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More teams try out dynamic ticket pricing for regular season games

Sports teams have long experienced challenges in setting ticket prices in the traditional way — months in advance of the season and with only few variations in pricing, based on location of the seats in the venue.

Price tickets too high and fans feel gouged — and stay home — eventually eroding a team's fan base. Price tickets too low and even crowded stands and sell-out games may enrich scalpers more than owners. And gauging demand six months or more in advance is often speculative, since later information about the team, the health of its players and its chances for success as the season progresses, as well as the health and record of its competitors, can all impact the price fans will pay.

And while teams have used variable ticket strategies to address predictable changes in demand from team rivalries and seasonal weather, the challenge of determining market price for tickets has been magnified by an expanding secondary market for sport tickets — a stark reminder of the diversion (or loss) of significant ticket revenue.

What to do? More teams have turned to the model perfected by the secondary market — dynamic ticketing — to attempt to capture the market value of tickets on a game-by-game basis by allowing prices to fluctuate up until game time. This year, 17 of the 30 MLB teams and most of the 30 NBA teams used some form of dynamic pricing for regular season games.

Both the White Sox and Cubs successfully instituted dynamic ticketing and the Bulls employ a hybrid variable and dynamic ticketing (different prices for different types of games that the team adjusts over the course of the season). The White Sox's test

run of dynamic pricing for a small section of seats in 2010 and 2011 led them to expanding the program to all seats in U.S. Cellular Field this year. The Cubs tested dynamic ticket pricing with 5,000 bleacher seats last season, reportedly to combat the flipping by resellers of tickets for high-demand games for big profit. Right now, the Cubs have an eye toward expanding the concept to the rest of Wrigley Field — a move that could bring an estimated \$18 million in revenue to the team rather than to resellers.

Modern dynamic pricing for sports tickets relies increasingly on sophisticated technology. While earlier versions of pricing systems were slow and cumbersome — changing the price of a single class of tickets could require multiple steps and impose a lag time of three days — today's systems require one click to make arena-wide changes. Pricing software uses algorithms to factor approximately 40 variables (historical sales, current standings, pitchers, day of the week and demand in the secondary market, among others) to determine a suggested price for tickets for each game and in each section of the park. While the suggested prices reflect the market value of the ticket, neither the software nor the companies that provide it set the actual prices, the teams do. The White Sox, which uses technology from Qcue Inc., the market leader in real-time pricing, reportedly sets prices during a weekly committee meeting, after reviewing the Qcue data.

While one purpose of dynamic ticketing is showing fans that they can get as good a deal from the teams as from the secondary market, it's not a fire sale for unsold or low-demand tickets.



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The Cubs reportedly instituted the dynamic pricing model to increase or hold ticket prices steady but not to decrease prices with the goal of boosting preseason sales, not filling the stadium later if factors like a off season lowered demand.

Dynamic pricing can incentivize consumers to purchase season tickets because teams (including the Cubs and the White Sox) guarantee that the ticket price will never fall below the season ticket price. The paradox of dynamic ticketing is that, despite the fact that the ticket prices fluctuate, dynamic pricing can actually create more revenue security for teams by encouraging preseason purchases, either by season ticket holders or fans who want to create their own preferred package of games.

While dynamic ticketing is also intended to help teams maximize their ticket revenue, it is not, as one disgruntled Cubs bleacher fan argued in a letter to a Chicago newspaper, "[a]ll excuses for the computer to jack prices up." While Qcue, which serves about 30 teams across four pro sports leagues (MLB, NBA, NHL, MLS), reports that its clients experience an average of 30 percent growth in revenue for high-demand games and 5 to

10 percent for lower-demand games, the average change in ticket prices is minimal.

This year, MLB teams working with Qcue reportedly saw an average price increase of \$1.55 a ticket. Of tickets that went up in price, the increase was \$3.27; of those that went down, the average decrease was \$13.63. (And for Cubs fans, the team has announced an average 2 percent reduction in ticket prices next year, fueled mostly by a 10 percent decrease in prices for bleacher seats.)

Despite earlier predictions that fans would react adversely, either because of confusion, an overload of choice leading to consumer paralysis or opposition to the possibility that they may pay more for comparable seats than another fan, teams using dynamic pricing reportedly have not experienced significant fan opposition, perhaps in part because fans are already used to fluctuating prices on the secondary market.

Given the benefits to fans and teams that it affords, dynamic pricing is likely to become the pricing model of the future. Teams that are slow to adopt it will continue to suffer decreased ticket revenue as the secondary market undercuts their ticket sales and erodes their fan base.