Online Firms Emerge as Legitimate Resellers, And as Options Rise, Customers Begin to Win

By Sam Diaz
Washington Post Staff Writer
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A new Washington Redskins football season begins tomorrow at FedEx Field, and just as sure as there will be beer on ice and burgers on the grill, there will also be scalpers outside the stadium hawking tickets.

The scalpers' days may be numbered, though. Ticket resellers are moving out of the shadows and onto Web sites that aim to serve as trustworthy marketplaces for fans with tickets they can't use or resellers who buy in bulk.

Concert promoters, venues and professional sports teams, including the Redskins, are partnering with sites such as StubHub, Viagogo and even Ticketmaster, legitimizing an online industry that was largely unrecognized a couple of years ago.

"We knew that people were buying and selling tickets all over the place," Redskins spokesman Karl Swanson said. "The consistent comment from ticket holders was, 'If I can't attend a game, and there's no mechanism to return the ticket to the team, isn't there a way to do this and have some assurances that I'm not breaking the law?'"

For the most part, anti-scalping laws have placed limits on the price markup of a resold ticket. But state laws vary, and many have been repealed or revised in recent years.

In many ways, the Internet is doing to the ticket industry what it did to the photo, music and movie industries: offering tools that shift some of the power back to the consumer. As in those other industries, some of the players in the ticket business have embraced the change, while others have fought back, a struggle that has led to lawsuits and angry fans, as well as increased competition and new partnerships.

"What we learned from digital music and video is if there's consumer demand and technology that enables it, you can't put the genie back in the bottle," said Eric Baker, a StubHub co-founder who left the company and started Viagogo, a European competitor that recently launched in the United States. "Either you get on board or get out of the way."

For Joseph Freeman, general counsel for Ticketmaster, based in Los Angeles, that reminder is just across the street from his Sunset Strip office: the boarded-up building that was once Tower Records' flagship store in Hollywood, a victim of the digital music revolution.

Ticketmaster has seen its dominance challenged by the Internet. Last month, for instance, worldwide concert promoter Live Nation ended negotiations to extend its partnership with Ticketmaster and plans to use the
Web for direct ticket sales to consumers. In its most recent quarter, Ticketmaster's revenue was up 3 percent, but its profit was down 24 percent from the comparable period a year earlier.

"Technology and the advent of Internet ticketing has brought new opportunities," Freeman said, noting that Ticketmaster's own online venture, TicketExchange, has partnered with more than 65 sports teams. "We're very excited about where we stand."

The shift online is being fueled by supply and demand. The rise of numerous competing Web sites has allowed consumers to dictate what they consider to be fair ticket prices in the weeks, days or hours before an event, said Stephen Happel, a professor of economics at Arizona State University. In some cases, the sites have brought lower prices, not markups, to tickets that are plentiful on the Web. No one wants to be left holding a ticket after the event starts, Happel said. "Once it expires, it's good to nobody," he said.

Ticket buyers and sellers have been connecting online for years on sites like eBay and Craigslist, but the new reseller sites argue that those transactions can be as risky as buying from a street scalper. "You've got to get fraud and deception out of the market," Happel said.

Many sites are taking steps to ensure security. Ticketsnow.com, for example, doesn't allow individuals to sell tickets on its site. Licensed ticket brokers, who obtain blocks of tickets from a number of sources, are among the site's primary sellers, and they are screened and certified so that consumers know tickets are legitimate, said company spokeswoman Jennifer Swanson.

But StubHub, which partners with the Redskins for ticket resales, is trying to attract the individual seller, often a season ticket holder who cannot attend an event. The site doesn't sell tickets itself. Instead, it serves as an intermediary, promising to take risk and uncertainty out of each transaction.

"We don't want someone to get to the site and wonder if he's going to get the tickets," StubHub president Chris Tsakalakis said. "We want them to feel secure that they're going to get the tickets they ordered and not be out any money."

But there have been some pitfalls. In November, the New England Patriots sued StubHub and former season ticket holders for reselling season tickets on the site instead of using the team's resale service managed by Ticketmaster. StubHub countersued, accusing the team of engaging in illegal price-fixing by not allowing tickets to be sold at market prices, even if they go for less than face value. A major sticking point was the question of ownership. Is a ticket owned by the team that issued it or by the person who paid for it?

Ticketmaster's Freeman argued that a ticket is a revocable license issued by a venue to allow the holder to attend an event.

"Having a ticket doesn't give you the right to come into a venue, drink too much, and spew profanity and act inappropriately," he said. "Different teams and different venues choose to attach different conditions on the terms of the sale of that ticket."

Massachusetts is one of only a few states that hasn't revised its anti-scalping laws. New York, by contrast, revised its law to prohibit sports teams from punishing ticket holders who resell them, a longstanding matter of contention between the New York Yankees and their fans.

By partnering with resale sites, an increasing number of sports teams are stripping away some of the stigma of scalping. Major League Baseball announced a partnership last month with StubHub. And Manchester
United, the professional soccer team in England, has given exclusive resale rights to Viagogo.

"That does more than just sell Manchester United tickets," said Baker, Viagogo's chief executive. "When you market to those fans, if they know you're in business with Manchester United, they know you're a legitimate and trustworthy company. It validates the entire sector."

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