Ticketmaster's crocodile tears

The dominant ticketing agency cries foul at the secondary market, but the case brings up interesting questions about laws that govern tickets.

April 23, 2007

PROMOTERS OF THE "Rowdy Frynds" tour featuring Lynyrd Skynyrd and Hank Williams Jr. decided to try a new way to raise ticket revenue this year. They acquired the seats closest to the stage — something promoters often do for fan clubs and favored guests — then offered them at a premium price through StubHub, a leading online ticket reseller.

The maneuver drew howls from Ticketmaster, which has exclusive contracts with 18 of the tour's concert halls. So the country's leading ticket seller sued StubHub and eBay, its corporate parent, in Los Angeles Superior Court this month, arguing that the companies and unnamed allies interfered with its contracts and threatened its venue partners.

It's hard to be sympathetic to complaints by Ticketmaster, the 800-pound gorilla of advance ticketing, about being strong-armed by a smaller competitor. But aside from the ironies, the case raises interesting questions about whether and how tickets should be resold.

Ticketmaster's aggressiveness and economies of scale give it a firm grip on the market for ticket sales to most major events. Its system of applying hefty service charges and fees on each ticket sold generates a large pool of money that it splits with concert venues, giving them an incentive to strike exclusive deals. Many venues also place restrictive conditions on tickets in an attempt to stop ticket buyers from reselling their seats. Some states (not California) and cities also prohibit selling tickets for more than face value.

Nevertheless, a competitive market has emerged to help ticket buyers unload their purchases — whether they be season ticket holders, brokers, scalpers or just fans stuck with seats they can't use. These tickets may sell for significantly higher than face value, and that surplus typically enriches the resellers, not the venue.

Ticketmaster is in the resale business too — fans at selected venues who want to resell their tickets can do so, provided they pay another service charge that Ticketmaster splits with the venue. There's no reason Ticketmaster can't compete in the secondary market with StubHub, Craigslist, RazorGator and every other reseller out there, with no artificial constraints on what people do with their tickets.

Ticket prices, typically set by event promoters, tend to be inflexible. Plenty of people are willing to pay far more, which is one reason the resale market is thriving. Meanwhile, Ticketmaster has won no friends among event-goers, who resent the company's ubiquity and multiple service fees.

The thriving resale market for tickets reflects how hard it is in the digital economy to constrain customers' choices, no matter how dominant a company's position may be. And with so much extra money in the resale market, is it any wonder the Rowdy Frynds wanted a piece of the action?