

# THE DYNAMICS OF

# DYNAMIC PRICING

THE PRACTICE HAS BECOME COMMONPLACE IN SOME PARTS OF THE INDUSTRY, BUT IS IT AN EFFECTIVE COUNTERPOINT TO THE SECONDARY MARKET?

BY ROY TRAKIN

**W**HEN TICKETMASTER PUT tickets on sale for Taylor Swift's Reputation stadium tour, it used a system of dynamic or flex pricing in which the value is tied to algorithms based on supply and demand. Some buyers who participated in the Verified Fan presale, which incentivized the purchase of merchandise or promoting the tour on social media, were upset that the price of their tickets dropped, in some cases, when they went on sale to the public.

The slower rollout made some observers feel there was a reduced demand for tickets, but what was actually taking place was maximizing the revenue by making sure the pricing accurately reflected the public's enthusiasm.

Ticketmaster adopted the practice of dynamic ticketing in 2011, when then-head Nathan Hubbard announced a partnership with MarketShare to develop an application dubbed Pricemaster. The internal tool uses Amazon Web Services to "credibly measure and dramatically improve the return on their marketing investments."

There are multiple vendors offering dynam-

ic ticketing solutions to venue operators, tour promoters, performing rights organizations, nonprofits and the artists themselves.

One firm, Digonex Technologies, was founded in 2000 and acquired by hometown broadcast company Emmis Communications four years ago, when Greg Loewen, a longtime Emmis exec, was named CEO.

"I'd be surprised if there's any major concert tour not using a form of dynamic pricing," Loewen said. "It's become commonplace in the live entertainment world. Not just the big touring acts, but comedians, performing arts. The majority of ballet, symphony orchestras and opera companies use it. The concept of analyzing marketplace patterns, setting a price and maximizing profits has become pretty standard."

Austin-based Qcue, founded by CEO Barry Kahn in 2007, specializes in dynamic ticket pricing for sports teams including the NHL's Montreal Canadiens, Major League Baseball's San Francisco Giants and the annual Calgary Stampede rodeo and exhibition.

Like Digonex, Qcue's sales pitch to prospective clients is simple.

"It's a big mistake for promoters to give up control of their tickets to the secondary market," Kahn said.

"The reason the secondary ticketing market has flourished the way it did is because most of the primary ticket sellers were doing a poor job in pricing their inventory," said Digonex's Loewen. "Their pricing was not responsive to patterns evident in the data. With dynamic pricing, you're doing a better job of aligning your ticket prices with actual demand and visible market trends. It's a little different on the secondary market, where it only takes one marginal buyer willing to pay \$2,000 for a ticket, but that doesn't mean there are 250 other people willing to pay the same amount."

The idea of dynamic/flex ticket pricing is nothing new. Airlines and hotels have used it for years, and Uber employs "surge" pricing during periods of peak ridership.

Digonex was originally acquired by Emmis with an eye toward selling radio advertising. The firm carved out a growing business in zoos, museums and theme parks and specializing in nonprofits like the Philly Pops.

"We had all sorts of work-around manual efforts going on in-house, because frankly we needed an affordable option," said Philly Pops Chief Operating Officer Karen Corbin. "Digonex offered a solution that was compatible without existing ticketing software. We've

# THAT WAS THEN, AND THIS IS NOW: INTIX AT 40

**MAUREEN ANDERSEN,  
PRESIDENT, INTIX**

**1979 WAS THE YEAR!** Milwaukee was the place and Patricia G. Spira, then box office manager at the performing arts center, was miffed. And so was Richard Carter over at the Minnesota Orchestra Hall. Both had asked their general managers for funding to attend a weeklong course on box office management at Banff and both had been unceremoniously turned down. The rest is history. I know these two people and I know that getting their

dander up was just the right catalyst and right moment for change and creation! They took matters into their hands and the bull by the horns and in the ensuing weeks Box Office Management International was born, funding secured, location booked, program created, invitations sent and folks from around the world were saying "Yes, hold a space, our box office manager will be there." In Mrs. Spira's words from the INTIX 20th anniversary history book, "They were coming to Milwaukee for a 3-day conference during the coldest month of the year because they wanted to share experiences, they wanted to see what others were doing, they wanted to talk ticketing ... this was for box office people ... it was their meeting. It was to give them a professional presence, to them the opportunity to talk to each other as peers about the subjects that concerned them on a day-to-day basis, to talk about what they knew best ... better than anyone else in the world ... ticketing." When you have a great plan, a strong message and an enduring mission they will stand the test of time. The name was changed in 1997 to the International Ticketing Association, but the core values remain.

Fast forward to January 2019 and INTIX will celebrate its 40th anniversary with a Texas-sized celebration and conference Jan. 29-31 at the Gaylord Texas Resort & Conference Center. Entertainment ticketing professionals will once again gather for their annual tribal festival that celebrates the mission of Igniting Success for those who are ticketing professionals, for those that serve the entertainment industry and for those that have made this a lifelong career path. The INTIX "tribe," as the members identify themselves, is a community that continues to meet to exchange ideas, to discuss trends, to teach each other, to learn from one another and to act as the standard bearer for the industry. The members represent not just ticket offices of all sizes and types of venues but the leaders of technology and services. These individuals and businesses all agree that exemplary service, ethics, integrity and professionalism are paramount for the trust of our customers, fans and patrons and for an enduring, profitable, and safe industry.

Attendees came from around the world for that first educational and networking conference and they still are coming to the INTIX Conference and Exhibition. At that first conference reps from around the world were talking about the brand-new customized computerized ticketing system of the Milwaukee Brewers; customer service; customer communication; the newly installed computer system at the Shubert Organization; and how to get the "maximum amount of information to the teams' management."

Some things don't change, especially when the fundamentals of service, technology, information and data are concerned. At INTIX 2019 the workshops and breakouts will see familiar yet modern versions of technology, service, data, venue experience, and information. Topics will range from technology workshops on bots; legal battles; credit card fraud; blockchain; text messages to drive acquisition and loyalty; culture change and moving icebergs; customer data; revenue reinvention; digital marketing; venue safety and security; and innovative omni-channel distribution strategies, among others.

Top-shelf vendors and providers will fill the exhibition hall and kiosk pavilions and offer thought leadership on the trends and challenges we collectively are seeing on the horizon. Cynthia Marshall, CEO of the NBA's Dallas Mavericks, will open the 40th conference with a keynote address to the attendees. This Texas celebration is not one to be missed. Come celebrate our history, our present and our future Jan. 29-31.

There are many voices but if you want the definitive voice on ticketing today and for the future you come to INTIX. After all, as Pat said then and it's still true today, to talk about what we know best and "better than anyone else in the world ... ticketing."

Early bird rates of \$842 (member rates may apply) are available until Oct. 31st at [www.intix.org](http://www.intix.org). I will see y'all there! 🍷

quantified the value and are confident it's paid for and more than returned our investment."

Philly Pops' director of sales and customer relations, Danny Palmieri, lauds Digonex's ability to "work with us through set-up to create a custom sales algorithm to make sure the pricing is best for our current inventory. And that remains true even as we grow and expand our offerings."

Another Digonex client, Aubrey Stork, is the digital, CRM and loyalty manager at Mirvish Productions, a Toronto-based company that controls five theaters and specializes in Broadway road shows.

"We've found that with the assistance of the solution, pricing recommendations are being made based on demand factors we never would have considered before," said Stork. "We're now able to anticipate scarcity (or lack of demand) and adjust rather than react to it when the real opportunity has already passed."

Digonex takes into consideration historical data, weather forecasts, macroeconomic conditions such as the price of gas or unemployment rates in ticket pricing, which "all can all be drivers for demand," Loewen said.

Digonex refers to its product as "a software-embedded service," powered by a team of PhD economists, "experts in pricing science," who construct a set of customized solutions for each client based on their research.

"Ultimately, the implementation of true

dynamic pricing has been an eye-opening experience," says Mirvish's Stork. "It's shone a light on opportunities we never saw before."

The question becomes what's preventing dynamic ticket pricing from becoming the norm in today's touring business. It continues to flirt with the secondary market, sometimes with damaging effects. See the recent CBC report about Ticketmaster marketing software directly to brokers as one example of a public relations nightmare.

With the secondary market remaining a murky place — witness the 2017 lawsuit leveled against the Los Angeles Dodgers by several ticket brokers when the team attempted to consolidate leftover inventory in a deal worth more than \$100 million with Houston-based Eventellect — it remains to be seen if dynamic pricing can fully take hold.

The ability to work with different promoters in different cities remains a hindrance to consolidating the effort for companies such as Digonex, which have mostly abandoned that market for smaller regional clients such as performing arts centers.

Loewen points to two specific factors at work in the concert space that need to be addressed.

"One is an analytical, mathematical challenge when you're dealing with all these different marketplaces," he says. "And, on the business side, it's a matter of getting all the

individuals who have a say in ticket pricing to agree and be on the same page."

Still, the idea of dynamic ticketing has its allure, especially in a world where blockchain could soon be the order of the day, even as Qcue's Khan insists it "doesn't particularly solve the problem." Blockchain technology offers a detailed record of all the transactions on a single ticket, enabling every party to earn a percentage along the way.

"The real value of dynamic pricing is found in between the starting ticket prices we set," Stork said. "We're better able to find the actual market value for each seat in the house. If we're doing this effectively, we achieve another extremely important goal — making the resale market less lucrative."

Stork says when the average price of a ticket goes down, sometimes the revenue generated has increased because customers buy better seats than they would have.

In the end, Loewen believes it's inevitable that dynamic ticket pricing is here to stay.

"It's almost unimaginable if you're running a tour or a venue, you wouldn't use this approach," he said. "Everybody along the value chain is looking at dynamic pricing more seriously. How it can help optimize results, from maximizing revenue to lowering prices to fill seats. If you've done it correctly, hopefully you're not left with inventory you need to dump at the eleventh hour." 

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