

Helping cultural organisations
and visitor attractions achieve
their commercial potential

After the Interval: Act 2

An Analysis of Willingness to Pay for Digital

17 September 2020

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Registered in England and Wales, Company No. 04840675, VAT Reg No 750 9064 32

About Baker Richards

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We have now worked on over 700 projects, including for many of the world's leading cultural institutions and attractions.

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Introduction

1.1 What are we looking for?

Using the full combined dataset from Act 2 of After the Interval carried out by Indigo Ltd, we have taken an in-depth look specifically at respondents' willingness to pay for digital content to find out who's engaging with digital right now, who's paying for it, who's interested in engaging with digital in future and what would they be willing to pay for that in comparison to live events?

We are also addressing the following key questions:

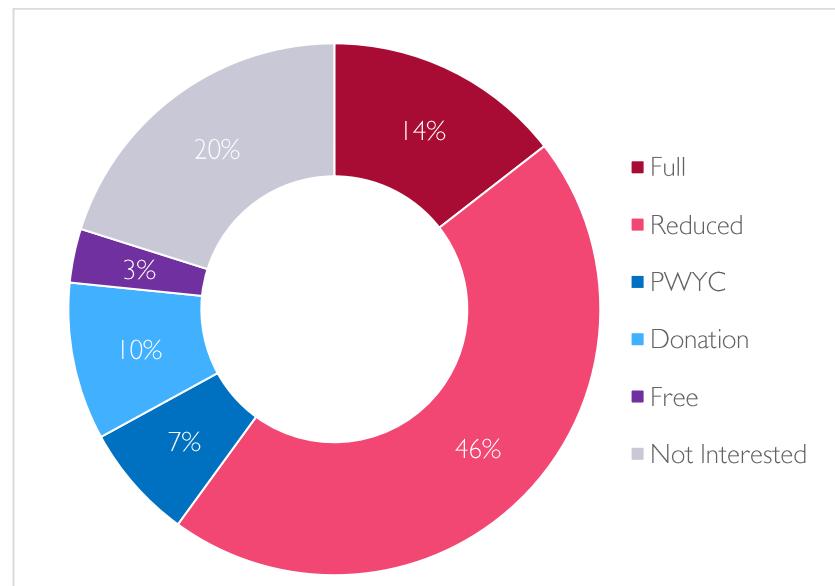
- Are there particular characteristics of those that are willing to pay for digital compared with those who aren't?
- How much does this differ by type of digital event, for example, are people more likely to pay for a live event recorded behind closed doors than an archive recording?
- Does this differ by artform, for example, are people who are primarily interested in opera more likely to pay for digital than those whose primary interest is dance?

1.2 What we've done with the data

Firstly, out of the 92,594 total respondents across 258 organisations, we excluded 3,332 respondents who hadn't completed all questions in the survey so our total number of respondents under analysis is 89,262.

The main transformations we then applied to the data were to create new variables either in the form of composite scores, for example, counting the types of online activity that someone has done during lockdown, or adding binary scores to identify particular behaviour, for example, tagging any respondent who indicated they would pay as much for digital as they would for live for any type of digital event.

Chart 1: Proportion of respondents broken down by willingness to pay for digital segments



We also segmented respondents by the most they would be willing to pay for digital content of any kind based on a hierarchy which runs: as much as live (Full); less than live (Reduced); a pay what you can amount (PWYC); a donation; free; or, not interested. For example, if a respondent indicated they would pay as much for digital as live for a LIVE event filmed 'behind closed doors', but less than live for a performance specially created to be watched ONLINE, that respondent would be segmented as Full. This helps to give us some sense of a respondent's overall willingness to pay for digital, but we have also looked at variations in willingness to pay by digital event type.

Having applied those transformations, we then ran the data through a series of statistical tests from basic correlations between variables using Pearson correlation coefficients and ANOVA (analysis of variance) to more sophisticated binary logistic regression models to test the impact of multiple variables on the likelihood of someone paying for digital content.

Other things to note

Respondents to the survey were based on the 'core' audiences for each venue that took part and is therefore representative of the most frequent attenders.

We are working with the data in its raw form with no additional weighting to account for variations by region, artform, venue etc.

2 Executive Summary

2.1 Overview

Since the start of lockdown, there has been a dramatic increase in the number of frequent arts attenders who have started engaging with culture online, shifting from 25% of those audiences engaging prior to lockdown to 59% engaging since lockdown. This is a remarkable achievement in itself, demonstrating the appetite for cultural consumption in whatever form it is available amongst attenders, as well as a reflection of all the hard work that venues have done to shift their activity online, expanding their offer and increasing their reach.

When asked about engaging with digital in the foreseeable future, the overwhelming majority (82%) of respondents would possibly or definitely consider it. So, the good news is there is a considerable audience for digital, at least among frequent cultural attenders, but right now, they're mostly not paying for it. Only 12% of those who have engaged with digital since lockdown have paid to watch performances via specialist channels. The proliferation of free content may well have increased reach among digital audiences, but there is a danger that it has set a dangerous precedent going forwards as venues and organisations look to monetize digital content. Our analysis also shows that those who have previously paid for digital content are more willing to do so again in future, whereas those who have been consuming for free are less likely.

That's not to say that audiences expect digital content to be free. Amongst those interested in digital content going forwards 79% indicated they would be willing to pay at least something for it, including 18% who would pay as much as live, rising to 24% amongst those who were most interested in engaging online. That does mean the majority expect to pay less than live, but only a small proportion (4%) of those interested in digital expect it all to be free.

There is variation in how much people are willing to pay based on the type of digital content on offer. In general, respondents are more willing to pay for events that are created specifically to be consumed online or are presented as live streams from the venue. Recordings are generally expected to be cheaper and people expect to pay the least for pre-lockdown archive recordings.

There's also variation by artform with greater interest in paying for Drama and Classical Music and less interest in paying for Musical Theatre. Perhaps a reflection of the different motivations for going to see live events among Drama/Classical Music audiences compared with Musical Theatre audiences.

One final observation from the analysis suggests that those who have the most concerns about returning to live performances are more likely to pay for digital, a trait which also increases with age. Older audiences who are interested in digital are more willing to pay for something they feel uncertain about attending in person. Older audiences are also less likely to have been financially impacted and therefore are willing to spend as much, or more, than they were previously – but right now there are limited opportunities for them to pay for events online (and they're also slightly less interested in online than younger audiences) whilst they are avoiding live events.

2.2 Implications

- While many venues remain closed or operating at reduced capacity, there is clearly a need to find alternative income streams. For those organisations who are able to produce digital content, there is an opportunity to incorporate a paid-for model given the appetite for, and willingness to pay for, digital among frequent attenders.
- One of the challenges facing the sector in general is moving from free to paid without losing a growing audience of digital engagers.
- That's not to say that all digital content should be charged for, but there are 2 key areas where willingness to pay is highest:
 - Content specifically created to be consumed online
 - A hybrid model of livestreamed digital offer either from a reduced capacity or empty auditorium
- Recordings of archive performances or even performances post-lockdown have less appeal, but for those organisations with a substantial catalogue, these could be used as a benefit of a digital membership offer.
- Since only a small proportion of people are willing to pay as much as live for digital, but the majority are willing to pay *something*, finding that *something* is crucial. Setting a low anchor price now for digital content could be more costly than offering it for free:
 - set the price too low and it could undermine the value of the offer, making it difficult to increase prices in future;

- set the price too high and you risk losing audiences.
- Any digital pricing strategy should reflect the same value proposition as your live pricing strategy, including the means to achieve price differentiation so that those people willing to pay more are given the opportunity to and those who simply cannot afford to pay as much are not left out.
- As the return to live events continues, achieving the optimal offer between digital and in-person pricing means creating a hybrid model that allows you to maximise income across both channels, as well as maximising volume and reach across digital which is not limited by physical capacity restrictions.
- There is also the challenge of how to engage with a not insignificant number of people for whom the digital offer is of no interest and who are reluctant to return to live while there is no vaccine or treatment.

2.3 Further questions

This edition of After the Interval does not give information on the willingness to pay for digital among less frequent attenders – the Culture Restart tracker from the Insights Alliance will provide this insight, and we encourage organisations to take part.

We do not advocate a 'rule of thumb' approach to setting digital prices – the market is in many respects in its infancy, and many variables will weigh on how much an organisation can charge including:

- The level of digital engagement among loyal attenders
- The specific nature of an event – just as willingness to pay varies 'in real life' by (for example) author/composer, artist, title, length, day of week and time of day, these variables also apply online
- The brand equity of the producer – loyal attenders have more name recognition of individual producers than infrequent attenders
- Whether the content is live / as-live / exclusively online or a broadcast of a socially-distanced event
- The existence of trailer/teaser content which shows the quality of the digital capture
- Whether an experience is passive or participatory
- On which devices can the content be accessed

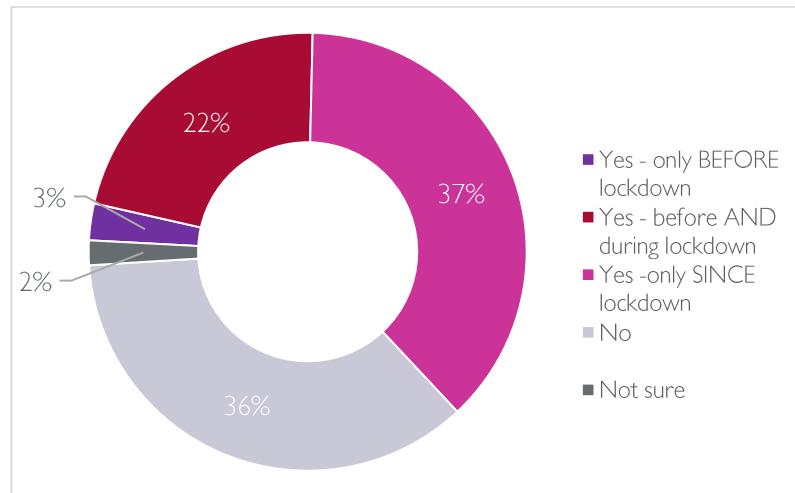
Baker Richards [Patron Preference Analysis](#) has been used by organisations worldwide to determine their audiences' willing to pay during the time of COVID, both for socially distanced events and digital content. A case study for the Melbourne Symphony Orchestra can also be found on our [website](#).

3 Analysis

3.1 Who's engaging with digital?

Since lockdown 59% of respondents have engaged with any kind of online activity (see Chart 2). 22% of all respondents had engaged before and after lockdown, while 37% have started engaging since lockdown. A small proportion (less than 3%) had engaged prior to lockdown, but not since.

Chart 2: Engagement with cultural events ONLINE, either before or during the recent lockdown

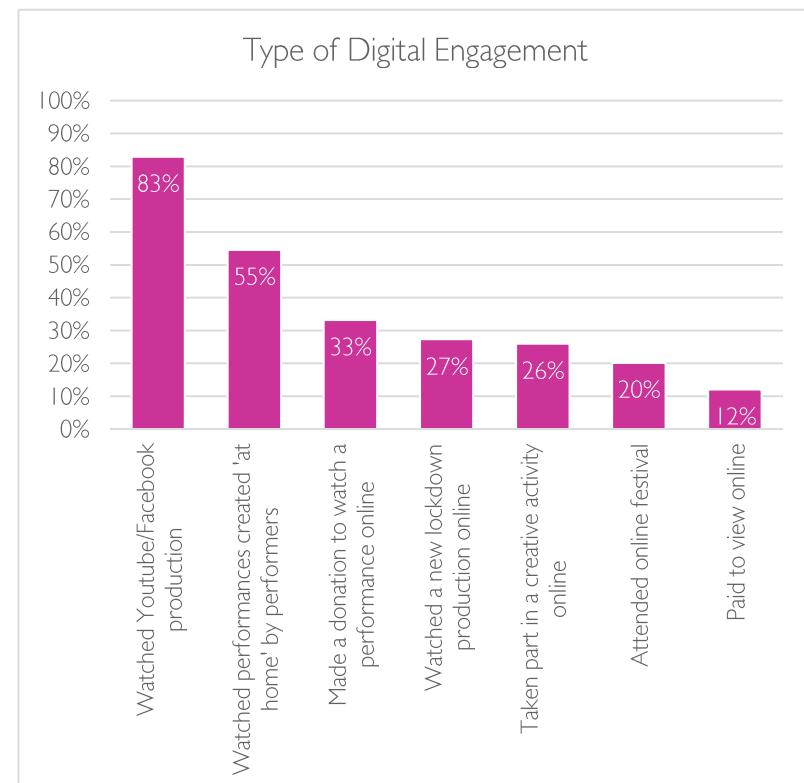


If we look at those respondents who have engaged with digital since lockdown, the most popular form of engagement by a long way is 'watched a full-length production via a social media platform like YouTube or Facebook' (83% of lockdown digital engagers- see Chart 3). This is followed by 'watched

37% of respondents have started engaging with digital for the first time since lockdown

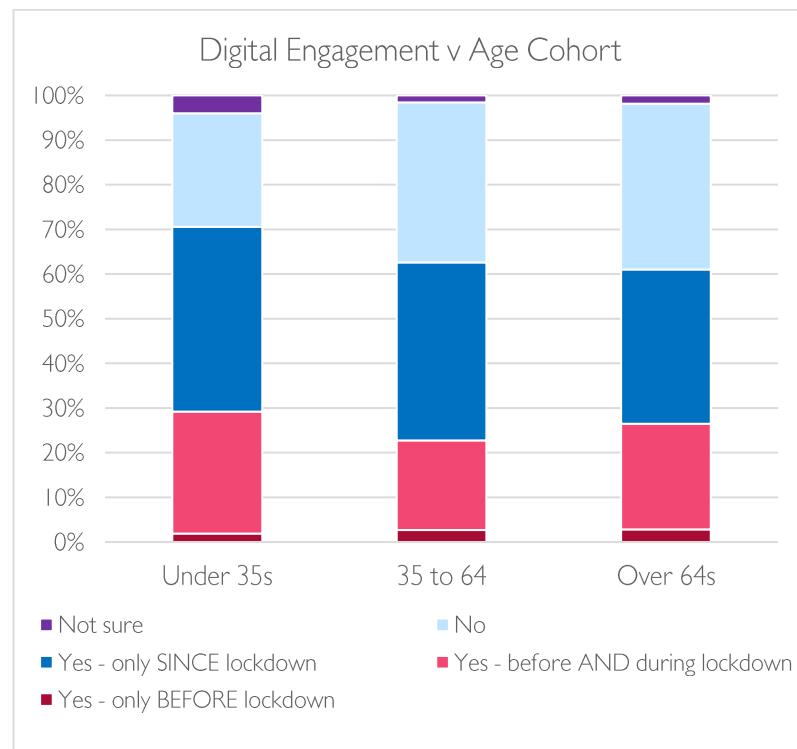
performances created 'at home' by performers' (55%). The lowest form of engagement is among those who have 'paid to access performances from a specialist channel' (only 12%) so only a minority are currently paying for digital. Although 33% have made a donation.

Chart 3: Type of Digital Engagement during lockdown



Running some additional correlations between engagement and age revealed that digital engagement before and during the pandemic (see Chart 4) is highest amongst those under 35 (27%) followed by over 65s (24%), whereas those aged 35 to 64 had the lowest level of engagement (20%). More interestingly, there is a positive correlation between starting to engage during lockdown by age with 41% of under 35s engaging for the first time during lockdown compared with 35% of over 65s. The inverse is also true with only 25% of under 35s not engaging with digital at all compared with 37% of over 65s.

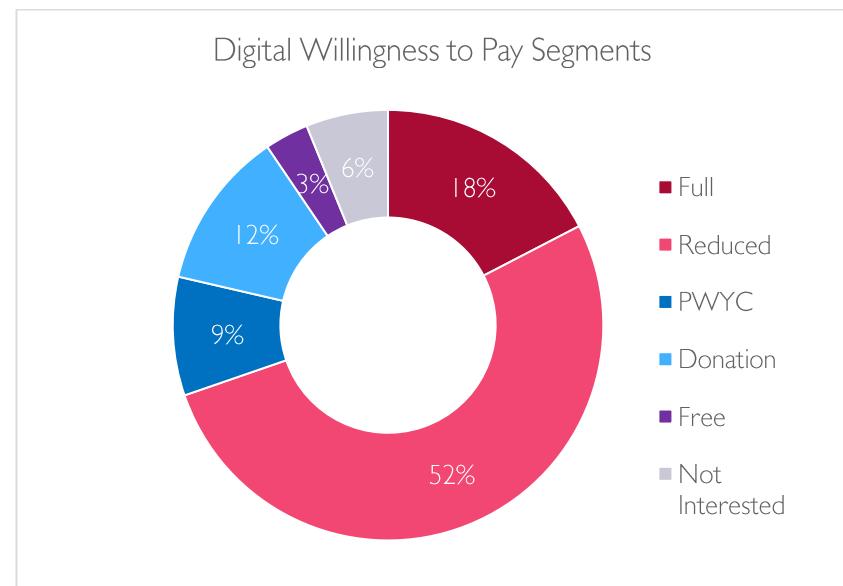
Chart 4: Age Cohort by Digital Engagement since Lockdown



Only 12% of respondents who have engaged with digital since lockdown paid for it, but 79% would consider paying for it

If you overlay the digital willingness to pay segments against those who have engaged with digital during lockdown (see Chart 5) then it shows that 18% would consider paying as much as live for digital, 52% would pay a reduced amount and 9% would make a pay what you can contribution, amounting to a total of 79% who would consider paying at least something for digital. A further 12% would donate. Only 3% expect all digital content to be free and 6% of current engagers were just not interested in engaging with the type of digital content that was suggested.

Chart 5: Digital Willingness to Pay of Digital Engagers

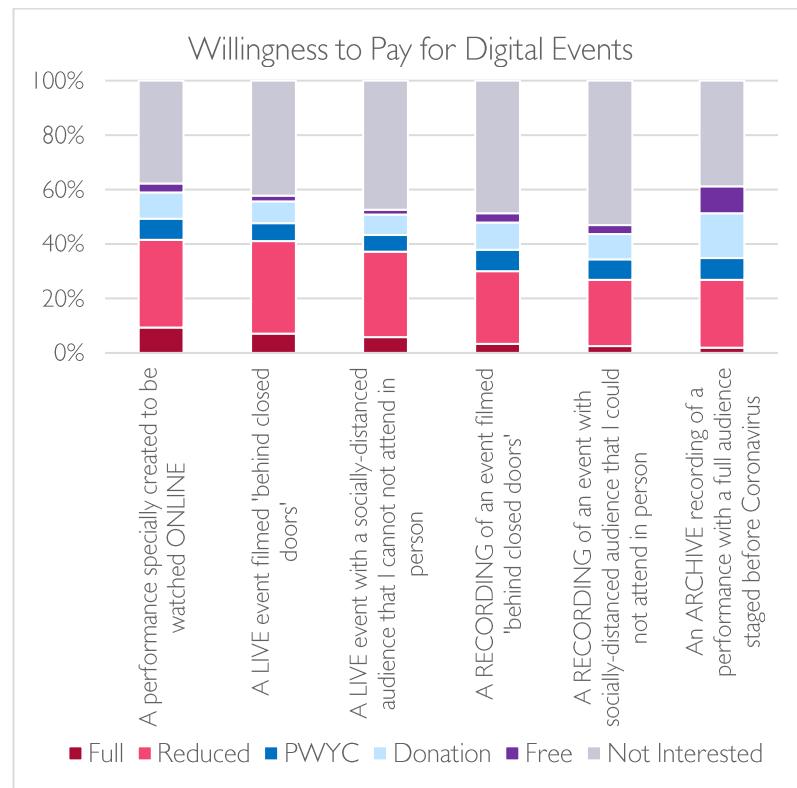


3.2 What kind of digital are people more willing to pay for?

Turning to what kind of characteristics are more likely to result in a higher willingness to pay for digital, there are a number of useful indicators both in relation to the respondent and also the type of digital offer.

Performances created specifically for online and archive recordings have the highest overall interest (Just over 60% - see Chart 6), but a much higher proportion would rather donate or watch archive recordings for free.

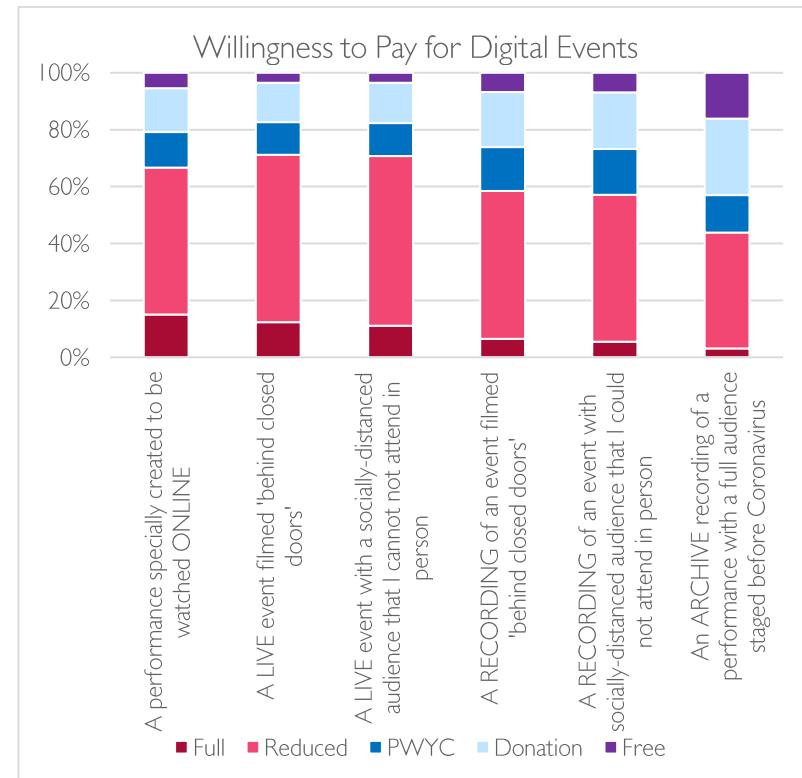
Chart 6: Digital Event Type by Willingness to Pay



More likely to pay for events created specifically for online

Amongst those interested in digital, there is higher willingness to pay for digital-specific events (see Chart 7), e.g. performances created specifically for digital platforms (15% of those interested would pay as much as live), followed by live streams, e.g. a live event filmed behind closed doors (12%) or live events with a socially-distanced audience (11%).

Chart 7: Digital Event Type by Willingness to Pay (only those who are interested in digital)



Although if you look at those willing to pay anything (as much as live, reduced or PWYC – see Chart 7) then all three of these events have roughly the same proportion 79%, 83% and 82% respectively.

There is a lower willingness to pay for recordings: 7% would pay as much as live for a recording of an event filmed 'behind closed doors', 5% for the socially distanced version, and only 3% for archive recordings. In terms of overall willingness to pay, the recordings of live events are 73% and 74% respectively, but it is only 57% for archive recordings. On the other hand, there is a much higher propensity to donate for archive recordings (27%), but 16% expect them to be free.

More likely to pay for Drama

If you look at respondents who were interested in engaging with digital in any form (see Chart 8) then the highest proportion was among those whose primary artforms were either Contemporary Dance (89%), Opera (87%) or Drama (86%), whereas the lowest proportion was for Family (73%), Musicals (75%), Popular/Jazz/World Music (75%) or Comedy (75%).

Chart 8: Preferred Genre by Interest in Digital

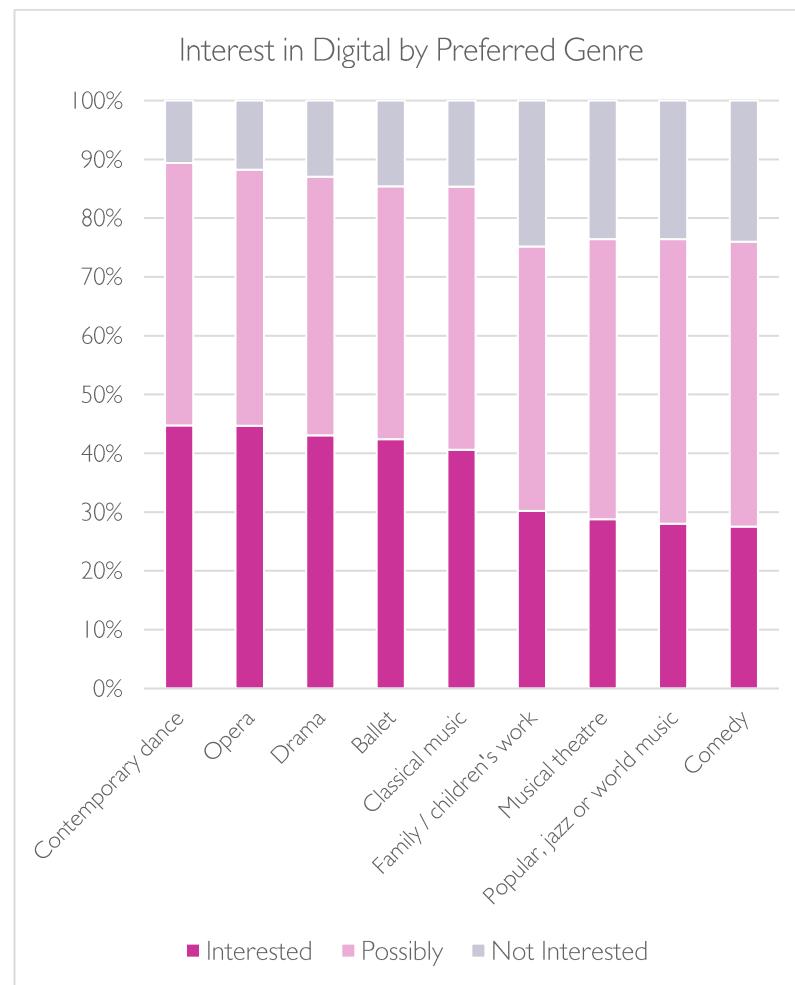
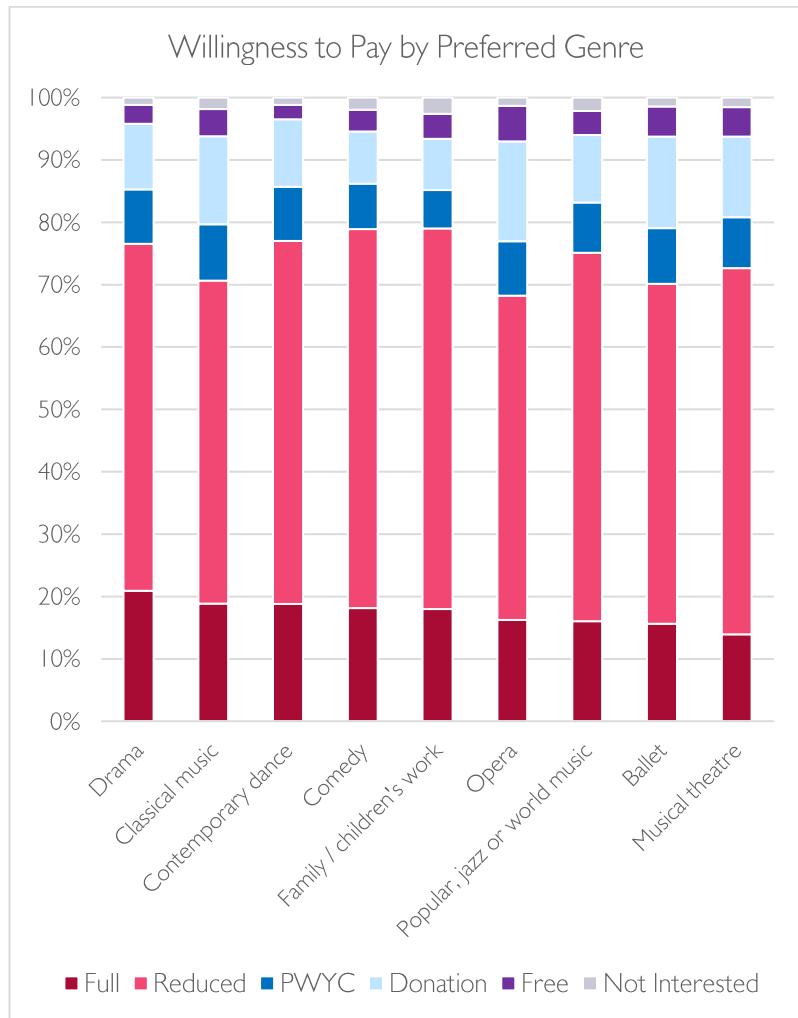


Chart 9: Preferred Genre by Willingness to Pay



Amongst those respondents who were interested in digital, those respondents whose primary interest is Drama have the highest willingness to pay (21% of them would pay as much as live for digital – see Chart 9),

followed by Classical Music and Contemporary Dance at 19% and Comedy and Family at 18%. The lowest proportion of respondents willing to pay as much as live for digital was for Musical Theatre at 14%. Opera, Ballet and Popular/Jazz/World Music fall in the middle at 16%, but Opera and Ballet both have a much higher than average proportion of respondents who would be willing to donate (16% and 15% respectively).

Respondents primarily interested in Drama have the highest willingness to pay for digital while those driven by Musical Theatre have the lowest

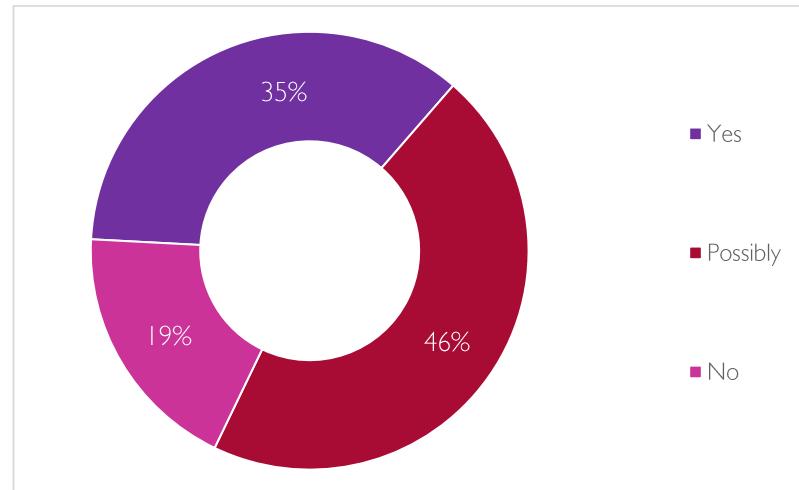
3.3 What kind of people are willing to pay for digital?

To identify if there were any particular behaviours or attitudes that were a good predictor of willingness to pay for digital, we ran the data through a series of binary regression models to see how multiple variables played out in combination as an indication of likelihood to either pay as much as live or anything for digital.

Those definitely interested in engaging online have a higher willingness to pay for digital

Interest in digital in response to the question: *"If you were unable to go to cultural events in a venue for the foreseeable future, would you be interested in engaging with cultural events ONLINE?"* had an impact on willingness to pay.

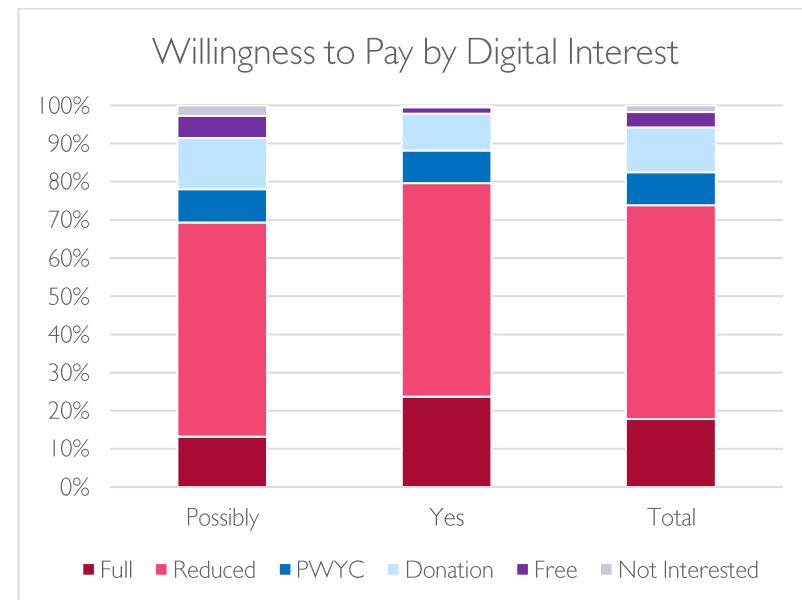
Chart 10: Interest in Engaging with Digital in Future



19% of respondents were not interested in digital in the foreseeable future and were therefore not asked about how much they would be willing to pay (see Chart 10). Among those not interested in future were a small number (3%) who had previously engaged online but for whatever reason no longer interested in continuing to engage. 46% of the remaining respondents said possibly interested and 35% said definitely yes.

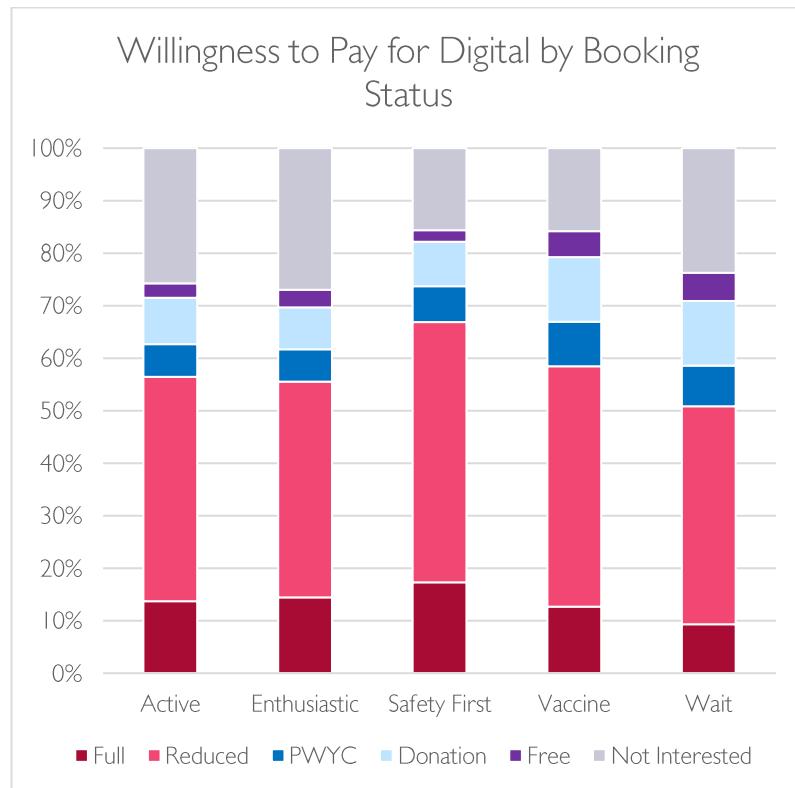
Looking at willingness to pay (see Chart 11), 13% of those who responded possibly to interest in digital in future are willing to pay as much as live for digital compared to 24% who responded definitely yes. A higher proportion of the possibly interested were only interested in free (6% compared with 2% of the definitely yes respondents).

Chart 11: Digital Interest by Willingness to Pay



The higher the number of concerns the greater the willingness to pay for digital

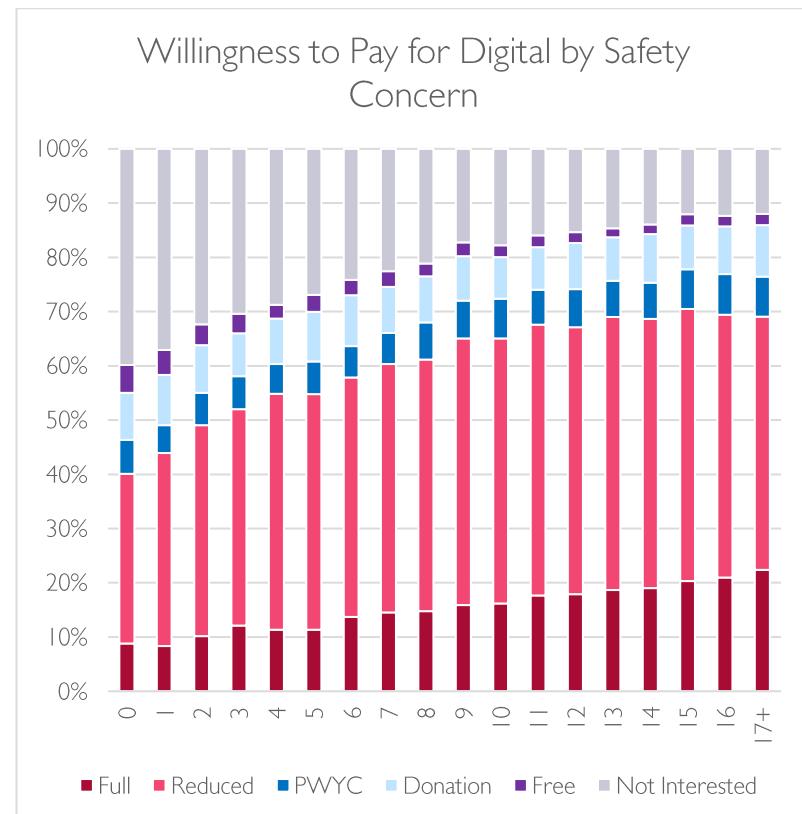
Chart 12: Attitude to Booking for Live Events by Willingness to Pay for Digital



Those who were more cautious about returning so long as the safety measures were in place were more likely to pay as much for digital as live (see Chart 12).

And the more concerns a respondent has in terms of attending live (i.e. the more measures a respondent would like to see in place defined by the sum of their positive scores for the question: *“Would the following social distancing measures make you LESS or MORE likely to consider attending a live cultural event?”* where more likely was scored as 1 and less likely was as -1) the higher the likelihood of paying for digital (see Chart 13).

Chart 13: Number of Concerts about returning to Live by Willingness to Pay for Digital



9% of respondents with no concerns about attending live performances would pay as much as live for digital, which increases linearly to 22% of the respondents who indicated that 17 or more measures would make them more likely to attend a live event.

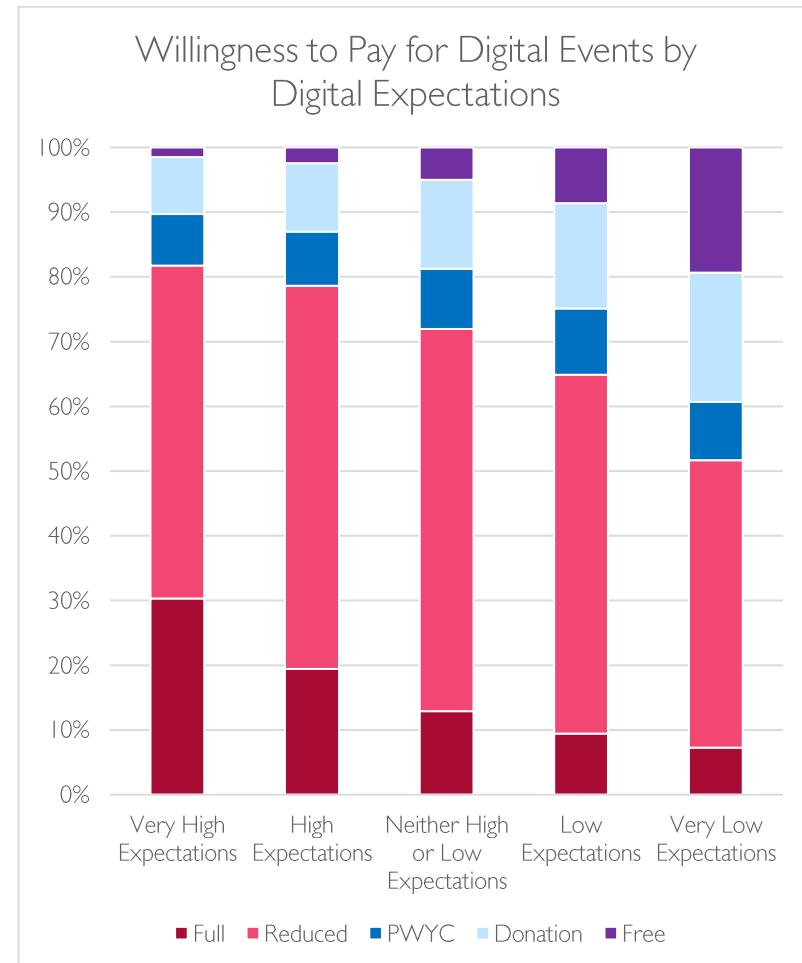
The greater the expectation the greater the willingness to pay for digital

There is also a positive correlation between willingness to pay as much as live for digital and expectation about digital (based on the sum of responses to the question: *'To what extent do you agree with the following statements regarding your expectations for online events?'* where agree was scored as 1 and disagree as -1 – see Chart 14).

Only 6% of respondents who disagreed with all the statements are willing to pay as much as live for digital compared to 13% who overall neither agreed nor disagreed and 30% who agreed with each statement.

30% of respondents with Very High expectations about digital are willing to pay as much as live for that experience

Chart 14: Digital Expectations by Willingness to Pay for Digital Events



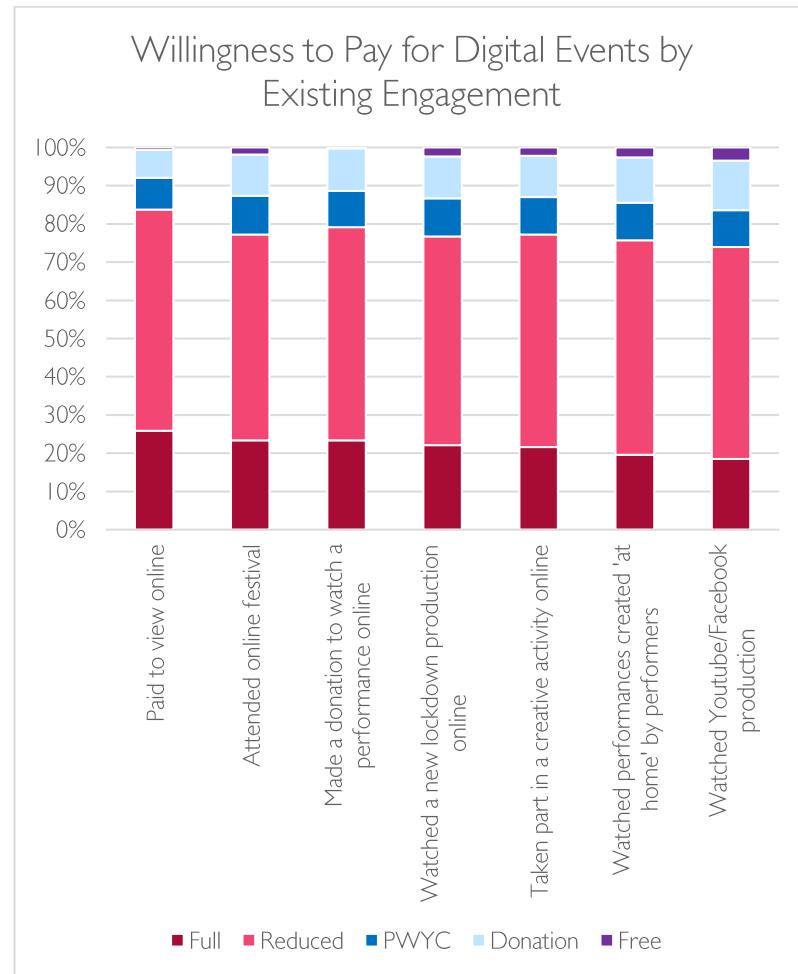
Paying for digital in the past makes you more likely to pay again in future

Perhaps not surprisingly, respondents who have already paid for digital or donated are also more likely to pay as much for digital as live in future: 25% of those who have paid to access performances from a specialist channel (e.g. Marquee TV, Digital Theatre, Medici) and 23% of those who have made a donation to watch a performance online (see Chart 15).

22% of respondents who either attended an online arts or music festival (e.g. literary or theatre festival online) or watched a new production online which was created during lockdown are also willing to pay as much as live for digital. The lowest proportion is amongst respondents who watched a full-length production of theatre, ballet, dance, opera or music online via a platform such as YouTube or Facebook at 18%, but also note that 48% of all respondents have engaged via this format during lockdown. This is compared to 7% who have paid to access from a specialist channel and 19% who have made a donation.

Respondents who have already paid for digital or donated are also more likely to pay as much for digital as live in future

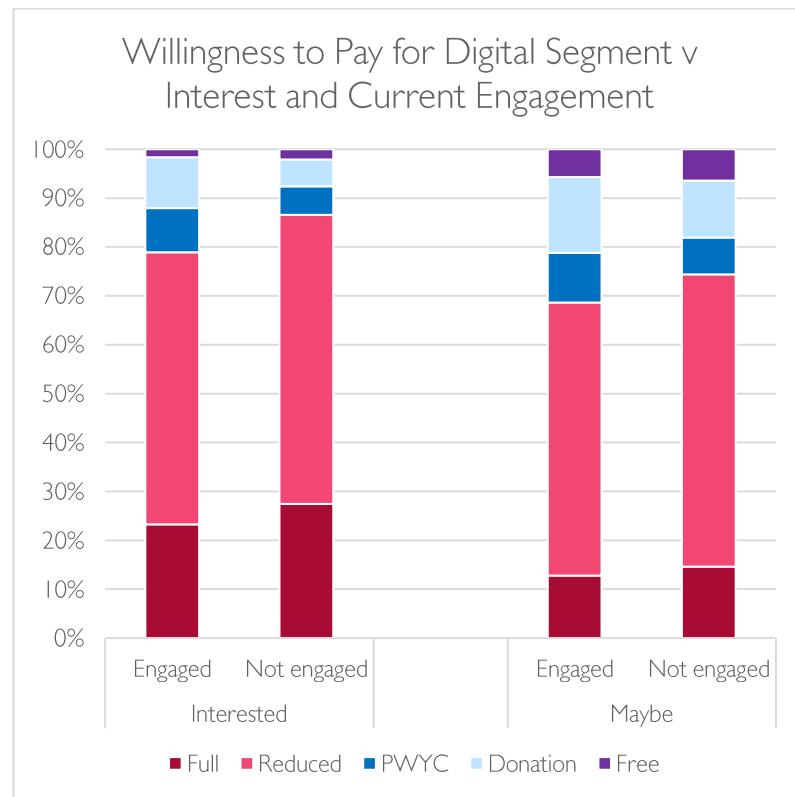
Chart 15: Existing Digital Engagement by Willingness to Pay for Digital



Those not currently engaging with digital are more likely to pay more in future than those already engaging

One of the most surprising findings of our analysis using the binary regression model to test multiple factors on willingness to pay was that the output that showed those who were **not** engaging with digital, but definitely interested in future have a higher willingness to pay for digital than those who are currently engaging with digital and interested in future.

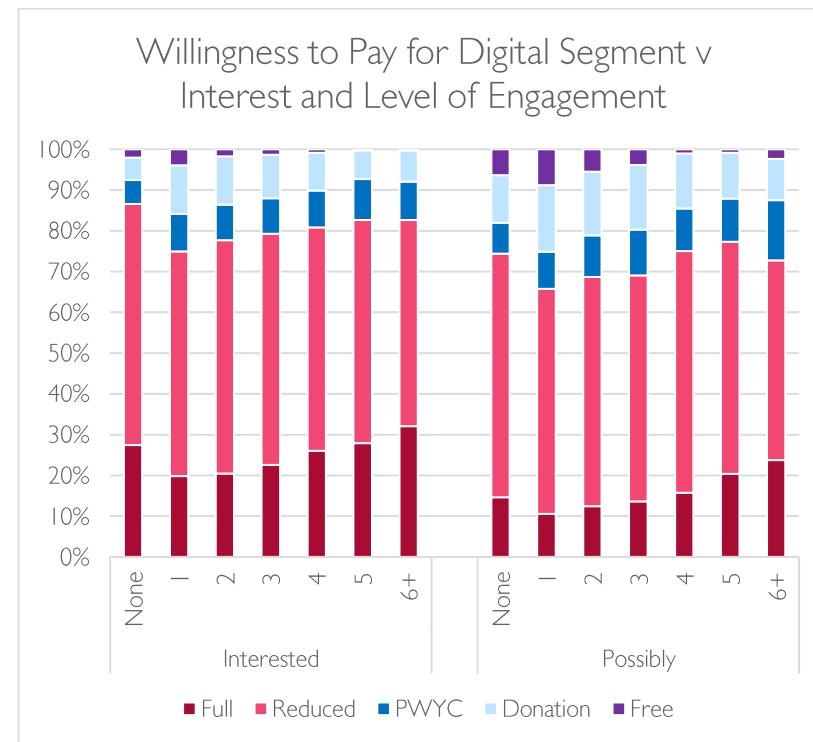
Chart 16: Current Engagement Level by Willingness to Pay for Digital



We know that interest in digital in future has a positive effect on likelihood to pay as much as live, but when combined with current engagement, we are seeing those with no current engagement indicating a greater willingness to pay than those already engaging (see Chart 16).

28% of respondents not engaging with digital right now, but interested in future are willing to pay as much as live compared with 23% who are already engaging

Chart 17: Interest in Digital and Current Level of Engagement by Willingness to Pay for Digital

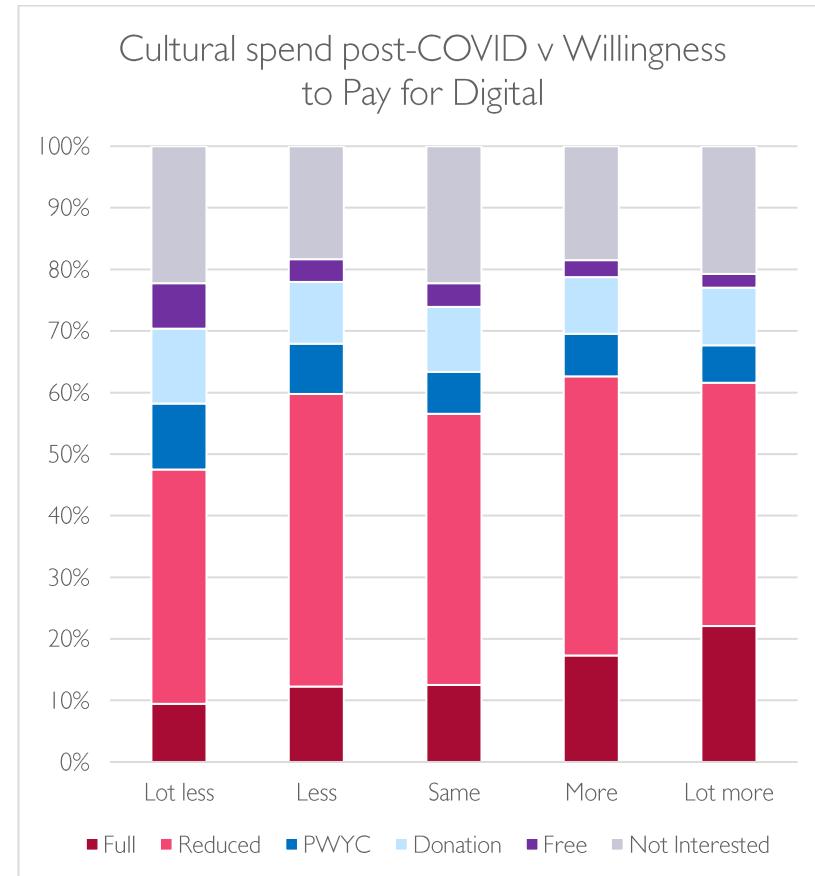


On further digging, we found that there was a non-linear relationship between engagement and willingness to pay (see Chart 17). While it is true that those who are interested (left hand side of Chart 17), but not engaged have a high willingness to pay as much as live for digital (27%) compared with those who have lower level of engagement (20% at 1 or 2 forms of engagement and 23% at 3), this does rise again as engagement increases to 28% at 5 forms of engagement and 32% at 6 or more, but there are only very few respondents in the latter group.

Those expecting to increase their cultural spend as events return to normal are also willing to pay more for digital

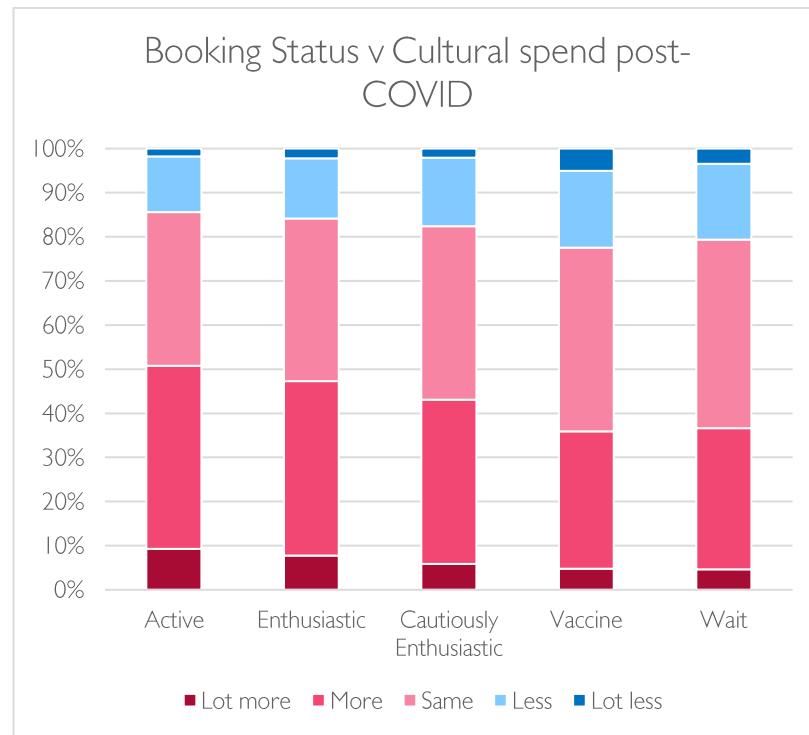
There is a positive relationship between the more someone is expecting to spend on cultural events once they can happen again 'as normal' and their willingness to pay for digital (see Chart 18). For those respondents who indicated they would pay a lot more (75+ on a sliding scale of 0 to 100 where 50 was about the same), 22% would pay as much as live for digital compared to 13% who said they would spend about the same and 9% who would pay a lot less.

Chart 18: Cultural Spend when Events happen again as 'Normal' by Willingness to Pay for Digital



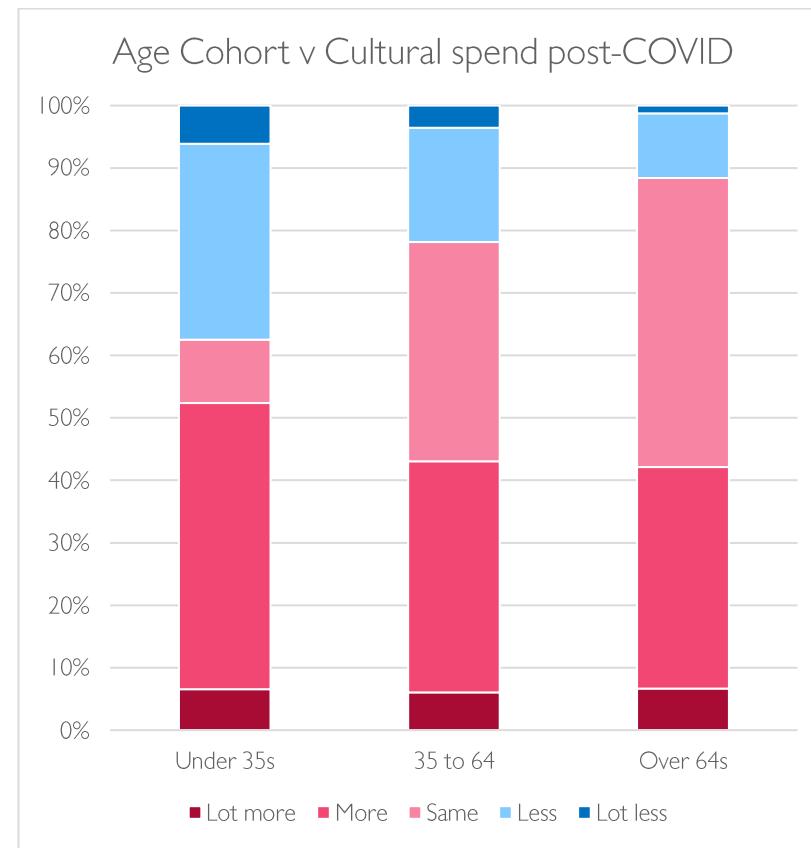
Perhaps not surprisingly those prepared to spend more as events return to normal are also amongst the more enthusiastic to return to live performances (see Chart 19).

Chart 19: Attitude to Booking for Live Events by Cultural Spend when Events happen again as 'Normal'



There is however variation by age with nearly 40% of under 35s expecting to spend less in future compared to 22% of 35 to 64 year olds and only 12% of over 64s (see Chart 20). Interestingly, there is a higher proportion of under 35s expecting to spend more on culture 52% compared to just over 40% for over 35 to 64 year olds and over 64s.

Chart 20: Age Cohort by Cultural Spend when Events happen again as 'Normal'



To understand this split amongst under 35s if you overlay age with those who have seen their income reduce or disappear as a result of coronavirus (see Chart 21), those who have seen a reduction are disproportionately in the under 35s cohort (42% compared to 30% of 35 to 64 year olds and 11% of over 64s).

Chart 21: Age Cohort by Income Reduction

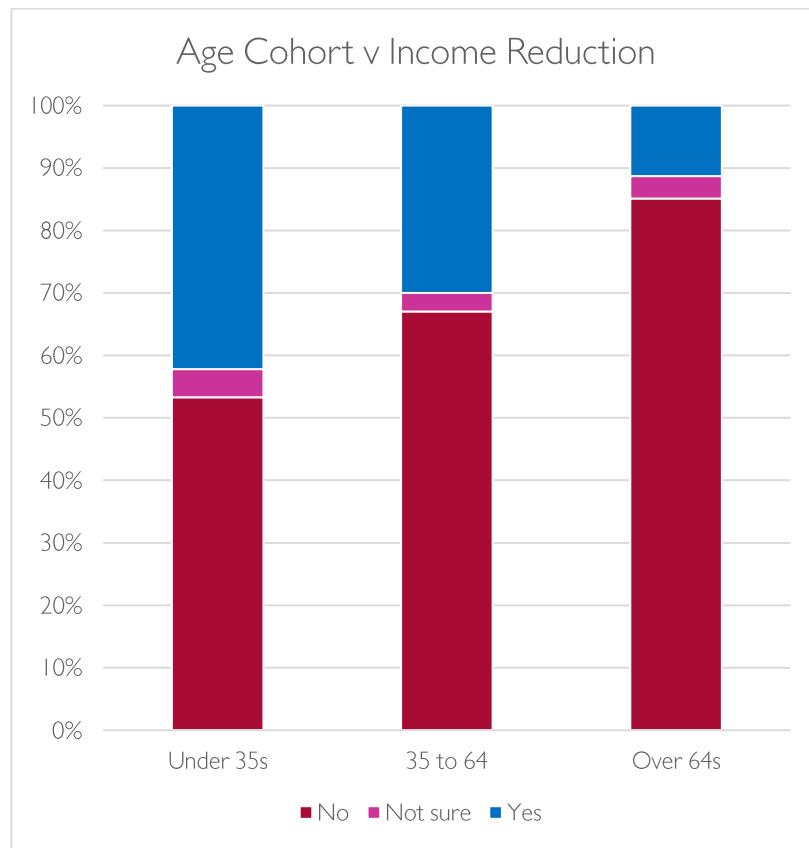
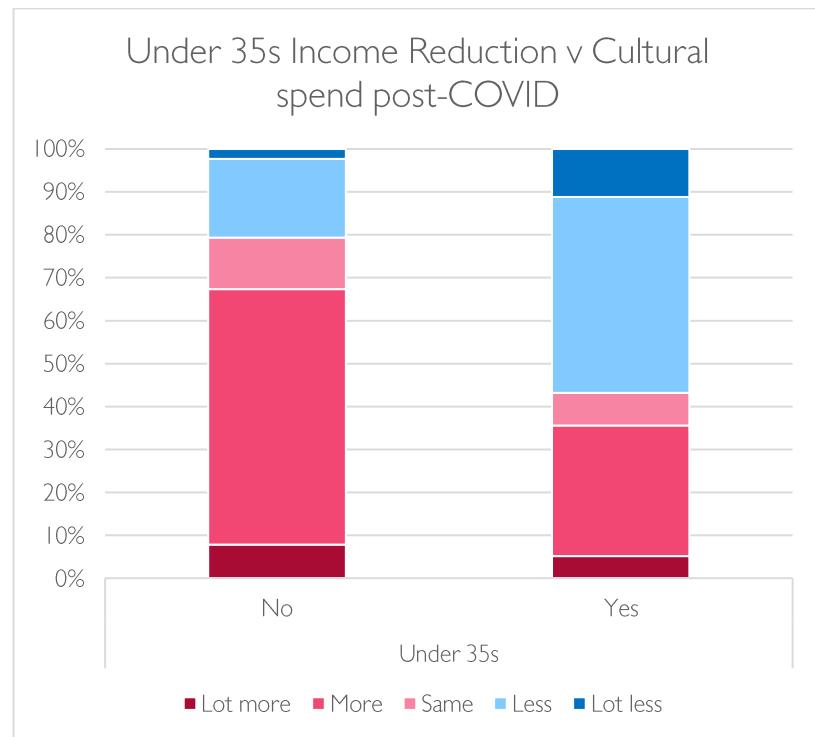


Chart 22: Income Reduction by Cultural Spend when Events happen again as 'Normal' for Under 35s



So those under 35s who expect to pay less or a lot less, they are much more likely to be have seen their income reduce or disappear (see Chart 22).

4 Age Profiles

The preceding analysis revealed some interesting differences not only in willingness to pay for digital, but also more general characteristics of the respondents by age, which can be grouped into 3 cohorts: under 35s; 35 to 64; and over 64s. A summary of their attitudes is given below.

4.1 Under 35s

- More likely than average to start booking straight away – though majority still expect to see safety measures in place to make them feel comfortable
- More interested in engaging online and more willing to pay for it
- Except for those under 35s who have seen a reduction in their income who are likely to spend less on culture in general
- Interested in a variety of digital events, particularly performances created specifically to be viewed online
- High expectations about digital content

4.2 35 to 64

- Fairly enthusiastic about returning to live events, but most are still safety conscious
- Interested in digital events, but less willing to pay

- Interested in a variety of digital events, especially performances created specifically for digital consumption
- Mid expectations about digital content

4.3 Over 64s

- More cautious about returning – either waiting for vaccine or when they can attend again as normal - as well as high number of things that would make them feel safe
- Less financially impacted by coronavirus
- Less interested in digital, but those that are interested are either willing to pay more than average or donate for the experience
- More conservative in number of digital events they are interested in, except for high interest in Archive recordings
- Lower expectations about the quality of digital

Chart 23: Age Cohort by Attitude to Booking for Live Events

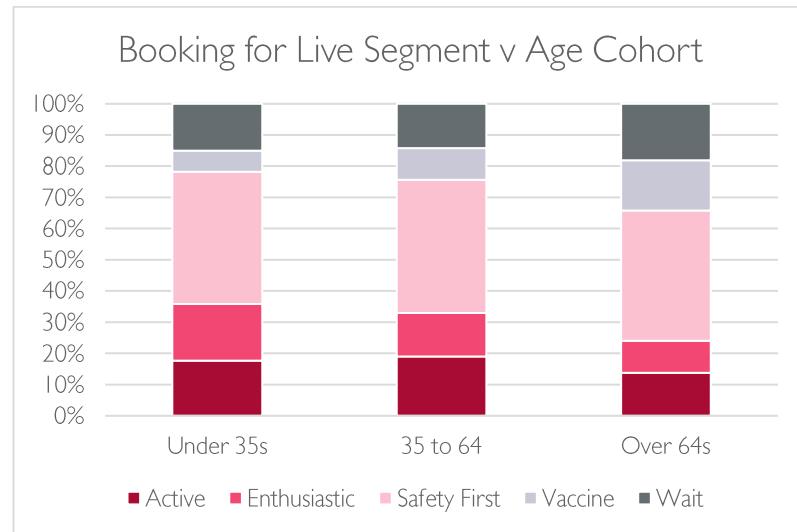


Chart 25: Age Cohort by Interest in Digital

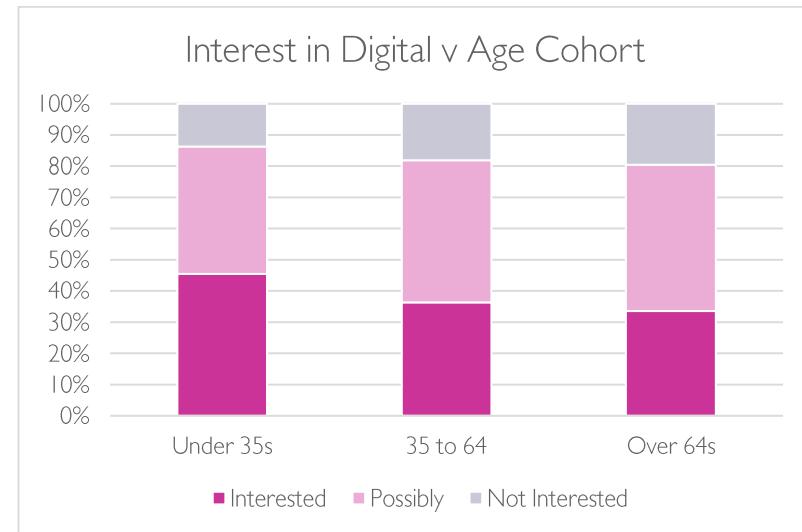


Chart 24: Age Cohort by Willingness to Pay for Digital

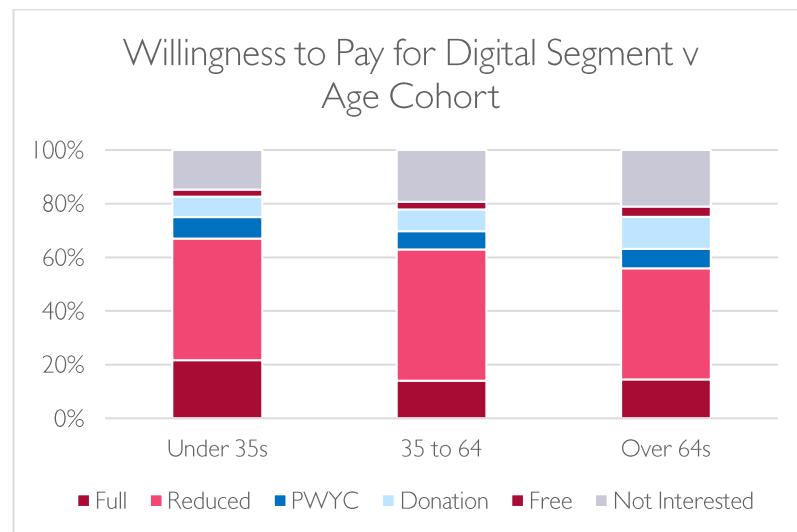


Chart 26: Age Cohort by Number of Digital Events Interested In

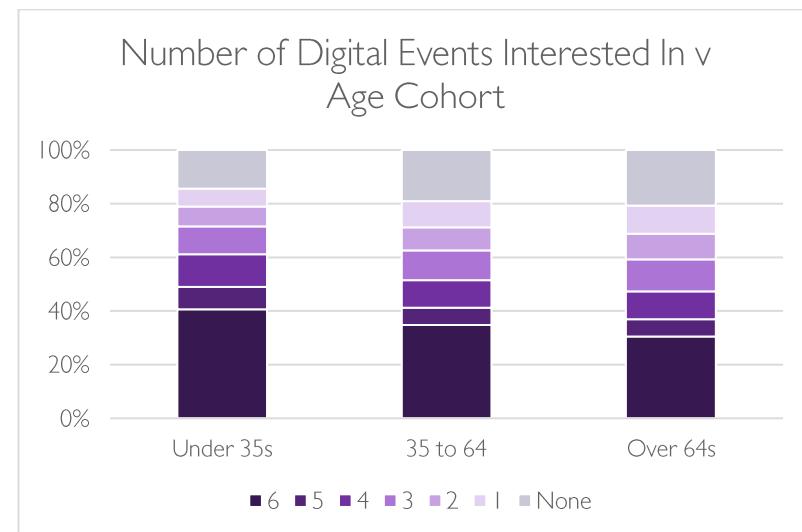


Chart 27: Type of Digital Event Interest by Age Cohort

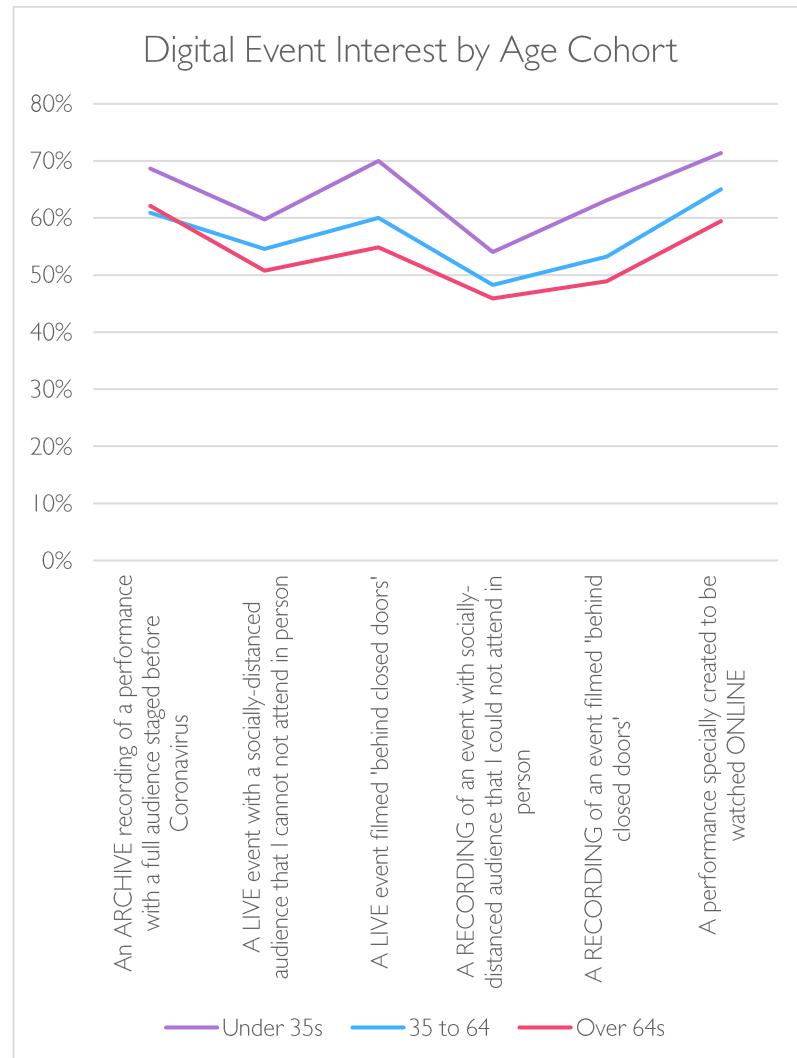
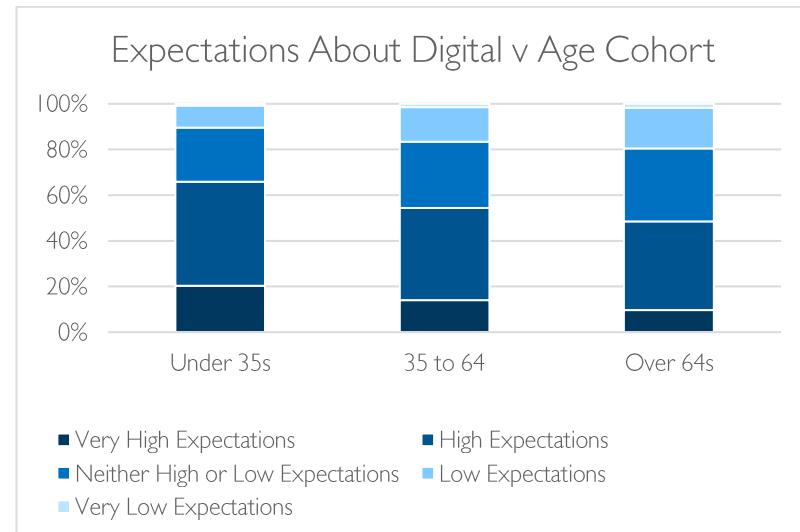


Chart 28: Age Cohort by Digital Expectation Level



5 Further Reading

For more about digital audiences from Act Two, focusing on digital engagement with culture, see The Audience Agency's Digital Engagement with Culture: Exploring the Act Two Survey:

<https://www.theaudienceagency.org/bouncing-forwards-evidence-hub-interpreting-the-evidence-act-two-survey>

For other analysis of the After the Interval and Act Two surveys, see Indigo's website, here: <https://www.indigo-ltd.com/covid-19-after-the-interval-national-audience-survey>

For more information on navigating the COVID-19 pandemic, planning for 2021, collecting and interpreting actionable insights see Baker Richards' website, here: <https://www.baker-richards.com/covid-19/>