

Pricing program

[Finance](#), [Investment](#)



In this research it was tried to analyze perspectives of activity of the GalaxyScienceCentre (GSC), located in the city of Britannia. Taking into consideration the status of the GSC a non-profit consideration, the study analyses the admission fee policy for various groups of visitors.

The special attention in the work is given to the achievement of the objective “ raising public interest in science”, combined with the goal to provide a financial self-sufficiency of the institutions. The research contains also an analyze of possible various promotion programs implementation.

Case study– Pricing Program

The Galaxy Science Centre (GSC) represents a non-profit organization, which is the first science museum to serve the city of Britannia. Using quick approach, two issues below should be resolved:

- To determine the admission rate for the first year
 - To determine the admission policy after the first year of operation
- Organization / MarketEnvironmentAnalysis

Basic SWOT and Porter’s Five Forces analysis indicate that the GSC’s unique position as the city’s only science museum, along with the municipality’s backing and the support of the school board, could give competitive advantages to the GSC. In such situation the GSC could be one of the most exciting places to visit in the city.

However, there is a possibility of an existing major competition, which may originate from other entertainment institutions in the city. The museum’s demands for continuous municipal funding would also limit GSC’s capabilities

for a further expansion. The details of the analysis can be found in appendix 1.

Goals, Objectives and their Relationship to Various Project Parties

The mandate provided by the board of trustees represents four major goals that the GSC should achieve. Unfortunately, taking into consideration financial and informational constraints as discussed above, it is unlikely that the museum will meet all the expectations equally well.

Therefore, it is recommended that the GSC goals should be ranked according to their importance. As shown and discussed in appendix 2, the top priority of the GSC activity is to educate the general public, while an achievement of financial objectives can be sacrificed. The ranking, used in appendix 2, implies that customers (the general public) are the most critical project parties and their demands and wants should be considered as the primary ones.

Alternatives and Analysis

1. First Year Revenues, Costs and Admission Rate

As indicated in the market study[1], the demand is relatively inelastic, and the expected total admissions number is not likely to vary substantially both at the admission price of \$ 0. 0 and at the price of \$6. 5. Moreover, an establishment of the admission price of \$6. 5 may lead to the GSC downfall, especially during the first year of activity (appendix: table 1). Therefore, only admission prices above \$6. 50 should be considered as market reasonable options.

It should be noted that no reliable market data is available in the case of the price above \$6.5 and such admission price could lead to an unexpected drop in total admissions. However, when the price of \$6.5 is benchmarked against other options of entrance fees (see appendix 3), it appears to exist some space for a higher admission price than \$6.5 per visit.

2. Admission Policy for Year 2 and Beyond

Option #1: Admit Seniors and Pre School Children Free of Charge and Increase Promotion and Advertising Expenditures by \$200,000

As demonstrated in appendix: table 2, the investment of \$200,000 is expected to bring an average return of \$309k. Such investment will also likely to draw townsmen to the GSC which should pursue the objective of raising the public interest in science. The downside of this strategy lies in the fact that the GSC will most likely perceive financial losses. An expected annual profit may vary from -\$1.2m to \$621k, with an expected value of -\$367k.

Option #2: Charge a Discounted Admission Price for Senior Citizens and Pre-school Kids

When charging a discounted admission prices for seniors and children it may lead to the upraise of incomes extra sources. By that, a following important factor should be considered. In the most cases seniors and children are not likely to visit the GSC themselves, and often such visits are just “tagged-along” to some family events.

The discount tickets may be effective when they are accompanied with the extra charges for adults or students. On the other side such extra charges for adults and students may have a bad effect on the admission income.

Option #3: Admit Seniors and Pre School Children Free of Charge and Convince the Municipality to Continue the Subsidy

Freemoney is always great, – providing the municipal annual investments in amount of \$1m, the GSC will not need to worry about the balance sheet in the foreseeable future. This option, if combined with the advertisement investment in option #1, would provide the GSC an opportunity to make huge profits. However, such passive approach is a deviation from the original goal of the museum activity that the GSC is meant to be a self-sufficient institution.

[1] Second paragraph, exhibit 2 in the case