

Understanding Ticket Brokers

Joris Drayer – University of Memphis
Stephen Shapiro – Old Dominion University

Presented to:



June 1, 2010

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
BACKGROUND	3
PURPOSE	4
METHODS	5
KEY FINDINGS.....	6
RESPONDENT PROFILE	11
RESPONDENT PROFILE	11
BUSINESS PROFILE.....	13
TICKET ACQUISITION PRACTICES.....	15
LEGAL STATUS OF TICKET RESALE.....	15
MARKETING ACTIVITIES.....	16
PRICING STRATEGIES.....	16
APPENDIX A.....	19
STATISTICAL ANALYSES.....	20

BACKGROUND

The secondary ticket market has existed for decades in various forms. Once an industry dominated by street scalpers and a small group of local and regional ticket brokers, this market has grown into a true global industry. This growth is largely attributed to improvements in technology allowing buyers and sellers to more easily connect and facilitating the exchange of tickets and funds in an efficient and secure platform.

While this growth is a positive trend for ticket brokers, it could be argued that this growth has come too fast, particularly due to the fact that ticket resale remains a state-regulated practice. The evolution of state regulations has not occurred at the same rapid pace as the evolution of the industry. As they were originally written, ticket resale laws were designed to protect consumers from an industry that was not self-regulated and issues of price gouging and ticket fraud forced the government to respond. Currently, the secondary market is legitimized and self-regulated, lessening the need for government intervention.

BACKGROUND (Cont.)

Whether it is due to the illegality of the practice in some areas or some other association, ticket brokers have, for years, dealt with negative portrayals from consumers and media. These views potentially have negative effects on the profitability of many legitimate brokers as well as on the lobbying efforts in various states to create more appropriate regulations for ticket resale.

However, herein lies the challenge to the industry. If brokers speak to the media, their stories are often “spun” and do nothing but reinforce these negative perceptions. If brokers choose not to speak to media, they appear mysterious and untrustworthy. Currently, researched focused the business of ticket brokering and broker perceptions is limited.

PURPOSE

The purpose of the current study is to gain a generalized sense of the business of ticket brokering in order to address some of the perceptions of the industry which have, up to now, only been expressed anecdotally or through potentially biased media sources.

METHODS

The current study was conducted using an online survey protocol.

Instrument Development – The survey was developed based on the primary aims of the research: To gain a generalized sense of ticket broker characteristics and behavior. Questions were drawn from previous research in general ticket sales and pricing as well as from several industry experts familiar with the trends in the primary and secondary ticket markets. The instrument contained a total of 60 items designed to assess: demographics, organization information, ticket acquisition, pricing factors, legal issues, and marketing strategies.

Data Collection – Initially, a survey link was sent to over 1,000 email recipients from TicketNetwork’s database of brokers. Three reminders were later sent out in an effort to enhance response rate. Later, a link to the survey was posted on www.betterticketing.com. Participants were entered into a raffle to win an Apple iPod Shuffle as an incentive to participate. A total of 261 usable surveys were returned.

Statistical Analysis – All data were entered systematically into the Statistical Package for Social Sciences (SPSS). The data set was cleaned to ensure accurate results prior to analysis resulting in a usable sample of 261 surveys. Descriptive statistics, including statistics of central tendency and frequencies, were used to report the findings, as well as inferential statistics where appropriate and applicable.

KEY FINDINGS

With a lengthy survey covering a wide variety of relevant topics, several significant and meaningful results emerged. The following section highlights these key findings.

- Respondents were quite diverse in terms of age and number of years of experience.
 - This would seem to indicate that the secondary market is alive and thriving as existing brokers are able to sustain successful businesses while new brokers enter the industry.
 - Approximately 65% of respondents indicated that ticket resale was their primary source of income, further suggesting the continued growth of ticket resale.
- Respondents were highly educated with over 63% having completed college and an additional 27% having attended at least some college.
- Over 76% of respondents conducted over 60% of their business online.
 - Additionally, 71% of new brokers (5 or less years) conduct 81% or more of their business online. Only 35% of veteran brokers (12 or more years) conduct 81% or more of their business online.
 - These figures illuminate the changing shape of the secondary market and the influence emerging technology has on the industry.

KEY FINDINGS (Cont.)

- Overwhelmingly, the primary method of ticket acquisition is online from a primary distributor. While many media sources have suggested that brokers have unethical practices with regard to acquiring tickets, the results of this study suggest that the majority of brokers acquire tickets the same way as all other ticket buyers.
- Respondents were asked which marketing strategies were most effective. Of the 17 options, #1 was “Referrals/Word of Mouth” and #3 was “Good Public Relations.” This suggests that brokers are aware of the need to run legitimate businesses in order to overcome the negative views of the secondary market.
 - The #2 most effective marketing strategy was “Internet/Web-based Marketing” which was not surprisingly given the large percentage of business conducted online.

KEY FINDINGS (Cont.)

- Respondents were asked to identify which factors were most important in their decisions to price tickets. The top five factors suggested that brokers consider the demand characteristics of each event before they consider the need to offset organizational costs. While sport entities in the primary market often price tickets in an effort to maximize attendance, ticket brokers appear to be trying to maximize profits.
 - However, newer ticket brokers and smaller ticketing companies do consider their organizational costs (i.e., the cost of purchasing tickets) significantly more than larger and more established companies.
- Respondents located in a metropolitan area were forced to consider their competition (which can be substantial) when pricing their tickets. Those located outside of a metropolitan area considered competitors' prices significantly less.

KEY FINDINGS (Cont.)

There were a variety of findings related to the legal issues involved with ticket resale.

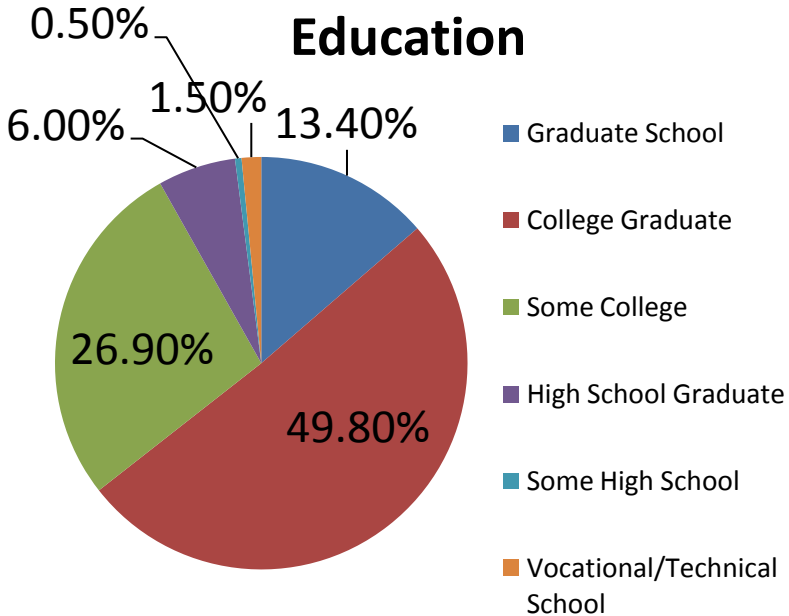
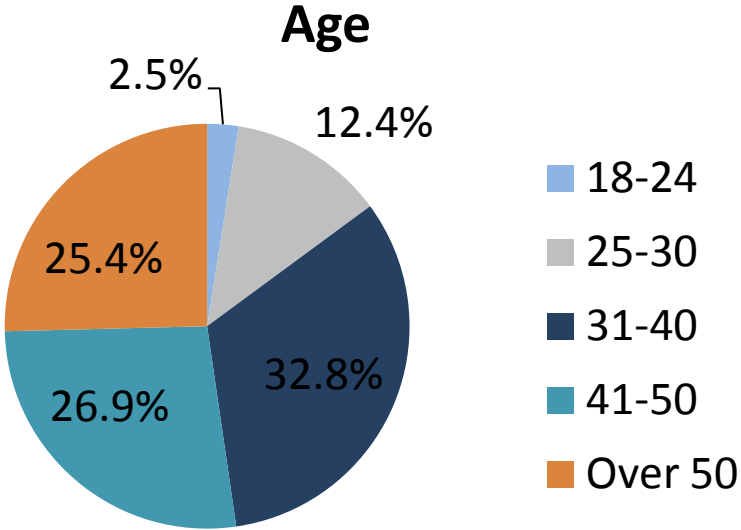
- Ticket resale laws had little impact on how respondents conducted their business. This result illuminates the need to redraft or eliminate outdated anti-scalping legislation.
 - Further, respondents reported that anti-scalping laws were the least important factor when pricing tickets.
 - However, those respondents who stated they were highly influenced by anti-scalping laws did consider public relations issues and legal status significantly more than those who saw little or no impact from anti-scalping laws.
- Those brokers located in the East Coast reported that anti-scalping laws had a stronger influence on their business than any other geographic region. This is not surprising given the uncertain legal status of ticket resale in states such as New York and Massachusetts.

KEY FINDINGS (Cont.)

- In states with legal restrictions, the face value of the ticket was a significantly more important factor in setting prices than states with no restrictions. This provides some evidence that the laws do influence the nature of ticket brokerages, as laws typically restrict price mark-ups relative to the printed face value.
- However, further illuminating the limitations of existing anti-scalping legislation in an industry with an increasing presence on the Internet is the fact that the more a respondent's business was conducted online, the lower the impact anti-scalping laws had on their business.
 - Additional evidence suggests that anti-scalping laws push ticket brokers to the online platform. As perceptions of the impact of anti-scalping laws increased among respondents, so did the effectiveness of email and Internet marketing strategies.

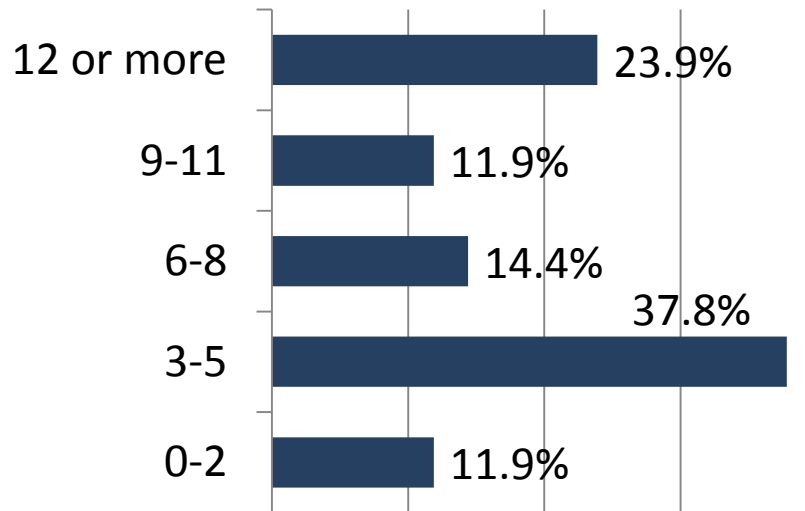
RESPONDENT PROFILE

- 86.6% of respondents were male.
- 59.7% of respondents were between the ages of 31 and 50.
- 79.1% of respondents live in a metropolitan area.
- 49.8% respondents indicated they were college graduates.
- 74.1% of respondents were owners or part owners of a ticket broker business.
- 65% of respondents considered ticket brokering to be their full-time job (primary source of income).
- 37.8% of respondents have been in the business for 3-5 years, 23.9% of respondents have been in the business 12 or more years.

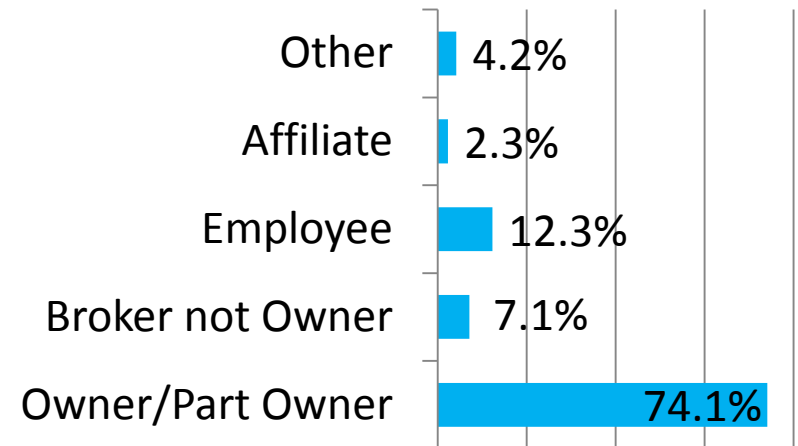


RESPONDENT PROFILE

Years in the Industry

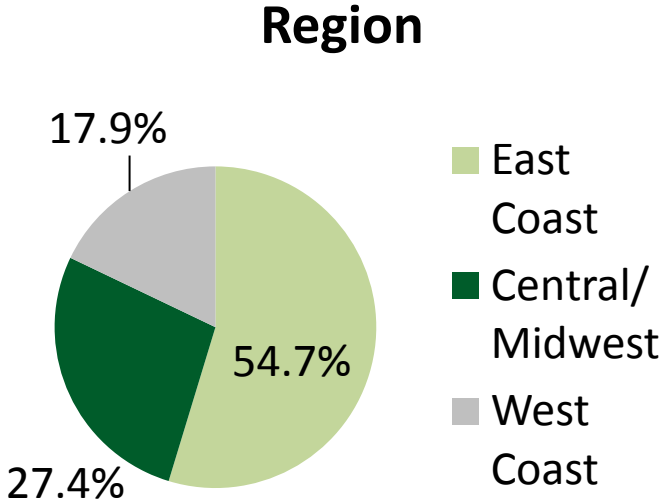


Job Responsibility



ORGANIZATION CHARACTERISTICS

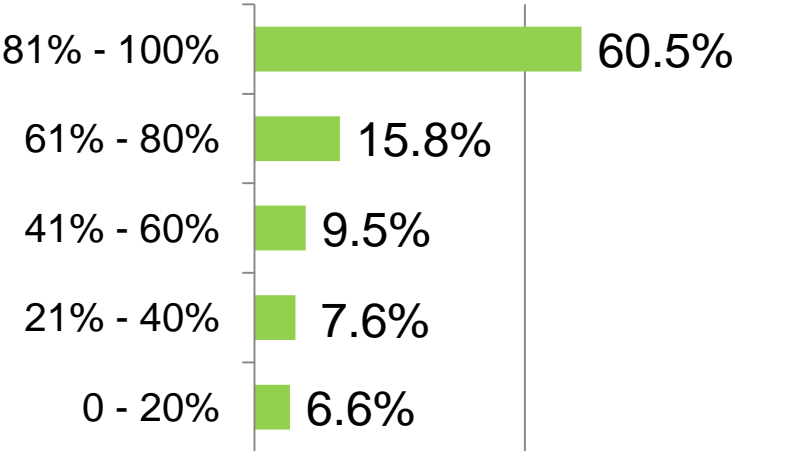
- The vast majority of respondents (93.5%) conduct their business in the United States.
- 54.7% of respondents have their business located on the East Coast.
- 6.8% of respondents based their business out of California, followed by Texas (4.8%).
- 60.5% of respondents conduct the majority of their business online (81% - 100%).
- 31.6% of respondents conduct most of their business outside of their local area.
- 51.5% of respondents sell tickets outside of the United States.



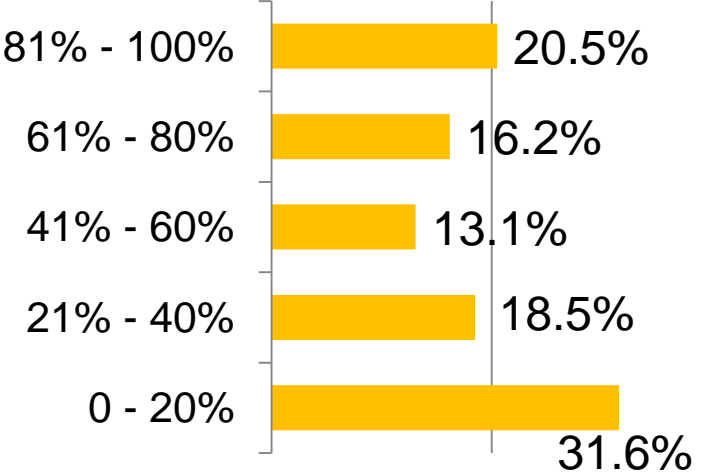
State	Frequency	Percentage
California	21	6.8%
Texas	15	4.8%
Connecticut	14	4.5%
Florida	12	3.9%
New York	11	3.6%
Illinois	10	3.2%
Georgia	9	2.9%
New Jersey	8	2.6%
Massachusetts	7	2.3%
Maryland and Michigan	5	1.6%
Arizona, Missouri, Nevada, and Virginia	4	1.3%
Colorado, Indiana, Nebraska, Pennsylvania, Washington, and Wisconsin	3	1%
Kansas, New Mexico, Ohio, and South Carolina	2	.6%
Delaware, Mississippi, New Hampshire, Oklahoma, Oregon, Rhode Island, Tennessee, Utah, and Vermont	1	.3%

ORGANIZATION CHARACTERISTICS

Percentage of Business Conducted Online



Percentage of Business that is Local Events



TICKET ACQUISITION

Respondents provided information on various methods for acquiring tickets. Responses were rated on a 5-point scale (1 = Not Frequently to 5 = Extremely Frequently)

How frequently do you buy tickets...

- Online from a primary distributor (Mean= 3.95, SD = 1.28)
- Face-to-face season or group tickets (Mean= 3.16, SD = 1.45)
- Face-to-face from a primary distributor (Mean = 2.78, SD = 1.46)
- Online from a secondary distributor (Mean = 2.58, SD = 1.17)
- Face-to-face from a secondary distributor (Mean= 2.31, SD = 1.17)

LEGAL STATUS OF TICKETING

- 51.3% of respondents believe that ticket resale is legal in their state. However, 10.3% of respondents do not know the legal status of ticketing.
- 55.1% of respondents believe that ticket resale is legal in their city. However, 13.1% of respondents do not know the legal status of ticketing.

Respondents were asked about the perceived impact of ticket resale law on their business (1 = No Impact to 5 = Great Impact)

- Mean = 2.11, SD = 1.36

MARKETING STRATEGIES

Respondents provided information on the effectiveness of various marketing techniques. Responses were rated on a 5-point scale (1 = Completely Ineffective to 5 = Very Effective). Below are the top five rated marketing strategies:

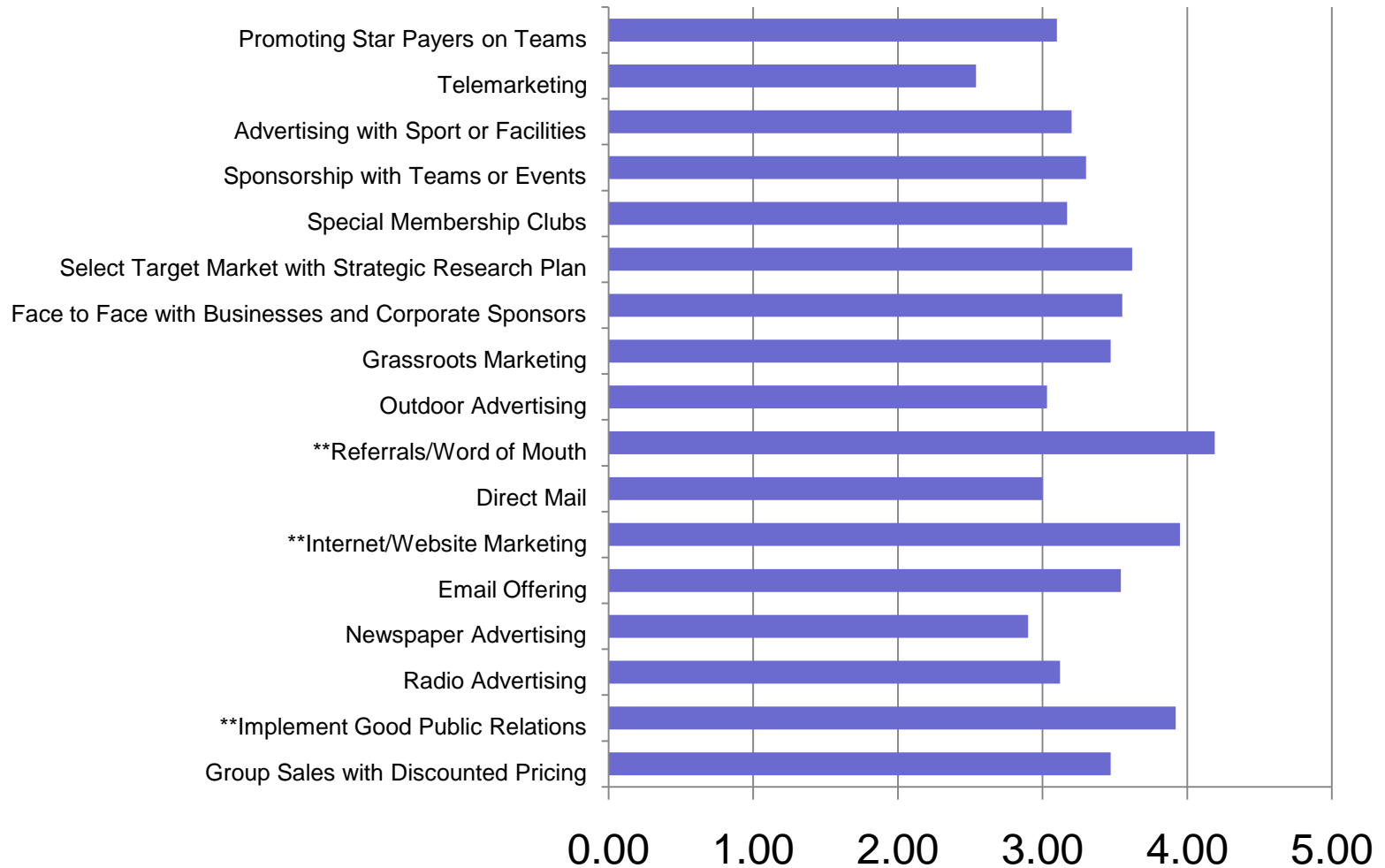
- #1 Referrals/Word of Mouth (Mean = 4.19, SD = .965)
- #2 Internet/Website Marketing (Mean = 3.95, SD = .923)
- #3 Implement Good Public Relations (Mean = 3.92, SD = .973)
- #4 Face to Face with Businesses and Corporate Sponsors (Mean = 3.55, SD = 1.01)
- #5 Email Offerings (Mean = 3.54, SD = .942)

PRICING FACTORS

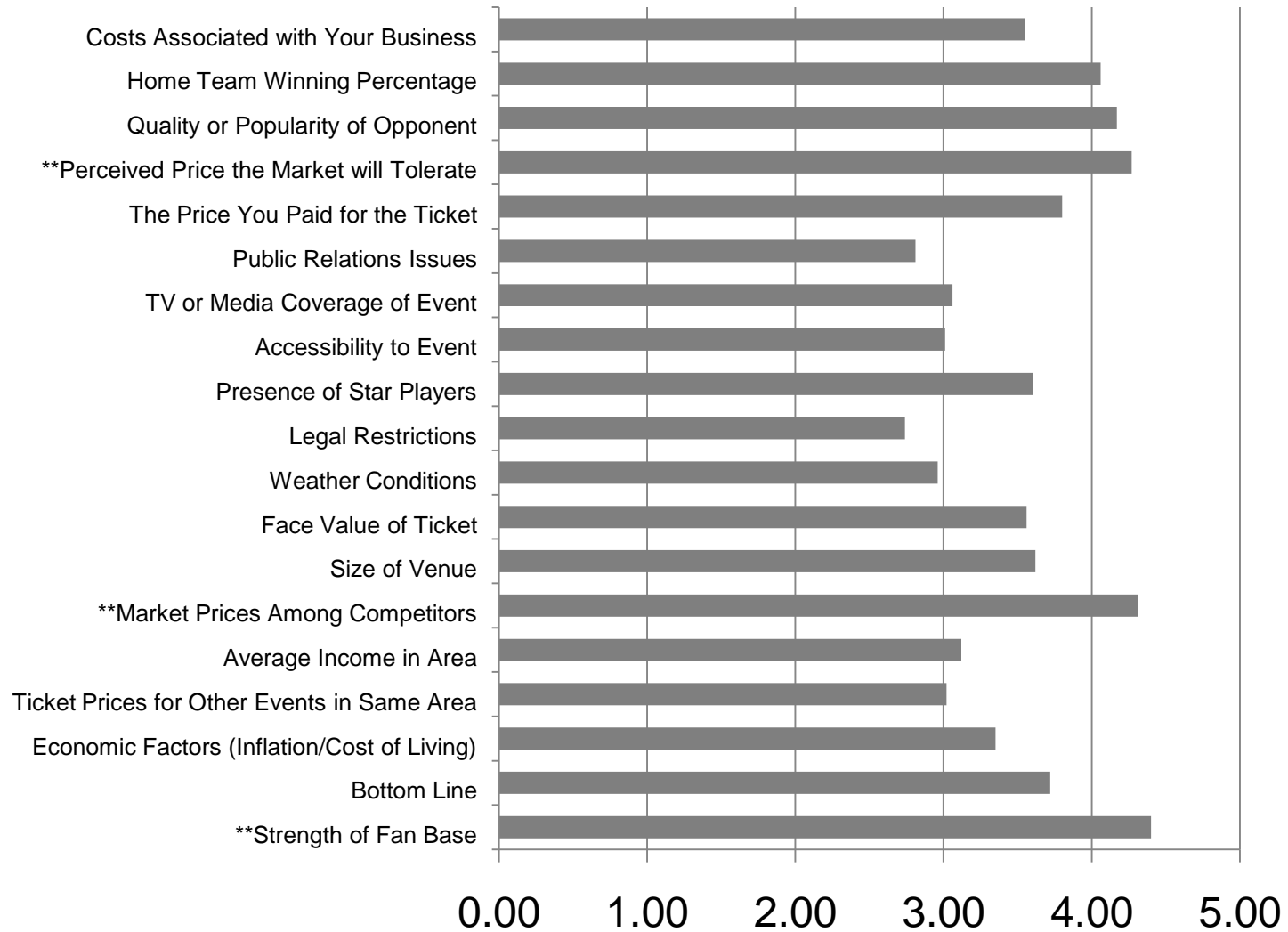
Respondents were asked to rate the importance of various factors that influence ticket prices. Responses were rated on a 5-point scale (1 = Not Important at All to 5 = Extremely Important). Below are the top five rated pricing factors:

- #1 Strength of Fan Base (Mean = 4.40, SD = .841)
- #2 Market Prices Among Competitors (Mean = 4.31, SD = .937)
- #3 Perceived Price the Market will Tolerate (Mean = 4.27, SD = .873)
- #4 Quality or Popularity of Opponent (Mean = 4.17, SD = .983)
- #5 Home Team Winning Percentage (Mean = 4.06, SD = 1.04)

Marketing Strategies (1 = Completely Ineffective to 5 = Very Effective)



Factors Influencing Ticket Pricing (1 = Not at All Important to 5 = Extremely Important)



APPENDIX A

Statistical Analyses Organized by Survey Topic

TICKET ACQUISITION, PRICING FACTORS & MARKETING STRATEGIES ANALYSES

(Broken down by broker characteristics)

Percentage of Online Business

- ANOVA results indicated a significant difference between percentage of online business and two types of ticket acquisition: face-to-face primary $F(2,231) = 7.97, p = <.001$ and face-to-face secondary $F(2,72.11) = 24.39, p = <.001$. In each situation, brokers who conduct most of their business online (81% or more) acquired tickets more often from these channels.
 - However, the acquisition method most commonly used by all brokers was “online through a primary source” ($M = 3.95, SD = 1.28$) and “season or group ticket purchases” ($M = 3.16, SD = 1.45$). The primary acquisition methods for ticket brokers who conduct the majority of their business online (81% or more) was “online through a primary source” ($M = 4.07, SD = 1.32$).
- ANOVA results indicated a significant difference between the percentage of online business and marketing through referrals and word of mouth $F(2,231) = 7.97, p = <.001$. Ticket brokers who have a low percentage of online business (0% - 40%) marketed more through referrals and word of mouth ($M = 4.06, SD = .724$).
- Chi-Square results indicated a significant relationship between number of years in the industry and percentage of online business $X^2(4) = 17.87, p = .001$. 71% of new brokers (5 years or less) conduct 81% or more of their business online. Only 35% veteran brokers (12 or more years) conduct 81% or more of their business online.

NOTE: Acquisition Methods, Pricing Factors, and Marketing Strategies were all measured on 5-point Likert scales.

TICKET ACQUISITION, PRICING FACTORS & MARKETING STRATEGIES ANALYSES

(Broken down by broker characteristics)

Company Size

- ANOVA results indicated a significant difference in one of the pricing factors (price paid for the ticket) based on company size $F(2,93.87) = 7.97, p = .003$. Smaller companies based pricing more on price paid for ticket than mid-sized or large companies ($M = 4.22, SD = 1.02$).
- Pricing Factors deemed most important:
 - Large Companies - Market prices across competitors ($M = 4.47, SD = .835$) and the perceived ticket price the market will tolerate ($M = 4.33, SD = .919$).
 - Mid-sized Companies - The perceived ticket price the market will tolerate ($M = 4.46, SD = .650$) and the quality or popularity of the opponent ($M = 4.22, SD = .712$).
 - Small Companies – Strength of fan base ($M = 4.53, SD = .821$) and the quality or popularity of the opponent ($M = 4.38, SD = .776$).

Legal Restrictions

- Independent t -test results indicated a significant difference in one of the pricing factors (face value of the ticket) based on legal restrictions $t(175.71) = 2.07, p = .040$. Face value of the ticket is a stronger pricing influence for respondents in restricted states ($M = 3.84, SD = 1.11$).

NOTE: Acquisition Methods, Pricing Factors, and Marketing Strategies were all measured on 5-point Likert scales.

TICKET ACQUISITION, PRICING FACTORS & MARKETING STRATEGIES ANALYSES

(Broken down by broker characteristics)

Years as a Ticket Broker

- ANOVA results indicated a significant difference between length of time in the broker business and face-to-face acquisitions from the primary market $F(2,182) = 6.18, p = .003$ and the secondary market $F(2,185) = 3.87, p = .023$. The brokers who have been in the business the longest (12 or more years) used these methods more often.
 - Face-to-face acquisition in the primary market ($M = 3.31, SD = 1.39$)
 - Face-to-face acquisition in the secondary market ($M = 2.73, SD = 1.23$)
- ANOVA results indicated a significant difference in one of the pricing factors (price paid for the ticket) based on years in the broker business $F(2,95.90) = 3.94, p = .023$. New brokers based pricing more on price paid for ticket ($M = 4.03, SD = 1.13$).
- ANOVA results indicated a significant difference in one of the marketing strategies (special membership clubs) based on years in the broker business $F(2,116) = 3.11, p = .044$. New brokers (0 – 5 years) used special membership clubs more than older brokers ($M = 3.39, SD = 1.00$).

Region of the U.S.

- ANOVA results indicated a significant difference in economic pricing factors based on region $F(2,175) = 3.89, p = .022$. The West Coast is influenced more by economic factors ($M = 3.67, SD = 1.01$).
- ANOVA results indicated a significant difference between region of the country and two marketing strategies: referral/word of mouth $F(2,188) = 4.27, p = .015$ and grassroots marketing $F(2,142) = 3.43, p = .035$. East Coast brokers use these marketing strategies more than other regions ($M = 4.30, SD = .931$ and $M = 3.57, SD = 1.12$, respectively).
- ANOVA results indicated a significant difference in legal impact based on region $F(2,88.16) = 3.62, p = .031$. East Coast brokers perceive a greater legal impact ($M = 2.35, SD = 1.44$).

TICKET ACQUISITION, PRICING FACTORS & MARKETING STRATEGIES ANALYSES

(Broken down by broker characteristics)

Metropolitan Area

- Independent *t*-test results indicated a significant difference in one of the pricing factors (market prices across competitors) based on legal metropolitan area $t(44.1) = 2.06, p = .045$. Market prices across competitors is a stronger pricing influence for brokers who are located in metropolitan areas ($M = 4.42, SD = .744$).

International Tickets

- Independent *t*-test results indicated a significant difference in two marketing strategies: email offerings $t(178) = 2.50, p = .013$ and Internet marketing strategies $t(192) = 2.76, p = .006$. Brokers who sell tickets internationally used these marketing strategies more often ($M = 3.72, SD = .883$ and $M = 4.14, SD = .866$, respectively).

- Independent *t*-test results indicated a significant difference in one of the pricing factors (legal restrictions) $t(178) = 2.42, p = .016$. Legal restrictions had a stronger influence on pricing for brokers who sell internationally ($M = 2.97, SD = 1.37$).

NOTE: Acquisition Methods, Pricing Factors, and Marketing Strategies were all measured on 5-point Likert scales.