

In conversation: Greg Loewen, CEO, Digonex

7 MIN READ



I am Digonex's CEO, which means I do a little bit of everything as our company harnesses the power of data to assist firms in their pricing decisions. I spend a lot of my time on the road, travelling around to meet with current and prospective clients and presenting at conferences to spread the word about the value of dynamic pricing, and how we can help clients implement it in their organizations.

Digonex was founded in 2000 with a goal to figuring out how to price digital music. It had what I consider to be a second birth in the middle of 2014, when we were acquired by Emmis Communications, our current parent company. That investment gave us the capital and other resources that we needed to really take the company forward. Today, we are at heart, a services firm that is powered by proprietary technology. Our sole focus is building and implementing customized and automated dynamic pricing solutions for our clients.

I believe we have the best pricing science in the industry. When we started, Digonex was in some respects ahead of the times, but now, because we have been doing this for so long, our clients are benefiting from almost two decades of R&D in pricing science.

We have a deep base of experience. A lot of the clients that we work with didn't start by working with a firm like ours. They started by doing dynamic pricing through an internal manual process, which helped them understand just how powerful and high impact it can be, but also what a time consuming and painful process it can be if you try to do it manually. If you're Disney, you can probably afford to hire your own data scientists and analysts to do some of this work. If you're a local presenting house, arts or sports organization, you don't have the budget for that. And that's really where we come in. We provide world-class pricing science to lots of small and mid-size operators that otherwise might not be able to afford it.

I believe dynamic pricing has really gained momentum in the last 8 to 10 years because of the explosion of the online secondary market, which has highlighted for a lot of primary ticket sellers just how inefficient some of their pricing has been. When tickets disappear from the box office instantly and show up on a secondary market the next day at two or three times the price, that says there has been opportunity left on the table. I think the other thing that's happened is that more and more organizations are starting to experiment more proactively internally with their own manual price changes, and they are seeing some really encouraging results from that. So, I think, taking that insight and the changing behaviors in the industry, folks are realizing that it's probably an idea whose time has come.

I'd encourage everyone in the industry to think seriously about dynamic pricing. At the basic level, dynamic pricing is about using data and science to help align the price of a product or service more closely with the underlying demand and supply factors. And when done right, it can generate a significant amount of value for both the ticket seller and the consumer.

When you get the pricing right, when you align the pricing more accurately with demand, that tends to drive revenue growth. After the first year, typically the revenue lift is somewhere in the 10 to 20 percent range. Still, even though we're data people, we believe that the best pricing decisions are made when you can combine quality data science with the experience and intuitive market knowledge that always exists with the client. We understand that no matter how good the automated solution that we build is, there is always going to be information that is relevant to the pricing strategy that you can't necessarily shove into an algorithm. So, we design our process to incorporate both elements. We do a lot of customization of the pricing solution up front to try and reflect each client's goals and objectives in unique market dynamics and the constraints that they want to build into how their pricing solution might work.

I am proud of the fact that Digonex provides great personal service along with fantastic technology.

We have a team that works with every client for the entire duration of our relationship. We'll spend a lot of time in dialogue with clients when we first start with them to build that rich understanding of their business and make sure that the solution is as well designed and customized in the best way possible. But then after we go live, the work really just starts. Every day, we gather new data, we get to test again how the market has reacted to the previous day's price changes, we get more insight so there's an ongoing analytical process and an ongoing dialogue between us and the client about what's happening in the marketplace. We're taking those new insights and constantly going back into the solution and then enhancing it and strengthening it based on those elements.

We also know that while we want to make the client's process as minimally labor-intensive as possible on a day-to-day basis, there are always questions and new things that come up, which is why we've got a client services representative and one of our economists beside every client so there's always a human being to talk to. If there are any changes, if there are any concerns, if there are questions about what's driving the price recommendations, there is always a human dialogue that goes alongside the technology.

We recognize that the customer experience is of paramount importance to the live events industry.

Although we work in the background, we also help enhance the customer experience. So, for example, take a case where there is a particularly strong selling event, dynamic pricing can help ensure true fans can get a ticket directly from the promoter or the venue and can do so at a fair price instead of relying on the secondary market. There are other times when, perhaps with a lower demand performance, dynamic pricing can be utilized to help fill up the house more than it otherwise might be. We've all had that experience – when you attend a performance with a full house, it's a different experience. When you can share your experience with more people, it's better for the customers who are there, it's more enjoyable for the performers or athletes, and to the extent that pricing can fill a hall or stadium a bit more, it's another great event-enhancing opportunity. Again, just emphasizing that point that when tickets are priced right, the promoters, the venue and the customers all benefit.

I think the most important trend in dynamic pricing is that it is becoming more commonly accepted as standard practice in the industry. I think this makes all the sense in the world and it's the reason for the significant investment we've been making in the live entertainment sector. Secondly, I think we're seeing increasing recognition that the opportunity in most cases is not just a small opportunity. It's a pretty big opportunity, so the concept of investing in a service or tool like Digonex is to really help maximize the impact of dynamic pricing and it's making sense for a lot more organizations. Third, is the emergence of this concept of "slow ticketing." If you sell all your inventory within 30 minutes, that used to be considered a great success. Now, I think it's seen as a failure. It's more suggestive of the fact that you've probably underpriced your inventory, left a lot of money on the table and transferred a lot of value from the primary market to the secondary market. Slow ticketing, we think, is a great concept and it's really just another way

of discussing the benefit of dynamic pricing in disguise. So, we see the industry coming around to this point of view and we think that's great.

In conclusion, I'd just like to emphasize again that dynamic pricing doesn't need to be scary. You should feel comfortable that your patrons will understand and adapt to it, that it's not that hard to implement. Hopefully, folks are increasingly aware that there are firms like Digonex out there to help with this and do all the heavy lifting, the data gathering and analysis, the price updating, and we encourage organizations to come talk to us.

We're happy to spend time with a client that's in the early stages of thinking about this to help them understand in more detail how dynamic pricing works, how it might fit in their specific organization, how we may decide to customize the development of a solution for them based on what they explain to be the unique element of their business or their strategy. So, we're happy to invest at no cost in doing some of that fact finding and plan development with anybody who is interested in this.

We don't think there is any organization in live entertainment that can't benefit from thoughtful application of dynamic pricing even if it is through an internal manual process. I'd just say jump in there, get your hands dirty and don't be afraid to call us if you think we can help. To a large degree, this is already becoming standard practice in the industry and we think it will be even more so as clients experiment with slightly more aggressive approaches in the coming years. The world needs more art and athletics. Anything like dynamic pricing that can help performers, performing arts organizations and live event venues capture more of the value that they generate through their work and put more tickets into the hands of true fans and fill more houses is just going to make the industry stronger and more vital. And we're really proud at Digonex to play a small part in that process.