

Christian Hassold

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Federal Trade Commission
Online Event Ticket Workshop
Office of the Secretary

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Commissioner Slaughter:

The purpose of this writing is to provide some initial public comment as requested by your office and to suggest an additional area of inquiry related to event ticketing. Additionally, I would welcome the opportunity to conduct further research and participate in the workshop in March 2019.

As a matter of background, for more than thirteen years, I have researched, written and spoken publicly about various matters pertaining to secondary market ticketing (“ticket scalping”). As you are aware, concerns around ticket scalping span many forms of entertainment, including Broadway, concerts, and professional sports. My subject matter expertise largely deals with concerts and springs from a two-year research project I conducted while an undergraduate at Harvard University between 2006 and 2008. This work observed secondary market ticket sales for about 150 concerts and was supervised by Professor Alvin Roth, an economist, now at Stanford University. Since the conclusion of that research, I have continued informal research and write about this subject on my blog at www.ticketeconomist.com. With that background, I will proceed with commentary.

Comments on Requested Topics

1) Secondary market selling by primary market actors

During the past year, I conducted some informal research to gain insight into the effects of Ticketmaster’s “Verified Fan” program on secondary market ticket prices. Verified Fan is a program that was announced in 2017 by Ticketmaster and was launched in partnership with Taylor Swift’s “Reputation” Tour. While conducting this research, I came upon an accidental finding that may be worthy of further exploration by the FTC.

The accidental finding occurred when I conducted a comparison of primary and secondary market ticket prices for Taylor Swift’s tour across seven tour stops. The price observations took place on December 12, 2017 and the details are shown in [Appendix I](#). The original intent of this observation was to see what the price premium is on a secondary market ticket when compared to the primary market. Because Ticketmaster also resells tickets and many times a seller will list the same ticket on more than one platform at the same time, I came across 23 cases where I could compare prices for the exact or *almost the exact ticket* being offered for sale by Ticketmaster Verified Resale and StubHub at the same time. I also observed the primary market ticket price of a seat that was very similar to the one listed.¹ I called this a “Cross Channel Analysis.”

¹ In order for the ticket price to be included in this observation, the seat being offered for sale had to be a) the same or b) next to the seat in question, or c) in the same row. When it came to comparing Ticketmaster Verified Resale tickets to StubHub tickets, in most cases I was observing the exact same offer to sell a ticket.

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The findings of the Cross Channel Analysis were as follows:

- a) Secondary market tickets listed on StubHub were on average about 40% higher than face value. In almost half of the 23 observations, the price premium was 20% or less, which considering that the primary market ticket price did not include all the fees that would be added later, its likely those tickets were statistically not significantly different in price.
- b) Secondary market tickets listed on Ticketmaster as a “Verified Resale” ticket was on average about 60% higher than the primary market ticket price. These tickets on average were also on average 18% higher than secondary market prices on StubHub.

The finding explained in “B”, above was a *surprise finding*. Why would Ticketmaster Verified Resale tickets prices almost always be higher than StubHub? I initially thought that there was a brand or trust premium built into the pricing scheme. It made sense, because when I had studied eBay and StubHub resale ticket prices, I found that StubHub was usually much higher because there was a trust premium built into the model. But that is not the reason, and the real reason should be cause for concern.

Like many, I had participated in the Verified Fan pre-sale and purchased a pair of Loge tickets for the Foxboro, Massachusetts show for \$900, plus fees. A couple of months later I found that I could buy a primary market ticket in the first fifteen rows of the stadium for a lower price. I decided to resell my tickets using Ticketmaster’s Fan to Fan Resale system. **While doing so, I was attempting to price my pair of tickets below the then face value of similar seats as I was willing to take a loss to buy a better pair of tickets. What I discovered is that Ticketmaster requires Fan to Fan resale tickets to be prices higher than the then current primary market ticket. In other words, I was required to sell my pair of tickets for at least \$315 even though the adjacent seats were \$275 - \$300.**

This practice should be alarming for two reasons:

- Ticketmaster does not condone resale and uses tactics that may cause consumers to only want to sell tickets using their sanctioned system. However, if the sanctioned system does not allow a fan to control the ultimate price of the tickets they choose to resell, it seems the consumer could be harmed when the ticket does not sell because primary market tickets are a better deal.
- This practice is anti-competitive. Why should Ticketmaster care which side of the operation sells a ticket? There is a limited supply, and they already took benefit of the initial ticket sale. At best, this is anti-competitive behavior and at worst, price fixing.

The irony of this finding is that ticket scalping is viewed as a natural course of the free market. But the market is not free if an actor is not allowing the seller to determine their own sale price. Given the undue influence the combination of Ticketmaster / Live Nation has on the event ticketing industry, it would seem wise to further examine this experience to determine the scope of the practice and potential harm on consumers.

2) Transparency and lack of ticket availability

When it comes to event ticketing, nothing frustrates consumers more than the ticket purchasing process, especially when tickets are sold during a widely publicized sale date. For years, primary market ticket vendors were complacent and failed to scale their business operations to support the buyer demand that were presented when tickets went on sale. However, in the last two years, there have been noticeable improvements in technology that have enhanced the consumer experience. I would like to focus on two specific areas of improvement and their impact on pricing, availability, and transparency.

Price, Availability, & Transparency

It has been documented in prior works that concert tickets have often been priced artificially below what consumers would be willing to pay by artists in order to appear to not be 'gouging' fans. The effect of this action resulted in ticket scalpers making a big business out of buying and reselling the tickets at higher prices – especially the most valuable tickets. Internet ticket selling exacerbated this problem, making it possible for a scalper based in New York to resell tickets in any state. Internet selling also significantly increased the number of ticket scalpers because it could be conducted from a home office or dorm room. It took primary market vendors time to catch up, but they did.

For the most popular shows, Ticketmaster and artists have collaborated to set pricing for tickets, at least in part, based on demand. The optimal selling price to attract fans and detract scalpers is not known so one must surmise that the initial price is set artificially high or through an educated guess. This practice means that ticket prices are generally higher than they have been in the past, and the most demanded seats have even higher prices.

Additionally, price discrimination is used to price different quality seats in accordance with their location and convenience. For example, tickets on aisles are usually priced a little higher than those in the middle of a section, and tickets further back in a section are lower than those in the front – even in sections that are not adjacent to the stage. This pricing is all dynamic and therefore subject to change.

There are several impacts this new pricing policy has on consumers, some good and some not so good.

Good for availability:

- The most desirable tickets are priced so high that it becomes too risky for scalpers to buy.
- Consumers are more likely to have access to tickets previously snapped up by large swaths of amateur and professional resellers.
- Consumers have access to a wider variety of ticket prices based on seat location and convenience.

Bad for price transparency:

- It is possible that a consumer who pays \$250 for a specific ticket at the on sale date may find that due to lack of demand or otherwise, the seat next to the one they purchased is priced substantially lower at a later time.
- It is also possible that a consumer will find that the ticket they purchased is more expensive OR the same price as a much better ticket. Meaning, a better ticket becomes available later and due to lack

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of demand, the price may be the same or lower than the price paid for a seat that is further away from the stage.

When it comes to primary market ticket pricing, I believe that primary market vendors and fans are in a difficult situation. When the primary market seeks to price out resellers, consumers pay more. This also means that because resold ticket prices fluctuate, primary market tickets must fluctuate with demand which means similar seats will have wildly different ticket prices over time.

Referring back to the research I conducted around the Taylor Swift “Reputation” Tour, I focused this research on understanding secondary market ticket pricing patterns on StubHub when tickets were gated by Ticketmaster’s Verified Fan program. A stated purpose of the program is to prevent scalpers from accessing tickets. One way of doing this is increasing the primary market ticket price to what the market will bear, leaving scalpers with high risk inventory. The result of this is wildly higher secondary market ticket prices.

In [Appendix II](#), I share a graph of secondary market ticket listing prices on StubHub.² This graph shows that over the initial few days of ticket sales, those that can only be attributed to the resale of tickets that were purchased by “Verified Fans”, are being resold at substantially higher prices than any other time observed by this research. This raises questions about whether consumers are aware that “Verified Fan” tickets – those which cater to the most loyal fans – are also more expensive than those sold to others. The research also raised the question of how effective Verified Fan is if nearly 30,000 tickets are on a single secondary market within three days of an exclusive “fan only” on sale.³

In conclusion, I propose that the FTC consider discussion on the following two questions:

1. Should Ticketmaster more prominently advertise that “Verified Fan” tickets, and those made available during the on sale date could be substantially higher than tickets sold at a later date?
2. What efforts can be undertaken to provide more transparency around the ticket sales process and ticket pricing? If the way tickets are being priced is not well understood by consumers, primary market sellers should invest in education to provide a better experience to consumers and to reduce the perception that artists are not treating fans fairly.
3. Should primary market ticketing companies experiment with reverse auctions to allocate some or all tickets based on prices that consumers are willing to pay based on seat quality, location, and preferred time of issuance? I believe this area is specifically one worth further exploration, even if not a regulatory concern.

² The full data are located at <http://bit.ly/2Ev2yjl>

³ The research also tracked ticket inventory availability which was accessible via the StubHub mobile app.

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Appendix I

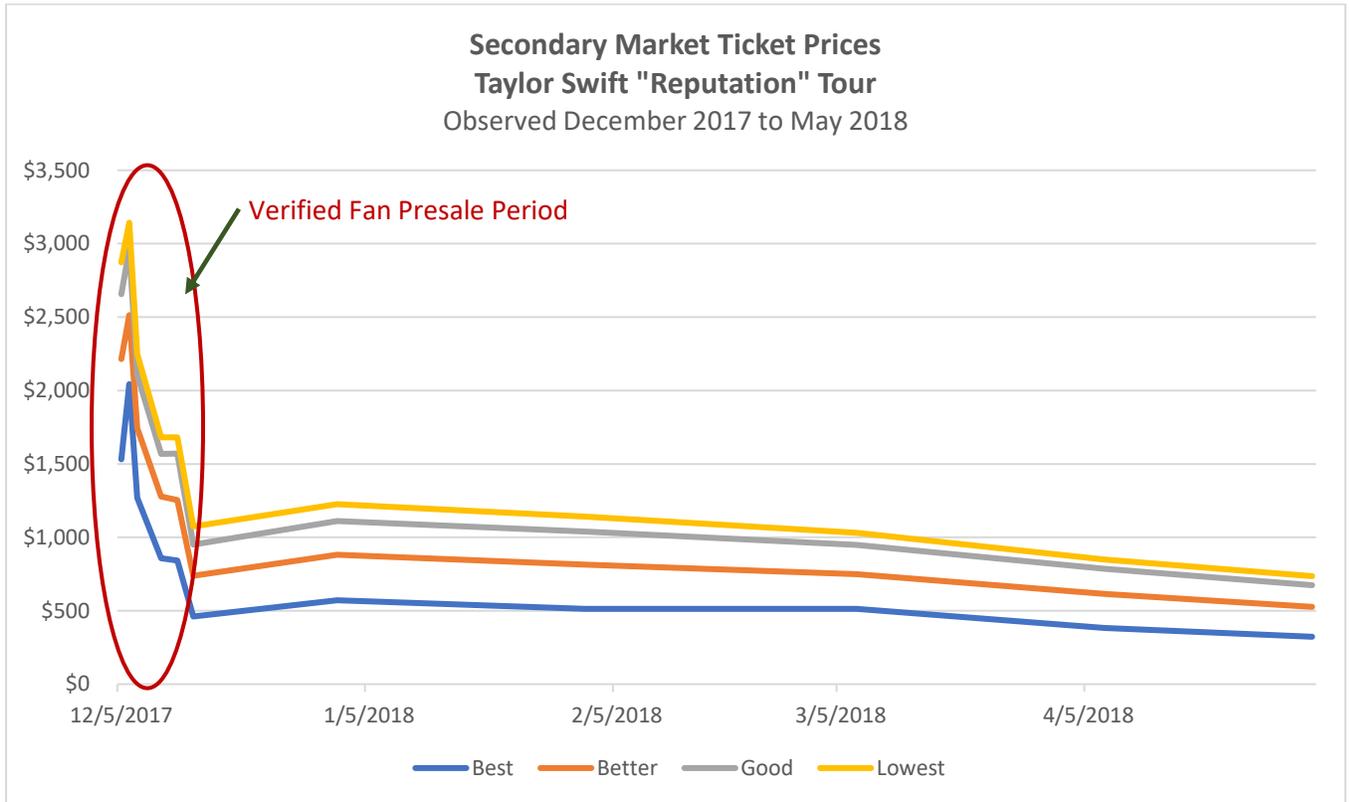
Cross Channel Analysis

Taylor Swift "Reputation" Tour 2018

Observations of Ticket Prices Across Three Sales Channels, December 12, 2017

Date	Venue	Sec	Row	TM Dynamic Face Value	StubHub Best Price	TM Verified Resale	Secondary Price Premium	Verified Ticket Premium (v. face value)	Verified Ticket Premium (v. StubHub)	
7/27/18	Gillette Stadium	A5	4	\$1,750	\$2,849	\$3,029	63%	73%	6%	
7/27/18	Gillette Stadium	132	27	\$300	\$312	\$332	4%	11%	6%	
7/27/18	Gillette Stadium	106	34	\$270	\$325	\$358	20%	33%	10%	
7/27/18	Gillette Stadium	PIT	R	\$899	\$2,185		143%			
7/27/18	Gillette Stadium	309	19	\$160	\$170	\$205	6%	28%	21%	
5/18/18	Rose Bowl	A5	16	\$700	\$1,281	\$1,399	83%	100%	9%	
5/18/18	Rose Bowl	19	22	\$265	\$436	\$488	65%	84%	12%	
5/18/18	Rose Bowl	13-H	61	\$125	\$175	\$190	40%	52%	9%	
5/12/18	Levi's Stadium	Field E	3	\$1,675	\$1,577	\$1,707	-6%	2%	8%	
5/12/18	Levi's Stadium	118	18	\$515	\$605	N/A	17%			
5/12/18	Levi's Stadium	313	5	\$215	\$270	\$304	26%	41%	13%	
6/1/18	Soldiers Field	E	16	\$575	\$949	\$1,157	65%	101%	22%	
6/1/18	Soldiers Field	141	3	\$580	\$669	\$721	15%	24%	8%	
6/1/18	Soldiers Field	334	8	\$196	\$247	\$400	26%	104%	62%	
8/10/18	Mercedes-Benz	E	15	\$650	\$807	\$1,350	24%	108%	67%	
8/10/18	Mercedes-Benz	112C	6	\$510	\$403	\$485	-21%	-5%	20%	
8/10/18	Mercedes-Benz	118	19	\$235	\$265	\$292	13%	24%	10%	
9/1/18	US Bank MSP	E	16	\$550	\$646	\$741	17%	35%	15%	
9/1/18	US Bank MSP	F2	11	\$325	\$446	\$481	37%	48%	8%	
9/1/18	US Bank MSP	121	38	\$238	\$222	\$292	-7%	23%	32%	
9/29/18	NRG Stadium	E	2	\$1,950	\$7,124	\$7,668	265%	293%	8%	
9/29/18	NRG Stadium	127	C	\$575	\$455	\$493	-21%	-14%	8%	
9/29/18	NRG Stadium	344	N	\$198	\$304	\$366	54%	85%	20%	
snapshot taken 12/12/17										
							Averages	40%	60%	18%

Appendix II
Resale Ticket Pricing
Taylor Swift's 2018 "Reputation Tour"



Methodology

- 1) Pricing data represents secondary market ticket prices on stubhub.com for fifteen Taylor Swift "Reputation Tour" concerts across the United States⁴
- 2) Ticket prices were observed from December 2017 to May 2018
- 3) Ticket prices were checked visually and manually on or about the first day of every month and recorded in the document referenced in footnote 2.
- 4) Ticket quality was measured using the following approach:
 - a. Best: The lowest available price in the front and center section of the venue.
 - b. Better: The lowest available price in either of the center loge sections
 - c. Good: The lowest available price in the furthest back loge section yet still on the floor/field
 - d. Lowest: The lowest advertised ticket price to a specific show as shown in the StubHub mobile app

⁴ The full data are located at <http://bit.ly/2Ev2yjl>