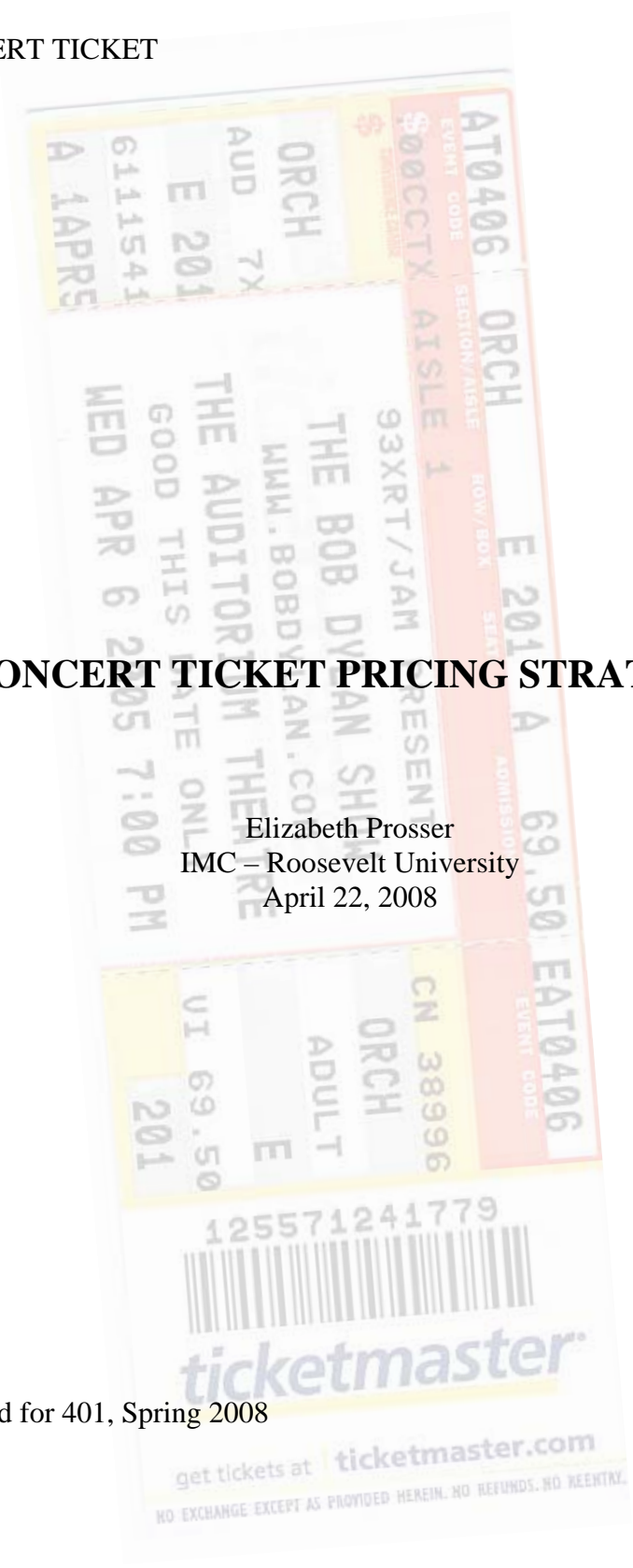


Running head: CONCERT TICKET

# CONCERT TICKET PRICING STRATEGY

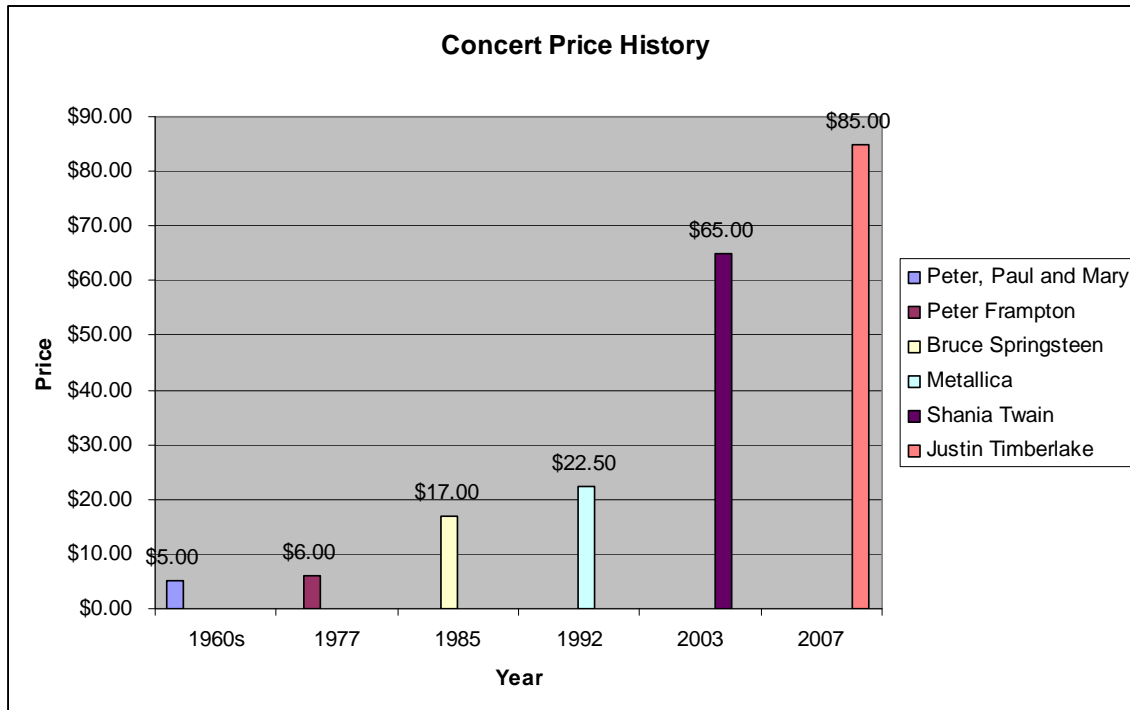
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The price for entertainment is getting higher, but is the entertainment paid for getting better? The entertainment industry, as a whole, can make a considerable profit based on the “pull” received from consumers. Concert ticket prices can rise within a matter of days when the performer is at the peak of their career or have sustained considerable popularity throughout a long career. The problem with rising ticket prices is controlling who receives the profit and who purchases the seat at the venue. With the introduction of third party sellers, the profit goes to the highest seller and the ticket to the highest bidder. There are too many hands in the pot, causing too high prices and therefore not enough fans in the seats. The three tours I will compare for the purpose of this report are Kanye West, Bruce Springsteen and Hannah Montana. These tours were chosen because of the difference in their target audiences which will be discussed in further detail.

If you're curious to know what it cost to see Fleetwood Mac in 1978, arguably the peak of their careers, it was a meager \$12.00. For the price of a movie ticket and large soft drink at the movie theatre today, a Fleetwood Mac fan could experience an unforgettable concert event 30 years ago. Granted, there are contributing factors to the increase in concert prices we see today such as venue, performer, inflation and most significantly the Internet. It still does not change the longing for the older days when fans would camp outside a venue's ticket booth and not have to pay a week's paycheck to enjoy themselves for a fleeting 2 hours. If loyal fans want a memento from the more reasonable concert days all they need to do is search on the Internet and vintage ticket stubs, posters and t-shirts are available for the bidding. This is how I was able to research actual ticket prices for performers in the peak of their careers. Ticket price comparisons for the past 40 years are evidenced in the table below:



As shown in the table above, ticket prices started to double in the 21<sup>st</sup> century. It is possible that this is because the industry has changed a great deal. Before performers toured as often as they could at as many cities as they could. The concerts were simply that, concerts. There wasn't a special effects team, troop of back up dancers and detailed choreography involved. Performers only needed to know their music and where to show up, allowing more flexibility with venues and dates. Today, the concert industry is made up of contracts detailing venues, promoters and dates. Therefore fewer concerts performed so revenue is made up in prices. Many in the industry credit Irving Azoff, Giant Records, and his Eagles tour with creating the high price standard. From that point there was no turning back. (Deckard, 2000) It appears that rising prices can be attributed to more intense bidding wars. Rosen, who used to run Ticketmaster, once predicted 15 years ago that concert tickets would cost as much as Broadway tickets some day. (Deckard, 2000) He was right.

Promoters and agents are at the center of the bidding war. Agents are trying to show-off for their clients and promoters are interested in impressing their shareholders with the names they draw in. Performers/Artists are guaranteed payment per show or per tour prior to tickets ever going on sale. Promoters will try to outbid each other for the payment per show and agents will try to pit each promoter against one another to get the most dollars for their client. Once the guaranteed payment for the artist is agreed upon it is up to the promoter to make sure the concert doesn't leave them upside down in revenues. The artists will get their money either way. After the concert the performer is paid either the "guarantee", what it is referred to in the industry, or approximately 85% to 95% of the revenue from the box office if that is greater. (Smith, 2006)

The list of those involved in the tour is getting narrower. Dates available to perform are cut in half, venues available for the tour are limited to a small percentage (typically one per city played in) and the radio stations chosen to advertise on are just a fraction of the stations out there. Everyone wants a slice of the profit pie and is going to do what they can to edge out their competition. While promoters are more often blamed for being greedy, Jim Guerinot, manager of Nine Inch Nails and Gwen Stefani, is reported as saying "Just the opposite! They're (promoters) fighting on a daily basis for cheaper ticket prices, as they make more money on beer, parking and popcorn, which they don't have to share with a talent." (Knopper, 2006) Either way, as long as it is a successful tour, everybody wins - except for the fans that paid three times the ticket value.

There are five C's to pricing a product or service; costs, customers, channels, competition and compatibility. What is unique about the concert industry is that the price established per ticket is largely dependent upon the amount promised to the performer. That amount is incumbent upon how popular the performer is. If the performer recently had an album released that sold successfully they are in an excellent position to demand a higher price. Same holds true

for artists that do not tour as often. The demand for those types of performers is typically higher. And when the pull is there, the promoter's job is easier but the price paid to the performer is more. Pricing a concert is a complex process. Besides considering the hefty artist guarantee, there are many other factors involved to set ticket prices. (Waddell, 1994) The key to filling the seats at a venue is to offer tiered pricing. The closer the seat is to the stage the higher the price will be. When ticket prices go up, concerts are less likely to sell out. This is where third party sellers, such as StubHub, control the pricing game and often affect the success of the overall tour. Oddly enough when attendance goes down, prices go up.

Have you ever noticed a price on a concert poster? The price for a ticket is almost never listed because it deters fans from going to a concert. When your favorite band's tickets go on sale and you're ready at the computer or standing in line since 6:00 a.m. so you can buy tickets for you and your friends, one of the last things on your mind is the price. That's what credit cards are for, right? We become competitive with other fans and are willing to throw elbows just to get the best seat we possibly can. And when we are able to walk away with a ticket, you feel victorious. It's as if you achieved something. Why scoff at the price and flirt with buyer's remorse when you can pat yourself on the back and brag to all your fellow fans. This is what promoters, performers and ticket sellers are aiming for. This is what third party sellers are aiming for as well. The StubHubs of the world will purchase bulk tickets from the ticket seller then auction them off to desperate fans. It's an unfair practice, but as long as customers are willing to pay any price just to get a ticket it is likely third party sellers will stay in business.

Fans will typically have three options to buy tickets when a concert tour is announced. The least expensive but most inconvenient is to buy directly from the venue. Meaning, walk to their physical ticket booth, stand in line with other fans for however long is necessary to get the

best seats, and purchase them from the venue's box office cashier. When you purchase from a venue's physical box office, you avoid additional fees and receive the tickets right away. The moderately expensive and most convenient option is to purchase tickets online or by phone from the contracted ticket seller. More often than not it is Ticketmaster. Ticketmaster sells tickets for the contracted price. So, you can be confident in knowing that you are getting the best price possible for your seat. However, Ticketmaster has to make money too. So while you may be paying a reasonable price for the concert ticket from the comfort of your home, you are slapped with a surcharge or two to make up for that convenience factor. The third most expensive and moderately inconvenient option should always be a fan's last resort: third party seller. Third party sellers such as StubHub and Ebay purchased the tickets from the ticket seller and will turn around and sell them to you, the fan, for as much as you're willing to pay. They will pit fan against fan in bidding wars to see who they can get the most money from.

Not many people can afford to go to numerous concert events so those involved in the industry are doing their best to draw customers to their concerts and away from others because most people will don't go to too many concerts, if any, a year. Performers do their best to connect with fans so they feel like they are receiving a more intimate experience when they attend their shows. Concert promoters have tried other efforts to lure disgruntled fans such as package deals and beverage discounts. (Smith, 2006) Pricing tiers are offered to satisfy all types of fans. Lawn seats are minimally priced and a great selling point because they are so cheap and a lot can be sold. Sometimes discounts are offered such as four tickets for the price of three to draw a customer's attention to that tour. Others involved in the industry are developing other ways to build revenue to make up for losses. Ticketmaster will offer customers a chance to download a performer's album when they purchase a ticket for their tour. May to September is

the hot time of year for the concert industry and all involved are starting to use more innovative ploys to sell out seats.

You can bet that Madonna will never sell tickets for under \$20 a piece, maybe even \$50. This would not be good for her image. Where as Dave Matthews Band is highly unlikely to charge over \$100 for their tickets because they would alienate most of their fan base. The price determined per ticket has a lot to do with their brand image. The same can be said for the amount of concerts within the tour and how often tours occur. The more elusive artists will limit the number of performances to increase the price so when you see their name in articles about the tour a large dollar amount is usually attached - thus, enforcing their image. There are bands, such as Dave Matthews Band, that are more concerned with rewarding their fans loyalty with cheaper tickets and more performances. Interestingly enough, these types of tours end up selling out. Steve Femberg, manager of the band Good Charlotte, which has never charged more than \$35 once said, "I don't think you should charge as much as you can. There is some sort of responsibility." (Knopper, 2006) If only there were more Fembergs in the concert industry.

Promoters pay for the cost of the advertising, production and the artists' guarantee. After all is said and done they end up with just 5% to 15% of the ticket revenue. Whatever is left goes to the performer. (Smith, 2006) Promoters are venue companies. What they pay to the artist is significant and because this is agreed upon prior to tickets ever going on sale is the reason this industry is so risky. Promoters make most of their revenue on parking, food and beverages. As mentioned before, performers receive a guaranteed amount or a percentage of the total revenue if it's higher. Christina Aguilera was paid \$450,000 per show when she last toured and Kelly Clarkson amazingly received \$250,000 per performance. As if that's not enough, top headlining acts routinely receive 30%-50% of gross merchandise revenues. (Waddell, 2002) Ticket sellers

such as Ticketmaster receive their profit from surcharges. And the third party sellers, such as StubHub, will typically receive two to three times the ticket amount for the high demand concert tours.



**Kanye West**

[www.easier.com](http://www.easier.com)

Kanye West has been touring in the summer since he hit it big in 2005. His staff work hard to keep his controversial image in tact to keep his name in the media so fans still fill up seats at his concerts. Like most artists at the peak of their career, Kanye West charges higher ticket prices to enforce the trendy perception of the brand. For this summer's Glow in the Dark tour featuring Rihanna and others, ticket prices range from \$40 to \$2,000. The tour spans across major cities in the United States and Canada. Even though the lowest ticket price is a high \$40, there are price tiers offered for the tour to appeal to the wide range of concert goers in Kanye West's fan base.



**Bruce Springsteen**

[www.poplinks.be/springsteen.jpg](http://www.poplinks.be/springsteen.jpg)

Bruce Springsteen performed on the road since 1969, three years before he signed a record deal. His music is most commonly referred to as heartland rock because it is about everyday problems and regular people just trying to get through their days. Bruce Springsteen and his E Street Band went on tour near the end of 2007 to promote his newly released album "Magic". Bruce Springsteen is affectionately called the "Boss" and is widely known for his politically charged songs. I have no doubt that when he writes lyrics he sincerely means them but



each time a controversial song is released his ticket and album sales seem to rise largely because of the media attention he receives for his outspokenness. Springsteen represents the blue collared workers in America and his music relates to their struggles. As previously referenced, when Springsteen toured in 1985 his ticket costs were around \$17.00. For his 2007 tour ticket prices ranged from \$45 to \$1,925. I don't consider this a reasonable amount considering the target audience he supposedly performs for. He needs to represent his fans better and list ticket prices for much lower. If that means performing at outdoor stadiums where lawn seats are available, then so be it. What hard working American is going to be able to rationalize spending a days work on one concert ticket. His tours are successful, but the prices charged to see his performance do not support the image he's created throughout his career.



**Hannah Montana**

<http://itvs.files.wordpress.com/2006/03/HannahMontana.jpg>

The Hannah Montana “Best of Both Worlds” tour received a great deal of exposure and became one of the fastest selling tickets in the history of the concert industry. The Hannah Montana craze it created could easily be compared to the Beatles first U.S. tour or the Wonka factory tour from the Willy Wonka children’s movie. It was a phenomenon that sparked media interest across the world. Typically when an artist sells out that quickly additional tour dates are added. However, because of Miley Cyrus’s (a.k.a. Hannah Montana) age this was not a possibility. So, the geniuses at Disney came up with a solution. Show the concert in theatres for a limited time in 3-D. What’s unique about this tour compared to Kanye West’s and Bruce Springsteen’s is that the target audience is young children. But since young children usually don’t buy their own tickets, the parents became the target market indirectly. It’s easier for a parent to deny themselves a ticket to their favorite performer’s concert when prices are too high,

but when their child is begging for a ticket to their favorite performer's show it's difficult to resist. Venues for the concert tour sold out in less than 10 minutes. It's been speculated that third party sellers are the reason for the quick sell-out. Scalpers have the ability, with automated computer programs, to quickly grab online tickets or bombard phone lines to prevent fans from purchasing tickets. (Kaufman, 2007) The tour promoter priced tickets for Ticketmaster sales at \$65 maximum, but the average price tickets were resold at was \$214. One of the highest ticket prices reported for the tour was \$2,565. That is a lot of money for two hours of entertainment, but perhaps parents are willing to pay the price because they want their children to experience something memorable. I have no doubt the outrageous prices and tour sell-out left a lot of children broken-hearted, but hopefully the concert industry will have a better grasp on ticket prices when the next tour goes on sale.

The major players of the concert industry are focused on keeping tickets out of scalper hands to ensure concert-goers are not alienated by the current high prices. Most are demanding a change in the law, but outlawing third party selling would make it impossible for fans to resell their tickets when needed. Some promoters have gone as far as developing a photo registration process when fans purchase tickets. The new ticketing process required a registration form that fans could download and send back to the coordinators with a picture of themselves. Then, a reference number was provided which was mandatory for buying tickets on a "first come, first served" basis. (Brandie, 2007) More tiers need to be developed within the pricing structure to accommodate more fans. Currently, the last few rows are the only ones reserved for low ticket prices. Performers, promoters and ticket sellers, for the most part, appear to be coming together to develop a solution to control ticket prices to keep the industry alive and breathing.

I honestly cannot remember the last time I went to a concert. I consider myself to be a music lover and enjoy the concert experience, but have a difficult time shelling out the money for one night of entertainment. I don't believe my feelings are unique, especially in today's economy. I also don't agree with the concert industry players that scalpers are solely to blame for the significant price increase. It's true that scalpers are taking advantage of the most desperate fans and that it is an unethical practice, but I believe it all boils down to the first bidding. When the promoter and performer's agent get together to decide on the performer's paycheck, I doubt the fans are at the forefront of most of their minds. Performers like Madonna and Barbara Streisand are being paid huge sums of money when they could certainly afford a pay cut to keep the prices down. Performers like, Dave Matthews and Garth Brooks, have proved that when you are in it for the fans you will be rewarded with sold out performances. Performers should not take their fans loyalty for granted. When they take the size of their average fans wallets into consideration, everyone wins. I'm not sure scalpers can be stopped. The art of scalping is much more advanced today, but it's always been there and it most likely always will be. The answer is for fans not to purchase from third-party sellers, ticket sellers to develop a more in depth purchase process to weed out scalpers and for artists to take a pay cut. Then, more seats will be filled and less disgruntled fans will be born.

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