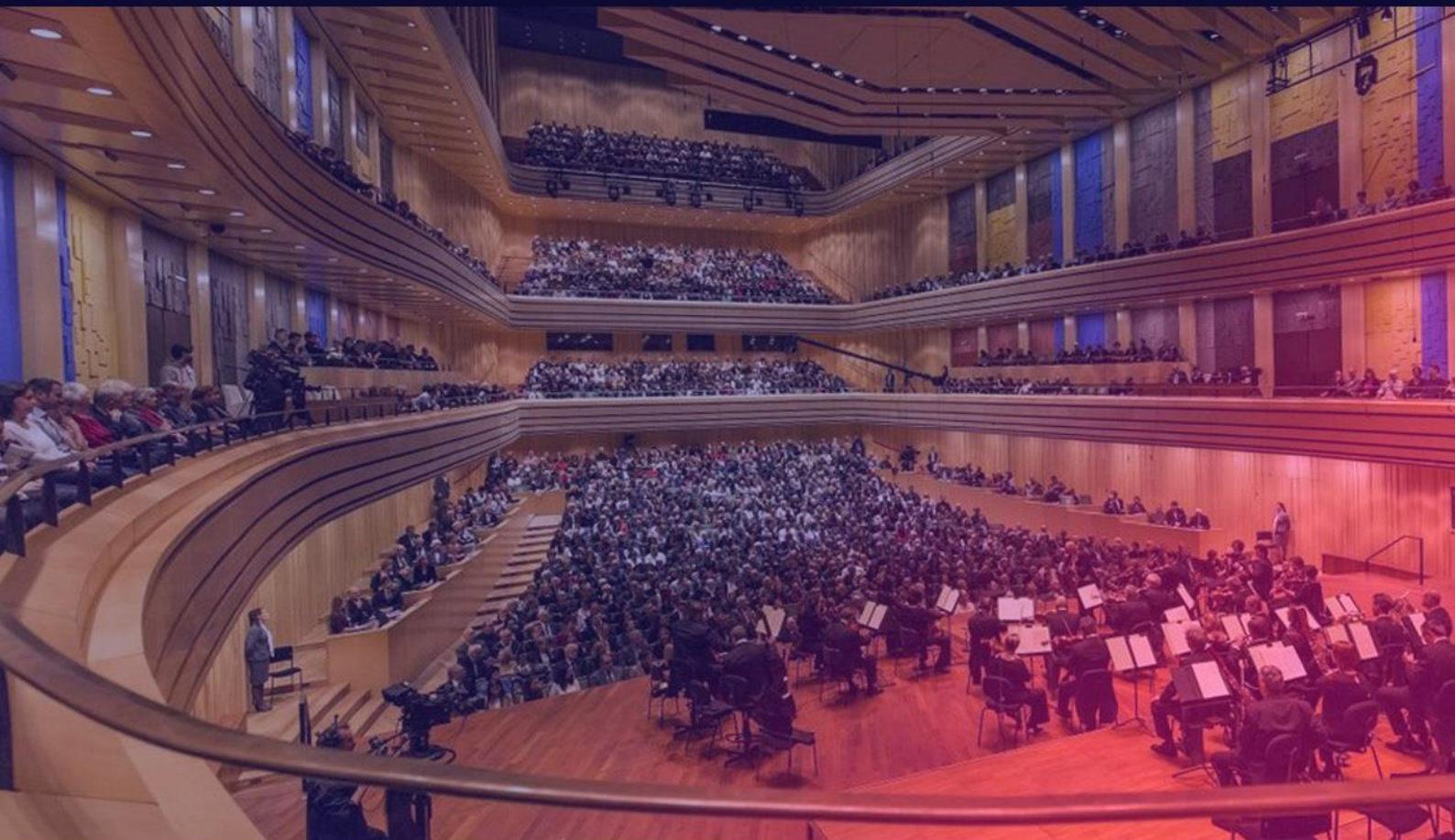


THE VALUE OF DYNAMIC PRICING IN THE ENTERTAINMENT INDUSTRY

A CASE STUDY OF DYNAMO PRICING



Pal Danyi, PhD
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Executive Summary

In the middle of worldwide turmoil, live **entertainment industry** players agree that **setting up proper prices of tickets beforehand is more difficult than ever**. No one can forecast the behaviour of theatregoers, or determine in advance how many tickets will be sold at a particular price. **Dynamic pricing has become an accepted way** of providing remedy for this situation.

This case study summarizes the experience of **DynamO Pricing**, a leader of dynamic pricing solutions, when they priced nearly 100 000 tickets dynamically between August 2022 and January of 2023. The results of two leading entertainers of Hungary were under analysis: **Dumasziínház**, a comedy theatre, one of the most popular Hungarian theatres, as well as **Müpa Budapest (Palace of Arts)**, one of Hungary's most prestigious cultural brands and institutions.

Dynamic pricing is a brand-new approach in the Hungarian market, and DynamO collaborates with several Hungarian ticketing platforms, including the market leader **Interticket** to provide software driven, automated pricing solution.

In the study, we analysed the dynamic pricing practice of two large event organizers that have different approaches. Both **cases confirmed that dynamic pricing is a preferred way of setting prices**. The results were convincing. According to almost all monetary factors dynamic pricing had supremacy over traditional, static pricing.

The key findings show that:

- Dynamic pricing has demonstrated its ability to **generate additional revenue** across all comparisons.
- It is an **effective strategy for improving the percentage of seats filled**, whether the average ticket price is higher or lower than a static price would be.
- Despite any initial concerns, **eventgoers have accepted the new pricing method** without any negative feedback, including younger and more flexible customer segments, as well as regular theatre visitors.

Dumasínház Comedy Theatre

Dumasínház is Hungary's leading comedy theatre that organised more than 1300 events in 2022. In addition to their two permanent venues in Budapest they also hold performances in other venues occasionally with a capacity of several thousand people. Dumasínház Comedy Theatre is a privately owned, innovative, for-profit enterprise.

Statistical Analysis

Results of our statistical analysis clearly demonstrated that the introduction of dynamic pricing achieved better than expected results. Prices of tickets and the percentage of seats filled could both be increased. It should be noted that **ticket prices were raised sharply in 2022 H1** after a consultancy with DynamO, where historical transactions were analysed and price increase potential was pointed out. Altogether, by eliminating the venue capacity differences, **16.1% proportional revenue growth** was calculated.

16%
proportional average
revenue growth
per show

Analysis Based on Locations

Budapest events at other venues are typically large halls for the biggest stars. This is the event category where **dynamic pricing became very successful. In large auditoriums of 1000 or more seats** dynamism brought a convincing huge improvement without any doubts. Shows organized in several large halls in Budapest and priced dynamically resulted in a **15.5% proportional increase in average revenue** compared to 2021 H2 events. Outside of Budapest events in large and mid-sized towns are typically visited by cost-minded audience. Despite this fact, an apparent conclusion was that **average proportional revenue could be raised by 16.9%**, while both percentage of seats filled and prices could be increased **without compromising the ratio of seats filled**.

17%
average
revenue growth
for venues
out of Budapest

Dynamic Pricing of Top Shows of the Repertoire

Can dynamic pricing improve the financial figures of top shows of the repertoire? Before introducing dynamic pricing, a recurring question emerged if this new pricing method was effective for the most popular, and most expensive, full house, regular shows or not. Our analyses had a clear proof. The chart below summarizes the calculations. The application of dynamic pricing proved that the **revenue of even high-priced, repertorial shows can be raised. 6% revenue increase** can be achieved without compromising the percentage of seats filled.

6%

additional avg. revenue
growth, right after
a significant, one-time
price increase

Year-over-Year Comparisons

It is a typical critique when benchmark comparison is taken that theatre seasons are different. It is true, so we eliminated seasonal effects. We compared events of exactly one year between them. We identified a very consistent, **26-34% proportional revenue growth** when dynamically priced events were considered. It is worth mentioning that Covid-19 did not have a significant impact on theatres in Hungary in Q4 2021. This was a very convincing advantage for dynamic pricing even if average inflation rate of the servicing sector achieved 9% in Hungary over the investigated 12 months period.

31%

average YOY
revenue growth
in one year



Gergely Litkai, Owner of Dumaszház

“Two weeks after we tried dynamic pricing on certain events, we decided to change the way we price all of our running and future shows. It was a great success - financially and organizationally

Müpa – Budapest Palace of Arts

Müpa Palace of Arts is one of Hungary's most prestigious cultural institutions and brands. The largest of its half a dozen halls, the Béla Bartók National Concert Hall (on the cover), can accommodate more than 1,800 people. Müpa is an esteemed member of ECHO (European Concert Hall Organisation), operates as a not-for-profit, state-run organisation.



Müpa details are coming soon



Gábor Kosztolánczy,
Vice-CEO at Müpa

“The age of rigid, uniform pricing is over. Dynamo completely changed the way we think about pricing - they have made our theatre more profitable and our operation more effective.”



Communication, Client Feedback

All entertainment analysts agree that the bottleneck of introducing dynamic pricing is communication. To make the launch smooth, DynamO prepared its partners for the importance of being in touch with the audience. They made an extra effort to tell their loyal clients how the transformation will go and what they will experience. In newsletters and in FAQ, everybody was able to read about the changes and people understood why dynamic pricing is important for the theatres and how it can be beneficial for the eventgoers. **Everybody accepted that keeping the balance between supply and demand is a fair deal, without any negative feedback. The fear of mutiny against the new pricing system proved to be unreal.**

About the Author



Pal Danyi, PhD, Chief Development Officer of DynamO Pricing, a pricing specialist, responsible for pricing data analysis and effectiveness of pricing algorithms. Holds a PhD in Artificial Intelligence and focuses on the application of AI methods in pricing.

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About DynamO

DynamO is a pricing technology company founded in 2017. The company primarily develops easy-to-integrate, software-driven, cloud-based pricing tools for online ticket sellers and provides pricing consulting and advisory services upon request. DynamO offers its solutions on a global scale and establishes partnerships with organizations worldwide that seek to be leaders in data-driven, automated pricing, face pricing challenges, or improve their ticketing efficiency and success.



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