Topic: Gifting & Rewarding for Additional Prepayment

Overview:

Pre-event, estimating revenue per fan is made up of multiple revenue sources, some known, and some unknown. Depending on venue and degree of variable, dynamic and secondary market ticket prices, ticket revenue is generally known. Additional revenue streams, mainly food and beverage revenues and retail merchandise revenues, are usually unknown. As discussed in our Prepayment and Why Prepayment Works Brief, fans enter an event with a pre determined mental budget related to how much they anticipate spending on F&B and Merch.

One of the objectives of rewarding the fan for prepayment is to turn what was previously "unknown" revenue into "known" revenue, having the fan convert that "anticipated mental budget" into a "hard dollar spend" When prepayment is generated, a downside limit on the amount of revenue generated by a fan during a particular event or period of time has been established. This minimum fan spend is not a fixed revenue number, as the fan may spend additional money on other services, F&B, Merch, Parking, etc. With prepayment, we now have INCREASED the fixed amount of revenue we receive per fan. The higher the percentage of fixed revenue to variable revenue, the more confidence in forecasting, scheduling, ordering, and overall revenue visibility a team or retailer has.

To encourage fans to prepay at higher levels, introduce the idea of "Reward for Pre-Paying". In this environment, we reward fans for pre-paying at a higher total/levels over and above their normal known revenue (ticket price), and at a higher level than they might normally prepay.

Example:

The following charts provide working examples:

	List Price	STADIS1
Gross Ticket Price	$ 21.00	$ 21.00
Prepaid Value to Spend During Event	$ -	$ 10.00
Gifted/Reward Value to Spend During Event	$ -	$ -
Perceived Value / Cost to Customer	$ 21.00	$ 21.00
Customer Price	$ 21.00	$ 31.00
Total Net	$ 26.15	$ 27.74
Delta (vs. List Price)		$ 1.59
Delta (vs. STADIS1)		

STADIS1 and the List Price are the benchmarks. By having the fan prepay $10 in addition to their ticket price of $21 in STADIS1, the fixed revenue portion of the fan spend increases to $31 vs. the List scenario of $21. It also generates higher Total Net revenue and a $1.59 incremental gain per ticket vs. the List Total Net. Total Net is made up of Ticket Revenue + F&B spending + Retail Merchandise spending, less costs.

	List Price	STADIS1	STADIS2
Gross Ticket Price	$ 21.00	$ 21.00	$ 21.00
Prepaid Value to Spend During Event	$ -	$ 10.00	$ 15.00
Gifted/Reward Value to Spend During Event	$ -	$ -	$ 5.00
Perceived Value / Cost to Customer	$ 21.00	$ 21.00	$ 16.00
Customer Price	$ 21.00	$ 31.00	$ 36.00
Total Net	$ 26.15	$ 27.74	$ 29.48
Delta (vs. List Price)		$ 1.59	$ 3.33
Delta (vs. STADIS1)			$ 1.74

Rewarding for Additional Prepayment is shown in STADIS2. The objective is to convert more variable revenue to fixed revenue and beat the STADIS1 and List Price benchmarks. In this example we have the fan prepay $15 instead of $10 in addition to their $21 ticket price. For prepaying the extra $5 ($15 prepayment vs. $10), the team/concessionaire/sponsor, etc. gifts an additional $5. This is the "reward". This reward actually increases the value to the fan and lowers their perceived cost from $21 down to $16 ($21 + $15 = $36 invested, receive $15 + $5 = $20 in Value back to spend during the event). This value is accessed when the fan has the cashier scan their ticket, etc.

The beauty of rewarding is revealed when looking at what happens to the Total Net. Even though a "reward" was provided, STADIS2 still generates a higher Total Net, generating an incremental $3.33 per ticket vs. the List Total Net and generating an incremental $1.74 per ticket vs. the STADIS1 Total Net.

As discussed above, this is not the fan's total spend, but now becomes the downside limit. Through accurate planning and re-framing of the fan's "mental budget", we have effectively INCREASED the fixed revenue per fan from $21 to $36, generated incremental revenue, and offered more value to the fan. The fan may continue to spend more than this fixed amount, but unless the fan continues to identify themselves through their purchase journey, that variable amount is not trackable.

This strategy has been used for years to generate $Billions in incremental spending for the fast food industry – by offering the choice to "supersize". It is still prevalent through the offer of "small, medium or large", with "large" offering the best perceived value for the money.