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Something to RAVE about

A new business model based on valuing the customer has reaped dividends for one UK ensemble

The English Classical Players (ECP) is a flexible group that aspires to perform to the highest international standards in configurations ranging from small chamber ensemble to full symphony orchestra. In 2007 we embarked on an experiment in Watford that transformed a scenario of slow decline into one of dynamic growth.

Despite a strong audience base, over the past decade, funding concerts had become increasingly problematic; unless something changed, there was no chance of ever creating a sustainable operation. The conclusion was that since our mission is to share music, and a traditional business model failed to generate the revenue to achieve this, it was time to rethink our relationship with our audience.

The UK tax system provides a huge incentive for doing this, since voluntary contributions to charity can be worth so much more than sales revenue. A £10 (€12) ticket is currently worth only £8.51, due to the impact of VAT (the rate of which looks set to further erode revenue). A donation, on the other hand, generates a government enhancement equivalent to the standard rate tax paid – thus producing almost 40% more net revenue than a ticket sale for the same amount. If the donation comes from a higher-rate taxpayer then the donor receives an additional refund. (In the UK, donors pay tax on their whole income, regardless of donations, and the non-profit receives the tax break because it may claim the tax already paid on the money donated, from the UK Treasury.)

For some bizarre reason, we – like most arts organisations in the UK – had largely ignored this obvious financial opportunity, being locked into thinking that generating sales revenue is important. My conclusion is that this strategy is actively counter-productive and potentially dangerous for the art form we seek to promote; it not only leads to inefficient fundraising but misses a vital opportunity to build engagement with and commitment to the activity in question.

In Watford, we had a large body of people – our audience – who were keen to help us. If we define how they might best do this, then maximising the value of their contribution involves three distinct elements: (a) we would like them to commit to attending all the concerts, (b) we would like them to do so early, and (c) we need their financial support through voluntary donation rather than sales. I concluded that we should change to a system that would embrace several key areas of artistic philosophy.

I have called the resulting system the RAVE model, since it seeks to generate growth for artistic enterprise by addressing these issues through four primary targets. **Revenue**: the need to maximise long-term income potential. **Access**: creating price points that widen and encourage access. **Volume**: sharing musical experiences with more people. **Engagement**: broadening experience and developing greater connection with and support for the art form and the organisation.

The RAVE model marries these requirements to elements of structure taken from yield pricing systems like those used by budget airlines. In practice, this means that all seats are the same price at any given time – there are no price bands. Quality of seat allocation is managed according to 'value to the organisation'; only those who commit early and donate generously are likely to get their preferred seats. In effect, the best seats are auctioned by private tender. Prices vary according to the booking date, with super-saver-level tickets offered until one month before the first concert of the season. After that date, prices increase 50 per cent, and beginning on the day of the first season performance, the standard price (33 per cent higher again) applies for the rest of the season. The rationale behind the ticket price adjustments is that those who book later are less likely to donate anyway.

> 'The old model offered, at best, the prospect of long-term artistic sterility'

It took a good deal of effort to persuade everyone necessary that we needed to try this but the result was that from 2007 to 2009, the RAVE model generated record sales volume and growth for ECP, developed commitment and engagement, and provided access-for-all at minimal prices. Looking beyond mere numbers, though, there is an artistic advantage that I believe has immense value: The old model was deeply frustrating because it only rewarded a conservative approach and offered, at best, the prospect of long-term artistic sterility. The RAVE model opens the door to becoming more adventurous, because it derives revenue principally from season-based, or organisation-based, approval rather than from individual events.

Previously, with a 70 per cent subscription base, we had been constrained by the fact that every concert programme had to appeal to a fickle minority of single-ticket buyers. Once 94 per cent of tickets sold were attributable to subscribers, our first priority became the maintenance and development of this group rather than concern about the casual visitor – who, however welcome, provides no long term-value to the organisation or the community of music lovers we were seeking to build.

I believe that although our new system entails a steep learning curve for all concerned, over time the average yield will grow as people become more familiar with how it works. The increased volume combined with the tax benefits mean that achieving the same yield per seat as the old system would generate a net revenue increase of over 100 per cent as well as retaining scope for further development.

It would have been truly interesting for the experiment to develop over a further two or three seasons. Unfortunately it has been compromised by the closure of our previous home, the 1,000-seat Watford Colosseum, at the end of 2009. Despite fears that the recession might have an impact, however, our third season (September to December 2009), held up well – although without further growth.

Our faith in the principle means that we shall be continuing to work with this model in 2010-11. Our work in Watford, however, is going to be so fundamentally different that there can be no meaningful comparison – from orchestral concerts for an audience of 1,000 last year we will be producing chamber concerts in a hall seating fewer than 250. The signs are already promising – despite a late launch, the hall was rapidly sold out.

It is only one possible model but the Watford experiment with the RAVE model provides at least a starting point for finding a blueprint that could serve the whole artistic community and strengthen our position in the wider world. If we start the ball rolling through encouraging greater access, understanding, and engagement, then people will gradually come to see the real value of artistic experience.

www.ravemodel.org – RAVE Model
www.ecp.uk.com – English Classical Players
www.jonathanbrett.com – Author's site

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