

As a service to our clients and the visitor attraction industry, we provide conference presentations and occasional research reports which highlight various trends and aspects of our practice. Our firm specializes in the fields of visitor attractions; museums, science centers, zoos and aquariums; tourism project development; real estate and urban development; and community planning. For existing organizations and start-up projects worldwide, we provide consulting services in the areas of: project and plan concept development; business and master planning; feasibility evaluation; earned revenue strategies; strategic operational analysis; and, capital project pre-opening planning and implementation. We welcome your comments.

## VISITOR ATTRACTIONS PRICING TRENDS AND CONSIDERATIONS

**A summary of remarks presented by Mr. Jason Drebitko, Senior Associate, at the 2012 Annual Association of Science - Technology Centers (ASTC) Conference in Columbus, Ohio.**

This presentation addresses the following topics:

- ◆ Pricing in Today's Marketplace
- ◆ Pricing Trends and Considerations
- ◆ Industry Best Practices

### Pricing in Today's Marketplace

Pricing is a complex subject with no one size fits all approach. There are entire MBA courses, text books and a whole field dedicated to the subject. Underpinning the study of pricing however is basic human behavior and psychology. We make choices (about things like pricing) based on our cognitive and emotional biases. And, in the context of a science center visit with family or friends, we are often making choices not as an individual, but with others.

If not complicated enough, pricing has been made even more complex by the current economy. Consumer Confidence is an economic indicator that measures the degree of optimism that consumers feel, now and in the future, about the overall economy and their personal financial situation. How confident people feel about their personal financial situation is a determinant of spending activity. Overall, compared to historic levels, the U.S. consumer confidence level remains extremely

low, well below its long-term average. The implication of course is that if you are not feeling confident about the economy and your personal financial situation, you are likely to be more price sensitive and value driven.

Adding further pressure "to get it right" is technology. Technology has made it possible to receive continuous and sometimes instant feedback from visitors about the value of their experience and pricing, positive AND negative. In addition, technology has become increasingly important in influencing consumer decision-making and allows your current and potential visitors to price shop in real time.

Pricing for Science Centers and other attractions is even more complex than pricing other consumer products like toothpaste, for example. Why is it that Cedar Point (amusement park) in Sandusky, OH can charge \$54.99 for a half day to full day experience, while at COSI (Center of Science & Technology) in Columbus, a half day + experience with exhibits, movie, the adventure special exhibit is only worth \$26.50? Right or wrong consumers seemingly place more value on (and thus have a higher willingness to pay higher prices for) entertainment experiences than educational experiences.

Value too is a complicated construct, and there may also be perceived value differences across types of visitor attractions. For example, aquariums have some of the highest general admissions prices in the industry. For many visitors, aquariums (and zoos) serve as a proxy for travel, allowing intimate experiences with live

animals and exotic locales that they may otherwise never see. In addition, most aquariums and zoos have a conservation-based mission.

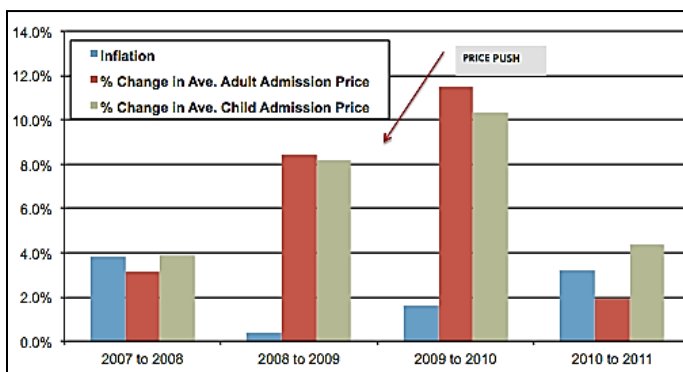
Art museums and some history museums are viewed as stewards of cultural “treasures.” Where does that leave Science Centers? With advances in technology allowing unprecedented everyday access to high quality science content and experiences, Science Centers face a growing challenge and may not have as much price leverage as their visitor attraction industry counterparts. This is one reason why we are seeing content blending in science centers, for example, science centers adding aquariums or other unique immersive experiences.

In spite of these challenges, Science Centers (and many other attractions) have continued to increase their admission prices to try to increase total revenue even as annual attendance has stalled or declined.

### Admission Prices Outpacing Inflation

Data in the following figure shows the percent change in average admission prices for ASTC Members versus the change in the rate of inflation.

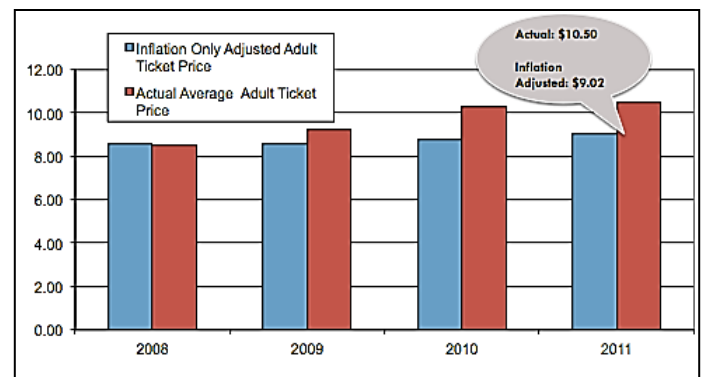
**% Change in Average Admission Prices (ASTC Members) vs. Average Rate of Inflation**



While the general prices of other goods and services as measured by inflation has remained relatively flat during this period, the price of a Science Center visit has increased substantially (based on these data).

Data in the following figure shows another way to look at this same trend. In 2008 (the base year for this analysis), the average adult ticket price for ASTC members was \$8.50 and in 2011 it was \$10.50. If that \$8.50 were increased by the rate of inflation during the same time period, it would be about \$9.00 in 2011.

**Average Adult Admission Prices (ASTC Members) vs. Adult Admission Increases at the Rate of Inflation**



This pricing trend is not unique to Science Centers. For example – we recently conducted a survey with international aquariums and one of the top operational trends named in the survey was “increasing admission fees”<sup>1</sup>.

The big question then is, “what has been or will be the impact of these increases?” In our experience, the impact of increasing admission fees on attendance and total revenues is contextual and depends on the interplay of a number of factors individual to the attraction and its market context.

### Perceived Value

Before we move on to factors that influence pricing, I want to highlight the concept of perceived value, as perceived value is the baseline lens from a visitor’s

<sup>1</sup> ConsultEcon, Inc. (Kazlas, Elena), *The Aquarium Business: Economic Sustainability and Continued Growth in Aquarium Development*, Key Note Presentation Given at the 2012 International Aquarium Congress, Cape Town, South Africa.

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perspective, through which to view pricing.

Perceived value is a customer's opinion of a product's value to him or her. It is visitor centric and benefits based. We would hope that part of a visitor's value judgment would be based on the intangibles offered by the organization e.g. mission, social experience. But we have to remember that humans tend to pursue their self-interests and often do not factor in the intangible benefits of their visit.

Many things can impact perceived value e.g. crowding, customer service, if an exhibit is broken, if you have an experience with a live interpreter/explainer, cleanliness of restrooms. It is important to keep this idea of perceived value in your mind (from a visitor perspective) when you are thinking about pricing.

### Factors That Influence Visitor Attraction Pricing and Market Response to Price Changes

There are many factors that influence pricing, including:

- ◆ **Product** – including the size and scope of the attraction and length of stay (how much there is to see and do and the quality of the experience.) Type of content and experiences e.g. passive versus immersive exhibits, live animal exhibits, indoor vs. outdoor content. Timing of new exhibit or program introductions. If you are opening a major expansion or a new exhibit, you are improving the product, creating value and have price leverage.
- ◆ **Market Dynamics** – Is your attendance tourist or resident market driven? Attractions that draw primarily from tourist markets have more flexibility to increase ticket prices than do those that rely primarily on visitors from resident markets. Tourists may be less price sensitive than residents.
- ◆ **Local Competition and Relative Value of Experience** – The extent of alternative leisure activities (“competition”) in the local area ranging from museums to first-run movies, to amusement

parks, and their associated ticket prices influences a potential visitor's perception of value. If you are the only attraction in town, you may have more leverage to increase prices. In essence you may have a pricing monopoly.

- ◆ **Benchmark Ticket Prices of National Competitors** – Because so many people travel and are exposed to high-quality attractions and other ticketed experiences, there is really a “national” competitive market. This often translates into a pre-set visitor expectation for pricing of different types of attractions.
- ◆ **Type Of Ownership And Operation** – For-profit, non-profit, or government-owned and operated attractions will have different needs for admission revenue. In some markets where museums are government-owned or supported there may be a tradition of free or low cost admission. Initiating or raising an admission fee may be difficult, and might result in a decrease in attendance. Part of the perception is that if your organization is government owned, operated and subsidized, it should be inexpensive to visit.
- ◆ **The Cost Of Living In The Area** – For those attractions that serve primarily resident markets, hypersensitivity to local economic conditions is necessary. The trend of rising admission fees suggests increasing social stratification such that lower income households will be less and less likely to afford a visit. Going forward, looking at ways to broaden access will be even more important for fulfilling the mission of your organization.
- ◆ **General Economic Conditions** – It almost goes without saying, but I will emphasize it again. Because of the current economic conditions, many visitors are hyper price sensitive. While national unemployment rates have remained relatively high, there is high variability in unemployment rates across the country. Staying abreast of “regional” unemployment rates is important for understanding the potential price sensitivity in your market.

And, whenever you are thinking about your admission price, you specifically have to consider:

- ◆ **Ticket Type (e.g. adult vs. child)** – look carefully at how you define your age categories (particularly child/youth) versus your peers and close in competitors. You could be leaving money on the table or negatively impacting perceived value.
- ◆ **Membership** – If you change your admission prices, be sure to take a fresh look at your membership prices as well. With membership the two major components from a visitor perspective are a.) economic benefit ( e.g. I go 2 times with my family of 4 and it pays for itself and I receive discounts on food and beverage purchases); and b.) philanthropic motivation (contributing to the mission of the organization).

Attractions with a strong research and conservation mission have the advantage of creating a stronger cause related appeal versus a children’s museum or a science center and may have more price leverage.

Your pricing policies should be based on explicit recognition and analysis of these factors.

### Creating Value for Visitors

With the need to increase general admission prices, some of the ways our clients are improving access and adding “value” for their visitors in these tough economic times include:

- ◆ **Mobile and Online Discounts** – In addition to a discount, the benefit of not having to wait in a ticket line is considered an added value by visitors. We have found that it only takes a small (5% to 10%) online discount to motivate an online purchase.
- ◆ **Packaging (both internal and external)** – including discounts for combination tickets that include theater, special exhibits, rides AND multi-attraction city passes. This allows visitors to personalize their visit and only pay for what they

are interested in visiting.

- ◆ **Daily Deals** – such as Living Social, Groupon, can induce new visits in off peak periods and provide an entrée into membership.
- ◆ **Free Days for Residents** – provide a good opportunity to create access when you have a tourist market bias pricing model.
- ◆ **Relationships with Libraries** – opportunities for libraries to purchase a pass for library members, provides an additional opportunity to create resident access in a tourist market bias model.
- ◆ **Multi-Day Tickets** – tickets good for more than one day have high perceived value and are low cost to the organization.
- ◆ **Value Adds at Upper Levels of Memberships** – e.g. behind the scenes tours – have high perceived value, typically less than 100% redemption, and are low cost to your organization.

### Industry Best Practices

When considering any of these or other new pricing or revenue initiatives, it is important to remember the following industry best practices:

- ◆ Know where your visitors come from. What are you existing markets? Consistently and systematically track and analyze postal codes.
- ◆ Regularly survey your audience and members. Not everyone has the in-house capacity to do this or pay for outside consultants. Some attractions have received support from local university students to undertake a survey on behalf of the attraction at no cost. While there are challenges with this, it is still helpful to understand your core audience’s response to recent exhibits and overall customer satisfaction – it is also a means to track where they are coming from.
- ◆ Track public reviews on social media, negative and positive. know what is being said about your institution in the public realm and be aware that

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word can travel very quickly via social media channels.

- ◆ To maximize your total earned revenue potential you need to understand the following:
  - Existing revenue sources now, on a weekly and monthly basis. Do not wait to look at how net revenue is doing until the end of your fiscal year.
  - What has been successful in the past at your organization; what is happening in your marketplace and with competition; where there is room to grow/opportunities; how successful have your peers been in their efforts.
  - Current trends in technology and demographics and how to position your organization to respond to them.
- ◆ Analyze and compare the “bottom line” implications for new ventures or alternative actions related to pricing.
- ◆ Review and update your web site on regular basis (from a visitor point of view). How are you positioning your organization and brand, as well as communicating value online and at the gate?

## Looking Ahead

Looking ahead, we face industry-wide challenges and the pressure is likely to continue to mount for Science Centers. Although these challenges may seem insurmountable at times (and may be for some), we need to continue to focus on creating value for our visitors while not straying too far afield from our own core values. When it comes to pricing today, in our work we try to keep the following top of mind:

- ◆ Learn from the past
- ◆ Understand the present
- ◆ Plan for a changing future
- ◆ Think about pricing in the context of total revenues
- ◆ Think of your product through a visitor’s perceived value lens
- ◆ Be market responsive
- ◆ Don’t forget about building long-term relationships (e.g. members, repeat visitors)
- ◆ Create and communicate value whenever and wherever possible

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**ConsultEcon, Inc.** provides services to domestic and international clients in the areas of project and plan concept development, feasibility evaluation, operations and earned revenue analysis and capital project implementation strategy for visitor attractions, and travel and tourism project development.

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