eventbrite

Your Value-Based Pricing Strategy: How to Price Your Event



About the authors



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Pricing can be one of the more stressful parts of organizing an event. A smart ticket pricing strategy is essential to driving a profit — but it's not always easy to determine which approach is right. Many organizers simply price their event somewhere above their costs ("cost-plus" pricing). Others look at similar events and default to that price ("competitive" pricing).

Both costs and competitive prices are important inputs. Unfortunately, there is a critical element missing in both of these frameworks — your customer.

Ultimately, there's only one way to get customers to put down their credit cards: price your event at the level they're willing to pay. This is called value-based pricing, and it's this framework that allows you to maximize your revenues, and — if you manage your costs appropriately — your profits.

How Can I Apply Value-Based Pricing?

There are three key components to value-based pricing: perceived value, the actual price, and the cost per ticket for the event.

01 **Perceived value** is what the customer thinks they will get out of your event. Here it is perception, as much as reality, that drives the transaction.

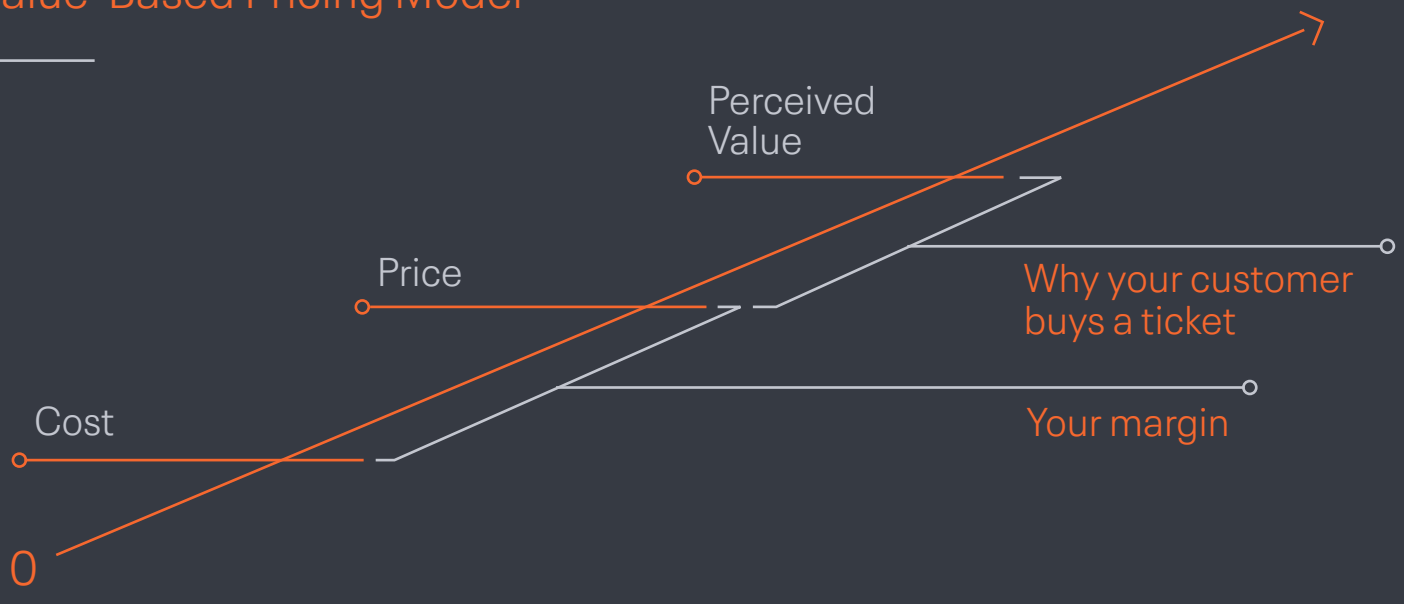
02 **Next comes the actual price** of your ticket. The actual price — which can be greater or less than the perceived value — is what the customer actually pays. Ideally, the actual price is as close as possible to the perceived value (without going over). When the actual price is below the perceived value, you've created what is known as "consumer surplus," or the excess value the consumer gets above the actual cost of the good.

03 Finally, there is the **per ticket cost** to you for putting on the event. This completes the triad of value-based pricing. Taken together, these three components give you a full picture of the underlying economics of your event.

In the value-based pricing model, your customer is comparing perceived value and price — and you're using your cost per ticket to determine the baseline price for breaking even.

Put simply, if the customer's perceived value is higher than your ticket price, then your customer will decide to purchase. And if your cost per ticket is lower than that price, you will make money.

Value-Based Pricing Model



While more complex than cost-based pricing or competition-based pricing, value-based pricing allows you to design the best long-run economic model for your event. When you focus on value-based pricing, your goal shifts. You are now aiming to deliver an event at a price that allows you to earn a return, but still delivers customers meaningful "surplus" value above the ticket price. When you achieve this, you have both a profitable business and happy customers.

Although profitability is ultimately driven by costs, value-based pricing can illuminate large gaps between perceived value and cost, and reveal new ways to increase perceived value. In the following sections, we'll explore how.

Value-Based Pricing Can Illuminate Large Gaps Between Perceived Value and Cost

A value-based pricing model can help you generate the best return from your event. Let's take an example from the real world. A successful event organizer — let's call her Mia — puts on beer and food festivals around the US. After many events, Mia decided to create a new "Early Access" ticket type. It didn't come with all the perks of the VIP ticket, but did allow customers entry to the event early if they paid a higher price. By adding this new class of service, Mia was able to capture more revenue, and also deliver more value to those customers who cared about arriving ahead of the crowds.

How can you understand these results in terms of value-based pricing? Attendees who saw more value in the "Early Access" ticket type were willing to pay more for that benefit. Just as importantly, other attendees who did not value that benefit paid a price more in line with their perception of value. Both groups of attendees paid less than what they perceived the event was worth.

Mia was able to provide the extra value in this additional ticket type at a very low incremental cost, as the event was already set up and vendors were already present.
But the fact that early access didn't cost Mia more was irrelevant to the attendees. Instead, they were evaluating the price based on the value they perceived, not the cost to Mia, or whatever competitors were willing to charge. So she found a way to deliver more value to her attendees, and have her attendees pay for that extra value at little-to-no extra cost to her. This is the exact outcome that thinking about your business from a value-based perspective should deliver.

Value-Based Pricing Can Reveal New Ways to Increase Perceived Value

To use another example, we talked to an organizer who runs a technology conference in the Bay Area — let's call him Drew. Drew charges less for tickets before the day of the event, and more for the same tickets sold on the day of the event. There's nothing too revolutionary about that — many organizers charge more at the door. However, as soon as the event goes on sale, Drew makes sure to let attendees know the exact dollar amount they will pay for day-of admission, making the advantage of an advanced purchase very clear in their minds.

Some may argue that by communicating a future pricing adjustment, Drew limits his flexibility. He is now locked into a set price at the time the event. However, he gains some real advantages in exchange. Most importantly, Drew can shape the perceived value, increasing the gap between perceived price and actual price, making his product more attractive in the minds of consumers. For instance, when buyers see that tickets are $49 today, but will be $99 at the door, it raises the perceived value of the ticket. In essence, it pushes the perceived value closer to $99. And if the true value is $99, but you can get it today for $49, that is an enticing deal.

As humans, we inherently ascribe value to things that are scarce and hard to find. Much of the early success of eBay's auction model can be explained by this effect. As an event organizer, you have an intrinsically powerful business model in this regard. The tickets or registrations to your event are indeed finite, and the more directly you convey that to your buyer base, the more value they will associate with your event. We spoke to a classic festival entering its 30th year running, which is attended by 70,000 customers each year. The classic festival uses several types of tickets (including Early Bird and VIP tickets). As each type sells out, they indicate it on their website.

The words "sold out" are like steroids for their sales. This lifts the perceived value of tickets, because potential attendees understand the scarcity of this good. If the classic festival referenced earlier only had one ticket type, it's likely they wouldn't capture as much revenue per ticket, as they would lose the ability to impact perceived value.

While Perceived Value Drives Purchases, Cost Drives Profitability

Even if you're hosting a simple RSVP event with no paid tickets or registrations, every organizer should understand their costs. Some costs are fixed (like the cost of a venue), and some are variable based on the number of attendees (like beverages). Understanding how these costs add up under different attendance scenarios can help you plan better. You don't need an army of accountants and expensive enterprise resource planning software; a simple spreadsheet can go a long way in helping you understand how these pieces fit together.

Sample Spreadsheet to Determine Cost of an Event

Fixed Costs for My Event	Cost per Attendee	Attendees	Cost
Venue	N/A	100	$5,000
Permit	N/A	100	$2,000
Staff	N/A	100	$2,000

Variable Costs for My Event	Cost per Attendee	Attendees	Cost
Food & Beverage	$50	100	$5,000
Gift Bags	$10	100	$1,000

Total Cost	Cost per Attendee	Attendees	Cost
	$150	100	$15,000

The interplay between fixed and variable costs can be difficult to grasp, but it's the most critical element to determining your margin. For instance, in our above example we have labeled three costs as fixed: the venue, the permit, and the staff. In contrast, we have labeled two costs as variable: food and beverage as well as gift bags. As your forecast for the number of attendees changes, the overall cost of the event changes with it. The more attendees, the lower the cost per attendee.

Fixed vs Variable Costs

Event costs fall into two categories — "fixed" or "variable." Fixed costs are costs that will not be affected by the number of people who attend your event. The cost of your venue, as well as the cost of performers/speakers are typically fixed. Variable costs, on the other hand, will change as the number of attendees increases. If your event is catered, for example, the cost of food will probably be variable. The cost of staffing may be variable as well — for example, if you need to add extra security staff to accommodate a larger-than-expected crowd.

In the example shown on the previous page, if your event has 100 attendees, your cost per attendee is $150. But let's say you're able to fit 10 more people into your event. Only the variable costs would be affected, meaning you would only pay $60 per additional attendee — or $90 less than you paid for the first 100 attendees. Beyond a point, some of your fixed costs will also rise (after all, a venue can't handle an infinite number of attendees). But once you've identified all or most of your fixed costs, you can arrive at an ideal attendance goal to drive your cost per attendee down. This approach also helps you focus on driving your variable costs lower — variable costs eat into your profits, regardless of how many people are coming.

Once you have a clear handle on your cost structure, you can identify a target margin. However, you'll want to define that margin relative to perceived value — not relative to an arbitrary margin. If you've calculated that perceived value for your event is $200 per ticket, and you structure your pricing in a way that emphasizes this perceived value, your target margin becomes 25% at 100 attendees. Rather than arbitrarily picking a number — like 10% — you consider perceived value, you consider your costs, and you use that insight to better understand potential margin.

If you use a cost-plus pricing model (meaning that you start by calculating your cost, and then use that cost to determine your price), you might be missing out on profits. For example, if you calculate that your event will cost roughly $150 a head, you may want to price your event at $165 to ensure that you make a 10% profit margin. But if the perceived value is $200, a 10% margin leaves a lot of money on the table. You would be better off pricing at $195.

You can also find ways to maximize value with offers like early entry. Let's say 25 of the 100 attendees were willing to pay an additional $10 for early entry to your event. Even if it costs a little extra to provide early entry, you will still have increased profits. In this way, value-based pricing shows you opportunities that you might have missed using purely cost-based pricing. In short, cost-based pricing alone will result in missed opportunities to maximize value.

To simplify this to one phrase:
Don't let cost determine the price, let price guide the cost.

Value-Based Pricing in Action

Now that we've covered the fundamentals of value-based pricing, let's talk about how you might actually use this technique to price your event.

Value-Based Pricing and Competitive Research

Value-based pricing is all about getting into the head of your customer. That's why it's important to take a look at other (especially similar) events your customer might choose to attend. This can give you a sense of what your customers expect to pay. You can do this research in a number of ways, but scouting around online is a good place to start. A Google search for similar events in your area can yield intersting results. Eventbrite hosts many events that you can browse to get a better understanding of your competition.

Keep in mind that even "similar" events may have very different values (both real and perceived) to their potential customers. The food and beverages served, the talent, the location, the time of year, even the type of customer will vary. Be sensitive to these nuances.

For example, we recently spoke with an organizer of beer festivals. There is a lot of competitive information about beer festivals online, so she priced her event at a competitive rate, based on other beer festivals around her. However, when her first event went on sale, it was clear that the competitive price was too high.

After doing a bit more research, she found that the competitive price did not accurately reflect the socioeconomic conditions of her local customer base. Even being one town over from the other beer festivals mattered, because her local customer base didn't have the same willingness to pay — and therefore ascribed a lower perceived value to her event. So she brought the ticket price below the competitive rate, and more in line with perceived value.

Value-Based Pricing and Ticketing Types

A good place to start is determining how many different types of tickets you're going to offer your customers. It's very unlikely that a single price is the right price for everyone. Rather, if you offer a variety of tickets types, you'll attract customers who perceive more value in a higher priced ticket, while still being able to serve those who perceive less value.

Multiple ticket types can also increase perceived value: they make cheaper tickets look like a better deal, and more expensive tickets look VIP, all in a way that reinforces the benefits of value-based pricing. Further, the ticket types you offer are completely up to your imagination — they can be whatever you want them to be.

Mia's "Early Access" ticket type is a good example of a creative ticket type that added value. But this is far from the only low cost, high-perceived value option in the world. What does your customer base find most appealing about your event? It may seem obvious, but avoid assumptions — reach out and speak with your potential customers directly to inform your strategy.

As you talk to customers directly, keep in mind that if you ask them about pricing, you'll likely hear only one answer: "I want to pay a lower price." Customer feedback is great for questions about what a customer might want from a VIP experience or why they would attend a beer festival. But steer clear of asking about specific prices. Instead, consider testing pricing out in the wild. If you're using a ticketing technology partner with full reporting capabilities, you'll be able to see how different ticket types perform — so you can quickly test your hypothesis. It may take a few iterations of your event to fully understand what customers are willing to pay for, but that experimentation will significantly boost your bottom line.

While it's not yet commonplace, the use of multiple ticket types is actually very standard among savvy organizers. When Eventbrite looked at the most successful organizers in terms of total sales, the overwhelming majority of them use several ticket types for each event (the average number of ticket types per event was 2.7).

Though there was a lot of variety, most of the ticket types could generally be bucketed into 4 groups:

01 **Regular Tickets** - a standard ticket, for example General Admission

02 **Special Access** - gives attendees something extra for a higher price, for example VIP, Early Access, or a Backstage Pass

03 **Targeted Discounts** - gives discounts to all groups that can easy to "prove" membership, for example to students, children, or members of the military

04 **Group Discounts** - offers discounts for bulk purchases, for example a pack of 6 tickets for one price

These examples are common among the most successful organizers on Eventbrite, but they are far from the only options. For example, reserved seating sections in general admission events work particularly well, especially for events like airshows. Tickets that bundle consumables at the event and entry work for events like food and beverage festivals. Even something as simple as a photo with a guest speaker can increase perceived value significantly. You are not just selling a ticket — you are selling an experience to an event that you exclusively control.

As you develop your ticket types, keep value-based pricing in mind. If you understand the value your customer receives from each particular ticket type, you'll only add ticket types that create higher perceived value (or allow you to serve attendees who perceive less value, without degrading your overall average price). Your ticket prices will match perceived value, which is critical to extracting the full value from an event.

If you have an eye towards profitability, the best ticket types are a) those that create a lot of value for your customer, but don't add that much additional cost to you, and b) those that allow you to tap into those with lower perceived value, but in a way that reduces your cost. A no gift-bag ticket in our example on page 6 could be sold for $10 less than a standard ticket, without harming margin.

Now that you've spent some time on ticket types, it's time to think about price. You'll learn how to price ticket types, and how you can adjust your pricing over time, in the next section.

Setting and Increasing the Price of Your Tickets

Now that you have the right ticket types, you need to come up with the right price — or really prices — for each one of those ticket types.

Setting the Initial Price

Setting the initial price of each ticket type can be tricky, and no one guesses the "perfect" price on their first go. Even with all of the best research in the world, you will be much better served if you treat pricing as a "test-and-then-iterate" exercise — an exercise of constant learning and adaptation. This means putting a price on your ticketing or registration page, and reacting based on the response from your customers. Even if there was some hypothetical perfect price for a particular moment in time, macro-economic factors might change, or your customer base may shift slightly, and suddenly that perfect price won't be so perfect anymore. It's much better to approach pricing as a series of adjustments and optimizations.

Setting the initial price for your first event is sometimes the hardest because you don't have any real world data to go off of. At the end of the day, the best you can hope for is an educated guess.

To start, think about the typical customer that might purchase each one of your ticket types. Based on your competitive research and your understanding of your customer, what is your best guess at their willingness to pay? Take that guess and move it up by 20%, and down by 20%. Are you confident that a 20% increase is too high, or a 20% decrease is too low? A good starting price is one that you feel fairly confident that some of your most eager customers will be willing to buy almost instantly. If you don't have much confidence either way, you can always start on the lower end, knowing that as ticket sales continue you can move your price up.

Increasing the price

Many best-selling organizers start with a lower price and gradually increase the price as the day of the event approaches. There are many reasons to do this. One is that it helps generate early ticket sales, which may give you early visibility into the attendance of your event. Also, attending events is a social affair. By generating early ticket sales, you are creating mini ambassadors that will likely work to attract their network to your event. Give them an incentive to buy early, and they'll have more time to recruit on your behalf. Another reason to gradually increase prices: as an exclusive experience, price actually informs perceived value. You are not selling a commodity good — as price goes up, people will see more perceived value, not less.

How exactly you increase your prices is up to you. It's standard to increase prices 3-4 times prior to the day of their event, "triggered" by different milestones. Some organizers wait until a ticket type sells out — for example, they may have 200 VIP tickets at $199 and when all 200 tickets are sold, then they increase their price.

Drew takes a slightly different approach with his Bay Area technology conference. He increases his prices on a set date, and makes sure that his customers know when the next date is approaching. This drives a lot of ticket sales right before the price increase. To set the next price, Drew has a few options. Typically, he'll adjust the increase based on ticket sales. If sales have been strong, he'll set a larger increase; if sales have been weak, the next increase will be smaller. This allows Drew to get real world feedback on the perceived value of his event, and adjust pricing accordingly.

There's no "right" answer when it comes to the best pricing strategy for your event; you may not know what works until you conduct research, experiment, and using your findings to refine your strategy.

Just remember: Don't let cost determine your price — let price determine your cost. The more you can show would-be attendees the high value of your event, the more they're likely to pay for a ticket.

Ready to talk to an expert about pricing your event?
Give us a call at (866) 902-2531.

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