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Ticketmaster's Dominance and (Theoretical) Innocence

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Abstract

The model of dynamic price systems is used by companies to inflate and reduce the prices

Ticketmaster's Dominance and Innocence

The most common way to measure industry structure is by using a concentration ratio or the Herfindahl-Hirschman Index (HHI). The HHI is defined as the sum total of squared market shares over all firms in an industry. It can range in value from 0 up to 10,000, with a lower value revealing a market structure closer to perfect competition and a higher value revealing a market structure closer to pure monopoly. This metric has been used by the Federal Trade Commission as well as the Department of Justice since the early 1980s. It is important to note that an HHI value or a concentration ratio does not create a full measurement of the damage possible to other competitors from a merger. This value is only designed to estimate the rough market share that a merger will possess after merging. Regulations placed on mergers in 1992 acknowledge an HHI of over eighteen hundred as a highly concentrated industry. Prior to the LNE merger, the market concentration value for Ticketmaster was already climbing steadily up to four thousand. (NYU Baker). This ratio is an indication of strong market concentration surrounding the Ticketmaster-Live Nation merger and could be viewed as evidence for a push to monopolization.

A substantial portion of Ticketmaster's sales currently come from listing tickets from verified resellers. However, given the nature of this market, many of these prices can seem unreasonable. The two most recent examples that will be discussed are ticket sales for Bruce Springsteen and Taylor Swift concerts. A brief example is how Springsteen tickets, on average, sell roughly within the mid two-hundred-dollar price range. Recently, they have gone as high as several thousand dollars.

Why Ticketmaster is Necessary

Although Ticketmaster constantly faces controversy and negative light from many customers, the company continues to dominate its market and maintain high revenue for a

would ultimately result in a temporary crash of a major industry internationally. For the near future, Ticketmaster will continue to maintain their position within the market and continue to generate revenue in a fashion that disturbs many of their customers.

Intro Pricing Model Example

A pricing algorithm for any product is based on a complex understanding of both the product market as well as the product itself. Variables including demand, general inflation, resources, and other relevant factors are important to the product market. These variables do not account for the individual sales values a company would have to account for to maximize their algorithm. With every sales website or predictive application that utilizes a dynamic pricing scheme, the sequence of code used to design said website will be different. No company will use the same model twice. An entry level design of what a dynamic pricing script might look like is this:

This simple algorithm was designed by a student at the University of Wyoming. It is particularly important to recognize that this selection of code is an incredibly simplified example of what a pricing algorithm might look like, given that a response algorithm for a standard sales website marketing any product would require several fluctuating factors such as current market status,

availability of products, competitor pricing, and similar variables. This example algorithm starts with a base price input of \$10.00 and a demand input of a perfect 1.0. The demand input changes based on the quantity of sales made for the product. This allows the algorithm to fluctuate prices based on the realized quantity of sales over time. The final process in this script is a multiplication function of the base price by the demand input and giving the final calculation in a string of numbers in the shape of a price. This model should be designed to carefully account for quantity of sales dependent upon price and ultimately maximize profit for the seller.

Live Art vs. The Algorithm

Ticketmaster's pricing algorithm has been drastically affecting various artists since it was created. Their model is constantly fluctuating between resales through external sellers and modulating their own ticket access and their select prices. From a standpoint of a consumer, dynamic pricing can be both beneficial for the customer's interests as well as detrimental to their spending.

The focal way that dynamic pricing has affected artists such as Swift, Springsteen, and countless others is by completely altering the financial process of tours. With the creation of internet and online streaming services, the necessity for tour revenue has become a focal source of income for any aspiring and major artist. Dynamic pricing models have created a market that allows artists who seek the financial success of musicianship to create a higher profit margin from their fans. For smaller venues or artists with smaller followings and smaller demands, the dynamic pricing model has little to no impact on the final cash grab of an artist. Smaller or up-and-coming artists, even on the day of a show making a last-minute purchase, will have a standard or set price on their tickets. However, significantly larger artists will either make a

much higher profit based on time until the performance, demand of tickets based on location, size of the following, economic class of the city performed in, and various other relating factors. If an artist does not have a large following, a continually growing following, or a marketing team designed around expansion on tour, the economics of dynamic pricing will not affect an artist. Demand is the focal point of this argument.

However, dynamic pricing has created a large outburst for affordability in the entertainment industry. With the spike in ticket prices, fans who may fall into a lower income class, fans who may be younger, fans that may be less attentive to an artist's marketing and or performance announcements, and fans that do not keep track of team/sports calendars may miss an opportunity to see a major artist or event live. Regarding smaller events, Ticketmaster is regarded as a reliable source of tickets that do not break their purchasers' wallet. Without the addition of fees and taxes, a smaller event may have tickets on sale for as cheap as \$20 or less (with the tickets being relatively inexpensive and fees adding a variable price per purchase). This has led to the argument of dynamic pricing being a manipulative tactic from both entertainment markets as well as any market that utilizes this scheme. Dynamic pricing has also impacted the issue of transparency between fans and resellers. Buyers believe resellers such as Ticketmaster have changed or increased prices to maximize their profits. This also applies to their fees and their contracts in the purchasing process. Ticketmaster will often charge based on five factors:

1. Face Value Price – this price is considered the charge applied by either the seller or the reseller. This is a fluctuating price that is set and affected by both supply and demand.

The use of dynamic pricing algorithms and processes will affect this price based on those factors.

venue tickets or bar-side tickets

Domination of The Market and The Price toPay

Ticketmaster has faced countless controversies including class-action lawsuits, privacy disputes, and COVID-19 refunds. Some of the most notable of these controversies include the Schlesinger v. Ticketmaster class-action, the United States et. al. v. Ticketmaster Entertainment Inc. and Live Nation Inc. litigation, and the COVID-19 class-actions filed by multiple various parties. These lawsuits and controversies have created a severely negative perception of Ticketmaster by popular media and the general public.

Ticketmaster vs Taylor Swift I: The Reputation Tour

There have been several controversies involving Taylor Swift and Ticketmaster over the

Currently, due to extreme demand and a low quantity capacity, tickets for the ongoing tour can range from moderate five-hundred-dollar prices for nosebleed seating to well over ten thousand dollars for floor seats, whether close or far from the stage. In a few cases, tickets have even been marked as high as over forty-thousand dollars on select resale sites. Selling tickets for such a high value is easily a profit for scalpers who manage to sell their tickets. However, this negatively impacts many of the people who wanted to see an artist and would have been able to purchase tickets at the artificially low face-value price if scalpers were not present in the market. But it is important to recognize that some consumers are better off with scalpers present in the market. If there are no scalpers in the market and the initial seller prices tickets to have a “sell out,” then it is highly unlikely that the tickets will end up in the hands of those consumers with the highest willingness to pay. By allowing scalpers to purchase and then resell tickets – or also to simply allow for dynamic pricing by the initial seller – it is more likely that concertgoers will end up being those individuals who value the tickets most highly. Consequently, precisely those individuals with the highest willingness to pay for tickets will end up benefiting from scalping or dynamic pricing.

The alternative to this extreme sales method is a small profit to a happy salesman and a happy customer who gets to see their artist. The desire for profit outweighs the desire for a balanced market, and many people consider this to be a type of fraudulent selling (although it does not fall under the legal definition of fraud, being the “intentional use of deceit, a trick or some dishonest means to deprive another of his/her/its money, property or a legal right”) (Law). This can be seen on the ticket price tracking website TicketIQ, which is well known for providing statistics such as the cheapest, most expensive, and the average ticket prices for an artist while also providing links to retailers in their studies. While tickets are accessible through

other websites such as Stubhub and TicketIQ, Ticketmaster has discontinued their sales of Swift's tickets under extreme legal scrutiny from the Supreme Court and the US Department of Justice.

Ticketmaster vs Bruce Springsteen I: Sales Issues

In 2009 through 2010, Bruce Springsteen was involved in a dispute with Ticketmaster concerning the way they handled ticket sales for his concerts. This was around the same time when Ticketmaster merged with Live Nation, which had fans and economists concerned Ticketmaster's increased market share. Springsteen, who was known for his dedicated support of his fans and the opposition to ticket scalping, caused a storm upon recognizing that Ticketmaster was directing their own buyers to a secondary website under their acquisitions, TicketsNow, where tickets were being sold at severely inflated prices.

Springsteen had recently announced that he was intending to partner with a secondary site, Ticketfly, for his upcoming tour. After recognizing this issue with Ticketmaster, Springsteen attempted to cut ties with the conglomerate and vowed, in a publicly released statement, to not work with them. The statement read, in part: "We perceive this as a pure conflict of interest. Ticketmaster is supposed to be a service to the artist, but clearly someone there is making decisions based on anything but the interests of the artist." While this may or may not be the case, Ticketmaster is not a company designed to provide a perfect service to the artist. Ticketmaster's president Mark Yovich has made the statement that "working with our partners to envision the future of live entertainment is what drives our team. Building the technology and service to seamlessly connect fans with the events they love is our passion. We are relentless in our pursuit to develop the innovations that will unlock unforgettable experiences for fans." The

Ticketmaster vs. Bruce Springsteen III: Pricing Outrage

practice or in place from any sales website, although some artists including Third Eye Blind have utilized this practice before. This market, while dangerously close to monopolization, is not yet corrupted by the ideals presented by the Federal Trade Commission. While Ticketmaster may be in a dangerous position for the market of ticketing, until the day comes that all competition is eliminated and Ticketmaster creates an unreasonable market for the live entertainment industry, they will continue to be a necessary component of their select industry and will continue to provide a relatively fair and well-regulated service to customers and investors alike.

Endnotes

[1]: This is the first recorded example of Ticketmaster's website. It was a ridiculously small, very poorly put together site that specialized in only dealing with tickets in selective portions of the US region. Given a few extra years (in the span from 1996-2007), Ticketmaster went from selling only in North America to being an international stormfront of a company. The only current competitors of any value are StubHub and Eventbrite.

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