

# The Energy Overseer

Arthur J. O'Donnell, Chief Correspondent; [energyoverseer@comcast.net](mailto:energyoverseer@comcast.net)

## **Bruce-onomics: The Buyers' Market for Springsteen Tickets**

by Arthur O'Donnell

Special to KZAM.net

Last night's (8/16) concert by Bruce Springsteen and the E Street Band at Pacific Bell Park "sold out" within three hours after tickets were made available to the general public. But right up until show time, seats could be bought and sold on a variety of secondary markets—ranging from Internet auction site eBay, to craigslist.com and the streets outside the stadium. Tickets were also readily available at several "swap" locations where scalping—charging higher than "face" value—is frowned upon.

In some cases, people were willing to sell unused tickets for half of their face value, while also swallowing the TicketMaster "conveniences" fees and surcharges that added a 15 percent to 20 percent premium to the price of each seat. As the day of the concert drew closer, sales pitches and enticements on Craig's List, for instance, grew increasingly frantic, with sellers willing to drive anywhere in the Bay Area to unload their extras for whatever price they could get. "Pleee-ase buy my tickets," implored one seller ten days before the show.

Outside the stadium in the hour before the show, there were plenty of non-scalpers silently waving extras in the hope that someone, anyone, would help them recoup at least some of the cost.

And yet, at the same time, some deep-pocketed fans were willing to pay multiples of the stated ticket price to ensure they held good seats on the "floor" of the stadium closest to the stage. Sellers and scalpers did their best to inflate profits, with some asking prices on Tickets.com running up to \$900 per ticket as soon as the San Francisco show was announced. One out-of-touch eBay seller from Houston (maybe an ex-Enron employee) tried to get \$1,299 apiece for upper-tier seats not far away from sections where others had a difficult time selling tickets even at less-than face value.

Disregarding such extreme price outliers, the resulting range that reflects "consumers' valuation" of an evening spent with The Boss at Pac Bell Park went from approximately \$40 to as much as \$500 per entry. This, despite the fact that every single ticket sold carried the initial price of \$75.00 plus fees—whether for general admission to the standing-room-only "pit" right in front of the stage, for front-row "floor" seats down on the field, or for seats way up in the nose-bleed section euphemistically called "view" level.

While not exactly the "event of a lifetime," this was Springsteen's first San Francisco appearance in 28 years. Along with a show in Los Angeles the following night, these were the only two West Coast stops on this summer's tour to support "The Rising" CD, which was released just over one year ago. Hailed as a return to form for Springsteen after several solo recordings during the 1990s that lacked radio-friendly songs or the powerhouse backing of the E Street Band, "The Rising" ranked number 34 on the Billboard Top 200 charts for the year 2002. CD sales nestled somewhere between Nora Jones' Grammy-winning debut and Elvis Presley's "30 No.1 Hits" collection, but well below the year's top chart busters like "The Eminem Show" and the "O, Brother, Where Art Thou" soundtrack.

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And while boasting scores of “sell out” shows here in the United States and across the globe among the nearly 120 concerts scheduled since “The Rising” was released, the extended Springsteen tour does not seem to be drawing nearly as much total revenue on a weekly basis as the summer’s champion, the Dave Mathews Band. One concert promoter in New Zealand even reported a loss of \$1.7 million on The Boss’s down-under stopover earlier this year.

That some people are willing to pay premium prices for premium or hard-to-get tickets is not at all surprising—after all, that’s what keeps thousands of scalpers in business. Prestige, ego, or simply a willingness to pay someone else to take care of one’s personal wants without much hassle, all factor into the high prices paid beyond the box office for certain events.

The more interesting question is why so many people who purchased tickets for this “exclusive” San Francisco performance found themselves unable to recoup their costs on the secondary market, especially when Springsteen fans in other locales—from Philadelphia to Denver—appeared desperate to get in the door at other stops along the tour. The Backstreets ticket exchange Web site for Springsteen fans revealed hundreds of “ticket needer” postings for other tour dates but only a couple of requests for the San Francisco show.

Even more telling, the KFOG-FM Internet ticket swap service on August 5 listed more than two dozen fogheads hoping to sell their tickets at or below face value, but just a single buyer. Meanwhile, Craig’s List drew 63 new listings of Bruce tickets for sale that day, with most sellers offering their extras at cost “or best offer.” A few still wanted up to \$250 per ticket for “amazing” and “awe-inspiring” seats on the floor or in lower boxes, but the dearth of replies to those offers was signaled by the obvious repeat of postings among the deluge of other sales offers.

If there were buyers at all, they were looking for single seats down front, or a bargain—such as this posting that played on the sympathies of “true fans”: “As a student I can offer up to \$40/each for anything that is half decent. Just looking for a pair for my girl and I. You will know that these are going to true fans, and they will not be resold under any circumstances.”

That same day, eBay posted 49 sets of Springsteen tickets for sale—all sellers hoping for some premium above the initial price—with 33 auctions receiving no bids at all, and few getting bids above the “reserve” level (meaning sellers could withdraw their tickets without making a deal). Of the auctions approaching closure within the next few hours, a set of four view-level tickets drew a top bid of \$40.50 per seat, while a pair of field-level chairs was going for just \$100 per ticket.

That’s all of \$10 above the total cost of buying the seats from TicketMaster (in this case \$75 each, plus an \$11.50 per ticket “convenience fee,” a \$2 facility charge, and variable postage costs).

Sizing up the situation, one “professional” ticket reseller who previously had offered to purchase any and all extra tickets at half-price on Craig’s List soon limited his

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offer and became much more selective about the location of seats. "I was paying half before, but I have a lot of offers so far, so I'll offer a little less. This is an outrageously good deal for you, the seller, as it's still over twice as much as they'll be going for on the night of the concert."

Is it possible that the San Francisco market is too small to support such a large stadium show? That despite the Boss's undisputed place in the pantheon of world-class rock & roll stars, there simply are not 40,000 Springsteen fans left in the Bay area. Sure there are, but perhaps not at the prices being asked.

No doubt there were few empty seats at Pac Bell Park on Saturday night, and certainly by the time the opening chords were struck, street-level scalpers were still trying to capture profits on extra tickets.

What would be interesting would be if—as on some TV commercial for discount hotel rooms—each patron in attendance were to hold up a sign revealing exactly how much was finally paid for the seat he or she occupied.

Economists have suggested several reasons why a concert promoter would price all tickets at the same initial cost. Although promoters and venue owners are "profit maximizers," their desire to charge more for better seats can be outweighed by other considerations, such as the prestige of hosting a sell-out show or trying to induce concession sales.

"One reason for the full-capacity desire centers on the demand dynamics associated with the crowd effect," wrote economists Stephen Happel and Marianne Jennings in a 1995 article, "The Folly of Anti-Scalping Laws," for the *Cato Journal*. "The perception that an event will be a sellout attracts consumers into the ticket market who would not attend otherwise, and the ambience from a sellout may intensify the demand by consumers for future events. A second reason for promoter desire for a sellout is to maximize complementary revenues from parking, refreshments, and souvenir sales at the stadium or concert hall."

Others have suggested that certain artists, like Springsteen, want to project a democratic image—not in terms of party politics, but in allaying the perception that only rich people can obtain the best seats in the house, while everyone else is relegated to the peanut gallery.

And yet, once tickets are no longer available for sale at the box office or TicketMaster site, the secondary market takes over and price variations inevitably appear—with the resulting price curve likely to reflect much the same outcome as if the best floor seats had been priced at \$250 or more each while bleacher seats are discounted to \$40.

In the case of the San Francisco Bruce Springsteen concert, the uniform price seems to have actually contributed to market-price discrepancies because of a parallel and decidedly undemocratic ticket-sales policy. As host venue for the concert, Pac Bell Park allowed a three-day "pre-sale" window of opportunity for Giants baseball season ticket holders.

# **The Energy Overseer**

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That meant that some 18,000 well-heeled baseball fans got first shot at 40,000 seats on a best-available basis (with a four-ticket limit per season ticket holder for field-level seats), leaving non-season ticket holders vying for any remaining chairs. Ticket counters estimated that more than half of the seats were sold to season-pass holders. The result was that all the most desirable tickets were sold days before the rest of the house was opened to general rock fans.

People who might or might not have any interest in a rock concert were able to corner the market on tickets desired by the rest of the local population of Springsteen fans.

It's a wonder there were any seats available at all by the time the "public" sales took place. Even though there was an eight-ticket limit for higher-tier seats, a kind of artificial scarcity was perceived by concert fans, who reacted by buying as many tickets as they were allowed, even in the least desirable locations.

This set up much of the secondary-market pricing dynamic.

Far from being "scarce," available tickets throughout the stadium were actually plentiful—they just were not priced in a way that would maximize efficient distribution. A lot of people who probably don't even own copies of "The Rising" (or "Born to Run" for that matter) purchased as many seats as possible for resale, assuming an unquenchable demand for the tickets. A lot of people who feared getting shut out completely ordered more seats than they needed, which probably were not "worth" the TicketMaster price of \$75. They were unable to recoup their costs in the face of a surplus.

While premium seats were initially offered for resale at premium prices, there were simply too many available, and the asking price plummeted within days. In fact, on the Friday before the concert, TicketMaster released many more seats—in all sections—at the original price. Anyone who really wanted to go to the show was better off "going short" in the secondary market, because even some of the best seats could be purchased at or near face value, while upper-level seats went begging because of a lack of demand.

A very few people made windfalls by selling "pre-sale" tickets at higher prices immediately before the general sale, but a lot of others probably lost some or all of the value beyond whatever satisfaction they derived from attending the show.

In any event, Springsteen, TicketMaster, Pac Bell Park, and the concert promoters all made the same amount of money.

*Arthur O'Donnell is a San Francisco-based business and economics writer. The first time he saw Bruce Springsteen in 1972, he paid \$3 and sat on the gymnasium floor about ten feet away from the band.*

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