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INTRODUCTION

The theater landscape is changing; in a technological world with entertainment at everyone's fingertips, competition for audiences is at an all-time high. Nonprofit theaters are especially struggling in this climate. In 2016, 37.4% of seats per performance were empty, correlated with an 8.7% decline in attendance since 2005. To offset the decrease in earned revenue as a result of these declining attendance rates, theaters have increased their ticket prices, on average, by 29%.[1] Theaters, recognizing these increased prices can alienate even more audience members, have begun to experiment with alternative pricing models like offering discounts to certain populations, making tickets more accessible via apps, and holding same-day lotteries for cheaper tickets. While these endeavors have proven viable with large theaters, many small nonprofits have not had the same success.

Instead of raising prices or offering steep discounts, some theaters are forgoing pricing all together; they are choosing to adopt the innovative pay-what-you-want model (PWYW). In this model, audiences members can, as the name states, pay what they want, whatever they want. While it may seem counterintuitive to use this as a strategy to stay economically viable, we'll explore in this paper how theaters have come to find both economic and mission success using this approach. We'll further identify the issues with adoption, evaluation, and how the initial success some theaters have had may be short-lived.

METHODOLOGY

To gather information about PWYW, we conducted interviews with six directors and managers from theaters across the country: Simone Finney, Marketing Director at Ubuntu Theater Project in Oakland, CA; Gwydion Suilebhan, Director of Brand and Marketing at Woolly Mammoth Theatre Company in Washington, DC; Rose Hamill, Managing Director at Broken Nose Theatre in Chicago, IL; Mark H. Andrews, Marketing Director at Azuka Theatre in Philadelphia, PA; Anjani Amin, Strategy and Analytics Manager at Joyce Theater Foundation in New York, NY; and Susan Medak, Managing Director at Berkeley Repertory Theatre in Berkeley, CA. We asked each about their experience with PWYW, why they chose to experiment with it or why they decided to avoid it. We also tried to get at how this has affected them economically; have they been making more money, have their donations suffered, and have they been seeing new audience members? Our goal was to investigate whether there were any "universal truths" about any given successful model that could be applied to theaters in other contexts. In particular, we aimed to evaluate whether successful models at small theaters could scale up and prove economically viable at the country's largest nonprofit theaters, thereby inspiring industry-wide adoption.

[1] https://www.tcg.org/pdfs/tools/TCG_TheatreFacts_2016.pdf

PAY-WHAT-YOU-WANT

The focus of this paper is the pay-what-you-want model (PWYW). This model, also known as pay-what-you will, can, wish, and decide, has become more prevalent in the nonprofit theater industry in recent years. In the PWYW model, made popular in the arts world by The Metropolitan Museum of Art, customers can pay anything or nothing at all for the services offered. While many theaters are moving from a standard ticketing approach to PWYW, the Met has had a different trajectory. Originally beholden to a 19th century New York State law that required the museum to be free, in the 1970's, the Met introduced a pay-what-you-wish model to bring in earned revenue. The museum utilized a recommended contribution approach, where they advertised a $25 fee as a suggested admission price. [2] This approach is called anchoring using an injunctive norm.

Anchoring is when numeric information is used to influence payments. When organizations provide a suggested price, they are using an injunctive norm as opposed to a descriptive norm, the amount others typically pay. Theoretically, by being exposed to a suggested price or indication of value of the item or service, consumers will "anchor onto" the number and move up or down until an acceptable value is reached. The organization wants the number that consumers go down to, to be higher than the number they would have paid if there weren't an anchor. Choosing an anchor and choosing how to frame that anchor is important. Research has shown that choosing a higher anchor will lead to consumers paying more; also, choosing to use an injunctive norm is more effective, as people are more likely to perceive that as the floor, especially if people perceive the good is worth more. However, when organizations use the descriptive norm, that is, when they tell customers what others have paid, people are more likely to perceive that as the ceiling and pay an amount closer to that value.[3] In a 2015 study, Marcus Kunter found that 71% of people had reference prices on their mind when choosing a price, more than customer satisfaction (47%) and fairness (37%).[4] Anchoring is particularly useful when the consumer doesn't know how to value an item or service, but knows they can or are willing to pay within a certain range, as in the arts.

While anchoring is useful to provide a benchmark for customers, why do people pay at all if it is not required? One would imagine that the free rider problem would be pervasive in this pricing model. Research has found that whether people pay and what they pay is motivated by various factors, like customer satisfaction / service provider's performance, fairness / provider's break-even, income, feelings of guilt, feelings of shame, getting a bargain, satisfying the provider, and what others are paying, in that order. Essentially, people are motivated by doing what they think is right.[5]

Finally, is the PWYW model economically viable? In theory, this approach should allow for perfect price discrimination, as every customer pays what they think is fair, or what they are able or willing to pay. This would mean that an organization can extract all the revenue possible from the market. While this leads to some paying less, maybe even lower than marginal cost, some will pay more and it should even out. Additionally, this approach enables an organization to achieve market penetration, and in the case of a nonprofit whose mission is about maximizing units sold rather than profit, this is a compelling

[2] https://www.metmuseum.org/blogs/now-at-the-met/from-the-director/2013/important-message
[3] C.A. Armstrong Soule, R. Madrigal / Journal of Behavioral and Experimental Economics 57 (2015) 167–175 169
[4] M. Kunter / Journal of Business Research 68 (2015) 2347–2357
[5] Ibid.

aspect. Finally, this could translate to a competitive advantage, as it can drive other firms out or pull new customers into the market.[6] In the following sections, we'll explore the experiences of various theaters that have adopted the PWYW model and if they've achieved these three benefits.

THEATER PRICING MODELS

There are many different pricing approaches theaters use to maximize revenue, diversify audiences, increase arts access, and fill seats. Though this paper is focused on the increasingly popular PWYW model, it is critical to understand the wide landscape of pricing methods and become familiar with the context through which PWYW emerged.

Subscriptions

Perhaps the most well-known technique theaters use to maximize revenue is the season subscription. Bundling all of their annual productions into one package and offering it to patrons at a slight discount below what it would cost to purchase seats to each show individually has been a popular way for theaters to price their work for generations. With the cash flow benefits to the theater of large, one-time lump payments (generally at the *beginning* of the season) and a set number of guaranteed seats filled for every production, the advantages this model provides the theater are clear. Less so are the benefits realized by the patrons. Though many individuals may enjoy the one-time payment to enjoy a full season - and added benefits such as the same seats for each show and invitations to special events throughout the year - the subscription is becoming less popular, and contributing less and less to the earned revenue of theaters.[7] Especially in larger cities with more saturated theater markets, patrons increasingly want the flexibility to attend only the shows they want, often splitting their time among several theaters. Historically, subscriptions acted as a way to spread ticketing income over a full season of shows, absorbing some losses from poorly attended, more experimental shows in the theater season.

The decline in subscriptions is not entirely new, as subscriptions dropped 18% between 2007-2011, and have only continued to do so.[8] To counteract this decline, many have begun to innovate with the subscription model itself, some even taking a page from the Netflix model of low monthly fees. Both New York Theater Workshop in Manhattan and A Contemporary Theatre in Seattle have implemented a monthly payment model, ranging from $15 to $60 per month, depending on the options a patron selects. These theaters are betting that a $15 payment made 12 times is more palatable than a $180 payment made once each year. Of course, the key difference is that with a Netflix subscription the programming is on-demand whenever, wherever and can be consumed around the clock. Making monthly payments for something enjoyed for a maximum of two hours every other month is a very different ask. Additionally, subscriptions rely on patrons with a significant amount of disposable income and a deep passion for individual organizations. We can view subscriptions, overall, as a way for theaters to maximize revenue and fill seats, but certainly not as a way to increase access and diversify audiences.

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[6] Schmidt, Spann, and Zeithammer: Pay What You Want as a Marketing Strategy Management Science 61(6), pp. 1217–1236

[7] https://www.americantheatre.org/2017/11/21/priority-report-theatre-facts-2016/

[8] https://www.americantheatre.org/2016/10/25/what-theatre-might-learn-from-netflix/

Same Day Tickets

In contrast to the “sell-early, sell-in-bulk” mindset central to subscriptions, the purpose of same day ticketing is to leverage the last-minute impulses of patrons and fill empty seats as close to curtain time as possible. Same day ticketing has been a popular way for theaters, especially on Broadway, to increase revenue for every performance. Same day ticketing has many forms, though most fall into one of the following: rush tickets, ticket lottery, standing room only tickets, and centralized booths such as TKTS in Times Square. Rush tickets are generally seats set aside for same day purchase when the box office opens, and often come with a two-ticket limit and may be partial view. Lotteries take place an hour or two before the show begins, and are generally in-person at the theater. They are free to enter and the winners (usually 20 or so for each performance) get heavily discounted tickets, often in the first couple of rows. Standing room only functions similarly to rush tickets, but, as the name suggests, patrons must stand in the back of the theater to view the performance. In-person booths (such as TKTS in New York and HotTix in Chicago) sell discounted tickets to a variety of shows in the city. They have limited numbers and limited seats available, but the seats they do have are offered at a 30-50% discount. Unlike rush and lottery tickets, patrons generally can choose their preferred seats from the booths’ offerings.[9]

Same day ticketing does diversify audiences and works to increase access, but the large cost of same day ticketing is often time. Many tickets are sold as soon as the box office opens, causing long lines to form hours in advance of this moment. Long lines are also a key piece of the TKTS booth, and long waiting times are central to how ticketing lottery works. *Hamilton*, notably, moved its lottery online, enabling patrons to enter the lottery virtually and receive an email notification if they won. This certainly solves the problem of patrons having to wait for hours outside the theater to find out the result, and, for many, saves a useless trip to Times Square. Unlike many lotteries and other same-day initiatives, the *Hamilton* lottery was designed to maximize access to the show. Unfortunately, given how difficult it was for even wealthy patrons to score a full-price ticket, there was no mechanism in place to ensure that lottery winners aligned with the most economically needy.[10]

Age-Conscious Pricing

Whereas many industries - from train travel to fast food - offer discounts to older individuals, theaters seem to have no problem attracting or incentivizing senior citizens, and thus have focused price discrimination efforts on to younger patrons.[11] Most large nonprofit theaters, especially in areas with large populations of young people, such as New York, have some sort of program aimed at theatergoers under 35. LincTix, at Lincoln Center Theater, targets patrons aged 21 to 35 and offers them $32 tickets to performances, a very deep discount. The program is heavily monitored and proof of birthdate is required when signing up for the program and an ID and membership number must be provided both when making the reservation and when collecting tickets.[12] HipTix, at Roundabout Theater, is for patrons aged 18 to 35, who receive $20-25 tickets to all productions, with a maximum of two seats per show. To further cultivate these individuals and build a community of young supporters, Roundabout hosts parties for HipTix members and offers premium memberships with additional perks.

[9] http://www.playbill.com/article/broadway-rush-lottery-and-standing-room-only-policies-com-116003
[10] https://www.nytimes.com/2016/06/09/theater/hamilton-raises-ticket-prices-the-best-seats-will-now-cost-849.html
[11] https://www.dealnews.com/features/The-Best-Senior-Discounts-from-A-to-Z/987339.html
[12] https://www.lct.org/linctix/policies/

[13] Similarly, Manhattan Theater Club's "30 Under 35" program offers $30 tickets and invitations to post-show parties.

It is difficult to view these policies through the lens of economic arts access and audience diversity because of their exclusive focus on age. Theaters are relatively transparent around their desire to cultivate a younger audience that will eventually evolve into the donors and board members of the future. Their interest is much more tied up in thinking about longevity and sustainability, and not making their art more accessible to populations that either cannot - or otherwise would not - attend. With that in mind, it is clear that these initiatives are not revenue drivers or diversity and inclusion initiatives, but instead loss-leaders, a long-term strategy to build a base that will continue supporting the theaters long after the current audience and their bequests have run dry.

Ticketing Apps

Theater has begun to leverage technology as a mechanism to drive sales and increase access. Whereas a few theaters have developed proprietary, internal mobile apps, an independent company, TodayTix launched an international theater ticketing app in 2013 that has had profound impacts on the ticketing industry. Looking first at theater-specific apps, the most notable example is the HERD App at Woolly Mammoth Theater Company in Washington, DC. Described as a combination of the existing apps Doodle and Venmo, the app is designed to help people attend theater as a group, by assisting them in finding a mutually convenient date and then seamlessly splitting the cost of tickets.[14] Though the intention behind the app is a good one, designed to increase access to shows and reframe theatergoing as a group activity for young people, it is unclear to what extent calendaring and splitting payments are the roadblocks people experience to seeing theater. It may be that the mere existence of an app is a novelty that will nudge individuals to try it out and see a show, but given that platforms already exist (Doodle and Venmo) to solve these problems, it remains to be seen whether HERD will become popular for patrons.

More significantly, TodayTix, with its more than $15 million in venture funding and what many believe to be a forthcoming IPO, has impacted the ticket-buying landscape in larger ways than many thought possible. Designed to be a mobile version of an in-person booth, and having sold more than $250 million in tickets across 13 global markets, TodayTix has become popular with both theaters and audiences alike.[15] Theaters select the seats and prices they want to make available and patrons scroll through the app to find discounted tickets to hundreds of shows in their home city. Though tickets can be purchased well in advance, it is often the soonest performances with the lowest prices. Demonstrating that the app is for more than just one-off bargain-hunters, 66% of its users are repeat buyers, 61% purchase subsequent tickets in different genres than the first, and 65% buy subsequent tickets at a higher price point than the last. Though it is only a few years old, early signs show that TodayTix is increasing the overall size of the theatergoing public, with especial benefits to smaller theater companies that get prime placement next to Broadway shows in the app. That the ticket buying takes place instantly and remotely solves some of the access issues intrinsic to in-person buying at box offices or TKTS.

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[13] https://www.roundabouttheatre.org/Support/Become-a-Member/Hiptix-Gold.aspx
[14] https://www.woollymammoth.net/account/login?type=bring-a-herd
[15]https://www.forbes.com/sites/leeseymour/2018/10/11/ticketing-app-todaytix-launches-original-content-venture/#edfe2027d9b8

Demand Pricing

Another way that theaters have begun to innovate around ticketing is with demand pricing, an economics-friendly approach that raises prices for seats as the theater begins to fill. Incentivizing early purchasing from audience members and rewarding theaters with hit productions, demand pricing drives revenue in ways that few other ticketing methods can. Also called dynamic pricing, the approach can take varying levels of sophistication. Some theaters use a flat method in which the first ten seats sell for a low price and subsequent blocks of ten steadily increase, leaving the last handful of seats the most expensive. Other theaters employ more complex algorithms that compare the rate of sale to prior shows and adjust the price - either higher or lower - of tickets accordingly.[16] This can work both ways for patrons, as purchasing early for a show that ends up selling poorly might result in sitting next to someone who waited longer and purchased the same ticket for a much lower price. Of course, theaters are betting on the opposite happening, hoping to get early purchases from patrons who would rather guarantee a reasonably priced ticket and not run the risk of a much higher ticket price as the performance approaches. Theaters view it as a direct response to a decline in subscription sales, hoping it will "re-train all but the least price-conscious arts-goers to start buying early again."[17] Many blame the system of demand pricing for Broadway tickets ballooning so high, as theaters cite excessive demand to justify premium prices that near $1000 for hits like *Hamilton*. Though Broadway is a for-profit context, demand pricing is popular as well in theaters of all sizes. It is easy to see the theaters' perspective that demand pricing drives revenue, but they also run the risk of alienating more price-conscious audience members and reinforcing the stereotype that theater is only for the old, the white, and the wealthy. To address this, theaters often couple demand pricing with some of the other initiatives discussed, such as limited same-day ticketing exempt from demand pricing or age pricing that still offers young patrons a fixed low price.

CASE STUDIES

We interviewed several companies experimenting with the PWYW model with a standard set of questions aimed at answering our main questions of whether PWYW can increase ticket revenue, increase attendance numbers, and not have adverse effects on contributed income in the process. While some themes emerged with regard to these issues, we found that many of the theaters' experiments were in their nascent stages and their strategies were quite disparate from one another, making it difficult to draw universal conclusions about the possibility of scaling to industry-wide adoption. (See Appendix A for a summary table comparing the different approaches and results.)

One of the major differences in PWYW models was that some theaters have decided to adopt an "all seats, all performances" approach while others (usually the larger theaters) have committed to only one or two PWYW performances for each production. While the smaller theaters' more radical strategy is taking a gamble on increasing both revenue and attendance, the larger theaters have uniformly found that their revenue is drastically lower on PWYW nights, but that it has indeed cultivated new audiences who otherwise would not have access. These larger theaters have a variety of established complementary outreach activities, but it is difficult to draw clear connections between such activities and PWYW strategies. In many cases, these complementary activities are tied exclusively to their

[16] http://articles.latimes.com/2011/jul/06/entertainment/la-et-dynamic-pricing-20110706
[17] Ibid.

more targeted ticket discounting strategies (such as the aforementioned receptions for younger audiences). While it is too early to tell how these differing strategies will translate into long-arc mission success, it is safe to say that the smaller theaters seem more hopeful about creating entirely new missions and business models that serve a new type of theatergoer, whereas the larger theaters are more concerned with utilizing PWYW as a mechanism for supporting their existing mission - i.e. converting PWYW patrons into regulars who interact with the theater in the more traditional sense.

Ubuntu Theater Project

Ubuntu Theater Project is a company of local artists in Oakland, California led by the philosophy of its name, a Zulu proverb which means “I am, because we are” and “My humanity is tied to yours.”[18] Founded in 2012, the company only began publicly reporting its financial information in Fiscal Year 2016. In 2016 and 2017, the company’s total operating budget was approximately $94K and $177K, respectively.[19] In those two years, contributed revenue jumped from being 43% of the company’s total revenue to 75%.[20] The national average of contributed revenue percentage for theaters with budgets under $500K was 60% in 2017[21], but this is not a strong benchmark for a theater of this size, since the average income for the theaters measured in this group was $303K.

Ubuntu received widespread attention in October 2018 when American Theatre Magazine published an article about Ubuntu’s innovative “Pay-As-You-Can” (PAYC) subscription model, in which all seven-show subscription ticket packages could be purchased for any price the customer wanted, and which effectively increased the theater’s base of subscribers from 25 to 300 in one season.[22] This model was implemented at the start of the 2018 season.

Prior to the implementation of this initiative, Ubuntu had already been committed to accessible ticket prices; all of their single tickets were available to all patrons on a sliding scale for $15-40, listed in $5 increments on their purchase page, and they always held six to ten tickets for at-the-door purchases, which were always sold as pay-what-you-can.[23] Season subscriptions were previously available for $120, or $200 for “priority” buyers, or $25 for artists and patrons under age 25.[24]

The decision to move to PAYC was based on two factors, according to Ubuntu’s Marketing Director, Simone Finney: one based on mission and another based on strategy. The mission-driven aspect was a reaction to the increasing level of income disparity in Oakland, which has resulted in the displacement of many Oakland artists, many of whom are people of color, and who make up the majority of the talent Ubuntu sources for its productions. Ubuntu’s leadership determined that finding new, radical ways to invite the local community to the theater should include a model such as this. Finney stated, “Cash isn’t the only barrier that keeps people from attending the theater – there is also the sense of feeling out-of-place, the perception that theater is elitist – but this was a barrier we could control, or at least minimize.” The strategic angle was the hope that this type of package would serve as a commitment device for new patrons who wanted to try attending the theater once, but would return to extract the full

[18] http://www.ubuntutheaterproject.com/ubuntu-philosophy/
[19] Data from Form 990s obtained through GuideStar.
[20] https://www.guidestar.org/profile/46-5365654
[21] Voss, Zannie Giraud, et al. Theatre Facts 2017. Theatre Communication Group, 2018.
[22] https://www.americantheatre.org/2018/10/05/a-pay-as-you-can-season/
[23] All information from interview with Simone Finney unless otherwise noted.
[24] https://www.americantheatre.org/2018/10/05/a-pay-as-you-can-season/

value from the package they had already purchased. To accommodate this strategy, the company attached perks to the package, such as guaranteed seats on sold-out nights and fee waivers for switching dates, the latter of which was aimed at reducing the fear of commitment for younger audiences who prefer not to plan their evenings months in advance. One unexpected purchase avenue was provided by actors in the shows, who bought a low-price subscription for their friends as a gift, as a way of getting them into their own shows for less than the price of a single ticket while encouraging friends to support the rest of the season as well.

The messaging on Ubuntu's website mirrors the duality of the mission-driven and strategic tactics. While their ultimate request reads, "Pay-what-you-can, pay what you think is fair, give because our work matters to you," they preface it with high anchoring prices by saying, "The average cost of a theater subscription in the Bay Area is $350; if you can't afford that, that's okay." They also note that the average cost of seven single theater tickets is up to $600,[25] despite the fact that their maximum available single ticket price is only $45.

The results of Ubuntu's first-year experiment were largely positive. The average subscription price in 2018 was $60 – less than the regular $120 from before, but a considerable increase in revenue when considering the increase in demand. Finney shared that earned revenue as a percentage of total revenue grew considerably, though exact numbers were not yet available at the time of the interview. In addition to the aforementioned 1200% increase in subscribers, subscription revenue increased from 2% of all earned revenue to 25%. Prior to implementation, Ubuntu's staff had conservatively budgeted a $15 average ticket price, and subscribers ended up paying $17 per show, which was in line with the average single ticket price they receive - $17-21, depending on the show. And while there were a high number of $1 subscribers, Ubuntu also received payments of up to $600 from some particularly generous patrons. "At a certain level, they see it as a donation," Finney said.

Finney noted that the team was terrified while devising this initiative that it would cannibalize their contributed revenue, but that it has done the opposite. Anecdotally, she shared that those who pay less than an average ticket price feel compelled to donate more when they "pass the bucket" at the end of a show, and that she has seen additional donations come in overnight from patrons who saw that evening's performance. She chalks this up partly to guilt for those who paid $5, but also to the quality of the work on stage, which many are clearly communicating with their wallets that they value the art above the low price of their tickets.

The biggest downside of the experiment was the increased number of no-shows, which led to unpredictable house counts on any given night. Finney said this was likely a result of the waived ticket exchange fee – with low prices and no penalty, many patrons had no incentive to alert the box office when they were not going to attend. Also, because a subscription could be purchased for less than a single ticket, several patrons treated the PWYC subscription as a way to obtain an even lower price point on the already sliding-scale single tickets, with no intention of attending the other six shows. One important next step will be to set policies and other commitment devices to avoid such high numbers of empty seats (which disappoint the actors more than anyone), such as regular reminders of showtimes and a 24-hour exchange policy.

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[25] https://squareup.com/store/ubuntu-theater-project

Despite these minor setbacks, Ubuntu is hopeful about the second season, which Finney claims will be the true test of the PWYC initiative's success. Luckily for Finney, her marketing budget has increased as a result of the boost in ticket sales, and she is eager to put these financial resources to work after doing so much with very little for the past few years.

Ultimately, Finney contended that, though there are many economic lessons to learn from the psychology of this experiment, the initiative ultimately worked because of the ethos of Ubuntu. The company had spent several years cultivating communities of artists and audiences in their local region, and committed to "radically inclusive" principles in their programming. "We're not selling these people a product; we're inviting them in," said Finney, "and they are thanking us for investing in stories about different experiences."

Broken Nose Theatre

Founded in 2012, Broken Nose Theatre is a fully Pay-What-You-Can theatre based in Chicago. The company took a break after its first two seasons to refocus on its values, realizing it had launched "without a foundation to stand on."[26] Returning from the hiatus, Spenser Davis, one of the founders, proposed the PWYC model to the rest of the company as a way to make one of its founding values - access to the arts - at the center of the company's operations.[27] Noting the homogeneity of many Chicago audiences, Broken Nose set out to break down economic barriers and create a theater that was truly welcoming to everyone. Though the company is proud of developing 11 new plays over the years and its women-centric annual "Bechdel Fest," Broken Nose didn't become widely known in the city until its 2017 critically-acclaimed production of *At The Table*. Soon after, the company was awarded the 2018 Broadway in Chicago Emerging Theater Award.[28]

Managing Director Rose Hamill spoke with us about the company's experience using PWYC, focusing on its successes and challenges throughout the last few seasons. Throughout the conversation it became clear how central PWYC is to the way Broken Nose thinks about its mission and its role in the community. Hamill pointed out that, unlike some companies who "use PWYC to fill seats on a slow night," Broken Nose has a "deep commitment to economic accessibility." This is evident through its position as one of the only fully PWYC theaters in the country.

As expected, there are inherent challenges communicating PWYC to patrons who are not used to it. Hamill mentioned the importance of combining the PWYC model with framing it the right way to audience members. In response to the perception, "especially among older patrons," that all the theater is free and all payments are simply donations, they incorporated "ticket price" into all of their marketing materials. Broken Nose launched the slogan "Any Ticket, Any Show, Any Price" to indicate that, though the exact dollar amount is set by the individual, all tickets to all shows *do* have a price that patrons must pay. Reframing the conversation and asking patrons to think about their means and how much the art is worth to them has been a success. The company is also conscious that in order to reach an economically diverse audience they have to advertise through mediums that are free to patrons.

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[26] All quotes and company history from interview with Rose Hamill, November 2018.
[27] http://www.brokennosetheatre.com/mission-and-values/
[28] https://www.broadwayworld.com/chicago/article/Broken-Nose-Theatre-To-Receive-BIC-Emerging-Theatre-Award-20180423

Ticketing software has also emerged as an unanticipated challenge to the PWYC model for Broken Nose, though with the positive consequences of increased revenue. In their old online ticketing system patrons were faced with a completely blank box and asked to fill in any value of their choice. When they moved to a new venue, they had to migrate to a new ticketing platform that did not have this functionality. Now, when a patron buys a ticket, they are faced with a "suggested price" ($30) along with additional options ranging from $5 to $40. They have noticed that, since moving to the new software with suggested prices, the average price a patron pays has skewed higher, though the average remains slightly below the $30 suggestion. That said, in addition to the new ticketing platform, the higher average price has also followed the notoriety of the theater. Though they have never deviated from the PWYC model, when faced with a hit production, Hamill mentioned that they do raise the suggested price. It is important to the company that, especially during these moments of success, they continue to "live their values" and remove all possible financial burdens from attending.

Two of the major questions for a theater when they embark on a PWYC model are: Is it actually working to attract new audiences that wouldn't attend otherwise? And how is the PWYC pricing model interacting with other revenue sources, particularly individual and foundational support? For both of these questions, Hamill's answers indicate that PWYC is working for Broken Nose. Their data indicates that older patrons and those with means are paying close to the suggested price, and those with less disposable income are paying less and still seeing plays. From a funding perspective Hamill highlighted that PWYC has made soliciting funding - from both individuals and foundations - *easier*. "We are one of the few [theaters] still doing post-show appeals for money," she mentioned. Their message of "your dollars make this experience possible for others" has resonated with patrons and they are seeing a consistent year-over-year increase in donations. Grants, too, have been easier to come by, as economic access to the arts is something foundations are willing to step up and fund. An interesting point is that, in all of their marketing efforts, they have avoided messaging around the "actual" costs of a production and encouraging audiences to fill the gap. "When you do that, you are crowding the audience with numbers. Instead, we want the messaging to be audience-centered. We are PWYC so that audience members who can't afford it can attend."

Woolly Mammoth Theatre Company

Woolly Mammoth Theatre Company is a nonprofit theater in Washington, DC that is nationally recognized for its offbeat programming, often dealing with politically charged or provocative subject matter. Based on the company's Form 990s from Fiscal Years 2015 through 2017,[29] its annual operating budget is typically about $4.5 million,[30] with approximately 61% of its revenues comprised of contributed income.[31] This is close to the national average for theaters of this budget size, whose contributions make up approximately 57% of their total revenues.[32]

In the theater industry, Woolly is particularly well-known for its "Connectivity" programs, which take many forms and strive to connect and engage diverse audiences to the work on stage. On its website, Woolly claims,

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[29] Obtained through Guidestar.
[30] Fiscal Year 2016 was an outlier, in which the organization's expenses totaled just over $4 million.
[31] Fiscal Year 2017 was an outlier, in which the organization raised approximately 71% of its revenues through contributions.
[32] http://www.tcg.org/pdfs/tools/TCG_TheatreFacts_2017.pdf

> We make extra efforts to connect audiences to our boundary-breaking work and to give back to the DC community that has given so much to us. Ticket accessibility programs including Pay-What-You-Will Performances and $20 Stampede Seats attract one of the youngest and most diverse theater audiences in DC to Woolly. And we engage this audience by offering extensive dramaturgy on each production, programming panels and post-show discussions featuring experts from the academic and policy worlds and providing audiences with direct access to our artists.[33]

Woolly has been offering one or two "Pay-What-You-Will Nights" for each production in its season for several years. In its current iteration, tickets are sold via the TodayTix app or website on the day of the show, and customers are free to choose from a menu of prices, with a minimum of $5 to cover the theater's transaction costs. Approximately 30 tickets are sold at the physical box office with no minimum. On the FAQ page for the initiative, the organization establishes a suggested anchor price by stating, "Keep in mind, though, that the actual cost of the ticket you'll be receiving is at minimum $35 and that Woolly Mammoth is a civic-profit organization."[34]

Gwydion Suilebhan, Director of Brand and Marketing at Woolly, shared that the initiative at Woolly exists to reduce barriers for audiences who may wish to see theater at a lower price point, adding, "Many of our PWYW patrons undoubtedly see shows on other nights as well, but we don't actively work to 'convert' them, with the exception of introducing them to other low-ticket price opportunities." While the initiative has seen success in terms of number of patrons reached, Suilebhan stated that the difference between regular and PWYW performances is "very major. Average ticket prices for PWYW performances are only about 20-25% of the average ticket price for a non-PWYW performance."

Suilebhan also noted that regular patrons enjoy attending PWYW as often as they can, but that the organization does not have any data on whether those patrons tend to deviate from the ticket price they normally pay, nor do they have hard numbers beyond some anecdotal observations on whether donors who attend PWYW tend to consider their ticket a donation instead of making a regular contribution. This leads us to believe that any conversions of donations to ticket revenue as a result of PWYW are too small to have a noticeable effect on the earned-to-contributed ratio.

When asked if Woolly would ever consider scaling up their PWYW efforts, Suilebhan said, "We haven't actually considered expanding it, because doing so would be a significant strategic and financial shift. Woolly is a theater with *many* innovations on its plate at any given time, so this one just hasn't risen to the top. But it might, somewhere down the road..."

Azuka Theatre

Azuka Theatre, a small non-profit theater in Philadelphia, is proud to be the first theater company in Philadelphia and the country (as far as they can tell), to implement PWYW for every performance at every production. In its model, which the theater refers to as "Pay What You Decide," (PWYD) theatergoers reserve tickets without paying, attend the production, decide what it's worth after the experience, and pay as they leave. Azuka adopted this model because it "[wants] to remove the

[33] https://www.woollymammoth.net/about-us/mission
[34] https://www.woollymammoth.net/box-office/pay-what-you-will-nights

financial barrier of seeing theater - particularly new theater work - and open the doors to anyone interested in attending a show."[35]

Mark H. Andrews, Azuka Theatre's Marketing Director, spoke with us about the theater's experience with PWYD[36]. A board member, who had read an article about this practice at ARC Stockton Arts Centre in England, proposed PWYD as a solution to Azuka's declining audiences. Azuka had been experiencing a slump in overall numbers and noticed the audience at each production was comprised of the same people. The company had attempted policies of discounts, complimentary tickets, and subscriptions, but nothing had proven to be successful. When this idea was brought to leadership's attention, they were skeptical at first, but did agree that it fit with Azuka's mission.

Originally executed as an experiment in the 2016-17 season, Azuka thought the initial increase in audience attendance was a fluke, but after three seasons have found a consistent increase in both attendance and revenues. Previously, Azuka's average price per ticket was about $12.50, but is now $18. Andrews attributes this to those with the ability to pay, paying more than they did before, knowing that their dollars are subsidizing those who can't pay. They also find that people with less ability to pay still contribute small amounts ranging from $1 to $5 with apologies that they can't pay more. To communicate the value of a ticket, Azuka has decidedly chosen not to use anchoring, but instead puts its people at the forefront. For every production, the focus is on all the people working hard behind the scenes and Andrews thinks this translates into higher valuations of the performances.

Transitioning to this model has not been without its problems, however. The cost of implementing the model was high, particularly with initial research, marketing, and updating the website and reservation system. The company received a grant for the first two years to cover those costs, but now is dealing with the increased cost of staffing their box office to account for payment collection at the end of the night. Andrews acknowledges that if its spaces were any larger (Azuka has an 80-seat black box and a 120-seat proscenium), it would not be feasible to take payments at the backend. At its current size, it's been difficult and Azuka is looking to invest in a new box office platform that will allow the company to better process third-party digital payments to alleviate long box office lines at the end of the night. The theater is entering its first year without the initial grant and is hoping new funders come in to take up the slack. Additionally, 20-25% of reserved tickets are no-shows at each performance. The theater has decided not to take a punitive approach and instead has started flagging individuals as likely to not appear. If a person with a reserved ticket doesn't call or arrive within 15 minutes of the performance, they do forfeit their ticket. Finally, the theater is getting some pushback from audience members. While Azuka is unique from other theaters in that its audience members are younger, the older and more traditional audience members would rather be given a price and insist on the theater telling them what an average ticket price is. Despite these ongoing areas of friction, Andrews says he knew Azuka had reached the "height of success" when two homeless people showed up to the theater, able to access art that they would have not been able to before.

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[35] http://www.azukatheatre.org/pay-what-you-decide/

[36] All information from interview with Mark H. Andrews, November 2018.

Joyce Theater

The Joyce Theater Foundation is a New York City institution that commissions and presents contemporary dance performances on an annual budget of approximately $12 million. Contributed revenue comprises approximately 45% of total income.[37]

The Joyce adopted a Pay What You Decide (PWYD) program in their 2017-18 season, as part of a collaboration with the Ford Foundation to expand audiences for the theater.[38] This was coupled with a $10 ticket initiative for audience members who are dance industry professionals. PWYD performances were only offered for one to two performances of certain weeklong presentations, in an effort to get audiences to take risks on seeing lesser-known companies performing less mainstream work. (Performances of Twyla Tharp's company, for instance, did not offer the PWYD opportunity.) Like Azuka, the Joyce collects payment after the show, partly as a way of signaling that they have faith in the quality of the performances, and partly as an experiment to gather research on what dollar value the market places on the art. As a result of the latter, the organization does not put out any anchoring prices in their marketing materials, as they want to gather fresh data from new patrons, who have little-to-no knowledge of what an average ticket costs on a regular evening.

Like all of the other theaters referenced here, the organization immediately realized success in welcoming first-time audience members, especially among younger patrons and patrons of more diverse racial and ethnic identities. Audience capacity saw a marked increase; whereas regular nights would fill approximately 200 seats, PWYD performances saw an average of 370 seats filled out of the total 472. The remaining seats, according to Anjali Amin, the Joyce's Strategy and Analytics Manager, were due largely to no-shows.

Similar to Woolly Mammoth, the Joyce experiences serious shortfalls in ticket sales revenue: less than half of what they would make on a regular night, despite the increase in number of tickets sold. Average ticket prices are usually $30-40, but only $11 on PWYD nights. In addition, the Ford Foundation is not subsidizing the second year of this experiment, but the organization has factored this shortfall into their operating budget with the hopes that they will be able to convert new patrons to regular ticket buyers and realize greater earned revenue in the long term.

Capturing these buyers happens one of three ways after the performance: 1) Patrons, who made a free reservation to attend the performance, are sent an email after the performance encouraging them to pay online; 2) Patrons fill out an envelope with their credit card and contact information (cash donations can happen anonymously); or 3) Electronic payment stations, supervised by volunteer staff members, are installed at the theater and used after the performance. Despite the theater's relatively large size, Amin said that the in-theater post-show payment methods are not cumbersome to patrons, as most opt to fill out the envelope during pre-show or intermission.

In terms of messaging, Amin said the Joyce's leadership has been hesitant to message the PWYD initiative as supporting emerging artists, as they did not want to undercut their branding of high-quality artists. Rather, they strive to message it as what it is: an audience-building initiative, which many regular dance enthusiasts are happy to support. The exception is the Joyce's donors, who the

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[37] Information from Form 990, obtained through GuideStar.

[38] All subsequent information from interview with Anjali Amin, November 2018.

development department invites to these performances, but do not communicate that they are PWYD. This is partly because donors receive complimentary house seats to all performances anyway, but also because they do not want donors to allocate their philanthropic spend to PWYD evenings, where they may feel that they can pay less and still make an impact.

When asked if the Joyce is considering a larger adoption of this program, Amin seemed skeptical, despite the benefits they are currently realizing. Without a major and consistent alternative funding presence, the organization simply would not be able to sustain a scaling up of the idea. Still, Amin seemed hopeful about the continuation of PWYD in its current form. "It's been great to see talented artists perform to the large houses they deserve. People are lining up around the block to get into these performances, and our regular patrons have praised us for making dance more accessible. And hopefully, this will lead to larger followings for these artists in the future… And maybe in 50 years we'll have Joyce subscribers who were introduced through Pay What You Decide. That would be the ultimate sign of success."

IMPEDIMENTS TO ADOPTION

Theater Communications Group, the national service organization for the nonprofit theater industry, has 500 member institutions,[39] which make up a small fraction of the actual number of theaters in the country. The Alliance of Resident Theatres in New York and the League of Chicago Theaters boast 400 members[40] and 200 members[41], respectively. Relative to the large number of theaters operating across the country, there are very few who are practicing the PWYW model. Though the case studies in this paper do not comprise an exhaustive list of adopters, they are among the most prominent examples, and they do represent a large percentage of the organizations found in an internet search. Of those who are using it, very few have large houses or large budgets. Of the case study theaters surveyed in this report, the Joyce is the largest with an operating budget of $12 million and a house of 472 seats; Woolly Mammoth is the second-largest with a $4.5 million budget and a house of 265.

This suggests that industry-wide adoption of such practices, especially by larger institutions, would be met with a large number of impediments. Drawing from both our research and our speculation, the most prominent impediments include:

- **Steep decreases in earned revenue**: Both the Joyce and Woolly Mammoth reported that their earnings on PWYW evenings are only 20-50% maximum of what they would make for a regular performance, despite the increase in percent of seating capacity sold. Larger theaters, who depend on earned income for approximately 50-60% of their total income (as opposed to smaller theaters whose earned income is approximately 40% of total),[42] could suffer greatly from losing 80% of that revenue for any given performance, let alone an entire season.
- **Insufficient subsidy**: The Joyce depended greatly on the Ford Foundation to subsidize their pilot season of PWYW performances, and Woolly also cites institutional donors as supporters of their ongoing efforts. For larger theaters to sacrifice major dollars from ticket sales, they would also depend on both upfront and ongoing capital from major institutional donors. Though it is

[39] http://www.tcg.org/Membership/TheatreMembership/CurrentMembers.aspx
[40] https://www.art-newyork.org/current-member-list
[41] https://leagueofchicagotheatres.org/index.php?template=industry
[42] TCG Theatre Facts 2017, Page 30.

likely there is capital out there for experimentation, it would be fair for larger theaters to fear that such capital would quickly fall away, leaving the theaters to fill a major shortfall in their revenue.

- **Capital investments**: Initiatives such as this, particularly those spearheaded by early adopters, require major upfront investments such as additional staff, data analytics (new software, consulting services, etc.), and increased marketing spend to educate audiences about how to interact with the system. Even if a theater had capital to invest in such practices, it is likely that the marginal revenue earned on such an investment would pale in comparison to the marginal revenue that could be realized if the same capital were invested in a ramp-up of fundraising efforts. Theater organizations may find that their time is better spent chasing philanthropic dollars to add to their current earnings, as opposed to dollars which subsidize 80% of lost earnings on PWYW performances.
- **Types of audiences**: Larger theaters are, by nature, less able to establish personal one-on-one connections with audiences members in the way that a theater like Ubuntu has demonstrated success doing. Thus, PWYW buyers may be less likely to view these performances as a service, and more like a freebie from a large institution. It is also likely that the larger theaters will attract more out-of-town patrons and tourist-like audiences, who will not adopt the psychology of a repeat game, and have less incentive to pay more. (It is important not to put too much emphasis on tourist behavior with relationship to nonprofit theaters, though, given the less commercial nature of the work on stage.)
- **Higher expense obligations**: Larger theaters are bound by high-obligation collective bargaining agreements with actors, directors, designers, and stagehands. In addition, most of them operate out of large buildings with high operating expenses. The danger of earning drastically less than their budgeted expenses open them up to litigation from the unions and other risks, and their exit costs are much higher, should their PWYW experiment fail. It is worth noting that Ubuntu, one of the few theaters to adopt PWYW on a grand scale, has no union obligations and no fixed assets.

IMPEDIMENTS TO ADOPTION: CASE STUDIES

The Met – Moving Away From PWYW

As of March 1, 2018, The Met made a change; after consulting with the New York City Department of Cultural Affairs, they decided to move away from PWYW for all and instead charge flat admission for visitors from out-of-state. New York residents and students from New Jersey and Connecticut will still be beneficiaries of the PWYW policy. For others, however, what were previously suggested prices, have become compulsory. PWYW has not been working for The Met in the last decade. They cite an increase in attendance of more than 40% over the last eight years to 7 million people across three locations and yet, in the last 13 years, visitors paying the full suggested price have declined by 73%. The Met started out as a free institution based on mandates by the government, but their ever-growing size and costs have made that and the PWYW model infeasible. The Met believes that the update to their admissions policy will allow them to better fulfill their mission.[43]

Berkeley Repertory Theatre – No Adoption in Sight

Berkeley Repertory Theatre (BRT) is a 50-year-old flagship nonprofit theater in Berkeley, California with an operating budget of approximately $20 million, and whose contributed revenue comprises

[43] https://www.metmuseum.org/blogs/now-at-the-met/2018/updated-admissions-policy-daniel-weiss

approximately 35-40% of total income.[44] BRT operates two performance spaces: the 600-seat Roda Theatre and the 400-seat Peet's Theatre.

Susan Medak, longtime Managing Director of BRT, said she has no interest in pursuing any PWYW ticket sales strategy. "The only people who take advantage are the people who are savvy theatergoers, and would attend anyway," she claimed.[45] For several years, BRT has been a notable outlier that has not succumbed to the trend of most nonprofit theaters seeing steep decreases in subscriptions. Medak credits this to her Marketing department's strategy of using discounts sparingly. "If you make it clear that buying a subscription is the cheapest way to see these shows, and you resist rewarding people who wait until last-minute discounts, you will find that theatergoers will happily pay the right price and take risks on the variety of your season." Clearly, BRT's longevity as an institution has reinforced behavior on behalf of both firm and customer for participating in a repeated game.

As for expanding audiences beyond the already-savvy theatergoers, BRT prefers to employ more targeted price discrimination with discounts for patrons under age 35, military veterans, and a limited number of patrons who can get $10 tickets on the day of the show – subject to availability. Even in years where subscription enrollments are declining, Medak prefers to deeply discount subscriptions over single tickets: "It's the only way to acquire customers and then *keep* them coming."

Finally, Medak noted that keeping the organization in control of pricing reinforces BRT's value proposition of high-quality, nationally-recognized productions, many of which transfer to Broadway. "I don't know why there is a stigma about pricing appropriately high," she said. "If we don't place a high value on it, we're apologizing. Or worse: signaling that the product isn't good enough. *It is*."

IMPEDIMENTS TO EVALUATION

Throughout our research, we found it difficult to conclude whether PWYW will be successful for other small nonprofit theaters and if it will remain successful for theaters like Ubuntu, Azuka, and Broken Nose. Our interviewees often spoke of a lack of data available to them from before and after the transition. The PWYW payment processes don't necessarily require any demographic information and it becomes more difficult to gather data on audience members. Mark Andrews spoke to us about how people who pay generously will provide their name, email, and other identifying information, but people who can't afford to pay much, will leave an anonymous envelope with an apology that they can't pay more. It also becomes easier for a house manager to see an empty seat and direct someone to it without recording their attendance. Furthermore, there historically hasn't been a culture of data collection in the industry; this means there is not much known about patrons from before implementation.

Finally, definitions of success vary. Depending on the theater, their motive could be gaining new audience members irrespective of revenue growth, filling empty seats and increasing their earned revenue, or building a loyal patron group. Within the same theaters, as their needs shift, the definitions of success could also change. Ultimately, trends need to be analyzed in the long run. PWYW is still in its infancy; many have only run short term experiments and those who have fully embraced the practice

[44] https://www.berkeleyrep.org/about/pdf/17-990PublicDisclosure.pdf
[45] All quotes taken from interview with Medak, November 2018.

have only done so for two or three years. It remains to be seen whether the benefits these theaters have seen will continue into the future.

CONCLUSION

Judging from the large differences in PWYW practices between case study theaters and the general deficit of consistent hard data on results, it is difficult to pull recommendations from certain success stories that will prove to be beneficial in a variety of contexts. Our findings about steep decreases in revenue on PWYW nights from larger theaters are discouraging, especially when paired with the many impediments to adoption offered in this paper. This leads us to believe that much more experimentation will be required before larger theaters will consider adopting PWYW models on a larger scale, and it is likely that the burden of this experimentation will fall on smaller organizations in their startup years.

On the other hand, the one uniform point of data - whether quantitative or anecdotal - we were able to gather allows us to conclude that PWYW pricing models consistently increase a theater’s attendance from patrons who otherwise consider ticket prices a barrier. Though PWYW models are labor- and capital-intensive when considering the investments required for implementation and the losses realized in revenue, it can still be argued that PWYW models are a wise investment in a theater organization’s future. This is especially compelling when considering the aging population of theatergoers - it is becoming increasingly important for the theater industry to cultivate younger and more diverse populations to ensure relevance and sustainability in the future. Given the transitory nature of younger generations, efforts at cultivating new audiences will need to be adopted industry-wide. Any theater which adopts radically inclusive efforts in a single community may not reap the benefits of molding lifelong theatergoers if those patrons are inclined to move away later in life; the only way to realize a return on investment is for efforts from theaters across the country to complement and support each other’s long-term success. While the PWYW model may not be a silver bullet that can save a struggling industry, its success in bringing in new theatergoers despite discouraging revenue results indicates that it may be worth continued risk-taking. This could be especially true if large-scale cooperation could be achieved between competing organizations who share the goal of preserving the cultural relevance of this millennia-old art form for generations to come.

APPENDIX A - TABLE OF PWYW MODELS AND RESULTS

	Broken Nose Theatre (Chicago, IL)	Ubuntu Theater Project (Oakland, CA)	Azuka Theatre (Philadelphia, PA)	Woolly Mammoth Theatre Company (Washington, DC)	Joyce Theater Foundation (New York, NY)
Budget Size	(Not available)	$177K	$250K	$4.5M	$12M
House Size	Variable: Approx. 50	Variable: Approx. 99 seats	80-seat and 120-seat	265 seats	472 seats
Earned/ Contributed	40% / 60%	25% / 75%	20% / 80%	40% / 60%	55% / 45%
PWYW Model	"Any Ticket, Any Show, Any Price" - pay at point of purchase	All subscriptions and day-of tickets, all performances "Pay-As-You-Can" - pay at point of purchase	All performances "Pay What You Decide" - pay after the performance	1-2 "Pay What You Will" Nights per production - pay at point of purchase	1-2 "Pay What You Decide" nights for select presentations - pay after the performance
Results: Attendance	Increase in overall attendance	12x increase in subscriptions	Increase in overall attendance	Increase in tickets sold, especially among first-time patrons	85% increase in tickets sold on PWYW evenings
Results: Ticket Revenue	Higher average ticket price	13% increase in average ticket price	44% increase in average ticket price	80% decrease in ticket revenue on PWYW nights	>50% decrease in ticket revenue on PWYW nights
Results: Effect on Contributed Revenue	Increased year-over-year funding from individual donors and foundations	Increased donations, especially at "pass the bucket" solicitations after performances	No data	No data	No data - Joyce decidedly does not message PWYW to donors