AGENDA

• Industry

• Pricing Strategy
  • Advance Selling
  • Bundling
  • Price Discrimination
  • The Creative Element

• Pricing Strategy Evasion: Scalping

• Recommendation: Investment + Future Pricing
WHY CONCERTS?

- Cost of an Experience
- Creative Pricing Strategies
- Major Source of Revenue for Music Industry
This is Why We go to Concerts
QUICK STATISTICS

Revenue
$3.2bn

Annual Growth 07-12
-2.5%

Annual Growth 12-17
3.2%

Profit
$248.3m

Wages
$120.7m

Businesses
265
### Industry Data

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<tr>
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<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
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PRICING TRENDS

CONCERT METRIC: TICKET PRICES

- **NAC**
  - 2005: $41.82
  - 2006: $44.78
  - 2007: $45.79
  - 2008: $48.21
  - 2009: $48.12
  - 2010: $49.74

- **INTL**
  - 2005: $45.71
  - 2006: $50.02
  - 2007: $52.89
  - 2008: $48.29
  - 2009: $58.17
  - 2010: $54.32

*Graph by Live Nation Entertainment*
CONSUMERS: WHO PURCHASES?

Demand Factors:
- Disposable Income
- Consumer Sentiment
- Leisure Time
- Venue Location

Major market segmentation (2012)

- 7.2% People aged 24 and younger
- 26.1% People aged 35 to 44
- 14.1% People aged 25 to 34
- 24% People aged 45 to 54
- 16.8% People aged 55 to 64
- 11.8% People aged 65 and older

Total $3.2bn

SOURCE: WWW.IBISWORLD.COM
GROWING CONSUMER BASE:
BABY BOOMERS
INDUSTRY STRUCTURE

- Vertical Organization
  - Players: Performers, Agents, Promoters, Venues, Ticket Agencies

  - 1) Promoter contracts act via agent
  - 2) Promoter searches for performance venue
  - 3) Venue sets constraints on number and category of seats
  - 4) Tickets are sold either at the venue booth or through ticket agencies.
TECHNOLOGY & PRODUCTION COSTS

In-House Software Development

Limited to initial start-up costs
Minimal maintenance costs

Technology

Seating Availability
Pricing Changes
COMPETITIVE LANDSCAPE
COMPETITORS

ticketmaster
LIVE NATION
StubHub!
eventbrite
ebay
HHI: IBISWORLD

HHI = 1573.35
MARKET SHARE: PRIMARY TICKET SALES SHARES

- Ticketmaster: 50%
- Eventbrite: 12%
- LiveNation: 8%
- Tickets.com: 8%
- LiveNation: 8%
- Eventbrite: 12%
- Goldstar.com: 4%
- Etix: 3%
- Telecharge: 2%
- Other: 13%
MARKET SHARE: SECONDARY TICKET SALES SHARES

- Stubhub: 35%
- TicketLiquidator: 11%
- TicketsNow: 10%
- TicketNetwork: 7%
- Vividseats: 4%
- TicketCity: 2%
- SeatGeek: 2%
- TiqlQ: 3%
- EventTicketsCenter: 2%
- GoTickets: 2%
- Other: 22%
- TicketsNow: 10%
- TicketLiquidator: 11%
MAJOR PLAYERS

• Live Nation Entertainment
  - Largest distributor of online tickets
  - Operates 5 business segments
  - Increase in revenue of 21% from 2009 to 2010
  - Groupon partnership
  - Planned intro of dynamic pricing

• StubHub (eBAY)
  - Secondary seller
  - Individuals sell their tickets to others at chosen price
  - StubHub profits from seller and buyer
  - Revenue increase of 8.6% annually
  - Growing demand for second-hand tickets
PRODUCT DIFFERENTIATION

- Scope of Products Offered
- Price
- Convenience
- Customer Base
- Branding
GOVERNMENT’S ROLE
PRICING STRATEGIES
**BUNDLING**

- Most common form of bundling is through multi-day, multi-act, concert festivals.

- Marginal cost of producing an additional performance is small and total demand for the event is large compared to the size of the premises
  - Equipment costs
  - Venue Cost
  - Security Cost

- *However, cost of separate performers is highly variable*
- Both Pure Bundling and Mixed Bundling strategies are used.
  - Pure bundling is more common, more profitable
  - Due to negative correlation of goods (services) provided at these festivals

- Mixed Bundling occurs most commonly through VIP packaged deals, but also through single day festival packages.
PURE VS. MIXED FESTIVALS OPTIONS

Number of Festivals

<table>
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<th>Pure</th>
<th>Mixed</th>
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<tr>
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<td>5</td>
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PURE BUNDLING
BONNAROO: MUSIC & ARTS FESTIVAL

- Only supplies one ticket package (at 5 different price levels, using advance selling)

- 4 day general admission pass:
  - Summer pre sale (Level 1) $209.50
  - Holiday pre sale (Level 2) $224.50
  - Price Level 3 $234.50
  - Price Level 4 $244.50
  - Price Level 5 $259.50
MUSIC FESTIVAL PRICING: PURE BUNDLE PRICE BY NUMBER OF DAY PASS

![Graph showing the relationship between the number of days and the price per ticket. The R² value is 0.61985.](image)
- Un-related acts (services) attracting customers with negatively correlated demand

- Lineup:
  - Red Hot Chili Peppers
  - Phish
  - Dispatch
  - *Ludacris*??

- Draw on heterogeneity of tastes in order to increase profitability
MIXED BUNDLING
ANALYSIS: FESTIVAL ONE DAY PASS VS. FULL FESTIVAL PASS

Governor’s Ball (June 23rd & 24th)

- Two day festival pass:
  - $160 pass + $15 service fee = $175 total

- Single day Saturday or Sunday pass:
  - $95 pass + $10 service fee = $105 total
  - For both days: $210 total

- Total Amount “Saved”: $35
VIP PACKAGES

- VIP Parking
- Concessions Packages
  - Offer convenience to those more willing to pay
  - Self-Selection (2\textsuperscript{nd} degree)
“SCALING THE HOUSE”

Scaling the house refers to determining ticket categories and prices:

(1) What determines the optimal number of categories?
(2) How should the firm sort seats in categories?
(3) How should each seating category be priced?

- Outdoor Festivals often cannot scale the house and must achieve categories through creative bundling and advance selling
ANALYSIS: STUBHUB TICKETING TRACK

• Primary sellers usually sell at one distinct price, so advance selling is a technique used in secondary markets.

• Advance selling happens through auction sites (ex: eBay, Ticketmaster) or C2C sites (ex: StubHub)
OVERVIEW OF ADVANCE SELLING

• Ticket prices increase as purchase date nears the concert date.
  • Buyer uncertainty decreases when the consumption period nears.
    • Therefore, less price sensitive and more willing to invest a larger sum to achieve the desired consumption state.
OVERVIEW OF ADVANCE SELLING

Price Changes to General Admission Tickets on StubHub

Price in US Dollars

5-Apr   6-Apr   7-Apr   8-Apr   9-Apr   10-Apr   11-Apr   12-Apr   13-Apr   14-Apr   15-Apr   16-Apr   17-Apr   18-Apr   19-Apr

fun.
Ingrid Michaelson
Avicii
The Avett Brothers
Passion Pit
**FUN.**

**TICKET PRICE BY DAY**

- Concert held in Las Vegas (population: 567,641)
- Date of Concert: April 21\(^{st}\).
- Range of ticket prices: $65.50 to $90.00
• Concert held in Vancouver, BC (population: 603,502)
• Date of Concert: April 19\textsuperscript{th}.
• Range of ticket prices: $4.00 to $47.95
• Concert held in Boston (population: 617,594)
• Date of Concert: April 22\textsuperscript{nd}.
• Range of ticket prices: $52.00 to $71.00
THE AVETT BROTHERS: TICKET PRICE BY DAY

- Concert held in Albany (population: 97,856)
- Date of Concert: April 22\textsuperscript{nd}.
- Range of ticket prices: $39.99 to $59.99
PASSION PIT:
TICKET PRICE BY DAY

• Concert held in Boston (population: 617,594)
• Date of Concert: April 25th.
• Range of ticket prices: $55.00 to $64.99
PRICE DISCRIMINATION
FIRST DEGREE PRICE DISCRIMINATION

• Auction style purchasing
• Prevalent in secondary markets
• Presents the problem of multiple selling of a ticket
SECOND DEGREE PRICE DISCRIMINATION

- Scaling the House
  1. What determines the optimal number of categories?
  2. How should the firm sort seats in categories?
  3. How should each seating category be priced?

- Problem: each seat is unique and can offer a unique experience: heterogeneous good
  - Visibility
  - Sound
  - Seat vs. Stand
  - Quality of Seat

- Promoters cannot set a different price for each seat!
## SECOND DEGREE:
### MENU OF TICKETS

**USING LADY ANTEBELLUM CONCERT IN MOLINE, IL AT I WIRELESS CENTER**

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<tr>
<td>General Admission Standing</td>
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<td>10.05</td>
<td>57.05</td>
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<tr>
<td>Reserved Main Floor Seating</td>
<td>47</td>
<td>10.05</td>
<td>57.05</td>
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<tr>
<td>Lower Bowl Seating</td>
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<tr>
<td>Upper Bowl Seating</td>
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<td>10.05</td>
<td>57.05</td>
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<tr>
<td>Reserved Main Floor Seating</td>
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<td>9.35</td>
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<tr>
<td>Lower Bowl Seating</td>
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<td>Upper Bowl Seating</td>
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SECOND DEGREE: DAY OF THE WEEK

Avicii Tour: Average Ticket Price by Day of Week
THIRD DEGREE

- Median Income of Area
- Population within a Certain Distance of Venue
### THIRD DEGREE: POPULATION + MEDIAN INCOME

#### CORRELATION COEFFICIENT: USING THE BRUCE SPRINGSTEEN TOUR

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# THIRD DEGREE: POPULATION + MEDIAN INCOME

## CORRELATION COEFFICIENT: USING THE AVICII TOUR

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Bruce Springsteen Tour: Price as a Function of Population within 50 Miles of the Venue

Ticket Price for General Admission Standing (Dollars)

Population within 50 miles of Venue (Millions of People)
Avicii Tour:
Price as a Function of Population within 50 miles of Venue
Bruce Springsteen Tour:
Ticketmaster Fees as a Function of Median Income
THE CREATIVE ELEMENT
THE CREATIVE ELEMENT: DOES ARTIST AFFECT TICKET PRICE?

<table>
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<td>Lady Antebellum</td>
<td>59.8</td>
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BROKERS AND SCALPERS

• Brokers
  - Unaffiliated Independent Agents
  - Purchase from Ticketing Agencies
  - Sell to End Consumer
  - Distribution through Nat’l Networks
  - Higher Prices

• Scalpers
  - Independent Sellers
  - Purchase through Primary Sellers
  - Sell to End Consumer directly before event
  - Prices Higher than Legally Allowed
PRICING STRATEGY EVASION: SCALPING

• Current Solutions

1. Rationing the quantity a single buyer can get
2. Requiring that buyers pay with a credit card and checking credit cards numbers to control large purchases
3. Selling non-removable bracelets and admit only those bracelet wearers at the consumption date

• Resale laws restrict the price mark-up above face value and the physical places where tickets can be exchanged.

• Require that resellers purchase business licenses.
MORE THAN SCALPING: RESALE AND MULTIPLE SALE OF A SINGLE TICKET

- Solution: You must show the credit card and present your photo ID to gain entry to an event.
ANALYSIS + RECOMMENDATION: REVENUE OUTLOOK

Grow at an average rate of 3.2% per year
ANALYSIS + RECOMMENDATION: OUTLOOK

- Revenue and prices will increase leading to greater profit margins

\[
\text{Profit Margin}_{2012} = 7.8\%
\]

\[
\text{Profit Margin}_{2017} = 8.3\%
\]

- These increasing profit margins will lead to an increase in competition.
  - 1.6% in ticket sellers = 287 ticket sellers a year
  - These companies may be integrated and bought by larger brands such as eBay or Live Nation
ANALYSIS + RECOMMENDATION: INVESTMENT STRATEGY

Niche Market Ticket Seller (Flavorus, Grupo)

Natural Monopoly: Live Nation Ticketmaster vs. eBay (StubHub)
ANALYSIS + RECOMMENDATION: THE FUTURE OF PRICING

- Primary market sellers should study what prices their tickets are reselling for in secondary markets.
- Find ways to regulate secondary market in order to prevent multiple sales of a single ticket.

Personalize...Customize...Socialize
QUESTIONS?

Thank you for your time!