SMART PRICER

CASE STUDY

Using A/B testing to determine Classictic customers' willingness to pay

REPORT INSIDES

- Background and challenge
- A/B testing approach
- Key results

CLASSICTIC
Your ticket to classical music

COMPANY
Classictic GmbH

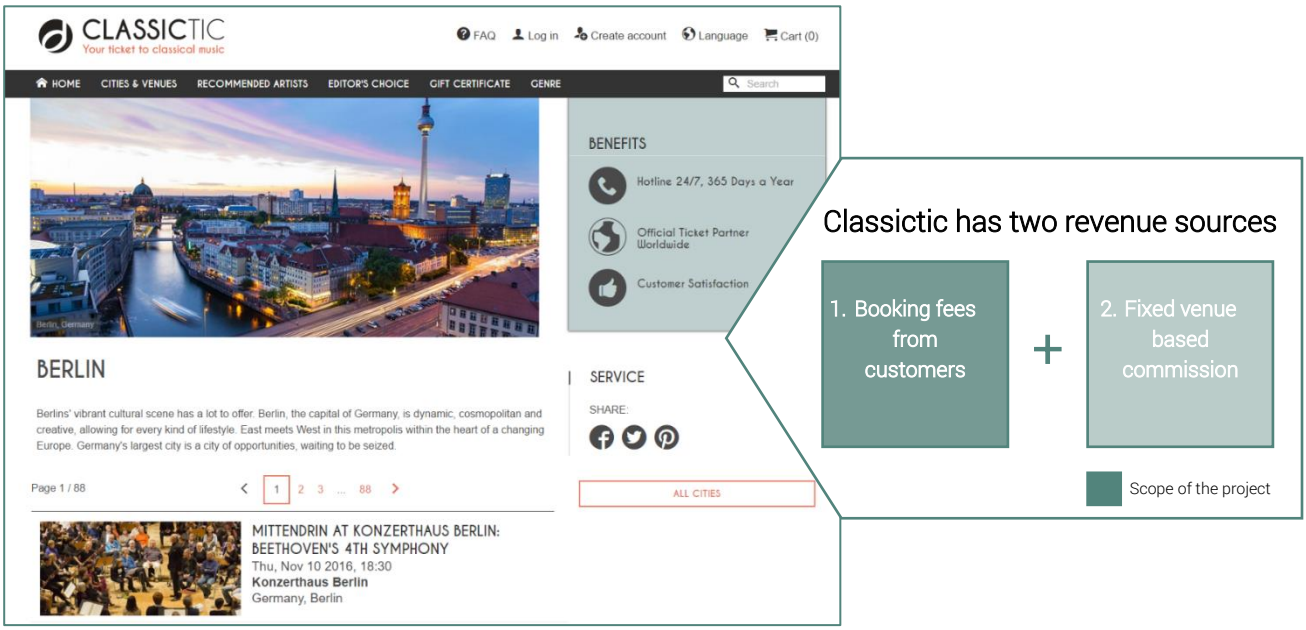
WEBSITE
www.classictic.com

INDUSTRY
Ticketing partner for classical events

HEADQUARTERS
Berlin, Germany

The Customer

Founded in 2002, Classictic is a ticketing partner that connects classical music audience to live performance of the music they love. For millions of people, *classictic.com* is the address for tickets to classical concerts, operas and ballet performance on the stages of over 200 venues, around the world.



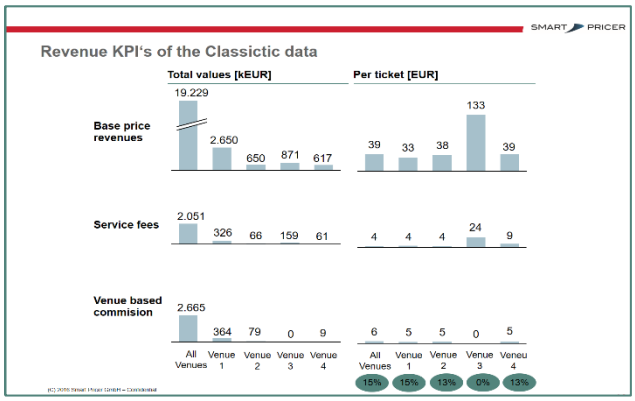
> *SP developed a model that allows us to determine the willingness to pay for individual customer segments. By tailoring our prices accordingly, we increased our revenue by more than 20%.*
>
> - Robert Koch, General Manager, Classictic

The Challenge

Classictic had been working with a historically grown fee base of fixed fees per venue.
The web portal operator asked SP to optimize its fee structure to achieve a revenue increase.

Smart Pricer's approach

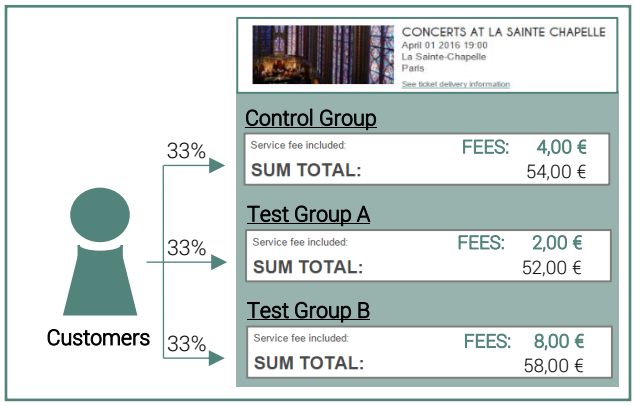
1 ANALYZE



Historical data analysis

- Analyze historical booking data of 4 key venues to understand customers' booking patterns depending e.g. on time of the year, weekday, time until the event and geolocation

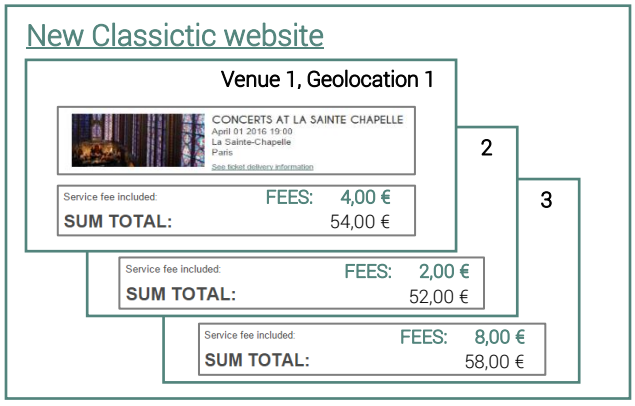
2 TEST



Willingness to pay test

- Create three fee price groups:
  1) Control Group: no change of fee
  2) Test Group A: fee decrease by -50%
  3) Test Group B: fee increase by +100%
- Test all three price groups for each venue and geolocation
- Determine the revenue optimal price point per venue and geolocation

3 APPLY



Application of test results

- Apply the revenue optimal price points per venue and geolocation to the new website

Deep-dive into one of Classictic's venues

Description of venue 7

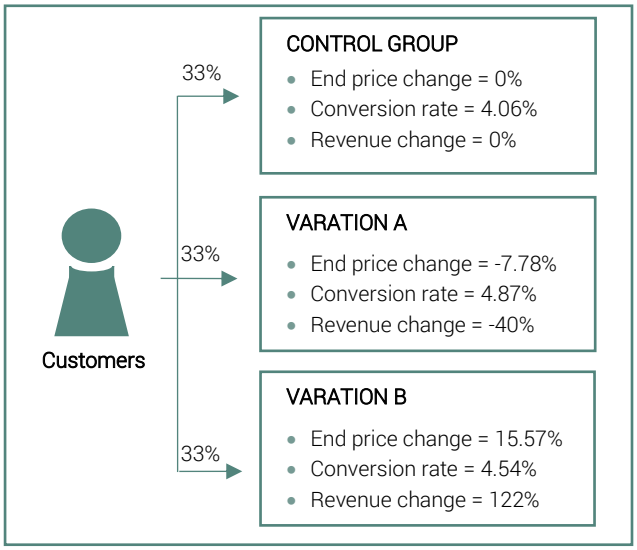
- Venue type: Opera in France
- Hosting about 380 performance annually with a total audience of about 800,000 viewers

1 ANALYSE

- On average 2.02 tickets per booking
- Average ticket price (ATP) 130.50 EUR
- Current average service fee 24.00 EUR
- Key drivers for bookings are – sorted by order of priority:
  1. Venue
  2. Customer's geolocation

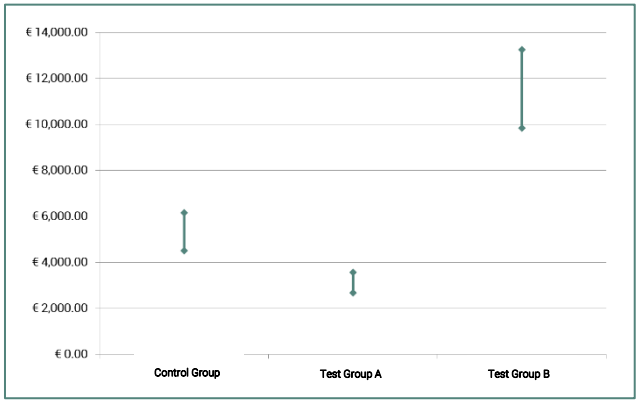
  } Project's focus
  3. Time of purchase
  4. Time between the booking and the event

2 TEST



- For venue 7, geolocation 2:
  - Reducing the fee by -50% resulted in a -7.78% lower end price and a slightly higher conversion
  - Increasing the fee by +100% resulted in a +15.57% higher end price while conversion remained constant
- Overall 1'st venue test demand was insensitive to price changes as the conversion rate remained between 4-5% in all three groups

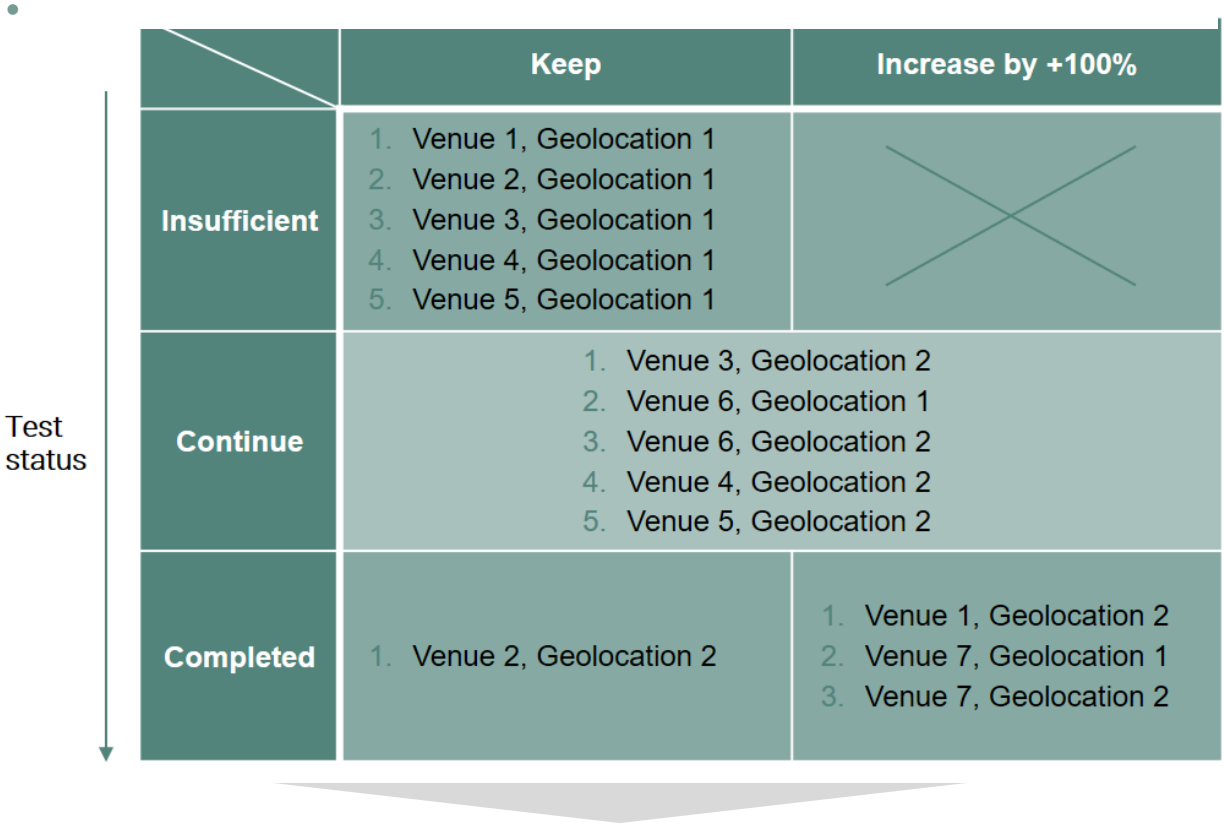
3 APPLY



- Using Bayesian statistics, we created a 90% revenue confidence interval for each test group
- For venue 7, geolocation 2 the intervals showed that test group B generates the highest revenues for Classictic (up to +100% revenue increase)

Results for all tested venues:

- Overall, we conducted 14 tests for 7 venues over 4 months
- The results of the 14 venue – geolocation combinations can be clustered into 3 categories:
    1. Insufficient volume: Revenue intervals highly overlapped, often due to insufficient sample size given that the number of conversions was too low
    2. Continue test: Revenue intervals only with marginal overlap, a few more weeks of testing are likely going to identify the group with the highest revenue for Classictic
    3. Completed: Revenue intervals do not overlap; one test group generates the highest revenues for Classictic



Project summary:

- A/B testing is a recommended way to test willingness to pay
- For some venues and certain geolocations, the demand is highly inelastic to price, price increase of up to 100%, did not affect the conversion rates
- For the 7 venues, we identified ~ 100 kEUR potential annual revenue increase
- Based on the achieved results the total potential annual revenue increase for all venues is in the range of ~200-250 kEUR

The service is worth what the customer is willing to pay

Pricing is one of the most powerful tools to drive ticket sales and increase revenue.

Smart Pricer applies dynamic pricing by using innovative data science techniques to understand demand and optimize prices. Our software uses real-time data to forecast demand and set the revenue optimal price at any given time - filling more seats and increasing revenue.

Customers win by booking early.
You win by selling more.

About Smart Pricer

Smart Pricer offers an innovative approach to data science and dynamic pricing in the sport, cinema and entertainment industries. Our services include dynamic pricing software, innovate data science solutions and price strategy consulting.

Our web-based software allows sports clubs, cinemas, and theaters to increase revenue by using data to dynamically adapt prices to demand. First, we consult with clients to assess pricing strategies and determine critical demand drivers. Then, our customized software forecasts demand and optimizes prices in real-time without sacrificing price control.

> *"At Smart Pricer we believe that the key is to offer the right price to the right customer at the right time. By testing the willingness to pay at Classictic, we were able to provide an optimized price model for each of their venues.*
>
> - Christian Kluge, CEO, Smart Pricer

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