Bundling as a Branding Tool for Events in the Performing Arts. A case study in Opera attendance

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Abstract

Operatic events are an important sector of the performing arts industry, which is currently facing the challenges of decreasing demand as the traditional opera going segment becomes aged and other sectors of the performing arts industry compete more effectively in terms of price. By adding value and ensuring satisfaction, it is expected that the subsequent enhanced brand loyalty would increase the likelihood of repeat membership. This paper examines the antecedents of brand loyalty and hypothesizes that offering attractive “package deals” which bundle various benefits with the seat ticket may increase brand loyalty. To test this hypothesis a discrete choice experiment was conducted. It is concluded offering bundles can create a greater likelihood of customer satisfaction and favourable behavioural intentions including increased brand loyalty.

Keywords: Opera, brand loyalty, bundling, performing arts.

Track: Tourism, Events & Sports Marketing

Introduction

In the services marketing context, performing arts poses a series of complexities in relation to its intangible characteristics, experiential nature and the degree of emotional attachment of the patrons (Kotler and Scheff 1997). Operatic events are an important sector of the performing arts industry, however opera is facing the challenge of declining attendance and it is critical that loyal subscription holders maintain their memberships. This has left operatic organisations with the difficulty of how to encourage repeat attendance. Price bundling, offering two or more separate goods/services together in a single package at a different price from the sum of the components’ prices, is one of the most prevalent marketing practices in many industries (Venkatesh and Mahajan 2009). Tellis and Stremersch (2002) reflect that bundling is pervasive in marketing strategies and provides examples of “opera season tickets, luggage sets and internet services.” This paper will examine the antecedents of brand loyalty and hypothesizes that offering attractive package deals may lead to increased brand loyalty. It is hypothesised in this paper that increased demand for opera performances may be achieved by formulating attractive “package deals” which bundle various benefits together with the seat ticket. To test this hypothesis a discrete choice experiment was conducted in which respondents were required to choose between competing deals.

Background

Opera in Australia has a rich history and the Sydney Opera house is recognised as “A genuine Australian icon … much like the Eiffel Tower in Paris” (Colbert, 2003, p.69). However Colbert (2003, p.69) states that the CEO of the Opera House had the key objective of encouraging people to “seek out the Sydney Opera House for its shows not just its architecture.” Recent research into Opera Australia attendees found that over half (57%) of subscribers and over a third (35%) of single ticket buyers were over 65 (Bell 2009). Additionally, there has been an increase of lapses in subscription. A report from 2009 shows
that 19% lapsed after only a year and a third lapsed after subscribing for 10 years or more (Bell 2009). This reflects or exceeds membership churn in other industries, such as membership churn for season ticket holders in the Australian Football League (McDonald, 2010). In researching opera attendance characteristics few academic studies have reported empirical analyses of opera audiences or their attendance preferences. Holak et al. (1986) found that subscribers were influenced most heavily by timing, whilst nonsubscriber attendance was influenced also by the familiarity of the opera. Borgonovi (2004) found that occupation and educational attainment played a major role in opera attendance. Johnson and Garbarino (2001), identified two goal orientations motivating customer decisions to attend dramatic theatre, enrichment and leisure. Hume and Sullivan Mort (2010) put forward that within performing arts perceived value is a predictor of customer satisfaction and repurchase intention of performing arts products is largely based on satisfaction mediated by perceived value. It has been indicated repeatedly that bundling can increase consumers’ perceptions of value (Naylor & Frank 2001) even if actual monetary outlay is greater. Naylor and Frank (2001) indicated that price bundling significantly increases perceptions of value for first-time consumers and repeat purchasers alike. As such this research explored bundling as a strategy to stimulate demand in the performing arts using opera attendance as a case study.

From a marketing perspective, subscribers are an important asset as the number of subscribers is often predictable in advance of the performance season, providing a quantifiable audience that can be exposed to targeted promotional communication (McDonald, 2010), as well as providing a consistent audience and revenue stream. Loyal customers (in this case subscribers) are considered key contributors to organisational profitability and success (Ferrand, Robinson, and Valette-Florence, 2010) and understanding the psychological processes that are behind customer decisions is an important topic of research (Braeutigam, Rose, Swithenby and Ambler, 2004).

With dwindling numbers of attendees it is critical that loyal subscribers maintain their memberships. By enhancing brand loyalty within membership holders the likelihood of repeat membership would increase. From a marketing perspective, past studies have shown that there is no universally accepted definition of loyalty (Cheng, 2011). Instead, it is often conceptualised in two ways; loyalty as primarily an attitude that leads to a relationship with the brand, and loyalty is primarily expressed in terms of revealed behaviour (i.e. the pattern of previous or past purchases).

Although this two-dimensional approach to loyalty has been a dominant theory of past studies (Park, 1996), more recent studies have argued that behavioural and attitudinal loyalties are separate constructs and do a poor job of predicting loyalty outcomes (East, Gendall, Hammond and Lomax, 2005) where others have contended that the two are interrelated and provide an accurate framework for analysing the bond between customer and brand (Uncles, Dowling and Hammond, 2003).

When examining antecedents of brand loyalty within the literature, satisfaction is a key factor. A positive relationship exists between visitor satisfaction and customer retention (Alegre and Cladera, 2006). In addition, satisfying experiences have been proven to create customer loyalty. Research into destination loyalty shows that one of the most decisive factors in repeat visit to a destination by visitors is their satisfaction (Yoon and Uysal, 2005). Satisfaction has been repeatedly linked to repurchase intention, this is also true within the arts (Hume and Sullivan Mort, 2010).
Rosenberg and Czepiel (1983, as cited in Alexandris et al., 2002) state that the cost of acquiring new customers can be up to six times that of retaining existing ones, while Riechheld and Sasser (1990, as cited in Backman & Veldkamp, 1995) claim that a 5% increase in loyalty can result in profit increases of up to 85%. Whilst these figures are unlikely to directly translate into the case of Opera Australia it is clear that satisfying opera audiences and increasing repeat visitation, is far more efficient than attracting new visitors, thus achieving satisfaction is crucial. This paper proposes that package deals or a bundling of offerings may increase brand loyalty.

Bundling, that is offering two or more separate goods/services together in a single package, is prevalent in a wide variety of industries and is implemented in a wide variety of forms (Wu et al. 2008). "Price Bundling" is the sale of two or more separate products in one package at a discount, without any integration of the products for example a luggage set (Bakos and Brynjolfsson 2000). Another form is “Pure Bundling” a strategy in which a firm sells only the bundle and not the items separately (Venkatesh and Mahajan 2009). Additionally, “Mixed Bundling” occurs whereby a firm sells both the bundle and the items separately (Banciu 2009). There have been various applications of bundling within leisure services, including tourism (Dev et al. 1996), sport (Woolf 2008) and performing arts (Simonin 2003). Examples of research into bundling of services can be seen as early as 1963 when Stigler was believed to first articulate this idea using the famous example regarding “block booking” of movies. Mixed bundling was explored by Chalip & McGuirty (2004) who found it was effective to bundle sporting event elements with the host destination's attractions. Herrmann, Huber, & Coulter (1997) illustrated that pure bundles are preferred to mixed bundles, and unsurprisingly, a greater price discount is preferred to a lesser one. Within tourism, price bundling has been analysed in terms of consumer preferences for various tourism service designs, including transport, accommodation and sightseeing packages (Bojamic & Calantone, 1990), and arts with heritage tourism (Cros & Jolliffe 2011).

Whilst the bundling of Opera services may increase attendance and broaden access to the performing arts, it is also widely accepted that bundling has the added benefit of generating cost savings within both marketing and operational costs (Stremersch and Tellis, 2002). The research hypothesis that formulating attractive “package deals” that bundle various benefits together can create a greater likelihood of customer satisfaction and favourable behavioural intentions including brand loyalty for Opera Australia performances is examined and tested utilising a discrete choice experiment explained in the following section.

**Method:** Experimental Analysis of Choice

The choices that individuals make translate directly into the demand for various categories of entertainment. While some entertainment research has been directed towards the objective of gaining an understanding of entertainment needs in the broader sense, little has been reported that predicts the response of individuals to various package deals that entertainment providers might consider offering. A “stated preference” approach, such as a stated choice analysis used in this study is based upon data obtained from a discrete choice experiment in which individuals make choices among choice alternatives; these stated choices are then used to estimate the parameters of utility functions. A Multinomial Logit Model was used in this study as it allows analysis of a choice from more than two alternatives (Hair et al., 2009).

**Data Collection**

Data collection involved two stages, a qualitative phase and a quantitative phase. The qualitative phase was designed to identify the attributes, levels and issues of importance with respect to attendance at performances that was required for the choice analysis. This was
achieved by conducting four focus group discussions with: heavy, medium, light and potential users of Opera. The quantitative phase consisted of an internet panel survey. Opera Australia provided a data base from which the sample was stratified in order to obtain a sub sample of the four user groups. The online survey included eight choice tasks. Each task involved the evaluation of three opera ticket packages or concepts. Each concept consisted of five attributes at various levels. Attributes and their associated levels are detailed below. In responding to the choice tasks respondents were asked to imagine that they were planning an evening at the Sydney Opera. Then after being presented with three separate package deals each of which evaluated five attributes, respondents were asked to consider their own personal circumstances and then indicate which, if any, of the package deals they would choose. As the final sample comprised 1,340 respondents (including satisfactory representation of each of the four groups) the choice analysis evaluated a data base of 10,720 choices. The data collected was then analysed using SPSS software as well as a specialized Choice Based Conjoint package.

The attributes and levels investigated in this analysis are: Opera with modern interpretation, with traditional interpretation, with world renowned singers. Parking with Priority parking included in package, free parking included in package, parking NOT included in package. Price: package price per person - $150, $200, $250, $300, $350. Benefits: Invitation included to; join post-performance social dinner, meet the cast after the show, join a pre-performance social dinner, join a pre-performance backstage tour, package does not include any special invitations. Package includes: free pre-performance talk, price to be discounted by 15%, includes free - "Behind the scenes experience", free interval drink, does not include any additional free items.

**Results**

To determine the relative importance of each attribute, the difference that each attribute could make in the total utility of a concept was considered. That difference is the range in the attributes utility values expressed as a percentage and reveals the importance of price and the nature of the opera as being of critical importance.

The Multinomial Logit model results show that the relative attractiveness of a concept can be assessed by adding up the effects for its component attribute levels as in the following:

<table>
<thead>
<tr>
<th>Package Deal 1</th>
<th>Package Deal 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Opera</td>
<td>0.12</td>
</tr>
<tr>
<td>Parking not included</td>
<td>-.13</td>
</tr>
<tr>
<td>Package Price $250/p</td>
<td>0.02</td>
</tr>
<tr>
<td>No special invitations</td>
<td>0.06</td>
</tr>
<tr>
<td>No additional items</td>
<td>-0.10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-0.03</td>
</tr>
</tbody>
</table>

By summing up the effects of their component attribute levels these package deals may be scored to reveal that the second package is likely to be preferred to the first by sample respondents. Further, by exponentiating each of the total values and expressing them as percentages of the final total, the proportion of respondents who would choose each package deal can be identified.

<table>
<thead>
<tr>
<th>Package deal</th>
<th>Total</th>
<th>exp(total)</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package deal 1</td>
<td>-0.03</td>
<td>0.0009</td>
<td>2.0%</td>
</tr>
<tr>
<td>Package deal 2</td>
<td>0.21</td>
<td>0.0441</td>
<td>98.0%</td>
</tr>
</tbody>
</table>
An examination was conducted by noting changes in shares of preference over and above that achieved from a “Base Level” scenario of four packages. The base level bundle (Package 1) within this scenario was arbitrarily defined as consisting of the following bundle of attributes: A traditional opera with an A Reserve seat, priced at $300 per person without any parking arrangements, added benefits or special invitations. A series of four simulations were then performed.

**Simulation 1:** In this simulation a series of independent changes were undertaken to identify whether any of the specified changes would have an effect on the 33.7 per cent share of preference of the base package. It was found that all changes tested had a positive effect on the percentage share of preference with the post-performance dinner having the least effect with a 0.6 per cent increase and free parking having the greatest effect by increasing the share of preference by 12.3 per cent.

**Simulation 2:** To explore strategies for increasing the share of preference for an opera with a modern interpretation over that of a traditional opera, two potential strategies were investigated: (a) the addition of free parking and (b) in addition the incorporation of a meeting with the cast. The addition of the offer of free parking increased the share of preference by 13 per cent from 13.6 per cent to 26.6 per cent while the incorporation of an additional offer to meet the cast provided a marginal increase to the share of preference of 2.4 per cent to achieve a final level of 29 per cent or 15.4 per cent over the base level.

**Simulation 3:** In this simulation the strategy of being able to increase the price to counter the cost of presenting an opera with a world-renowned singer was explored. In this simulation it was noted that the introduction of a world-renowned singer would increase the percentage share of preference from 33.7 per cent to 44.2 per cent or 10.5 per cent. However, if the price of this package was then increased to $350 from $300, the share of preference was found to fall to 35.9 per cent providing a 2.2 per cent increase over the base level. The addition of an added benefit in the form of a meeting with the cast added 1.4 per cent, while adding free parking in addition restored the share of preference to 43.9 per cent.

**Simulation 4:** The final simulation examined competition among package deals. By systematically varying levels and combinations of attributes and reveals competitive interactions that operate between attributes. It is particularly interesting to observe the effect on operas with a modern interpretation when a 15 per cent discount is combined with priority parking – the resulting share of preference increasing to 39.3 per cent.

**Conclusions**
In conclusion, this paper demonstrates that choice experiments can be effectively used to expose some of the determinants of demand for the performing arts. It can be seen that offering bundles can create a greater likelihood of customer satisfaction and favourable behavioural intentions and therefore brand loyalty. The findings have useful implications for both event organizers and policy makers. The findings of this research confirm much of the theory of bundling, and provide support for the development of this strategy to support the performing arts.

**References**