Wyman team came up with some findings that surprised them. Yes, subscription revenues were indeed declining. But the main reason for the decline was not that fewer people are interested in classical music, but because the way in which subscriptions have traditionally been packaged and sold no longer meshes with how consumers like to purchase entertainment. Subscription, the researchers concluded, is still a

viable tool, but it needs to be rethought. If brought into line with more contemporary marketing practices, as pursued in other industries, subscriptions can appeal to contemporary consumers—connecting with those who have purchased concert tickets in the past and attracting those who have not.

A survey of orchestra attendees tested hypotheses about why subscription purchases were falling. For the most part, the cause was not dissatisfaction with the product.

“We’ve long noticed a lack of substantive research around this critical issue of subscriptions, and launched this study in order to better understand this landscape—and to seek strategies to help orchestras revitalize subscriptions,” says League President and CEO Jesse Rosen. “Many of our members have shared concerns about drops in subscriptions, as audience members changed their buying patterns or were drawn to the myriad other entertainment options available now. Of course, some orchestras are doing quite well with traditional subscriptions,

but declines in subscriptions are occurring throughout the performing arts sector, not only at orchestras, and we knew we had to begin to examine this issue in a data-driven fashion in order to give our field the tools they need to counteract the trend.”

The “Reimagining the Orchestra Subscription Model” study recalls a previous orchestra research project by Oliver Wyman: the Audience Growth Initiative, or “Churn Study,” which focused on barriers that keep first-time classical music ticket buyers from becoming regular concertgoers. Results from the Audience Growth Initiative were unveiled at the League’s 2008 Conference, and *Symphony* reported on the application of the findings at orchestras that implemented recommendations of the churn study.

“Industry-wide, data-based studies like these are the kinds of initiatives that the League, working with partners like Oliver Wyman, can undertake to help the field,” says Rosen. Several members of the Oliver Wyman team worked on this study. “We are grateful to the entire Oliver Wyman team for the tremendous amount of pro bono time, resources, and effort they dedicated to this initiative, and we can’t thank them enough.”

Building a Fact Base

The first task for the subscription-study team was to investigate the existing data. Using the League of American Orchestras’ annual Orchestra Statistical Report, which gathers and analyzes data provided by League member orchestras in multiple operational areas, they undertook the first industry-wide, longitudinal study of ten years of data on revenue and sales trends. The team also used transactional data on 4 million customers from 45 orchestras of all sizes to look at a decade of purchasing trends and patron behavior.

Although the team was able to build



Alan McIntyre, a senior partner at Oliver Wyman, and Namita Desai, a consultant at Oliver Wyman, the management consulting firm that conducted the new subscription study for the League of American Orchestras.

what they believe to be the largest repository of data concerning the American orchestra audience, they had to focus on key factors affecting subscriptions in order to draw meaningful conclusions. Other factors such as the experience within a concert hall, repertoire selection, pricing optimization, the ideal hall size and season length, donor strategy, and orchestra mission and vision were only studied when they intersected directly with subscription issues.

The big picture confirmed the team's original expectations. Overall ticket volumes had declined from 2005 to 2014, with larger drops in subscriptions (-3.6%) than in single tickets (-2.1%). Subscription revenues were also declining, having fallen by 1.8% from 2005 to 2014. The subscription revenue decline was concentrated in larger orchestras; smaller ones actually showed some growth. McIntyre believes that is because the smaller subscriptions found in orchestras with shorter seasons are an easier sell today than the much bigger packages of orchestras with year-round performances. Some of the revenue decline had been masked: because of ticket price increases, actual overall revenue had increased in the last several years, but there were fewer people in the concert halls, each one paying more money than before (top chart, right).

But in a surprising finding, one kind of subscription product was actually growing: the customized subscription, in which buyers can put together their own series from available programs, as well as choose their own dates. Traditional, "curated" subscriptions, in which the orchestra

determines the program mix and dates, were down by 17% over the ten years, but customized subscriptions were up by 67%. Fewer than half of the orchestras that provided data offered customized subscriptions, but across the subset of those that did, 26% of their subscriptions were customized. What is more, new patrons tended to choose customized packages.

For McIntyre, this was a key discovery. "I was surprised that the growth in customized subscription was as strong as it was," says McIntyre, a senior partner at Oliver Wyman and a member of the League's Board of Directors. "This suggests a real shift in buying patterns. It also suggests that the subscription model is not dead, it just needs to be rethought." Desai, a consultant at Oliver Wyman, adds, "When we started the work, we found that the orchestras treated subscriptions as one product with different flavors—full, mini, fixed, flex, 'Choose Your Own,' holiday, etc. The customized subscription was viewed as a very small part of the space." When the researchers broke customized subscriptions out of the whole, however, a different pattern emerged, which indicated that the different types of subscriptions are truly separate products with distinct value propositions (bottom right chart).

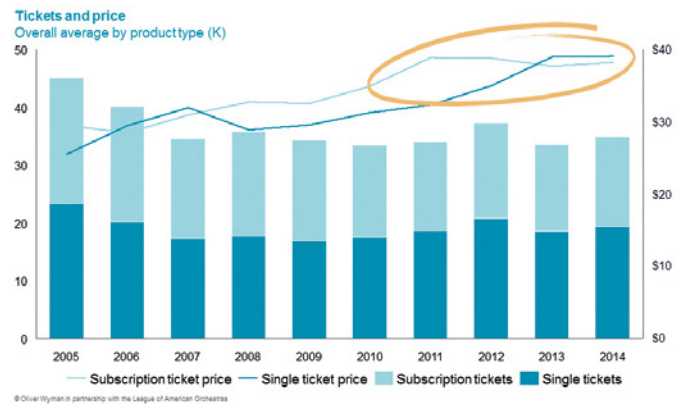
McIntyre and Desai caution that because the customized subscription is

a fairly recent phenomenon, they based their extrapolations about its future and potential on only a few years of data. That said, they project that if customized subscriptions continue on their current robust trajectory, by 2017 customized subscribers will be one-third of all subscribers, and traditional curated subscribers will decline by 50%.

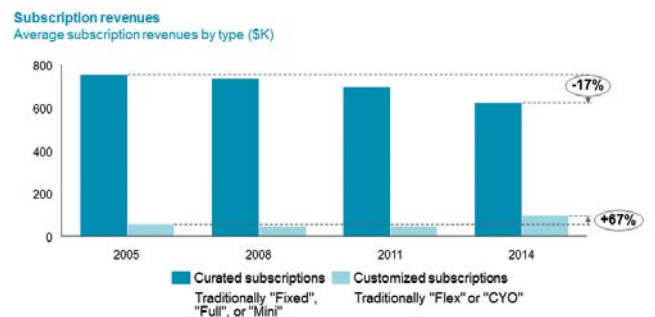
Understanding the Drivers

The next phase of the study focused on figuring out the cause of these trends, and how orchestras can use that information in adapting their operations. The team conducted a survey of 4,000 people who had attended an orchestra concert in the last five years, asking questions about their reasons for purchasing and for allowing their subscriptions to lapse, and gauging their interest in unconventional features.

Orchestras have responded to eroding volumes by increasing per-ticket prices



Dissatisfaction with traditional 'curated' subscriptions is reflected in the relative growth of more customizable options



Among orchestras offering both customized and curated options, customized subscriptions contribute 26% of subscription revenue

Next, they conducted a study that simulated purchase decisions, using several variables. In this study, the 1,000 “purchasers” were people chosen from a larger pool of market research subjects who described themselves as classical-music listeners.

This orchestra attendee survey allowed the team to test several hypotheses about why subscription purchases were falling overall, and why single-ticket buyers were not converting into subscription purchasers. They found that for the most part, the cause was not dissatisfaction with the product. Survey respondents said that they liked their orchestras, and were satisfied with the quality of their offerings. Nor were they transferring their purchasing dollars to other entertainment options. The number one reason cited for lapsing or not converting was price. The second was flexibility, and the inability to commit to dates far in advance. In 19% of the cases, the reason for lapsing had to do with programming, which was significant. However, the larger causes for dissatisfaction were more practical.

Armed with that information, the researchers constructed a simulated buying exercise, with roughly 1,000 potential consumers making over 10,000 purchase decisions between various offers, to test what kinds of variables influence buying decisions. The results suggested that orchestras need to bring their subscription model into line with more contemporary ways of approaching customers. Key changes include customization—allowing the customers more freedom to choose their own programs, since more than half of the orchestras surveyed do not offer any kind of “flex” product at all, and diversifying the kinds of packages offered, i.e., adding small curated series and large customized ones.

Tackling the Price Barrier

To address the price barrier, the responses suggested that orchestras need to improve the value proposition of their current offerings. This could include a monthly payment schedule rather than a single, large up-front payment as well as automatic yearly renewal to reduce subscriber attri-

tion. Introducing flexibility with buy-now-choose-later offerings can also improve the perceived value of the package and address scheduling issues, which are among the top reasons for attrition and reluctance to trade up.

The study’s investigation of price—and audience resistance to it—uncovered information that suggests the need for change is particularly urgent. “The rise in ticket prices has cushioned the impact of declining attendance on the bottom line,” McIntyre says. “But this means that there are fewer people in the halls, and that they are paying more than they used to. Our simulations suggested that we are now reaching the breaking point with regard to

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price, and if the prices rise much further, people will start walking away in big numbers. The data suggest that for average ticket prices we are within a few dollars of that point.” Orchestras that might take heart from the ten-year data, which shows that the subscription decline is leveling off, and that revenue is up, should beware. “If you think that you can just keep hanging on, increasing your prices a little more, you need to know that the tradeoff breaks down at some point,” McIntyre says. “One other piece of data is that for people who are orchestra subscribers, their orchestra spend is now over 50% of their arts-and-entertainment wallet. That doesn’t leave a lot of headroom.”

There is, however, some good news. McIntyre and Desai say that the research suggests that there is actually more demand for classical music than is exhibited in current concert-buying patterns. “The potential audience is a lot bigger than the actual audience,” McIntyre says. “People are listening to classical music. They are just not paying money to sit in a hall and listen to it live.”

Attracting those potential concertgoers involves changing the subscription product and tailoring outreach and acquisition strategies for Millennials (those born between 1980 and the mid-2000s). Methods include expanding the use of social media, apps and “bring-a-friend” programs and implementing online recommendation tools, as Netflix and Amazon do. In fact, the team found that Millennials are less price-sensitive than their parents’ and grandparents’ generations, indicating that discounting (one of the primary outreach strategies to this cohort) may be leaving money on the table. Millennials are used to paying premium prices for live rock and pop music, and they view classical music as a premium product where they should expect to pay for excellence.

An even more effective approach today—both for attracting new acquisitions and for keeping existing ones—is to appeal to the modern consumer’s desire for connectedness with new types of membership programs that are separate from transactions an individual might have with the orchestra, yet offer a feeling of belonging. Orchestras have long pursued such strategies with donors, offering them special perks and events. McIntyre and Desai suggest that such a strategy should be extended to include subscription ticket buyers, offering tiered options that confer a sense of exclusivity.

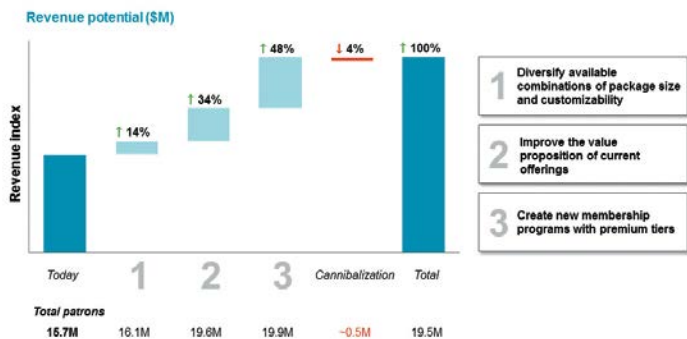
The Emotional Connection

Would strategies that work for Netflix and American Express translate to orchestras? “In orchestras, the level of engagement with the audience is low,” McIntyre says. “If you are a subscriber, you get a brochure in the mail in April or May, you check a box, write a check, and send it back. Later in the summer, your tickets arrive, and you’re done. There’s no other

Subscription-Model Webinar

Stay tuned for details about an upcoming webinar by the League and Oliver Wyman that examines “Reimagining the Orchestra Subscription Model.”

Our research suggests that these approaches offer substantial scope for increased revenue and up to a 20% growth patrons



- 1 Diversify available combinations of package size and customizability
- 2 Improve the value proposition of current offerings
- 3 Create new membership programs with premium tiers

Additional gains will be made from improved outreach and acquisition for Millennials

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real contact. No one asks, ‘Did you enjoy the concert? Or not? Would you like to come to something similar?’ Compare that take-it-or-leave-it model—in which there is no real dialogue, and no attempt to learn about the audience—to modern marketing techniques that ask, ‘Let me help you.

they get music.”

The recommendations about membership programs, McIntyre says, respond to the contemporary consumer’s desire to feel an emotional connection, to feel part of a community, and to have a sense that they are getting something special. “There’s an

Why don’t you rate what you bought on Amazon so I can give you better recommendations?’ This kind of engagement, which asks you to react to what you’ve seen, puts technology in the service of the transaction. It gets you to buy more—from Amazon. In this way, you get audience members to use the orchestra as the way

appetite for a sense of belonging,” he says. “People want to be told they are special, that they are a platinum member. Millennials and Gen Xers don’t see themselves as traditional donors, but they do want to be part of a community and are willing to pay to get that sense of connection. Orchestras need to make them feel attached to the organization beyond the concert, to be part of a group that gets special treatment. Perhaps they get member lounges, meet-and-greets with artists, or digital downloads of concerts that are only available to members. People are willing to pay for those things, which all enhance the core concert experience.”

The data indicate that putting all of these ideas into practice—diversifying

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available subscription combinations in terms of size and customizability, improving the value proposition of current offerings, and creating new membership programs—could significantly improve revenue, and potentially increase the overall number of patrons by up to 20%. Outreach to Millennials offers additional potential for gain (chart, opposite page).

The whole picture posits a different relationship between orchestras and their customers. As McIntyre puts it, “One way to look at the traditional subscription model is that it’s paternalistic, as in, ‘Let us tell you what’s good for you.’” The modern consumer, by contrast, wants to feel involved, as though he or she is making choices, but with appropriate guidance. It is possible to create that environment, even in the context of an orchestra’s season, which is a fixed entity. One method that McIntyre suggests is “educational curation. For example, ‘Here’s a program of six

concerts, and there’s a theme that connects them—all American composers, say, or a mini-festival; there’s a reason for buying these six programs.’ That’s as opposed to a subscription that is whatever is playing on Friday night, because that is orchestra night—though there is still scope for that type of schedule.”

McIntyre stresses that it is extremely important for orchestras to view the findings of the report in the context of their own community. “One market might be more robust than another,” he says. “You have to think about where you are with respect to trends, and how to customize the information for your situation. One size does not fit all.”

When McIntyre and Desai presented their research at the League Conference in May of this year, they found that attendees at the standing-room-only session were interested to see the data and understood the need to move in a new direction. But

Special thanks to the working group of orchestra executives and to Stefan Read, Adam Mehring, and Kristen Nehls, who formed the rest of the Oliver Wyman team.

they also expressed anxiety about how it was possible to change without facing big losses in the short term. “It’s a classic innovator’s dilemma,” McIntyre says. “You know the old product isn’t working that well. But if you change, you lose revenue in the short term. You want to change when you’ve got a little leeway, not when you are in a panic situation and you have already lost your audience. Now is the time to create a new model and transition gradually. You don’t want the old to collapse and then try and create something new.” **S**

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