

Discussion of “The Welfare Effects of Ticket Resale”

By Marie Connolly Pray
Cornerstone Research

Presented at the First Annual FTC Microeconomics Conference

Washington, D.C., November 6–7, 2008

Highlights

- What are social welfare impacts of ticket resale? Who wins, who loses?
 - Producer, brokers, consumer
- Model with 2 types of agents: brokers and consumers
 - Very rich specification of the consumer behavior: can buy on primary market then attend or resell, can buy on secondary market, can not buy.

Data (1/2)

- Ticketmaster, eBay and StubHub data for 103 concerts in 2004
- Concerns that eBay and StubHub only capture part of the market?
- Comparison with Krueger and Pray (2008) nationally representative study of concerts (August–October 2006)

Data (2/2)

- Overall resale rate: 4%
 - Krueger and Pray: 10% (eBay and StubHub: 19.5% and 11.8% of resale market resp., total 31% of resale)
- Average ticket price in primary market: \$83.15
 - Our study: \$81 (average price paid reported: \$88)
- Average resale price: \$111.66
 - Our study: \$122
- Average list price of resold ticket: \$89.82
 - Our study: \$91
- Average markup: 39%
 - Our study: 36%

Results

- Consumers' transaction costs: \$63 (vs. brokers' costs of \$12)
- Partial explanation is endowment effect: consumers' valuations of tickets increase after purchasing them
- Corroborated in our study:

	Yes	No
Would you have bought your ticket if it would have cost you \$300?	11%	89%
If someone offered you \$300 for your ticket would you have sold it?	47%	53%

In Conclusion

- Interesting paper on ticket resale
 - Rich model that combines various insights from previous papers, and more
 - Uses unique data from both primary and secondary market
- Will pricing in the primary market (here taken as given) change with the evolution of the internet markets?