

A Giant Dynamic Experience

The bleachers of AT&T Park in San Francisco have been drawing attention lately because they are the testing ground for Major League Baseball's first foray into dynamic pricing. According to the CEO of the software company behind the experiment, it's just a short time before the music industry gets its feet wet, too.

Dynamic pricing, yield management, call it what you will – the possibility that the music industry would shift from its traditional ticket sales model toward one like the airline industry has been suggested for several years now.

“The issue in music, obviously, is there's a lot more moving parts than there are in sports,” Dr. Barry Kahn, CEO of ticketing software company Qcue, told Pollstar. “You have artists, agents, promoters, venues – all these different entities. We're still figuring how this plays out on the music side.”

But for the San Francisco Giants, it's already a reality. The baseball organization has 2,000 seats in four sections in its left-field upper deck that can be purchased at dynamic prices.

“We took a look at all of their games at the start of the year and we classified things beforehand that drive fans to prefer one game to another,” Kahn said. That starts out with everything from who a team's playing to what time of year it is to whether it's a day game or a night game to whether school's out.”

As the season progresses, more variables are included.

“If it's going to rain, we know that ticket's not worth much. When a pitcher like Tim Lincecum is announced, we know there will be a spike in attendance.”

If the experiment works, it will go a long way toward resolving some of the team's desire to capitalize on popular games. Barry Bonds hit his record-breaking 756th homerun during a midweek game that was priced low at the beginning of the season, the San Francisco Chronicle noted. As Bonds made his high-profile climb to Hank Aaron's record, \$15 tickets to the game could very well have been re-priced to four times that amount.

So far, sales in the dynamically priced section are up 20 percent compared with last year, although it's possible the Giants' improved performance this season is a factor.

Baseball has one thing going for it that concerts do not: volume. With more than 80 games to play with, 2,000 tickets at a 41,000-capacity venue makes for a relatively manageable strategy. Baseball teams like money just as much as concert promoters do, but their pricing demands do not come from rock stars, who may not want to see their prices drop just because the audience doesn't want to pay the price.

Then again, some artists, rather than seeing a house filled with people who were handed free tickets while walking by the arena, might want to see a little money from those seats instead.

Either way, industry players like Barry Diller and Michael Rapino have said the words "dynamic pricing."

"We are spending immense amounts of time on dynamic pricing for airlines and hotels," Rapino told the Wall Street Journal last year while talking about the Live Nation Tickets launch. He added that there has to be a way for the artist to make more money while "the consumer can pay less money if we can sell more tickets."

"You had Sean Moriarty, Michael Rapino and Irving Azoff talking about Live Nation having 40 percent of their inventory unsold," Kahn said. "At the same time, you've got StubHub saying about 10 percent of tickets are sold for twice face value. So when you have both of those things going on, you've got a ton of negative publicity with the way secondary market solutions work."

"I think we're looking at a lot of organizations on the music side needing to reevaluate what they're doing and how they can provide a better ticket-buying experience for the fans," he said.

Charlie Walker of Austin-based promotion company C3 Presents has acted as a consultant, helping Qcue figure out how dynamic pricing could apply to the music business, Kahn said. The company is in talks with "all the big players" in the industry, he said.

For the AT&T Park venture, Qcue partnered with Tickets.com, the ticketing service owned by Major League Baseball, which applied Qcue's technology to its prices. Tickets.com has provided Qcue with necessary data, and Qcue has updated bleacher prices with a click of the button.

"When a concert promoter working with a venue needs to go change his prices, that actually has to be done with the venue operator," Kahn said. "They're the one who controls the ticketing system. We actually have a way, using our system, to give the concert promoter

direct control over his prices.”

Depending on feedback from the onsale, a promoter could hike up or drop ticket prices at the click of a button, Kahn noted. There could also be more control over inventory before it appears on eBay.

“Obviously, the goal here, whether it’s sports or music, is to make sure this enhances the fan experience and is to be able to get people fairly priced tickets instead of what’s going on today,” Kahn said.

“It would be foolish to say the music industry isn’t a different animal than the sports industry. We have to be careful how we do it. We’re taking our time to make sure we do it right.”

– Joe Reinartz