The Institute of Outdoor Theatre

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Ticket-Related Revenue

The primary costs of a ticket office are ticket software expenses and annual licensing fees, extra help ticket sellers, ongoing training and travel for ticket office personnel, equipment maintenance for computer equipment and ticket printers, and ticket stock for the printers. Depending on the ticketing system and sales volume, these costs can be significant.

Fortunately, there are also a variety of ticket office-related fees which should offset these costs and make the ticket office a profit center for the organization. The organization can decide which of these fees should be charged and how they should be charged, but the overall goal should be to generate an operating surplus from the ticket office.

- Ticket service charges - There are two types of service charges: per ticket fees and per order fees. Large ticketing companies such as TicketMaster have led the way in levying very high charges for their services and, in the process, have both irritated the public and numbed it into submission. As a result, a non-profit corporation can lower its fee structure and still seem like a bargain, while continuing to make money. Most organizations charge some kind of fixed dollar per-ticket-sold service charge, but the disadvantage of this method is that it disproportionately taxes the lower priced and discounted tickets. A better method is to establish a flat percentage fee for handling and to set it at or near the local level of sales tax (which a non-profit does not have to pay), usually 6-8%. Using this method, all tickets are taxed at the same relative rate and the customer's perception is that it is more like sales tax than a theatre imposed surcharge, so there are fewer complaints about it.
- Rain Insurance - Several outdoor theatres have recently experimented successfully with the concept of rain insurance. Customers are offered the option of purchasing this insurance when they buy their tickets, usually at a rate around $3 per ticket. If the customer has this insurance and their performance is rained out, they are given a full refund with no questions asked. If they do not have this insurance, they are instead offered a complimentary ticket to another performance later in the season. This is an optional offer to the customer made at the time of sale, and it's extremely important to be very clear about exactly what the policies are in case of a cancellation because of weather. Besides information on the web site and at the ticket office, it is advisable to repeat these policies in an insert bundled with the tickets when they are picked up, or printed out when home-printed tickets are generated. Some theatres will not sell rain insurance on the day of the performance, although it's hard to see why that would matter (at worse, the chances of a refund could be higher on a bad weather day, but the ticket would have been sold so nothing is lost). Recently, extremely high heat or even smokefrom nearby forest or brush fires have caused theatres to cancel performances,

so it may be a good idea to have this insurance cover any environmentally-related cancellation. At a minimum, this program has enabled theatres to cover the cost of their refunds which can run into the tens of thousands of dollars in an outdoor theatre during a rainy summer, and more often a slight profit results from the insurance program.

- Exchange Fees - Theatres have, for many years, levied a convenience fee when a customer wishes to exchange tickets for a different performance.
- Ticket back advertising - One or more advertisers can be sold display ad space on the ticket backs. Two or three advertisers can split the ticket-back space of a single ticket, or different advertisers can have the entire space on alternating tickets. (This can be controlled when the blank ticket stock is originally imprinted, and for this reason, it is not a good idea to print several years' worth of stock.)
- Credit Card Fees - The vast majority of ticket sales are now paid for with credit cards, and it is legitimate to add a credit card processing fee to the sale. That fee should be slightly higher than the credit card fee the organization pays to the bank, and the margin is retained by the ticket office. For example: if the organization's contract with the credit card bank is to pay 1.85% of sales as a bank card fee, the fee charged the customer should be 2.25%, with the organization retaining .4%. With annual sales of $2 million, that will net $8,000. This is not a large sum, but consider it together with a 7% ticket service charge: now the total is $148,000. This is an important concept in theatre finance; the successful theatre makes its money in a number of small ways that add up to something significant. We will see this same pattern in the coming section on special events.
- Facility Use Fees - It has long been established that a theatre (or any other facility) needs to re-build itself every 20 years. That is to say major and preventative maintenance coupled with age and obsolescence will cost as much over that period of time as it did to build the facility in the first place. Theatres who ignore this reality will either become run down and unsafe or require a new restoration capital campaign every 20 years to be conducted by a future generation of board members and staff. Many theatres make that choice, either consciously or unconsciously. The alternative is to finance a substantial part of future facility capital costs by building a self-generated reserve through a facility use fee. These fees range between $1.50 and $4.00 per ticket sold. The fee can either be built into the face value of the ticket (preferred by most) or added on at the time of sale. Whichever is done, the key is to actually save the money rather than simply use it as another source of annual revenue. This requires discipline, and it's often a good idea to have a board resolution mandating that approach and an investment strategy for the reserve geared to the long term. Done effectively, it is similar to an endowment with the exception that the reserve can be accessed by legitimate capital building and replacement needs as time goes by.

It should be noted that some patrons, theatre managers and board members will always find fees of the sort described above to be distasteful and imagine a sort of moral high ground to be achieved by refusing to charge them. Theatre customers, however, have long been used to these practices and, as stated earlier, it is very easy to look like a real bargain compared to the fees structures of commercial ticket sellers. Before deciding "we don't do that sort of thing here," a theatre should at least look at the potential revenue to be gained and ask where else it is likely to come from.