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SBJ In-Depth

Ticket overload

A flood of tickets on the secondary market has put the squeeze on prices and forced new strategies to move inventory

By **ERIC FISHER**
Staff writer
Published May 11, 2009 | Page 13

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If there's a single image that has defined the start of the 2009 baseball season, it's arguably the rows of empty seats behind home plate at the new Yankee Stadium, glaringly showing up on TV every night.

The unfilled seats, coming on the heels of four consecutive seasons of American League-record attendance of more than 4 million, represented a jarring depiction of a fervent national debate over the Yankees' premium-ticket pricing, and ultimately prompted a rare in-season price reduction for some of those luxury tickets.



But for those more closely observing the Yankees' saga, and those of many other popular clubs around the country, there was an even more telling situation emerging among the tickets: the overwhelming abundance of seats at or below face value on the secondary markets, including sites that have received official team approval.

For any particular Yankees game for the duration of the season, there are thousands of tickets freely available on the secondary market. For some games, more than a quarter of the stadium's 52,325 capacity is up for resale. At least hundreds of those seats on a given night are posted at or below face value, some even for less than a third of face value.

And the Yankees are far from alone.

"There is so much inventory out on the markets right now, particularly for baseball," said Mike Janes, co-founder and chief executive of FanSnap, a Bay Area-based startup that acts as a metasearch engine for secondary tickets. More than 15 million tickets are accessible through the site, and the majority of those tickets are for sporting events. "I joke now that you're going to pay more for your beer or your parking to go to a game than your actual ticket. Heck, you could pay more for your large mocha latte. But we're living in a very, very different world now."

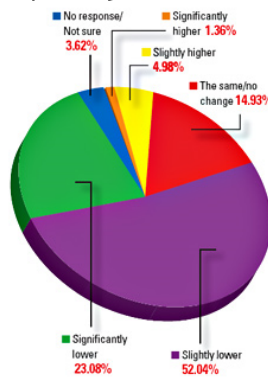
"There was a general thought for a long time in this business that ticket resale was a supplier-driven business, but the supply-demand equation has totally swung the other way now," Janes said.

The forces behind the flood of low-cost tickets, while no doubt hastened by the global recession, go beyond simply the economy. They also promise a seismic redefinition of a resale business still growing beyond its original, fractious beginnings as scalpers and brokers generally unwelcome among the sports industry establishment, and one that traditionally catered more to high-end purchasers.

"So far the value issue, the availability of more distressed inventory, has been more of a public relations push than one of consumer marketing, but it's definitely coming soon," said Don Vaccaro, chief executive of Connecticut-based TicketNetwork.com. "We are beginning to make some fundamentally new statements that will highlight the distressed inventory in a new way."

Secondary price squeeze?

For the Turnkey Sports Poll, sports executives were asked: **How will this year's average price on the secondary ticketing market compare to last year's?**



Source: Turnkey Sports Poll, April 2009

Market indicators

The secondary ticket market has grown in meteoric fashion in recent years from a mid-nine-figure industry to as high as \$25 billion per year in sales, depending on who's compiling the estimate. The wild variance of operators, from local mom-and-pop brokers to large publicly traded corporations, makes it challenging to compile solid aggregate statistics on the industry.

But on a more individual level, signs of price depression in the ticket resale market are everywhere.

StubHub, perhaps the most dominant and recognizable player among all American ticket resellers, says the average sales prices for sports events on the site is \$81, down 9 percent from the same time last year [see chart, page 14] and 28 percent below 2007's full-year figure of \$112. Independent sellers, similarly, have seen prices fall 10 percent to 15 percent over the past 12 months, and profit margins drop from the 20-30 percent range to around 10 percent. Industry estimates point to as much as 40 percent of all ticket inventory currently available on the secondary market being listed at or below face value.

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Mets @ Braves
05/04/2009 starting at: \$1.49

Mets @ Braves
05/05/2009 starting at: \$2.50

Diamondbacks @ Braves
05/15/2009 starting at: \$3.00

Site's such as StubHub actively promote the lowest priced seats, also known as

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Brooks Robinson
Baseball Hall of Fame member

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Anecdotally, marquee events have shown marked weakness of late, too. Average secondary ticket prices for Super Bowl XLIII in February were at their lowest levels in at least five years and 30 percent below the prior year in the days preceding the game. A late rally in the final 24 hours before kickoff — one fueled by the sheer availability of low-cost tickets — sent prices back up somewhat.

Average ticket resale prices for the Bowl Championship Series title game, the Masters, the Final Four, and many games in the opening round of the NBA playoffs, similarly, were off by double-digit percentages this year compared with 2008. In some cases, prices were off by more than 50 percent.

"There is no question there's been a softening in the market," said Eric Korman, president of Ticketmaster, which operates official resale exchanges for dozens of pro teams, is officially aligned with the NFL, NBA and NHL, and owns TicketsNow.com. Like many of its competitors, Ticketmaster estimates that its average resale prices have trended down about 10 percent in recent months.

Since the recession has eroded discretionary income for most Americans, spending for sports tickets in general has taken a sizable hit, as it has for many other forms of entertainment. Attendance among the major sports leagues has generally held steady over the past year — but only after substantial price cuts on the primary market — while many second- and third-tier properties have suffered more deeply.

Price reductions in the secondary market, however, owe to more than just the macroeconomy. The growth of the resale industry has prompted a new wave of individual buyers onto ticket marketplaces to supplement brokers and institutional buyers who more frequently trade there. Most major ticket resellers report that listings from individual sellers are up by double-digit percentages so far this year.

"There's just a ton of new volume out there in the markets right now," said Eric Baker, Viagogo founder and chief executive. "People need cash back right now. They may be staying on with their teams as season-ticket holders and keeping their benefits. But they're going to fewer games and definitely making a more concerted effort to resell what's left. And that's furthered the adoption of the secondary market and usage of it."

Further spurring the situation is the continued relaxation of local and state laws governing ticket resale. Nearly every U.S. state now permits some form of open resale.

There is also still the primary market. For all the efforts by teams and leagues to create affordable ticket options, the rash of empty seats still occurring at Yankee Stadium and elsewhere, and the abundance of sub-face-value secondary listings, suggest that there are still miles to go in many higher-cost markets.

Ongoing consumer and government scrutiny upon corporate spending on sports marketing has further softened demand for premium-level seating.

"The high-end buyer has been absolutely decimated in all of this," Janes said. "They were obviously the first to go in this whole downturn, and they have not really been replaced."

TV, too, has had something of an impact. The falling prices and improving quality of flat-screen, high-definition televisions have brought the evergreen "Should-I-stay-or-should-I-go?" argument into a whole new realm.

"The experience in sports has really been changed a lot by live TV. In some ways, the experience at home is as good or better than in person," said Greg Bettinelli, former Live Nation and StubHub executive. "That's not really been the case in music, so there's been less of this kind of pressure there."

New tactics, new realities

Rather than drown in their sorrow, many ticket resellers are seeing upside in the new-look market. Perhaps the most obvious tactic is openly advertising low-end starting resale prices for games, also known as "get-ins." StubHub is just one of many marketplaces to do so in recent months, actively promoting its value-oriented offerings on major online hubs such as ESPN.com, Yahoo! and MSN.com.

"We've spent the better part of a decade promoting safety, security and choice to consumers. We now get to extend the conversation to price, which is an absolutely huge shift," said Ray Elias, StubHub director of marketing.

"It's really an added dimension in terms of communicating what we're all about, so this unquestionably represents a major opportunity."

The shift, however, has also required the adaptation of a new business model. As the prices and margins have fallen, sellers have needed to make up revenue through increased lower-margin volume, and amid that restructuring, some smaller operators are getting pushed out of the market altogether.

"Now that we've got so many individual sellers and people buying direct, we're definitely seeing some of the middlemen get squeezed out," Vaccaro said.

Secondary ticket fees, generally hovering for years around a combined 25 percent for seller and buyer, are also under increased pressure. RazorGator, among others, has experimented in occasional spurts

the lowest prices seen, also known as "get-ins," that they have available for sale.



GETTY IMAGES
Turnkey Sports Poll

The following are results of the Turnkey Sports Poll taken in April. The survey covered more than 1,100 senior-level sports industry executives spanning professional and college sports.

■ Which of the following strategies do you think will be the most effective for selling tickets in a down economy?

Add value to tickets	52.25%
Reduce face value of tickets	31.53%
Increase sales force	9.91%
Increase marketing/	2.70%
Reduce inventory	2.25%
No response/Not sure	1.35%

■ In general, do giveaway items drive attendance?

	June '08	April '09
Yes	65.24%	50.45%
No	28.33%	45.95%
No response/Not sure	6.44%	3.60%

■ Is there too much premium inventory at stadiums/arenas/etc.?

Yes	65.61%
No	29.41%
No response/Not sure	4.98%

■ Is the value of a premium seat keeping pace with the price?

Yes	77.38%
No	19.00%
No response/Not sure	3.62%

Source: Turnkey Sports & Entertainment in conjunction with SportsBusiness Journal. Turnkey Intelligence specializes in research, measurement and lead generation for brands and properties. Visit www.turnkeyse.com.



Secondary sites are trying to boost their sales volume to offset lower-margin deals.

over the past 12 months with seller fees of 7.5 percent instead of the usual 15 percent, and the general industry expectation is that over time, the fee structure will decrease, particularly if free but unsecured marketplaces such as Craigslist gain additional standing.

Team impacts

So what has become of the teams and leagues that have aligned with the secondary market in such historic fashion over the past two years? Does this shift in resale pricing hurt clubs still trying to move primary market tickets in a recessed economy?

In baseball, where such potential tension would arguably be the most amplified, there still appears to be a symbiosis between the two ticket markets. Both StubHub and MLB Advanced Media, which in 2007 signed a five-year partnership for ticket resales, profess happiness with their partnership, which among other things allows for the clubs to learn more about who is buying secondary tickets for baseball, as well as participate economically in that business.

And perhaps just as important, the price drops appear to have happened without eliminating some fundamental differences between primary market buyers and secondary market buyers.

"We were among the last clubs to integrate last year with StubHub, but I don't think there's really been an effect there [on primary sales] for us," said Vic Gregovits, Cleveland Indians senior vice president of sales and marketing. The club, facing a sizable drop in attendance this year after a disappointing finish in 2008, implemented an expanded variable-pricing structure for this season.

"I mean, we're selling field box seats, some of our best locations, for \$25 right now," Gregovits said. "We've communicated there are definitely deals and value with us."

Secondary sellers additionally see the lower resale prices as a potential means for fans to attend more events, and perhaps then become season-ticket purchasers who continue to attend games and list their extras on their marketplaces.

"This could be a spark to get people out to more events, to be thinking more about live entertainment," Elias said. "That's certainly a positive thing in our view."

Turnkey live events confidence index

■ What are your expectations for purchasing tickets and attending live SPORTING EVENTS in the next six months?

	Aug. '08	Nov. '08	Jan. '09	March '09	May '09
Buy and attend more	5.90%	6.10%	5.80%	5.40%	7.10%
Buy and attend about the same amount	43.50%	36.60%	37.40%	40.80%	35.80%
Buy and attend less	50.60%	57.40%	56.80%	53.80%	57.20%

■ What are your expectations for purchasing tickets and attending live CONCERTS in the next six months?

	Aug. '08	Nov. '08	Jan. '09	March '09	May '09
Buy and attend more	7.80%	5.60%	5.70%	5.50%	7.10%
Buy and attend about the same amount	44.20%	40.20%	39.70%	40.80%	36.70%
Buy and attend less	48.00%	54.20%	54.60%	53.80%	56.20%

Note: Online survey to a U.S. representative sample of approximately 1,000 people
Source: Turnkey Sports and Entertainment

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