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All Signs Point to Profitability

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ALL SIGNS *Point* TO PROFITABILITY

THREE SECRETS TO ELEVATE BALLET COMPANY REVENUE

by hannah bender

After 11 years of working towards a career as a professional ballerina, I finally decided to pursue a different path.

Many factors influenced this decision, but a key concern was the difficult financial situation most dancers face. Ballet is a competitive profession. Few make it to the top, and those who do face a short career life, minimal income, and years of medical bills due to prolonged injuries. Hoping to mitigate the negative consequences of the profession, I researched the initiatives of ballet giants, American Ballet Theatre (ABT) and Boston Ballet, to analyze what strategic endeavors a company should undertake to experience greater financial stability. All ballet groups should focus on the following three areas: (1) driving ticket sales, (2) connecting with donors, and (3) creating and abiding by a mission statement.

DRIVING TICKET SALES

Pricing Strategies

For ballet companies, ticket sales account for a large portion of revenue. As shown in *Figure 1* (right), ticket sales make up 62% of the Boston Ballet's revenue.¹ After identifying the significance of this revenue stream, Boston Ballet focused on increasing ticket sales through a dynamic pricing strategy.² After evaluating the available data, the members of the strategy team determined to raise the price of their highest demand tickets; a feeling of greed caused hesitancy among the team, Jennifer Weisman, CMO of Boston Ballet, explained. However, after seeing the increase in revenue, the team realized "all that is relevant is what our customers value. We don't need to place our judgements on whether something is affordable or expensive; they will tell us. . .we'll see it in stalled sales."³ Nutcracker performances reached an average capacity of 96% in 2015 after adjusting

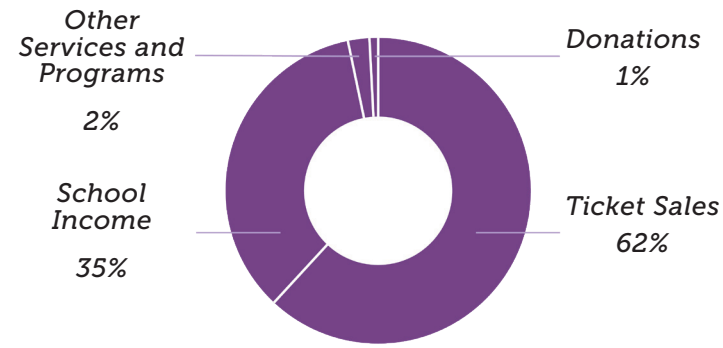


Figure 1

the ticket sales strategy. No matter the method used, all groups should focus on encouraging more ticket sales.

Aside from the Boston Ballet, other companies have updated their pricing strategies and are beginning to "sell like a sports team."⁴ This adage suggests that organizations modify the price of the ticket according to the demand for a particular date or time. This adjustment has allowed Colorado Ballet to "exceed revenue goals the last four seasons, with the 2016-17 season being the most successful to

date."⁵ This method of pricing has revolutionized the profitability and attendance of shows around the world.

Utilizing Nutcracker

Nutcracker is an especially important show for all dance companies; for many it consistently proves to be the most popular and profitable show of the year. Boston Ballet experienced an extreme increase in revenue due to a boost in Nutcracker attendance.⁶ Austin Ballet also took advantage of the Christmas period as an advertising opportunity. The company showed a promotional video at the beginning of every Nutcracker performance advertising the rest of the season.⁷ After this campaign the group noticed a significant increase in ticket sales for upcoming shows. The success of a company's ticket sales has the potential to make or break annual revenue. High show attendance is of the utmost importance and dynamic pricing strategies could be the key to ensure performance turnout.

CONNECTING WITH DONORS

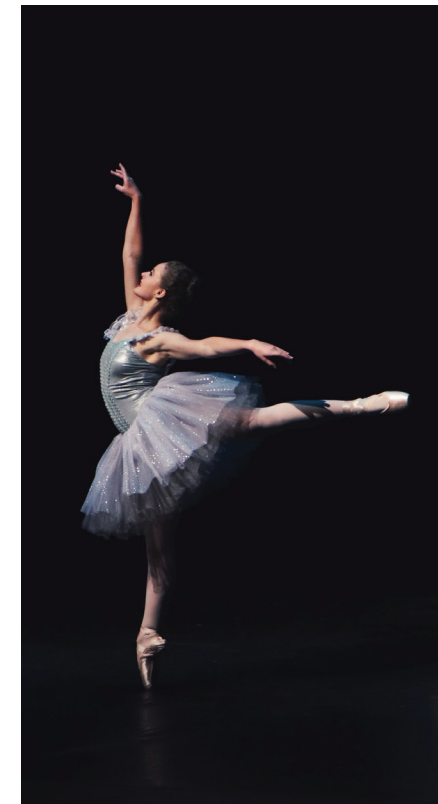
The Power of the NPS

Although private donations represent a small portion of ballet revenue, they are nonetheless essential for the success of the company. The influence of strong donor connections extends beyond the monetary value of their contributions. When members of the community feel tied to the company, they will be more likely to attend shows and invite friends to do the same. According to an article published in *The Harvard Business Review*, a high net promoter score is essential for any company to grow.⁸ Donors offer a viable group of potential promoters; their influence as promoters may increase show attendance, further private donations, and augment community support. The support gained from positive donor experiences is vital for company survival.

The Example of ABT

The American Ballet Theatre (ABT) recently initiated a dancer sponsorship program. Joseph Carmon stated that all of the company's principle dancers and the majority of their soloists have sponsors.⁹ These sponsorships allow individuals in the community to develop a personal relationship with dancers in the company.

The Carolina Ballet has implemented a similar program. Lilyan Vigo Ellis, a member of the Carolina Ballet, said the



"We became like family. Every time they came to a show, they let me know they were coming, and we'd go out to dinner. . . They treat my sons like grandkids. I wrote a personal note to them that I was retiring, so they were among the first people I notified."

- Lilyan Ellis, Carolina Ballet Principal Dancer

following of her relationship with her sponsor, "We became like family. Every time they came to a show, they let me know they were coming, and we'd go out to dinner. . . They treat my sons like grandkids. I wrote a personal note to them that I was retiring, so they were among the first people I notified."¹⁰ Relationships like this instigate a

stronger personal connection between dancer and donor; donors are then more willing to invest in the success of the dancer and the company.

ABT's sponsorship program has a wide-reaching influence on the accomplishments of the dancers. Shown in *Figure 2*, the success of the program has led to the sponsorship of 80 dancers, each receiving between \$5,000 and \$35,000 annually.¹¹ These donations represent millions in additional revenue for the company and have gone directly towards helping the dancers. If companies around the world were to organize a program like ABT's, they would experience dramatic increases in revenue; both from an influx of private donations and show attendance. In addition, they would witness increased loyalty to and promotion of the company, its dancers, and the works performed.

CREATING AND ABIDING BY A MISSION STATEMENT

A passion for dance is essential to succeed in the professional world of ballet. However, simply loving the art form will not lead to a sustainable artistic organization. Strategic initiatives common to other industries can prove useful for artistic directors. One valuable business tool leaders can utilize is a mission statement.



The Value Offered

Mission statements can clarify the purpose of an organization and motivate its members to achieve this purpose. In a recent study, researchers analyzed the importance of mission statements and their impact on the success of nonprofit artistic organizations.¹² Success was measured by financial performance, event participation, and volunteer support. Through regression analysis, a strong correlation between the use of a mission statement and nonprofit performance was found. The authors then concluded that “the framing of the mission statements should be an important first step in the strategic management of organizations.”¹³

Boston Ballet’s Example

Because ballet is such a traditional art form, a common pitfall for a company is to define its strategy based on tradition. The world is ever changing and so is the average consumer. If a dance group wishes to remain financially stable, it must continually reevaluate its strategy and innovate according to consumer needs. Because the Boston Ballet was willing to innovate its marketing techniques and pricing strategy, it broke \$8 million in show earnings for the first time in history.¹⁴ This success is an example of how constant change is necessary for an artistic organization to see revenue and viewership growth. The proper use of a mission statement can foster a culture of continual change.

CONCLUSION

Ballet contributes much to the culture of nations. As an art form dating back to the fifteenth century, its influence is woven tight into the fabric of several countries. Some might claim ballet is a fading art form, outdated and unappealing in a new world of immediate, superficial entertainment; however, with precautionary measures, the ballet discipline does not need to disappear. By improving ticket sales, working with donors, and allowing a strong mission statement to motivate the organization, a ballet company can feel confident in its ability to succeed financially and continue shaping the culture of nations for years to come. 📈

Notes

- ¹ Mayer Hoffman McCann, “Financial Statements: The Boston Ballet, Incorporated,” (June 2018): 4
- ² Amelia Northrup, “Case Study: Boston Ballet Record-Breaking Nutcracker,” TRG Arts (June 27, 2016), <http://www.trgarts.com/Blog/BlogPost/tabid/136/ArticleId/406/Case-Study-Boston-Ballet.aspx>
- ³ Northrup, “Case Study,” 8.
- ⁴ Ashley Rivers, “Raising Revenue,” *Dance Magazine*, (2017): 54-56.
- ⁵ Rivers, “Raising Revenues,” 54.
- ⁶ Northrup, “Case Study,” 8.
- ⁷ Rivers, “Raising Revenues,” 55.
- ⁸ Frederick Reichheld, “The One Number You Need to Grow,” *Harvard Business Review*, (December 2003), <https://hbr.org/2003/12/the-one-number-you-need-to-grow>.
- ⁹ Joseph Carman, “Price Pointe,” *Dance Magazine*, (2017): 1-2.
- ¹⁰ Carman, “Price Pointe,” 1.
- ¹¹ “American Ballet Theatre Financial Report 2017,” (2017), https://www.abt.org/wp-content/uploads/The-Company/About/ABT_2017_AR_spreads.pdf
- ¹² Mirae Kim, Sanjay K. Pandey, and Sheela Pandey, “Do Mission Statements Matter for Nonprofit Performance?” *Wiley Periodicals*, (2017): 396-404.
- ¹³ Kim and Pandey, “Mission Statements,” 404.
- ¹⁴ Northrup, “Case Study,” 8.

