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## THEATRELAND – BUT NOT AS YOU KNOW IT

**2013**

**ABOUT PURPLE SEVEN**

Purple Seven is the arts sector's leading data analytics company that helps venues, production companies and audience development bodies maximise the potential of ticketing and customer data. Founded in 2002, Purple Seven has grown to operate in the UK, parts of Europe, Australia, New Zealand and the United States of America.

Purple Seven is helping the arts sector understand develop and engage their audience in a more sustainable and powerful way than ever before. Using ticketing and customer data, we help you understand and deliver improved:

AUDIENCE UNDERSTANDING
Understand your audience by individual, by segment, as a whole and in context to drive strategy for your organisation.

PROGRAMMING Use ticketing and customer data to inform  a cohesive, relevant and appealing programme  for your entire audience.

PRICING
Design the optimum pricing structure for the entire show and its specific audience.

MARKETING & SALES
Increase your return on investment and build more compelling interaction with your customers through targeted marketing.

CUSTOMER EXPERIENCE
Improve every aspect of the customers' experience of your shows, venue and oragnisation.

CEO REPORTING & BUSINESS INTELLIGENCE
Inform every part of your organisation with reliable, cohesive and consistent customer data.

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## INTRODUCTION

There are more sources of content and entertainment than ever before. People can pretty much see and experience what they want, when they want it – and often for free.

That's the stark challenge facing the arts industry: there is simply more competition for people's time and money than we've ever seen. Due to advances in other sectors, be they technology- or technique- based, customers have raised expectations of

- how you interact with them
- how you connect with them
- what you offer them

Customers expect a personalised and relevant offer that gives them value in what they want. Only if we as an industry meet and rise above those expectations will we ensure that Theatreland will prosper long into the future.

Of course artistic integrity and genius are at the heart of the compelling customer experience. Yet there is much more we can do to engage customers and encourage them to buy one more ticket one more time.

The ability to do so will depend on how well we understand our audience. The better you know what people like and how they behave, the greater your ability to be relevant to their likes and wants.

A true understanding of the theatre audience is key to the future of the sector. To that end, we have analysed the anonymised data from 232 venues for the 30 months leading up to June 2013 – representing a spend of nearly £1.5 billion. For the first time, we've been able to bring together data from that number of venues to do robust analysis.

The results are nothing short of astounding. As a sector, they set us challenges, but also present us with distinct opportunities.

It's Theatreland – but not as you know it.

## YOUR AUDIENCE AND THE AUDIENCE OF THE ARTS

When thinking about a customer's behaviour, a key dimension is that of perspective. At the moment arts organisations operate in silos and there are a lot of small databases with customer records. This means that each theatre only ever views the customer behaviour from their perspective – in the context of their own relationship with the customer.

So the big question becomes: how accurate is my understanding of customers?

**Figure 1** shows customer visit behaviour from a venue perspective. Visit behaviour is divided by frequency of visits over the last 30 months.

*Inactives* are those who have visited within the 30 months, but not in the last 18 months. *Converts* are those who have visited twice. The figures are the numbers of accounts held by the venues, and then they are segmented by the number of visits made under that account.

**Figure 1**

| inactives | once only | converts | regular 3/4 | regular 5-9 | regular 10+ | TOTAL |
|---|---|---|---|---|---|---|
| 4,692,527 | 6,093,319 | 1,083,920 | 572,594 | 292,256 | 134,989 | **12.87m** |

As you can see – there are nearly 13m accounts held across the 232 venues. Interestingly, it shows that a massive 4.69m accounts are inactive – and have not been to the theatre in the last 18 months.

There are two problems with that view of customer behaviour:
    a)  it doesn't take into consideration the customer's entire arts behaviour – ie accounts held by the same person at other venues.
    b)  There is a chronic problem of multiple accounts even within one venue – data hygiene is vitally important.

So, to understand customer behaviour from a national perspective, we have consolidated all accounts across venues that belong to one person. That was done by putting the data through a range of filters that ensure we have accurately identified the customers behind each account. That way we are able to see people's behaviour across all venues for which we have data.

We had nearly 13m accounts – which, across venues, have traditionally been viewed as individual customers. But those 13m accounts actually only represent a grand total of only 7.84m unique customers.

Theatreland is not nearly as big as we thought it was.

It should be noted that de-duplication of accounts could potentially be even more significant – 9.4% of accounts contained data of such poor quality that they couldn't be de-duped any further. This is one aspect of arts data that we will also have to

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improve in order to create dynamic and robust customer understanding in the future. However, the other 90.6% of data is a substantial enough proportion to show the patterns across the sector.

So now that we're working with the behaviour of real people, how different is it from a venue perspective? We think of the arts audience as the sum of the audiences of all venues. We need to think of an audience that uses more than one venue.

**Figure 2** again shows customer visit behaviour from the venue perspective but contrasting the numbers we had from individual accounts with those from individual customers.

**Figure 2**

|  | inactives | once only | converts | regular 3/4 | regular 5-9 | regular 10+ | TOTAL |
|---|---|---|---|---|---|---|---|
| accounts | 4,692,527 | 6,093,319 | 1,083,920 | 572,594 | 292,256 | 134,989 | **12.87m** |
| customers | 2,865,565 | 3,913,496 | 588,068 | 278,966 | 130,805 | 58,205 | **7.84m** |

As you can see the fall in numbers within each band is significant. Take *inactives*. Whereas venues across the country think we have nearly 4.7m *inactives*, that figure is actually only 2.87m because most of the other people actually have accounts elsewhere. Customer understanding incorrect to the tune of 39%.

Similarly, the figures for regulars who visit three or four times drops from nearly 573k to nearly 279k.

So now we know what people do from the perspective of individual venues. But what if you look at it from a national Theatreland perspective?

**Figure 3** compares how venues would categorise customers within the frequency band as to their actual behaviour – as seen from the national perspective across all venues.

!

**Figure 3**

| | | NATIONAL PERSPCTIVE | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | inactives | once only | converts | regular 3/4 | regular 5-9 | regular 10+ | VENUE TOTAL |
| **VENUE PERSPECTIVE** | inactives | 2,308,572 | 259,512 | 107,381 | 89,579 | 63,138 | 37,383 | **2.865m** |
| | once only | 0 | 3,136,522 | 384,260 | 228,075 | 115,354 | 49,286 | **3.913m** |
| | converts | 0 | 0 | 425,328 | 102,224 | 43,409 | 17,107 | **588,068** |
| | regular 3/4 | 0 | 0 | 0 | 214,137 | 48,909 | 15,920 | **278,966** |
| | regular 5-9 | 0 | 0 | 0 | 0 | 110,127 | 20,678 | **130,805** |
| | regular 10+ | 0 | 0 | 0 | 0 | 0 | 58,205 | **58,205** |
| NATIONAL TOTAL | | **2,308,572** | **3,396,034** | **916,969** | **634,014** | **380,936** | **198,580** | **7.84m** |

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The column 'VENUE TOTAL' shows the number of accounts under each band from the perspective of the venue.

The row 'NATIONAL TOTAL' shows the number of accounts under each band from the national perspective.

As you can see, the combined total is 7,835,105. But that's where the similarity ends.

The green shaded boxes show us the number of customers where both the venue and national perspective agree. They add up to mean that even if we have consolidated all accounts, venues would still be wrong about their customers' behaviour 20% of the time.

The rest of the grid shows where the national perspective would place customer behaviour in relation to where they have been put by venues.

There are some fascinating insights when you compare the two totals, such as in **figure 4.**

**Figure 4**

| | inactives | once only | converts | regular 3/4 | regular 5-9 | regular 10+ | TOTAL |
|---|---|---|---|---|---|---|---|
| VENUE VIEW | 2,865,565 | 3,913,496 | 588,068 | 278,966 | 130,805 | 58,205 | **7.84m** |
| NATIONAL VIEW | 2,308,572 | 3,396,034 | 916,969 | 634,014 | 380,936 | 198,580 | **7.84m** |

1. There are more than half a million customers whom venues think are *inactive* that are actually going to the theatre elsewhere. That's 7% of the entire market written off, when they are actually active.
2. The trend is that the national perspective sees a lot more customers as more valuable to the arts because they see their entire behaviour. This includes a massive discrepancy in understanding those super-regulars – those who go ten times or more. Venues think there are just 58,205 of these customers. But there's actually more than three times that figure – 198,580.

Getting this right is important. **Figure 5** *(overleaf)* shows the detailed value of each band of customers

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**Figure 5**

| | inactives | once only | converts | regular 3/4 | regular 5-9 | regular 10+ | TOTAL |
|---|---|---|---|---|---|---|---|
| actual customers | 2,308,572 | 3,396,034 | 916,969 | 634,014 | 380,936 | 198,580 | **7.84m** |
| 30 month spend (m) | £191.69 | £342.07 | £177.93 | £198.48 | £204.82 | £341.57 | **£1,456.56** |
| spend per customer | £83.03 | £100.73 | £194.04 | £313.06 | £36.68 | £1,720.05 | **£185.90** |
| % of customers | 29.5% | 43.3% | 11.7% | 8.1% | 4.9% | 2.5% | **100%** |
| % of market | 13.2% | 23.5% | 12.2% | 13.6% | 14.1% | 23.5% | **100%** |

Consider that group of 198,580 'super-regular' customers. They are just 2.5% of the customer base, but represent a whopping 23.5% of the entire value of the market. Extraordinarily, nearly a fifth of that group – 37,383 – are believed to be inactive!

That comprehensive understanding is vital for the arts sector as a whole and for venues themselves to plan how they engage with customers. There is lots of room for growth.

The typical share of a customer's theatre spend – let alone their entire entertainment spend - that a venue has is just 30%. Even for their most 'loyal' customers, that number is a maximum of 56%.

When considering your customers, it's also important to know what type of customers they are. We have analysed the data to identify
- Agents – companies such as Ticketmaster.
- Boutique bookers – such as hotel concierges buying tickets for their clientele.
- Large parties – work trips and school groups for example.

This is a group of 'customers' who represent just 0.6% of customers but are worth £228m to the market – 15.7%. How we as a sector engage this small group of 'customers' must be different to the rest as they are not 'normal customers'. Venues and production companies must also ask whether we're happy letting this 15.7% of the value of Theatreland flow through third parties, rather than in a direct relationship with the customer. If you don't have that relationship yourself, it's impossible to make it more valuable for both sides.

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## THEATRELAND: A PLACE OF CHALLENGE AND OPPORTUNITY

The figures are stark and challenging.

**The theatre audience is 40% smaller than we thought. It is also far more active across different theatres than we thought.**

**Nearly a quarter of its value resides in just 2.5% of the audience.**

**Even when accounts are consolidated into customers, venues acting on their own will not understand their customers 20% of the time.**

**Venues do not have a direct relationship with the true audience of 15.7% of sales.**

But there is also good news. If we improve our customer engagement and successfully encourage *existing customers* to visit just 10% more – the size of the prize for Theatreland is over £200m.

To realise that size of the prize, we – as a sector – have to have a serious conversation about how we engage customers.

Do we continue to work in silos and see customers as individual accounts – risking irrelevance because we don't understand their true behaviour? Or do we work together as a sector to develop our customer understanding and engagement to be relevant and effective, thus growing the whole sector?

The answer isn't easy, as we all have our own individual financial, social, artistic and community objectives to consider as well. However, we hope that this paper prompts the sector to have the conversation – as the data suggests that it might be a case of "United we stand, divided we fall."

**Purple Seven Insights**

From the findings of this analysis we have launched a new tool called PSi that is a free industry report putting your audiences in context.

To see if there is a PSi workshop in your area please contact Rachael Easton on 01926 203040 or rachael.easton@purpleseven.com

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