



SAN FRANCISCO SYMPHONY

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401 Van Ness Avenue, Suite 110
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Dear Beth:

The San Francisco Symphony has recently completed an extensive audience development study with the goal of increasing attendance at our core classical series concerts. The focus of the study was single ticket buyers, who are critical to our long-term success as the number of subscribers continues to decline. The primary focus of this audience development work is to increase the number of tickets purchased and number of concerts attended by our current single ticket buyers. In addition, we identified other demographics and other groups that would most likely be interested in attending a concert for the first time to allow us to focus our marketing efforts.

The results of the study emphasized the challenges we face, not about the music we play or what happens on stage, but more about the end-to-end experience we offer to our patrons. Expectations of our customers have changed:

- At-home immersive entertainment is better and more accessible than ever before, meaning out-of-home experiences need to deliver value beyond content.
- In the Bay Area, innovation is everything. An experience that's exactly the same from week to week, month to month, and year to year, is an experience that is not going to encourage people to return again.
- With traffic and parking challenges increasing every year, experiences need to be more and more compelling to justify the effort.
- Live symphonic music is a wonderful experience, but an increasing narrow one. Patrons are looking for something broader, with more context and relevance to their lives.



From this work, we developed a series of audience development initiatives along four dimensions:

- Story and context
- Surprise elements
- Improve the food and beverage experience
- A seamless experience

In order to kick-off and support initiatives to improve the patron experience, capital expenditures will be required that include the following enhancements to the lobbies at Davies Hall, totaling approximately \$6 million:

- An immersive lobby experience for patrons on all floors of Davies Symphony Hall: Digital and interactive musical exhibits, large digital screens presenting event-related content and announcements, Musician interactive wall and a content management system
- Pre- and post-concert destination lounge for both informal and docent-led group conversations: Lounge area with full bar and food handling equipment to offer drinks and light food options on the Second Tier
- Quality food and drink selections that celebrate San Francisco culture: Build out of full-service kitchen and improve current Market Café area to meet health standards that would allow food to be served
- Intimate group seating areas offered throughout the Davies Symphony Hall lobbies: Remodel seating areas in all lobby areas
- Concert-inspired fine art gallery in lobby areas: Improvements in lobbies to allow artwork to be easily installed and viewed
- Installation of cup holders at seating locations

Through extensive quantitative research the study revealed that our core classical current concert goers, as well as customers attending our other concert series, would attend more frequently if these initiatives were implemented. The research was also able to target a group of potential customers who would be inclined to attend a concert and these initiatives again would increase the likelihood of their attendance.

We have an aggressive goal to implement the initiatives in two waves with the first wave implemented in 2017-18 and the second wave in 2018-19. You may note that there are several initiatives focusing on food and beverage in the hall. Our plan is to work closely with the War Memorial Board and staff to enable the food and beverage provider to play a key role in enhancing the patron experience.



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The Symphony is proposing that funding for these capital improvements come from bank financing that is repaid through a "hall improvement fee" added for all ticketed Symphony events taking place in Davies Symphony Hall. The amount of this fee would be between \$2.00 and \$3.00, and all amounts received would be dedicated to payment of interest and principal on this loan. It is estimated that repayment would take between five and seven years. The effective date of this "hall improvement fee" is the on-sale date of 17-18 tickets in early March, 2017.

There is a possibility that all or a portion of these capital expenditures will be funded by a donor or group of donors. If this were to occur, the Symphony would provide the War Memorial Board and staff with a list of alternative capital projects to improve the facility. Both parties would then mutually agree on the projects to move forward, as funding becomes available.

Symphony staff would work closely with War Memorial Board and staff during the design, specifications and installation of these improvements, and present each capital improvement project for War Memorial Board approval. We would also share patron survey information as new and current patrons experience these enhancements. Symphony staff would provide quarterly reporting of the "hall improvement fees" collected, capital expenditures, loan payments and the loan/account balances.

The Symphony asks that the Board formally consider this request through the Building Committee and any other appropriate committees, such that the Symphony staff might begin working with War Memorial staff to develop any additional information to be brought before the Building Committee and Board of Trustees of the War Memorial.

Thank you for your consideration of this matter.

Thank you,

Derek Dean
Chief Operating Officer

Cc: Brent Assink, Executive Director
Andrew Dubowski, Director of Operations

Purpose of “Hall Improvement Fee”

The San Francisco Symphony plans to implement several audience development initiatives that are designed to increase the frequency of attendance, by single ticket buyers, to core classical concerts at Davies Symphony Hall. These initiatives, identified as a result of extensive quantitative research, will help improve and enhance the patron experience in the hall and lobby areas while maintaining the integrity, and respecting the history, of Davies Symphony Hall.

In order to properly fund several of the initiatives that impact the Hall, the San Francisco Symphony is proposing to fund these capital improvements through a “Hall Improvement Fee” added to tickets sold for SFS concerts taking place at Davies Symphony Hall beginning with the 17/18 Season.

Scaling of House and Communication

Following a similar implementation strategy as the San Francisco Opera and San Francisco Ballet, the Symphony is proposing that \$2.00 and \$3.00 hall improvement fees be added to the ticket prices of concerts that take place at Davies Symphony Hall.

Ticket prices for seats located at orchestra and loge levels will include a \$3.00 fee, while all other seat locations (i.e. tiers and terrace levels) carry a \$2.00 fee. These fees would apply to all SFS concerts ;and presentations that take place at Davies Symphony Hall, excluding the following concerts: Youth Orchestra, Music for Families, Open Rehearsals, Deck the Hall, AIM/CFK, Dia de los Muertos, Lunar New Year, and All San Francisco.

Patrons will be informed of these fees in all marketing materials that communicate ticket prices. The communication will share the general purpose of the fee, which is designed to elevate and refresh the symphony experience through physical improvements to Davies Symphony Hall.

List of specific projects and estimated cost

The SFS will seek War Memorial approval for each capital improvement project.

Digital Lobby Experience: Installation of digital screens throughout the lobbies, interactive kiosks and an interactive musicians’ wall, all supported through and integrated content management system, that enable patrons to engage with and learn about the Symphony and its programs. **\$2.3 million**

Concert Lounge: Concert lounge for patrons to mingle and enjoy refreshments during pre-and post-concert receptions and during intermission. This lounge would be located on the first and/or second tier and would feature a bar and light food service, as well as small tables and chairs to create comfortable seating areas. **\$1.4 million**

New Kitchen: In order to offer creative and quality food and beverage experiences, construct a kitchen on the Orchestra level (possible locations include current Patina office, new room behind Patina dish room). **\$1.2 million**

Lobby Seating Areas: Redesign and increase the volume of lobby seating areas to create comfortable and practical spaces for patrons to converse and enjoy food and beverages. **\$725,000**

Auditorium Seat Cup Holders: If the current pilot program of allowing drinks in the auditorium is positively received and approved, add cup holders to each seat to enable patrons to set their beverages down in a safe, secure non-distracting fashion. **\$325,000**

Exhibits: Purchase and install vitrines, lighting adjustments and hanging systems in lobby areas to support music-related exhibits, which might include paintings, sculptures, photographs, instruments and other relevant objects. Exhibits would rotate two to three times per year. **\$100,000**

Anticipated annual revenue generated

Based on the estimated sale of 375,000 tickets each year, the projected annual Hall Improvement Fee revenue would be \$950,000.

Timing and general plan to backstop funds

The Symphony’s Finance Committee will determine if funding for these expenditures, which will primarily take place during the 2017-18 and 2018-19 fiscal years, will come from a bank loan and/or from unrestricted endowment. The Hall Improvement Fee revenue will be used to repay either the bank loan and/or the unrestricted endowment over a six to seven year period.

Tracking and Reporting on Hall Improvement Fee Revenue and Expenditures

Revenues generated from the Hall Improvement Fee will be tracked through the Symphony’s ticket system “Tessitura” and then recorded in a separate general ledger account. Revenues received and capital project expenditures will be reported on a quarterly basis to the Symphony’s Finance Committee and the War Memorial. Any interest earned (or proportional interest) accruing to the Hall Improvement Fee fund will rest with the Hall Improvement Fee fund.