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1 INTRODUCTION

Background

1.1 This report has been prepared by Europe Economics for the Department of Culture, Media and Sport (DCMS).[1] Its purpose is to develop a better understanding of the structure and scale of the UK ticketing industry, with particular reference to secondary ticketing.

1.2 Secondary ticketing has become a more prominent issue in recent years, partly as a result of the increasing importance of the Internet as a distribution channel and the development of numerous websites which act as platforms for ticket exchanges, and partly as a result of the increased commercial importance of "live" events.

1.3 The existence of a secondary market for tickets has both advantages and disadvantages for consumers, for example:

Table 1.1: Some advantages and disadvantages of secondary ticket markets

Potential advantages	Potential disadvantages
Enables customers to sell ticket if unable to attend, or if their plans change	Some customers may pay higher prices
Enables customers to purchase ticket after release date	Risk of purchasing forged tickets
Job creation in re-selling agencies and platforms	Risk of purchasing from fraudulent or illegal reseller

1.4 Noting the advantages for consumers, the DCMS has stated that it does not wish to legislate further against secondary ticket retailing.[2] However, the Government might need to intervene or provide guidance so as to ensure that consumers are reasonably protected. To this end, the following strands of work have been pursued:

(a) **Research to identify how best to protect consumers' valid interests in a free market** — Such work includes a report by the Office of Fair Trading (OFT) in 2005, the 2007 Culture, Media and Sport Select Committee Report on Ticket Touting and the Government response, leading to the 2009 consultation on Ticketing and Ticket Touting and to the present research.

[1] Europe Economics is an independent economics consultancy. Information about Europe Economics is available on www.europe-economics.com

[2] There is already legislation against re-selling tickets to football matches and tickets to the 2012 Olympic Games.

(b) **Consumer education** — An example of attempts at consumer education is that in February 2009 Consumer Direct published advice on how to purchase tickets safely online, and the OFT has recently launched its own campaign with a similar objective.[3]

(c) **Tackling those operating illegally** — The Department for Business, Innovation and Skills (BIS) has responsibility for tackling unfair and illegal practices in the secondary ticketing industry and has enforced closure of a number of secondary retailers. The police and other authorities also take action where appropriate against fraudulent sales, illegal street selling, etc.

Select Committee report and Government response

1.5 In February 2007 the then Secretary of State for Culture, Media and Sport stated:

> "Exploitation and excessive profiteering by touts puts tickets out of the reach of real fans – it is a corrosive force in entertainment. We are determined to protect consumers against this".[4]

1.6 On 1 May 2007 the House of Commons Select Committee on Culture, Media and Sport announced an inquiry into issues including the underlying causes of ticket touting and its impact on performers, promoters and the public; whether re-sale should be permitted; and the merits of new approaches by ticket agents attempting to prevent ticket transfer. The Committee received over 40 written submissions about one third of which came from organisers of events and one third from bodies involved in the ticket market. Oral evidence was heard from promoters of events; primary ticket agents and organisations involved in the secondary market; and from the DCMS, the DTI and the OFT.

1.7 The Select Committee found that views on secondary ticket market varied widely and were sometimes expressed in strong terms, with some regarding it as a scourge which threatened the very future of the industries on which it fed and others seeing it as a valuable service providing tickets to fans desperate to attend oversubscribed events or those who found themselves unable to use tickets to recover at least some of the cost.

1.8 It noted that the secondary market was by no means a new phenomenon but that it had been transformed and expanded by the growth of the Internet.

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3 The OFT has recently launched its 'Just Tick It' campaign warning consumers about fraudulent ticket websites http://www.oft.gov.uk/news/press/2009/112-09
According to an online survey of 3,000 UK consumers one in five people knows someone who has bought tickets to a music, sport or theatre event from a scam ticket website, and one in twelve ticket buyers admits to having been caught out by scam ticket websites, with 80 per cent of those having fallen victim in the last year, and victims lost an average of £80 each.
When asked the top three reasons for using scam websites, respondents said they were desperate to get hold of tickets for an event (44 per cent), others were taken in by the excitement of finding tickets they wanted online (40 per cent), whilst others were tricked by the legitimate and professional appearance of the websites (32 per cent).
According to the survey, men are twice as likely to be tricked by such scams as women. And when it comes to reporting the scam, it appears people too often shy away from the problem with one in five admitting (20 per cent) they did not report it.

4 The Rt Hon Tessa Jowell MP "Tougher protections for ticket buyers" DCMS press notice 022/07

1.9 Various ways were noted in which consumers could either benefit from or be harmed by ticket sales. Benefits to consumers include offering them the convenience of buying tickets at a time which best suited them; and the protection and security of trusted sellers rather than underground sources which would be the alternative. Ways in which consumers and industries could be harmed included consumers being provided with inadequate information and protection and by tainting the image of events and their organisers.

1.10 The Select Committee objected to instances where tickets distributed free of charge, for example for charity events, were being sold on the secondary market, and urged secondary sellers not to list such tickets. The Committee considered more generally that the situation whereby large profits could be made on the secondary market with no benefit to the organisers or owners of the primary rights was unfair and needed to be addressed. However, it shared the view of the Government that a voluntary solution was preferable to statutory regulation and that intervention by Government should be considered only as a last resort.[5]

1.11 The Select Committee accordingly welcomed the initiative of the Music Managers Forum to seek agreement for a voluntary scheme under which sellers of tickets in the secondary market would pay a proportion of the profit to the original organisers. This money would then be shared between organisers of events and artistes, in the same way as the original amount paid. In return the organisers would recognise the legitimacy of the secondary seller. The Committee believed that a scheme of that type would offer the best chance of meeting the concerns of event organisers while still allowing the unfettered operation of the secondary market, and strongly encouraged its serious consideration.

1.12 The Government's response generally agreed with the Committee's approach and sought firm evidence on the nature and extent of any problems.[6] The Government confirmed the view that resolution of any problems through voluntary action by the market participants was strongly preferred, with new regulation only to be considered as a last resort and only where there is clear evidence that it would be in the public interest. New regulation and the associated cost of enforcement were likely to impose greater burdens and restrictions of consumer choice than market-led solutions.[7]

1.13 The Government was of the view that more could be done by event owners and promoters to ensure that a wider range of fans and supporters had a fair chance of getting tickets at source, and through putting in place acceptable controls over re-sale to ensure that tickets reached fans. It considered that some events were of such

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5 House of Commons Culture, Media and Sport Committee, Ticket touting. Second report of session 2007-08, p5.

6 Government Response to the Culture, Media and Sport Select Committee Report on Ticket Touting (HC 202 – Second Report of Session 2007-08)

7 Government Response to the Culture, Media and Sport Select Committee Report on Ticket Touting (HC 202 – Second Report of Session 2007-08) p2.

significance to the nation that more specific action should be taken to ensure wider availability of tickets distributed and sold under agreed standards or principles.

1.14 It was decided to issue a public consultation on these issues.

Consultation exercise

1.15 The consultation period was 19 February to 15 May 2009 and the consultation document sought the views both of the main participants in the ticketing industry and of the public.

1.16 A variety of opinions were put forward with varying degrees and areas of emphasis. These views were necessarily, given the nature of the enquiry, mainly normative rather than positive. The implied size of the problem naturally varied as between primary and secondary sellers but there was no persuasive evidence outside a very limited number of events that the problem was likely to involve a high proportion of the total of tickets sold. Even as between individual primary sellers there were differences in the implied extent of the problem. Nowhere were estimates of numbers and values more than fragmentary.

Terms of reference for present study

1.17 Against this background, the objectives of the present study are to provide an objective analysis of the ticketing industry, with particular reference to secondary ticketing, and especially to:

(a) Provide a quantified analysis of the secondary ticketing market in the UK, including assessments of the scale of the market; the percentage of secondary sales, against the initial primary sale offer, for different kinds of event; the scale of mark-ups on tickets; the scale of losses incurred; and the nature of events that are more prone to secondary sales.

(b) Assess the changing relationships between primary sellers (including artists and performers) and events, secondary sellers and consumers.

(c) Review the possible relevance to the UK of the conclusions reached in a recent US study “The welfare effects of ticket re-sale” by Leslie and Sorensen, (2008).

(d) Identify issues meriting further analysis.

1.18 The time allowed for the study was initially limited to six weeks, later extended slightly to allow additional information to be obtained from some market participants.

2 METHODOLOGY

Scope of study

2.1 There are two main possible approaches to reviewing the market for ticket sales and re-sales. These are:

(a) Platform-based market definition: This would segment the market by distribution channel, e.g. auction websites, online face-value ticket exchanges, "for sale" advertisements in newspapers.

(b) Event-based market definition: This would consider the market for different types of event. Thus, for example, music tickets would be considered separately from theatre tickets, and different from other cultural, entertainment or sporting events.

2.2 In this research we followed the latter approach and considered the following two main types of event: in particular:

Sport

We took examples of events in soccer, rugby, cricket; and tennis.

Culture

We examined ticket sales for performances in West End Theatres, major concerts at the O_2 Arena, and some popular music festivals (Reading/ Leeds).

2.3 We focused mainly on the markets for secondary ticket sales ("re-sales").

2.4 We briefly reviewed some economic theory relevant to the market for primary and secondary ticket sales ("primary" sales meaning sales by or on behalf of the event organisers or producers and "secondary" sales meaning sales by people or organisations that had purchased them from the primary seller). This review includes a discussion of the key players involved in the market; the economic rationale for ticket re-sale activity; the functioning of the market; and welfare analysis.

2.5 Our welfare analysis included a review of a recent paper discussing the US market "The welfare effects of ticket re-sale" by Leslie and Sorensen which sets out the potential forms of consumer detriment resulting from secondary ticket sales.[8] This paper helped to provide a framework within which information relating to the UK could be analysed.

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[8] Leslie, Philip and Sorensen, Alan, "The welfare effects of ticket re-sale", July 2008.

Collecting evidence

2.6 The responses to the public consultation in 2009 provided insight into issues of concern to stakeholders and are taken into account in what follows.

2.7 We also reviewed what little published information we could find on primary and secondary ticket sales, and read the terms and conditions offered by the main platforms currently (in August 2009) used for some secondary ticket sales. We also looked at the mark-ups achieved by sellers using these platforms in the 2009 Reading and Leeds Festivals.

2.8 We approached a number of major market participants for their insights into the primary and secondary sales markets, and gathered some data in relation to particular events. This was the most important source of evidence although, in the event, the amount of precise information that was provided or, indeed, could be provided, was very limited. The list of stakeholders approached and a description of the information sought are set out in Appendices 1 and 2.

2.9 The results of the desk research and data obtained from market participants were drawn together to provide an assessment of the scale and characteristics of the secondary ticket market, and some issues meriting further analysis were noted.

3 THEORY

Introduction

3.1 This section and Appendix 4 briefly outline the theoretical framework within which the tickets sale and re-sale activity can be analysed. This section consists of four parts:

(a) The types of key player involved

(b) The economic rationale for the existence of the secondary market

(c) The functioning of the market

(d) Welfare analysis.

The key players involved

3.2 The key players involved are:

(a) *Producers and agencies acting on their behalf*: These organisations are responsible for the sales in the primary market. The distinction between producers and agencies selling on their behalf is important because while the former are typically responsible for determining ticket pricing strategies, the involvement of the latter is usually limited to providing additional points of sale and handling the practicalities of selling tickets on behalf of producers in return for fees.

(b) *Consumers*: The consumers' role in the secondary market is twofold because besides purchasing tickets consumers can also resell them, e.g. in case of a schedule conflict or change of plan that means that they no longer wish to attend events for which tickets have already been bought.

(c) *Professional resellers*: professional resellers purchase tickets in the primary market with the aim of re-selling them at a profit.

(d) *Intermediaries (or facilitators)*: intermediaries facilitate and stimulate re-sale activity by matching buyers and sellers and reducing transaction costs. Examples of this type of intermediary are Internet platforms such as eBay and Seatwave.

The economic rationale of tickets re-sale activity

3.3 The fact that some buyers are willing to purchase tickets in the secondary market (possibly paying more than the face value) implies the existence of trade gains that the primary market was not able to clear. Similarly, primary sellers may use the secondary channels to dispose of tickets below face value in cases where there is an over-supply of tickets in the primary market. Therefore, from economic viewpoint, the existence of a re-sale market is in principle likely to improve welfare as it solves inefficiencies and frictions in the primary market.

3.4 The empirical economic literature[9] suggests that the main determinants of tickets re-sale activity are the following.

(a) *Under-pricing in the primary market*: There are a number of reasons why tickets in the primary markets might be under-priced, including the following:

- Live events (e.g. concerts) are complements of other goods (e.g. records, merchandising etc.) and producers might wish to maximise the numbers of event tickets sold so as to increase profits by selling complementary goods.
- The producer's goal might be that of maximising the long-run profits rather than the one-shot profit for a single event. When this is the case under-pricing at each event may be optimal if it fosters customers' loyalty and helps to guarantee a stream of future revenues.
- The artists' or performers' primary objective might be that of performing to a full house.
- Those organising events might deliberately intend to transfer a significant portion of the value of attending the event to end users (e.g. to help "genuine fans").

(b) *Coarse pricing:* Tickets sold in the primary market are typically sold at very few price ranges that do not match the degree of variety in seats' quality.

(c) *Schedule conflicts or changes in plan:* conflicts that prevent consumers from attending events for which tickets have already been bought increase the extent of re-sale activity, or changes in circumstance that lead to a change in plan (e.g. the team one supports is eliminated in the early stages of a competition, or the star falls sick).

(d) *Transaction costs*: for some type of events the sales of tickets in the primary market is associated with high transaction costs (e.g. standing in a queue for long hours). In these situations, consumers may decide that the transactions costs in the secondary market are likely to be lower.

3.5 Other important determinants of re-sale activity in the UK are represented by legislation that might limit significantly the existence of a secondary market (football; the Olympics) or by policies followed by the event organiser designed to make re-sale difficult or impossible.

The functioning of the market

3.6 Of the market characteristics that affect the functioning of the secondary sales market the most important are:

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[9] e.g. P. Leslie, and A. Sorensen (2008), "The Welfare Effect of Ticket Re-sale", *Stanford University Working Paper.*

(a) The relationship between the primary and secondary market, and

(b) The functioning of intermediary platforms.

Relationship between primary and secondary market

3.7 There are a number of factors regarding the relationship between the primary and the secondary market that are important as they have a more or less direct influence on secondary sales. These include:

(a) *The use of ticket agents or other intermediaries by primary sellers.* Primary sellers may distribute tickets through intermediaries in two different ways:

- In the first case the agents' primary task is that of distributing tickets on behalf of the primary seller who retains the ownership of the tickets. In these instances agents are typically remunerated through a commission which depends on the number of tickets sold and/or the value of the tickets. This type of contractual relationship is referred to as a regulated principal-agency contract.

- In the second case the intermediaries purchase tickets from primary sellers and their profits depend on their ability to resell them at a price which is higher than face value. In this situation, and differently from a standard principal-agency contract, those purchasing have the freedom to charge any re-sale price and bear the risk associated with the possibility of remaining with unsold tickets.

While the former case does not imply a re-sale activity the second does, as the ownership over tickets is transferred from the primary seller to the purchasers who, in turns, became secondary sellers. (Where tickets are bought on a "sale or return" basis, this may more closely resemble an agency contract.)

(b) *Extent of leakages in the primary market*. To some extent primary sellers are able to monitor and/or limit the behaviour of primary buyers. One example is limits imposed by primary sellers on the number of tickets that can be purchased by a single person. Such limits have the goal of decreasing the incentive to purchase large amounts of tickets with the purpose of re-selling them at a margin.

(c) *Existence of agreements between primary and secondary sellers.* Primary sellers may facilitate and at the same time partially control the re-sale activity through explicit revenue - sharing agreements. A limiting example of ties between primary and secondary sellers is a situation in which the primary seller owns a secondary seller.

The functioning of Internet platforms

3.8 Since a lot of re-sale activity is conducted on intermediary platforms, the specific way in which these platforms work is relevant in understanding the secondary sales market. We refer to Appendix 3 for a description of the functioning of the primary Internet platforms, and limit our discussion here to those dimensions that are most relevant from the purposes of this section.

(a) *Pricing mechanism*. Different Internet platforms use a number of pricing mechanisms to clear the market. The most common are:

- Fixed price: the seller sets a price and the transaction takes place at that price only if there is a buyer willing to buy at that determined price.

- Declining price: the seller selects both a start (higher) and an end (lower) price. The ticket will be first available for sale at the start price and, unless purchased, will decrease each day until the end price is reached on the date set by the seller. The Internet platform will reduce the price automatically as time passes.

- Auction: the most common type of auction used by platform is the so-called English auctions (also known as open ascending price auction). In an English auction the seller set a starting price and buyers offer subsequent higher bids that are observable by all buyers (typically only the highest current bid publicly displayed). The transaction takes place at the highest bid price.

(b) *Limits imposed on sellers.* Internet platforms may impose different limitations on sellers such as:

- Limiting the number of tickets that can be sold for a given even by a single seller.

- Requiring sellers not to post their tickets for sale in other marketplaces.

- Limiting forms of tying and bundling, i.e. situations in which tickets are sold only in bundles or are tied for sale to other products.

(c) *Information available to buyers*. The extent of information available to buyers upon which to base their decision of whether or not to purchase a ticket is crucial. Particularly important information concerns:

- The characteristic of the ticket, e.g. the seat number or section of the venue.

- Ticket availability, e.g. whether other ticket for the same events are still available for sale on the platform and, in case they are, how many.

- The reasons why a seller is posting a ticket for sale.

Internet platforms may or may not provide this type of information.

(d) *Guarantees available to buyers*: The main risk to buyers purchasing tickets on Internet platforms are the following:

- Fake or non-existent tickets. Since the dispatch of tickets to the purchaser takes place only after an online payment has been made, buyers run the risk of paying sellers that claim to have valid tickets while they do not.
- Delayed dispatch. Buyers may receive the tickets after the event has occurred.
- No or limited right of reimbursement in case an event is cancelled. Buyers may not be reimbursed if the event is cancelled, or may be reimbursed only for the face value of the tickets even though the ticket was purchased above face value.

3.9 Internet platforms adopt different mechanisms to protect buyers from different types of risk. Some examples are:

(a) formal guarantees to refund the monies that purchasers have paid in full if the event is cancelled,

(b) displaying a receipt confirmation tag next to on-line sellers in order to ensure that the seller owns the ticket,

(c) requiring the seller to ship the tickets no later than a predetermined number of days before the event.

3.10 Other platforms use a general reputational mechanism by assigning a rating to sellers indicating to what extent sellers have a history of delivering what was promised.

Welfare analysis

3.11 In order to understand the welfare implications of secondary sales it is important to first clarify the distinction that economists make between *efficiency* and *distributive* effects.

3.12 The maximisation of social welfare relies typically on *efficiency* arguments, i.e. social welfare is maximised when all potential trade gains are realised, irrespective of the way in which these are distributed across the different players involved. From this viewpoint, a secondary market provides a second chance for market clearing and therefore its impact on social welfare is likely to be positive. In general a sale from a willing seller to a willing purchaser will improve the wellbeing of both, and this is true irrespective of the price at which the transaction takes place.

3.13 When tickets are sold below face value in the secondary market the advantage to the purchaser is obvious, and a surplus to the seller also occurs either because the seller is a household with a schedule conflict or change in plan (who consequently recovers part of the purchasing cost) or because in this way the seller mitigates an excess supply of tickets.

3.14 Where tickets are sold above face value a seller receives a surplus equal to the mark-up. Someone buying the ticket for a higher price than other purchasers may wish that he or she had been able to buy at the lower original price; however, this does not mean that he or she is any worse off – if the purchase at the higher price had not been expected to generate consumer surplus, it would not have taken place. Wishing one had obtained a better bargain is understandable but does not represent a consumer detriment.

3.15 Economic theory also tells us that where there is a potential willing and well-informed trade – therefore, beneficial to both buyer and seller – there may be a role for an intermediary, bringing the two together and facilitating the transaction. The economic function of intermediaries is particularly valuable when direct transactions (i.e. transactions in which buyers and sellers deal directly) would have high transaction costs. In the context of ticket re-sale, transaction costs are represented e.g. by time needed to find a potential trading partner, or by the resources needed to obtain information on the price generally charged in the secondary market. These types of costs may be dramatically reduced by intermediaries such as Internet platforms which earn a margin for performing such a useful function. Sellers and buyers using intermediaries have no valid grounds to object to the intermediary earning an income. Moreover, since buyers and sellers have always the option of trading directly — without the use of an intermediary — even a situation in which they were faced with a monopolist intermediary is beneficial to all concerned.

3.16 Although a sale by a willing seller to a willing and well-informed purchaser is in general in the valid interests of both, there are two potentially negative effects that may be associated with secondary ticket sales:

(a) The markets in which sales are made may themselves have some adverse characteristics. For example, surreptitious sales in pubs and clubs or sales over the Internet by unknown vendors may mean that purchasers are liable to be cheated in one way or another; or those attending an event may feel hassled by touts.

(b) Secondary sales may mean that event producers are unable to control the audiences in the way they may quite reasonably wish. For example, those responsible for the long-term well-being of a sport may want to ensure that tickets are available for long term enthusiasts, e.g. members of the clubs, and be frustrated if significant numbers of tickets find their way into the secondary market.

3.17 The overall effects on welfare of secondary ticket sales depend on the balance between these positive and negative effects.

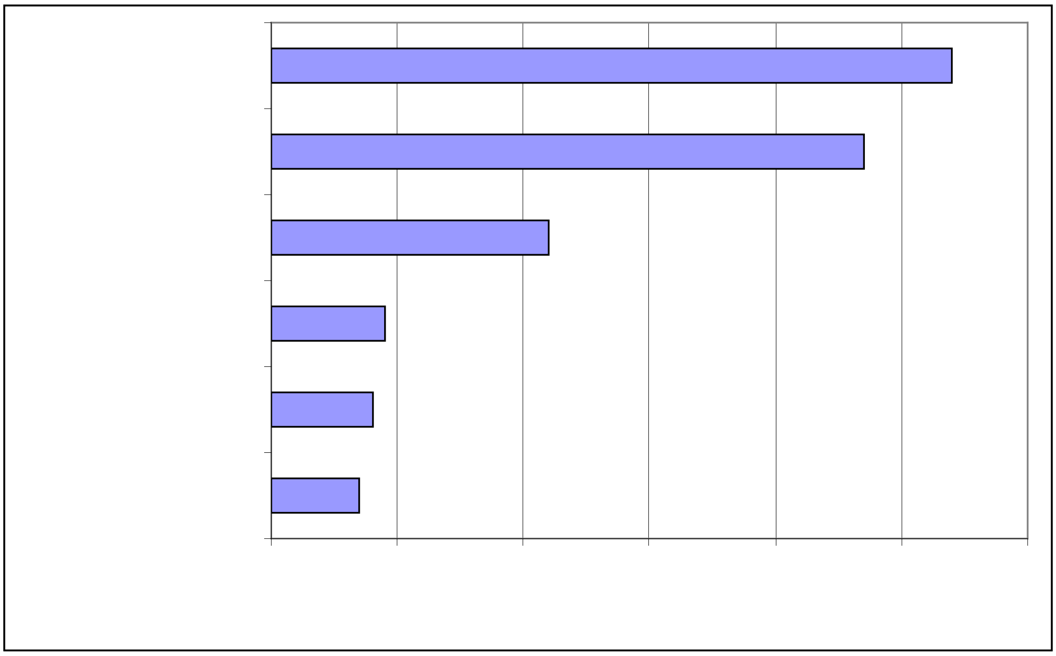
3.18 The welfare analysis is discussed more fully in Appendix 4, including a review of the conclusions reached in a recent study of the US ticket markets.

4 SCALE AND CHARACTERISTICS OF THE SECONDARY TICKET MARKET

Introduction

4.1 In 2007 about one third of men and 40 per cent of women aged 16 and over in England listed attending music/theatre concerts as an activity which they performed in their spare time.[10] Even so, the numbers purchasing tickets in any given period are probably relatively small. The following chart shows the percentage of consumers surveyed by the OFT in 2004 who had bought a ticket for a certain event in a six month period, and indicates the relative sizes of audiences for different types of event.

Chart 4.1: Events tickets bought in a six month period in 2004



Source: OFT Report; Consumer survey study on ticket agents; Sample of 8,735; August 2004

4.2 Approximately half the tickets were sold over a month before the event taking place, whereas fewer than three per cent were purchased on the day before the event.

4.3 Table 4.1 gives official estimates of the turnover, number of enterprises and total employment figures of the recreational, cultural and sport sector. Turnover exceeded £100 billion in 2007.[11]

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[10] ONS, Social trends, No 39 - 2009 edition.

[11] It should, however, be noted that this is a very broad classification which includes many enterprises unconnected to ticketed events.

Table 4.1: Annual turnover, number of enterprises and numbers employed

Standard Industrial Classification	Description	Year	Number of enterprises	Total turnover	Total employment - average during the year
			Number	**£ million**	**Thousand**
92	Recreational, cultural and sporting	2007	73,211	102,333	730
92.6	Of which: Sporting activities	2007	20,568	12,122	287

Source: ONS Annual Business Inquiry

4.4 By no means all the income generated by sporting and cultural events is through ticket sales. Advertising and merchandise sales also play an important part.

Main players in the primary ticket market

4.5 Apart from the organisers of events the main primary ticket seller is Ticketmaster with around 50 per cent of the market share for ticket agents (trade estimate). Other primary ticket sellers active in the market include Ticketline, Tickets.com, Seetickets, Lastminute.com; and Ticket web.

Reselling facilitators and pricing formats used

4.6 The main platform providers in the secondary ticket market are: Viagogo; Seatwave; Get me in!; Gumtree; and eBay.

4.7 The main pricing formats used by each are listed in the following table:

Table 4.2: Pricing formats in the secondary ticket market

Platform Provider	Pricing formats
Viagogo	Fixed price; declining price; auction
Seatwave	Fixed price
Get Me In!	Fixed price
Gumtree	Fixed price
eBay	Fixed price; auction

Source: Europe Economics

4.8 Under Viagogo's declining price arrangement sellers select both a start and end price for their tickets. The tickets first appear at the start price and, unless they are purchased, the price decreases each day until the end price is reached on the date of the seller's choice. The tickets could sell at any price between the start price and the end price.

4.9 The terms and conditions for buyers and sellers vary from platform to platform. Typically sellers are charged a percentage of the realized price (usually around 10-20 per cent).

Sometimes there is an additional fee for listing tickets. Buyers may also have to pay a booking or service fee (usually around 10 per cent) for each ticket purchased.

4.10 The guarantees given to buyers also vary. Some sellers such as Viagogo do not pass payments on to sellers until after the successful delivery of tickets. If an event is cancelled Viagogo normally refunds the monies that the purchasers have paid in full. Seatwave will reimburse total ticket price paid including itemized postage and service fees on the occurrence of a number of events including cancellation of the event by the artist/promoter, and a variety of other events including illness, accidental injury or death of the ticket holder or if there are traffic jams of over three hours which result in delay arriving at the event.

4.11 Generally, the greater the fees charged to buyers and sellers, the higher the level of protection given to consumers in the event of problems. Thus Gumtree does not charge anything for placing an advertisement but also does not offer any sort of buyer protection/ payment programs and is unable to get involved in the private transactions between buyer and seller.

4.12 More information on the terms and conditions of buying and selling via these platforms is given in Appendix 3.

Interviews: process

4.13 Publicly available data about the secondary market are fragmented and incomplete. In order to complement this information and to provide some qualitative understanding of the way in which the market works a programme of interviews was arranged with stakeholders in the industry. These interviews were conducted over the period from 11 August to 10 September 2009.[12]

Respondents

4.14 Those who responded can be classified as follows:

(a) *Trade Association*

- Society of Ticket Agents and Retailers

(b) *Primary Selling Agents*

- Ticket Master
- Delfont Mackintosh

[12] See Appendix 1 for a list of those invited to participate.

cent of tickets for the Reading Festival are re-sold but that less than 5 per cent of these are re-sold by professional brokers. There is no hard basis for these numbers but they frequently recur as estimates in the context of different events.

4.49 The accuracy of the numbers here is reduced by the incidence of fraud and the tendency of some respondents to be reluctant to distinguish between different kinds of selling and between "legal" or, at least, "non-criminal" selling and fraud. For some producers (and their legal advisers), as already noted, anyone who resells in defiance of the conditions of their tickets are 'touts' and their actions are, in principle and at best, dubious.

4.50 It is undoubtedly true that ticket touts whether selling on the Internet or on the street have a poor reputation by virtue of their sometimes aggressive methods. The behaviour of touts on the pavement at major events can make for an unpleasant experience.

4.51 Nonetheless it is possible, with care, to obtain a re-sold ticket for an event other than football from a tout at a negotiated price. But the numbers involved are apparently relatively small in relation to the total number of primary tickets. As has already been noted, opportunities for profits of the order of magnitude required to remunerate a touting enterprise are limited by the availability of the tickets and the extent of the costs and risks involved. Probably few touts could survive simply by exploiting one sport in one country. Sixty per cent of touts identified in recent campaigns by sports promoters in collaboration with the police were found to be fraudulently drawing benefits. The very approximate calculations made at the end of this chapter suggest that the volume of sales handled by professional operators is not sufficient to support more than two or three hundred full-time re-sellers.

4.52 Most re-selling is, accordingly, thought to be carried out by consumer sellers. It is impossible to say how much of this is "properly motivated", i.e. is re-sale for reasons of personal convenience with no intention, at the time of the purchase of a ticket in the primary market, of making a profit. It appears that some proportion of these tickets is bought with the intention of making at least enough money to make the vendor's visit to the event effectively free. For some, it may possibly be a lucrative sideline if they are prepared to devote enough time and energy to it – the procurement of a sufficient number of tickets to sustain a business is an uncertain and possibly expensive undertaking. Not more than 5 per cent of consumer sellers are thought by one re-selling facilitator to sell more than 10 tickets in any one year. But with regard to the average consumer re-seller, unless the primary seller, by use of the appropriate technology and careful scrutiny of ticket data, establishes and closely monitors the identities of seller and re-sellers, this activity is very difficult to detect and most of it will go unremarked.

4.53 In discussion the notion that 95 per cent of re-sales are by "consumer sellers" had quite wide support. However, the advent of high speed transaction software in the stock markets is a reminder of the progress of computerised methods (and of the fact that their effect on the financial markets is held by some to be both significant and contentious). This could mean that the extraordinary speed with which a primary seller is able to dispose of tickets will become an increasingly frequent phenomenon and may indicate

4.107 Ticketing is tightly managed and controlled. With the co-operation of the local authority and the police, pavement touting has been eliminated.

4.108 Re-selling is mostly confined to the 26,000 seats on the Centre Court (70 per cent) and the 5,000 seats on Court 1 (30 per cent).

4.109

The average mark-up on the two main courts appears to be very much like that at other major sporting events.

Musical events

4.110 Twice as many people go to popular music performances as attend sporting events. Pop music festivals constitute a distinct genre, are held all over the country, and vary greatly in the degree to which demand outstrips supply. In discussion attention was devoted to the most popular of these events and a distinction was made between “high end” and “very high end” performances. For less popular events mark-ups of 50 per cent are not uncommon. A peculiarity is that the popularity of even well-known performers can sometimes be misjudged by their promoters and planned programmes can be very poorly attended.

4.111 It appeared from discussion that tickets for these events are more likely to be subject to manipulation and leakage from the variety of allocations that are made to producers, promoters, and performers. The most popular artists are keenly aware of their value and of the prices of re-sold tickets. But motivation is mixed, not all of the parties concerned have the short-term optimisation of price as an objective. The less well-known a band is the more important it is to them to create a following and this tends to produce an appropriate ticket pricing policy.

High end music events

Percentage of tickets resold	**Mark-up as a percentage of face value**
20% to 40%	100% to 250%

Source: Europe Economics estimates based on questionnaires and interviews with stakeholders

4.112 For performers like King of Leon these are typical numbers, audiences are large and the distribution of tickets correspondingly difficult to control so that re-selling for musical events may be more widespread than for any other types of events considered. It was not possible to quantify this but it would be unlikely to change the gross estimates made at the beginning of this section.

Very high end music events

Percentage of tickets resold	Mark-up as a percentage of face value
60% to 70%	500% to 700%

Source: Europe Economics estimates based on questionnaires and interviews with stakeholders

4.113 For Madonna and programmes like the aborted Michael Jackson concerts demand is exceptionally higher.

Popular music festivals

Percentage of tickets re-sold	Mark-up as a percentage of face value
20% to 30%	30%

Source: Europe Economics estimates based on questionnaires and interviews with stakeholders

4.114 Such festivals last for five days at which there is a variety of performers of varying popularity. The capacity, for example, of the Reading Festival is more than 70,000 and day tickets account for less than 10 per cent of the total sold.

4.115 This, like the West End theatre, is an outlier among the events discussed. Festivals are peculiar among events in that they provide an especial atmosphere and require an extraordinary commitment from those who attend. The target audience is composed of young people – people who want to spend five days and nights on the site. Tickets are priced accordingly and although the mark-ups in the secondary market are relatively small and so suggest that demand is much less severe than for other events discussed here, the secondary market appears to be generally vigorous. Organisers are more exercised about the possibly deleterious effects on security than they are about the secondary premia although these are still a cause of serious concern and are regarded as damaging to the business.

Sectors Summary

4.116 In comparing these activities several observations suggest themselves. The first is that whatever the event and however ticket sales are controlled, with or without the backing of legal sanctions, for the extremely popular event there is no reasonable limit to the amount that an individual can be found to pay. Outstanding events in different sectors can command average premia that are very high.

4.117 Even for more specialised and well-supplied events there is still a secondary market with premia probably sufficient to attract professional resellers.

Market Trends

4.118 Respondents were asked to comment on potential trends in secondary ticket sales.

4.119 There were suggestions that without preventative action secondary ticket selling is likely to increase. One reason given for this was the ease of setting up websites, which has become significantly easier in recent years. There were also now more guarantees provided by platforms to protect sellers should tickets not arrive or be different to those described. This encourages consumers to buy online.

4.120 Overall, technology is obviously an increasingly important factor affecting both the primary and secondary markets. It is increasing the speed of sale and probably the ease with which professional secondary sellers can obtain supplies of tickets. It is apparently the most important factor in determining the speed with which their value can be realised in the secondary market. The increasing penetration of the Internet into the population also increases the possibility and frequency of fraud.

4.121 There is likely to be an increase in "premium ticketing". This is the practice of a promoter allocating primary tickets to a re-sale facilitator like Viagogo, Seatwave, or GetMeIn! and allowing that third party to sell those tickets at premium prices. This usually involves seats nearest to the performers. In this way market clearing prices are guaranteed for the most valuable seats and ordinary resale prevented.

4.122 In terms of market structure a threat to promoters is constituted by the possibility of artists dealing directly with arenas and online re-sale facilitators. The effect of this would be to increase prices to market clearing levels and to make them more flexible.

4.123 Associations between primary sellers and secondary sale facilitators are likely to increase as secondary sales offer a flexibility that is inherently difficulty to provide in primary sales as presently managed, and will provide ways of selling at market clearing prices.

5 ISSUES MERITING FURTHER ANALYSIS

5.1 This report would not claim to do a great deal more than to outline the extent and nature of the difficulties in providing any really accurate account of the secondary ticketing market. There are two main problems. One is the complexity and availability of data. The other is the related fact that a very large number of the transactions involved are carried out by operators who are reluctant to be identified or to quantify what they do. We highlight below some issues that could merit further analysis.

Analysis of ticket data for particular events

5.2 Progress might best be made by restricting the area of inquiry to particular events where the movement of tickets could be tracked across primary outlets, secondary acquisition and secondary disposal in very close collaboration with industry members familiar with each segment of the chain of transactions. This would provide data that could be cross-checked. Observation suggests that among the best informed, apart from the most efficient producers, were Ticketmaster - the dominant primary agent - and the established resale facilitators including eBay, Viagogo and Seatwave. Even some elementary work in this area comparing, for a particular event, data from primary and secondary sellers might be illuminating.

Alternative pricing structures for primary sellers

5.3 In a large number of cases the problems of re-selling stem from tickets being sold in the primary market at below the market clearing price. Several suppliers indicated a reluctance to raise current prices, citing reasons such as the need to attract and maintain the right type of fan base. The constraints on primary ticket sellers with regard to their pricing policies would be useful research to help determine whether there should be additional measures to prevent ticket re-selling.

5.4 Several of the re-selling platforms use an auction process to extract maximum rent from consumers, whereas primary sellers tend to sell tickets using a fixed price. There may be potential for primary sellers to use an auction format for selling some tickets, allowing them to capture more consumer surplus and to reduce the potential profits available to secondary sellers.

5.5 It is also worth considering more closely whether primary ticket sellers should take active steps to facilitate ticket re-sale by customers whose plans have changed. Such trades, if done in a clear and reliable way, are beneficial to all concerned.

Overseas experience

5.6 It is not only in the UK that secondary ticketing is an issue. According to the Government's response to the Select Committee's report there are mixed trends internationally with problems encountered dependent on how touting and national attitudes to it have developed over the years in those countries. [16] It is also worth noting the recent legal action against Ticketmaster in the US.

5.7 In April 2009 the US Justice Department, the US Federal Trade Commission, the New Jersey Attorney General and the Canadian Competition Bureau issued subpoenas to Ticketmaster Entertainment with regard to their participation in the secondary ticket re-sale market.[17]

5.8 The law enforcement agencies investigations are set to focus on Ticketmaster's relationship with its secondary market reseller TicketsNow and in particular the controversy surrounding the sale of tickets to Bruce Springsteen shows in New Jersey on May 21 and 23.

5.9 Ticketmaster directed clients to their secondary ticket subsidiary minutes after the onsite launch and sell-out of Bruce Springstein tour tickets. This was met with a great deal of client dissatisfaction and accusations that the ticketing giant was manipulating the primary ticket market to extract large profits from inflated secondary market re-sale prices.

5.10 There have also been several legal investigations into Ticketmaster's participation in the secondary ticket market in Canada.

[16] Government Response to the Culture, Media and Sport Select Committee Report on Ticket Touting (HC 202 – Second Report of Session 2007-08)

[17] http://analytix.tixdaq.com/2009/04/06/ticketmaster-subpoenaed-over-role-in-secondary-ticket-market/

APPENDIX 1: LIST OF ORGANISATIONS CONTACTED

A1.1 The following organisations were contacted by us in the course of this research.

- Arsenal Football Club
- Association of Secondary Ticket Agents (ASTA)
- AEG Live Europe (operator of O_2)
- All England Lawn Tennis and Croquet Club (AELTC)
- Delfont Mackintosh
- eBay
- England and Wales Cricket Board (ECB)
- Football Association (FA)
- Festival Republic
- Football League
- Glastonbury Festival
- National Arenas Association (NAA)
- Premier League
- Rugby Football League
- Rugby Football Union
- Seatwave
- Society of Ticket Agents and Retailers (STAR)
- Ticketmaster
- Viagogo

APPENDIX 2: QUESTIONS ON WHICH INTERVIEWS WERE BASED

A2.1 In order to collect primary data we sent out a questionnaire to a list of main stakeholders and also invited stakeholders to share their views in interviews either over the telephone or face-to-face. These interviews were conducted over the period 11 August to 10 September 2009.

Table 1: Primary and secondary ticket sales

Selected event(s)	**Primary ticket sales**		**Secondary ticket sales (estimate)**		**Were secondary sales concentrated on most expensive tickets?**	
	Number	Value	Number	Value	Yes	No

Table 2: Channels for secondary ticket sales

Selected event(s)	**Internet**		**Other**	
	Number	Value	Number	Value

Table 3: Secondary ticket sales over the Internet

Selected event	Primary ticket price range	Secondary market price achieved		Main intermediary used	Commission or fee charged by intermediary	Was timing of most secondary ticket sales		
		Average	Range			Early	At any time	Late

Table 4: Sources of tickets for re-sale

Selected event(s)	Sources of tickets for re-sale. Estimated proportions for this event (per cent of total number of re-sold tickets)						
	Unwanted tickets	Tickets purchased for re-sale (by individuals)	Tickets purchased for re-sale (by businesses[18])	Leakages from corporate allocations	Leakages from fan clubs	Leakages from tickets allocated to staff	Leakages from tickets allocated to performers or their agents

[18] Defined as someone selling more than 10 tickets, or involved by way of business.

Table 5: Consumer detriment

Event	**Types of consumer detriment observed (if any)**						
	Forgeries		Undisclosed significant additional costs		Undisclosed unfavourable conditions of sale		Other (please explain)
	Yes	No	Yes	No	Yes	No	

Table 6: Possible linkage between primary and secondary markets

Selected event(s)	**Perceived link**		**If yes nature of link**
	Yes	No	

APPENDIX 3: SOME COMPANIES INVOLVED IN THE SECONDARY TICKET MARKET

Viagogo

What they do

A3.1 Viagogo is an online ticket exchange that allows people to buy and sell live event tickets. Tickets sold are for concerts, sport, arts and cultural events.

How it works

A3.2 To both buy and sell tickets users need to be logged in, providing a valid credit card as a means of identification. Once a buyer places an order the seller is required to confirm this order, after which Viagogo emails the buyer that the tickets will be mailed to him in a few days. Viagogo then supports the delivery by providing the seller with a pre-paid airbill and/or instructions in order to get the seller's tickets to the buyer on time.

Minimum time before dispatch

A3.3 The Seller must allow enough time for the buyer to receive the tickets on time for the event and, in any event, must ship the tickets no later than 7 days before the event.

Payment to seller

A3.4 The seller will be paid 10 business days after successful delivery of the ticket to the Buyer. Viagogo has the right to withhold payment or collect repayment if the event was re-scheduled or cancelled.

Pricing formats

A3.5 Sellers can post tickets for sale in three formats: (i) fixed price, (ii) declining price, or (iii) auction. If sellers choose to sell tickets in an auction format, Viagogo requires them to list the tickets for sale only on Viagogo. If sellers choose to sell tickets in a fixed price format, they may post their tickets for sale in other marketplaces but are required to remove them from the Viagogo site immediately if their tickets sell elsewhere.

Commissions and fees

A3.6 Buyers have to pay a 15 per cent booking fee on the realized price whereas sellers have to pay a 10 per cent service fee. The listing of tickets is free however. In case sellers do not provide the ticket as promised they will be charged a replacement fee which will depend on the market price and how much it costs Viagogo to purchase comparable or better replacement tickets for the buyer.

Guarantees

A3.7 In the unlikely event that an event is cancelled the refund of tickets will be determined by the procedure adopted by the promoter or event organizer. Viagogo's policy is to normally refund the monies that purchasers have paid in full.

A3.8 If a buyer has already received the tickets Viagogo would ask the buyer to return these to them within 5 days, so that Viagogo can send them back to the seller who can then claim the refund from the promoter. If at the time the concert is cancelled the buyer has not received the ticket yet Viagogo will refund the buyer automatically.

Seatwave

What they do

A3.9 Seatwave is an online marketplace where fans can buy and sell tickets for concerts, theatre and sports. It therefore acts as a platform, however, in few cases sells tickets directly to buyers.

How it works

A3.10 Once a buyer places an order the seller is required to confirm this order, after which Seatwave emails the buyer that the tickets will be mailed to him in a few days. Seatwave covers the costs of shipping and postage.

Payment to seller

A3.11 The seller will be paid as soon as Seatwave is satisfied that the ticket was valid and that the seller delivered the ticket the buyer paid for. In most cases, this will be after the event has taken place.

Pricing formats

A3.12 Sellers can post tickets for sale as fixed price only.

Commissions and fees

A3.13 Buyers have to pay a 17.25 per cent booking fee on the realized price whereas sellers have to pay a 10 per cent service fee. The listing of tickets is free however. If, for any reason, a seller fails to fulfil on the contract Seatwave can deduct payment from the seller's credit card or debit card, up to the amount it costs Seatwave to replace the ticket for the Buyer or 100 per cent of the price the seller listed for the ticket as well as any other expenses or charges that Seatwave incurs in finding a replacement ticket.

Guarantees

A3.14 Should one of the following events occur buyers are eligible for a reimbursement for the total purchase price of their ticket including itemised postage and service fees:

- Your illness, accidental injury or death;
- Death of an immediate family member (child, spouse, civil partner or parent);
- You being required for jury service;
- Accidental fire, burglary or storm damage of your home;
- Breakdown or failure of the transport in which you are travelling to the event;
- Traffic jams of over 3 hours resulting in a delay in arriving at your event;
- Unforeseen occupational posting of members of the armed forces;
- You being mugged or assaulted up to 10 days prior to the event; or
- Cancellation of the event by the artist/promoter if any alternative date offered is unsuitable or no alternative date is provided.

Get Me In!

What they do

A3.15 GET ME IN! is an online ticket marketplace where fans can buy and sell live entertainment tickets for sport, concert, theatre, opera and other events. It is a wholly owned subsidiary of Ticketmaster, the world's leading ticketing company. Ticketmaster operates in 20 global markets, selling over 142 million tickets in 2007 alone.

How it works

A3.16 To become a Seller at GET ME IN! one must sign in and have a valid credit card that the company accepts. A seller will post tickets at their desired price and buyers must decide if they would like to purchase them. GET ME IN! does not set the prices - the buyers and sellers do by their actions. All tickets listed in a single listing must be seated together and sellers are not permitted to hand deliver tickets to buyers.

Payment to seller

A3.17 Payments to sellers occur 7 to 10 working days after the event occurs, but in some circumstances may take up to one calendar month.

Pricing formats

A3.18 Sellers can post tickets for sale at a fixed price only.

Commissions and fees

A3.19 The processing fee covers the company's processing and administrative fees and is 17.05 per cent of the realized price. As this fee is added when a ticket is bought, it presumably falls on to the buyer.

A3.20 If sellers do not enter tracking details and orders are not updated by 12 noon, five working days prior to the event, the order may be ‘dropped’ and replacement tickets will be sourced. Each dropped order will result in a fixed admin fee of £50.00. This will be in addition to the cost of purchasing the buyers replacement tickets on the open market.

A3.21 In the event of a non-delivery of a ticket, and when GET ME IN! is unable to purchase or supply replacement a ticket on behalf of the Selling Member, the Buyer is entitled to a full refund of their entire purchase at GET ME IN! (including GET ME IN! fees and delivery charges) as well as an additional 50 per cent credit towards a future purchase. This refund and credit will be at the expense of the Selling Member.

Guarantees

A3.22 All ticket purchases on GET ME IN! are final and no refund or exchanges will be given unless the event is cancelled entirely and the original event organizers offer buyers a refund for their tickets. In the case where the event is cancelled outright and the event organizers do not offer refunds for any reason GET ME IN! will refund the difference, if any, between the purchase price and the face value cost of the ticket as well as 100 per cent of GET ME IN! processing fees. They do not refund shipping costs. Lost, stolen or damaged tickets cannot be duplicated.

Gumtree

What they do

A3.23 Gumtree is the UK's biggest website for local community classifieds including flat share, flat rentals and jobs. Its aim is to give a simple and easy-to-use tool that lets people quickly find what they are looking for from a job or a flat, a bargain to a language teacher and a tennis partner.

How it works

A3.24 Sellers place any items they would like to sell on the website. When buying or selling, users should meet in-person to see the item and exchange money. Buyers are not advised to wire money and likewise sellers are advised never to send their item before receiving the money. Tickets for sporting or music events at prices above or below face values must state the face value.

Payment to seller

A3.25 Directly from the buyer, preferably in person.

Pricing formats

A3.26 Gumtree is not an auction site and therefore all items need to have a definitive price.

Commissions and fees

A3.27 Placing an ad does not cost anything however there are additional options which do cost money: (Grab attention displays (£10 for 7 days); Maximise your chances of selling by staying at the top of listings (£10 for 7 days); Let your ad be seen by thousands for a week on our homepage (£ 30 for 7 days)).

Guarantees

A3.28 Gumtree does not offer any sort of buyer protection/ payment programs as they are unable to get involved in the private transactions between a buyer and a seller.

eBay

What they do

A3.29 eBay is The World's Online Marketplace® with a global customer base of 233 million and serves as a marketplace for the sale of goods and services. eBay.co.uk has over 14 million active users.

How it works

A3.30 To become a seller one needs to provide eBay with a valid credit card, debit card, or bank account. Buyers can purchase any item they would like to purchase and sellers ship these items to the buyers.

Payment to seller

A3.31 Directly from the buyer.

Pricing formats

A3.32 Fixed price and auction.

Commissions and fees

A3.33 Joining eBay and bidding on listed items is free. However, listing items is subject to fees. The total cost of selling an item is the Insertion Fee, the Feature fees (if any) plus the Final Value Fee; these fees depend on the type and value of the product. They do also differ for business sellers and for private sellers. Stated eBay fees include 15 per cent VAT for residents of the EU. This is calculated at the Luxembourg rate of VAT.

A3.34 Users who sell a certain amount of items can receive discounts in the range of 20-40 per cent of the Final Value Fees.

Guarantees

A3.35 When a buyer does not receive an item or the item does not match what was described, and the seller does not provide adequate resolution to the buyer, eBay will reimburse the buyer subject to the conditions, exclusions and coverage limitations of the eBay Buyer Protection policy. eBay will reimburse the buyer up to the full purchase price plus postage and packing paid by the buyer to the seller, as described in the eBay Buyer Protection policy.

APPENDIX 4: WELFARE ANALYSIS

A4.1 This Appendix repeats and elaborates on some of the discussion in Section 3 of the main report.

A4.2 In order to understand the welfare implications of secondary sales it is important to first clarify the distinction that economists make between *efficiency* and *distributive* arguments.

A4.3 The maximisation of social welfare relies typically on *efficiency* arguments, i.e. social welfare is maximised when all potential trade gains are realised, irrespective of the way in which these are distributed across the different players involved. From this viewpoint, a secondary market provides a second chance for market clearing and therefore its impact on social welfare is likely to be positive. In general a sale from a willing seller to a willing purchaser will improve wellbeing of both, and this is true irrespective of the price at which the transaction takes place.

A4.4 In cases in which tickets are sold below face value in the secondary market, the gain to the purchaser is obvious, and a surplus to the seller occurs either because the seller is a household with a schedule conflict or change in plan (who consequently recovers part of the purchasing cost) or because in this way the seller mitigates an excess supply of tickets.

A4.5 Where tickets are sold above face value a seller receives a surplus equal to the mark-up. Someone buying the ticket for a higher price than other purchasers may wish that he or she had been able to buy at the lower original price; however, this does not mean that he or she is any worse off – if the purchase at the higher price had not been expected to generate consumer surplus, it would not have taken place. Wishing one had obtained a better deal is understandable but does not represent a consumer detriment.

A4.6 Economic theory also tells us that where there is a potential willing and well-informed trade – therefore, beneficial to both buyer and seller – there may be a role for an intermediary, bringing the two together and facilitating the transaction. The economic function of intermediaries is particularly valuable when direct transactions (i.e. transactions in which buyers and sellers deal directly) would have high transaction costs. In the context of ticket re-sale transaction costs are represented, e.g., by time needed to find a potential trading partner, or by the resources needed to obtain information on the price generally charged in the secondary market. These types of costs may be dramatically reduced by intermediaries (e.g. Internet platforms) who earn a margin for performing such a useful function. Sellers and buyers using intermediaries have no valid grounds to object to the intermediary earning an income. Moreover, since buyers and sellers always have the option of trading directly — without the use of an intermediary — even a situation in which they were faced with a monopolist intermediary is beneficial to all concerned.

A4.7 Although a sale by a willing seller to a willing and well-informed purchaser is in general in the valid interests of both, and so welfare – enhancing, there are two potentially negative effects that may be associated with secondary ticket sales:

- The markets in which sales are made may themselves have some adverse characteristics. For example, surreptitious sales in pubs and clubs or sales over the Internet by unknown vendors may mean that purchasers are liable to be cheated in one way or another; or those attending an event may feel hassled by touts.

- Secondary sales may mean that event producers are unable to control the audiences in the way they may quite reasonably wish. For example, those responsible for the long-term well-being of a sport may wish to ensure that tickets are available for long term enthusiasts, e.g. members of the clubs, and be frustrated if significant numbers of tickets find their way into the secondary market.

A4.8 As distinct from *efficiency* arguments, *distributive* arguments are not concerned with the maximisation of total social welfare, but with the distribution of income and consumer surplus (meaning the benefit to consumers from making a purchase) among the players involved. The distributive effects of the secondary market are affected by the complex interconnection between primary and secondary market.

- *The effect of the secondary market on primary sellers:* On one hand, the secondary market increases the value of holding a ticket (because of the possibility of re-selling it), which might have the ultimate effect of increasing sales in the primary market. On the other hand, the secondary market provides consumers with the option of postponing the purchase and the sale volumes in the primary market may decrease as a consequence of this, at least temporarily. There is also the possibility that some tickets bought for re-sale may not in the end be sold, so that numbers in attendance are reduced; or that the people attending may be less good long-term supporters (not "genuine fans"). Moreover, disgruntled customers let down by secondary market sellers may – however unreasonably - feel resentment against the primary seller.

- *The effect of the secondary market on individual consumers*: Consumers wishing to change their plans e.g. because of schedule conflicts are certainly better of as the secondary market allows them to recover (at least partially) the cost of the tickets purchased. Also, consumers that are willing to pay a quality premium may benefit from a secondary market where seat quality is priced more efficiently. However, by subtracting some tickets from the primary channel, the involvement of professional re-sellers may harm those consumers that would otherwise have purchased tickets in the primary market at a lower price.

- *The effect of the secondary market on professional agents*: The effect is generally positive as brokers' primary activity consists exactly in capturing those trade opportunities that have not been secured by the primary market. Moreover, standard intermediation theory tells us that an increase in competition between agents would decrease agents' surplus at the benefits of consumers

A4.9 The welfare analysis that we have used so far relies on the assumption that all market agents – and consumers in particular – are well informed about the market characteristics such as the availability and prices of tickets in both the primary and secondary market. Other implications might follow if we drop this assumption.

Potential sources of consumer detriment under imperfect information

A4.10 Consumer detriment may arise if there is temporal overlap between primary and secondary sales (i.e. re-sale takes place while tickets are still available through the primary channel) and consumers are not aware of this. As a consequence consumers may purchase tickets at non-competitive prices. A study conducted by the OFT in 2005 suggested that consumers tend not to shop around for event tickets, implying that some consumers may pay a higher price than they would have done otherwise.[19] The extent to which this form of detriment is directly attributable to secondary sales is however not material if the temporal overlap between primary and secondary market is limited.

A4.11 Other forms of consumer detriment are directly linked to the possibility that purchase decisions are made with relatively little information e.g. lack of precise information about the quality of the seat, or lack of information on the general ticket availability in the secondary market. Consumers may not be aware of additional fees that apply when making a purchase. The latter possibility is concrete because the OFT study suggests that it is very rare for tickets to be bought without additional fees.

A4.12 Finally, a potential form of detriment is related to the fact that consumers are unaware the same terms and conditions that apply to tickets sold in the primary market may not apply to resold tickets. One example in this sense is the right of reimbursement when an event is cancelled, or the fact that (which has also been confirmed by the OFT study) the purchase contracts may contain terms that are unclear to buyers.

A4.13 It is important to stress that the last two forms of detriment, even though potentially relevant, cannot be directly attributed to the specific nature of the secondary market as they are likely to be equally present in the primary market (especially, as the OFT suggests, when tickets are purchased through ticket agents).

A4.14 The last potential source of detriment is associated with the fraudulent activity carried out by street salesmen. Even though material, these occurrences are not a direct consequence of the re-sale activity but rather of the unregulated and unsupervised nature of these types of transactions.

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[19] See http://www.oft.gov.uk/advice_and_resources/resource_base/market-studies/completed/ticket-agents

A5.6 The average mark-up on face-value for the Reading Festival was 57 per cent on Viagogo and 60 per cent on Seatwave; whereas the average mark-up for the Leeds Festival was 32 per cent on Viagogo and 53 per cent on Seatwave. These mark-ups are fairly consistent with the findings of the Leslie and Sorensen paper which suggest an average mark-up of 39 per cent, with more than 25 per cent of the tickets sold with mark-ups of over 65 per cent.[22]

Pricing systems used

Seatwave

A5.7 All tickets sold on Seatwave are fixed sales.

Viagogo

A5.8 When considering the mark-up figures calculated for Viagogo it should be noted that some of the selling prices included were for tickets on sale by auctions which had not yet finished.

A5.9 For the Reading Festival, of the 231 offers, 157 were fixed sales and 74 were auctions. Of the tickets offered for sale by auction, most had two days to go before the auction ended. It is therefore likely that some prices would have increased in those remaining days and the average secondary selling price and mark-up figures calculated above would therefore be an underestimate.

A5.10 Likewise, for the Leeds Festival, of the 132 offers, 76 were fixed sales and 56 were auctions. Of the tickets offered for auctions, most had five hours to go before the auction ended.

eBay

A5.11 Roughly two-thirds of sales on eBay were auctions and one-third fixed price sales.

Caveats

A5.12 It should be noted that the above exercise was only conducted once using a small selection of events and secondary selling platforms. To obtain a more accurate picture of the secondary ticket sales for the festivals the exercise would have to be completed several times at different intervals.

A5.13 It is not known what percentage of the tickets advertised were actually in the possession of the seller, and whether there were any instances of the same ticket being offered for sale on more than one platform.

[22] See Appendix 3

A5.14 Apart from the auction prices listed, the prices quoted are the prices asked, and are not necessarily the same as those received (as some tickets may remain unsold, or sellers might be forced to lower their prices).