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## Ticket resellers: A butt in every seat

The secondary market is hot, but Web brokers are facing tough economic woes and competition.

By **Stephanie N. Mehta**, assistant managing editor  
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NEW YORK (Fortune) -- Don't call them scalpers - call them resellers instead. They are brokers that peddle hard-to-find tickets for live events such as concerts or sporting events, and they have gone legit thanks largely to the Internet.

Web-based ticket exchanges and services have proliferated - Forrester estimates U.S. online secondary ticket sales reached almost \$3 billion last year, up from about \$2.6 billion in 2007 - and in the last couple years a few prominent players have been snapped up some of the biggest names on the Net. Auction site eBay (EBAY, Fortune 500) bought online ticket dealer StubHub in 2007 for about \$310 million and last year Ticketmaster (TKTM) acquired reseller TicketsNow for \$265 million.

Even sports teams, never fans of scalpers, have inked formal deals with high-tech resellers. StubHub has a five-year contract to serve as Major League Baseball's official source of secondary tickets, and last year the Boston Red Sox signed local agency Ace Tickets to handle ticket reselling.

### A Google for tickets

The latest players to enter this bustling business are online ticket aggregators, who want to do for event seats what sites such as Travelocity and Kayak do for airline tickets or hotel rooms.

SeatQuest, a Chicago-based company, launched in late 2007, and TicketStumbler debuted last year. Ticketwood.com of Northridge, Calif., bills itself as a comparison shopping service for event tickets. FanSnap, the newest entrant in the field, likens itself to a search engine. "We're Google for tickets," says FanSnap CEO Mike Janes, a former StubHub executive.

It is a good analogy, since a good number of would-be buyers begin looking for tickets via search engines. The hitch is that Google (GOOG, Fortune 500) and others don't necessarily produce links to brokers that have the right tickets to sell; sponsored links may belong to companies that are willing to pay high amounts for each lead generated by the search engine.

"Everybody starts at Google," says Ray Elias, director of marketing at StubHub. "It's good, but it generates an ad, and the fan has to click on the ad" and put in all the information about the event he or she wants to attend.

FanSnap's searches turn up only the brokers and sellers with available tickets, Janes says, cutting down on fan frustration. It lets consumers search for tickets by date, venue, team, and type of entertainment, and offers an array of interactive maps to help buyers figure out exactly where they would be sitting.

The company has inked partnerships with dozens of ticket resellers, including Ace Ticket, RazorGator, TicketNetwork and StubHub. "This is an interesting new channel for us," says

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StubHub's Elias. "We're excited to see where it goes."

FanSnap's revenue model is simple: it collects a fee for every lead it generates for its affiliates. Janes says ticket brokers are used to paying in the range of 6% to 16% of a ticket's selling price as a lead fee.

FanSnap and its competitors are jumping in to the secondary ticket business at a particularly tough time, though. The days of Wall Street types shelling out \$1,000 a ticket or more to take clients to a coveted concert or sporting event are long gone (especially for those banks that have taken taxpayer bailout money).

Average fans also are increasingly reluctant to pay big premiums to see their favorite acts. Consider this week's Super Bowl: Just days before the big game StubHub said it had tickets available starting at \$1,300. That's about half what lowest-price tickets to the Super Bowl cost in past years, says StubHub's Elias. (The face value of tickets to the Steelers-Cardinals matchup was \$800 to \$1,000.)

Indeed, many of the tickets found online these days aren't selling for a premium but rather at discount as season-pass holders try to recoup some of their money, or cash-strapped folks try to unload tickets they shouldn't have purchased. Janes says an efficient secondary market can help fill up stadiums even in a bad economy "Our mission is to put a butt in every seat."

#### Eliminating the middleman

One troubling trend for online ticket brokers and aggregators is that the artists and teams themselves are angling to take more control of the reselling tickets - using the very same technology that gave rise to the thriving secondary business.

Cleveland Cavaliers owner Dan Gilbert also controls Flash Seats, a ticketing company that enables season-ticket holders to enter games without paper tickets - they can use a credit card or other ID to gain electronic entry to their seats.

But those same fans were also supposed to use Flash Seats - not a ticket broker or exchange like StubHub - to resell their seats. (Ticketmaster sued the Cavaliers over the use of Flash, and in October a U.S. district court judge recently ruled that the team had violated Ticketmaster's contract with the Cavs. The judge ordered the team to stop using Flash to resell tickets.)

Flash Seats' technology makes event tickets a bit more like plane tickets in that the electronic seats are assigned to specific people. And ultimately, analysts believe, performers and teams will prevail in requiring ticket holders to use sanctioned sites, not brokers, if they want to transfer or sell unused tickets

"Technology is evolving to enable the teams to have more control of the reselling of tickets," says Sucharita Mulpuru of Forrester Research. "The ticket broker will become obsolete at some point, the artists will be the ones who manage the platform, and they will be the ones who manage the reselling of the tickets."

Mulpuru notes that this shift will take several years; meantime she's predicting that the online resale ticket business will grow to \$4.5 billion by 2012. Plenty of time for Web-based brokers and aggregators to sell more tickets, and perhaps, find new ways to make money putting butts in seats. ■

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