

**CHOCO
VERSUM**
by HACHEZ



SMART  PRICER

Pricing Case Study

Customer Biography

Chocoversum by Hachez is a Hamburg museum focused on the history of chocolate and chocolate manufacturing. Open since 2011 the museum operates via guided 90 min tours starting every 15 to 30 min, serving an average of 200,000 guests per year. Attendance has grown steadily over the last 9 years, with an almost 50% increase between 2014 and 2016.

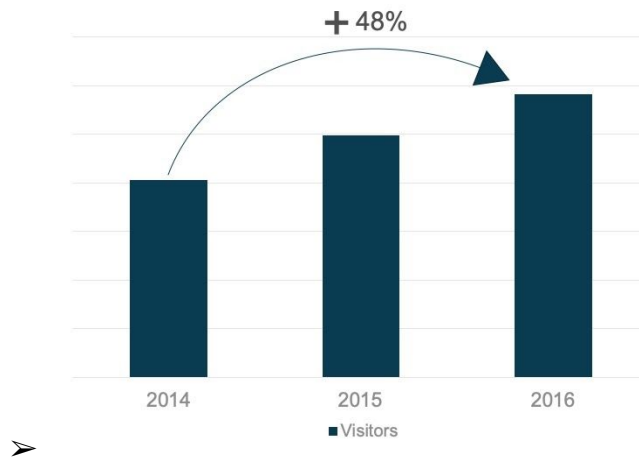


Fig. 1: Number of visitors at Chocoversum from 2014 to 2016

Customer Pricing Challenges

- Continued increase in attendance and a limited number of tours with a fixed capacity of 40 people per tour means that it can be difficult accommodating all types of guests.
- High demand days can see all tours booked before midday and low demand days can be severely underbooked and not profitable.
- In general the number of tours that are at least 80% booked doubled over the period of 2014-2016.

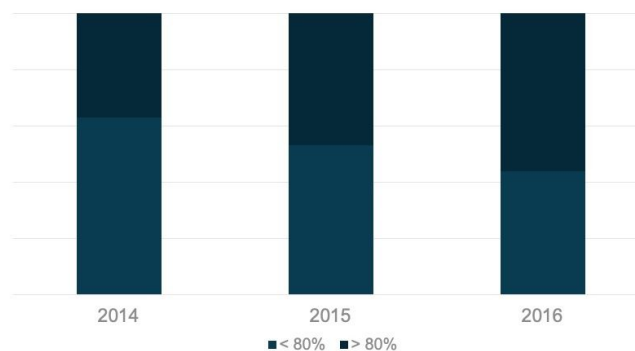


Fig. 2: Percentage of tours with 80% or more filled capacity from 2014 to 2016

- Customer segmentation showed that the existing pricing was not supporting the known customer groups. Customers are split between groups and individuals 30% to 70% with a large difference in price sensitivity.
 - Eg. Students are price sensitive with flexible schedules whereas tourists have more rigid schedules but are much less price sensitive.

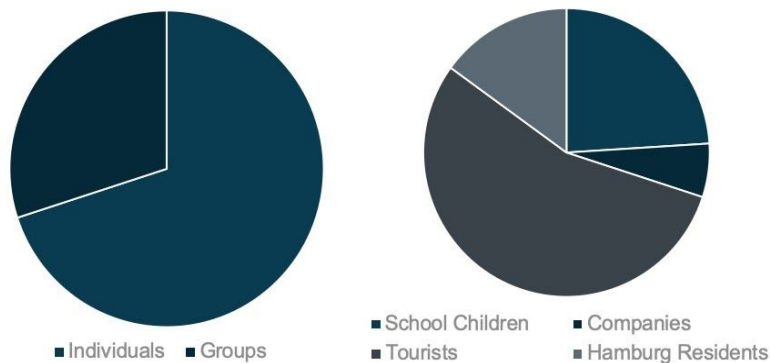


Fig. 3: Percentage of individual visitors vs. visitors in groups as well as differentiation by guest category

- In conclusion attendance was unevenly spread out over tours compromising guest experience and decreasing profitability

Project Description

Smart Pricer was engaged to assist Chocoversum in defining and enacting a pricing strategy that helps them address their existing business challenges and sets them up to continue their projected growth. Smart Pricer used analytics of the museum's demand patterns and ticket sales to help Chocoversum meet their pricing goals.

Customer Goals

- Even out demand peaks to ensure availability and stable profitability of tours
- Improve resource planning to ensure availability of tour guides and other resources to meet expected demand.
- Improve customer experience and decrease lines at the box office and by incentivizing online sales.
- Create a pricing strategy accounts for further growth.

Smart Pricer's Solution

Smart Pricer's solution to meet Chocoversum's goals is a variable pricing strategy. A variable pricing strategy allows a company to set a product's price based on a selected set of parameters like demand or time of day. Variable pricing is a good fit because it allows the museum to accommodate its varied customer base and provide maximum profitability for each slot for each tour. Specifically it allows prices:

- To be set based on demand
- To reward early online bookers
- To allow better resource planning based on actual demand
- To account for new growth.

Smart Pricer's Pricing Process

Smart Pricer uses a 6 step process to manage its projects.

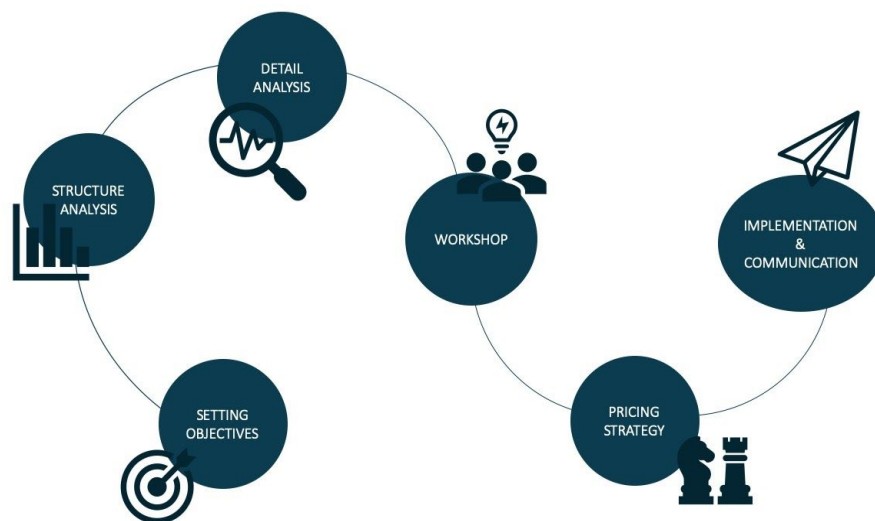


Fig.: 4: Implement a Pricing Strategy in six steps



1) Setting Objectives

What are we trying to achieve?

During the initial phase Smart Pricer worked with Chocoversum to identify the key objectives for the pricing strategy.

The three objectives chosen were:

- To increase revenue per visitor as well as Average Ticket Price (ATP)
- To ensure all customer segments are taken care of eg. family friendly pricing
- To move purchasers to purchase early and online



2) Structure Analytics

The next step was a structured analysis of their sales history. To accomplish this we first need to ensure that we have all data necessary to complete our analysis, this means “fingerprinting” the clients data by creating an overview of the available data and verifying that this overview matches the clients expectations. Once the “fingerprint” was complete, Smart Pricer aggregated and analyzed transaction data to find patterns of efficient and inefficient pricing that can be mitigated with the planned pricing strategy. This let us determine the best way to provide them flexibility in reacting to demand changes, find out if we could automate their price updates and understand the value and impact of demand predictions.



3) Detailed Analytics

Once patterns were identified detailed analysis was done to find specific areas that have the highest impact to operations and profitability. This involved a customized pricing simulation to allow us to show the impact of suggested price changes. For Chocoversum analysis showed that the areas of highest impact were seasonality, day of the week and time of day.

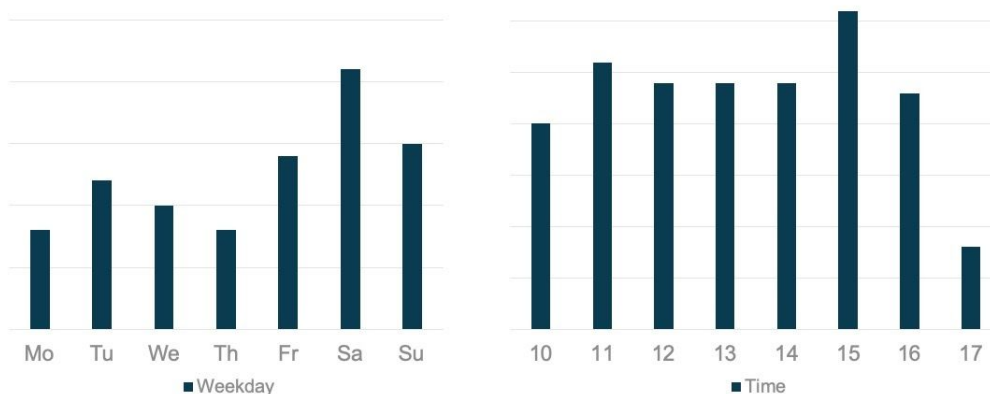


Fig. 5: Percentage of Tickets sold by Weekday and Time 2016



4) Workshop

A joint workshop covered methods and tactics for communicating the changes in pricing to Chocoversum’s customer base. Communication of pricing changes is a key step in ensuring the success of any change in pricing strategy.



5) Pricing Rule Book

All the data gathered and analyzed during the previous phases fed into this process. At this time the specific mechanisms for the price change are determined as well as the actual price levels. To achieve the client's goals the following determinations/changes were made:

- Single entry tickets became variably priced while group prices remained static.
- Early and online purchasers paid less than purchasers who used the box office.
- Pricing options were increased for price sensitive guests like students and families.
- The price changes were clearly communicated via the website to ensure maximum customer acceptance.

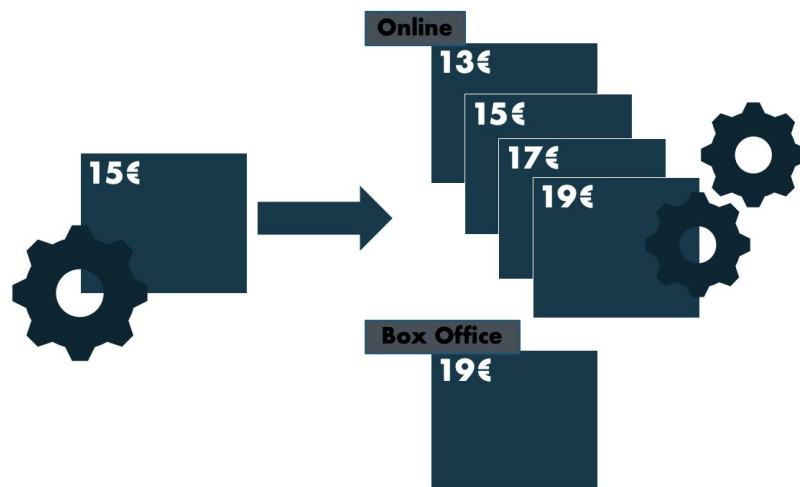


Fig. 6: Exemplary setup of price change for ticket category "adult" from former static pricing to new variable pricing and price change over time



6) Implementation as well as Internal and External Communication

Communication is key to the success of any pricing strategy change. Smart Pricer has accumulated years of experience in assisting our clients in ensuring end customer satisfaction with tried and true methods for clearly communicating changes and highlighting the value to the customer.

Internal Communication

Smart Pricer advised Chocoversum on how to inform their employees of the background, objectives and implications of the pricing project and new pricing strategy. This provided them the information they needed to answer any guests questions.

External Communication

Smart Pricer recommended various methods to highlight and explain the price changes on the website transparently. You can see below the addition of a “from” (“ab”) label.

Adults
Pre Sale: from 13 €
Visiting Day: 19 €

Kids (6-17 Yrs)*
Pre Sale: from 10 €
Visiting Day: 12 €
*Children aged up to 5 have free admission to the museum. Own chocolate bar: 4,50 €

Family Ticket*
Pre Sale: from 36 €
Visiting Day: 50 €
*1 adult + 2 children + 1 additional person (adult or child)

Discounted*
Pre Sale: from 12 €
Visiting Day: 17 €
*Students/ Trainees/ People with disabilities

Hamburg-Card
20 % discount
Only granted for card holders at our box office

Budni Card
3 € discount on max. 1 ticket
Only granted for card holders at our box office

Exhibit 1: Open communication at Chocoversum showing the variable prices

A colored calendar on the website visualized price levels for each day and each tour so visitors can easily find out when and why prices are higher or lower.

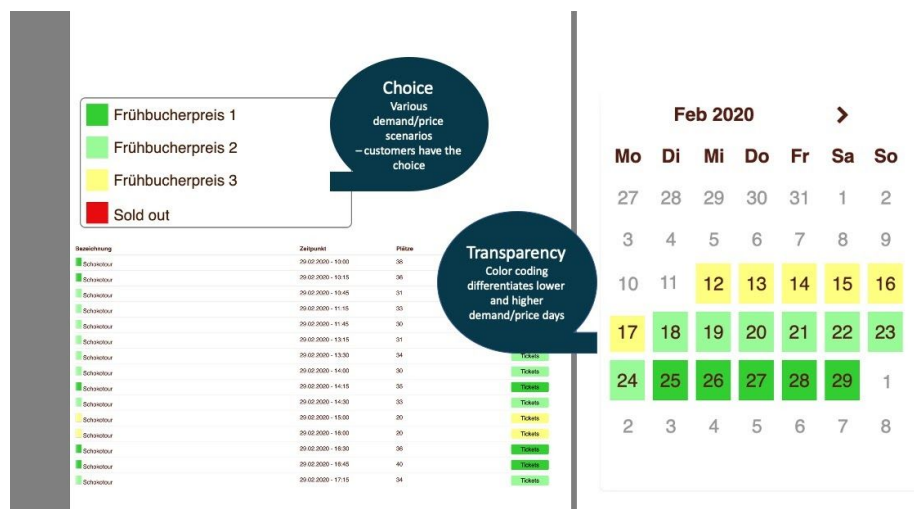


Exhibit 2: Color scheme at Chocoversum’s online ticket shop

After One Year...

- | | |
|-------------------------|---|
| ✓ Average ticket price: | increased by +5% |
| ✓ Online share: | increased by more than +50% |
| ✓ Pre-Booker: | purchase occurs on average 2 days earlier than before |
| ✓ Peak times: | Relief and Redistribution towards off-peak times |
| ✓ Customer reaction: | Very good – price- and time-sensitive guests satisfied |
| ✓ Employee acceptance: | Very good acceptance and collaboration |

Chocoversum observed that **demand distribution was more consistent** throughout the day and that **long lines** are rare.

Key Learnings

- Having clear objectives makes it easier to create and enact a pricing strategy.
- A comprehensive pricing strategy requires **analysis and understanding of demand patterns**.
- If handled proactively customer communication can ensure the success of any change in pricing strategy
- With a properly planned strategy It is easy to **adjust prices again and again**.

“In the end, variable pricing convinced us because it considers our more price-sensitive guests, protects peaks, pushes online booking, allows more independence from the weather as visitors buy tickets earlier and online due to attractive prices and leads to more happy and satisfied guests!”

Sandra von Bargaen

Head of Ticketing, Chocoversum

About Chocoversum Hamburg

The Chocoversum is a privately-owned chocolate museum that cooperates with high-quality chocolate manufacturer Hachez and provides guided tours to all of its visitors. 95 guides – true chocophiles and chocoholics - make sure that the various tours each day are a pleasurable and unforgettable experience to each and every visitor. Passionate about chocolate and its manufacturing process from the bitter cocoa bean to the sweet delight we all know and love, the Chocoversum and its employees were able to steadily increase attendance and keep guest satisfaction at a constant high.

About Smart Pricer

Smart Pricer solves business problems with advanced pricing approaches for companies that have ambitious sales goals and want to be more independent from external impact. The Berlin-based team with an airline pricing background is committed to combine the best of two worlds: pricing software and personal consulting.

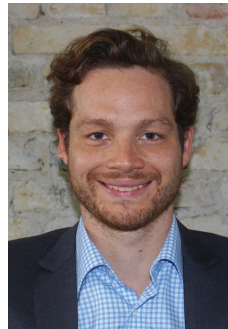
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